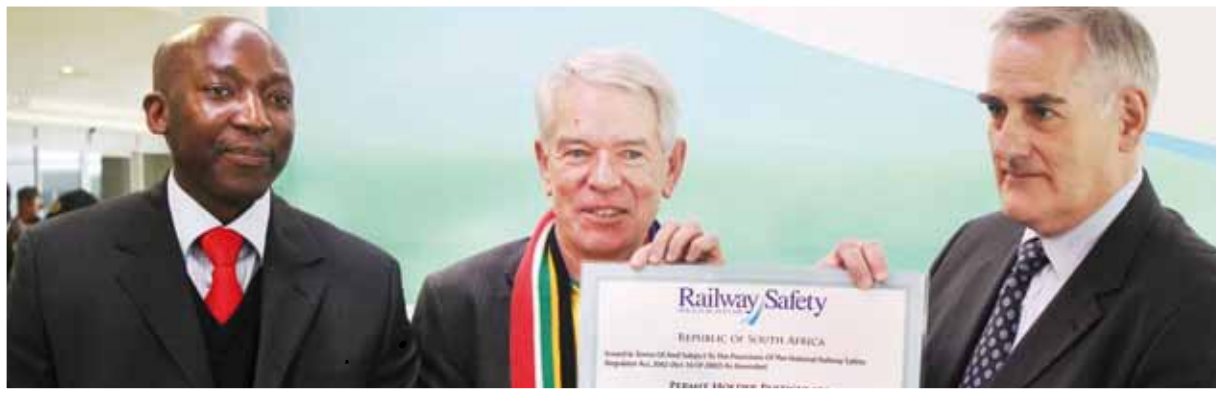


ANNUAL

REPORT

2009/10



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# REPORT

# Vision,

## MISSION & MANDATE

### a) Vision

Creation of a safe railway environment

### b) Mission

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

### c) Values

The core values of the RSR are:

- Fairness,
- Equity,
- Transparency,
- Integrity, and
- Innovation

### d) Mandate

The Railway Safety Regulator ("the RSR") is a public entity established in terms of Section 4 of the National Railway Safety Regulator Act, 2002 (Act No. 16 of 2002). The RSR is governed and controlled by a board of directors, appointed by the Minister of Transport, who hold office for a period of three (3) years.

The mandate of the RSR can be summarised as follows:

- To oversee safety of railway transport, while operators remain responsible for managing safety of their operations;
- To promote improved safety performance in order to promote the use of rail;
- To monitor and ensure compliance through the conducting of audits, inspections and occurrence investigations;
- To develop regulations;
- To conclude appropriate co-operative agreements or other arrangement with organs of state to ensure effective management and overseeing of safe railway operations and to minimise duplication;
- To collect and disseminate information relating to safe railway operations;
- To develop, adopt or accept standards for safe railway operations;
- To collaborate with and conclude contracts, where appropriate, with any person, body or institution with the view to furthering the objects of the RSR, including scientific and technical information, and training;
- To promote the harmonization of the railway safety regime of South Africa with SADC railway operations.

#### 1) LEGISLATIVE MANDATE

The legislative mandate of the RSR is derived from the National Railway Safety Regulator Act, 2002 (Act 16, 2002)

(as amended), and is influenced by other legislation, including but not limited to the following:

- Occupational Health and Safety Act, 1993 (Act No. 85, 1993);
- Mines Health and Safety Act, 1996 (Act No. 25, 1996)
- Legal Succession to the South African Transport Services Act, 1989 (Act No. 9, 1989) (as amended);
- Public Finance Management Act, 1999 (Act No. 1, 1999) (as amended);
- National Nuclear Regulator Act, 1999 (Act 47, 1999);
- Explosives Act, 2003 (Act 15, 2003)
- National Environmental Management Act, 1988 (Act 107, 1988)
- National Disaster Management Act, 2002 (Act 57, 2002)
- Promotion of Access to Information Act, 2000 (Act 2, 2000)
- Various labour legislation, including the Labour Relations Act, 1995 (Act 66, 1995); Basic conditions of Employment Act, 1997 (Act 75, 1997); Skills Development Act, 1998 (Act 97, 1998); Employment equity Act, 1998 (Act 55, 1998)
- Protected Disclosures Act, 2000 (Act 26 of 2000)
- Promotion of Administrative Justice Act, 2000 (Act 3 of 2000)

# Board OF DIRECTORS



Board Chairperson  
Charles Ntuli



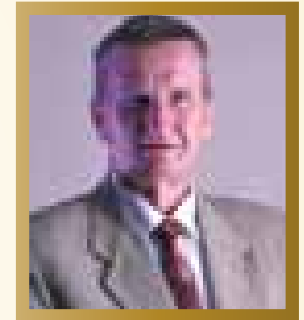
Mosenngwa Mofi  
Chief Executive officer



Thato Tsautse



Willem Venter



Brian Carver



Cedric Ntumba



May Hermanus



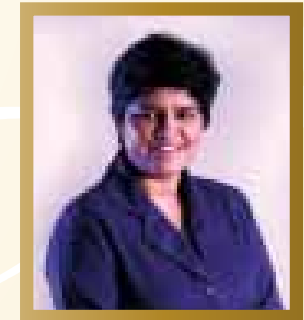
Brenda Madumise



Jacob Malatse



Chris De Vos



Mala Somaru

# Structure

## OF THE RAILWAY SAFETY REGULATOR



Mosenngwa Mofi  
Chief Executive officer

Safety  
Regulation



Maryna du Plessis  
General Manager

Safety  
Assurance



Carvel Webb  
General Manager

Research &  
Co-operative Governance



Stanley Khosa  
General Manager

Legal  
Services



Kethabile Moya  
General Manager

Corporate  
Services



Lawrence Venkile  
General Manager

Finance



Martina Ntlangula  
Chief Financial Officer



Mervyn Panzera  
Safety Advisor

Safety Permit  
Administration

Standards  
Development

Transportation of  
Dangerous Goods  
by rail.

Occurrence  
Investigations

Compliance Monitoring

Safety Audits

Safety Inspections

Safety Information  
Analysis

Research

Co-operative  
Governance

International Liaison

Flagship Projects

Legal Compliance  
Monitoring

Legal Support

Legal Drafting

Board Secretariat

Corporate  
Communications

Media Liaison

Stakeholder  
Management

Human Resources  
Administration

Information &  
Communications  
Technology

Information  
Management & Security

Records & Facilities  
Management

Shared Services

Financial  
Management

Budget Control

PFMA Compliance

Supply Chain  
Management



# Chairperson's

FOREWORD

This Annual Report represents yet another milestone in the evolution and development of the railway industry in South Africa. The positive impact the Railway Safety Regulator has had on the industry in the few years of its existence gives us the confidence that we are on the right track and we need to double our efforts to achieve the desired levels of safety and security in our railway environment. The strides have been immense, the challenges have been daunting, yet we remain committed to ensuring a lasting legacy of superior safety performance in our railways for generations to come.

Regulating safety in South Africa's railways is a daunting task made more challenging by the fact that we are breaking new ground and seeking to regulate an industry that has been self-regulating for decades. Conceptualising an independent regulatory model premised on the need to sustain improvement in safety performance has been a steep learning curve, both for the Board and the management of the RSR. Over the years there have been invaluable lessons learnt which have served to strengthen our approach to safety regulation.

The acknowledgement by the state that safety plays a pivotal role in advancing operational efficiency in our railways led to the establishment of the RSR. This institution is the custodian of safety in South Africa's railways and is charged with a very important responsibility of exercising oversight on safety performance and ensure that requisite standards and regulations are in place and these are effectively enforced to ensure sustained improvement of safety performance.

The achievements of the RSR in the few years of its existence have inspired us to do more and compel the operators to continually test and review the efficacy of their safety management systems through Annual Safety Improvement Plans.

At the beginning of the next financial year we will be issuing the Bombela Operating Company with a Safety Permit for the operation of the Gautrain, covering the Sandton to OR Tambo International Airport route. Our staff have worked tirelessly in conjunction with the Bombela team to meet all requisite deadlines. We are proud of the effort they have put in ensuring that this critical cog in our public transport system sees the light of the day.

Over the last year the founding legislation of the RSR was amended paving the way for a more robust regulatory regime which introduces a penalty regime which will see the RSR imposing monetary penalties on operators for non-compliance with safety requirements. It remains our hope that all operators, including the Gautrain, will maintain the highest levels of compliance and maintain a healthy safety record for many years to come.

We are proud to have played our role as midwives to the Gautrain, which will undoubtedly revolutionise passenger rail in the country. The experience we have gained in this project will assist the RSR to add better value to any future rail project of the magnitude of the Gautrain, including the Moloto Rail Corridor Project in Mpumalanga.

As we enter the final lap in the countdown to the largest sporting spectacular in the world, the 2010 FIFA World Cup™, we are confident that the level of readiness demonstrated by all our operators, enables us to reassure the world that we are happy with the measures in place to ensure that our trains are safe and secure.

As this Board presents its final Annual Report, we must express appreciation to the Minister of Transport, Honourable Sbu Ndebele and the Director-General, Mr George Mahlalela for the support they continue to provide the RSR in the execution of its mandate. We must also appreciate the co-operation and support the RSR continues to receive from the Railway Police branch of the South African Police Services (SAPS) and the South African Bureau of Standards (SABS).



Chairperson  
Mr. C. Ntuli





# Chief Executive Officer

OVERVIEW

REPORT



## 1. INTRODUCTION

The mission of the RSR is 'to oversee and promote safe railway operations through appropriate support, monitoring and enforcement guided by an enabling regulatory framework'. The RSR's mission must always be viewed in line with the Department of Transport's vision of "Transport, the heartbeat of South Africa's economic growth and social development." Safe railway operations are vital to the national economy and therefore critical to the sustainability of our freight logistics and public transport system. The RSR's interventions are informed by the overall government's priorities, the Department of Transport's strategic priorities over the medium term, the RSR's mandate and the key safety challenges in the railway environment.

The 2009/10 Strategic Plan was developed taking into account the experiences gained by the RSR in undertaking its safety oversight role. This involved an ongoing assessment of the state of safety in South African railways, a reflection on the national priorities, an assessment of safety risks in the railway environment, the overall performance of the railway system as well as the institutional capacity of the Railway Safety Regulator. As a result, the RSR identified the following key strategic objectives that guided its interventions during the 2009/10 financial year:

- Strengthening the regulatory regime
- Improve safety compliance and adequacy
- Facilitate effective stakeholder partnerships to improve safety
- Proactive support of key initiatives
- Improve institutional effectiveness

The following is a brief outline of strategic priorities identified in the 2009/10 Strategic Plan.

### **Strengthening the Regulatory regime.**

This primarily involved putting into place interventions that support the implementation of the amended National Railway Safety Regulator Act. The further development of railway safety standards and regulations, the publishing of guidance notices as well as the issuing of safety permits for the next 3 year cycle.

### **Improve safety compliance and adequacy:**

The objective of this strategic priority is the enforcement of compliance with the railway safety regime through safety audits,

inspections and occurrence investigations. Furthermore, the RSR has to ensure that it puts in place appropriate mechanisms to monitor safety performance through instruments such as the state of safety reports and the Annual Safety Improvement Plans by the operators.

### **Facilitate effective partnerships to improve safety:**

The objective of this strategic priority is to ensure that the RSR actively engages in regional initiatives to harmonise railway safety in line with the SADC Protocol on Transport, Communication and Meteorology.

The RSR is furthermore required to enter into co-operative arrangements with key stakeholders including organs of state. In addition to co-operative agreements, stakeholder partnerships will be undertaken to conduct public safety awareness programmes.

### **Proactive support of key initiatives:**

The objective of this strategic priority is to ensure that the RSR responds appropriately to initiatives such as Gautrain, the National Freight Logistics Strategy, the 2010 FIFA World Cup and the Rail Sector Capital Investment programme through conducting technology reviews.

### **Improved Institutional Effectiveness**

The objective of this strategic priority is to ensure sound management of the RSR underpinned by effective and efficient systems, processes and procedures.

## 2. OVERVIEW OF KEY DEVELOPMENTS

The period 2009 – 2010 marked the fourth year of the RSR operating as a fully-fledged institution that oversees safety in the railway sector. The experiences of the past four years have provided the RSR with a sound basis to guide its objectives and interventions for the next medium term period. The initial period (2005-2006) focused mainly on developing institutional capacity to enable the RSR to deliver on its statutory mandate. In this period, the RSR was able to establish the critical capacity needed to carry out its mandate as spelt out in the national Railway Safety Regulator Act (2002). Notwithstanding the current budget constraints, the RSR has been able to lay a solid foundation to enable sound safety regulation of the railway industry.



In the 2009/10 period, major progress was made in the further strengthening of the railway safety regulatory regime, through the development of appropriate regulations, safety standards, the assessment of railway operator's safety management systems and the issuing of safety permits to legalise railway operations. The RSR's activities over the past few years, has enabled it to be in a position to determine the nature of challenges confronting the railway industry. The understanding of these challenges has been informed by the extensive safety audits, inspections and occurrence investigations undertaken over the past few years. Moreover, the RSR has been able to develop state of safety reports which serve to provide information on safety performance in the railway environment.

### 3. OVERVIEW OF SAFETY CHALLENGES IN THE RAILWAY ENVIRONMENT

As the RSR strengthens its safety regulatory regime, the assessment of the overall safety performance of the railway industry will be crucial in identifying areas requiring urgent intervention, as well as assessing the impact of the work of the RSR. In this regard, the outcomes of the safety assurance activities such as audits, inspections, occurrence investigations and the State of Railway Safety Reports have provided the RSR with the necessary information to assess and determine the level safety performance by railway operators in the country.

An analysis of the state safety reports, indicate that safety performance trends have remained relatively consistent over the recent years. The reports indicate that the general safety performance has not improved, indicating a need for significant interventions by both the RSR and operators. The general state of railway safety and security in the country has not improved. Whilst notable improvement is evident in some reportable categories, urgent interventions are required to improve safety in the critical occurrence categories such as derailments and collisions, security related occurrence (including vandalism and theft of operational assets), level crossings and people struck by trains. It should be noted that Collisions and Derailments continue to be the highest incident cost driver of the combined incident costs for TFR and PRASA.

It must be further appreciated that an improvement in the safety performance in our railways is a critical element in ensuring that government realises its objective of building a viable and sustainable rail transportation system. Similarly, it is a critical cornerstone in building a sustainable transport system that is

able to effectively drive both the country's economic growth and social development. The following is a brief overview of safety challenges in railways;

#### 3.1 Derailments and collisions.

The rate of derailments and collisions remain unacceptably high and this is mainly apparent in freight rail operations. Over 90% of Transnet Freight Rail occurrence costs are directly attributed to derailments and collisions. This has direct impact on the efficient operation of the freight rail system as poor safety performance impact directly on the efficiency and competitiveness of rail freight transport. To this end, derailments have led to costly delays on freight corridors whilst the average cancellation of trains amounts to 10 trains per day due to accidents and other security incidents such as theft of copper cables. Transnet Freight Rail (formerly Spoornet) has incurred massive losses resulting from poor safety performance in recent years. For example, in its annual report (2007/08), Transnet attributed, amongst other factors, the decreased volumes on the coal line to ongoing service disruptions resulting mainly from derailments and other operational issues, such as cable theft and load shedding.

#### 3.2 Railway Occurrence Costs.

The direct costs associated with railway occurrences remain high. The combined costs for both Transnet Freight Rail and Metrorail (operating under PRASA) for 2008/09 amounted to R635m of which R576m was attributed to TFR and R60m to Metrorail. The occurrence costs do not include the indirect costs associated with delays and cancellations associated with railway occurrences, which may lead to much higher figures when taken into account. This indicates that costs associated with safety remain a big concern as such costs may have been diverted to other critical areas in railways requiring urgent attention.

#### 3.3 Poor condition of railway infrastructure and rolling stock

The poor condition of railway infrastructure and rolling stock has led to constant failures in railway operations, leading to the constant introduction of inherently less safe manual procedures. A notable number of accidents that the RSR investigated (mainly in the commuter rail environment) over the years occurred when manual procedures were put in place, often resulting to non-adherence to operating procedures.



The commuter rail system operated by PRASA is of major concern as it is battling to provide a safe and reliable service due to poor condition of the infrastructure and rolling stock in addition to insufficient capacity to meet the passenger demands. The current investment backlog of the commuter rail service is estimated to be around R20b whilst Rolling Stock recapitalisation requirements are estimated at R60b.

The following are key concerns;

- 40% of the fleet is over 37 years and one-third is constantly out of service leading to poor performance, safety and reliability.
- The signalling system is at the end of its economic life with only 14% of the 162 signalling installations having not exceeded their design life.

Although the RSR has noted increased investment in key areas to stabilise the rail commuter system, we are of the view that more needs to be done in this area. The RSR's audits, inspections and occurrence investigations findings point out the need for urgent investments in safety critical infrastructure and rolling stock.

### 3.4 Inadequate capacity to meet demand and manage safe and reliable railway operations.

Directly linked to poor state of infrastructure and rolling stock is the inadequate technical skills to meet the demands of running safe and reliable railway services. The RSR's audits and investigations have revealed challenges related to operators' not having adequate technical capacity to effectively maintain and operate the rail system. Moreover, the RSR's investigations have raised serious concerns around the inability of safety critical personnel (e.g. Train Drivers) to deal with abnormal conditions particularly linked with system failures. The immediate causes of a notable number of accidents have as a result, been directly linked to human error.

### 3.5 Security (including vandalism & theft of operational assets and personal safety in trains and stations)

Vandalism and theft of railway assets continue to pose a major challenge in the railway environment. Of major concern is the theft of overhead cables and signal wires. A number of RSR's accident investigations have revealed that the theft of railway assets impacts negatively on the safety and reliability of railway

operations. The theft of signal wires often impacts on the working of the train control system and directly renders the system useless in many parts of the network, leading to reliance on radio instructions and manual operations which often results in serious safety challenges. In many instances, the theft of assets has directly led to accidents, train delays & cancellations amounting to millions of rands in losses.

The RSR is encouraged by the notable improvements in reducing the levels of crime relating to personal safety in trains and stations. A steady improvement in this regard can be attributed to the ongoing successful roll-out of the Railway Police. This improvement will go a long way in addressing in addressing the most serious concern amongst the commuting public regarding personal safety within trains and stations.

### 3.6 Informal settlements along the rail reserve

The mushrooming of informal settlements along the rail reserve poses major safety risks in railway operations. It should be noted that the highest number of fatalities and injuries in railways are people struck by trains. The settlement patterns along the rail reserve often lead to people crossing active lines in illegal crossings which often lead to major safety risks. The other concern relates to the theft and vandalism of railway assets as current indications point to a high prevalence rate of theft around settlements alongside the rail reserve. These acts impact negatively on railway operations have similarly directly led to accidents, train delays and cancellations.

## 4. SAFETY FOCUS OVER THE MEDIUM TERM

Over the medium term, the RSR will channel all its efforts in addressing the challenges highlighted above in line with the strategic outcomes of the National department of Transport. The medium term safety focus will seek to address the following key issues;

- An assessment of the condition and status of the critical elements of infrastructure, rolling stock, operational systems & management (including safety critical personnel, from both individual and overall systems perspective.
- An assessment of the envisaged investment programs by major operators will address the key safety concerns arising from safety audits, inspections and occurrence investigation findings and whether they will have the desired result of improving reliability, availability and operational safety.



- Assess whether sufficient measures are taken to ensure that the current assets can continue to be used in a safe manner whilst renewal/investment programmes are being introduced.
- Assess the level of compliance with the RSR's directives arising out of safety audits, inspections and occurrence investigations.
- Assess measures put in place to ensure the safety and security of railway assets, passengers, freight and the general public within the railway reserve and surrounding environment.
- Assess whether measures are put in place to ensure sustainable capacity to run safe and reliable railway services by operators.

## 5. KEY PERFORMANCE HIGHLIGHTS

The RSR has operated as a fully fledged institution over the past four years. During this period, it had to establish itself as an institution whilst at the same time, discharge its mandate as outlined in the National Railway Safety Regulator Act (2002). This proved to be a daunting task as the RSR is the first institution of its kind in the African continent and also one of the few globally although there is currently a notable increase of railway safety regulators. We had to test a completely new terrain within the framework laid out in the founding legislation. The major challenge was to establish our footprint and influence in an environment that was completely unregulated. Since its establishment, the RSR was able to achieve the following:

### 5.1 Setting up a sound railway safety regulatory framework.

#### • Safety Regulations and Standards

The development of an appropriate and sound railway safety regulatory framework is crucial in laying a solid foundation for effective regulation. The regulatory framework comprises mainly of regulations and safety standards. In pursuance of its mandate, the RSR has, in collaboration with the railway industry and the South African Bureau of Standards developed a series of standards to ensure that a common and consistent approach to railway safety in areas such as safety management, technical & operational standards as well as human factors management. A key to the successful regeneration of the railway system in South Africa, and indeed the sub-region, is the interoperability of the railways. This implies consistent standards and common usage of technology where railway infrastructure is used by more than one operator. To this end, the RSR and the railway industry have and continue to collaborate in developing the overarching broad

technical and operating standards. To this end, the RSR has, to this date published the following regulations and standards;

- Safety Management System Regulation which outlines requirements for effective management of safety by railway operators.
- Standards Development Process Regulation which outlines requirements for the development of railway safety standards.
- Safety Permit Fee Regulation which outlines permit fee requirements
- General Safety Management System Standard (SANS 3000-1-1) which was subsequently amended. This standard provides a detail guide on general safety management system requirements in the railway environment.
- General Technical Requirements for Engineering and Operational Standards (SANS 3000-2-1) which provides the framework for the life-cycle management approach to which all other technical and operating standards must meet.
- Track, Civil and Electrical Infrastructure Standard (SANS 3000-2-2) which covers requirements to be met by operators in dealing with track, civil and electrical infrastructure.
- Rolling Stock Standard (SANS 3000-2-3) which outlines requirements to be met when dealing with rolling stock.
- Transportation of Dangerous Goods Standard which outlines requirements to met by operators when transporting dangerous goods

Significant progress has been made in the development of the Human Factors Standard which will provide requirements for an overall approach in managing people in safety critical positions in the railway environment. In addition to the above, significant progress has also been made in the development of the following standards which will be published in the medium term;

- Occurrence Management Standard
- Train Control Systems Standard
- Train Operations Management Standard
- Platform/Station Standard
- **Amendment of the National Railway Safety Regulator Act (2002)**

Parliament has recently passed the Amendment of the National Railway Safety Regulator Act (2002) in order to, amongst other factors, strengthen its enforcement capacity through the introduction of fines (penalty system) in the event of non-

compliance by operators, streamline administrative aspects of the Act, address occupational health & safety issues that have a direct impact on operational safety and provide further clarity on the RSR's role and mandate. The legislative framework (regulations) for the introduction of the penalty system is currently at an advanced stage and will be implemented soon.

### 5.2 Safety Audits Inspections and Occurrence Investigations

Over the past years, the RSR has placed a lot of emphasis in auditing the operator's safety management systems, as these provide a sound basis for effective management of safety in the railway environment. At the same time, the RSR has also initiated and intensified targeted technical audits focusing on infrastructure Integrity, communication infrastructure, interface management and rolling stock maintenance.

This will build on the progress made by the RSR Inspectorate which has, as at end March 2010, conducted a total of;



- 740 SMS audits at operational sites
- 46 Ad Hoc Inspections
- 47 occurrence investigations and
- 112 Design Reviews and Safety Assessment of New Works including the Gautrain Project.

As a result of the above activities the RSR has issued the following directives;

- 10 Prohibition directives when immediate threat to railway safety was evident;
- 63 non-compliance notices when elements of a safety management system were not implemented and
- 105 improvement directives when there is possible threat to safety, for example physical infrastructure defects.

The ability of the Railway operators to respond to the challenges that have been identified in the RSR's audit, inspection and occurrence investigation findings and recommendations is of utmost importance. In this regard, all safety interventions made by the industry should, as a minimum, be directed at addressing findings of the RSR. It is however pleasing to note great efforts aimed at improving safety in our railways by major operators such as Transnet Freight Rail (TFR) and the Passenger Rail Agency of South Africa (PRASA) following the implementation of Safety Management Systems and major investments in rail infrastructure and rolling stock.

A strategic decision by government to re-introduce the SAPS Railway police has seen over 2000 police officers deployed in the railway environment, which has contributed to crime in our trains being reduced dramatically. Similarly, the rate of prosecutions and arrests increased over the recent years. Whilst this is encouraging, theft and vandalism of railway assets, which has a direct knock-on effect on operational safety, continue to remain serious challenge.

### 5.3 State of Railway Safety Reporting

The assessment of the overall safety performance of the railway industry is crucial in identifying areas requiring urgent intervention as well as assessing the impact of the work of the RSR. In this regard, the State of Railway Safety reports have provided the RSR, Parliament, the Department of Transport, the railway industry and the public at large with the necessary information to assess safety performance in railways. These reports serve to provide a broad overview of the profile of the railway sector and the general performance by railway operators in different occurrence

categories such as collisions and derailments. It furthermore includes the occurrence costs for major operators. These reports therefore play a strategic role in highlighting high risk areas that require focused attention by both operators and the RSR.

Whilst the RSR has reported notable improvements in some reportable railway occurrence categories, urgent interventions are however required to improve safety in the critical occurrence categories such as derailments, collisions, level crossings and security related incidences such as vandalism and theft of operational assets.

### 5.4 Regional Harmonisation of the railway safety regime

The need for harmonisation of safety standards within the SADC region is of strategic importance. The RSR is actively facilitating efforts to adopt and align the current railway safety standards by regional railway operators through the Southern African Railway Association. In this regard, the RSR has facilitated the adoption of the safety management system as a framework to guide safety management practices by operators' in the region. This was achieved through the Southern African railways Association. The next phase will focus on facilitating the adoption of safety standards by regional railway operators under the leadership of SARA. Despite the limited resources, the RSR continues to provide support and guidance to regional operators with regard to the implementation of a safety management system approach at strategic corridors as well as within relevant operator' environments.

### 5.5 Gautrain Rapid Rail Project

With respect to the Gautrain Project, the RSR has been working closely with the Bombela Concession Company regarding the proposed standards for the Gautrain Rapid Rail project. The Railway Safety Management standard, which was launched in 2005, read together with the 3 technical standards that have been published, requires all operators to follow the life cycle approach to managing safety, from concept through design, construction, test and commissioning, operation and finally decommissioning. To this end the RSR has been engaged the Gautrain Rapid Rail Project in the phases of design, construction and test and commissioning by conducting reviews and assessments on aspects such as safety in the railway tunnel from Park Station to Marlboro, train control systems including the signalling and communication systems, rolling stock, and the hazard log. In addition the RSR has issued a Safety Permit for the operation of construction trains,

and expecting an application for safety permit for the testing and commissioning phase to be submitted shortly. All these efforts are aimed at ensuring the rapid rail project operates safely once introduced for commercial operation.

### 5.6 Safety Permits

The RSR's jurisdiction covers all railway operations except underground operations in mines and amusement parks. In this regard, the RSR issues safety permits in order to legalise the operations of any railway operator. The safety permit is issued once the RSR has satisfied itself that the operators have a sound Safety Management System in place. To this end, the RSR has successfully evaluated safety management system reports and issued safety permits to 280 operators in order to legalise operations. These operators span industry sectors ranging from manufacturing to petrochemical and tourism, among others. The largest of these are Transnet Freight Rail and PRASA (operating Metrorail and Shosholozu Meyl).

### 5.7 Institutional Capacity

It is critical to highlight that the RSR continued to operate under severe resource constraints, which, in certain instances limited its ability to move with the required momentum in the implementation of its programme.

The various challenges faced by the railway industry continue to illustrate the need to significantly increase and strengthen the RSR's capacity in order to enable appropriate interventions. Over the medium term, the RSR will need to substantially increase its capacity in order to strengthen its safety compliance, monitoring and enforcement capacity.



Mosengwa Mofi  
Chief Executive Officer



# Service Delivery

ENVIRONMENT

# REPORT

## SERVICE DELIVERY ENVIRONMENT

The RSR regulates a highly complex and dynamic industry with a long history of self regulation. The last five years have been a steep learning curve and have provided invaluable insights into possible interventions that may result in long-term sustainable improvement to safety performance in South Africa's railways.

In conducting an analysis of the state of railway safety in South Africa, a number of pervasive challenges loom large and remain a significant barrier to improved safety performance. The most critical of these challenges are highlighted hereunder:

- a) Derailments and collisions remain unacceptably high.
  1. over 90% of Transnet Freight Rail occurrence costs are directly attributable to derailments and collisions.
  2. Derailments have led to costly delays and train cancellations on freight corridors resulting in significant impact on the economy.
- b) Direct costs associated with railway occurrences remain high.
  1. Rail occurrence costs for 2008/09 amounted to R635 million for Transnet Freight Rail (TFR) and the Passenger Rail Agency of South Africa (PRASA), which exclude indirect costs.
- c) Poor conditions and underinvestment in rail infrastructure and rolling stock results in constant system failures which either drive or results from the systematic erosion of safety. This is further evidenced by lack of compliance with safety operating procedures when systems fail and require activation of manual procedures.
- d) Inadequate capacity to meet demand as well as manage safe and reliable railway operations. This is evidenced by inadequate technical capacity in the operators' environments as well as inadequate infrastructure, including rolling stock to meet the rising demand.
- e) Human Factor management challenges in safety critical roles, e.g. train drivers) which manifests itself in the low levels of competency of drivers in responding to abnormal conditions in the rail environment.
- f) Mushrooming of informal settlements along rail

reserves poses major safety risks. This results in illegal crossings on the railway line and this is where the highest number of people struck by trains is recorded. This also results in difficulty to access the railway line by maintenance vehicles and personnel and also leads to vandalism and theft of safety critical assets.

g) Vandalism and theft as well as personal safety remain pervasive challenges.

h) Operational interface problems with freight and passenger services on shared infrastructure remains a challenge. This manifests itself in the conflict between demands of both commuter and freight rail services.

As a direct response to these challenges, the RSR has refined its strategic focus and interventions over the medium term in order to achieve maximum impact and achieve sustainable improvement in safety performance. The following are the core drivers of the RSR's focus over the medium term:

- a) Assessment of the condition/status of critical elements of infrastructure, rolling stock, operational systems and management (including personnel undertaking safety critical work) from both individual and overall systems perspective.
- b) Interrogation of the extent to which the envisaged investment programs address the current investment backlogs and have the desired result of improving availability, reliability and operational safety.
- c) Assessment of the extent to which sufficient measures are taken to ensure that current assets can continue to be used in a safe manner whilst renewal programmes are being introduced.
- d) Interrogation of the level of compliance with the RSR's directives resulting from safety audits, inspections and occurrence investigations.
- e) Analysis of the measures that are in place to ensure the safety and security of railway assets, passengers and the public within the railway reserve and surrounding environment.
- f) Interrogation of measures that are in place to ensure sustainable capacity for railway operations.

An analysis of the state of safety in South Africa's railways reveals that the highest number of incidences recorded in the 2008/09 financial year were collisions during movement of rolling stock with a total of 1,202 occurrences.

In addition, level crossing occurrences ranked seventh with a total of 170 occurrences. 88 persons were injured as a consequence of these occurrences, while 34 were fatally injured. Motorist behaviour has been identified as the principal driver of level crossing occurrences.

The table below illustrates the aggregate number of incidences for baseline year 2009.

ALL OPERATORS OCCURENCES	
CATEGORY	TOTAL
A - Collisions	1202
B - Derailments	1154
C - Unauthorise Movements	164
D - Level Crossings	170
E - People struck by train	613
F - Trains and People related	124
G - Passenger related occurrences	35
H - Platform train interchange	798
I - Station infrastructure	104
J - Electric shock	43
K - Dangerous Goods	433
L - Fire	467
<b>GRAND TOTAL</b>	<b>5307</b>

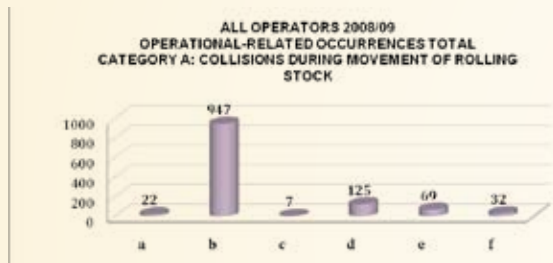
**Table 1: The 2008/09 5307 operational occurrences totals breakdown per category**

As a form of summary, these five-thousand three-hundred and seven (5307) total operational-related occurrences which took place in the 2008/09 financial years as captured in table 2 may be graphically presented in figure 1 as follows:



Figure 1: All operational categories occurrences totals for 2008/09

The graph overleaf illustrates incidences related to collisions and derailments.

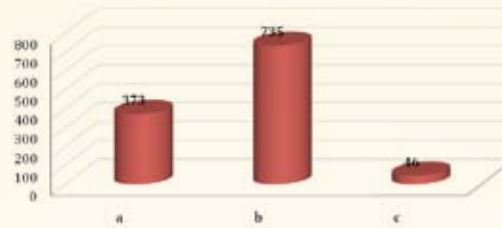


Graph 1: Collisions during movement of rolling stock

1,002 collisions during movement of rolling stock were recorded during the 2008/09 financial years.

The derailment occurrences recorded during the 2008/09 financial years were a total of 1,154. 735 of these occurrences were derailments of rolling stock on a line other than a running line, which as the former, are typical yard and sidings occurrences. These are presented in graph 2 below.

ALL OPERATORS 2008/09 OPERATIONAL-RELATED OCCURRENCES TOTAL CATEGORY B: DERAILMENTS DURING MOVEMENT OF ROLLING STOCK



Graph 2: Derailments during movement of rolling stock

The typical question that may come to mind is what causes this high number of occurrences within the railway industry. As an effort to try establish the latter, RSR, during its revision of the SANS included a number of possible causes. The operators are expected to indicate how many occurrences were in category A and B caused by these possible causes. The indications thus far, as operators are still trying to conceive the reasoning behind this effort, suggest that most of the category A, B, C and D occurrences are being caused by the following as per the identified possible causes:

LEGEND - GRAPH 1 (COLLISIONS)

- a Collisions on running line
- b Collision with obstruction on running line
- c Collision with stop block on running line
- d Collision other than on running line
- e Collision with obstruction other than running line
- f Collision with stop block other than running line

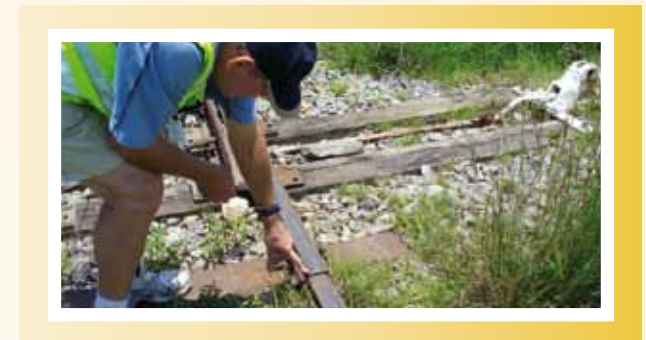
LEGEND - GRAPH 2 (DERAILMENTS)

- a Derailment on running line
- b Derailment not on running line
- c Derailment during tippler activities





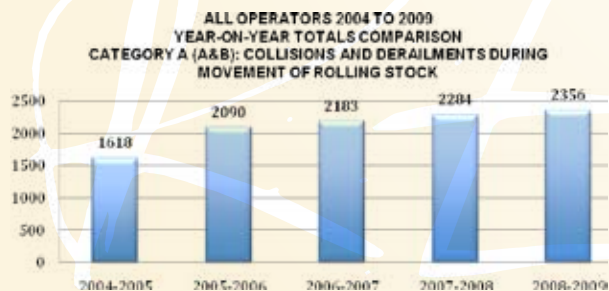
POSSIBLE CAUSE OF OCCURRENCE PER CATEGORY	A	B	C	D
<b>TRACK AND CIVIL INFRASTRUCTURE</b>				
Rail breaks	0	5	0	2
Kickouts	0	10	0	0
Track geometry including slacks, twist and cant	2	37	0	0
Gauge widening	3	13	0	0
Wash away	0	6	0	0
Defective points and crossings	2	25	0	0
Structural failure (bridges, culverts, tunnels, OHTE)	0	0	0	0
Cuttings or embankment failure	0	1	0	0
<b>SIGNAL FAILURES</b>				
Wrong side signal failure	2	0	0	0
Signal equipment defects	2	0	0	0
Electro-magnetic interface	0	0	0	0
<b>ROLLING STOCK FAILURES</b>				
Broken axel	0	23	0	0
Braking system failure	2	4	0	0
Coupler failure	1	12	0	0
Wheel profile including a sharp flange	0	10	0	0
Fires of high tension equipment	0	0	0	0
<b>OPERATIONAL IRREGULARITIES</b>				
Loading irregularity	3	1	0	0
Movements exceeding limits of authority	7	13	0	0
Speeding	1	11	0	0
Shunting irregularities	35	65	0	0
Operational irregularity (error caused by driver, TCO, shunter, maintenance)	35	103	0	0



SECURITY ASPECTS				
Malicious damage to property (vandalism)	0	0	0	0
Vandalism (wilful acts not for gain)	21	1	0	0
Theft of operational assets	0	0	0	0
Malicious damage to property impacting on operational safety	0	0	0	0
EXTERNALITIES				
Power outages	0	0	0	0
Adverse weather conditions	0	2	0	0
Non compliance to road signage	3	0	0	80
HUMAN FACTOR CAUSES				
Failure of the human resources procurement and placement process	0	0	1	0
Substance abuse	0	0	0	0
Shiftwork and fatigue	3	0	0	0
Training	2	3	1	0
Unfit for duty due to physical and/or psychological condition	1	0	0	0
Gross negligence	12	21	5	2

Table 2: 2008/09 financial years possible causes for railway occurrences

The year-on-year comparison of these categories demonstrates that there is a 3.06% increase from the previous reporting period. This is in line with the 4.42% increase in the trend between 2006/07 and 2007/08 financial years.



Graph 3: Year-on-year collisions and derailments comparison

### CONCLUSION

The above reflected provided an overview of safety performance in railways with regard to collisions and derailments as these are the major cost drivers in relation to rail occurrences. The detailed assessment of occurrences in all categories is contained in the Railway Safety Regulator's 2008/09 Annual State of Safety Report. This report provides detailed information with respect to all railway occurrences including security occurrences, level crossings, people struck by train and other occurrence categories. The RSR will be publishing this report in due course.





# Pre-determined Objectives

(PERFORMANCE INFORMATION)

## EXECUTIVE OVERVIEW OF THE RAILWAY SAFETY REGULATOR'S PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR 2009/10 FINANCIAL YEAR.

The following is a brief outline of strategic priorities identified in the 2009/10 Strategic Plan.

### Strengthening the Regulatory regime.

This primarily involved putting into place interventions that support the implementation of the amended National Railway Safety Regulator Act. The further development of railway safety standards and regulations, the publishing of guidance notices as well as the issuing of safety permits for the next 3 year cycle.

### Improve safety compliance and adequacy:

The objective of this strategic priority is the enforcement of compliance with the railway safety regime through safety audits, inspections and occurrence investigations. Furthermore, the RSR has to ensure that it puts in place appropriate mechanisms to monitor safety performance through instruments such as the state of safety reports and the Annual Safety Improvement Plans by the operators.

### Facilitate effective partnerships to improve safety:

The objective of this strategic priority is to ensure that the RSR actively engages in regional initiatives to harmonise railway safety in line with the SADC Protocol on Transport, Communication and Meteorology. The RSR is furthermore required to enter into co-operative arrangements with key stakeholders including organs of state. In addition to co-operative agreements, stakeholder partnerships will be undertaken to conduct public safety awareness programmes.

### Proactive support of key initiatives:

The objective of this strategic priority is to ensure that the RSR responds appropriately to initiatives such as Gautrain, the National Freight Logistics Strategy, the 2010 FIFA World Cup and the Rail Sector Capital Investment programme through conducting technology reviews.

### Improved Institutional Effectiveness

The objective of this strategic priority is to ensure sound management of the RSR underpinned by effective and efficient systems, processes and procedures.

The following is an overview of performance against the predetermined objectives in the 2009/10 Strategic Plan.

Strategic Priority	Performance against Strategic priority
Strengthening the Regulatory regime	<ul style="list-style-type: none"> <li>• Penalty Fee framework developed and approved by the Board. Penalty Regulations have been finalised and will be submitted to DoT for publishing in the 2010/11 financial year.</li> <li>• The revised permit fee framework was developed and approved by the Board as part of implementing the amended Act. In addition, a New Permit Application Guide was Developed and approved by the Board.</li> <li>• A Regulatory Model for focussing on High Risk operators was developed and approved by the Board.</li> <li>• The following railway safety standards were developed.               <ul style="list-style-type: none"> <li>◊ Amended Safety Management System Standard (SANS 3000-1-1) published.</li> <li>◊ Transportation of Dangerous Goods by Rail Standard published.</li> <li>◊ Accepted Recommended Practice on Station Platform published.</li> <li>◊ Human Factors Management Standard: Committee draft developed.</li> <li>◊ Train Control Systems Standard: A draft has been developed.</li> <li>◊ A Guidance Notice on Train Control Systems was issued to the industry.</li> <li>◊ Level Crossing Standard: A draft has been developed.</li> <li>◊ Occurrence Management Standard: A draft has been developed.</li> </ul> </li> </ul> <p>Safety Permit applications were assessed and a total of 113 permits were issued as at end March 2009. Cost Recovery on Permit Fees – The budgeted amount was R7.6m and the RSR recovered R10.9m. 320 Annual Safety Improvement Plans by operators received and evaluated.</p>

Strategic Priority	Performance against Strategic priority
Developing sustainable safety compliance regime	<ul style="list-style-type: none"> <li>• A total of 72 Safety Management System audits were conducted including audits required for Permit Renewal. This resulted in the issuing of 253 Audit non-conformances, 6 letters of noncompliance, 17 Improvement Directives and 3 Prohibition Directives.</li> <li>• A total of 16 Ad-hoc Inspections were conducted resulting in 7 Improvement Directives and 1 Letter of non-compliance.</li> <li>• A record 23 occurrence investigations completed. The redesigned approach to investigations with the broader involvement of the Inspectorate has proved very successfully. The above investigations resulted in the issuing of 39 recommendations and 6 Improvement Directives.</li> <li>• Major success in implementing compliance follow-ups: which assist the RSR to assess the extent of compliance with directives, findings/recommendations and at the same time assist in measuring the impact of the RSR. Compliance update reports were regularly submitted to the Safety Committee and a detailed up-date report on the implementation of audit, inspection and occurrence investigations findings will be drafted in the 2010/11 financial year.</li> <li>• An Audit Protocol to guide the undertaking of targeted technical audits was developed and the programme was successfully launched with the initial focus on PRASA's Gauteng, Durban and Cape Town regions. TFR and TRE Head Offices were also audited (including the Coal Line and Ore line regional depots). 27 targeted technical audits were conducted on PRASA regions including the Head Office and 24 targeted audits were conducted on TFR. These targeted audits focussed on Infrastructure integrity, Rolling Stock maintenance, communication infrastructure and interface management.</li> <li>• A revised format for the 2008/09 State of Safety was developed, which accommodated the transition from the old to the new SANS reporting standards. An annual State of Safety Report (2008/09) was developed and approved by the Board.</li> <li>• A total of 85 technology review submissions were received from operators of which 43 reviews were completed at end March 2010. The majority of the requests are submitted by PRASA, TFR and major mines. A decision to involve the full spectrum of the Inspectorate in this area has proved successful.</li> </ul>

STRATEGIC OBJECTIVE	PERFORMANCE AGAINST OBJECTIVE
Proactive support of key initiatives.	<ul style="list-style-type: none"> <li>• With regard to the Gautrain Project, potential hazards associated with the operation have been identified and a Hazard Log developed and quantified into risks. The Hazard Log is monitored and updated on an ongoing basis as the safety risks are identified.</li> <li>• A dedicated resource was allocated to Gautrain and this has paid off in ensuring that compliance requirements of the project are adequately addressed. Full reviews of the Train Control system and Rolling stock were completed in terms of follow-ups and detail reviews of all the permit application requirements and Testing and Commissioning were conducted in all areas (civil infrastructure, stations, rolling stock, overhead equipment, signalling and communications).</li> <li>• A Construction, Test and Commissioning permit were issued to Bombela Construction Company.</li> <li>• Key Rail: ongoing changes to safety permit updated on a regular basis based on operational requirements (part of branch-line revitalisation project).</li> <li>• 2010 World Cup readiness: 3 PRASA region-based audits and 1 Headquarters audit conducted. PRASA station programme reviewed and 8 tourism operators audited.</li> <li>• The targeted audits on PRASA regions also integrated 2010 World Cup readiness.</li> <li>• A total of 85 technology review submissions (as part of the Capital Investment Programme by operators) were received from operators of which 43 reviews were completed at end March 2010. The majority of the requests are submitted by PRASA, TFR and major mines. A decision to involve the full spectrum of the Inspectorate in this area has proved successful.</li> </ul>

STRATEGIC OBJECTIVE	PERFORMANCE AGAINST OBJECTIVE
Facilitate effective partnerships to improve safety	<ul style="list-style-type: none"> <li>• MOU with the South African Police Services was signed with the Commissioner of Police.</li> <li>• MOU with the Chemical Industry Association completed and signed (to support the RSR with regard to the transportation of dangerous goods by rail.</li> <li>• MOU with the Heritage Rail Association of South Africa completed and signed. (to support the RSR with the development of industry standards).</li> <li>• MOU with Department of labour finalised and awaiting final approval.</li> <li>• The Railway Safety Campaigns were launched and undertaken in collaboration with key stakeholders including the SAPS, South African Commuter Organisation, TFR and PRASA.</li> <li>• RSR continue to play a key role in the National railway Crime Combating Forum wherein issues of crime and security in railways are addressed.</li> <li>• Currently facilitating the adoption of safety standards in the region by the Southern African Railways Association. The Dangerous goods handbook and Emergency Response handbook have been accepted by SARA Committees.</li> </ul>

STRATEGIC OBJECTIVE	PERFORMANCE AGAINST OBJECTIVE
Improve Institutional effectiveness.	<ul style="list-style-type: none"> <li>• Organisational Design Review conducted and approved by the Board.</li> <li>• Appropriate organisational policies and procedures developed and approved in the following areas; <ul style="list-style-type: none"> <li>◊ HR Strategy developed and approved by the Board</li> <li>◊ Performance Management Policy developed and approved.</li> </ul> </li> <li>• Database server to support NIMS and internal applications deployed.</li> <li>• A Risk Management Profile was developed, approved and monitored on an ongoing basis.</li> <li>• A Performance Agreement with the Minister was developed, approved and signed by the Minister.</li> <li>• Board activities were effectively administered.</li> <li>• Ensured that the RSR complied with relevant legislation such as Employment Equity and Skills development Act.</li> <li>• Developed systems and processes to ensure sound and regular reporting in line with RSR's Board requirements, the Department of Transport and in terms of the Public Finance Management Act.</li> </ul>



## STRATEGIC PRIORITY 1: STRENGTHEN THE REGULATORY REGIME

OBJECTIVE	OUTPUT	MEASURE/ INDICATOR	PERFORMANCE AGAINST TARGETS		
			2009/10	ACTUAL PERFORMANCE	REMEDIAL ACTION/ COMMENT
Implementation of the Amendment Act	Penalty Regulations	Penalty Regulations published and implemented	Published by September 2009	The Penalty Framework and Model have been approved by the Board and the final draft Penalty Regulations are completed	Initial target could not be met due to the NRSR Amendment Act being proclaimed on 21 September 2009. Final draft regulations to be submitted to the Minister once the Schedule of Contraventions has been approved. Revised target is 1 <sup>st</sup> Quarter of 2010/11 financial year.
	Amended Permit fee Regulations	Amended Regulations published and implemented	Amended Regulations published by September 2009	Amended Regulations approved by the Board and submitted to the Department of Transport for publication	Initial target could not be met due to the NRSR Amendment Act being proclaimed on 21 September 2009. Final draft regulations to be submitted to the Minister once the Schedule of Contraventions has been approved. Revised target is 1 <sup>st</sup> Quarter of 2010/11 financial year.
	Safety Permit Application Guide	Safety Permit Application Guide approved and implemented	Safety Permit Application Guide approved and implemented in May 2009	Completed and approved by the Board	
Reduce Level Crossing accidents through the development of appropriate regulatory interventions	Level crossing regulations	Level crossing regulations promulgated	Draft regulation by March 2010	Regulation not drafted. Refer to comment.	The RSR was given legal advice to develop level crossing standards and incorporate all requirements into the Standard.
	Level crossing standards	Level Crossing Standards published and implemented	Committee Draft standard by March 2010	Committee Draft standard completed.	
	Generic level crossing risk assessment model	Risk assessment model and guidance document approved and accepted	Model approved by December 2009	Draft level crossing risk assessment model was developed and tested at 5 sites.	The model will be approved as an integral part of the level crossing standard. Revised target is 2010/11 financial year.
			Model application guidance developed by March 2010	Draft model application guide developed.	

OBJECTIVE	OUTPUT	MEASURE/ INDICATOR	PERFORMANCE AGAINST TARGETS		
			2009/10	ACTUAL PERFORMANCE	REMEDIAL ACTION/ COMMENT
Focus on high risk operators	Alternative methodology for regulating 'small' operators	Proposed methodology for regulation small operators approved	Methodology approved by February 2010	Methodology approved.	
Improvement in safety performance through the application and implementation of appropriate national standards	Updated and amended railway safety management system standard	Amended SANS 3000-1 standard published and implemented	Standard published by March 2010	Amended SANS 3000-1 published in October 2009.	
	National technical and operating standards in the SANS 3000-2 series	Technical and Operating Standards published	Half of planned standards drafted by March 2010	50% of planned standards drafted.	
		Guidance Notice on National technical & operating procedures issued	Guidance Notice issued by June 2009	Guidance Notice on National technical and operating procedures completed and issued in December 2009.	
	Standardized management of railway occurrences	SANS 3000-3 Railway Occurrence Management Standard developed	SANS 3000-3 published by March 2010	Draft standard developed but not published by March 2010.	Target could not be met as scope of standard has changed to incorporate needs of the industry. Revised target is 2010/11 financial year.
		Guidance Notice on the standardisation of railway occurrences management	Guidance Notice issued by June 2009	Guidance Notice finalised but not issued as at year end.	Guidance Notice to be published in 2010/11
	Standardized Human Factors management in railways	SANS 3000-4 Human Factors Management Standard developed	Committee Draft by March 2010 Board approval by June 2010	Committee Draft completed.	
Glossary of terms and expressions for standard interpretation		Standard on Glossary of Terms published	Committee Draft by March 2010	Document completed but not as a standard.	A Technical Committee decision was taken not to publish the Glossary of Terms as a standard, but rather a guideline document to be published on the RSR website.



## STRATEGIC PRIORITY 2: IMPROVE SAFETY COMPLIANCE AND ADEQUACY

OBJECTIVE	OUTPUT	MEASURE/ INDICATOR	PERFORMANCE AGAINST TARGETS		
			2009/10	ACTUAL PERFORMANCE	REMEDIAL ACTION/COMMENT
Improved compliance with safety permit requirements	Issued safety permits	No. of permits issued within the specified 90 days	80% of permits issued on time	A total of 113 safety permits were issued, of which 113 were assessed within 90 days and 52 were issued within 90 days.	
Continual safety performance improvement	Evaluated and accepted ASIPs, including interventions to address negative occurrence trends; focus mainly on TFR, TRE and (SARCC)	Proposed safety improvement interventions evaluated	Critical safety improvement interventions evaluated	320 Annual Safety Improvement Plans received and evaluated.	
Compliant and adequate safety management system	SMS Pre – and Post Audits	Conducted audits as per agreed programme	Achieve 80 % of agreed audit programme.	72 SMS Audits conducted. 80 % achieved.	90 Audits scheduled up to Quarter 4.
		SMS Audit findings accepted and implemented	Audit Findings implemented	For the 72 audits conducted- <ul style="list-style-type: none"> <li>• 13 clear audit reports were issued;</li> <li>• 59 audits required corrective actions comprising-                             <ul style="list-style-type: none"> <li>• 244 non conformances issued and 4 completed from 4 operators;</li> <li>• 6 letters of non compliance issued (still pending)</li> <li>• 12 improvement directives issued of which 10 were implemented;</li> <li>• 3 prohibition directives issued of which 1 was rectified and 2 still in force.</li> </ul> </li> </ul>	

OBJECTIVE	OUTPUT	MEASURE/ INDICATOR	PERFORMANCE AGAINST TARGETS		
			2009/10	ACTUAL PERFORMANCE	REMEDIAL ACTION/COMMENT
	Ad –hoc Inspections	Ad-hoc inspections conducted and reported on within agreed time frames	Ad hoc inspections conducted	16 Ad hoc Inspections conducted and 12 reports completed.	
		Inspection findings accepted and implemented as agreed	Inspection findings Implemented	<ul style="list-style-type: none"> <li>1 Letter of non-compliance issued, accepted and implemented.</li> <li>7 Improvement directives issued, 4 accepted and 3 completed.</li> <li>4 Recommendations issued and responses pending as at year end.</li> </ul>	
	Occurrence Investigations undertaken	No. of occurrence investigations undertaken	Occurrence investigations undertaken	23 Occurrence Investigations conducted of which 13 reports were completed and 10 still work in progress as at year end.	
		Findings and recommendations accepted and implemented within agreed timeframes	Findings implemented	39 Investigation recommendations currently under review by operators. 6 Improvement directives were issued, of which 3 were accepted and 2 implemented.	
Targeted SARCC specific audits on: Infrastructure Integrity Rolling Stock Maintenance Communication Infrastructure Interface management	Conducted audits as per agreed programme	Conduct 80% of specific audits	<ul style="list-style-type: none"> <li>7 were conducted at PRASA HQ,</li> <li>7 Audits Conducted in the Gauteng Region;</li> <li>7 Audits conducted in Cape Town;</li> <li>7 Audits Conducted in KwaZulu-Natal on : Infrastructure Integrity Rolling Stock Maintenance Interface management Train Operations</li> </ul>	28 of the 30 scheduled audits completed. Further Audits to be conducted at Nelson Mandela Bay and Buffalo City in 2010/11	
	Audit findings accepted and implemented	Audit findings implemented	Analysis of implementation of recommendations and findings not completed as at year end.		

OBJECTIVE	OUTPUT	MEASURE/ INDICATOR	PERFORMANCE AGAINST TARGETS		
			2009/10	ACTUAL PERFORMANCE	REMEDIAL ACTION/ COMMENT
	Targeted TFR/TRE Interface audits	Specific audits undertaken as per agreed programme	Conduct 80% of agreed specific audits	1 Specific Audit conducted and draft report completed covering 2 sites: Transnet Rail Engineering (TRE) audit (Germiston) and TRE/TFR Interface (Sentrarand)	
		Findings and recommendations accepted and implemented within agreed timeframes	Audit Findings implemented	1 Prohibition directive was issued and being implemented.	
	Targeted TFR audits on: Infrastructure Integrity Rolling Stock Maintenance Communication Infrastructure Interface management	Specific audits undertaken as per agreed programme	Conduct 80% of agreed specific audits	All 24 Scheduled audits conducted: 6 Audits Conducted at TFR HQ 6 Audits Conducted at Vryheid 6 Audits Conducted at Ermelo 6 Audits Conducted at Empangeni on : Infrastructure Integrity Rolling Stock Maintenance Interface management Train Operations	
		Findings and recommendations accepted and implemented within agreed timeframes	Audit findings implemented	Analysis of implementation of findings and recommendations not completed as at year end.	Report on the implementation of Audit Findings to be completed in 2010/11
Effective railway occurrence information management	Quarterly management information and statistical analysis of railway occurrences produced	Occurrence information collected, analysed and reported	Occurrence information collected	Occurrence information for 2008/09 collected and analysed.	
			Quarterly occurrence report produced within 1 month of expiry of of the relevant quarter	Quarterly occurrence report not produced due to practical challenges.	Quarterly occurrence information has been incorporated into the annual State of Safety Report.
Improve safety performance through appropriate technical interventions	Proactive engagement of key operators for introduction of technology to improve safety and reduce impact of occurrences	Operator engagement on proposed solutions	Engagement of operators on identified solutions	Operators engaged the RSR through technology review submissions of which 85 were submitted and 43 completed.	
			Agreed solutions implemented	43 Technology review submissions completed and accepted for implementation by operators.	

### STRATEGIC PRIORITY 3: FACILITATE EFFECTIVE STAKEHOLDER PARTNERSHIPS TO PROMOTE AND IMPROVE SAFETY

OBJECTIVE	OUTPUT	MEASURE/ INDICATOR	PERFORMANCE AGAINST TARGETS		
			2009/10	ACTUAL PERFORMANCE	REMEDIAL ACTION/COMMENT
Reduction of level crossing occurrences	Engagements with operators, road authorities and public in safety awareness interventions	Developed programme of awareness interventions	Planned interventions implemented	Railway Safety Awareness Campaign rolled out across the country in partnership with Railway Police (SAPS), TFR and PRASA	
		Reduction of level crossing occurrences	10% reduction of level crossing occurrences compared with 2008/09	Analysis on reduction levels of level crossing occurrences not conducted.	The outcome of the analysis will be reflected in the 2009/10 State of Safety Report which will be completed in 2010/11
Improved safety compliance	Guidance Notices to meet needs of operators and RSR	Guidance notices issued	As and when required	Accepted Recommended Practice 084 to address platform clearances and platform heights with regards to people with disabilities published.	
Reduction of fatalities and injuries resulting from trespassing and occupation of railway property	Facilitated development of appropriate legislation to address informal settlements on railway land and trespassing.	Relevant legislation and responsible authorities identified	Engage identified authorities by March 2010	Engagements with SALGA and Operators have taken place.	
		Engage relevant stakeholders regarding changes to existing legislation	Ongoing engagement of identified stakeholders	Engagements with SALGA and Operators have taken place.	
	Annual state of railway safety report	Annual State of Safety Report approved and published by September	Approved and published within 3 months of agreed target	Annual State of Safety Report completed in December 2009	Changes in reporting requirements led to delays in the finalisation of the report and publishing will be in 2010/11
Promotion of safety and interoperability in SADC railways	Supported development of Southern Africa Rail Association's (SARA) standards	Level of support to SARA for the development of standards for the region	Participation in standards accepted as per SARA programme	RSR providing support and advice in reviewing SADC handbook on dangerous goods.	
	Supported implementation of SARA Safety Policy at Corridor Level	Level of support provided to regional operators as required	Address requests as and when received	Guidance and advice provided on the implementation of the safety policy in 2 regional corridors	

OBJECTIVE	OUTPUT	MEASURE/ INDICATOR	PERFORMANCE AGAINST TARGETS		
			2009/10	ACTUAL PERFORMANCE	REMEDIAL ACTION/COMMENT
Collaboration with international bodies to enhance RSR's capacity and knowledge base	Cooperation with international bodies on identified areas requiring research to improve skills and knowledge of RSR personnel	Needs identified and intervention programmes developed	Ongoing collaboration	<p>Participated in the International Railway Safety Conference in Sweden.</p> <p>Benchmarking conducted on other international regulators in areas such as:</p> <ul style="list-style-type: none"> <li>• Penalties</li> <li>• Accident Investigation</li> <li>• Train Driver Training</li> <li>• Level Crossings</li> </ul> <p>Participated in the NEPAD Transport Conference</p>	
		Identified Interventions	Interventions implemented	Interventions currently implemented as part of the process to develop the penalty system	
Efficient and effective oversight of safety in railway operations through collaboration with identified stakeholders	Agreements with State Organs and other key stakeholders	Signed Agreements. MOU with DoL reviewed and draft submitted to DoL for comment	Agreements Signed as per agreed programme	<p>Amended Draft MOU with DOL completed.</p> <p>MOU with SAPS awaiting signatures.</p> <p>MOU with CAIA signed. Draft MOU with DMR completed.</p> <p>Initiated discussions with National Disaster Management Centre with aim to sign MOU.</p> <p>MOU with Heritage Rail Association is in draft.</p>	
		Agreements implemented per agreed programme	Agreements implemented	Agreements with the following entities are currently being implemented : SAPS, RRA, NNR, CAIA, SAPS, DOL, HRASA and TETA	

OBJECTIVE	OUTPUT	MEASURE/ INDICATOR	PERFORMANCE AGAINST TARGETS		
			2009/10	ACTUAL PERFORMANCE	REMEDIAL ACTION/COMMENT
Effective oversight of OH&S issues impacting on operational safety	SOP's with DoL	SOP's signed and implemented	Implementation of signed agreements SOP with DoL developed and currently reviewed	Development of SOP with DOL initiated but not implemented.	SOP with DOL to be completed in 2010/11
	Engagements with DoL and operators on OH&S issues impacting on operational safety	Reduction in occurrences attributed to OH&S issues	15% reduction in occurrences attributable to OH&S issues	Analysis on reduction levels of occurrences not conducted.	Outcome of the analysis to be reflected in the 2009/10 Annual State of Safety Report which will be finalised in 2010/11
Effective oversight of security issues impacting on operational safety	SOP's with SAPS	SOP's signed and implemented	Implementation of signed agreements	SOP with SAPS not signed.	SOP with SAPS to be completed in 2010/11
	Engagement of SAPS and operators on security-related occurrences impacting on operational safety	Reduction in occurrences attributed to security issues	15% reduction in occurrences attributable to security issues	Analysis on reduction in occurrences not conducted.	Occurrence data to be reflected in the 2009/10 Annual State of Safety report which will be completed in 2010/11.

# REPORT

OBJECTIVE	OUTPUT	MEASURE/ INDICATOR	PERFORMANCE AGAINST TARGETS		
			2009/10	ACTUAL PERFORMANCE	REMEDIAL ACTION/COMMENT
Enhanced RSR's profile and improved communication with stakeholders to promote and improve safety	Integrated communication strategy and implementation programme, including: <ul style="list-style-type: none"> <li>• Integrated stakeholder awareness programmes</li> <li>• Cooperation with commuter organisations</li> <li>• NRCCF</li> </ul>	Interventions implemented in terms of the strategy	Planned interventions implemented	<p>Integrated Railway Safety Awareness Campaign launched in cooperation with Railway Police, PRASA, TFR.</p> <p>Overarching safety messages developed in collaboration with operators and Railway Police and stakeholder liaison protocols agreed to.</p> <p>Framework for cooperation and recognition discussed with South African Commuter Organisation (SACO)</p> <p>Leading a campaign through the NRCCF structures to declare cable theft economic sabotage</p> <p>Safety awareness campaigns rolled out in Western Cape, Gauteng, North-West</p> <p>Undertook Easter safety awareness campaign jointly with NRCCF members targeting level crossings, stations, shopping centres, taxi and bus ranks.</p>	
Safe and effective facilities for persons with disabilities	New or amended standards for network, rolling stock and stations	Identification and engagement of organisations representing disabled persons	Identified organisations engaged by March 2010	Identified organisation were engaged with and a technical committee to address issues relating to disability established	
		Identified relevant existing standards for disabled persons both locally and internationally	Evaluate identified Standards	Existing relevant standards identified and evaluated.	

## STRATEGIC PRIORITY 4: PROACTIVE SUPPORT OF KEY INITIATIVES

OBJECTIVE	OUTPUT	MEASURE/ INDICATOR	PERFORMANCE AGAINST TARGETS		
			2009/10	ACTUAL PERFORMANCE	REMEDIAL ACTION/ COMMENT
Safety compliant revitalised Branch lines	RSR interventions to address safety aspects undertaken	Interventions Implemented in accordance with agreed programmes	Identified interventions implemented	TFR Branch lines Strategic plan has been analysed  Preliminary Protocol for branch lines has been designed  Kei Rail was granted permission to increase maintenance capability to ensure track condition can be improved.	Branch-line strategy engagements with the Department of Transport and other key stakeholders ongoing
Safety compliant Gautrain Rapid Rail Project	Construction Train, and Test and Commissioning Safety Permits	Safety Permits issued	As per Gautrain Project schedule	Construction Permit, Test and Commissioning Permit issued	
	Operational Safety Permit	Safety permit issued	No target for 2009/10	BOC Safety Permit application for train operations received.	Due to late submission of the application, the safety permit may only be issued during 1 <sup>st</sup> Quarter of the 2010/11 financial year
	Acceptance of international standards	Identified standards reviewed	Standards reviewed and accepted as per agreed programme	Evaluation of Gautrain standards on tunnels, platform, train control systems and rolling stock in progress.	
	Critical components of the railway system reviewed	Identified components interrogated	As per Gautrain Project schedule	Reviews on rolling stock, signalling completed.	<ul style="list-style-type: none"> <li>Evaluation of the Overhead Traction Equipment in progress as at year end.</li> <li>Evaluation on civil infrastructure outstanding.</li> </ul>



OBJECTIVE	OUTPUT	MEASURE/ INDICATOR	PERFORMANCE AGAINST TARGETS		
			2009/10	ACTUAL PERFORMANCE	REMEDIAL ACTION/ COMMENT
Oversee integration of safety requirements on dedicated passenger routes for 2010 FIFA World Cup™	Specific audits and inspections	Audits and inspections undertaken in terms of an agreed programme	Audits undertaken per agreed programme	4 of the 6 scheduled audits conducted, viz <ul style="list-style-type: none"> <li>• 1 Audit Conducted at PRASA HQ</li> <li>• 1 Audit Conducted in the Gauteng Region</li> <li>• 1 Audit Conducted in KwaZulu-Natal</li> <li>• 1 Audit Conducted in Cape Town</li> </ul> 8 Tourism Operators were audited and reported in the SMS Audits: <ul style="list-style-type: none"> <li>• Friend Of Rail</li> <li>• Patons country narrow Gauge Railway</li> <li>• Sandstone Estates</li> <li>• Rovos Rail</li> <li>• TRANSNET Foundation – Heritage Preservation</li> <li>• Outeniqua Power Van</li> <li>• Port Elizabeth Apple Express</li> </ul>	Further Audits to be conducted in Nelson Mandela Bay and Buffalo City in April 2010
		Findings and recommendations accepted and implemented within agreed timeframes	Audit Findings implemented	Analysis of the implementation of findings and recommendations not complete as at year end.	Report on implementation of findings to be completed in 2010/11

## STRATEGIC PRIORITY 5: IMPROVE INSTITUTIONAL EFFECTIVENESS

OBJECTIVE	OUTPUT	MEASURE/ INDICATOR	PERFORMANCE AGAINST TARGETS		
			2009/10	ACTUAL PERFORMANCE	REMEDIAL ACTION/ COMMENT
Ensure sound financial management	Documented financial controls, procedures and systems.	Deployed and documented financial controls, systems and processes.	Planned new financial policies developed, approved and implemented	Documented and deployed procedures: <ul style="list-style-type: none"> <li>Capitalisation of assets</li> <li>Withdrawal and disposal of assets</li> <li>Inventory Management</li> </ul>	
		Compliance with PFMA and other financial prescripts.	Compliance as well as accurate quarterly reports, AFS and budget requirements submitted within prescribed time	Compliance Certificate issued and statements issued within prescribed time frames	
		Expenditure monitoring	20% expenditure variance as compared to the budget	Variance Reporting:- YTD Budget:R49,086m YTD Actuals:R49,008m Variance:R0,006m % Variance:0.12%	
Ensure sound supply chain management	Revised supply chain management policy and practices.	Sound supply chain management practices implemented in compliance with the policy	Compliance with Supply Chain Policy	<ul style="list-style-type: none"> <li>Supply Chain Management training for end-users conducted</li> <li>Developed and implemented effective procurement processes</li> </ul>	
			Zero significant audit findings	Mid-year audit findings addressed and implemented	

OBJECTIVE	OUTPUT	MEASURE/ INDICATOR	PERFORMANCE AGAINST TARGETS		
			2009/10	ACTUAL PERFORMANCE	REMEDIAL ACTION/ COMMENT
Achievement of sound environment (system) of: internal control; risk management; governance and financial management.	Reviewed and updated internal audit policies	Internal audit policies reviewed and updated annually as per agreed programme	Policies updated and approved by May 2009	Internal Audit Charter was approved in May 2009	
	3- year rolling and annual audit plans	Developed and implemented 3-year and annual audit plans	Audit plans approved by May 2009	The 2009/10 audit plan was partially approved in May 2009.	
			Achieve 85% of the approved audit plan by March 2010	80% of the Audit Plan achieved by March 2010.	The audit projects making up the remaining 10% of the plan are in progress and will be finalised by 1 <sup>st</sup> Quarter of 2010/11 financial year. 10% of the plan has been rolled forward for inclusion in the Audit Plan for 2010/11 financial year.
	System for implementation of external and internal audit findings	Audit findings/ recommendations accepted and implemented in terms of the agreed programme	Audit Findings implemented	Findings previously raised are followed up continually as per agreed time frames with management.	
Achievement of a sound Risk culture for integration of Risk Management in business operations.	Organisation- wide risk profile	Strategic and operational risk assessments conducted to develop the risk profile in terms of an agreed programme	Annual strategic and quarterly operational risk assessments as per the agreed programme.	RSR Strategic Risk Profile for 2009/10 was finalised and approved by the Board in August 2009. Operational risk assesment was conducted in December 2009.	
Good corporate governance principles and practices	Effective institutional corporate governance	Compliance with charters, Terms of reference of Board, Board committees and management committees	Draft documents submitted to Board for approval by March 2010	Terms of Reference for all Board Committees reviewed and approved by the Board.	

OBJECTIVE	OUTPUT	MEASURE/ INDICATOR	PERFORMANCE AGAINST TARGETS		
			2009/10	ACTUAL PERFORMANCE	REMEDIAL ACTION/ COMMENT
Fulfilment of legislative and Shareholder's mandate	Performance agreement between the Board and the Minister	Signed Board performance agreement	Agreement complete by July 2009	Performance agreement between RSR and the Minister signed	
	Board performance evaluation	Achievement of performance targets in terms of the legislative and shareholder mandate	Performance targets achieved by March 2010	Board Performance Evaluation to be completed in 2010/11	
		Board Evaluation Report approved	Board evaluation conducted annually	Board evaluation process initiated but not completed as at year end.	Evaluation report will be approved once the evaluation exercise is complete.
Effective development and maintenance of RSR human capital	HR strategy & plan	HR Strategy & plan developed in terms of an agreed programme	HR Strategy and plan for 2010/11 approved by November 2009	HR Strategy approved by Board in August 2009.	
			Implementation of 2009/10 HR plan implemented by March 2010	4 New Inspectors and 2 Principal Inspectors appointed.	
	Skills Audit	Skills development programme developed and implemented	Programme implemented in terms of agreed programme	Skills development programme implemented	
	Comprehensive training Matrix	Training programme developed and implemented	Programme implemented in terms of agreed programme	Training undertaken covering Supply Chain Management Training, Railway Track Design Maintenance, Front Desk & Reception, Legal Counsel & Legislative Drafting, Employment Equity, Occupational Health & Safety, Essential Finance, Project Management, Information Technology Infrastructure Library (ITIL).  5 Bursaries awarded	

OBJECTIVE	OUTPUT	MEASURE/ INDICATOR	PERFORMANCE AGAINST TARGETS		
			2009/10	ACTUAL PERFORMANCE	REMEDIAL ACTION/ COMMENT
Sound HR policies and practices that result in motivated, competent and capacitated personnel	Developed and reviewed policies and procedures to encourage innovation and efficiency	Policies and procedures, developed or reviewed and approved annually	Policies reviewed and approved	Amendments to Conditions of Service for RSR Employees were approved to re-align the leave cycle for all employees.	
			New policies developed and approved	The following policies were approved by the Board: <ul style="list-style-type: none"> <li>• Job Evaluation Policy</li> <li>• Performance Management Policy</li> </ul>	
Efficient business processes through optimal utilisation of ICT	Master Systems Plan	MSP implemented	MSP implemented as per the agreed programme	<ul style="list-style-type: none"> <li>• Deployed Virtual Private Network</li> <li>• Upgraded diginet line from 256K to 1024K</li> <li>• Deployed database server to support NIMS and internal applications</li> <li>• Upgraded IT hardware (incl. Servers and laptops)</li> <li>• Policy on Mobile Communications approved</li> </ul>	



# Human Resources

INFORMATION

## 1. PERSONNEL EXPENDITURE FOR THE PERIOD APRIL 2009 TO MARCH 2010

The following tables (Tables 1 & 2) provide a summary per department of expenditure incurred as a result of salaries and medical assistance. No overtime was paid during the year under review. Table 1 presents an indication of the amount spent on personnel costs per department.

Cost Centre	Total Expenditure (R'000)	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Professional Service (R'000)	Personnel Cost as a % of Total expenditure	Average Cost Per Employees (R'000)
Corporate Services	16,199	5,013	39	1,396	31%	264
CEO	5,317	4,434	48	0	83%	493
Finance	4,011	2,764	59	164	69%	307
Legal	2,334	1,731	9	23	74%	577
Safety Assurance	13,590	7,257	19	5,216	53%	558
Safety Regulation	7,556	5,402	23	1,886	71%	491
<b>TOTAL</b>	<b>49,007</b>	<b>26,601</b>	<b>197</b>	<b>8,685</b>	<b>54%</b>	<b>416</b>

## 2. SALARIES AND MEDICAL AID BY COST CENTRE FOR THE PERIOD APRIL 2009 TO MARCH 2010

Cost Centre	Salaries (R'000)	Medical Ass. (R'000)	Medical Ass. as % of Personnel Cost	Total Personnel Cost (R'000)
Corporate Service	4,483	288	6%	5,013
CEO	4,022	205	5%	4,434
Finance	2,460	160	7%	2,764
Legal	1,559	59	4%	1,731
Safety Assurance	6,669	281	4%	7,257
Safety Regulation	4,707	418	9%	5,402
<b>TOTAL</b>	<b>23,900</b>	<b>1411</b>	<b>6%</b>	<b>26,601</b>

### 3. EMPLOYMENT AND VACANCIES FOR THE PERIOD APRIL 2009 TO MARCH 2010

The following tables (Tables 3 & 4) summarise the number of posts on the establishment, the number of employees, the vacancy rate, and whether there are any staff that are additional to the establishment. This information is presented in terms of department and salary band. The vacancy rate reflects the percentage of posts that are not filled.

Cost Centre	Number of Posts	Number of Posts Filled	Vacancy Rate	Number of Posts Filled additional to the Establishment
Office of the CEO	6	6	-	-
Finance	13	8	38%	1
Corporate Services	12	10	16%	5
Legal Services	4	3	25%	-
Safety Assurance	20	12	40%	-
Safety Regulation	12	11	8%	-
<b>TOTAL</b>	<b>67</b>	<b>50</b>	<b>25%</b>	<b>6</b>

### 4. EMPLOYMENT AND VACANCIES BY SALARY BAND FOR THE PERIOD APRIL 2009 TO MARCH 2010

The table below depicts a breakdown of posts filled per occupational category and further reflect the vacancy rate against each occupational category. In numerical terms, the vacancy rate for professionals (Safety Inspectors) remains a pervasive challenge. There are currently no disabled members of Staff and the necessary strategies will be put in place to accommodate these category of employees going forward.

Salary Band	Number of Posts	Number of Posts Filled	Vacancy Rate	Number of Posts Filled additional to the Establishment
Senior Management (Levels 13 – 16)	17	15	12%	-
Middle Management (Level 9 – 12)	22	17	23%	-
Professionals (Inspectors)	12	4	67%	-
Administrative Staff (Level 6 – 8)	14	13	14%	6
Elementary Occupations (Level 3 – 5)	2	1	50%	-
<b>TOTAL</b>	<b>67</b>	<b>50</b>	<b>25%</b>	<b>6</b>



## 5. JOB EVALUATION

The table below summarises the number of jobs that were evaluated during the year under review. The table also provides statistics on the number of posts that were upgraded.

Salary Band	Number of Posts	Number of Jobs Evaluated	% of Posts Evaluated	Number of Posts Upgraded	% of Upgraded Posts Evaluated	Number of Posts Downgraded	% of Downgraded Posts Evaluated
Senior Management	17	0	0	0	0	0	0
Middle Management	22	2	13%	2	100%	0	0
Professional	12	0	0	0	0	0	0
Administrative Staff	14	1	4%	0	0	0	0
Elementary Occupations	2	0	0	0	0	0	0
<b>TOTAL</b>	<b>67</b>	<b>3</b>	<b>5%</b>	<b>2</b>	<b>3%</b>	<b>0</b>	<b>0</b>

## 6. EMPLOYMENT EQUITY - TOTAL NUMBER OF EMPLOYEES (INCL. EMPLOYEES WITH DISABILITIES) PER OCCUPATIONAL CATEGORY FOR THE PERIOD APRIL 2009 TO MARCH 2010

6.1 This table is based on the format prescribed by the Employment Equity Act, 55 of 1998 and provides a racial and gender distribution of staff per salary band.

Occupational Categories	Male African	Male Coloured	Male Indian	Male Total Black	Male Total White	Female African	Female Coloured	Female Indian	Female Total Black	Female White	TOTAL
Senior Management (CEO, General Managers, Senior Managers) Levels 13 – 16	5	0	0	5	3	4	0	1	5	2	15
Middle Management (Levels 9 – 12)	9	0	1	10	2	4	3	0	7	1	20
Professional (Levels 10a – 10c)	2	0	0	2	2	0	0	0	0	0	4
Administrative Staff (Levels 6 – 8)	6	0	0	6	0	12	1	1	14	0	20
Elementary Occupations (Levels 3 – 5)	3	0	0	3	0	1	0	0	1	0	4
Employees with disabilities	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>25</b>	<b>0</b>	<b>1</b>	<b>26</b>	<b>7</b>	<b>21</b>	<b>4</b>	<b>2</b>	<b>27</b>	<b>3</b>	<b>63</b>

6.2 Comparisons of RSR Staff Statistics with the 2009 Mid-year population estimates from Statistics South Africa

This table depicts a gap analysis in the RSR's demographic profile in comparison to the country's demographic profile, measured against the 2009 mid-year population statistics published by Statistics South Africa. Through its Employment Equity policy, the RSR is committed to ensuring the equal representation of all racial groups, genders and employees with disabilities throughout its establishment. Figures depicted against a green background indicate under representation of the particular race/gender category, while figures depicted against a red background

Population Group	Male				Female				Total			
	Number of Staff	% of RSR Staff Population	% of SA Population	% of Gap Identified	Number of Staff	% of RSR Staff Population	% SA Population	% of Gap Identified	Number of Staff	% of RSR Staff Population	% of SA Population	% of Gap Identified
African	25	75.8%	79.2%	3.4%	21	70%	79.5%	9.5%	46	73%	79.3%	6.3%
Coloured	0	0%	9%	9%	4	13.3%	9%	-4.3%	4	6.3%	9%	2.7%
Indian/Asian	1	3%	2.6%	-0.4%	2	6.7%	2.5%	-4.2%	3	4.8%	2.6%	-2.2%
White	7	21.2%	9.2%	-12%	3	10%	9%	-1%	10	15.9%	9.1%	-6.8%
<b>Total</b>	<b>33</b>				<b>30</b>				<b>63</b>			

## 7. LEAVE UTILIZATION

The RSR, through its Conditions of Service, has identified the need for careful monitoring of sick leave within the organization. The tables below depict the utilization of sick and annual leave by employees during the period under review. The RSR will further investigate other best practice strategies to curb the high levels of sick leave.

Salary Band	Total Days Taken	Average per Employee	Employment
Senior Management	246	18	14
Middle Management	369	18	20
Professionals	122	24	5
Administrative Staff	377	17	22
Elementary Occupation	29	15	2
<b>TOTAL</b>	<b>1143</b>	<b>92</b>	<b>63</b>

Salary Band	Total Days	% Days with Medical Certification	No. of Employees	% of Total Employees using Sick Leave	Average Days per Employee	Total number of Employees using Sick Leave	Total number of Days with Medical Certification
Senior Management	67	78%	14	86%	6	12	52
Middle Management	138	78%	20	90%	8	18	107
Professionals	5	100%	5	20%	5	1	5
Administrative Staff	134	67%	22	91%	7	20	90
Elementary Occupation	8	100%	2	84%	4	2	8
<b>TOTAL</b>	<b>352</b>	<b>74%</b>	<b>63</b>	<b>84%</b>	<b>7</b>	<b>53</b>	<b>262</b>





# Annual Financial Statements

FOR THE YEAR ENDED 31 MARCH 2010

REPORT



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## STATEMENT OF RESPONSIBILITY

The accounting authority, which is the Board of Directors of the Railway Safety Regulator, is responsible for the maintenance of adequate accounting records and the preparation, integrity and fair presentation of the financial statements of the Regulator. The annual financial statements presented on pages 56 to 85 are prepared in accordance with the Generally Recognised Accounting Practice determined by the Accounting Standards Board and in the manner required by the Public Finance Management Act, 1999 as amended. The entity applied Generally Recognised Accounting Practice for the first time for the 2010 yet been applied retrospectively although this has had no material effect on the 2009 comparatives contained in these financial statements.

The accounting authority considers that in preparing the financial statements, they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates and that all Statements of GAAP and GRAP that they consider applicable have been followed.

The accounting authority is satisfied that the information contained in the financial statements fairly presents the results of the operations for the year and the financial position of the entity at year end. The accounting authority has no reason to believe that the entity will not be a going concern in the foreseeable future.

The financial statements as set out in pages 56 to 85 were approved by the accounting authority of the Railway Safety Regulator on the 29th July 2010 and are signed on its behalf by:-



Chairperson  
Mr. C. Ntuli



Chief Executive Officer  
Mr. M. Mofi





# Auditor-General's

## REPORT

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE RAILWAY SAFETY REGULATOR FOR THE YEAR ENDED 31 MARCH 2010

## REPORT ON THE FINANCIAL STATEMENTS

### Introduction

I have audited the accompanying financial statements of the Railway Safety Regulator, which comprise the statement of financial position as at 31 March 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 56 to 85.

### Accounting authority's responsibility for the financial statements

The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor-General's responsibility

As required by section 188 of the Constitution of South Africa and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004 (PAA)), my responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with International Standards on Auditing and General Notice 1570 of 2009 issued in Government Gazette 32758 of 27 November 2009. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Railway Safety Regulator as at 31 March 2010, and its financial performance and its cash flows for the year then ended in accordance with SA Standards of GRAP and in the manner required by the PFMA.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the PAA of South Africa and General notice 1570 of 2009, issued in Government Gazette No. 32758 of 27 November 2009 I include below my findings on the report on predetermined objectives, compliance with the PFMA and financial management (internal control).

### Findings

#### Predetermined objectives

#### Non-compliance with regulatory and reporting requirements

##### Reasons for major variances between planned and actual reported targets were not explained

Adequate explanations for major variances between the planned and the actual reported performance for the selected objectives were not reported as required in terms of the relevant reporting guidance. In total, 100% of the reported targets with variances had no explanations for those variances.

##### Inadequate quarterly reporting on performance information

The Railway Safety Regulator's quarterly reports revealed that different quarterly reporting methods were used: For some targets and in some quarters cumulative reporting was done and in others reporting was done only for a specific quarter. This does not facilitate effective performance monitoring, evaluation and corrective action as required by Treasury Regulation 30.2.1.

##### Usefulness of reported performance information

The following criteria were used to assess the usefulness of the planned and reported performance:

- Consistency: Has the entity reported on its performance with regard to its objectives, indicators and targets in its approved strategic plan, i.e. are the objectives, indicators and targets consistent between planning and reporting documents?
- Relevance: Is there a clear and logical link between the objectives, outcomes, outputs, indicators and performance targets?
- Measurability: Are objectives made measurable by means of indicators and targets? Are indicators well defined and verifiable, and are targets specific, measurable, and time bound?

The following audit findings relate to the above criteria:



### Planned and reported performance targets not specific, measurable and time bound

For the selected objectives, 89% of the planned and reported targets were not:

- specific in clearly identifying the nature and the required level of performance;
- measurable in identifying the required performance;
- time bound in specifying the time period or deadline for delivery.

### Planned and reported indicators not well defined

For the selected objectives, 44% of the planned and reported indicators were not clear, with an unambiguous definition to allow for data to be collected consistently.

### Planned and reported indicators not verifiable

For the selected objectives, 44% of the planned and reported indicators were not verifiable, as it was not possible to adequately validate the processes and systems that produce the indicator.

### Reliability of reported performance information

The following criteria were used to assess the usefulness of the planned and reported performance:

- **Validity:** Has the actual reported performance occurred and does it pertain to the entity i.e. can the reported performance information be traced back to the source data or documentation?
- **Accuracy:** Amounts, numbers and other data relating to reported actual performance has been recorded and reported appropriately.
- **Completeness:** All actual results and events that should have been recorded have been included in the reported performance information.

The following audit findings relate to the above criteria:

### Reported targets not reliable when compared to source information

For the selected objectives, 39% of the reported targets were not reliable on the basis of the source information or evidence provided to support the reported targets.

### Compliance with laws and regulations

#### Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA)

#### Non-adherence to legislation

Contrary to section 53(4) of the PFMA, which requires the accounting authority to ensuring that expenditure of the public entity is in accordance with the approved budget, the Railway Safety Regulator incurred a deficit of R1 493 719 for the year.

### INTERNAL CONTROL

I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the PFMA, but not for the purposes of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the deficiencies identified during the audit.

#### Leadership

The accounting authority has not implemented an evaluation process to determine whether management has implemented effective internal controls over the strategic planning process. Systems related to reporting on predetermined objectives at an objective level have not been documented in a policy and procedures manual.

Decisive action is not taken to implement corrective measures to address the risks relating to the achievement of complete and accurate reporting of predetermined objectives.

### Financial and performance management

The performance information was subject to material amendments resulting from the audit, indicating that other information included in the annual report may have not been reviewed for completeness and accuracy prior to submission for audit. Furthermore, the systems used to collect and collate information on predetermined objectives did not facilitate the preparation of complete and adequate reports.

### Governance

Risks were not managed by selecting and developing internal controls to prevent, detect and correct material misstatements in reporting on predetermined objectives.

Auditor-General

Pretoria

30 July 2010



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



# Audit Committee

## REPORT

## REPORT OF THE AUDIT COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2010.

### Audit Committee responsibility

The audit Committee reports that it has complied with its responsibilities arising from section 38(1) (a) of the PFMA and Treasury Regulation 3.1.13. Furthermore the Audit Committee has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The audit committee has discharged the functions in terms of its charter and ascribed to it in terms of the act as follows:

- Reviewed the financial statements, culminating in a recommendation to the board to adopt them. In the course of its review the committee:
  - Takes appropriate steps to ensure that the annual financial statements are prepared in accordance with the Generally Recognised Accounting Practices (GRAP) determined by the Accounting Practices Board, and in the manner required by the Public Finance Management Act, Act No.1 of 1999;
  - Considers and, when appropriate, makes recommendations on internal financial controls;
  - Deals with concerns or complaints relating to accounting policies, internal audit, the auditing or content of annual financial statements, and internal financial controls, and
  - Reviews any matter that could have a significant impact on the organisation's financial statements reviewed the external audit reports on the annual financial statements.
- Evaluated the effectiveness of the internal control systems;
- Approved the internal audit charter and audit plan;
- Evaluated the effectiveness of risk management, controls and the governance processes;
- Evaluated the effectiveness of the internal audit function including its annual work programme, co-ordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations;
- Reviewed accounting and auditing concerns identified as a

result of the internal or external audits;

- Reviewed the entity's compliance with applicable legal and regulatory provisions; and
- Reviewed the scope and results of the external audit function, external audit reports on the annual financial statements.

The audit committee is also responsible for:

- Reporting to the Minister of Transport and the Auditor-General where a report implicates any member(s) of the accounting authority in fraud, corruption or gross negligence;
- Communicating any concerns it deems necessary to the Minister of Transport and the Auditor-General;
- Confirmation and approval of the internal audit department's charter and internal audit work plan;
- Encouraging communication between members of the board, senior executive management, the internal audit department and the Auditor-General;
- Conducting investigations within its terms of reference;
- Concurring with the appointment and dismissal of the head of the internal audit department.

### Internal control system

The audit committee is satisfied that internal controls and systems have been put in place and that these controls have functioned effectively during the period under review. The audit committee considers the entity's internal controls and systems appropriate in all material respects to:

- Reduce the entity's risks to an acceptable level;
- Meet the business objectives of the entity;
- Ensure the entity's assets are adequately safeguarded;
- Ensure that the transactions undertaken are recorded in the entity's records.

### Internal audit

The audit committee fulfils an oversight role regarding the financial statements and the reporting process, including the system of internal financial control. It is responsible for ensuring that the internal audit function is independent and has the necessary resources, standing and authority within the entity to enable it to discharge its duties.

### Annual financial statements

The audit committee is of the opinion based on the information and explanations given by management and the internal audit department and discussions with the Auditor-General on the result of their audits, that the internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the annual financial statements, and accountability for assets and liabilities is maintained.

Nothing significant has come to the attention of the audit committee to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.

The audit committee has evaluated the annual financial statements of the Railway Safety Regulator for the period ended 31 March 2010 and, based on the information provided to the audit committee, considers that they comply, in all material respects, with the requirements of the Public Finance Management Act, 1 of 1999, as amended, and South African Standards of Generally Recognised Accounting Practice. The audit committee has therefore, at their meeting held on 22 July 2010, recommended the adoption of the annual financial statements by the board of directors.



Chairperson: Audit Committee  
R. J Moloto

Prof. M Hermanus  
Mr. PA van Heerden  
Mr. C. Ntumba



# Directors' Report

FOR THE YEAR ENDED 31 MARCH 2010

## CORPORATE INFORMATION

### Board of Directors:

	Members	Attendance of Board's meetings
Non Executive	C. Ntuli (Chairperson)	5 out of 5
	M. Somaru	4 out of 5
	B. Madumise	5 out of 5
	C. Ntumba	4 out of 5
	C. de Vos	5 out of 5
	T. Tsautse	4 out of 5
	B. Carver	5 out of 5
	J. Malatse	3 out of 5
	M. Hermanus	4 out of 5
	W. A. Venter	3 out of 5
Executive	M. Mofi	5 out of 5

### Audit Committee:

Members	Attendance of Committee's meetings
R. J Moloto (Chairperson)	3 out of 4
P. van Heerden	4 out of 4
M. Hermanus	4 out of 4
C. Ntumba	4 out of 4

### Finance and Procurement Committee:

Members	Attendance of Committee's meetings
C. Ntumba (Chairperson)	3 out of 3
M. Somaru	2 out of 3
B. Madumise	3 out of 3
M. Mofi	3 out of 3

### Human Resources and Remuneration Committee:

Members	Attendance of Committee's meetings
T. Tsautse (Chairperson)	6 out of 6
C. de Vos	5 out of 6
B. Madumise	5 out of 6
M. Mofi	6 out of 6

### Railway Safety Committee:

Members	Attendance of Committee's meetings
B. Carver (Chairperson)	4 out of 4
M. Somaru	2 out of 4
J. Malatse	1 out of 4
W.A Venter	1 out of 4
C.de Vos	3 out of 4
T. Tsautse	4 out of 4
M. Mofi	3 out of 4

### Legal Committee:

Members	Attendance of Committee's meetings
B. Madumise (Chairperson)	1 out of 1
T. Tsautse	1 out of 1
B. Carver	1 out of 1

### Executive Committee of the Board:

Members	Attendance of Committee's meetings
C. Ntuli (Chairperson)	2 out of 2
B. Carver	2 out of 2
M. Mofi	2 out of 2

### Company Secretariat:

K Moya

### Physical Address:

2 Ernest Oppenheimer Avenue  
Waterview Corner  
Bruma

### Postal Address:

P.O. Box 655  
Bruma  
2026

### Telephone:

(011) 417 0000

### Facsimile:

(011) 417 0010



## DIRECTORS' REPORT

### Nature of Business

The Railway Safety Regulator (RSR) is responsible for overseeing and ensuring safe railway operations as defined in the National Railway Safety Regulator Act (NRSRA). It focuses on the following main thrusts, which are outlined in the NRSRA:

Setting up a regulatory institution for overseeing safe railway operations in South Africa; Promoting the use of rail as a mode of transportation through improved safety performance in the railway transport industry; Creating a safe and secure railway environment for the protection of persons, property and the environment; Concluding corporative agreements with stakeholders to ensure effective management and overseeing of safe railway operations and to minimize duplication; and Promoting harmonization of the railway safety regime of SADC railway operations.

The RSR is a Schedule 3A public entity established in terms of the National Railway Safety Regulator Act, Act No. 16 of 2002.

### Financial Results

The RSR receives funds in the form of grants from the Department of Transport. Government grants received during the year under review amounted R37, 260, 000. The entity further generated permit fee revenue of R9, 700,800. The net deficit for the year amounted to R59 112 (2009: Surplus of R656, 765). The liabilities exceed the assets by R948 735. Full details of the operating results are set out in the attached financial statements.

### Going Concern

The accounting authority believes that the going concern basis is appropriate for the preparation and presentation of the financial statements. The approved government grants for the medium-term expenditure framework period are as follows:

2010/11 : R35, 6 million  
2011/12 : R37, 4 million  
2012/2013 : R39, 3 million

The RSR has also forecasted permit fee revenue of R10 million for 2010/11 financial year and a further R11 million and R12 million over the outer years of the medium term expenditure framework.

### Public Finance Management Act (PFMA), Internal Control and Risk Management

Compliance with the PFMA is one of the key business risks that the entity manages and monitors. Section 51 and 55 of the PFMA contains certain obligations for the entity to comply with. This includes the prevention, identification and reporting of any unauthorized, irregular, fruitless and wasteful expenditure. All instances of irregular, fruitless and wasteful expenditure identified during the year were reported to the relevant bodies and currently being dealt with.



RSR operated in an established control environment which is regularly reviewed to ensure: safeguarding of assets and reducing the risk of loss through error, fraud and other irregularities; accuracy and completeness of accounting records; and timely preparation of reliable financial statements, quarterly and monthly financial management reports and other non-financial information.

The Board acknowledges that it is fully accountable for the process of risk management and internal control with the entity.

#### Auditors

The Auditor-General of South Africa acts as the external auditor of the Railway Safety Regulator. The report of the Auditor-General of South Africa is presented on page 49.

#### Events after reporting date

There have been no facts or circumstances which may materially affect the current year financial statements that have occurred between the year-end and the date on which the financial statements were approved.

#### Code of ethics

The entity adhered to a Code of Ethics, which complies with the highest standards of integrity, behaviour and ethics in dealing with all stakeholders, including the entity's directors, managers, employees, customers, suppliers and society at large.

#### Occupational Health and Safety

The entity endeavors to comply with Occupational Health and Safety Act as a bare minimum. We are committed to providing and maintaining a safe and healthy working environment by providing information, instructions, training and supervision on safety and health matters to staff.



Chairperson  
Mr. C. Ntuli

JOHANNESBURG

Chief Executive Officer  
Mr. M. Mofi



## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2010

Notes	2010 R	2009 R
ASSETS		
Non-current assets	4,892,893	4,741,758
Property, plant and equipment	2 4,112,403	4,028,374
Intangible assets	3 780,490	713,384
Current assets	1,301,859	2,562,403
Trade and other receivables	4 220,566	127,570
Bank and cash	5 1,081,293	2,434,833
<b>TOTAL ASSETS</b>	<b>6,194,752</b>	<b>7,304,161</b>
NET ASSETS AND LIABILITIES		
Net Assets	1,053,257	2,546,976
Accumulated surplus	6 1,053,257	2,546,976
Non-current liabilities	881,834	1,176,080
Finance lease liability	8.2 881,834	1,176,080
Current liabilities	4,259,661	3,581,105
Trade and other payables	7 3,965,415	3,385,383
Short-term portion of finance lease liability	8.2 294,246	195,722
<b>TOTAL NET ASSETS AND LIABILITIES</b>	<b>6,194,752</b>	<b>7,304,161</b>



## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2010

Notes	2010	2009	
	R	R	
Government grants	10	37,260,000	33,861,072
Permit fee revenue		9,700,800	5,087,000
Other income		805,035	35,135
Administrative expenses	14	(38,341,282)	(30,380,883)
Other operating expenses	13	(10,808,273)	(7,934,584)
<b>(Deficit)/ Surplus for the year</b>		<b>(1,383,720)</b>	<b>667,741</b>
Investment income	11	96,752	427,571
Finance costs	12	(206,751)	(231,180)
<b>(Deficit)/Surplus for the year</b>	15	<b>(1,493,719)</b>	<b>864,132</b>



## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2010

Notes	2010	2009
	R	R
	Accumulated surplus	Total
Balance at 1 April 2008 - as previously stated	(1,546,388)	(1,546,388)
Change in accounting policy: GRAP 23	3,229,232	3,229,232
Surplus for the year	864,132	864,132
<b>Balance as at 31 March 2009</b>	<b>2,546,976</b>	<b>2,546,976</b>
Deficit for the year (2009/2010)	(1,493,719)	(1,252,141)
<b>Balance at 31 March 2010</b>	<b>1,053,257</b>	<b>1,294,835</b>



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

Note	2010	2009
	R	R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Receipts</b>		
Government grants	37,260,000	33,361,000
Permit fee and other income received	10,957,209	5,020,400
Interest received	96,752	427,571
	<b>48,313,961</b>	<b>38,808,971</b>
<b>Payments</b>		
Employees	(29,430,158)	( 22 288 651)
Suppliers	(17,984,739)	(14,018,299)
Interest paid	(566)	(583)
	<b>(47,415,463)</b>	<b>(36,307,533)</b>
<b>Net cash outflows from operating activities</b>	<b>24.1 898,498</b>	<b>2,501,438</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property, plant and equipment acquired	(1,434,353)	(1,007,733)
Intangible assets acquired	(415,778)	(460,487)
Proceeds from disposal of plant and equipment		35,135
<b>Net cash outflow from investing activities</b>	<b>(1,850,131)</b>	<b>(1,433,085)</b>



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

Notes	2010 R	2009 R
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Finance lease repaid	(401,907)	(349,484)
<b>Net cash outflow from financing activities</b>	<b>(401,907)</b>	<b>(349,484)</b>
Net decrease in cash and cash equivalents	(1,353,540)	718,869
Cash and cash equivalents at the beginning of the year	2,434,833	1,715,964
<b>Cash and cash equivalents at the end of the year</b>	<b>1,081,293</b>	<b>2,434,833</b>



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

## 1. ACCOUNTING POLICIES

The annual financial statements are based upon appropriate policies consistently applied and supported by reasonable and prudent judgements and estimates. The annual financial statements are prepared under the historical cost basis, and incorporate the principal accounting policies set out below:

The following are the principal accounting policies of the Railway Safety Regulator which are in all material respects, consistent with those applied in the previous financial year, except otherwise stated.

### 1.1 Basis of preparation

The annual financial statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with section 55 of the Public Finance Management Act, (Act No 29 of 1999).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, unless specifically stated otherwise.

The principal accounting policies adopted in the preparation of these financial statements are set out below. Assets, liabilities, revenues and expenses have not been offset except where offsetting is required or permitted by a Standard of GRAP.

The accounting policies are applied consistently with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

#### 1.1.1 The cash flow statement can only be prepared in accordance with the direct method.

#### 1.1.2 Budget information - GRAP 1

In preparation of the annual financial statements, paragraphs 11-15 of GRAP 1 were implemented due to the fact that local and international budget reporting standard is effective for this financial year. The inclusion of a reconciliation on budget information enhances the usefulness of the financial statements.

### 1.2 Significant judgements

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 the application of judgement is inherent in the formation of estimates. Significant judgements include the following:

#### 1.2.1 Property, plant and equipment

In determining the useful life and residual values of each property, plant and equipment, management took into consideration the nature of each asset type and the usage of assets. Leased office equipment was depreciated over the lease period with no residual values.

#### 1.2.2 Intangible assets

In determining the useful life of computer software, management assumed that software will have to be upgraded every three to five years. The residual value of computer software is regarded as zero due to the fact that computer software is not resalable.

### 1.3 Revenue Recognition

#### 1.3.1 Revenue from non-exchange transactions

Revenue from non exchange transactions are recognised when there is reasonable assurance that the grants will be received and the value thereof can be reliably measured. Revenue from non-exchange transactions is recognised to the extent that there is no further obligation arising from the receipt of the grant. Where a grant is subject to conditions the RSR recognises a liability until the condition is fulfilled.

#### 1.3.2 Permit fee revenue

Revenue is recognised when it is probable that future economic benefits will flow to the RSR and these benefits can be measured reliably.

Revenue from safety permits is recognised on an accrual basis upon satisfaction of safety regulation requirements and is presented as a credit in the statement of financial performance, used as own funding to acquire or construct an item of property, plant and equipment.

#### 1.3.3 Other income

Other revenue earned by the entity is recognised as donations are recognised on a time proportion cash basis.

### 1.4 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with it will flow to the entity and the cost of that item can be measured reliably.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

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.

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses. Property, plant and equipment are depreciated on a straight line method over the useful life up to its residual value. The residual value and the useful life of each asset are reviewed at each financial year end.

Computer Equipment	3 -5 years
Furniture & Equipment	10 years
Office Equipment	5 years
Motor Vehicle	5 years

Finance lease assets are depreciated on a straight line method over the lease period. Leasehold improvement is written off on straight line method over the lease period.

The depreciation charge for each year is recognised in the statement of financial performance.

The gain or loss arising from the derecognition of an asset is included in the profit or loss when the asset is derecognised. The gain or loss arising from the derecognition of an asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of an asset.

### 1.5 Asset impairment

At reporting date, the Railway Safety Regulator reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is immediately recognised as an expense. Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### 1.6 Financial instruments

#### Initial recognition

The Railway Safety Regulator classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the statement of financial position when the Railway Safety Regulator becomes party to the contractual provisions of the instrument.

#### 1.6.1 Financial assets

Financial assets are initially measured at fair value plus transaction costs. Financial assets are measured through profit or loss at fair value.

The Railway Safety Regulator's principle financial assets are trade and other receivables and cash and cash equivalents. These financial assets are classified as loans and receivables.

Loans and receivables are initially measured at fair value, plus transaction costs. Subsequently, items included in this category are measured at the amortised cost, calculated based on the effective interest method and interest income included in the profit or loss for the year. Net gains or losses represent reversals of impairment losses, impairment losses and gains and losses on derecognition.

Short term receivables with no stated rate are measured at the original invoice amount, if the effect of discounting is immaterial.

Impairment losses are recognised on loans and receivables when there is objective evidence of impairment. An impairment loss is recognised in profit or loss when the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is calculated as the present value of the estimated future cash flows discounted at the original effective rate of the adjustment.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

### 1.6.2 Financial liabilities

The entity's principle financial liabilities are trade and other payables and are classified as financial liabilities.

Financial liabilities are initially measured at fair value, plus transaction costs. Subsequently, these items are measured at the amortised cost, using the effective interest method. Interest expenses on these items are measured at the amortised cost, using the effective interest method. Interest on these items is recognised in profit or loss for the year and is included as finance costs. Net gains or losses represent gains or losses on derecognition and they are included in other income or other expenses.

### 1.7 Intangibles

An intangible asset is recognised when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and when the cost of the asset can be measured reliably.

Expenditure on research is recognised as an expense when it is incurred. Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Intangible assets are amortised on a straight line basis over their useful life. The amortisation period for intangible assets is reviewed every year-end.

### 1.8 Revenue recognition

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate. The grant is recognised to the extent that there are no further obligations arising from the receipt of the grant.

Permit fees are recognised in year in which they accrue to the entity.

### 1.9 Provisions

Provisions are recognised when the entity has a present legal or constructive obligation as a result of past events and it is probable that this will result in an outflow of economic benefits that can be estimated reliably.

### 1.10 Employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave, bonuses, and non-monetary benefits such as medical aid) are recognised in the year in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render

services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

### 1.11 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.

#### 1.11.1 Operating lease

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 operating lease asset.

Any contingent rents are expensed in the year they are incurred.

#### 1.11.2 Finance lease

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease liability.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each year during the lease term so as to produce a constant periodic rate of the remaining balance of the liability. The finance charge is recorded in the statement of financial performance.

### 1.12 Related parties

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence or joint control over the other party in making financial and operating decisions.

A related party transaction is a transfer of resources, services, or obligation between related parties regardless of whether a price is charged.

### 1.13 Irregular and fruitless and wasteful expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with a requirement of any applicable legislation. Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. All irregular and



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

fruitless and wasteful expenditure is charged against the income in the year in which they are incurred.

### 1.14 Statements in issue but not yet effective

At the date of authorisation of these annual financial statements, the following accounting standards of Generally Recognised Accounting Principles (GRAP) were in issue, but not yet effective:

GRAP 18	Segment Reporting
GRAP 23	Revenue from Non-exchange (Taxes & Transfers)
GRAP 21	Impairments of Non-cash generating assets
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 26	Impairments of Cash generating assets
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments

Management has assessed standards issued but not yet effective and determined that they will not have a significant impact on the entity's financial statements. The entity has early adopted GRAP 23 and the change in the accounting policy was applied retrospectively as if the new policy had always been applied.



## 2 PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment

Year ended 31 March 2009

	Computer Equipment	Furniture & Fittings	Office Equipment	Buildings Leasehold Improvements	Finance Lease Equipment	Motor Vehicle	Total
	R	R	R	R	R	R	R
Opening net carrying amount	569,655	1,050,316	331,404	617,384	1,457,182	135,164	4,161,105
Cost	1,784,977	1,402,128	691,523	1,215,924	1,507,430	165,239	6,767,221
Accumulated depreciation	(1,215,322)	(351,812)	(360,119)	(598,540)	(50,248)	(30,075)	(1,763,526)
Reclassification of assets -cost	106,358	6,385	(57,406)	(52,645)	-	-	2,693
Reclassification of assets - Acc depreciation	-	-	-	74,466	-	-	74,466
Additions	739,648	213,306	54,779	-	-	-	1,007,733
Depreciation	(347,673)	(147,167)	(119,537)	(258,154)	(301,623)	(25,231)	(1,199,385)
Write-off	(18,238)	-	-	-	-	-	(18,238)
Disposal of asset - cost	(37,385)	-	-	-	-	-	(37,385)
Accumulated depreciation on disposal	19,148	-	-	-	-	-	19,148
Net carrying amount: 31 March 2009	1,049,750	1,122,841	209,240	381,051	1,155,559	109,933	4,028,374
Cost	2,593,597	1,621,820	688,896	1,163,279	1,507,430	165,239	7,740,262
Accumulated depreciation	(1,543,847)	(498,979)	(479,656)	(782,228)	(351,871)	(55,306)	(3,711,887)

Year ended 31 March 2010

	Computer Equipment	Furniture & Fittings	Office Equipment	Buildings Leasehold Improvements	Finance Lease Equipment	Motor Vehicle	Total
	R	R	R	R	R	R	R
Net carrying amount: 31 March 2009	1,049,750	1,122,841	209,240	381,051	1,155,559	109,933	4,028,374
Cost	2,593,597	1,621,820	688,896	1,163,279	1,507,430	165,239	7,740,262
Accumulated depreciation	(1,543,847)	(498,979)	(479,656)	(782,228)	(351,871)	(55,306)	(3,711,887)
Reclassification of assets -cost	-	-	-	-	-	-	-
Reclassification of assets - Acc depreciation	-	-	-	-	-	-	-
Additions	875,491	503,517	55,344	-	-	-	1,434,352
Depreciation	(479,641)	(190,324)	(120,985)	(232,656)	(301,486)	(25,231)	(1,350,323)
Disposal of plant and equipment	-	-	-	-	-	-	-
Disposal of asset - cost	-	-	-	-	-	-	-
Accumulated depreciation on disposal	-	-	-	-	-	-	-
Net carrying amount: 31 March 2010	1,445,600	1,436,034	143,599	148,395	854,073	84,703	4,112,403
Cost	3,469,088	2,125,337	744,240	1,163,279	1,507,430	165,239	9,174,614
Accumulated depreciation	(2,023,488)	(689,303)	(600,641)	(1,014,884)	(653,357)	(80,536)	(5,062,210)

### 3 INTANGIBLE ASSETS

#### Year ended 31 March 2009

	Computer Software
	R
Opening net carrying amount	525,309
Cost	959,885
Accumulated amortisation	(434,576)
Reclassification of assets to PPE - cost	(77,157)
Additions	460,487
Amortisation	(195,255)
Net carrying amount: 31 March 2009	713,384
Cost	1,343,215
Accumulated amortisation	(629,831)

#### Year ended 31 March 2010

	Computer Software
	R
Opening net carrying amount	713,384
Cost	1,343,215
Accumulated amortisation	(629,831)
Reclassification of assets to PPE - cost	-
Additions	415,778
Amortisation charge	(348,672)
Closing net carrying amount:	780,490
Cost	1,758,993
Accumulated amortisation	(978,503)



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

### 4. TRADE AND OTHER RECEIVABLES

Trade debtors  
Deposit paid  
Prepaid expenses

### 5. BANK AND CASH

Bank balance as at year end  
Petty cash as at year end

	2010 R	2009 R
	<b>220,566</b>	<b>127,570</b>
	213,035	86,500
	5,585	-
	1,946	41,070
	<b>1,081,293</b>	<b>2,434,833</b>
	1,078,293	2,431,833
	3,000	3,000

### 6. Change in Accounting policy -GRAP 23 - Revenue from Non-exchange Transactions

During 2010 the entity changed its accounting policy with respect to the treatment of Government grants and transfers received. The entity has early adopted GRAP 23: Revenue from non-exchange transactions (taxes and transfers) which requires that grants and transfers be recognised when it is probable that the grants will be received and that the fair value thereof can be measured reliably. In the prior year the entity deferred government grants related to assets in accordance with IAS20: Government Grants. In accordance with GRAP23, government grants will no longer be deferred unless there are conditions attached thereto that have not been fulfilled. This change in accounting policy has been accounted for retrospectively. The comparative statements for 2009 have been restated to conform to the changed policy. The effect of the change is a decrease in deferred income of R3,436,598, increase in grant income of R207,366 and accumulated surplus of R3,229,232. Opening accumulated surplus for 2009 increased with R3,229,232 which is the amount of the adjustment relating to periods prior to 2009.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

### 7. TRADE AND OTHER PAYABLES

Trade creditors  
Income received in advance  
Accrued expenses

	2010 R	2009 R
	<b>3,965,415</b>	<b>3,385,383</b>
Trade creditors	454,664	1,243,668
Income received in advance	14,470	22,400
Accrued expenses	3,496,281	2,119,315

### 8. LEASES

#### 8.1 OPERATING LEASE COMMITMENTS

The RSR entered into a five year operating lease agreement with Broll Property that commenced on 01/10/2005 for R115 311 per month including VAT with an escalation clause of 10% annually.

#### Payments recognised as an expense

Minimum lease payments

	1,933,834	1,758,032
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#### Non-cancellable operating lease commitments

- Up to 1 year  
- From 1 to 5 years

- Up to 1 year	1,012,961	1,933,835
- From 1 to 5 years	-	1,012,961

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

### 1.2 FINANCE LEASE LIABILITY

The Railway Safety Regulator entered into a lease agreement with UTAX for a period of 60 months beginning February 2008. The lease provide for 60 monthly payments in arrears and does not provide for a contingent rental payments.

Reconciliation between the total minimum lease payments and the present value:

#### Up to 1 year

Minimum lease payments

Finance Cost

#### Present Value

#### From 1 -5 years

Minimum lease payments

Finance Cost

#### Present Value

#### Total

Minimum lease payments

Finance Cost

Present Value

	2010	2009
	R	R
	462,193	401,907
	(167,947)	(206,185)
	<b>294,246</b>	<b>195,722</b>
	1,028,472	1,490,665
	(146,638)	(314,585)
	<b>881,834</b>	<b>1,176,080</b>
	1,490,665	1,892,572
	(314,585)	(520,770)
	<b>1,176,080</b>	<b>1,371,802</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

### 8.3 INTEREST-BEARING BORROWINGS

#### Finance Lease

Photocopier

#### Less: Short-term portion

Photocopier

	2010	2009
	R	R
	1,176,080	1,371,802
	1,176,080	1,371,802
	294,246	195,722
	294,246	195,722
	<b>881,834</b>	<b>1,176,080</b>
	-	-

### 9. CONTINGENT LIABILITIES

There are no contingent liabilities identified as at the end of the financial year.

### 10. GOVERNMENT GRANTS

Grant received

Correction of prior year error - Grants recognised as conditions attached thereto have been met

Grant recognised in the statement of financial performance

	37,260,000	33,361,000
	-	500,072
	<b>37,260,000</b>	<b>33,861,072</b>



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

## 11. INVESTMENT INCOME

Investment income comprises of interest received from favourable bank balances.

## 12. FINANCE COSTS

The finance costs includes finance charges on finance lease and interest paid.

2010	2009
R	R
96,752	427,571
206,751	231,180



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

### 13. OTHER OPERATING EXPENSES

Other operating expenses are made up as follows:

Advertising and promotions

Professional fees

Protective clothing

Motor vehicle expenses

Motor vehicles -fleet services

Travel and accommodation - local

Travel and accommodation - overseas

Subsistence and travel - local

Subsistence and travel - overseas

Subsistence and travel - other expenses

Inspectors tools

**TOTAL**

	2010	2009
	R	R
Advertising and promotions	591,937	1,514,500
Professional fees	8,689,257	4,595,860
Protective clothing	1,033	6,178
Motor vehicle expenses	187,774	274,276
Motor vehicles -fleet services	178,517	202,065
Travel and accommodation - local	817,513	1,071,393
Travel and accommodation - overseas	282,044	151,908
Subsistence and travel - local	11,300	30,280
Subsistence and travel - overseas	36,189	69,317
Subsistence and travel - other expenses	12,709	16,110
Inspectors tools	-	2,696
<b>TOTAL</b>	<b>10,808,273</b>	<b>7,934,584</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

### 14. ADMINISTRATIVE EXPENSES

Administrative expenses are made up as follows:

Staff costs

Audit fees (internal and external)

Depreciation

Amortisation on intangible assets

Bank charges

Cleaning and hygiene services

Office decoration

Computer expenses - repairs

Courier and postage

Write-off

Electricity and water

Refreshments

Entertainment

Insurance

Litigations, fines and penalties

Printing and stationery

Building levy

Corporate stationery

	2010	2009
	R	R
Staff costs	29,429,243	23,328,436
Audit fees (internal and external)	689,127	513,773
Depreciation	1,350,323	1,199,385
Amortisation on intangible assets	348,672	195,255
Bank charges	29,111	22,468
Cleaning and hygiene services	80,642	39,074
Office decoration	21,040	80
Computer expenses - repairs	127,525	11,860
Courier and postage	81,097	54,885
Write-off	-	18,259
Electricity and water	360,074	309,118
Refreshments	177,572	173,731
Entertainment	79,327	-
Insurance	362,100	289,529
Litigations, fines and penalties	-	20
Printing and stationery	450,428	332,189
Building levy	26,645	107,386
Corporate stationery	168,870	239,444

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

	2010	2009
	R	R
Office accommodation - Operating lease payments	1,696,768	1,695,044
Repairs and maintenance - equipment	7,417	9,452
Repairs and maintenance - building	151,877	21,269
Recruitment costs	380,774	148,449
Cellular phone claims	208,063	209,744
Staff training	211,752	269,035
Conferences	369,599	269,856
Subscriptions - newspapers and magazines	27,893	38,622
Affiliation fees	370,289	145,325
Telephones and data services	990,353	606,948
Library materials	78,787	21,262
Corporate gifts - internal	3,774	26,866
Corporate gifts - external	-	200
Corporate image - sponsorships	-	5,000
RSC Levy	-	-
Compensation Commissioner	13,717	58,143
Personnel motivation (team building)	48,421	20,778
<b>Total</b>	<b>38,341,282</b>	<b>30,380,883</b>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

Board of Directors' remuneration

Senior Managers' remuneration

Staff Costs - non-senior management

Defined contribution plans

Audit fees - external

Office accommodation - operating lease

Finance charges

	2010	2009
	R	R
	1,632,749	1,289,001
	5,460,081	4,804,376
	20,574,549	15,662,924
	1,761,864	1,266,082
	689,127	444,920
	1,696,764	1,695,044
	206,751	231,180



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

### 16. DIRECTORS' EMOLUMENTS

#### 16.1 Executive Director - Chief Executive Officer

	Salary	Service Bonus	Performance bonus	Expense Claim	Other	Total 2010	Total 2009
M. Mofi	1,030,487	47,628	92,408	819	131,760	1,303,102	1,026,037

#### 16.2 Senior Management

	Salary	Service Bonus	Performance bonus	Expense Claim	Other	Total 2010	Total 2009
S. Khosa	744,400	36,494	57,152	1,297	49,539	888,882	761,378
K. Moya	744,400	36,964	69,399	5,016	62,027	917,806	795,380
M. du Plessis	744,401	36,964	69,399	6,925	65,167	922,856	813,821
C. Webb	841,361	-	72,663	-	55,886	969,910	549,982
BPH Bruwer	-	-	-	-	-	-	301,304
L Venkile	776,687	8,220	69,399	675	1,901	856,882	771,550
A Maepa*	151,828	29,606	-	-	52,350	233,784	810,960
M Ntlangula	561,092	19,256	48,988	-	40,625	669,961	-
<b>Total</b>	<b>4,564,169</b>	<b>167,504</b>	<b>387,000</b>	<b>13,913</b>	<b>327,495</b>	<b>5,460,081</b>	<b>4,804,375</b>

\* Resigned 31 May 2009

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

### 16.3 Non-Executive Directors

	Fee Claim	Cellphone Claim	Expense Claim	Total	2010	Total	2009
C. Ntuli	54,186	6,000	43	60,229		63,572	
T. Tsautse	46,033	3,000	-	49,033		31,692	
M. Hermanus	20,619	3,000	-	23,619		25,364	
C. Ntumba	26,123	3,000	829	29,952		2,938	
B. Madumise	39,841	3,000	1,900	44,741		28,822	
C. de Vos	50,849	3,000	800	54,649		33,243	
B. Carver	40,529	3,000	7,249	50,778		41,505	
<b>Total</b>	<b>278,180</b>	<b>24,000</b>	<b>10,821</b>	<b>313,001</b>		<b>227,136</b>	

### 16.4 External Committee Members - ( Non-Executive Directors)

	Fee Claim	Cellphone Claim	Expense Claim	Total	2010	Total	2009
RJ Moloto	9,632	-	2,077	11,709		3,812	
P van Heerden	4,673	-	274	4,947		5,570	
<b>Total</b>	<b>14,305</b>	<b>-</b>	<b>2,351</b>	<b>16,656</b>		<b>9,382</b>	



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

### 17. INCOME TAX

No provisions for income tax have been made for the year ended 31 March 2010 as the Railway Safety Regulator is exempt from paying company tax.

### 18. DEFINED CONTRIBUTION PLANS

The employees of the Railway Safety Regulator are members of a state-managed retirement benefit plan operated by the Government Employees Pension Fund (GEPF). The entity is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefit. The only obligation of the entity with respect to the retirement plan is to make the specified contribution.

The total expense recognised in the statement of financial performance of R1, 761, 864 (2009: R1, 266, 082) represents contributions payable to the plan by the entity at rates specified in the rules of the plan. There were no amounts due as at year-end.

### 19. RELATED PARTY TRANSACTIONS

Railway Safety Regulator is a state-controlled national entity listed as schedule 3A of the Public Finance Management Act.

NAME OF RELATED PARTY	NATURE OF THE TRANSACTIONS	AMOUNT	
		2010	2009
		R	R
PRASA	Donation - received	(800,000)	-
Department of Transport	Government grant - received	(37,260,000)	(33,361,000)

### 20. FINANCIAL INSTRUMENTS

Gains and losses arising from changes in the fair value of financial instruments are recognised in net surplus or deficit in the year in which they arise.

#### *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 entity's exposure to the risk of changes in market rates is limited to cash and cash equivalents that have floating interest rates.

#### *Credit risk*

The risk that a counterparty will not meet its obligations under financial instrument, leading to a financial loss. The entity is exposed to credit risk from its operating activities primarily for trade receivables.

The entity's maximum exposure to credit risk at 31 March 2010 was R220 566 (31 March 2009: R127 570)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

### **Liquidity risk**

The entity manages liquidity risk through proper management of working capital, capital expenditure and actual vs. forecasted cash flows and its cash management policy.

### **Financial assets**

The entity's principle financial assets are accounts receivables and cash and cash equivalent

### **Trade receivables**

Trade receivables are stated at their nominal value as reduced by appropriate allowances or estimated irrecoverable amounts.

Management regards that nominal values of trade receivables approximates fair value of trade receivables.

### **Cash and cash equivalents**

The carrying amount of cash and cash equivalents approximates fair value due to the relatively short-term maturity of these financial assets and financial liabilities.

Trade payables

The carrying amount of trade payables approximates fair value due to the relatively short-term maturity of this financial liability.

## **21. FRUITLESS AND WASTEFUL EXPENDITURE**

### **21.1 Reconciliation of fruitless and wasteful expenditure**

Opening balance

Fruitless and wasteful expenditure - current year

Fruitless and wasteful expenditure condoned - current

Fruitless and wasteful expenditure condoned - capital

Transfers to receivables for recovery

**Fruitless and wasteful expenditure awaiting condonation**

	2010	2009
	R	R
Opening balance	603	51,082
Fruitless and wasteful expenditure - current year	566	603
Fruitless and wasteful expenditure condoned - current	-	( 51 082)
Fruitless and wasteful expenditure condoned - capital	-	-
Transfers to receivables for recovery	-	-
<b>Fruitless and wasteful expenditure awaiting condonation</b>	<b>1,169</b>	<b>603</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

### 21.2 Fruitless and wasteful expenditure

Incident	Disciplinary Action or steps taken	Amount
Interest and penalties on late payments - prior years	No disciplinary action was taken and the expenditure was condoned subsequent to an investigation.	51,082
Interest and penalties on late payments for the current and prior year	No disciplinary action was taken and the expenditure was reported to National Treasury in terms of TR 9.1.2 as required by the PFMA.	1,169

## 22. IRREGULAR EXPENDITURE

### 22.1 Reconciliation of irregular expenditure

Opening balance

Irregular expenditure - current year

Irregular expenditure condoned - current

Irregular expenditure condoned - capital

Transfers to receivables for recovery

Irregular expenditure awaiting condonation

	2010	2009
	R	R
	-	56,827
	-	-
	-	( 56 827)
	-	-
	-	-
	-	-

Incident	Disciplinary Action or steps taken	Amount	Amount
The expenditure on finance lease was subsequently condoned by National Treasury.	No disciplinary action was taken and the expenditure was reported to National Treasury in terms of TR 9.1.2 as required by the PFMA.	-	( 56 827)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

### 23. COMMITMENTS

No commitments on capital items as at the reporting date

### 24. NOTES TO THE CASH FLOW STATEMENT

#### 24.1 Cash utilised in operating activities

##### Net surplus/ (deficit) for the year

Adjustments for:

Depreciation and amortisation

Finance lease depreciation

Gain on disposal of plant and equipment and other income

Write-off

Finance charges on finance lease

##### Movements in working capital

(Increase) / decrease in accounts receivable

(Decrease) / increase in accounts payable

Deferred income

	2010	2009
	R	R
	<b>898,498</b>	<b>2,501,438</b>
	(1,493,719)	864,132
	1,397,510	1,093,017
	301,486	301,623
	-	(35,135)
	-	18,237
	206,185	230,594
	411,462	2,472,468
	487,036	28,970
	(92,996)	(126,850)
	580,032	655,892
	-	(500,072)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

### 24.2 Cash and cash equivalents

Bank and Cash

	2010	2009
	R	R
	<b>1,081,293</b>	<b>2,434,833</b>
	1,081,293	2,434,833

### 25. Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance

#### Net surplus/ (deficit) for the year

Adjustments for:

Depreciation and amortisation

Assets purchased

Finance charges on finance lease

Net variance against budget

Income variance against budget

Revenue from safety permits

Interest received

Other income

Expenditure variance against budget

Admin Expenses

Other operating expenses

Capital Expenditure

Net Surplus/deficit as per budget

		(1,493,719)
		1,698,996
		(1,850,130)
		206,751
		1,438,102
	(2,552,587)	
	(2,100,800)	
	353,248	
	(805,035)	
	3,990,689	
	1,833,658	
	849,901	
	1,307,130	
		-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

26. World Cup Expenditure	Quantity	2010	2009
		R	R
Flags for "Fly the Flag on 100 Days to FIFA World Cup" @ R4	65	260	-
Ball Pens @ R2.00	70	140	-
<b>Total World Cup Expenditure</b>	<b>135</b>	<b>400</b>	<b>-</b>

27. Confederation Cup Expenditure	Quantity	2010	2009
		R	R
Tickets acquired for the Confederation Cup	71	48,177	-
Distribution of Confederation cup tickets			
Accounting Officer	-	-	-
Senior Management	10	7,000	-
Other employees	37	7,770	-
Clients and Stakeholders	24	33,407	-
<b>Total Confederation Cup Expenditure</b>	<b>71</b>	<b>48,177</b>	<b>-</b>







