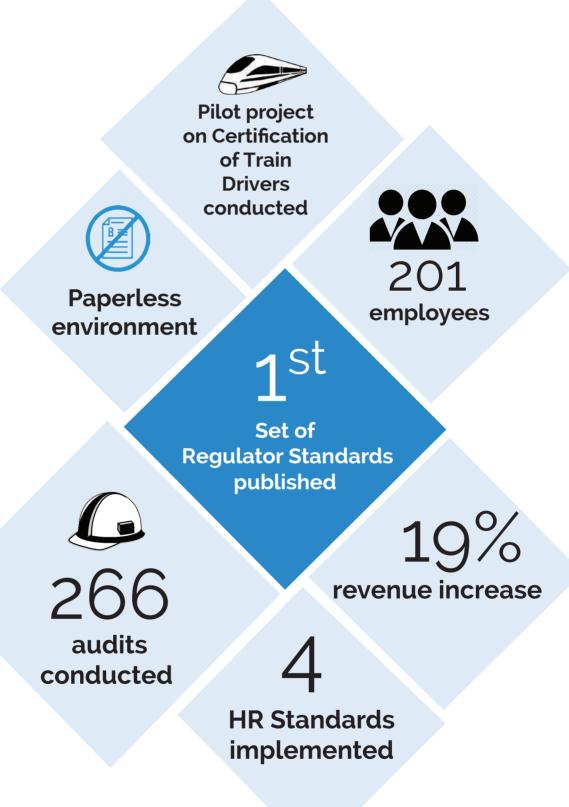


Standards adopted





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Part A:

General information

Registered name of the Public Entity	Railway Safety Regulator
Registered office address	1 Gordon Hood Avenue, Centurion, 0157
Postal address	P O Box 11202, Centurion, 0051
Contact telephone numbers	012 848 3000
E-mail address	helpdesk@rsr.org.za
Website address	http://www.rsr.org.za
External Auditors' information	Auditor General of South Africa
	300 Middel Street, New Muckleneuk, 0181
Banker's information	ABSA
Company Secretary	Mr Hulisani Murovhi

Glossary of terms

AFS	Annual Financial Statements	IEA	International Ergonomics Association
AGSA	Auditor-General of South Africa	KPI	Key Performance Indicator
ALARP	As low as is reasonably practicable	MDS	Minimum Data Set
APP	Annual Performance Plan	MQS	Management Quality System
ASB	Accounting Standards Board	MTSF	Medium Term Strategic Framework
BOI	Board of Inquiry	NATMAP	National Transport Master Plan
ССМА	Commission for Conciliation, Mediation	NDP	National Development Plan
	and Arbitration	NIMS	National Information Management System
CEO	Chief Executive Officer	OHASA	Occupational Health and Safety Act
coo	Chief Operations Officer	PFMA	Public Finance Management Act
DoT	Department of Transport	PRASA	Passenger Rail Agency of South Africa
EMU	Electric Multiple Units	PTI	Platform Train Interface
ERM	Enterprise-Wide Risk Management	NRSR	National Railway Safety Regulator
ESSA	Ergonomics Society of South Africa	SADC	Southern African Development Community
FY	Financial Year	SANS	South African National Standards
GGE	Guides to Governance Excellence	SCG	Safety Critical Grades
GOE	Guides to Operational Excellence	SDIX	Service Delivery Index
GPE	Guides to Performance Excellence	TAL	Trans Africa Locomotive
GRAP	Generally Recognised Accounting Practice	тсо	Train Control Officer
IAA	Internal Audit Activity	TETA	Transport, Education and Training Authority
ICT	Information Communication Technology		AL & Comment
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To ensure performance excellence, the RSR implemented the Management Quality System during the 2014/15 Financial Year. The system, in its third phase in the period under review, not only makes provision for the objective assessment, monitoring and evaluation of organisational performance excellence, but also encourages continuous learning and improvement



Chairperson's foreword

It is my pleasure to present this Annual Report; my first as the Chairperson of the RSR Board. In the short time that I have been with the RSR, I am proud to say that I am part of a progressive organisation. I wish to extend my gratitude to the previous Board for their dedication and effort in effectively leading such a continuously advancing institution. It remains our collective mission as the current Board to continue the legacy, and take the RSR to even greater heights.

In aspiring towards achieving zero occurrences in the South African rail environment, the 2016/17 FY's strategic drive focused on integrating the following mandatory services: enforcement, human factor interventions, investigations as well as the development of regulatory instruments.

The RSR celebrated an overall achievement of 89% of the targets set for the year under review, It should be noted that the non-achievement of the remaining 11 % was as a result of factors beyond the control of the RSR. The Regulator will focus on the achievement of these targets during the 2017/18 Financial Year.

To ensure performance excellence, the RSR implemented the MQS during the 2014/15 FY. The system, in its third phase in the period under review, not only makes provision for the objective assessment, monitoring and evaluation of organisational performance excellence, but also encourages continuous learning and improvement. It also requires equal participation of the supervisor and employee in managing operational performance. The system was also integrated into the RSR's Employee Performance Management Policy.

Cognisant of the fact that the organisation must be financially stable at all times, the RSR continued to identify programmes that assist in securing a sustainable financial environment. Some of these initiatives included developing service offerings for the Southern African Development Community in the form of training on Standards and conducting investigations on occurrences. Expanding the services on the continent is an initiative that will be strengthened and rolled-out during the 2017/18 FY.

It is also worth noting that the organisation added one more value to its set of core values. This value - respect and diversity - is in line with the Government's motto of "Unity in Diversity" and undertakes that our organisation is a non-racial, equal-opportunity employer with a multinational, multi-ethnic, multi-skilled and multi-cultural populace. We remain proud of our heritage, while being consciously aware of our collective diversity and cultures.

In closing, I wish to extend my appreciation to the Minister of Transport, Honourable Dipuo Peters, Deputy Minister of Transport, Honourable Sindisiwe Chikunga and the National Department of Transport for carrying us on their shoulders, allowing us to see further into the future. It would be a great injustice not to acknowledge the management and staff of the Regulator, who remain critical to the day-to-day running and overall success of the organisation. I salute you all for your commitment to the zero occurrences vision.

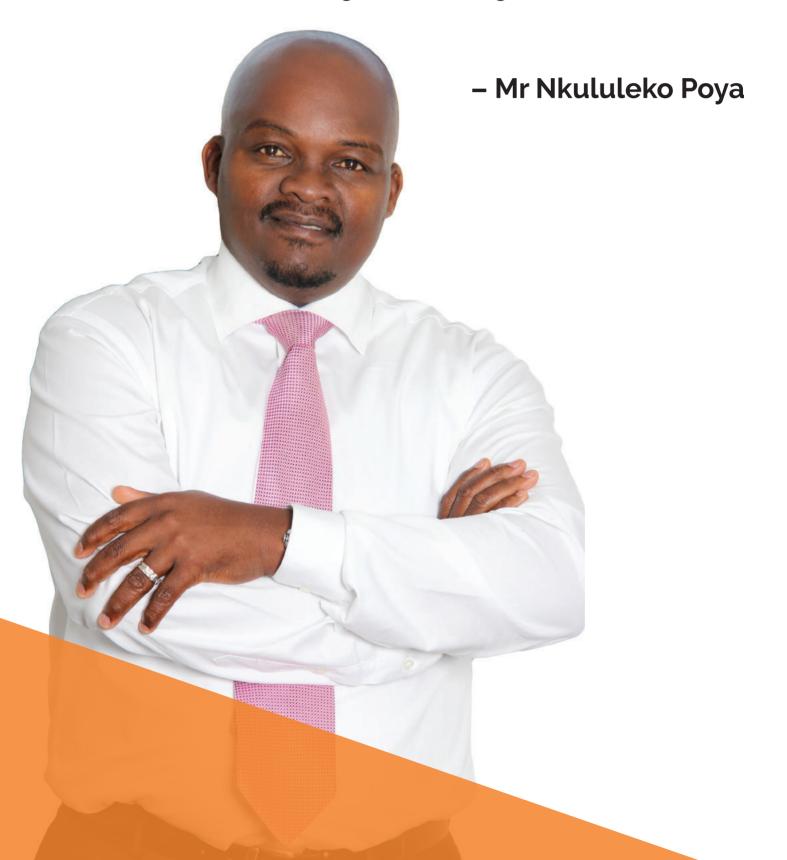
I trust that my contribution to the organisation, together with the entire Board will add immense value, and I look forward to years of success.

Dr Nomusa Zethu Qunta

CHAIRPERSON: RSR BOARD OF DIRECTORS



It is without doubt that the organisation has over the years grown in leaps and bounds. Not only have we increased our human capital, we also increased our regional footprint by capacitating the regions more to deal with regional challenges



CEO's overview

The targets for the 2016/17 FY provided a clear strategic direction to the rail industry. The targets are the building blocks to get the industry aligned to the RSR's vision of zero occurrences and to support industry reforms, while promoting improved safety and economic performance.

While the country's rail revitalisation programme ushered in development and investment opportunities, it also introduced numerous safety challenges associated with structural changes in the railway system. To effectively address these potential safety challenges, a results-based management strategy was adopted that aimed to achieve two outcomes; to reduce risks in the external landscape and to ensure sustainable institutional growth and development. Great attention was given to the human, financial and social intellectual capital requirements needed to support the successful execution of the strategy.

Key among these requirements is the RSR's commitment to address high-risk areas in order to improve safety. As the RSR's State of Safety Reports have consistently shown, approximately 80% of all reported platform train interface (PTI) occurrences in South Africa are as a result of passengers falling on platforms. These statistics necessitated the RSR's decision to conduct a study into all the equipment, systems, technologies and facilities in the rail environment that humans interact with. The study's outcome identified the critical design aspects of platform train interfaces for which anthropometric and biomechanical guidelines are to be developed. As a result of this study, an information hub on how to design better stations in future, will be developed.

In addition, during the year under review, the RSR stepped onto unchartered territory and rolled out a pilot project for the licensing of Safety Critical Grades (SCG). The project was executed

in accordance with a memorandum of agreement signed with the Passenger Rail Agency of South Africa (PRASA). Major lessons were learned by both parties, especially regarding the industry's readiness to be licensed. The pilot project also highlighted the importance of ensuring that employee competence and development are matched with the roll-out of technologies to augment safety assurance.

It is without a doubt that the organisation has over the years grown in leaps and bounds. Not only have we increased our human capital, we also increased our regional footprint by capacitating the regions more to deal with regional challenges. This has allowed the Regulator to effectively respond to our regulatory responsibilities, thus contributing immensely to the achievement of the targets set.

The RSR would not have been able to do all of this without the guidance and support of the Minister of Transport and the National Department of Transport who have contributed to the successes shared in this report. Allow me also to thank the RSR Board of Directors, both previous and present, for their support and leadership. Last but not least, let me extend my appreciation to the management and staff of the RSR. Your unwavering commitment to the organisation remains the force that drives the performance of the RSR. Your efforts have not gone unnoticed.

Thank you.

Mr Nkululeko Poya

Shuun

RSR CEO

Auditor General.

- 2. The Annual Report is complete, accurate and is free from any omissions.
- 3. The Annual Report has been prepared in accordance with the guidelines on the Annual Report as issued by National Treasury.
- 4. The Annual Financial Statements have been prepared in accordance with the standards applicable to the public entity.
- 5. The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information.
- 6. The Accounting Authority is responsible for establishing, and implementing a system of internal control that has been designed to provide reasonable assurance on the integrity and reliability of the Performance Information, the Human Resources Information and the Annual Financial Statements.
- 7. The External Auditors are engaged to express an independent opinion on the Annual Financial Statements.
- 8. In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2017.

Yours faithfully

Nkululeko Poya

CHIEF EXECUTIVE OFFICER

Dr Nomusa Zethu Qunta CHAIRPERSON: RSR BOARD

Strategic Overview

Vision

Aspire to achieve zero occurrences.

The focus on "zero occurrences" is a proactive approach to significantly reduce the number and frequency of operational occurrences and security incidents in order to promote rail as the preferred mode of transport in South Africa. It is about influencing a mind-set, embracing and living a value, setting an ideal goal and bringing about a culture change in the railway industry".

The philosophy is that "every occurrence can be avoided and that every occurrence is everybody's responsibility". It is ultimately about improving the public perception of rail safety and making rail the preferred mode of transport.

Mission statement

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

Guiding principles

Evaluate

We evaluate the state of safety, assess potential risks and provide accurate reporting.

Empower

We clarify expectations through setting joint safety targets, enabling regulatory legislation, standards and certification frameworks and through effective planning and implementation of safety strategies.

Engineer

We promote the use of safer technologies, influence investment plans, evaluate strategic projects and research solutions to address safety challenges.

Endure

We create a sustainable organisation, one that builds capital for the future – human, financial, intellectual, manufactured, social and natural capital.

Engage

We identify and engage with our stakeholders, we unite them behind the safety goal and we collaborate with them to find sustainable solutions.

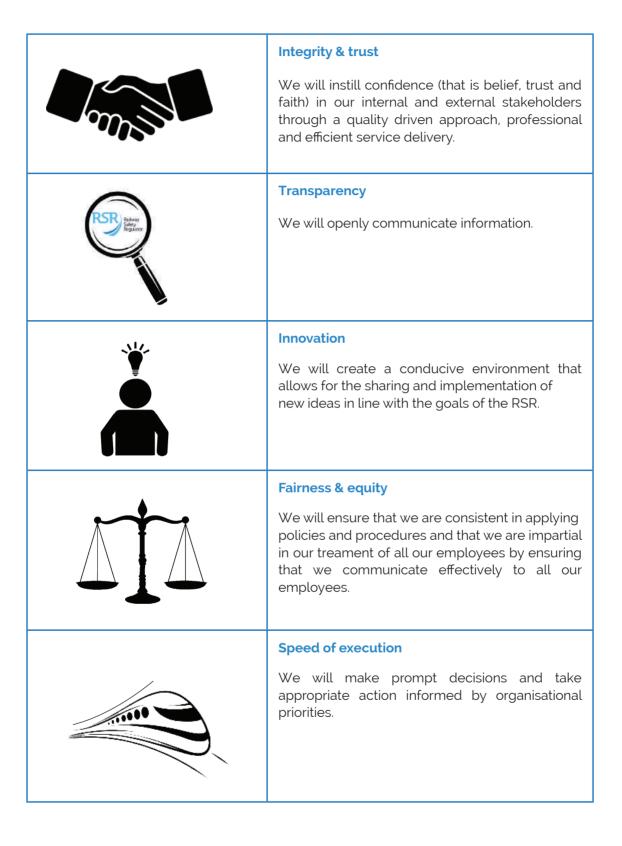
Educate

We provide access to railway safety related information and knowledge, we conduct campaigns, we create awareness and we influence the perception and behaviours of the public.

Enforce

We conduct audits and investigations and we hold the railway industry accountable for achieving excellence in safety.

Values



Legislative and Other Mandates

Legislative Mandate

The RSR was established in terms of the National Railway Safety Regulator Act No16 of 2002, as amended ("the Act") to establish a national regulatory framework for South Africa and to monitor and enforce compliance in the rail sector. The primary legislative mandate of the RSR is to oversee and enforce safety performance by all railway operators in South Africa, including those of neighbouring States whose rail operations enter South Africa. All operators are, in terms of the Act, primarily responsible and accountable for ensuring the safety of their railway operations.

Other Legislative Mandates

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

- Occupational Health and Safety Act, 1993 (Act No 85, 1993);
- 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 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).

Policy Mandate

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

- The NDP:
- The National Transport Master Plan (NATMAP);
- The New Growth Path Framework;
- · Various National and International policies within the Railway Sector; and
- The National Government's Strategic Outcomes and The Medium Term Strategic Framework.



Office of the Presidency: Medium Term Strategic Framework (MTSF)

The MTSF is defined as a statement of intent identifying the development challenges facing South Africa and outlining the medium-term strategy for improvements in living conditions and contributions towards economic growth and prosperity. South Africa requires investment in an effective network of economic infrastructures aimed at supporting the country's mediumand long-term economic and social objectives. This economic infrastructure is a precondition for providing basic services such as electricity, water, sanitation, telecommunications and public transport, and it needs to be robust and extensive enough to meet industrial, commercial and household needs. The RSR is committed to making a substantial contribution towards the goals as stated above, with specific focus on MTSF Outcome 6: An efficient, competitive and responsive economic infrastructure network. Therefore, the RSR Strategy for the period going forward will aim at ensuring that the safe expansion of rail as a mode of both passenger and freight transport contributes towards:

- Improving the management and accountability of all stakeholders involved in the rail industry.
- Enforcement of sector-wide compliance and encouraging contracted operators and independent service providers to invest and provide a more commuterfriendly experience.
- Renewing the commuter rail fleet, on a corridor to corridor basis with new technology, high-capacity rolling stock, supported by an infrastructure modernisation programme (new signalling systems, station upgrades and intermodal facilities) to enhance integration between road and rail based services.

Department of Transport Strategic Outcome Oriented Goals

In terms of the Department of Transport (DoT) Strategic Outcome Oriented Goal 1, which aims to ensure an efficient and integrated infrastructure network that serves as a catalyst for social and economic development, the RSR will align its strategic goals and objectives to ensure that all rail industry activities are completed with safety as the main consideration.



Board of directors



Mr Boy Johannes Nobunga Deputy Chairperson BCom Hons (UWC)



Dr Nomusa Zethu QuntaBoard Chairperson
PHD (WITS)



Mr Nkululeko Poya Chief Executive Officer MBA (NMU)



Ms Ntombizine Mbiza LLB, University of Middelsex (UK)



Ms Masaccha Mbonambi BCom Hons (UKZN)



Mr Andre Harrison MBA (UCT)



Major-General (Retired)

Willem Venter

Masters: Public Administration
(UP - cum laude)



Mr Tibor Szana NHDip: Mechanical Engineering (CPUT)



Mr Ngwako Makaepea BA Hons (UP)



Mr Zacharia MosothoaneDip: Transportation
Management (UJ)



Major-General Michael Motlhala BTech: Policing (TUT)



Mr Christiaan Johan De Vos AdvDip: Labour Law (UP)



Ms Hilda Thamaga Thopola Masters: Public Health (WITS)



Mr Hulisani Murovhi Company Secretary Masters: Public Development and Management (WITS)

Executive management



Mr Nkululeko PoyaChief Executive Officer
MBA (NMU)



Mr Thanduxolo Fumbata
Chief Operations Officer
BSc: Mechanical Engineering (UCT)



Ms Tshepo Kgare Executive Manager: Operational Intelligence and Planning

NDip: Civil Engineering (Vaal Triangle Technikon)



Mr Sam Nxazonke Executive Manager: Corporate Affairs

Programme in Human Resource Management (UNISA)



Adv Isaac Shai Executive Manager: Legal Services

LLM (WITS



Ms Renaire Huntley Executive Manager: Strategy and Business

MSc: Environment and Development (UKZN),

Development



Mr Solomon Kekana
Executive Manager:
Occurrence Investigations

Master's Degree in Engineering Management (UJ)



Mr Regardt Gouws Chief Financial Officer (Appointed 01 May 2017)

CA (SAICA)



Mr Oupa Masogo Chief Audit Executive

BCom (Vista University)



Mr Hulisani Murovhi Company Secretary

Masters: Public Development and Management (WITS)



The focus on 'zero occurrences' is a proactive approach to significantly reduce the risks associated with operational occurrences and security incidents in order to promote rail as the preferred mode of transport in South Africa

PERFORMANCE INFORMATION

Part B:

Performance information

Introduction

In aspiring towards achieving zero occurrences in the South African rail environment, the strategic drive for the 2016/17 FY was premised on integrating the following mandatory services: enforcement, education and safe engineering solutions (safer technologies) as well as the development of supporting regulatory instruments.

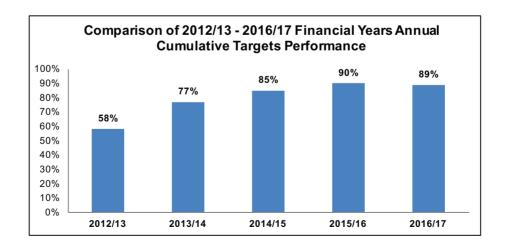
The APP was primarily informed by the RSR's legislative mandate, which is to oversee the safety of railway operations. The RSR is also tasked with improving safety performance in the railway transport industry in order to promote the use of rail as a safe mode of transportation.

The 2016/17 APP represented a watershed in the design and implementation of an outcomes-based plan in comparison to previous plans. Two main outcomes were identified for the RSR to achieve its desired long-term impact of zero occurrences. The 2016/17 Strategic Plan also considered the temporal and causal dimensions (expressed as short- to medium-term targets) to the sequence of events that will yield the intended outcomes and impact.

The strategic outcomes for the FY were:

- · Risks in the railway landscape have been mitigated; and
- Sustainable institutional growth and development.

For the past three years, the RSR achieved over 80% of the targets set out in its APP. The achievement of 89% of the annual cumulative targets for the 2016/17 FY was not an easy exercise and should be interpreted within the context of the challenges the RSR experienced in implementing the Regulations that were drafted. Below is a six-year comparative analysis of annual performance scores:



Regarding the target criteria of the regulatory dimension, the intended outcome was to mitigate risks in the railway landscape. To achieve this outcome, the following five key focal areas that contributed to 80% of the risks in the external environment were identified, using a combination of time-series and collective risk analytical techniques where appropriate:

- Level crossing occurrences (with emphasis on recognised road and pedestrian level crossings);
- People struck by trains (with emphasis on mainline occurrences);
- Mainline derailments:
- · Mainline collisions between rolling stock; and
- PTI occurrences (with emphasis on recognised road and pedestrian level crossings).

The above focal areas formed the basis of the programmatic or systemic approach to risk reduction with the desired targets being reductions in the respective occurrence categories. The interventions/mitigation measures in each of the above occurrence categories comprised of relevant engineering, enforcement, education and human factor initiatives that were designed to be implemented in an integrated and holistic manner to bring about the desired targets. Of note, the successful implementation of some of these interventions assumed that the supporting regulatory tools, such as the Railway Reserve Regulation and the Human Factor Regulation were published in the first quarter of the 2016/17 FY (as stated in the published 2016/17 Strategic Plan).

The targets that were not achieved in the 2016/17 FY pertained to processes outside the direct control of the entity, that is, the promulgation of the above-mentioned Regulations. Regulations need to be promulgated before they can be implemented – the latter being both the responsibility and enabler of the RSR to give effect to its mandate.

APP target	Reason for non-achievement	Action plan
Railway Reserve Regulation implemented	DoT requested that a Socio- economic Impact Assessment System be conducted prior to Gazetting of the Regulation.	The impact assessment will be conducted during 2017/18.
Human Factor Regulation Implemented	DoT requested that a Socio- economic Impact Assessment System be conducted prior to Gazetting of the Regulation.	The impact assessment will be conducted during 2017/18.
100 % Compliance to 50 % (10) of all PTI Improvement Directives issued during 2016/17	Operators were unable to implement the targeted improvement directives issued during 2016/17.	The outstanding directives will be followed up for implementation in 2017/18.

Service delivery environment

The country's rail revitalisation programme not only ushered in development and investment opportunities, but numerous safety challenges associated with structural changes in the railway system. The 2016/17 – 2020/21 MTSF and associated APP was formulated against this backdrop. It considered our present commitment to provide safety assurance to all sectors of society interacting with the country's national railway system.

To effectively address our present and potential safety challenges, a results- based management strategy was adopted that aimed to achieve two outcomes – to reduce risks in the external landscape and to ensure sustainable institutional growth and development.

In line with the first outcome of reducing risks in the external landscape, targets to mitigate the risks associated with level crossing occurrences; people struck by train occurrences; mainline derailments; mainline collisions between rolling stock and PTI occurrences were established. The second outcome paid attention to the human, financial and social intellectual capital requirements that were needed to support the successful execution of the strategy.

The section that follows gives an overview of the high-level, flagship projects that were introduced during the period under review within the two strategic pillars:

Strategic outcome 1: Risks in the railway landscape have been mitigated:

Outcome Description: Mitigate risks of occurrences by designing and establishing an appropriate regulatory approach to oversee, monitor and enforce railway safety within the regulatory framework provided by the NRSR Act, policies, procedures, standards and other operating guidelines. In this Strategic Outcome, the RSR focused on key risk reduction initiatives to address railway safety risks associated with the following:

- Level crossing occurrences;
- People struck by trains;
- Mainline derailments;
- Mainline collisions between rolling stock; and
- PTI occurrences.

The RSR, in its endeavors to drive down occurrences in the categories listed above, paid attention to the implementation of all improvement directives that were due for closure in the 2016/17 FY. These stemmed from audits, inspections and occurrence investigations conducted during this period. In addition to this output, the Regulator also focused on the development of comprehensive risk-reduction programmes to address the occurrences and incidents arising from human factor elements. Human factor related issues have been attributed to most occurrences and incidents that have taken place to date. Our regulatory compliance and enforcement tools also received a substantial amount of attention during the period under review.

Initiative 1: Investigations conducted

The following is a summary of the Boards of Inquiry conducted for the serious accidents and derailments that occurred in the 2016/17 FY:

Merebank-Havenside head-on collision

On 23 June 2016, a PRASA train travelling from Durban to Crossmoor collided head-on with another PRASA train that was travelling from Crossmoor to Durban. The investigation concluded that the Train Control Officer was distracted (human factor related cause) and did not pay attention to the panel monitoring train movement. Non-adherence to safety procedures was also identified.

Kaalfontein head-on collision

On 24 October 2016, a PRASA train traveling from Leralla to Germiston collided head-on with another PRASA train traveling in the opposite direction. The cause of this accident was human factor related – the train driver passed two signals at danger.

Gautrain derailment

On 16 February 2017, a Bombela Operating Company train derailed at the entrance to Hatfield station. The preliminary investigation found that the points were not completely closed for the safe passage of trains.

Rosslyn head-on collision

On 20 February 2017, a PRASA train collided head-on with another PRASA train at Lynross station, which is between De Wildt and Rosslyn stations in the Gauteng North region. Both trains were manually authorised onto the same up line by the different TCOs. It was reported that this manual method of train authorisation has been ongoing for more than five years. The preliminary investigation found that the handover procedure was inadequate for the circumstances that were prevailing at the time of the collision.

Initiative 2: Human factor risk mitigation programmes

The identification of psychological and physiological risk factors associated with train drivers and driver assistants who have struck people

The State of Safety Report for the 2015/16 FY indicated a year-on-year increase in the number of people struck by trains. This necessitated an understanding of the psychological (mental) and physiological (physical) characteristics of train drivers and train assistants involved in these occurrences. This study allowed the RSR to profile these attributes of train drivers and their assistants, to assist operators in refining the recruitment and selection criteria of their safety critical posts.

Human factor causality analysis for mainline collisions

This project set out to investigate, in detail, the human factor related elements responsible for mainline collisions. The RSR will use the information to develop a proactive risk management process that consists of the early identification and assessment of human factor accident causality.

Anthropometric and biomechanical guidelines for railway technologies

The problem of collisions between people and trains at railway level crossings remains a persistent road and rail safety issue in South Africa. Current statistics from the RSR indicate a year-on-year increase in the number of people struck by trains and other level crossing occurrences. The need to reduce the number of level crossing occurrences, specifically related to behavioural risks of both pedestrians and motorists interfacing with the rail network at mainline level crossings is evident and a strategic target for the RSR for the period from 2016/17 - 2021/22.

To identify the underlying causes responsible for people being struck by trains, the RSR initiated an investigation focusing on behavioural risks of motorists and pedestrians when interacting with railway crossings. The goal is to improve safety awareness and develop a behavioural intervention strategy. The method applied to identify the common causes of level crossing occurrences was based on triangulation and comprised a literature review; an analysis of existing data of occurrences at level crossings in South Africa; field observations and focus group interviews with pedestrians and motorists and a questionnaire distributed to train drivers.

Initiative 3: Strengthening the regulatory environment

Level and Pedestrian Crossing Standard

This Standard was developed primarily with a view of achieving uniformity in the management of safety at level crossings. Key to the safety at level crossings is an appropriate physical risk assessment model.

The model aims to ensure that road authorities, private road owners and network operators identify their technical and operational hazards. It also enabled the management of the resultant risks to levels as low as is reasonably practicable with a clear understanding of each other's roles and responsibilities.

Asset Management Regulation

The purpose of this Regulation is to regulate the application of an appropriate asset management approach by operators. It provides operators with asset maintenance and management requirements in order to promote safe railway operations. In addition, it outlines the manner in which asset management information should be submitted to the Regulator and a methodology to be implemented by operators.

Other flagship projects included: The Ergonomics Society of South Africa (ESSA) Conference

Given the prominence of human factors in occurrence causality, it is the RSR's interest to be aligned with organisations such as ESSA to

ensure the necessary support and knowledge pertaining to the latest developments in this discipline. ESSA is a federated member of the International Ergonomics Association (IEA). As a society, ESSA aims to promote awareness of ergonomics/human factors in South Africa and both the health and safety and productivity benefits that can be derived from the implementation of sound ergonomics principles.

The involvement of the RSR at the ESSA Conference showcased the role of human factors in rail and road transport, and promoted awareness of the RSR's training courses and technical awareness programmes aimed at promoting human performance, safety and the wellbeing of the general user population.

Certification of train drivers

The train driver licensing component of the Safety Critical Grades (SCG) pilot project has been rolled out through a memorandum of agreement with Passenger Rail Agency of South Africa (PRASA). Given the criticality of the role of human factors in safe railway operations, the RSR premised the pilot project on the Human Factors Management Standard (SANS 3000-4) which requires operators, inter alia, to ensure that employees who undertake safety-related work are in possession of the following:

- · valid certificate of competence,
- qualification, where relevant, and
- valid license, where relevant.

A major lesson learned during the pilot phase was the ability to assess the readiness of the industry when it comes to licensing. In addition, employee competence and development must be matched with the roll-out of technologies to augment safety assurance.

The pilot phase results to date are as follows:

- Licensing of 130 train drivers, 18 of whom are drivers of the new PRASA Electric Multiple Units (EMU) Trains; and
- Recommendations for licensing requirements in the RSR's approval conditions to PRASA for the trial run of the new trains issued in early 2017.

Technology reviews conducted

• PRASA EMU trains and Transnet MDS projects (23E locomotives, 45D locomotives and new Trans Africa Locomotives).

The RSR reviewed the design and operational readiness of PRASA's EMU trains. In addition, corridor fencing projects and the Eerste Fabrieke Staging Yard (for staging and first line maintenance of the EMUs) were also submitted for review purposes. The new trains are currently being tested during off-peak periods. The submission from Gibela entailed the design, construction and operation of a Rolling Stock Manufacturing Facility. The plant will produce rolling stock as required in terms of their current contract with PRASA. The construction of the plant is currently in progress and the reviews will continue until the plant has been completed and handed over.

Transnet MDS projects (23E locomotives, 45D locos and new Trans Africa Locomotives)

The Transnet Technology Review projects included the testing and commissioning phase of the 23E locomotives - the Trans Africa Locomotive (TAL) - that is specifically designed for the African market and the 45D locomotives which will be manufactured in Durban. The review of the latter also included the inspection of the factory in Durban and a review of the plant's quality processes.

Technical Training - Railway Safety Inspector Qualification

The RSR developed a Railway Safety Inspector curriculum in collaboration with the Community of Expert Practitioners. This qualification has been approved by Transport Education Training Authority (TETA) and submitted to the Quality Council for Trade and Occupations.

Strategic Outcome 2: Sustainable institutional growth and development

Outcome Description: Enrich organisational governance processes and procedures to promote integrated thinking and collaboration, embrace complexity and diversity, and to enable the sustainable growth and development of the RSR.

Securing a Sustainable Financial Environment

The RSR identified new revenue streams to assist the entity in securing a sustainable financial environment. These include service offerings to operators and regulators in the SADC region. An initiative to expand railway safety services on the continent will be strengthened and rolled-out in the 2017/18 FY.

Ensuring Performance Excellence

Sustained performance can be achieved by the effective management of the organisation through awareness of the organisation's environment, by learning and by the appropriate application of either improvement or innovations, or both.

The RSR's MQS entered its third phase during the period under review. This management tool not only makes provision for the objective assessment, monitoring and evaluation of organisational performance excellence, but also encourages continuous learning, improvement and equal participation of the supervisor and employee in managing operational performance. This system has been integrated into the RSR's Employee Performance Management Policy. The MQS has been conceptualized to be developmentally orientated and to encourage training, mentoring, and regular feedback through annual self-assessments. During the period under review, the MQS project supported excellence within the organisation.



Organisational environment

Challenges

Financial sustainability

In its drive towards securing financial sustainability, the RSR has not only implemented improved financial management controls such as tighter budgetary and expenditure management and consultancy reduction programs, but also investigated the plausibility and viability of new revenue streams. The 2017/18 FY will pay special attention to:

- Facilitating the amendment of the RSR Act to provide for the generation of revenue from new revenue streams;
- Revising its Permit Fee Model to take future macro-economic trends and investment climates into consideration; and
- Exploring new revenue streams through the development of new products.

Way forward for the RSR

Even though the entity experienced challenges in meeting all of its output related targets, the RSR managed to achieve an outstanding annual performance score of 89% for the 2016/17 Financial Year. A huge part of our success can be attributed to the attention paid in implementing lessons learnt from past successes and non-achievements.

Lessons learnt from the 2016/17 FY were taken into account in the development of the 2017/18 Strategic Plan and APP targets. By investing considerable time and effort in planning and implementing critical institutional strengthening leadership and governance processes as well as on modifying and improving its regulatory and compliance instruments, the RSR endeavours to institute quality regulatory and performance management measures. Quality regulatory management is about creating a positive regulatory culture where issues of trust, teamwork, continuous learning and reflection, people and behaviour, and compliance procedures/processes are given due recognition and attention. The 2016/17 FY paid homage to these essential, and often neglected, value creating management elements.

Strategic outcome oriented goals

A summary of the performance information for 2016/17 FY is detailed below:

ULTIMATE PURPOSE	ASPIRE TO ACHIEVE 'ZERO OCCURRENCES'
Purpose statement	The focus on ZERO OCCURRENCES is a proactive approach to significantly reduce the number and frequency of operational occurrences and security incidents in order to promote rail as the preferred mode of transport in South Africa. It is about influencing a mind-set, embracing and living our values, setting an ideal goal and bringing about a culture change in the railway industry.
	The underpinning philosophy that informs this vision is that "every occurrence can be avoided and that every occurrence is everybody's responsibility".
STRATEGIC OUTCOME ORIENTED GOAL 1:	RISKS IN THE RAILWAY LANDSCAPE HAVE BEEN MITIGATED
Goal statement	Mitigate risks of occurrences by designing and establishing an appropriate regulatory approach to oversee, monitor and enforce railway safety within the regulatory framework provided by the NRSR Act, policies, procedures, standards and other operating guidelines.
STRATEGIC OUTCOME ORIENTED GOAL 2:	SUSTAINABLE INSTITUTIONAL GROWTH AND DEVELOPMENT
Goal statement	Enrich organisational governance processes and procedures to promote integrated thinking and collaboration, embrace complexity and diversity, and to enable the sustainable growth and development of the RSR

Performance information by programme

Strategic Outcome 1: Risks in the railway landscape have been mitigated

Strategic Objective 1.1: Reduction in the number of level crossing occurrences

Objective Statement: Increase the level of compliance at level crossings and change the public's attitude and behaviour through collaboration with all relevant role-players, stakeholders, affected parties and the introduction of engineering solutions.

Performance indicator	Reporting period	No	Annual target 2016/17	Actual performance	Reason for deviation	Action plan
Reduction in the number of level crossing occurrences	Quarterly	1.1.1	Level and Pedestrian Crossing Standard developed	Target Achieved Level and Pedestrian Crossing Standard developed	-	-
		1.1.2	100 % Implementation of all (4) Level Crossing Improvement Directives due for closure in 2016/17	Target Achieved 100 % Implementation of all Level Crossing Improvement Directives due for closure in 2016/17	-	-
		1.1.3	100 % Compliance to 50 % (5) of directives issued in 2016/17	Target Achieved 100 % Compliance to 50 % of directives issued in 2016/17	-	-
		1.1.4	10 % (10) of level crossing occurrences investigated	Target Exceeded 11 % of level crossing occurrences investigated	The target was exceeded due to the increased capacity	-
	1.1.5	Behavioural risks of pedestrians and motorists interacting with the railway network researched	Target Achieved Behavioural risks of pedestrians and motorists interacting with the railway network researched	-	-	
		1.1.6	Level crossing training course developed	Target Achieved Level crossing training course developed	-	-

Strategic Objective 1.2: Reduction in the number of people struck by trains

Objective Statement: To substantially reduce the number of people struck by trains by securing the rail reserve a ensuring its integrity while providing alternate access across railway tracks, educating communities, within the constraints of financial resources and regulatory framework.

Performance indicator	Reporting period	No	Annual target 2016/17	Actual performance	Reason for deviation	Action plan
Reduction in the number of people struck by trains	Quarterly	1.2.1	100 % Implementation of all (1) Improvement Directives in high risk corridors due for closure in 2016/17	Target Achieved 100 % Implementation of all Improvement Directives in high risk corridors due for closure in 2016/17	-	-
		1.2.2	100 % Compliance to 50 % (3) of all directives issued in 2016/17	Target Achieved 100 % Compliance to 50 % of all directives issued in 2016/17	-	-
		1.2.3	Railway Reserve Regulation implemented	Target not Achieved	DoT requested that a Socio-economic Impact Assessment System be conducted prior to Gazetting of the Regulation	Socio- economic Impact Assessment will be conducted in 2017/18
			1.2.4	5 % (20) of all people struck by train occurrences investigated	Target Exceeded 64 % of all people struck by train occurrences investigated	An increase in the number of occurrences were reported during 2016/17
		1.2.5	Psychological and physiological risk factors associated with train drivers and assistants who have struck people identified	Target Achieved Psychological and physiological risk factors associated with train drivers and assistants who have struck people identified	-	-

Strategic Objective 1.3: Reduction in the number of mainline derailments

Objective Statement: To strengthen the regulation of railway asset management by:

- Supplementing the existing reactive (i.e. identifying and fixing) maintenance approach by developing a more proactive (predictive and preventative) approach;
- Influencing the quality of maintenance suppliers for safety critical systems and components;
- · Improving the maintenance regulatory framework; and
- Implementing best practice maintenance standards.

Performance indicator	Reporting period	No	Annual target	Actual performance	Reason for deviation	Action plan		
Reduction in the number of mainline derailments	Quarterly	1.3.1	100 % Implementation of all (12) maintenance related Improvement Directives due for closure in 2016/17	Target Achieved 100 % Implementation of all maintenance related Improvement Directives due for closure in 2016/17	-	-		
		1	1.3.2	100 % Compliance to 50 % (16) of all directives issued in 2016/17	Target Achieved 100 % Compliance to 50 % of all directives issued in 2016/17	-	-	
			1.3.	1.3.3	10 % (20) of all perway and rolling stock related derailments investigated	Target Exceeded 13 % of all perway and rolling stock related derailments investigated	The target was exceeded due to the increased capacity	-
			1.3.4	Asset Management Regulation developed	Target Achieved Asset Management Regulation developed	-	-	

Strategic Objective 1.4: Reduction in the number of mainline collisions between rolling stock

Objective Statement: To work towards a zero tolerance culture by implementing a proactive risk management process that allows for the earlier identification and assessment of human factors and technical risks: and by promoting a safety culture that would be embraced by all railway operators

Performance indicator	Reporting period	No	Annual target	Actual performance	Reason for deviation	Action plan
Reduction in the number of collisions between rolling stock	Quarterly	1.4.1	100 % Implementation of all (2) Telecoms and Signalling Improvement Directives due for closure in 2016/17	Target Achieved 100 % Implementation of all Telecoms and Signalling Improvement Directives due for closure in 2016/17	-	-
		1.4.2	100 % Compliance to 50 % (8) of all Telecoms and Signalling Directives issued during 2016/17	Target Achieved 100 % Compliance to 50 % of Telecoms and Signalling Directives issued during 2016/17	-	-
		1.4.3	100 % Mainline collisions between rolling stock investigated	Target Achieved 100 % Mainline collisions between rolling stock investigated	-	-
	1.4.4	Human Factor Regulation implemented	Target not Achieved	DoT requested that a Socio- economic Impact Assessment System be conducted prior to Gazetting of the Regulation	Socio- economic Impact Assessment will be conducted in 2017/18	
		Human Factor causality analysis for mainline collisions conducted	Target Achieved Human Factor causality analysis for mainline collisions conducted	-	-	

Strategic Objective 1.5: Reduction in the number of platform train interface occurrences

Objective Statement: To reduce Platform-Train-Interface occurrences by identifying the causal factors associated with train delays and PTI occurrences; identifying and recommending applicable and financially feasible engineering solutions; influencing the introduction of new technologies, and by encouraging safety behaviours, attitudes and practices amongst operators and commuters.

Performance indicator	Reporting period	No	Annual target 2016/17	Actual performance	Reason for deviation	Action plan
Reduction in the number of PTI Occurrences	Quarterly	1.5.1	100 % Implementation of all (3) PTI Improvement Directives due for closure in 2016/17	Target Achieved 100 % Implementation of all PTI Improvement Directives due for closure in 2016/17	-	-
		1.5.2	100 % Compliance to 50 % (10) of all PTI Improvement Directives issued during 2016/17	Target not Achieved 100 % Compliance to 50 % of all PTI Improvement Directives issued during 2016/17	Operators did not address all the directives required for 2016/17	Will be followed- up in 2017/18
		1.5.3	2 % (9) of all PTI occurrences investigated	Target Exceeded 30 % of all PTI occurrences investigated	Additional investigations completed due to the increased capacity	-
	1.5.4	1.5.4	100 % Audits conducted on high risk stations	Target Achieved 100 % of all Audits conducted on high risk stations	-	-
		1.5.6	Anthropometric (study of the human body and its movement) and biomechanical guidelines for railway technologies developed	Target Achieved Anthropometric (study of the human body and its movement) and biomechanical guidelines for railway technologies developed	-	-

Strategic Outcome 2: Sustainable institutional growth and development

Strategic Objective 2.1: To secure a sustainable financial environment

Objective Statement: To increase revenue from providing a service to the industry

Performance indicator	Reporting period	No	Annual target	Actual performance	Reason for deviation	Action plan
Revenue generated from Permit Fees	Quarterly	2.1.1	R123 500 000 generated from main revenue source	Target Exceeded R123 825 075	New operators entering the market	-

Strategic Objective 2.2: Ensuring Performance Excellence

Objective Statement: Sustained performance can be achieved by the effective management of the organisation through awareness of the organisation's environment, by learning and by the appropriate application of either improvement or innovations, or both. This requires a robust, integrated and objective performance management system i.e. a Management Quality System (MQS) that can evaluate the maturity level of the organisation – covering its leadership, strategy, management systems, resources and core business processes – to identify areas of strengths, weaknesses and opportunities for either improvement or innovations, or both.

Performance indicator	Reporting period	No	Annual target	Actual performance	Reason for deviation	Action plan
Improved Service Delivery Index (SDIX)	Quarterly	2.2.1	RSR SDIX – 46	Target Exceeded RSR SDIX - 51	Improved operational efficiencies due to improved regional presence	-
		2.2.2	RSR Profiling and Stakeholder Engagement Strategy developed and implemented	Target Achieved RSR Profiling and Stakeholder Engagement Strategy developed and implemented	-	-





Governance

Introduction

The RSR, is governed by the Board of Directors appointed in terms of the National Railway Safety Regulator Act No 16 of 2002 as amended ("the Act") and reports to the Minister of Transport. The Board of Directors provides strategic guidance to achieve the railway safety mandate with which the RSR is entrusted and provides a framework for improving the corporate governance of the RSR as prescribed in the Act.

Contained in this corporate report, are the activities of the Board and those of the RSR as a whole. The report reflects the corporate governance performance of the RSR in relation to board and committee meetings/activities, as well as the conduct of the RSR in pursuing its legislative role, mandate and obligations.

The Accounting Authority/Board

The RSR is committed to good governance and practises ethical standards in discharging its mandate through its Board of Directors. The Board is appointed by the Minister of Transport in terms of the National Railway Safety Regulator Act No 16 of 2002 as amended. In executing its mandate, the Board is guided by the Board Charter and terms of reference of its subcommittees.

All of the non-executive directors are independent and are expected to contribute an unfettered and independent view on matters considered by the Board. They have significant influence in deliberations at meetings and bring a wide range of experience

and professional skills to the Board. They are required to execute their duties properly and to participate actively in the proceedings at Board meetings.

Board meetings are scheduled annually in advance. Special meetings are convened as and when required to address specific emerging matters.

In terms of the Board Charter, the Board retains full control over the RSR, its plans and strategy. The Board acknowledges its responsibilities to strategy, compliance with internal policies, external laws and regulations, performance management, effective risk management, transparency and effective communication, both internally and externally, by the RSR

The information needs of the Board are considered on a regular basis and directors are given access to company information, records, documents and property. Directors also have access to all members of management of the entity.

It is important to note that the CEO is an exofficio member of the Board.

During the year under review, the Board reviewed and approved its Charter and the terms of reference of its subcommittees to ensure that they are in line with King IV and best practices, in terms of good corporate governance. An independent evaluation of the performance of the Board and its subcommittees, against its Charter and the terms of references of the 2016/17 FY, was satisfactorily conducted during the period under review.

Appointment of members of board of directors

Name	Appointment date
Thembi Msibi¹ (Chairperson)	01 November 2013
Jane Barrett¹	01 November 2013
Mala Somaru¹	01 November 2013
Major-General (retired) Willem Venter ²	01 November 2016 (Re–appointment)
Herry Masindi¹	01 November 2013
Norman Baloyi¹	01 November 2013
Masaccha Mbonambi³	01 November 2016 (Re-appointment)
Natalie Skeepers¹	01 November 2013
Andre Harrison ³	01 November 2016 (Re-appointment)
Ntombizine Mbiza ⁴	01 November 2016 (Re-appointment)
Tibor Szana ⁵	01 November 2016 (Re-appointment)
Dr Nomusa Zethu Qunta (Chairperson)	01 November 2016
Johannes Nobunga (Deputy Chairperson)	01 November 2016
Christiaan de Vos	01 November 2016
Zacharia Mosothoane	01 November 2016
Hilda Thopola	01 November 2016
Ngwako Makaepea	01 November 2016
Major-General Michael Motlhala	01 November 2016
Ex Officio Member	
Nkululeko Poya [©] (CEO)	29 September 2016 (Re-appointment)

¹Term of office expired on the 31 October 2016

²First term of office 1 November 2015

³First term of office 1 November 2013

⁴First term of office 3 March 2015

⁵First term of office 1 August 2015

⁶First term of office 1 October 2011

Board meetings

The following table depicts RSR Board meetings which took place for the period under review. Five Board meetings were planned as well as special meetings, which are listed below:

al e listed Delow.									
Name	22/04/16	25/05/16	22/06/16	22/07/16	28/07/16	26/10/16	24/11/2016	25/01/17	22/02/17
Thembi Msibi (Chairperson)	A	A	۵	Д	Д	Д	N/A	A/N	A/N
Jane Barrett	Ь	A	۵	Д	Д	Д	N/A	A/N	A/N
Mala Somaru	Д	Д	Д	Д	Д	Д	N/A	N/A	A/N
Nkululeko Poya	С	Д	۵	Д	A	Д	۵	۵	۵
Andre Harrison	Д	Ь	Д	Д	Д	Д	Д	۵	Д
Masaccha Mbonambi	Д	A	∢	Д	A	Д	Д	Ф	Д
Herry Masindi	Д	Ь	Д	Д	Д	Д	A/N	A/N	A/N
Major-General (retired) Willem Venter	Ф	А	Д	Д	Д	Ф	Ф	Ф	Д
Norman Baloyi	Ь	Р	Ь	Ь	Р	Ь	N/A	N/A	N/A
Dr Natalie Skeepers	Д	Ь	Д	Ь	А	Ь	N/A	N/A	N/A
Ntombizine Mbiza	Д	А	Д	Д	Д	Д	Д	Ф	Д
Tibor Szana	Ь	А	A	А	А	Ь	Ь	Д	A
Dr Nomusa Qunta (Chairperson)	N/A	N/A	N/A	N/A	N/A	N/A	Ь	А	Ь
Johannes Nobunga	N/A	N/A	N/A	N/A	N/A	N/A	Р	Д	Д
Ngwako Makaepea	N/A	N/A	N/A	N/A	N/A	N/A	Ь	A	Д
Zacharia Mosothoane	N/A	N/A	N/A	N/A	N/A	N/A	Ь	Д	Д
Hilda Thopola	N/A	N/A	N/A	N/A	N/A	N/A	Р	Д	Д
Christiaan de Vos	N/A	N/A	N/A	N/A	N/A	N/A	Ь	Д	Д
Major-General Michael Motlhala	N/A	N/A	N/A	N/A	N/A	N/A	А	A	⋖
Legend: P – Present, A – Apology									

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Other Board activities

Name	02/09/16	28/11/16	19/01/17	07/02/17	08/02/17	22/02/17
	AGM	Board Induction	Strategic Thinking	Board Strategic Planning Session	Strategic Plan- ning Session	Workshop: RSR Act
Thembi Msibi	Д	N/A	A/N	N/A	A/N	A/N
Ntombizine Mbiza	Д	Ф	۵	۵	Д	۵
Jane Barrett	Д	N/A	A/N	AXA	A/N	N/A
Mala Somaru	Д	N/A	A/N	N/A	A/N	N/A
Major-General (retired) Willem Venter	۵	Ф	۵	۵	۵	۵
Nkululeko Poya	۵	۵	۵	۵	۵	∢
Andre Harrison	С	۵	Œ.	۵	۵	Œ.
Masaccha Mbonambi	Д	Д	۵	۵	Ф	∢
Herry Masindi	А	N/A	A/N	N/A	N/A	N/A
Norman Baloyi	Д	N/A	A/N	AXA	A/N	N/A
Dr Natalie Skeepers	۵	N/A	A/N	N/A	N/A	A/N
Tibor Szana	A	A	A	∢	∢	A
Dr Nomusa Qunta	N/A	Д	۵	۵	Д	۵
Johannes Nobunga	N/A	Ь	۵	۵	۵	۵
Ngwako Makaepea	N/A	В	۵	۵	Д	۵
Zacharia Mosothoane	N/A	Д	۵	∢	Д	۵
Hilda Thopola	N/A	Д	۵	۵	Д	۵
Christiaan de Vos	N/A	۵	∢	۵	۵	۵
Major-General Michael	N/A	۵	A	۵	۵	∢
Motlhala						

-egend: P = Present, A = Apology

Board committees

The Board has established its Committees with various performance functions to assist in the execution of its responsibilities. The reports and recommendations of the Committees to the Board ensure transparency and full disclosure of Committee and business related activities. Each Committee operates within terms of reference which sets out the membership composition, roles, responsibilities, delegated authority and the requirements for convening meetings. Committee meeting agendas, papers and minutes are made available to all members of the Board on request. Ad hoc Committees may also be established from time to time to consider and deal with specific matters. Prior to 24 November 2016, before the reconstitution and dissolution and/or assimilation of some of the Committees, six Board Committees were in place. The Committees provide an efficient and proactive space for the processing of information before Board meetings. Of critical importance is the fact that all Committees have enhanced their performance to optimal levels and that the available human resources in terms of Board members were utilised effectively and efficiently during the year under review.

Audit and Risk Management Committee

Members	19/04/16	18/05/16	18/07/16	27/07/16	18/10/16	07/12/16	07/02/17
Ameen Amod (Chairperson- External Independent)	Р	Р	Р	Р	Р	Р	Р
Desiree Siphiwe Nage (External Independent)	Р	Р	Р	Р	Р	Р	Р
Reshoketswe Ralebepa (External Independent)	Р	Р	Р	Р	Р	А	Р
Masaccha Mbonambi¹	Р	Р	Р	Р	Р	N/A	N/A
Ntombizine Mbiza²	Р	Р	Р	Р	Р	Р	Р
Norman Baloyi³	А	N/A	N/A	N/A	N/A	N/A	N/A
Andre Harrison ⁴	N/A	N/A	N/A	N/A	N/A	Р	Р

Legend: P - Present, A - Apology

¹Member was redeployed to the Human Resources and Remuneration Committee after the inaugural meeting of the new Board on 24 November 2016.

²Member's term of office expired on the 31 October 2016. The Member was re-appointed to the Committee on 24 November 2016.

³Member was redeployed from the Audit and Risk Committee at a Board meeting held on 22 June 2016.

⁴Member was appointed to the Committee after the inaugural meeting of the new Board on 24 November 2016.

Procurement Committee •

Members	13/04/16	18/10/16
Masaccha Mbonambi (Chairperson)¹	Р	Р
Mala Somaru²	Р	Р
Norman Baloyi²	Р	А
Nkululeko Poya	Р	Р
Jane Barrett²	Р	Р
Ntombizine Mbiza²	Р	Р
Johannes Nobunga³	N/A	N/A
Major-General (retired)	N/A	N/A
Willem Venter ³		
Zacharia Mosothoane³	N/A	N/A

Legend: P - Present, A - Apology

- •The Procurement Committee ceased to exist on 31 October 2016 upon the appointment of the new Board. The Committee was reconstituted on 25 January 2017.
- ¹ Term of office expired on the 31 October 2016. Member was re-appointed to the Committee as a member on the 25 January 2017

Railway Safety Committee •

Members	13/04/19	13/07/16	13/10/16	09/02/17
Dr Natalie Skeepers (Chairperson)¹	Р	Р	Р	N/A
Mala Somaru¹	Р	Α	Р	N/A
Major-General (retired)	Р	Р	Р	А
Willem Venter ²				
Jane Barrett ¹	А	Р	Р	N/A
Nkululeko Poya	Р	Р	Р	Р
Andre Harrison ³	Р	Р	Р	N/A
Herry Masindi ¹	Р	Р	Р	N/A
Tibor Szana	А	А	Р	Р
Zacharia Mosothoane (Chairperson)4	N/A	N/A	N/A	Р
Christiaan de Vos	N/A	N/A	N/A	Р
Hilda Thopola	N/A	N/A	N/A	Р
Ngwako Makaepea	N/A	N/A	N/A	А
Michael Motlhala	N/A	N/A	N/A	А

Legend: P - Present, A - Apology

² Term of office expired on 31 October 2016.

³The Procurement Committee was reconstituted as an ad hoc Committee which convenes only when there are tenders to be considered. The Committee has not convened this year.

[•]The Railway Safety Committee ceased to exist on 31 October 2016 upon the appointment of the new Board. The new Committee was reconstituted on the 24 November 2016.

¹Term of office expired on 31 October 2016.

²Term of office expired. Member was re-appointed to the Committee on the 24 November 2016.

³Term of office expired. Member was redeployed to the Audit and Risk Committee after the inaugural meeting of the new Board on 24 November 2016.

⁴Member was appointed as the Chairperson of the Committee after the inaugural meeting of the Board on the 24 November 2016.

Information Communication Technology •

Members	14/07/16	14/10/16
Andre Harrison (Chairperson)	Р	Р
Norman Baloyi	А	Р
Nkululeko Poya	Р	Р
Dr Natalie Skeepers	Р	Р
Masaccha Mbonambi	А	Р

Legend: P - Present, A - Apology

Human Resources and Remuneration Committee •

Members	15/04/16	13/07/16	13/10/16	01/02/17
Jane Barrett (Chairperson) ¹	Р	Р	Р	N/A
Dr Natalie Skeepers¹	Р	Р	Р	N/A
Nkululeko Poya	Р	Р	Р	Р
Andre Harrison ²	Р	Р	Р	Р
Herry Masindi¹	Р	Р	Р	N/A
Ntombizine Mbiza³	Р	Р	Р	Р
Masaccha Mbonambi (Chairperson) ⁴	N/A	N/A	N/A	Р
Hilda Thopola	N/A	N/A	N/A	Р
Christiaan de Vos	N/A	N/A	N/A	Р

Legend: P - Present, A - Apology

Ad Hoc Legal Committee •

Members	29/06/16	19/07/16
Ntombizine Mbiza (Chairperson)	Р	Р
Thembi Msibi	Р	Р
Major-General (retired) Willem Venter	Р	Р
Herry Masindi	Р	Р
Norman Ba <mark>loyi</mark>	Р	А

Legend: P - Present, A - Apology

[•]The Information Communication Technology Committee ceased to exist on 31 October 2016 upon the appointment of the new Board, and it was incorporated into the Audit and Risk Committee on 25 January 2017.

[•]The Human Resource and Remuneration Committee ceased to exist on 31 October 2016 upon the appointment of the new Board. The new Committee was reconstituted after the inaugural meeting of the new Board on 24 November 2016.

¹ Term of office expired on 31 October 2016.

²Term of office expired. Member was re-appointed on 24 November 2016.

³Term of office expired on 31 October 2016. The Member was re-appointed on 24 Nov<mark>ember 2016.</mark>

⁴Term of office expired on 31 October 2016. The Member was appointed as Human Resource and Remuneration Chairperson on 24 November 2016.

[•]The Ad Hoc Legal Committee ceased to exist on 31 October 2016 upon the appointment of the new Board.

Report of the Audit and Risk Committee



Mr Ameen Amod External Independent Member CD (SA), B Com, MBA, CIA, CGAP. CRMA



Ms Desiree Siphiwe Nage External Independent Member CIA, CCSA, B Com



Ms Reshoketswe Ralebepa External Independent Member B Com, B Compt (Hons), CA (SA)

Responsibility of Audit And Risk Committee

The Audit and Risk Committee reports that it has complied with its responsibilities arising from Section 38 (1) (a) (ii) of the Public Finance Management Act (PFMA) and National Treasury Regulation 27.1. The Audit and Risk Committee also reports that it has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter, it has regulated its affairs in compliance with this charter and it has discharged all of its responsibilities.

Integrated Risk Management

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

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

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

 A strong and solid risk culture is a critical pillar of good governance;

- ii. Consideration of real and potential risks in decision making processes;
- iii The acceptance that risk management is mandatory;
- iv Continuously monitoring of the risk exposure as impacted by the changing internal and external environments;
- v. Acceptance that accountability for risk management cannot be deferred or shifted; and
- vi. The importance of maintaining appropriate balance between risk and control.

Governance of Risk Management

The Audit and Risk Committee is responsible for the oversight of the risk management function. Management has designed and implemented controls to manage the risks faced by the RSR. The Risk Management Unit reports to the Audit and Risk Committee on RSR's management of risk, and has advised management on a continual basis on the best risk management practices. This would include monitoring the progress on the implementation of future mitigation strategies to provide assurance that RSR is effectively managing their risks. The Committee has reviewed the strategic and operational risk registers, considered new and emerging risks, and has satisfied itself of the risk mitigating measures employed to ensure risks are within tolerable levels.

The RSR ensures progress in the management of risks through its risk monitoring activities. It is committed to improving its risk performance on an ongoing basis, where high risk areas are targeted through focused resources and effort.



Top strategic risks

Risk Priority	Risk name	Risk description	Inherent risk rating
1	Regulatory capture	The RSR may fail to fully utilise its regulatory instruments and authority due to a lack of independence from, or familiarity with, operators.	High
2	Financial sustainability	The financial position of the RSR is threatened by factors such as the heavy reliance on permit revenue derived from only three major operators and the state of the South African economy and the move from rail to road transport for many operators.	High
3	Insufficient cash flow	RSR may be unable to pay operating costs or suppliers due to a lack of funds.	High
4	Inadequate or incomplete safety information	Data inputted on NIMS by operators during the permit verification process may be incomplete or inaccurate.	High
5	Loss of critical data	RSR may lose critical data due to system downtime, system breaches or poor user practices.	High
6	Non-alignment of RSR and Operator Risk Reduction Strategy	Non-alignment of RSR and Operator Risk Reduction Strategy resulting in misguided or duplication of efforts, disagreements between RSR and the Operators during audits and inspections; and avoidable occurrences.	High
7	Inadequate stakeholder buy-in and support (RSR initiatives)	RSR initiatives may face poor attendance, repeated objections or receive a lack of public comments thereby diminishing their value or delaying their implementation	High
8	Loss of key personnel (technical roles)	The RSR may lack technical capacity as it struggles to fill vacant posts for key operational roles of inspectors, investigators and Technical Services due to not being able to source persons with appropriate skills and qualifications.	Moderate
9	Rapid technological advances	Rapid changes in rail technology and infrastructure require the RSR to update its skills, methodologies and operating procedures in order to effectively carry out its regulatory functions	Moderate

Strategic risks as at 31 March 2017



The RSR has implemented a Fraud and Corruption Prevention Strategy as part of the overall governance strategy. The effectiveness of the Fraud and Corruption Prevention Strategy is monitored on an ongoing basis. Management is responsible for the prevention of incidents and occurrences of fraud and corruption, and does this through the design, implementation and monitoring of a sound system of internal control. A risk assessment with specific focus on fraud and corruption is conducted annually and monitoring and reporting is done continually. Education and awareness of potential incidents of fraud and corruption is conducted on a regular basis.

The effectiveness of internal control

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

From our review of the reports of the Internal Auditors, the Audit Report on the Annual Financial Statements and the Management Report of the Auditor-General of South Africa (AGSA), we can conclude that the system of internal control as applied over financial and non-financial matters and enterprise risk management at the RSR is satisfactory. The Committee has noted management's commitment to address the lack of control effectiveness, where they exist. The Committee will be monitoring management's progress in resolving these issues on a regular basis.

Internal audit

The Internal Audit function is currently outsourced to an external service provider under the direction of the Chief Audit Executive. We are satisfied that the internal audit function has operated

effectively, that it has addressed the risks pertinent to the RSR in its audits and has assisted the RSR with value adding services to ensure that both financial and operational objectives are achieved. Internal Audit has completed 27 of the 29 planned projects.

The following internal audit work was completed during the year under review:

- Audit of Performance Information (3 quarterly audit reviews)
- Revenue Management (including receivables)
- · Leave Management
- Payroll Management
- Compliance Management (2 half-yearly audit reviews)
- Supply Chain Management (3 quarterly audit reviews)
- Contract Management
- Decentralisation Project
- Review of ERM processes
- Penalty Management
- Budget and Expenditure Management
- Follow-up Audit: Auditor General Management letter (2 half-yearly audit reviews)
- Assets Management
- Information Communication Technology (ICT)
- · Occurrence Investigations Management
- · Board of Inquiries (BOI) Management
- Review of RSR Strategic alignment to Government objectives e.g (DoT, NTFS, NDP and Mandate)
- Audit and Inspection Management
- Travel and Subsistence
- Safety Permits Management/Administration

Ad hoc audits

 Audit of International Travel by Board Members (Special request from the Board)

Deferred audit projects

- Africa Business (business development)
- Employee Performance Management

Governance process

The Audit and Risk Committee is also responsible for monitoring governance and compliance with

the RSR Code of Conduct. The Committee is also responsible for ensuring that all calls to the RSR Whistle-blowing Hotline, as administered by the external independent service provider, are followed up whenever the information provided is sufficient to initiate an investigation. The service provider provides a list of reported cases to the ARC Chairperson and discloses the details of those cases on a monthly basis. The Audit and Risk Committee reports that there hasn't been any case reported through the hotline that warranted investigation during the period under review.

ICT Governance

ICT governance remains to be a key focus of the Audit and Risk Committee on behalf of the RSR Board. The Chief Information Officer is responsible for executing the ICT Governance Strategy. The Committee provided oversight on the ICT governance and reported accordingly to the Board during the period under review.

Quarterly report

The Chief Executive Officer presented quarterly financial and performance information for review by the Audit and Risk Committee and we were satisfied with the content and quality of the quarterly reports prepared and issued by the Chief Executive Officer of the RSR. All the reports were submitted on time to the Executive Authority and National Treasury.

Evaluation of Financial Statements

The Audit and Risk Committee has:

- reviewed and discussed the audited Annual Financial Statements to be included in the Annual Report with the AGSA and the Chief Executive Officer;
- reviewed the AGSA's Management Report and Management's response thereto;
- reviewed accounting policies and practices as reported in the Annual Financial Statements;
- reviewed the RSR's processes for compliance with legal and regulatory provisions;
- · reviewed the information on predetermined

- objectives as reported in the Annual Report;
- reviewed adjustments resulting from the audit of the RSR; and
- reviewed, and where appropriate, recommended changes to the Annual Financial Statements as presented by the RSR Management for the year ending 31 March 2017.

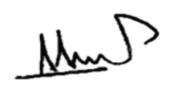
Report of the Auditor-General South Africa (AGSA)

We have on a quarterly basis reviewed the RSR's implementation plan for audit issues raised in the prior year. The Audit and Risk Committee has met with the AGSA to ensure that there are no unresolved issues that emanated from the regulatory audit. Corrective actions on the detailed findings raised by the AGSA will continue to be monitored by the Audit and Risk Committee on a quarterly basis.

The Audit and Risk Committee concurs and accepts the conclusions of the AGSA on the Annual Financial Statements and is of the opinion that the audited Annual Financial statements be accepted and read together with the report of the AGSA.

Appreciation

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



Ameen Amod CD (SA), B Com, MBA, CIA, CGAP, CRMA CHAIRPERSON OF THE AUDIT AND RISK COMMITTEE



Minimising conflict of interest

The RSR is guided by its approved Code of Conduct/Ethics approved by the Board in June 2016. In order to uphold the highest ethical standards and norms, a certain professional behaviour is expected of every employee and all employees are expected to:

- Take personal responsibility for their actions and should comply with legal obligations, policies and procedures;
- Act honestly and in good faith;
- Perform their duties conscientiously and in the best interests of the RSR; and
- Exercise reasonable care and diligence in performance of their duties.

The RSR is, therefore, guided by the Code of Conduct/Ethics in dealing with misconduct or non-compliance to the abovementioned required behaviours.

Code of Conduct and Ethics

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

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

RSR deems contravention to this Code as a serious matter and all who violates this Code or similar policies will be subject to discipline, which may include termination of service. Discipline may also be imposed for conduct that is considered unethical or improper even if the conduct is not

specifically covered in the Code. In all cases and the extent where applicable, RSR's Employee Relations Policy, Disciplinary Code and Procedure and the National Railway Safety Regulator Act (No 2 of 2002), as amended will be followed. Contraventions may also lead to civil or criminal legal action.

Of importance is approval of any action not compliant with the Code must be sought in advance and may be granted only by the CEO in consultation with the Board. Only the Board may grant waivers of this Code for directors and executive officers of RSR. When a waiver is granted, the Board shall ensure that appropriate controls are in place to protect the RSR and its stakeholders.

Health, safety and environmental issues

The management of Occupational Health and Safety remains crucial and integral to the activities of the RSR. As an authority body for the railway industry in South Africa, the RSR continues to lead by example in matters relating to occupational health and safety, thereby prioritising the management of health and safety for its employees, contractors, visitors and any other stakeholder that may come into contact with the Regulator's activities. Compliance to the applicable National Occupational Health and Safety Legislation, therefore, remains a primary focus for the RSR.

The RSR further continues to support and ensure compliance to the Occupational Health and Safety legislation framework, by facilitating the integration of these legislations into our Railway Safety Regulatory framework.

In an endeavor to fulfill its legal and moral obligations for the provision of a safe work environment, the RSR has developed a number of relevant occupational health and safety policies, with an aim to provide guidance and facilitation of compliance to the applicable legislation. During

the 2016/17 Financial Year, the following milestones were achieved:

Occupational Health and Safety Policy review and implementation

In support of the Regulator's growth trajectory, and the commitment to Occupational Health and Safety management throughout all regional offices, the Occupational Health and Safety Policy was reviewed and updated during the year under review. The RSR commenced with the implementation of this Policy by means of continual engagements and communication to the RSR personnel, interested and affected parties throughout the RSR. In addition to the review and implementation of the OHS Policy, the RSR further implemented the following policies:

- Substance Abuse Policy
- · Alcohol Testing Procedure, and
- Smoking Policy

Substance Abuse Policy

The Substance Abuse Policy was developed and implemented in support of the General Safety Regulations to the Occupational Health and Safety Act,85 of 1993 as amended, and in alignment with one of the regulatory tools of the RSR, the Human Factors Management Standard, SANS 3000-4: 2011 which requires the Railway Operators to manage the use of substances in the workplace. The implementation of this Policy, therefore enables the RSR as a regulator to lead by example.

Smoking Policy

In support of the National Health Strategies to reduce illnesses attributable to tobacco smoking and to ensure provision of a safe work environment, the RSR continues to review and monitor compliance to the Smoking Policy. During the year under review, there was full compliance to the provisions of the Smoking Policy.

Occupational Health and Safety Committee Structures

During the year under review, additional Occupational Health and Safety committees were established for the RSR regional offices in Gauteng, Western Cape, and KwaZulu-Natal to ensure seamless compliance to the OHS legislation.

To enhance and strengthen governance, RSR Executives are responsible and accountable for the management of Occupational Health and Safety risks in their respective areas of responsibility.

Additional appointments and training of Health and Safety representatives, Fire Marshals, First Aiders

and Evacuation Marshals were conducted to ensure effective management of Occupational Health and Safety.

Baseline Occupational Health and Safety risk assessment

In promotion of the effective management of Occupational Health and Safety risks related to the RSR activities, baseline risk assessments were initiated and conducted during the year under review. The assessments entailed the identification of risks related to all RSR processes, including RSR offices and all activities conducted at operators' sites. The recommended mitigation measures have been adopted as action plans for implementation from the 2017/18 FY onwards.

Air quality survey

In a continuous effort to safeguard the health of our employees, during the year under review, an indoor air quality survey was commissioned at the RSR Head Office. The objectives of ventilation in the workplace are to maintain temperatures and humidity at acceptable levels for thermal comfort, to provide a continuous supply of fresh air and to remove or dilute airborne toxic substances.

The assessment measured the level of the following parameters: Carbon monoxide, carbon dioxide, relative humidity, microbiological agents and ambient temperature.

The results of the air quality survey based on recommended limits as prescribed in The American Society of Heating, Refrigerating, and Air Conditioning Engineers (ASHRAE) Standard 55-1981 Thermal Environmental conditions for Human Occupancy revealed that the premises conformed to recommended guide limits.

Injury on duty

All reportable cases of injuries on duty were duly reported to the applicable statutory bodies and internal investigations conducted to avoid recurrence. Two incidents were recorded during the period under review - a sporting injury and an injury attributable to maintenance work. No major injuries, which resulted in hospitalization or fatalities were recorded.

Emergency preparedness

The RSR Emergency plan was developed during 2016/17. Training and testing of the Emergency Plan will be the key focus in the following FY. Two evacuation drills were conducted in each region during the year under review.

Social responsibility

Impumelelo Trust Fund

The Impumelelo Educational Trust is a non-profit community driven initiative that focuses on community development, public transport, business, health and education.

The Trust is concerned with the development of youth in disadvantaged communities. Its mission is to provide a one-stop solution for educational challenges and to promote education as a key priority in life. The RSR sponsored the Trust's community event, which recognised and rewarded youth who demonstrated outstanding commitment and academic achievement.

Epilepsy Golf Day

Epilepsy South Africa is a non-profit organisation that assists people with epilepsy and their families. The RSR sponsored the Charity Golf Day which was held on 24 March 2017. The sponsorship provided an opportunity to profile the Regulator and its mandate by branding one of the holes.

Cancer Charity Golf Day

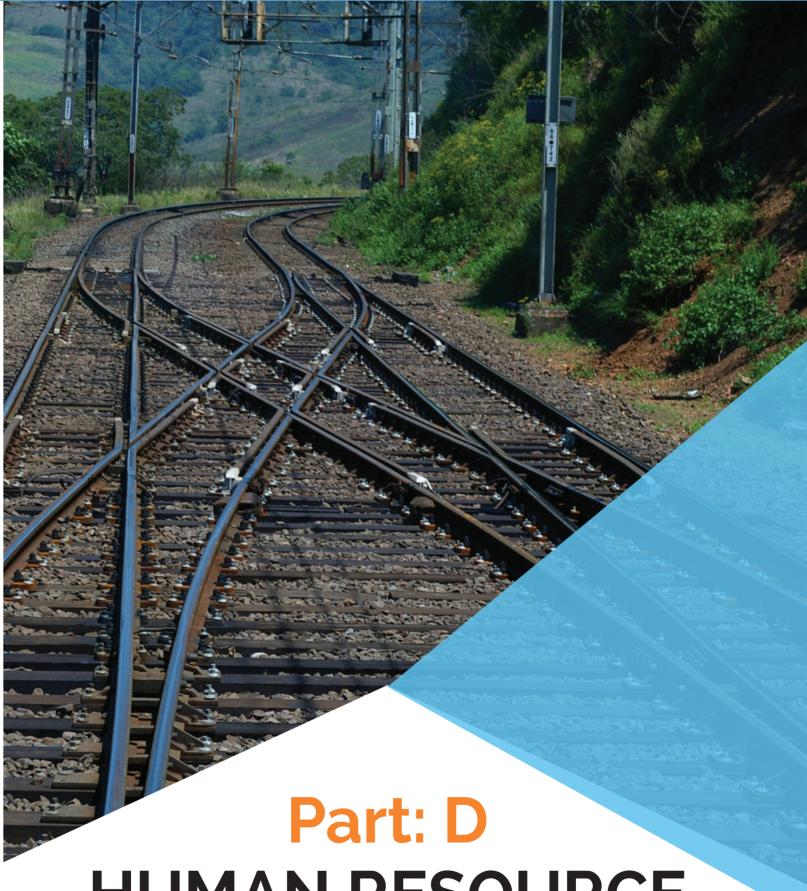
The RSR sponsored the Cancer Charity Golf Day which was held on 25 November 2016. The aim of the initiative was to educate men about the dangers of prostate cancer. The sponsorship provided the RSR with branding and profiling opportunities.

Take a Girl Child to Work Day and Tracker Men in the Making

On 26 May 2016, the RSR joined 650 organisations across the country who took part in the "Cell C Take a Girl Child to Work Day" initiative. The RSR hosted 16 girls from Botse-Botse Secondary School in Soshanguve, north of Pretoria. The girls were exposed to the work environment and assisted with career guidance and an opportunity to learn about job prospects that they were not aware of. It exposed them to positive role models. The RSR also hosted 15 learners from East Bank High School on the 30 March 2017, as part of its Tracker's Tomorrow's Man Programme. Its aim is to empower the youth by exposing young men to positive role models and to different careers in rail.







HUMAN RESOURCE MANAGEMENT

Introduction

The Human Capital of an organisation is the driving force of its core objectives and it is critical that the organisation possesses all the mechanisms to guarantee a working environment that will place the RSR on par with other employers of choice. The HR Department is embarking on ensuring that the RSR becomes an organisation where the right kind of talent is attracted and retained through programs and strategies which foster an environment that is conducive to growth, development and talent management.

The HR service offering at the RSR is premised on the delivery of a credible, consistent and responsive service at a strategic and operational level. The core principle of the client-centred model is that the HR function exists to serve the RSR community. The model is, therefore, a client-centred model and the client is defined as RSR line management and staff. This model is built around the HR Business Partner (HRBP) / HR Advisor (HRA) or in HR parlance broadly referred to as HR Generalist role, which is immersed in the organisation and partnering with clients to provide a client-specific and client-relevant service as opposed to a merely a process driven service.

The following policies have been approved during the period under review:

The Disciplinary Policy: It was approved in November 2016 by the Board, the Policy

is aimed at strengthening the Employee relations gaps at RSR and ensure that employees are taught and directed towards the desirable behaviors' in the organisation at all

times.

The Car Allowance Policy: It was tabled and approved by the Board in August 2016.

The purpose of the Policy is to promote efficiency in relation

to Investigators responding to occurrences timeously.

The OHASA Policy: It was tabled and approved by the Board in the October

2016. This Policy is aimed at providing a safe and healthy

working environment for employees and stakeholders.



The RSR is faced with the challenging task of attracting and retaining the relevant caliber of people.

This implies that knowledge and skills in the organisation should be geared towards the growth of the organisation and be shared and transferred organisational wide

Succession planning is a key component of talent management and it is defined as "a planning process that strives for each strategic position at RSR, apart from the incumbent, at least one, preferably two individuals, at the same or at a lower job grade are always available to undertake the position".

The Human Resources strategic objective in the Human Resources Strategy is to ensure that there is a pool of competent employees to the RSR". In order to meet this objective programs such as Succession Management; Mentorship etc. become of critical importance.

Youth development

The RSR's comprehensive development programme for the 2016/17 FΥ implemented and provides valuable learning and training in line with the country's Youth Development Agenda. During the period under review a total of 18 interns participated in the RSR's internal training programme. Pursuant to the completion of the internship programme, two interns progressed to the Trainee Inspector programme, while 15 were absorbed into the RSR structure and one resigned.

In support of the National Agenda of Youth Development, the RSR, provided financial support to youth pursuing academic excellence in various academic institutions around the country. The support accorded to the youth is providing significant assistance in developing qualified capacity for the South African labour market. To date a total of fifty-two youth have been provided with the financial support as part of the RSR's Youth Development initiative.

Woman empowerment and persons with disabilities

This FY has been a progressive one with respect to the organisation's continued efforts to empower women and people with disabilities. Women constitute 51% of the entity's staff complement. In the period under review, the organisation also appointed persons with disabilities in line with set employment equity targets.

To date, 1% of RSR's staff complement is made up of persons with disabilities. The RSR is committed to advancing the empowerment of women and persons with disabilities through reasonable accommodation and the creation of a conducive and favourable environment.

Human Resources oversight statistics

Public entities must provide key information on human resources. All financial amounts must agree with the amounts disclosed in the Annual Financial Statements. Where considered appropriate, reasons must be provided for variances.



Personnel cost by department/region

Department/region	Total expenditure for the entity (R)	Personnel expenditure (R)	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee (R)
Office of the CEO	30 596 108	16 007 780	6%	17	941 634
Corporate Affairs	43 857 213	8 576 226	3%	22	389 828
Investigations	22 307 614	18 783 847	7%	19	988 624
Information Technology	11 374 030	4 811 617	2%	8	601 452
Operations (COO)	57 970 564	41 301 161	16%	48	860 441
Human Resources	13 201 784	10 971 698	4%	11	997 427
Finance	27 467 831	10 023 080	4%	16	626 442
Regulation and Governance (Legal)	9 841 421	6 696 667	3%	4	1 674 167
Eastern Cape	4 904 696	4 684 515	2%	4	1 171 129
Western Cape	9 141 682	8 592 987	3%	15	572 866
Gauteng	13 100 108	13 032 146	5%	18	724 008
KwaZulu Natal	7 887 757	7 548 541	3%	12	629 045
Mpumalanga	4 946 674	4 575 271	2%	7	653 610
Total	256 597 482	155 605 536	61%	201	774 157

Personnel cost by salary band

Level	Personnel expenditure (R)	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee (R)
Top Management	3 654 872	2%	1	3 654 872
Senior Management	24 616 784	16%	14	1 758 342
Professional qualified	93 685 749	60%	88	1 064 611
Skilled	29 000 896	19%	63	460 332
Semi-skilled	3 457 056	2%	24	144 044
Unskilled	1 190 179	1%	11	108 198
Total	155 605 536	100%	201	774 157

Performance rewards

Category	Performance rewards	Personnel Expenditure (R)	% of performance rewards to total personnel cost
Top Management	230 000	3 654 872	6%
Senior Management	645 330	24 616 784	3%
Professional qualified	1 300 162	93 685 749	1%
Skilled	247 091	29 000 896	1%
Semi-skilled	-	3 457 056	0%
Unskilled	26 452	1 190 179	2%
Total	2 449 035	155 605 536	13%

Training costs

Programme	Training Expenditure (R)	No. of employees trained	Avg training cost per employee
Internship Programme	1 080 000	18	60 000
Staff Training	519 931	39	13 332
Bursaries	108 067	6	18 011

Employment and vacancies

Department	Number of posts 2016/17 staff plan	Number of posts filled	Vacancy rate
Office of the CEO	9	9	0%
Strategy and Business Development	11	8	27%
Chief Operations Officer	128	78	39%
Finance	23	18	22%
Corporate Affairs	53	45	15%
Occurrence Investigations	35	23	34%
Operational Intelligence & Planning	43	20	53%
Total	302	201	33%

Annual turnover rates by salary level

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management (F1-F5)	1	0	0	1
Senior Management/Executives (E1-E5)	14	1	1	14
Professionally Qualified & experienced specialists/mid-management (D1-D5)	86	13	10	89
Skilled Technical & Academically Qualified/Junior Management/ Supervisors/Foremen/ Superintendents (C1-C5)	60	23	2	81
Semi-Skilled & discretionary decision- making(B1-B5)	4	2	0	6
Unskilled & defined decision- making (A1-A3)	10	2	2	10
Total	175	41	15	201

Reasons for termination of employment

Reason	Number	% of total no. of staff leaving
Resignation	11	73%
Dismissal	3	20%
Expiry of contract	1	7%
Total	15	100%

Employees leave for various reasons and the RSR makes use of voluntary exit interviews in order to ascertain their reasons for leaving. However, some employees decide not to participate in exit interviews.

People with disabilities

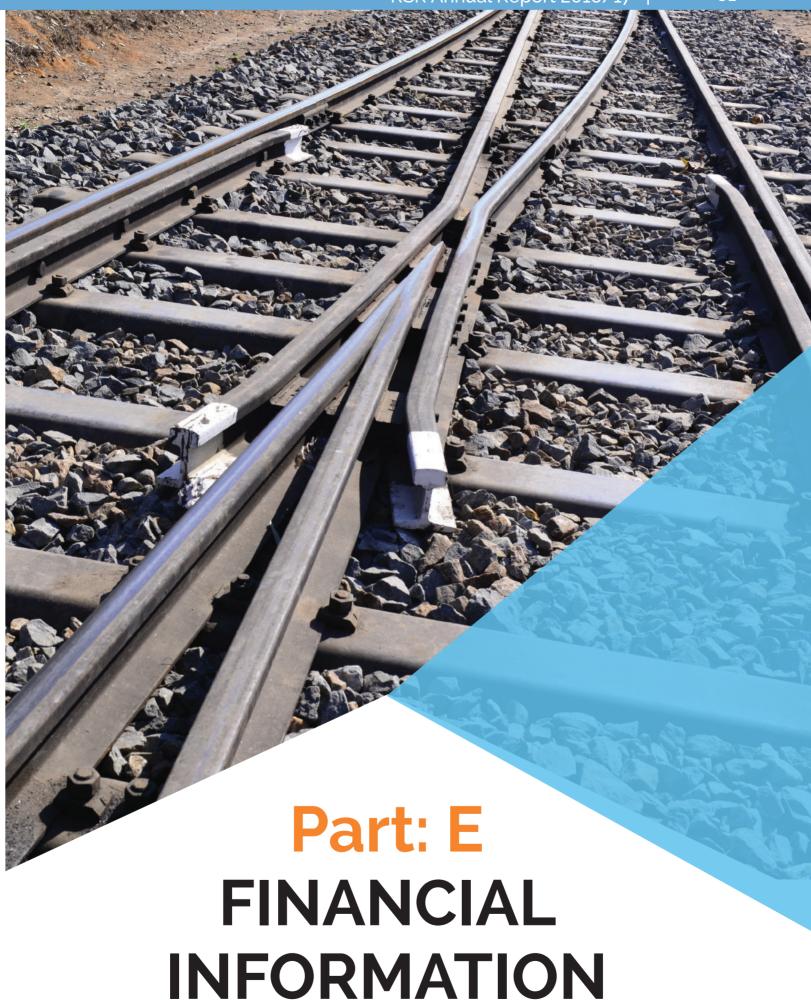
Levels	Current	Target	Current	Target
	Male		Fema	ale
Top Management	0	0	0	0
Senior Management	1	1	0	1
Professional qualified	0	2	0	2
Skilled	0	0	0	0
Semi-skilled	0	1	1	1
Unskilled	0	0	0	0
TOTAL	1	4	1	4

To address the barriers identified regarding the provision of reasonable accommodation for persons with disabilities and their appointment, various interventions have been employed to ensure that the RSR becomes an equitable employer reflective of the country's demographics. The interventions are gradually yielding the desired output given that the RSR has made significant changes through the appointment of persons with disabilities. However, the variance is still a concern particularly due to the inadequate responses received after advertisements were posted on various platforms. To deal with the inadequate responses that perpetuates the variance, the RSR's advertisement to attract applicants has since been amended to ensure that it is specific and deliberate for the effective attraction of persons with disabilities. This is undertaken with the objective of ensuring that the variance going forward is addressed and the set targets in relation to the appointment of persons with disabilities are effectively achieved.



Equity target and employment equity status

Levels				Ma	Male							Female	ale			
	Afric	African	Coloured	rred	Indian	ian	White	ite	African	an	Coloured	ured	Indian	an	White	te
	Current	Current Target	Current Target	Target	Current Target	Target	Current	Target	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Senior Management	O	6	0	П	0	0	П	П	е	5	1	2	0	0	0	0
Professional qualified	47	45	2	2	П	П	ω	∞	28	56	2	2	0	0	ю	т
Skilled	20	19	0	П	0	1	0	0	43	39	С	Э	0	0	0	1
Semi-skilled	10	∞	0	0	0	0	0	0	0	∞	0	0	0	1	П	1
Unskilled	1	1	0	0	0	0	0	0	7	7	П	Н	0	0	0	П
TOTAL	88	82	8	4	1	2	o	თ	06	85	7	8	0	11	4	9



Highlights



Printing costs, the entity went green and did not renew the contracts for printers This has seen savings of R144 655 savings on printing cost



Revenue grew by **19**% for the year to R259.1 million (2015/16: R217.8 million)



Conferences and Seminars the entity reduced its expenditure by R1 068 858 (year-on-year)



Consultancy reduction, the entity reduced its dependency on consultants. This has seen savings of **R6 841 077**

Preparation of the Annual Financial Statements

The financial statements were prepared as required by the Generally Recognised Accounting Practice (GRAP), Public Finance Management Act, 1999 and incorporates responsible disclosures in line with accounting practices of the Railway Safety Regulator.

Revenue

The total revenue generated for the year was R259.1 million, which grew by 19% compared to R217.8 million reported in the previous reporting period. The increase in revenue was mainly due to the increase in technology audits and permit fees

The technology audit revenue was R67.3 million, which grew by 34% compared to R50.3 million reported in the previous year. Permit fees was R129.3 million, which grew by 21% compared to R106.7 million in the previous year.

The RSR's primary source of revenue, which is the permit fee charges and fees charged on conducting technology audits, accounted for 50% (2015/16: 49%) and 26% (2015/16:23%) respectively of total revenues generated.

The total revenue includes the administration grant from the Department of Transport of R55.9 million compared to R56.9 million, which includes R3.5 million conditional grant received in the previous year.

Expenditure

The total expenditure incurred for the year amounted to R256.5 million which grew by 17% compared to R220.2 million in the previous year. The most noticeable increases were employee costs, depreciation and amortisation, debt impairment and office rental. The employee costs amounted to R155.6 million compared to R130.6 million in the previous year. This is an increase of 18% due to growth in staff headcount and the annual salary increase for staff.

The office rental amounted to R18.8 million compared to R8.9 million in the previous year. The rental grew by 110% as a result of the occupation of regional offices in Durban and Cape Town during the year which is a turn-key office solution wherein the lessor bears the risk of all assets and IT infrastructure in the leased property.

Cost containment

In line with the Treasury Instruction on Cost Containment Measures, the Railway Safety Regulator has taken active steps to implement measures to contain operational costs and eliminate all non-essential expenditure. The scale of cost reduction required the RSR to look beyond immediate short term savings and think more strategically as to how to reduce the cost of doing business and how to sustain this over a longer term. This required strong leadership, disciplined financial management and a corresponding change in organisational culture.

Cash flow

The cash flow statement indicated net cash inflows from operating activities amounting to R15.5 million compared to R8.9 million in the previous year, while the overall net decrease in cash and cash equivalents amounted to only R967 653 compared to R3.9 million in the previous year.

Other financial indicators

- The debtor's collection period was 18,4 days (2016:16,6 days);
- A net asset position achieved (total assets exceeded total liabilities); and
- A surplus of R2.5 million was reported compared to a deficit of R2.4 million in the previous FY.

Going concern

The Annual Financial Statements were prepared on a going concern basis. The Board has reviewed the available resources and has reasonable assurance that the entity will





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Responsibilities and approval

The Board is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the audited Annual Financial Statements and related financial information included in this report. It is the responsibility of the Board to ensure that the audited Annual Financial Statements fairly presents the state of affairs of the RSR as at the end of the FY and the results of its operations and cash flows for the period that ended. The External Auditors are engaged to express an independent opinion on the audited Annual Financial Statements and were given unrestricted access to all financial records and related data.

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

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

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

These controls are monitored throughout the RSR and all employees are required to maintain the

highest ethical standards in ensuring the RSR's business is conducted in a manner that in all reasonable circumstances is above reproach.

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

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

The Board has reviewed the RSR's Budget forecast for the year to 31 March 2018 and in light of this review and the current financial position, they are satisfied that the RSR has access to adequate resources to continue in operational existence for the foreseeable future.

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

The External Auditors are responsible for independently reviewing and reporting on the RSR's audited Annual Financial Statements.

The audited Annual Financial Statements set out on pages 72 to 118, which have been prepared on the going concern basis, were approved by the Board on 28 July 2017 and were signed on its behalf by:

Mr Nkululeko Poya CHIEF EXECUTIVE OFFICER Dr Nomusa Zethu Qunta CHAIRPERSON: RSR BOARD

Report on the audit of the financial statements

Opinion

- 1. I have audited the financial statements of the Railway Safety Regulator set out on pages 72 to 120, which comprise the statement of financial position as at 31 March 2017, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
- 2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Railway Safety Regulator as at 31 March 2017, and their financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

- I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
- 4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
- 5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

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

Irregular expenditure

7. As disclosed in note 38 to the financial statements, irregular expenditure of R2 679 467 was incurred as a result of non-compliance with supply change management processes, and unauthorised travel.

Responsibilities of accounting authority

- 8. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- 9. In preparing the financial statements, the accounting authority is responsible for assessing the Railway Safety Regulator's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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

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

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

Report on the audit of the annual performance report

Introduction and scope

- 12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
- 13. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
- 14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2017:

	Objectives	Pages in annual performance report
1.1	Reduction in the number of level crossing occurrences	30
1.2	Reduction in the number of people struck by trains	31
1.3	Reduction in the number of mainline derailments	32
1.4	Reduction in the number of mainline collisions between rolling stock	33
1.5	Reduction in the number of platform-train interface occurrences	34
2.2	Ensuring performance excellence	35

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

- 16. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following objectives:
 - Reduction in the number of level crossing occurrences
 - Reduction in the number of people struck by trains
 - Reduction in the number of mainline derailments
 - Reduction in the number of mainline collisions between rolling stock
 - Reduction in the number of platform-train interface occurrences
 - Ensuring performance excellence

Other matter

17. I draw attention to the matters below.

Achievement of planned targets

18. Refer to the annual performance report on pages 30 to 35 for information on the achievement of planned targets for the year and explanations provided for the under and over achievement of targets.

Adjustment of material misstatements

19. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Reduction in the number of level crossing occurrences, Reduction in the number of people struck by trains, Reduction in the number of mainline derailments and Reduction in the number of PTI Occurrences. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on audit of compliance with legislation

Introduction and scope

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

21. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Expenditure management

22. Effective steps were not taken to prevent irregular and fruitless and wasteful expenditure, as required by section 51(1)(b)(ii) of the PFMA.

Other information

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

Internal control deficiencies

26. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

Financial and performance management:

- Implement proper record keeping in a timely manner, to ensure that complete, relevant and accurate information is accessible and available to support performance reporting
- Review and monitor compliance with applicable laws and regulations

Other report

- 27. I draw attention to the following investigation being conducted, that could potentially have an impact on the public entity's financial statements, reported performance information and compliance with applicable legislation and other related matters. The investigation noted does not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
- 28. At the date of this report, an investigation is being carried out by the Public Protector. The investigation was still in progress at the date of this report. The impact, if any, on the financial statements of the Railway Safety Regulator can only be determined once the investigation has been concluded.

Pretoria

31 July 2017

AUDITOR-GENERAL SOUTH AFRICA

Auditing to build public confidence

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Statement of financial position as at 31 March 2017

Figures in Rand	Note(s)	2017	2016
			Restated*
Assets			
Current Assets			
Receivables from exchange transactions	2	10 146 526	5 774 743
Prepayments	3	562 065	3 289 788
Staff debt	4	291 454	-
Cash and cash equivalents	5	300 040	1 267 693
		11 300 085	10 332 224
Non-Current Assets			
Property, plant and equipment	6	26 907 909	13 521 064
Intangible assets	7	10 965 630	15 195 495
		37 873 539	28 716 559
Total Assets		49 173 624	39 048 783
Liabilities			
Current Liabilities			
Finance lease obligation	8	375 721	736 046
Payables from exchange transactions	9	37 771 055	29 499 346
Provisions	10	2 332 198	2 449 046
		40 478 974	32 684 438
Non-Current Liabilities			
Finance lease obligation	8	20 633	224 157
Total Liabilities		40 499 607	32 908 595
Net Assets		8 674 017	6 140 188

Statement of financial performance

Figures in Rand	Note(s)	2017	2016 Restated*
			Restated
Revenue			
Revenue from exchange transactions			
Safety permit and application fees	11	129 385 380	106 710 225
Interest received	12	1 852 568	594 815
Technical awareness workshops	13	2 959 988	1 438 400
Technology audits	14	67 341 726	50 320 475
Total revenue from exchange transactions		201 539 662	159 063 915
Revenue from non-exchange transactions			
Administration grant	15	55 987 000	53 379 000
Deferred income	16	-	3 500 000
Penalties	17	500,000	583 933
Other income	18	1 104 648	1 228 015
Total revenue from non-exchange transactions		57 591 648	58 690 948
Total revenue		259 131 310	217 754 863
Expenditure			
Employee costs	19	(155 605 536)	(130 675 566)
Depreciation and amortisation	20	(9 397 871)	(6 056 042)
Assets written off	6	(316 150)	(46 669)
Finance costs	21	(410 527)	(4 810)
Debt impairment	22	(3 968 063)	(1 297 641)
Repairs and maintenance	23	(99 641)	(552 306)
General expenses	24	(86 799 694)	(81 588 175)
Total expenditure		(256 597 482)	(220 221 209)
Surplus/(deficit) for the year		2 533 828	(2 466 346)

Statement of changes in net assets

Figures in Rand	Note(s)	Accumulated surplus	Total net assets
Opening balance as previously reported		11 918 018	11 918 018
Correction of errors		(3 311 484)	(3 311 484)
Balance at 01 April 2015 as restated		8 606 534	8 606 534
Changes in net assets			
Deficit for the year		(2 466 346)	(2 466 346)
Total changes		(2 466 346)	(2 466 346)
Opening balance as previously reported		9 233 585	9 233 585
Correction of errors	32	(3 093 396)	(3 093 396)
Balance at 01 April 2016 as restated		6 140 189	6 140 189
Changes in net assets			
Surplus for the year		2 533 828	2 533 828
Total changes		2 533 828	2 533 828
Balance at 31 March 2017		8 674 017	8 674 017

Cash flow statement

Figures in Rand	Note(s)	2017	2016
			Restated*
Cook flows from energing activities			
Cash flows from operating activities Receipts			
Revenue: permits, penalties, technology audits and technical		192 651 713	164 443 633
workshop		132 031 7 13	104 443 033
Administration grant		55 987 000	53 379 000
Income received in advance - administrative grants		10 000 000	-
Interest income		1 074 016	401 149
Other income received		701 761	921 188
		260 414 490	219 144 970
Payments			
Employee costs		(159 469 030)	(129 613 708)
Suppliers		(85 014 685)	(80 530 690)
Finance costs		(410 527)	(4 810)
		(244 894 242)	(210 149 208)
Net cash flows from operating activities	30	15 520 248	8 995 762
Cook flower from investing activities			
Cash flows from investing activities Purchase of property, plant and equipment	6	(16 116 538)	(6 024 802)
Purchase of intangible assets		(10 110 330)	(7 114 988)
Proceeds from sale of asset	7	90 310	197 007
Net cash flows from investing activities		(16 026 228)	(12 942 783)
Net cash how hom investing activities	1	(10 020 220)	(12 342 100)
Cash flows from financing activities			
Finance lease payments		(461 673)	-
		(967 653)	(3 947 021)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		1 267 693	5 214 714
Cash and cash equivalents at the end of the year	5	300 040	1 267 693

Statement of comparison of budget and actual amounts

Budget on Cash Basis

Figures in Dond	Approved Budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Note
Figures in Rand						
Revenue						
Revenue from exchange transactions						
Permit fees	123 500 000	-	123 500 000	123 825 075	325 075	40
Income from investigation	4 000 000	-	4 000 000	-	(4 000 000)	40
Safety permit and application fees	7 590 000	-	7 590 000	5 560 305	(2 029 695)	40
Interest received	349,000	-	349 000	1 061 724	712 724	40
Technical awareness workshops	1 151 000	-	1 151 000	2 959 988	1 808 988	40
Technology audits	60 400 000	-	60 400 000	67 341 726	6 941 726	40
Interest - on overdue accounts	-	-	-	790 844	790 844	40
Total revenue from exchange transactions	196 990 000	-	196 990 000	201 539 662	4 549 662	
Revenue from non-exchange transactions						
Transfer revenue						
Administration grant	55 987 000	-	55 987 000	55 987 000	-	
Penalties	-	-	-	500 000	500 000	40
Other income	-	-	-	1 104 648	1 104 648	40
Total revenue from non-	55 987 000	-	5 987 000	57 591 648	1 604 648	
exchange transactions						
Total revenue	252 977 000	-	252 977 000	259 131 310	6 154 310	

Statement of comparison of budget and actual amounts

Budget on Cash Basis

Figures in Rand	Approved Budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Note
Expenditure						
Employee costs	(149 032 200)	-	(149 032 200)	(155 605 536)	(6 573 336)	40
Non - Executive Directors remuneration	(1 080 000)	-	(1 080 000)	(1 878 201)	(798 201)	40
Capital expenditure	(2 500 000)	(13 000 000)	(15 500 000)	-	15 500 000	40
Depreciation and amortisation	-		-	(9 397 871)	(9 397 871)	40
Office Rental and Vehicles	(30 507 200)	13 000 000	(17 507 200)	(22 884 341)	(5 377 141)	40
Debt impairment	-	_	-	(3 968 063)	(3 968 063)	40
External audit fees	(1 300 000)	_	(1 300 000)	(1 434 570)	(134 570)	
Consulting and professional fees	(38 719 481)	-	(38 719 481)	(28 356 021)	10 363 460	40
General expenses	(29 838 119)	-	(29 838 119)	(33 072 879)	(3 234 760)	40
Total expenditure	(252 977 000)	-	(252 977 000)	(256 597 482)	(3 620 482)	
Actual Amount on Comparable	-	-	-	2 533 828	2 533 828	
Basis as Presented in the Budget and Actual Comparative Statement						
Reconciliation						
Basis difference Capital expenditure				(19 207 080)		40
Actual Amount in the Statement of Financial Performance				(16 673 252)		

1. Presentation of Annual Financial Statements

These accounting policies are consistent with the previous period.

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. 1 of 1999), as amended including any interpretations, guidelines and directives issued thereof.

The Annual Financial Statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise. They are presented in South African Rand.

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

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

The principal accounting policies applied in the preparation of these Annual Financial Statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior years Annual Financial Statements, unless specified otherwise.

Comparative information

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

Standards adopted by the entity

RSR has adopted effective standards and interpretations issued by the Accounting Standards Board (ASB) that are relevant to the RSR. The adoption of these standards and interpretations has been consistent with those applied in the previous. FY



Significant accounting judgements and estimates

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

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.

Intangible assets

In determining the useful life of the computer software, management assumed that software will have to be upgraded every three to five years. Useful life is based on past experience as well as benchmarking with the other organisations.

Budget variance

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

1.2 Property, plant and equipment

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

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

- it is probable that future economic benefits or service potential associated with the item will flow to the RSR; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. leasehold improvements are capitalised and depreciated over relevant useful lives.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	10 - 20 years
Motor vehicles	Straight line	12 -15 years
Office equipment	Straight line	6 - 18 years
IT equipment	Straight line	6 - 10 years
Leasehold improvements	Straight line	5 years
Leased assets	Straight line	5 years

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

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

Assets which the RSR holds for rental to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rental end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The RSR separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 23).

The RSR discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 6).

1.3 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

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

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

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

For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

ItemUseful lifeComputer software3 - 5 years

The RSR discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 7).

1.4 Asset impairment

The carrying amount of the assets are reviewed at each reporting date to determine whether there is an indication for impairment. If there is an indication that the asset is impaired, its recoverable services amount is estimated. The estimated recoverable services amount is the higher of the assets fair value cost to sell and its value in use.

When the recoverable services amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. The reduction is an impairment loss.

The value in use is determined through depreciated replacement cost, restoration cost approach, or service units approach. The decision to the approach to use is dependent on the nature of the identified impairment.

The impairment loss is recognised immediately in the statement of financial performance. After the recognition of the impairment loss, the depreciation usage for the assets is adjusted in future periods to allocate the assets revised carrying amount, less its residual value, if any, on a systematic basis over its remaining useful life.

An impairment loss recognised in prior period for an asset (is reversed if there has been a change in the estimates used to determine the assets) recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable services amount. The increase is the reversal of the impairment loss and is recognised in the statement of financial performance. The increased carrying amount attributable to a reversal of a loss, shall not exceed the carrying amount that would have been determined, net of depreciation, had the impairment loss not been recognised in the prior periods.

The National Information Monitoring System (NIMS) is considered to be a cash generating asset as a commercial return is expected from the use thereof. All other items of intangible asset are considered to be non-cash generating assets as no commercial return is expected from them, including items of property, plant and equipment.

1.5 De-recognition

Items of property, plant and equipment are derecognised when an asset is disposed or when there is no further economic benefit or service potential expected from the use of the asset. The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

1.6 Financial instruments

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

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

A financial asset is:

- · cash:
- · a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

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

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Initial recognition

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

Subsequent measurement of financial assets and financial liabilities

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

Gains and losses

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a

carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date it is reversed. The amount of the reversal is recognised in surplus or deficit.

1.7 Taxation

Income Tax

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

Value Added Tax

The RSR is exempt from the Value Added Tax.

1.8 Leases

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

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge

is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

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

Operating leases - lessee

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

1.9 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

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

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

Costs of disposal are incremental costs directly attributable to the disposal of an

asset, excluding finance costs and income tax expense.

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

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

Recoverable amount of an asset or a cashgenerating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

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

Criteria developed by the RSR to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.10 Impairment of non cash-generating assets

Cash-generating assets are those assets held by the economic entity with the primary chiective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profitorientated entity, it generates a commercial return. Non-cash-generating assets are assets other than cash-generating assets.

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

The RSR classifies all assets held with the primary objective of generating a commercial return as cash-generating assets.

All other assets are classified as non-cashgenerating assets.

Identification

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

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

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

Value in use

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period 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.

The cost for employee performance bonus is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. The plans is funded by contributions by both the employees and employer.

1.12 Provisions and contingencies

Provisions are recognised when:

- the RSR has a present obligation as a result of a past event;
- it is probable that an outflow of resources

- embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 29. The RSR is required to disclose provisions for claims arising from a present legal or constructive obligation as a result of past events and is probable that this will result in an outflow of economic benefits that can reasonably be estimated.

1.13 Revenue from exchange transactions

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

An exchange transaction is one in which the RSR receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of services or use of assets) to the other party in exchange.

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

Revenue is measured at the fair value of the consideration received or receivable.

Revenue comprises:

Safety permit application and permit fee

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

Technical awareness workshops

Revenue from technical awareness is recognised when candidates register for technical awareness workshops.

Interest received

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

Technology audits

The RSR conducts technology audits and recovers costs in accordance with section 17(1) (bB) of the National Railway Safety Regulator Act of 2002, (Act No.16 of 2002) as amended.

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

1.14 Revenue from non-exchange transactions

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

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

Fines and penalties

Revenue from fines and penalties is recognised when:

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

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

Unconditional grant

Government grants are recognised as revenue when:

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

 to the extent that there has been compliance with any restrictions associated with the grant.

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

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

1.15 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care) are recognised in the period 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.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.16 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and

would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the PFMA, (Act no 1 of 1991) as amended or is in contravention of the supply chain management regulations. Irregular expenditure is accounted for in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance

1.18 Budget information

The annual budget figures have been prepared in accordance with the applicable GRAP standards, and are consistent with the accounting policies adopted by the Board for the preparation of these financial statements. The amounts are presented as a separate additional financial statement, named the Statement of Comparison of Budget and Actual amounts. Explanatory comments are provided in the notes to the Annual Financial Statements, motivating overspending or under spending on line items. The annual budget figures included in the financial statements are for the RSR. These figures are those approved by the Board at the beginning of the year.

1.19 GRAP standards issued but not yet effective

GRAP 108 Statutory Receivables

The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. No material impact. GRAP 109 Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such arrangements. the entity does not participate in such business transactions. Effective date not yet determined.

GRAP 110 Living and Non-living Resources

The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of living resources and disclosure of non-living resources. Will not apply to the entity. Effective date not yet determined.

GRAP 32 Service Concession Arrangements: Grantor

The objective of this Standard is to prescribe the accounting for service concessions arrangements by the grantor, a public sector entity. The RSR does not participate in such business transactions, and, therefore, no significant impact is expected. Effective date not yet determined.

GRAP 34 Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements. No material impact. Effective date not yet determined.

GRAP 35 Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. No material impact. Effective date not yet determined.

GRAP 36 Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. No material impact. Effective date not yet determined.

GRAP 37 Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements). No material impact. Effective date not yet determined.

GRAP 38 Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate: (a) the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and (b) the effects of those

interests on its financial position, financial performance and cash flows. No material impact. Effective date not yet determined.

GRAP 20 Related Party Disclosure

The objective of this Standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been effected by the existence of related parties and by transactions and outstanding balances with such parties. The entity is allowed to use this standard to disclose information in the financial statements. Effective date not yet determine.

1.20 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

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

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

Figures in Rand	2017	2016
2. Receivables from exchange transactions		
Deposits ¹	50 211	50 211
Application fee	50 922	310 750
Safety permit fee	130 091	61 825
Technical workshops	1 685 986	437 900
Technology audits	7 999 500	4 647 138
Penalties	-	50 000
Conferences	18 000	19 057
Interest on overdue accounts	9 958	197 862
Sale of assets	201 858	-
	10 146 526	5 774 743

¹The amount is not included in ageing of receivables.

Trade and other receivables

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

	10 096 315	5 724 532
Over 91 days²	1 514 877	926 806
61 to 90 days	27 000	15 000
31 to 60 days	149 600	34 763
o to 30 days¹	7 669 072	2 729 691
Current	735 766	2 018 272

¹Included in this amount is R7.5 million receivable from an operator in respect of a technology review invoice for trainsets manufacturing project. This amount is expected to be collected in the 2017/18 FY.

3. Prepayments

Pre-paid expenses – ICT licenses	531 975	167 965
Fire-wall solution	-	66 722
Affiliation fees	9 198	5 203
Medical aid contribution	20 892	27 876
Office rental ¹	-	2 518 094
Computer expenses	-	503 928
	562 065	3 289 788

¹In 2016 a prepayment was made in preparation for the regional offices relating to leasehold improvements.

²The amount is made up of old invoices from operators relating to all categories of income.

Figures in Rand	2017	2016
4. Staff debt		
Staff debt ¹	281 454	-
Advance payment ²	10 000	-
	291 454	

¹Overpayment of bonuses of R245 885 was made to general staff and R24 679 was made to senior management. Negotiations are ongoing for the repayment by junior staff members. The remaining balance relates to the recovery of lost assets

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balance	251 180	1 100 709
Petty cash	9 000	7 000
Short-term deposits ¹	39 860	159 984
	300 040	1 267 693

¹Amount held with Corporation for Public Deposits for investment purposes.

6. Property, plant and equipment

	Cost/ valuation	2017 Accumulated depreciation and accumulated Impairment	Carrying value	Cost / Valuation	2016 Accumulated depreciation and accumulated Impairment	Carrying value
Furniture and fixtures	5 503 413	(1 154 593)	4 348 820	5 845 264	(1 617 711)	4 227 553
Motor vehicles	165 239	(138 686)	26 553	165 239	(125 064)	40 175
Office equipment	938 728	(446 479)	492 249	1 025 943	(677 477)	348 466
IT equipment	6 617 534	(3 026 737)	3 590 797	7 168 499	(2 719 025)	4 449 474
Leasehold improvements	24 248 390	(6 259 361)	17 989 029	6 105 910	(2 450 683)	3 655 227
Leased Assets	815 879	(355 418)	460 461	960 203	(160 034)	800 169
Total	38 289 183	(11 381 274)	26 907 909	21 271 058	(7 749 994)	13 521 064

²Advance payment made to senior management refer to note 31.

Reconciliation of property, plant and equipment - 2017

	Opening Balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	4 227 553	779 497	(368 643)	(289 587)	4 348 820
Motor vehicles	40 175	-	-	(13 622)	26 553
Office equipment	348 466	195 636	(3 968)	(47 885)	492 249
IT equipment	4 449 474	15 539	(94 021)	(780 195)	3 590 797
Leasehold improvements	3 655 227	18 115 391	-	(3 781 589)	17 989 029
Leased Assets	800 169	101 017	(185 597)	(255 128)	460 461
	13 521 064	19 207 080	(652 229)	(5 168 006)	26 907 909

As at 31 March 2017, the RSR had assets that were fully depreciated with zero book value and are still in use.

Reconciliation of property, plant and equipment - 2016

	Opening Balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	2 111 262	2 426 599	(15 977)	(294 331)	4 227 553
Motor vehicles	53 797	-	-	(13 622)	40 175
Office equipment	165 883	222 653	-	(40 070)	348 466
IT equipment	2 347 301	2 879 792	(30 691)	(746 928)	4 449 474
Leasehold improvements	2 587 777	2 409 086	-	(1 341 636)	3 655 227
Leased Assets	-	960 203	-	(160 034)	800 169
	7 266 020	8 898 333	(46 668)	(2 596 621)	13 521 064

7. Intangible assets

	Cost / Valuation	2017 Accumulated depreciation and accumulated Impairment	Carrying value	Cost/ valuation	2016 Accumulated depreciation and accumulated Impairment	Carrying value
Computer software	20 966 171	(10 000 541)	10 965 630	20 966 171	(5 770 676)	15 195 495

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Transfers received	Transfers	Amortisation	Total
Computer software	15 195 495	-	-	-	(4 229 865)	10 965 630

Reconciliation of intangible assets - 2016

	Opening Balance	Additions	Transfers received	Transfers	Amortisation	Total
Computer software	9 119 932	7 114 988	2 420 000	-	(3 459 425)	15 195 495
Intangible assets under development	2 420 000	-	-	(2 420 000)	-	-
	11 539 932	7 114 988	2 420 000	(2 420 000)	(3 459 425)	15 195 495

8. Finance lease obligation

Present value of minimum lease payments due

- within one year	401 188	745 733
- in second to fifth year inclusive	21 317	307 066
Less future finance charges	(26 151)	(92 569)
	396 354	960 230
Non-current liabilities	20 633	224 157
Current liabilities	375 721	736 046
	396 354	960 203

The leased assets consists of tablets for the approved RSR staff, inspectorate, executive management and non executive directors. These assets are leased for a period of 2 years. The ownership will pass to RSR at the end of the lease term.

9. Payables from exchange transactions

Trade payables	7 626 134	10 309 277
Income received in advance ¹	10 240 022	19 071
Accrued leave pay due to employees	4 671 805	3 920 123
Accrued bonuses (13th cheque optional) due to employees	547 454	485 737
Travelling and accommodation	1 304 832	1 918 177
Salary back pay/Notch adjustments	2 055 496	1 923 021
South African Revenue Services (PAYE)	-	2 813 201
Pension fund	1 259 501	815 911
Other accruals ²	6 667 991	4 873 344
NIMS: change management	-	219 023
Other: municipal services, telephone service, personal claims etc	290 049	510 372
Operating lease payables	3 107 771	1 692 089
	37 771 055	29 499 346

¹Administration grant that was received in advance.

²The amount includes invoices that are owed to suppliers relating to services such as office rental, communication and membership fees.

Figures in Rand	2017	2016
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10. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Total
Performance Bonuses	2 449 046	2 332 198	(2 449 046)	2 332 198

Reconciliation of provisions - 2016

15. Administration grant

Department of Transport

	Opening Balance	Additions	Utilised during the year	Total
Performance Bonuses	3 570 196	2 449 046	(3 570 196)	2 449 046

The Performance Bonuses represents management's best estimate of the RSR's liability.

11. Safety permits and application fees		
Safety permit application fee	123 825 075	101 693 915
Application fees	5 560 305	5 016 310
	129 385 380	106 710 225
12. Interest received		
Interest earned on bank balances	1 061 724	396 953
Interest earned on debtor's balance ¹	790 844	197 862
	1 852 568	594 815
¹ Interest is charged on the invoices that are more than 31 days.		
13. Technical awareness workshops		
Technical awareness workshops	2 959 988	1 438 400
4.4 Toology audits		
14. Technology audits	67 244 706	EO 220 47E
Technology audits	67 341 726	50 320 475

55 987 000

53 379 000

Figures in Rand	2017	2016
16. Deferred income		
Opening balance		3 500 000
Total amount utilised during the year	-	(3 500 000)
Closing balance	-	-

In the 2015/16 FY, additional funds were provided by the Department of Transport to be utilised for the development of the asset module in NIMS.

17. Penalties for non-compliance

Penalties 500 000 583 9	933
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This relates to the contravention of the category 2(i) of the penalty fee regulations ("Penalty Regulations") relating to the failure to comply with any other provision of the RSR Act (Act No. 16 of 2002 as amended, "The Act"), the regulations and the standards that inhibit or prevent the Regulator's ability to perform its mandate.

18. Other income

112 - 2 1 2 1 2 1 2 1 2 1 2 1 2 1 2 1 2	546 938 453 600	143 157 384 900
,		
Tender income	9 800	102 250
Laptop recoveries	94 310	147 708
Sponsorship ¹	-	450 000
1	104 648	1 228 015

¹The amount relates to the South African Rail Association event that was paid for by RSR. The amount was paid for on behalf of other attending parties and subsequently been recovered.

99 641

552 306

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
19. Employee costs		
Salaries	128 401 617	107 653 558
Performance bonus	2 332 189	2 449 046
Medical aid	6 883 991	5 710 575
Leave pay provision charge	727 282	1 263 663
Pension fund contributions	14 827 562	10 472 733
Leave payout	306 993	260 214
13th cheque	1 165 447	1 108 277
Acting allowances	516 472	807 417
	155 161 553	129 725 483
Internship programme	405 000	915 349
Temporary personnel	38 983	34 734
	155 605 536	130 675 566
20. Depreciation and amortisation		
Depreciation	5 168 006	2 596 617
Amortisation	4 229 865	3 459 425
	9 397 871	6 056 042
21. Finance costs		
Interest on late payments ¹	410 527	4 810
¹ An amount of R362 650 relating to fruitless and wastefull expenditure was charged by Telkom on late payments. 22. Debt impairment		y SARS and
Bad debts written off ¹	3 968 063	1 297 641
¹ The debt impairment relates to debt written off for technology audits.		
23. Repairs and maintenance		
Repairs and maintenance - computer equipment	-	230 447
Repairs and maintenance - office equipment and furniture	23 743	41 691
Repairs and maintenance - building	43 726	23 966
Small tools and equipment ¹	9 391	203 132
Repairs and maintenance - vehicle	22 781	53 070

¹This relates to the acquisition of inspectorate equipment.

Figures in Rand	2017	2016
24. General expenses		
External audit fees	1 434 570	2 077 114
Bank charges	75 690	58 294
Cleaning and hygiene services	84 959	30 418
Computer expenses	1 952 428	2 335 308
Personnel motivation values alignment	14 510	284 049
Catering - refreshments ¹	879 034	556 801
Gifts	262 793	4 519
Insurance	240 012	534 230
Conferences and seminars	1 764 713	2 833 571
Community outreach, awareness and promotional material	4 961 421	3 953 385
Placement fees	1 347 711	1 393 969
Postage and courier	190 034	130 984
Printing and stationery	654 145	798 800
Protective clothing	41 425	46 516
Subscriptions and membership fees	552 137	397 577
Telephone and data ²	3 607 445	2 566 222
Training	963 226	795 400
Travel - local	8 455 562	9 967 139
Travel - overseas	3 416 820	1 518 532
Municipal services	2 202 253	2 125 071
Lease payment - vehicles	3 418 962	2 188 198
Equipment rental	293 751	504 334
Corporate stationery	17 311	399 932
Office rental and services ³	18 799 000	8 942 708
Workmen's compensation	166 658	134 756
Affiliation fees	44 423	210 402
Library and literature	724 479	384 281
Non - Executive Directors Remuneration	1 878 201	1 218 567
Professional fees ⁴	28 356 021	35 197 098
	86 799 694	81 588 175

¹Catering expenses have increased due to addition technical awareness workshops that took place in the current year.

²The Telephone and data have increased in line with the increase in head count.

³Office rental relates to the Head Office, Durban and Cape Town offices. The rental for the Cape Town and Durban include rental for furniture.

⁴Refer to Note 36.

s in Rand	2017	2016
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25. Employee benefits

RSR provides a benefit for all its employees through the Government Employees Pension Fund and Sanlam umbrella fund. Membership of the fund is not compulsory for senior management. This fund is a defined contribution plan. The fund is regulated by the provisions of the Pension Funds Act of South Africa.

26. Auditor's remuneration

External audit fees	1 434 570	2 077 114

27. Taxation

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

28. Commitments

Operating leases - as lessee (expense)1

Minimum lease payments due

- within one year

	101 992 495	32 544 720
Building,Furniture and ICT equipment - Durban	41 770 458	-
Building,Furniture and ICT equipment - Cape Town	22 540 571	-
Fleet - Vehicle	4 945 312	7 701 287
Building - Centurion	4 700 890	13 471 292
- in second to fifth year inclusive		
Fleet - Vehicle	3 374 688	2 801 370
Printing Solutions	-	137 546
Building - Gauteng	62 739	-
Building, Furniture and ICT equipment - Durban	10 109 140	98 067
Building, Furniture and ICT equipment - Cape Town	5 455 190	168 839
Building - Centurion	9 033 507	8 166 319

¹The total future minimum sublease payment expected to be received under non-cancellable sublease.

Figures in Rand			2017	2016
Operating lease commitments	Start period	End period	Contract period	Total contract amount
Building - Centurion	01 October 2013	01 September 2018	60	32 232 146
Building - Centurion boardroom	01 July 2015	01 September 2018	39	5 527 665
Vehicle lease	30 June 2014	30 June 2019	60	14 857 278
Building, Furniture and ICT equipment - Durban	01 January 2016	31 December 2020	60	65 071 405
Building, Furniture and ICT equipment - Cape Town	01 January 2016	31 December 2020	60	38 573 505
Regional offices rental - Gauteng	01 June 2016	30 April 2017	11	399 900
Building, Furniture and ICT equipment - Eastern Cape	01 January 2017	31 December 2021	60	54 351 313
Building, Furniture and ICT equipment - Mpumalanga	01 January 2017	31 December 2021	60	37 916 245

Operating lease payments represent rentals payable by the RSR for its office properties.

Other commitments Contractual payments due Professional fees¹ 4 269 462 19 748 378 Communications² 10 726 356 13 712 381 14 995 818 33 460 759

¹Included in the contractual commitments are running contracts by the end of the FY.

²Included in communication commitments is the Telkom contract. The RSR has a contract with Telkom for telephone and tablets.

29. Contingencies

Contingent Liabilities

BMW vs RSR

The matter relates to a review application brought against the decision of the RSR to reduce the permit validity period from 5 years to 1 year. The reduction of the permit validity period is a safety risk mitigation mechanism to enhance safe railway operations. The Applicant seeks to have the decision of the RSR reviewed by the High Court of South Africa. The RSR followed all requisite administrative action processes prior to implementing the decision. However, in the event that the applicant is successful and a cost order is granted against the RSR, the organisation may be exposed to a liability amount of R400 000.

2. Sefora Kutumela vs RSR and others

2.1 The matter relates to a review application brought by a former employee of the RSR against the RSR and the CCMA following confirmation of the dismissal of the employee by the CCMA. The employee is contesting the dismissal and the CCMA record of proceedings was lost. In the unlikely event that the employee is successful, the maximum amount of liability the organisation may be exposed to is an amount equivalent to 12 months' salary to the amount of R216 000. This is the maximum amount that can be awarded by the CCMA.

3. Intengu vs RSR

- 3.1 The matter relates to a service provider, that has filed an arbitration dispute against the RSR for a claim in the amount of R505 030 for services they allege to have rendered on behalf of the RSR for the Women in Rail Conference. This is disputed by the RSR as the event never took place and the preparations were halted at a very early stage.
- 3.2 In the event that the claimant is successful, the organisation may be exposed to a liability amount of R605 030 be provided for as a contingent liability for a cost order against the RSR. this includes R100 000 for legal costs.

4. Umfolozi Sugar Planters

4.1 An appeal was lodged with the RSR's Appeal Committee alleging that they were incorrectly categorised as Non Rail Related Revenue Generating Network Operator and was liable for a higher safety permit fee. Should the Board approve the appeal, the maximum amount of liability the organisation will be exposed to will amount to R177 525.

Figures in Rand	2017	2016
30. Cash generated from operations		
Surplus/(deficit)	2 533 828	(1 691 958)
Adjustments for:		
Depreciation and amortisation	9 397 871	6 056 042
Loss on sale of assets	-	(147 708)
Interest income	(1 618 199)	(401 149)
Finance costs	329 187	4 810
Asset write off	316 150	46 669
Debt impairment	3 968 063	1 297 641
Movements in provisions	(116 848)	2 449 046
Other non- cash items	(2 635 667)	(8 375 839)
Changes in working capital:		
Receivables from exchange transactions	(4 371 783)	7 733 684
Prepayments	(562 065)	(2 477 094)
Payables from exchange transactions	8 279 711	4 501 618
	15 520 248	8 995 762

31. Related parties

Relationships

Executive Authority Honourable Minister of Transport: Ms. Dipuo

Peters (MP)

Controlling entity Department of Transport

Board members Refer to Report of Board Members

Public entities (within the same parent - Department)

Passenger Rail Agency of South Africa

(PRASA)

Members of key management Nkululeko Poya - Chief Executive Officer

Thanduxolo Fumbatha - Chief Operating Officer

Tshepo Kgare - Executive Manager: Operational

Intelligence and Planning

Samuel Nxazonke - Executive Manager:

Corporate Affairs

Isaac Shai - Executive Manager: Legal

Solly Kekana - Executive Manager: Occurrence

Investigations

Renaire Huntley - Executive Manager: Strategy

and Business Development

Babalwa Qwesha - Acting Chief Financial Officer

Hulisani Murovhi - Company Secretary

Oupa Masogo - Chief Audit Executive

Figures in Rand	2017	2016
31. Related party transactions (continued)		
During the year RSR in the ordinary course of its business entered into the following	ng transactions	5.

National Department of Transport

Technical awareness workshops

Administration grant	55 987 000	53 379 000
Technical awareness workshops	-	18 000
Sponsorship	-	300 000
PRASA		
Permit fees	26 294 596	24 805 600
Technology audits	18 624 138	40 572 375

811 200

40 000

2017 Amount owed by key management	Opening balance	Amount owed	Amount repaid	Closing balance
S Nxazonke¹	-	54 679	(20 000)	34 679
R Huntley²	-	39 788	(39 788)	-
T Fumbata²	-	19 496	(19 496)	-
N Poya²	-	46 215	(46 215)	-
H Murovhi²	-	11 170	(11 170)	-
	-	171 348	(136 669)	34 679

¹Of the R34 679 outstanding, R24 679 relates to the miscalculation of the bonus, the repayment terms have been agreed upon in line with the policy refer to note 4.

²Amount owed due to miscalculation of bonuses.

31. Related party transactions (continued)

Board members and Key management information

Key management information 2017	Basic Salary	Performance bonus	Allowance	Medical aid and pension	Total 2017
N Poya (Chief Executive Officer)	3 276 260	230 010	72 621	77 766	3 656 657

Key management information 2016	Basic Salary	Performance bonus	Allowance	Medical aid and pension	Total 2016
N Poya (Chief Executive Officer)	3 227 874	313 594	36 646	72 659	3 650 773

Remuneration of management 2017	Basic Salary	Performance bonus	Allowance	Medical aid and pension	Total 2017
S Kekana¹ - Executive Manager: Occurrence Investigations	1 247 029	-	3 988	159 921	1 410 938
B Qwesha² - Acting Chief Financial Officer	1 549 756	84 418	1 785	141 367	1 777 326
S Maye³- Chief Financial Officer	-	-	-	-	-
l Shai - Executive Manager: Legal	1 598 563	105 561	1 785	178 975	1 884 884
S Nxazonke - Executive Manager: Corporate Affairs	1 707 758	-	5 955	84 374	1 798 087
SA Xulu ⁴ - Executive Manager: Corporate Affairs	-	-	-	-	-
RS Huntley - Executive Manager: Strategy and Business Development	1 650 760	116 596	48 125	179 562	1 995 043
H Murovhi - Company Secretary	1 549 021	101 935	1 785	25 169	1 677 910
PC Moabelo ⁵ - Chief Information Officer	997 904	-	2 121	18 788	1 018 813
O Masogo - Chief Audit Executive	1 193 186	-	2 385	146 528	1 342 099
T Kgare ⁶ - Executive Manager: Operational Intelligence and Planning	2 068 815	-	23 819	39 776	2 132 410
TH Fumbata ⁷ - Chief Operating Officer	1 781 389	127 042	56 540	49 732	2 014 703
J Rakgoale ⁸	465 483	-	-	61 743	527 226
	15 809 644	535 552	148 286	1 085 935	17 579 439

¹Transferred to Executive Manager: Occurrence and Investigation from 01 November 2016

 $^{^{2}}$ Acting Chief Financial Officer, 20 January 2016. Basic salary include acting allowance

³Redeployed, 31 December 2015

⁴Dismissed, 31 May 2015

⁵Resigned, 31 October 2016

31. Related party transactions (continued)

⁶Transferred to Executive Manager: Operational Intelligence and Planning from 01 November 2016

⁸Acting Chief Information Officer, 01 December 2016. Basic salary include acting allowance

Remuneration of management 2016	Basic Salary	Performance bonus	Allowance	Medical aid and pension	Total 2016
S Maye¹ - Chief Financial Officer	976 562	-	360	129 485	1 106 407
SA Xulu² - Executive Manager: Corporate Affair	536 741	-	-	34 890	571 631
l Shai - Executive Manager: Regulation and Governance	1 409 235	-	-	169 103	1 578 338
TH Fumbata - Executive Manager: Occurrence and Investigations	1 788 632	180 128	33 310	47 637	2 049 707
S Nxazonke - Executive Manager: Human Resources	1 767 520	167 516	1 920	61 201	1 998 157
RS Huntley - Executive Manager: Office of the Chief Executive Officer	1 795 884	148 132	36 675	156 792	2 137 483
B Qwesha³ - Acting Chief Financial Officer	300 658	-	-	33 578	334 236
H Murovhi - Company Secretary	1 436 377	88 217	-	21 619	1 546 213
PC Moabelo ⁴ - Chief Information Officer	1 350 847	-	240	47 172	1 398 259
O Masogo ⁵ - Chief Audit Executive	847 110	-	-	103 931	951 041
T Kgare ⁶ - Chief Operating Officer	1 893 095	-	38 044	101 687	2 032 826
	14 102 661	583 993	110 549	907 095	15 704 298

¹Redeployed 31 December 2015

⁷Transferred to Chief Operating Officer from 01 November 2016

²Dismissed 31 May 2015

³Acting Chief Financial Officer, 20 January 2016

⁴Appointed 01 April 2015

⁵Appointed 01 July 2015

⁶Appointed 01 November 2014

31. Related party transactions (continued)

Key management information	Fee Claim	Allowance	Total 2017
Thembelihle Msibi (Chairperson) ¹	57 608	3 500	61 108
Dr Nomusa Zethu Qunta (Chairperson) ²	73 826	2 500	76 326
Bongani Mahlalela (Deputy Chairperson) ¹	-	-	-
Boy Jones Nobunga (Deputy Chairperson) ²	63 215	29 682	92 897
Ntombizine Mbiza ³	175 284	10 839	186 123
Herry Masindi¹	70 713	1 750	72 463
Ngwako Makaepea ⁴	-		-
Major General (retired) Willem Venter ³	102 326	14 844	117 170
Ms. Jane Barrett¹	57 706	3 512	61 218
Tibor Szana⁵	-	-	-
Andre Harrison ³	208 565	8 490	217 055
Masaccha Mbonambi³	100 694	8 439	109 133
Norman Baloyi¹	48 162	1 750	49 912
Dr Natalie Skeepers¹	71 305	6 074	77 379
Christian Johan de Vos²	55 436	8 420	63 856
Zacharia Ntate Mosothoane ²	33 465	1 250	34 715
Hilda Thamaga Thopola²	36 375	1 250	37 625
Major General Michael Monash Motlhala ⁶			
	1 154 680	102 300	1 256 980

¹Term of office ended 31 October 2016

²New Board members appointed, 01 November 2016

³Term of office ended 31 October 2016, reappointed as board member, 01 November 2016

⁴Delegate from Department of Transport - not remunerated

 $^{{}^5\}text{Delegate}$ from Department of Labour - not remunerated

 $^{^6\}mbox{Delegate}$ from South African Police Services - not remunerated

31. Related party transactions (continued)

Key management information	Fee claim	Allowance	Back pay	Total 2016
Thembelihle Msibi (Chairperson) ¹	169 998	5 750	5 910	181 658
Bongani Mahlalela (Deputy Chairperson)	21 915	2 000	1 271	25 186
Ntombizine Mbiza	174 658	16 748	2 316	193 722
Mala Somaru²	-	-	-	-
Herry Masindi	123 116	3 000	1 656	127 772
Major General (retired) Willem Venter ³	15 136	500	-	15 636
Jane Barrett	106 024	3 372	1 869	111 265
Tibor Szana⁴	-	-	-	-
Andre Harrison	142 989	8 210	2 220	153 419
Masaccha Mbonambi	82 766	7 181	1 913	91 860
Norman Baloyi	87 307	3 000	1 770	92 077
Dr Natalie Skeepers	140 016	6 825	2 420	149 261
	1 063 925	56 586	21 345	1 141 856

¹Term of office ended 31 October 2016

⁴Delegate from Department of Labour - not remunerated

Audit and Risk Committee members 2017	Audit and Risk Committee fee claim	Cellphone and expenses claim	Adhoc Committee fee claim	Total 2017
Ameen Amod (External Independent Chairperson)	103 944	3 000	87 479	194 423
Desiree Siphiwe Nage (External Independent Member)	113 821	8 588	152 827	275 236
Reshoketswe Ralebepa (External Independent Member)	56 963	3 000	91 603	151 565
	274 728	14 588	331 909	621 224

²Delegate from Department of Transport - not remunerated

³Term of office ended 31 October 2016, reappointed as board member, 01 November 2016

31. Related party transactions (continued)

Audit and Risk Committee members 2016	Audit and Risk Committee fee claim	Cellphone and expenses claim	Adhoc Committee fee claim	Total 2016
Mmathebe Moja (External Independent Chairperson)¹	34 760	1 703	-	36 463
Ameen Amod (External Independent Chairperson) ²	18 684	750	-	19 434
Desiree Nage (External Independent Member) ²	7 032	1 422	-	8 454
Reshoketswe Ralebepa (External Independent Member)²	2 440	250	-	2 690
Tshepo Mofokeng (External Independent Member) ³	9 170	500	-	9 670
	72 086	4 625	-	76 711

¹Terms of office ended 31 December 2015

32. Prior period errors

Overstatement of revenue

In the 2015/16 FY, invoices were raised for technology audits, technical workshops, permits and application fees. In the current year, some invoices that relate to the previous financial year were reversed. This resulted in revenue for 2015/16 being overstated. Interest relating to the invoices was also reversed.

Performance Bonuses

A provision for performance bonuses for the 2015/16 FY was not raised in the correct accounting period. An adjustment has been made in 2015/16.

Payables

During the current FY an error was made on the lease asset that was capitalised. A revision was done on the calculation of an amount of R153 353.

The total effect on the surplus transactions is (R774 388) restating the balance to (R2 466 346).

The total effect on accumulated surplus is (R3 093 396) restating the balance to R6 140 187.

²Appointed 01 January 2016

³Resigned 31 May 2015

The correction of the errors results in adjustments as follows:

Statement of financial performance - 2016	As previously stated	Corrected error	Restated
Revenue - Technical workshop (decrease in surplus)	1 492 400	(54 000)	1 438 400
Revenue - Technology Audit (decrease in surplus)	51 423 875	(1 103 400)	50 320 475
Permit and application fees (decrease in surplus)	107 080 981	(370 755)	106 710 226
Interest reversal on invoices written off (decrease in surplus)	209 845	(11 983)	197 862
Performance bonus (increase in surplus)	3 570 196	(1 121 150)	2 449 046
Telephone and data services (increase in surplus)	2 719 575	(153 353)	2 566 222
Office rental (decrease in surplus)	7 540 462	1 402 246	8 942 708
Depreciation (increase in surplus)	3 490 111	893 494	2 596 617
Surplus for the year	(1 691 958)	(774 388)	(2 466 346)

Statement of financial position - 2016	As previously stated	Corrected error	Restated
Receivables (decrease accumulated surplus)	7 314 881	(1 540 138)	5 774 743
Payables (decrease accumulated surplus)	25 801 407	3 697 940	29 499 347
Property plant and equipment (increase accumulated surplus)	11 376 382	2 144 682	13 521 064
Accumulated surplus	9 233 583	(3 093 396)	6 140 188

33. Risk management

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

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

- Credit risk
- Liquidity risk
- Market risk

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

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

of risk management controls and procedures; the results of which are reported to the Audit and Risk Committee.

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

Market risk

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

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rate. The RSR's exposure to the risk of changes in market rates is limited to cash and cash equivalents that have floating interest rates which is negligible for the RSR.

Credit risk

The risk that a counterparty will not meet its obligations under financial instruments, leading to a financial loss. The RSR is exposed to credit risk from its operating activities, primarily for trade receivables. The RSR's maximum exposure to credit risk as at 2017 was R10 140 369 (2016: R5 774 743).

Liquidity risk

Liquidity risk is the risk that the RSR will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk is considered medium due to the RSR's conservative funding structure and its ability to generate cash from permit fees and technology reviews conducted. Management monitors rolling forecast of RSR's cash and cash equivalents on the basis of the expected cash flows. The RSR engages with the rail operators on a continuous basis to ensure that it has the cash flows to meet the expected payments as they fall due.

Cash and cash equivalent

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

Figures in Rand	2017	2016
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The RSR utilised ABSA bank, which has a Baa2 rating, for daily transactions as well as the South African Reserve Bank for investment purposes.

Financial assets and liabilities

The RSR's principle financial assets are accounts receivables and cash and cash equivalents. At 31 March 2017, the carrying amounts of cash, accounts receivables and accounts payables approximated their fair values, due to the short term maturities of these assets and liabilities. The net fair value of the assets and liabilities of the RSR are stated below:

Assets

Receivables	10 140 369	5 774 743
Cash and cash equivalents	300 040	1 267 693
	10 440 409	7 042 436
Liabilities		
Payables	37 779 053	29 499 342

34. Going concern

These Annual Financial Statements have been prepared on a going concern basis. The Board has reviewed the available resources and has reasonable assurance that the RSR will continue its operations in the foreseeable future.

35. Notes on cash flow statements

	260 414 490	219 144 970
Other income	701 761	921 188
Interest income	1 074 016	401 149
Administration grant (advance)	10 000 000	-
Administration grant	55 987 000	53 379 000
Technical awareness workshop	1 429 979	-
Technology audits	61 452 077	-
Safety permit fees and application fees	129 769 657	164 443 633

Figures in Rand	2017	2016
36. Professional fees		
Internal audit	564 035	3 624 568
Regulations and governance	2 959 760	5 852 509
Board of inquiry	501 902	4 340 826
Business improvement processes ¹	8 755 727	2 941 528
Risk management	403 616	249 125
Awareness program	355 885	4 351 242
Board support	330 973	432 631
Business reengineering - Office of the CEO ²	5 831 174	2 882 206
Security systems	262 682	153 934
HR support ³	547 729	2 342 596
Operations support ⁴	7 269 261	7 585 880
Finance support ⁵	573 277	433 453
Inter-governmental relations	-	6 600
	28 356 021	35 197 098

¹The key amount relates to the rail risk assessment.

²Business reengineering relates to the development and verification on the management quality systems, strategic planning, forensic investigation, safety training, leadership development and coaching.

³HR support relates to Human Resource software and professional expert assistance rendered to the RSR in order to assist with organisational decisions for complex HR projects.

⁴Operations support relates to various operational support services rendered to the organisation for purposes of enhancing and catering to the vast operational needs aimed at assisting in the achievement of the overall operations and strategy of the RSR.

⁵Finance support relates to financial support consultancy services rendered to the RSR at the time when the organisation had no Revenue Manager.

Figures in Rand	2017	2016
37. Fruitless and wasteful expenditure		
Opening balance	7 209	2 399
Expenditure incurred in the current year	605 592	4 810
Closing balance	612 801	7 209

Fruitless and wasteful expenditure

Promotional items companies were sourced from the National Treasury Central Supplier Database (CSD) and a company by the name of Gifts to Clear was appointed. The service provider required an upfront payment of R195 406 which was granted based on the urgency of the events during the October and November 2016 period. No value for money was received and no delivery took place.

An amount of R362 650 relates to a penalty levied by SARS for late payment of PAYE. An amount of R47 536 relates to interest charged on late payment of invoices.

38. Irregular expenditure

Closing balance	2 679 467	1 751 085
Add: Irregular Expenditure - current year4	487 332	1 173 687
Add: Irregular Expenditure - prior year discovered current year ³	967 637	-
Less: Amounts condoned ²	(526 587)	-
Opening balance ¹	1 751 085	577 398

Irregular expenditure

irregular experialture		
Details of irregular expenditure condoned	Condoned by (condoning authority)	Amount
¹ Included in the opening balance of 2016/17 relates to two regulations advertised and evaluated using the 90/10 principle instead of the 80/20 principle for bids below R1 million,	Accounting Authority (Board) (22/07/2016)	526 587
² Expenditure incurred on EMC Documentum Software licences which enabled the RSR to digitise all records from operators and carried to NIMS thereby allowing operators to apply for safety permits on line. Payments made outside approved contract and contractual amount.	Awaiting condonement	1 545 035
³ Expenditure incurred on a contract for the supply of IT services without following SCM processes. (included in the opening balance of 2016/17 an amount of R577 398)	Awaiting condonement	647 100
⁴ International Travel by Board Members which was not properly authorised.	Awaiting condonement	436 252
⁴ The irregular expenditure was in relation to the over-expenditure to a Human Resource contract	Awaiting condonement	51 080
		3 206 054

39. Segment information

General information

Identification of segments

The RSR is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.



Figures in Rand

Segment surplus or deficit, assets and liabilities

2017

Revenue		KwaZulu-Natal	Mpumalanga	Gauteng	Western Cape	Eastern Cape	Head Office	Total
Revenue from non-exchange transactions	su	,	,	ı	350 000	100 000	57 629 775	58 079 775
Revenue from exchange transactions		20 850 554	16 125 904	45 809 829	34 232 815	12 338 595	71 711 945	201 069 642
Total segment revenue		20 850 554	16 125 904	45 809 829	34 582 815	12 438 595	129 341 720	259 149 417
Entity's revenue								259 149 417
Experiare								
Salaries and wages		7 548 541	4 619 701	13 032 146	8 592 987	4 684 515	119 159 413	157 637 303

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

823 549

220 182

548 695

67 210

351 373

9 141 682

13 099 356

4 971 074

Total segment expenditure Total segmental surplus

Other expenses

4 904 697

40. Budget differences

Material differences between budget and actual amounts

1. Income from investigations

The Budget of R4 million was approved for revenue earmarked for generation on consulting services in rail in other African countries. No services were rendered by the end of the FY, due to delays in the finalisation of bilateral agreements between South Africa and other African countries.

2. Safety, permit and application fees

The approved budget was R7.5 million. The services rendered for the year amounted to R5.56 million. The under generation of fees is due to less application fees received from the operators.

3. Interest received

The budget for interest income was R349 000. The interest earned by the end of the year was R1 million, due to favourable bank balances.

4. Technical awareness workshops

The approved budget for technical awareness workshops was R1.55 million. The services rendered during the year equated to R2.9 million. The overgeneration is due to increases in the number of workshops provided to improve compliance.

5. Technology audits

The approved budget for technology audits was R60.4 million. The services rendered for the year were R67.4 million. The over generation is due to increases in the number of audits conducted to improve compliance.

6. Interest on overdue accounts

This item is generally not budgeted for. However, interest was levied on accounts that were not settled in time by RSR debtors.

7 Penalties

This item is generally not budgeted for. However, penalties were levied for non-compliance during the technology audit review.

8 Other Income

This item is generally not budgeted for.

However, income was recovered on equipment lost by RSR staff.

Expenditure movements

9 Capital expenditure

The budget for capital expenditure was adjusted from R2.5 million to R15.5 million to recapitalise offices in the regions. The expenditure for the year is R19.1 million. The increase was as a result of improvements to regional offices implemented through a turnkey services to include office and computer equipment. This was capitalised to the RSR assets.

10. Employee cost

The budgeted amount was R149 million. The expenditure for the year is R155.6 million. The increase was as a result of capacitating RSR human resources, rather than utilising consultants. This is evident in the decrease in spending on professional fees.

11. Non-executive directors

The budget amount was R1.1 million, and the actual expenditure for the year is R1.9 million. The increase was as a result of the change in the remuneration of Audit and Risk Committee members from National Treasury rates to SAICA rates as well as additional meetings held by the Board and the Audit and Risk Committee.

12 Depreciation and amortisation

This item was not budgeted for, and the actual for the year is Rg.398 million.

13 Office rentals and vehicles

The budget amount was R30.5 million, which was adjusted down to R17.5 million to accommodate the leasehold improvement of regional offices. The actual expenditure for the year is R22.8 million. The increase was as a result of the additional rental of vehicles to attend to the increased technology audits performed.

14 Debt impairment

This item is not budgeted for. However, interest charged on customer's accounts were written-off to encourage settlements of the customers accounts and one operator's debt was written-off as it could not be recovered.

15. Professional fees

The budget amount for the year was R38.7 million and the actual for the year is R27.4 million. The decrease was as a result of a change in strategy by the RSR to built internal capacity instead of placing reliance on the utilisation of consultants.

16. General expenses

The budget amount for the year was R29.8 million and the actual for the year is R33.072 million. The increase was as a result of additional marketing campaigns and increase in number of board members attending international trips.

17. Finance costs

The organisation does not budget for any interest and penalties, but during the current year penalties to the value of R 321 105 were incurred.

18. Non-monetary expenditure

The non-monetary expenditure is not budgeted for, but is incurred during the financial year: amortization, depreciation, asset write offs and debt impairments.

Qualifications

Board member name	Qualifications
Dr Nomusa Zethu Qunta	B Admin (UNIZULU), BCom Hons (UP), MCom (UP), MBA (University of Oxford Brookes), Certificate: Public Sector Corporate Governance (UNISA), PHD (WITS)
Boy Johannes Nobunga	BCom Hons (UWC), Diploma: Public Relations (IAC), Certificate: Economics and Public Finance (UNISA), Advanced Diploma: Economic Policy (UWC)
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Major General Monash Michael Motlhala	BTech: Policing (TUT), NDip: Policing (UNISA), NDip: Police Administration
Christiaan Johan De Vos	Cert: Labour Relations (UP), Cert: Labour Relations for Trade Union Officials (UP), Adv Dip: Labour Law (UJ), Dip: Conciliation and Mediation (CCMA)
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Qualifications

Executive management	Qualifications
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Renaire Huntley	MSc: Environment and Development (UKZN), BSc (WITS)
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