

# Annual Report 2010/2011



**ROAD TRAFFIC  
INFRINGEMENT AGENCY**



*Justice in Adjudication*



# Contents....

Acronyms .....	2
Organisational overview.....	3
Statement by Chairperson of the Board .....	10
Section 1: Strategic overview by the Acting Registrar .....	13
Section 2: Corporate Governance and Management.....	19
Section 3: Human resources overview.....	25
Section 4: State of road traffic infringement report.....	27
Section 5: Highlights and achievements.....	31
Section 6: Performance information report.....	35
Section 7: Overcoming the challenges: Way Forward.....	39
Section 8: Annual Financial Statements for the year ending 31 March 2011.....	41

## Acronyms

AARTO/(Act)	Administrative Adjudication of Road Traffic Offences (Act)
AG	Auditor General
BBBEE	Broad Based Black Economic Empowerment
CBRTA	Cross Border Road Transport Agency
CFO	Chief Financial Officer
CPA	Criminal Procedures Act
DLTC	Driving Licence Testing Centre
DoJ & CD	Department of Justice & Constitutional Development
EFT	Electronic Funds Transfer
eNaTIS/NaTIS	National Traffic Information System
EXCO	Executive Committee of the Agency
FAR	Fixed Asset Register
GAAP	Generally Accepted Accounting Practice
IA	Issuing Authority
IT	Information Technology
MOU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
NCR	National Contraventions Register
NDOT/DoT	National Department of Transport
NRTA	National Road Traffic Act
NT	National Treasury
PDS	Points Demerit System
PFMA	Public Finance Management Act
PPP	Public Private Partnerships
PrDP	Professional Driving Permit
RAF	Road Accident Fund
RO/s	Representation Officer/s
RTIA	Road Traffic Infringement Agency
RTMC	Road Traffic Management Corporation
RSA	Republic of South Africa
SABFS	South African Board for Sheriffs
SANRAL	South African National Roads Agency Limited
SAPS	South African Police Service
SLA	Service Level Agreement
SWOT	Strengths, Weaknesses, Opportunities, Threats
TOR	Terms of Reference
UNDoARS	United Nations Decade of Action for Road Safety
VTS	Vehicle Testing Station

# *Organisational Overview*



## Organisational overview

The role of the Road Traffic Infringement Agency is to forge a closer, more effective and efficient link between the enforcement and adjudication processes. The agency is mandated to ensure the implementation of objective, transparent and fair systems that encourage compliance with all road traffic laws. The RTIA was scheduled on 31 December 2010, retrospectively from 1 April 2010.

### Mandate and Functions

The RTIA derives its mandate and functions from the Administrative Adjudication of Road Traffic Offences Act, 1998 (Act No. 46 of 1998), herein-after referred to as the AARTO Act, which states that the objects of the Agency, are, despite the Criminal Procedure Act, 1977 (Act No. 51 of 1977), herein-after referred to as the CPA:

- (a) to encourage compliance with the national and provincial laws and municipal by-laws relating to road traffic and to promote road traffic safety;
- (b) to encourage the payment of penalties imposed for infringements and to allow alleged minor infringers to make representations;
- (c) to establish a procedure for the effective and expeditious adjudication of infringements;
- (d) to alleviate the burden on the courts of trying offenders for infringements;
- (e) to penalise drivers and operators who are guilty of infringements or offences through the imposition of demerit points leading to the suspension and cancellation of driving licences, professional driving permits or operator cards;

- (f) to reward law-abiding behaviour by reducing demerit points where they have been incurred if infringements or offences are not committed over specified periods;
- (g) to establish an agency to support the law enforcement and judicial authorities and to undertake the administrative adjudication process; and
- (h) to strengthen co-operation between the prosecuting and law enforcement authorities by establishing a board to govern the agency.

The AARTO Act therefore envisaged the establishment of an agency to manage the adjudication of road traffic offences in the country. This stems from a process of decriminalizing certain traffic violations, which in their majority are classified as infringements, and thereby deal with them administratively in order to introduce the necessary efficiencies. Whereas all matters related to traffic violations were previously dealt with under the CPA, with the establishment of the agency and implementation of the AARTO Act, most of these matters are now dealt with administratively, with the resultant effect of freeing the courts and judicial authorities to deal with more serious criminal matters.

From its inception, the agency realized that the magnitude of its functions is great and thus an appropriate and supportive culture was required to enhance the performance of the entity and the successful achievement of its mandate.



## The Vision

An informed, compliant and safe road user community.

## Mission

To encourage compliance with road traffic laws in South Africa through:

- targeted road user and community education and communication programmes;
- promotion of procedurally fair, lawful and reasonable administrative adjudication;
- levying of penalties;
- imposing demerit points;
- effective administration and management of the suspension and cancellation of driving licences and operator cards; and
- rewarding compliant offenders.

## Values

The core values of the RTIA are:

- integrity;
- transparency;
- fairness;
- accessibility; and
- accountability.

## RTIA BOARD

---



### **Ms Nomini Rapoo: Board Chairperson**

Ms Nomini Rapoo was appointed to the Board in August 2010. She holds an LLB degree from the University of Natal (Pietermaritzburg), a B Com (Law) degree from the University of the North and a Certificate in Corporate Governance from the University of Johannesburg. She is an admitted attorney of the High Court and her extensive career spans from among others, the South African Maritime Safety Authority, Industrial Development Corporation, Airports Company South Africa before joining AECI Ltd as Group Company Secretary responsible for legal advisory, risk management, compliance and governance portfolios. Ms Rapoo specialises in corporate governance and has written a book on Black Economic Empowerment and contributed numerous articles on governance issues. Ms Rapoo serves as the chairperson of the RTIA Board.

---



### **Mr Japh Chuwe (Executive): Acting Registrar**

Mr Chuwe has extensive experience in the transport industry both in private and government sectors. He holds a BA Law and Honours in Industrial Sociology from the University of the Witwatersrand, a Certificat D'assiduite from the Institut International Des Droits De L'Homme, France and a Postgraduate Certificate Programme in Project Management from the University of Pretoria. He has worked as Operations Manager for NaTIS and successfully implemented the NaTIS in the Kingdom of Lesotho pursuant to the standardization of transport information systems espoused in the SADC Protocol, Project Manager that developed the Road Classification System and Best Practice Model in the Licensing Departments in Gauteng. He was Senior Manager with the RTMC for the implementation of AARTO before being appointed Acting Registrar in March 2010.

---



### **Adv Thomas Dicker: Board member**

Adv Thomas Dicker was appointed to the Board in August 2010. He is a Deputy Director of Public Prosecutions for the South Gauteng High Court, Johannesburg. He holds an LLB degree from the University of Pretoria and has a long career in the legal fraternity as Senior Public Prosecutor, Senior State Advocate, Deputy Attorney-General to the current post. He has a wide range of experience and expertise in traffic law and related matters and was a previous Chairperson of the Technical Committee for Standards and Procedures for Traffic Control and Traffic Control Equipment.

---

## RTIA BOARD

---



### **Mr Naas Jordaan: Board member**

Mr Naas Jordaan was appointed to the Board in August 2010. He holds a B (Eng) Industrial (Cum Laude) degree from the University of Pretoria. He was a lead consultant in developing the NaTIS and integrating the varying information technology systems used by transport departments prior to the NaTIS and successfully implemented the NaTIS in Namibia. Mr Jordaan is a specialist in the operations and information technology fields and has extensive experience in Strategic Management, Leadership, Organisational Development and Programme/Project Management. He was the project manager for the successful electronic data solution used for the 2001 census on behalf of Stats SA. He is the Managing Director of MIP Holdings (Pty) Ltd and also serves as the Chairperson of the RTIA Technical Committee.

---



### **Mr Christopher Manzini: Board member**

Mr Christopher Manzini was appointed to the Board in August 2010. He holds a B Juris degree from the University of Durban Westville, an LLB degree from the University of Witwatersrand and Public Prosecutor Certificate from the Justice College. Mr Manzini has held numerous positions in the legal field, including being a Legal Consultant for Ntuli, Noble and Spoor Attorneys deployed to the Department of Land Affairs (Mpumalanga Province). He is a practicing attorney and currently the Director in Manzini - Mdladla Attorneys specializing in criminal and civil matters.

---



### **Ms Grathel Motau: Board member**

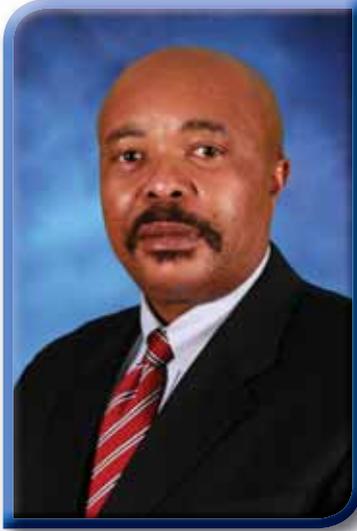
Ms Grathel Motau was appointed to the Board in August 2010 and is a qualified Chartered Accountant with immense business and financial experience. She works for KPMG as an Audit Partner within the Energy and Natural Resources. She has a BCompt Honours and BCompt degrees from the University of South Africa. She previously worked for Blue IQ Investments Holdings (Pty) Ltd as Group Chief Financial Officer. Ms Motau also serves as the Chairperson for the Audit/Risk/Finance and HR Committee. Her previous board roles include the Road Accident Fund, Pinnacle Technologies Limited and the Independent Regulatory of Auditors.

---

## *EXECUTIVE MANAGEMENT*

**Mr Japh Chuwe**

Acting Registrar



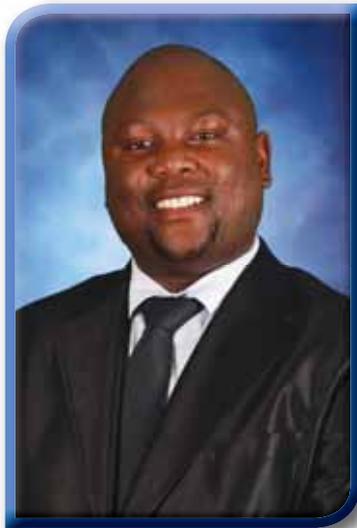
**Ms Portia Mngomezulu**

Acting Chief Financial Officer



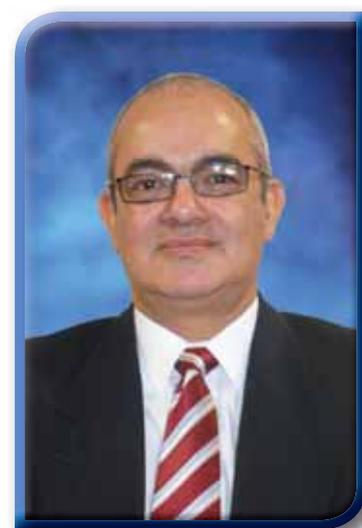
**Adv Peter Nthotso**

Acting Company Secretary



**Mr Sherman Amos**

Deputy Registrar





## Statement by Chairperson of the Board



**Ms Nomini Rapoo**

Chairperson: RTIA Board

The **RTIA** has been established in terms of the AARTO Act as amended by Act No. 22 of 1999, Act No. 24 of 2000 and Act No. 72 of 2002. The overall goal of the RTIA is to ensure the effective and efficient implementation of the AARTO Act and to oversee the Administrative Adjudication of Road Traffic Offences programme in order to discourage road traffic contraventions, promote road traffic quality and contribute to the increment of road safety in South Africa.

The RTIA is fully committed to making its contribution towards South Africa's attainment of the goals embodied in the declaration of the United Nations Decade of Action for Road Safety, 2011 – 2020, and specifically targeted towards the reduction of the rate of road crash fatalities in half by the year 2020. Around 14 000<sup>1</sup> people die on our roads annually of which nearly 50% are pedestrians. This reduction in road fatalities will significantly contribute to the increment of road safety as well as major cost savings on our national fiscus, with the resultant benefits of funding other government priorities for the sustainable development of our country.

The RTIA will also make its contribution towards ensuring a safe road transport environment in the current Medium Term Expenditure Framework (MTEF) period. In this regard, the RTIA is strategically placed to work very closely with its other sister agencies, such as the Road Traffic Management Corporation (RTMC), the Road Accident Fund (RAF) and Traffic and Transport Departments on both Provincial and Local levels to achieve the common goals of increasing road safety.

The RTIA is also specifically committed to achieving its objectives through the establishment of strategic relations and maintenance of good relations between road

---

<sup>1</sup>Statistics as provided by the Road Traffic Management Corporation

traffic management, law enforcement and judicial authorities in the country. As one of the key deliverables of our mandate, the RTIA will undertake road user and community education and awareness programmes in order to ensure that road users understand the AARTO and its objectives, as well as their obligations and rights as set out in the AARTO Act, towards ensuring a safe environment for all road users in the country. This undertaking and commitment is based on the conviction that the more educated and empowered the general community is about the AARTO and its objectives, the greater its contribution and active engagement towards achieving these objectives.

Pursuant to achieving these stated objectives, the Board of the RTIA was appointed in August 2010 and the entity was scheduled in December 2010 retrospectively to April 2010. This in itself posed serious constraints as the Board assumed its duties in an agency that was in its infancy and significantly underfunded, and had to face the difficult challenges of supporting the current implementation of the AARTO that was implemented in the municipalities of Tshwane and Johannesburg. These challenges continued to plague the RTIA especially in relation to:

- insufficient funding to ensure the acquisition of critical skills and resources needed for the effective operations of the agency;
- the appropriate recognition and accounting of income from the issuing authorities;
- the unavailability of a coherent and accurate technological system that supports an integrated recording and accounting of all infringements; and
- inconsistent and varying degrees of cooperation from the issuing authorities in the pilot areas.

Despite the position as outlined above, the Board remains optimistic that the key focus deliverables for this year appropriately mitigates these challenges for the future.

The performance of the agency for the period under review must therefore be understood in the context of these serious challenges it faced. In spite of these challenges, the Board has been unwavering in its support of management and the attainment of the objective of ensuring the effective performance of the agency. As the board, we are encouraged by the passion and commitment shown by the agency, as evidenced in the successful achievement of the deliverables tabled herein in spite of the many great challenges faced.

On behalf of the RTIA Board, I wish to reiterate our full commitment of making a positive contribution towards the achievement of laying the foundation for a sustainable and safe road traffic environment for our country.



**Ms Nomini Rapoo**

Chairperson: RTIA Board



*Section 1*  
*Strategic overview by the Acting Registrar*



## Strategic overview by the Acting Registrar



**Mr Japh R. Chuwe**

Acting Registrar

### Background

The year 2010 was an exciting and tremendously challenging year for the Road Traffic Infringement Agency. Exciting in that the long term objectives of what was envisaged as an entity entrusted with the mammoth task of fundamentally changing the adjudication of road traffic offences in the country was finally being set up. This development would set the country on a ground breaking path of engaging in a focussed and unrelenting commitment to achieving the goals of increased road safety, compliance to road traffic laws as well as implementing the points demerit system in order to change the behaviour of road users from dangerous habits to voluntary compliance with all traffic laws. Challenging in that from its very setting up, it faced difficulties and the need to support the current operations that were undertaken from the AARTO pilot implementation in the municipalities of Tshwane and Johannesburg.

From the time of setting up, the prescribed period for the development, determination and allocation of budgets to support the strategic and business plans of government and its entities had already passed. To that extent, the agency started its operations with no government grant allocation to support its operations. Thus it became the very first challenge that was faced to ensure the successful setting up of the agency from its beginning. During this period, the agency was subsequently financed from the revenue portion accruing to it from the AARTO implementation in the Tshwane operations, as provided for in terms of the Act.

In order to ensure successful setting up of the agency, the Minister appointed the Acting Registrar in March 2010, to start the process and develop a strategic plan for implementation.



The Board of the RTIA was subsequently appointed in August 2010. To that extent, the Acting Registrar assumed responsibility as the Accounting Officer as provided for in the Public Finance Management Act, 1999 (Act No. 1 of 1999), herein-after referred to as the PFMA, until such time that the Board was appointed and assumed its duties. One of the first resolutions taken by the Board was the confirmation of the appointment of the Registrar and the staff that were transferred from the Road Traffic Management Corporation to assist the Acting Registrar with the setting up of the agency.

Whereas a strategic plan was developed, it was not feasible to implement during the current period in the absence of secured appropriated funding. An interim strategic plan was then developed, given the challenges faced and the severe lack of critical resources, geared at what was practically and reasonably expected to be achieved. Whereas this initial, short-term strategic plan did not fully comply with the accepted principles of a performance-oriented strategic plan, a clear and well-considered recognition was made, based on what was required in the immediate period to ensure successful establishment. During the 2010/11 period, three key strategic goals were committed to as follows:

- setting up of the agency, including its scheduling and an interim arrangement with the RTMC for the transfer plan of the agency's functions;
- establishment of an effective governance framework such as policies, governance structures and processes; and
- operationalisation of the agency, including funding and the acquisition of its own infrastructure and required resources.

A business case for the setting up and operationalisation of the Agency was submitted to National Treasury in August 2010, with the necessary motivation of its operations, strategic plan, mandate and outcome oriented objectives in support of government's commitment to achieving its strategic priorities. To that extent, the agency makes a direct contribution to the Department's outcome of **"a safe and secure transport sector"**. In this regard, the attainment of the agency's mandate and objectives will ensure that this objective is achieved. The submitted business case resulted in the listing of the Road Traffic Infringement Agency in Schedule 3 Part A as a national public entity in terms of the PFMA on 31 December 2010, retrospective to 1 April 2010. This retrospective scheduling in itself rendered the agency in a precarious position, since it was already placed in a difficult performance position, even prior to the appointment of the Board and management, thus leading to a governance vacuum for the period prior to their appointment and assumption of duty.

Facing these unique challenges in its first year of operations, with minimal resources, whilst having to support the current operations of the AARTO pilot implementation, an ingenious approach of strategic partnerships had to be developed and implemented to assist the agency in meeting its mandate. Thus the RTMC played a pivotal role in providing the necessary support for the performance of the administrative functions on behalf of the agency. The performance of these support functions were carried out as provided for in Chapter 2 of the AARTO Regulations 2008, with the exception that such services excluded the exercise of discretionary powers imbedded in the agency.

For the adjudicative functions of considering representations, arrangements had been

made with the representation officers that were employed in the Municipalities of Tshwane and Johannesburg, on a short term basis to assist the agency in augmenting its capacity for adjudicating representations submitted by infringers. The agency also became actively involved in the determination of administrative processes in support of the AARTO, including the following:

- the assessment of the efficiency of the pilot performance;
- determination and assessment of the systems' functionality of the National Contraventions Register;
- development of the draft AARTO Replacement Regulations;
- stakeholder engagements;
- development and establishment of the RTIA brand; and
- development of the standard operating procedures.

For the period under review, the agency did not have its own infrastructure and had been reliant on the Department and the RTMC. The services provided by the RTMC included administrative support for:

- the capturing of applications for elections to pay in instalments;
- capturing of applications for representations;
- capturing of applications for elections to be tried in court;
- administration and management of infringement payments received in the AARTO national bank account;
- administration and payments of the disbursements to the issuing authorities for their revenue portion from infringement penalties received;

- payment of the South African Post Office accounts for courtesy letters, enforcement order fees and notices issued on behalf of the RTIA;
- processing of payments of the agency's suppliers;
- payment of salaries of the RTIA's staff; and
- supply chain management.

## Audit Performance

### Dependencies

Given these unprecedented challenges that the agency faced in its first year of operations, it received a disclaimer from the Auditor General regarding the revenue and receivables, due to appropriate systems not being in place and the lack of cooperation from the pilot issuing authorities. The Agency has taken note of this opinion and has started putting in place the necessary mechanisms to ensure excellent performance going forward. The Agency recognises that the implementation of the AARTO is an intricate process involving a multiplicity of role-players and stakeholders. To that effect, the Agency is completely dependent on these stakeholders to ensure its performance, particularly with respect to:

- funding; (parent department and national treasury)
- data integrity and accuracy (of information captured by the issuing authorities that originated the infringement notices).

In the implementation of the AARTO process, the Issuing Authorities play a pivotal part in the capturing of infringement records, being the origin of all processes the agency deals with, as well as the data integrity of records uploaded to the NCR and the updates of all elective options exercised by infringers. To that extent, the



agency is in a highly dependent position. We however, continue to engage with stakeholders to ensure good performance. The agency is currently engaged in developing a strategy of revenue recognition and accountability which will ensure the implementation of a policy position for revenue recognition, aligned to our stakeholders' practices.

### Irregular expenditure

As a direct consequence of the Agency's retrospective scheduling to 1 April 2010, the Auditor General has cited the costs for operationalising the entity as irregular expenditure, since these costs were not approved prior to the setting of the agency and the start of the financial year. We are confident that this expenditure was not irregular but unbudgeted for at the time in terms of the PFMA, and used on good cause for the setting up and operationalisation of the entity, which was subsequently condoned by the National Treasury. Going forward, the Agency has put in place the necessary mechanisms to ensure compliance and the timeous submission of the required budgets as prescribed.

### Internal system of control

The Board understands the criticality of having a good system of internal control. Given the agency's infancy and its insufficient capacity, the Agency has identified and will be engaging experts to ensure the implementation of critical systems for better audit performances in the coming periods. The Agency recognises that the NCR was developed as a module of the eNaTIS and is the preferred strategic system providing the backbone of the RTIA's operations.

As the Acting Registrar, I wish to express my deepest and sincerest gratitude to the

management and staff of the RTIA for their loyalty, hard work and full commitment to ensuring the setting up and continued operations of the Agency. Throughout the difficulties and challenges, they remained focussed and convinced that our contributions are for the greater good of the country, to ensure safety on our roads and respect for traffic laws.

I am also indebted to the board of the RTIA, who have made a sterling contribution in the short period since their appointment and assumption of duty in August 2010. I am grateful to our chairperson in particular, Ms Nomini Rapoo, who has shown strong leadership and wisdom in ensuring that she steers our ship out of the turbulent waters that have been engulfing the Agency from inception. We may not have been out of the turbulence yet, but I am pleased that we are gradually moving into calmer waters and the future looks more certain.

Considering all the challenges, I wish to express my sincerest gratitude to the Honourable Minister of Transport, Dr Sibusiso Ndebele and the Honourable Deputy Minister of Transport, Mr Jeremy Cronin for their leadership, commitment and support in ensuring that the RTIA is set up and operationalised to support the implementation of the AARTO. I would also be remiss not to express my appreciation to the Director General, Mr George Mahlalela for his continued support and advice in ensuring that the agency can contribute positively towards achieving the goals of increased road safety.

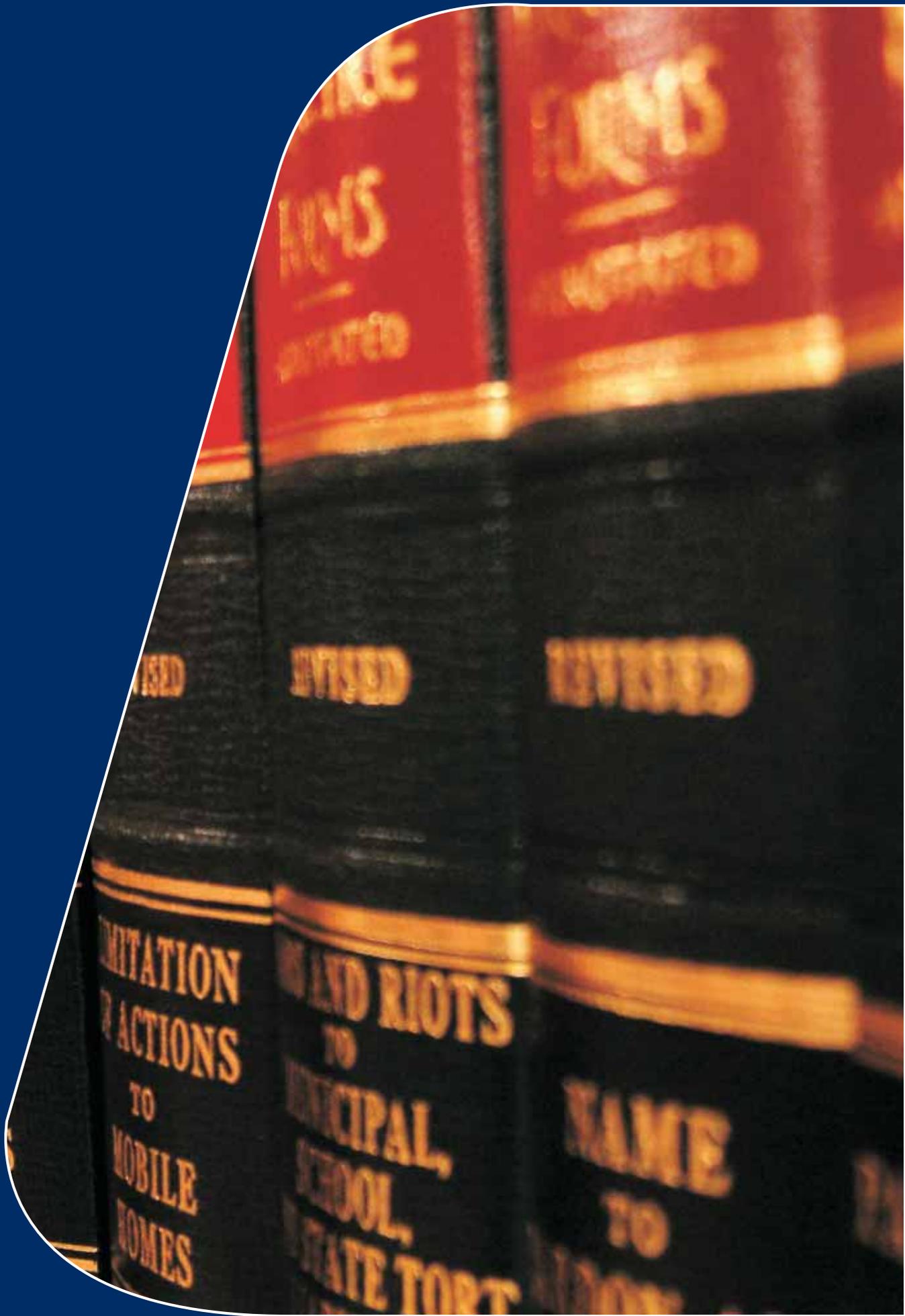


**Mr Japh R. Chuwe**  
Acting Registrar



# Section 2

## Corporate Governance and Management



## Corporate Governance and Management

The RTIA is committed to ensuring full compliance with the King III Report on Corporate Governance, the provisions of the Public Finance Management Act, 1999, the Transport Agencies General Laws Amendment Act, 2008, as well as governance and compliance directives from the Department of Transport and National Treasury.

The RTIA is a schedule 3A public entity in terms of the PFMA and fully state owned. The Minister of Transport is the political principal and shareholder overseeing the Agency.

### Governance Structures

The Board of the Agency is the Accounting Authority. The Board was appointed in August 2010 and comprise of the following members:

### Board Members

- Ms NE Rapoo - non-executive chairperson
- Mr JR Chuwe - executive director
- Adv TE Dicker - non-executive director
- Mr IS Jordaan - non-executive director
- Mr CM Manzini - non-executive director
- Ms HG Motau - non-executive director

In its first year of operations, the Board has established two sub-committees, namely the Audit, Risk, Finance & Human Resources Committee and the Technical Committee. The affairs of the Board and its sub-committees are governed by the Board and Sub-committee Charters respectively.

### Board Meetings

The Board recognises and is committed to ensuring that it meets regularly, at least once every quarter in line with best practise as incorporated in the King Report. Due to the appointment of the Board in August and its capacity constraint, it was not possible to achieve this from the beginning but after assuming its duties, the board prioritised this and achieved four meetings for the year under review. Details of the Board and Sub-committee meetings for the year under review are tabled below:

<b>Board</b>	<b>Audit, Risk, Finance &amp; HR Committee</b>	<b>Technical Committee</b>
15 September 2010	18 March 2011	15 March 2011
4 October 2010		
18 November 2010		
4 March 2011		

### Board Meetings Attendance

<b>Member</b>	<b>Board meeting dates</b>				<b>Total Attendance</b>
	<b>15 September 2010</b>	<b>4 October 2010</b>	<b>18 November 2010</b>	<b>4 March 2011</b>	
Ms NE Rapoo	●	●	●	●	4
Mr JR Chuwe	●	●	●	●	4
Adv TE Dicker	●	●	●	●	4
Mr IS Jordaan	●	●	X	●	3
Mr CM Manzini	●	●	●	●	4
Ms HG Motau	●	X	●	●	3

#### Legend:

- Attended
- X absent with apology

### Audit, Risk, Finance & HR Committee Meetings

<b>Member</b>	<b>18 March 2011</b>	<b>Total Attendance</b>
Ms HG Motau	●	1
Mr CM Manzini	●	1
Mr JR Chuwe	●	1

- Attended

### Technical Committee Meetings

<b>Member</b>	<b>15 March 2011</b>	<b>Total Attendance</b>
Mr IS Jordaan	●	1
Adv TE Dicker	●	1
Mr JR Chuwe	●	1

- Attended

The Board's responsibilities are to provide strategic leadership and direction to the Registrar and advise the Minister in matters related to legislative amendments to the Act and other applicable road traffic matters.

### Executive Management

Mr JR Chuwe -Acting Registrar

Mr S Amos -Deputy Registrar

Ms P Mngomezulu -Acting Chief Financial Officer

### The Registrar

The Registrar oversees the functions of the RTIA in accordance with the Business Plan approved by the Board and in particular the:

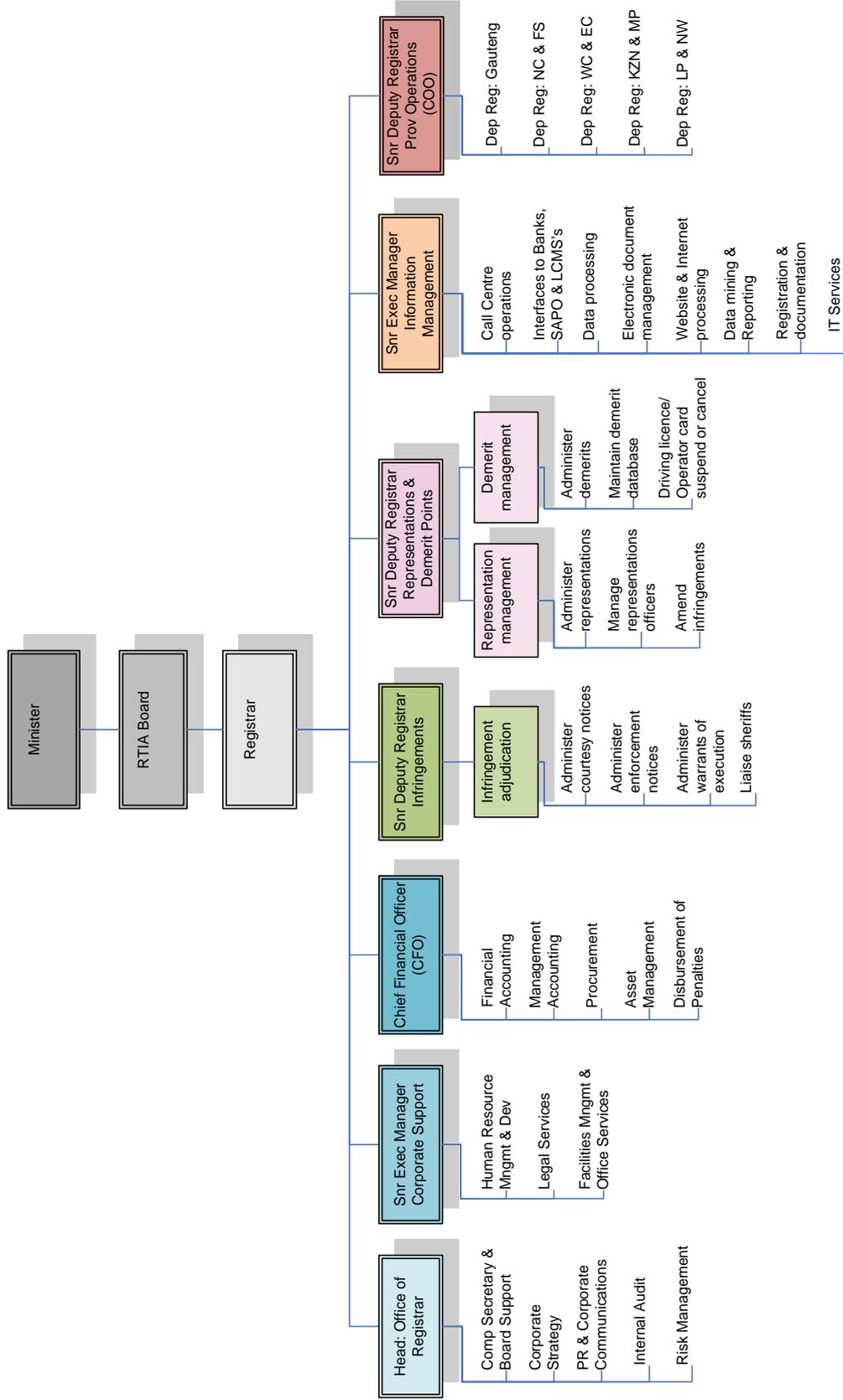
- efficiency of penalty collection and supporting administrative procedures;
- operational and organisational functioning of the RTIA;
- introduction of managerial and operational improvements to facilitate the implementation of the AARTO Act; and
- compilation and submission of an Annual Report to the Board for consideration and approval.

With all its challenges in the first year of operations, the agency operated with skeletal and critical staff, brought about by the challenges of insufficient funding. However, the agency has an organisational structure

developed, based on the functions that are mandated to it by the Act and need for the critical achievement of its objectives. Thus this structure was developed to adequately meet the challenges of a changing environment, and specifically focussed towards the relentless pursuit of its set goals.

The structure depicted below is geared at attaining the goals of the Agency and provide an environment that acts as a catalyst for effecting the necessary change in the road traffic environment. It is a structure that is fluid by its nature and will develop with the changing needs in the MTEF period, in order to ensure that it is always relevant to the challenges faced and to ensure its continued alignment to the Agency's mandate, strategic goals and government's priorities.

It is the intention of the agency to establish a national footprint and have offices at regional level in order to achieve the service delivery objectives at the levels and places where infringers can have easy access to the agency. As the national rollout of the AARTO ensues these regional offices will be gradually established but for the period under review, all operations have been carried out at the single national office. Whilst it has been developed, this structure has not yet been fully implemented.





*Section 3*  
*Human resources overview*



## Human resources overview

The RTIA was managed with skeletal staff that was transferred from the RTMC to fulfil the mandate of the Agency for its setting up during the financial year. Subsequent to embarking on the setting up phase, a further 6 staff were appointed during the period under review.

### Staff Profile by race

Level	African	Coloured	Indian	White	Total
Registrar	1	0	0	0	1
Deputy Registrar	0	1	0	0	1
Executive management	1	0	0	0	1
Management	1	0	0	0	1
Junior Staff	1	0	0	0	1
Contract Staff	5	0	0	0	5
<b>Total Staff</b>	<b>9</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>10</b>

### Staff Profile by Gender

Level	Male	Female	Total
Registrar	1	0	1
Deputy Registrar	1	0	1
Executive management	0	1	1
Management	1	0	1
Junior Staff	0	1	1
Contract Staff	3	2	5
<b>Total Staff</b>	<b>6</b>	<b>4</b>	<b>10</b>

There were no labour disputes experienced by the agency for the period under review.

Due to the lack of budget provision in the form of grant allocation, the agency's staff compliment remained skeletal. In the exercise of prudence and fiscal discipline, the board had recognised the need for the increment of staff and the acquisition of the required skills and related expertise, but were however unable to proceed with these appointments in the absence of secured funding for the identified posts. After analysis of the agency's performance and the impact of operations on the agency, approval was granted for the appointment of representation officers. A recruitment process was started in this regard but had not yet being finalised at the close of the financial period, as it was expected to be completed during the first quarter of the 2011/12 period.

# *Section 4*

## *State of road traffic infringement report*

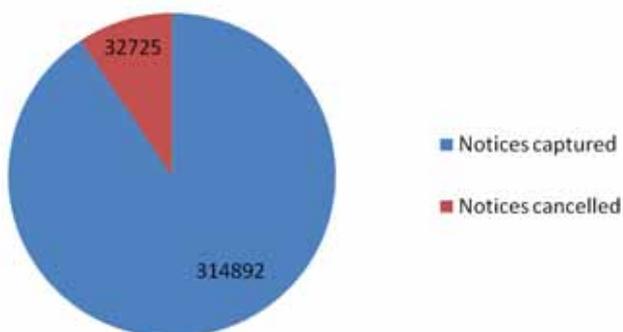


## State of road traffic infringement report

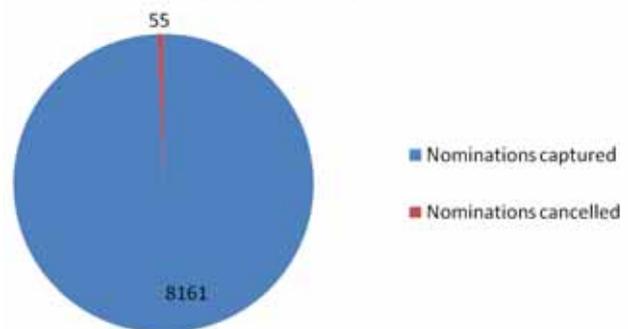
### Infringements issued

The function of the RTIA starts with the options exercised by infringers after the issuing authorities had served infringement notices to the infringers. From the current operations in the year under review, the following statistics have been experienced.

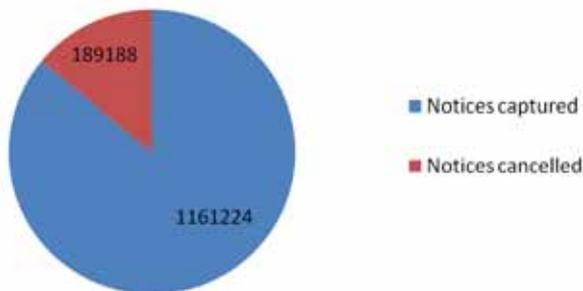
**Handwritten Infringement Notices (AARTO 01)**



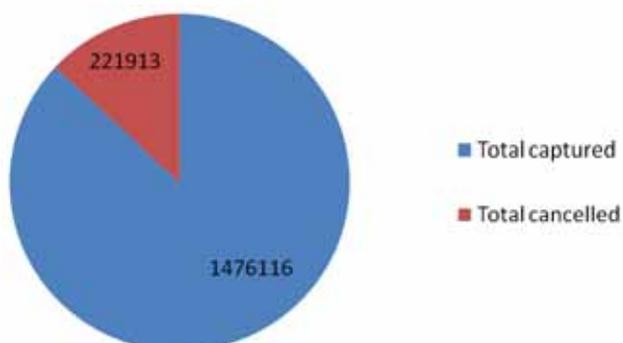
**Nominations**



**Electronically Generated Infringements (AARTO 02 and 03)**



**Total (AARTO 01, 02 and 03)**



From the statistics above, it is clear that the majority of infringements issued were camera-generated infringements. The handwritten infringements relate to those notices that were issued when officers stopped infringers, issued and served them with notices in person by the road side.

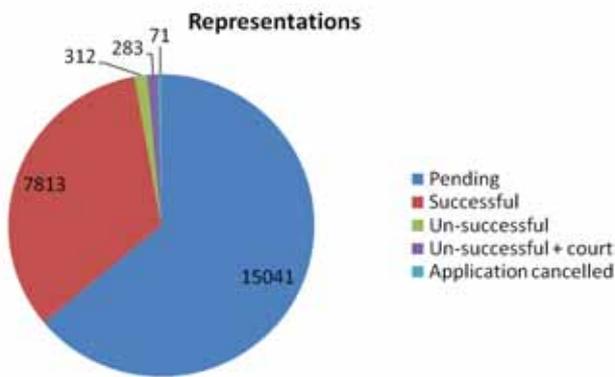
The nominations relate to infringement notices issued to infringers as the owner of vehicles, whereby they subsequently identified the person that was the driver or responsible for the vehicle at the time that the infringements were committed.

### Representations

One of the main functions of the agency is the adjudication of representations received from infringers. This is the basis of the decriminalisation of road traffic infringements and their management in an administrative manner that has been envisaged to increase the efficiency of addressing them.

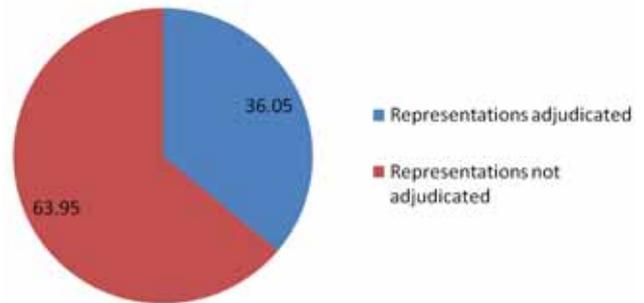
The following information details the performance of the agency for the adjudication of representations received during the financial year under review. From the total number of infringements issued, 1% resulted in the representations received by the agency. It is expected that with continued implementation, and as the education of road users increases, people will be more empowered about their

rights and responsibilities, which in turn will lead to increased compliance to traffic laws. Based on the statistical analysis of compliance stemming from the CPA processes, the agency had projected an average of 5% of all infringement notices issued would result in representations. As the national rollout ensues, the volumes of representations received is expected to increase dramatically.



From the representations received, 36.05% had been adjudicated. The high volume of representations captured but not yet adjudicated, is a specific challenge that the agency is dealing with. The agency had battled with the budgetary restrictions, which limited its ability to appoint sufficient numbers of representation officers for the year under review. If the agency had been in a more solidly funded basis, with sufficient numbers of representations officers appointed, the percentage completion of adjudicated representations would have been much higher. For the period after 2011, the agency has submitted motivation for budget provision for the appointment of sufficient numbers of representations officers to ensure that it can achieve its mandate of adjudicating over representations timeously in terms of the AARTO process.

Representations processed



The AARTO provides five various options to be exercised by the infringer when dealing with traffic infringements as follows:

- Paying the infringement;
- Nominate driver or person in control of vehicle;
- Make a representation;
- Elect to be tried in court; or
- Make arrangements for instalment payment.

Of the five options available for exercise, some fall exclusively within the ambit of responsibility of the agency, whereas others are a shared responsibility between the agency and various issuing authorities. Even so, on others, such as the nomination of driver or person in charge of the vehicle at the time that the infringement was committed, infringers can revert to the agency, in cases where there has not been any action taken by the issuing authority concerned. The various other options exercised by infringers for the period under review are tabled below as follows:

**Elective Options exercised by Infringers**  
**Period: 1 April 2010 - 31 March 2011**

Application Result for Payment in Instalments	1
Election to be tried in court receipt	5,747
Nomination of new driver receipt	6,139

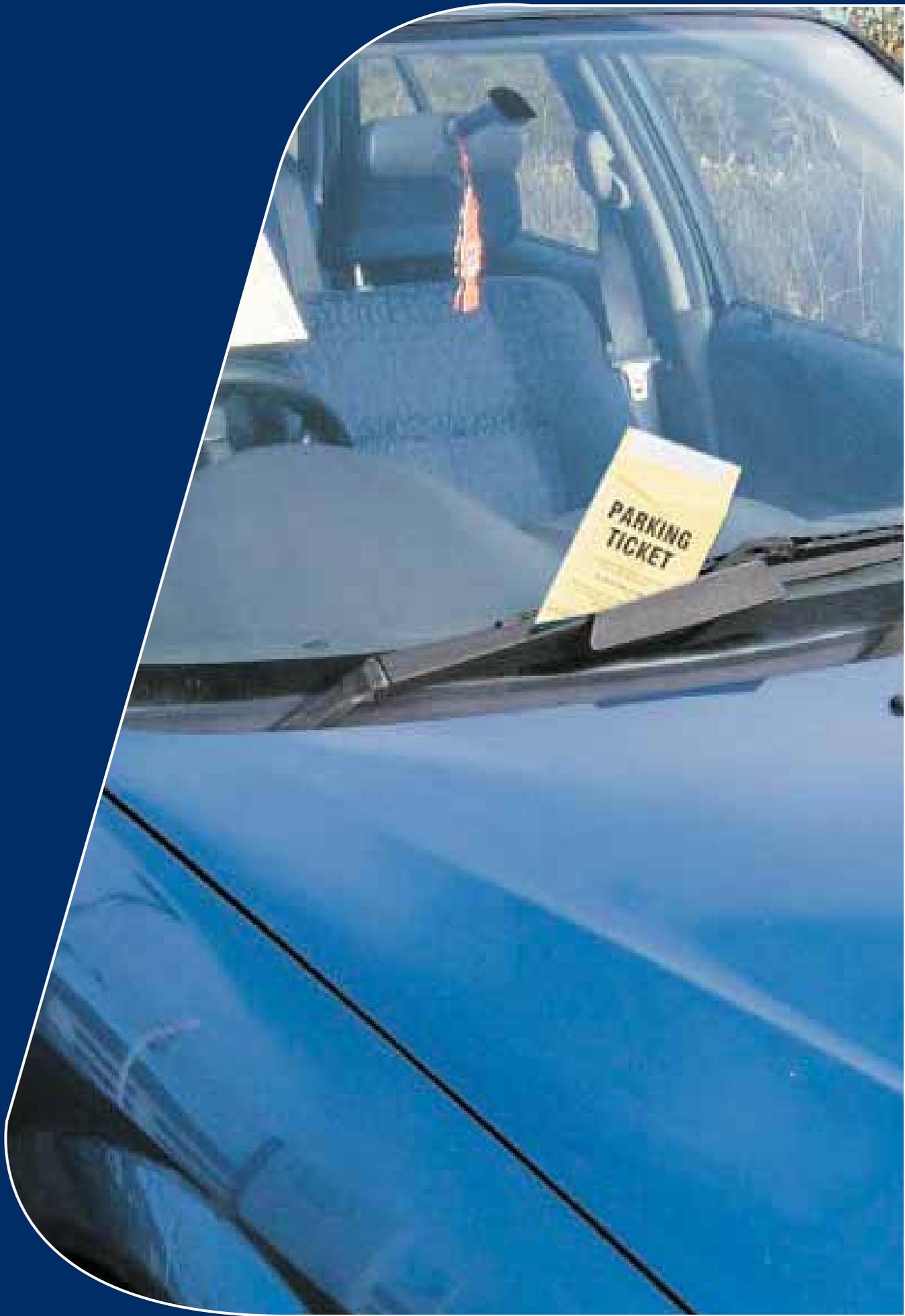
**Notes:**

During the financial period under review, there were a lot of challenges and system's deficiencies experienced that resulted in a large portion of infringements not being validated properly. As a result of the inefficiencies in the system's interfaces with the NCR, a cautious approach was undertaken to ensure the validity of all notices reverting to the agency. To that extent,

a significant volume of applications for refund of monies were experienced, where infringers had complied with infringement notices issued by making the necessary payments, however, such payments were not reflected on the NCR. Thus prior to the setting up of the agency, a process was undertaken to suspend the issuing of enforcement orders and warrants of execution, until such time that the system's deficiencies were adequately addressed, so that infringers were not disadvantaged by the challenges experienced in cases where they had shown compliance.

# Section 5

## Highlights and achievements



## Highlights and achievements

### The setting up of the agency

Pursuant to the focussed intent of attaining the goals of increased road safety and the decriminalisation of traffic offences, by taking them out of the criminal justice system and dealing with them in an administrative manner, the Minister made the decision for the setting up of the agency as provided for in the AARTO Act. This process was started with the appointment of the Registrar, the subsequent appointment and assumption of duty of the Board in charge of the governance of the agency and ultimately the successful listing of the Agency in Schedule 3 Part A of the PFMA on 31 December 2010. Albeit this process took longer than expected, it was achieved within the current financial period under review.

Having assumed their responsibility, the board set forth on the development and implementation of the governance processes to ensure the efficient running of the agency and the attainment of compliance with the PFMA and all legislative prescripts on governance. To that effect, the interim strategic plan was developed and approved for the inception phase.

### RTIA Corporate identity

In order to ensure that the agency can be known in the public domain, a corporate identity was developed, that sets itself apart from other related institutions, in order to create awareness of its existence and unique service offering. The prominent element of the RTIA logo is the balanced scale of justice, which at first glance gives a direct specialty description of the Agency – *“balance of law”*. The composition of the RTIA logo is directly related to its ambit of responsibility, being efficient administrative adjudication on road traffic matters, with the road depiction curving to the right, implying

the manner in which road traffic rules should be adhered to – *“the right/correct way”*.

The RTIA's pay-off line is *“Justice in adjudication”*. The line is short and precise and specifies the new efficiency of administrative justice that the Agency seeks to bring to road traffic matters.

### Corporate Governance

Having considered the small make up of the Board's membership, the requisite Board committees were established and implemented. For the period under review, the following committees were established and operationalised:

- Finance, Risk, Audit and Human Resource Committee; and
- The Technical Committee.

The role and function of the Finance Committee is to consider all matters related to the Agency's finances, including audits, risk management, remuneration and human resources, determination of policies and strategies related thereto and to recommend to the Board the applicable strategies for adoption and implementation. Furthermore, this committee will provide the necessary assurance to the Board regarding the appropriateness and performance of all governance measures and to provide the necessary assurance to the Board.

The Technical Committee on the other hand considers all matters related to the Agency's information technology infrastructure and systems, legal and legislative framework and operations, determination of policies and strategies related thereto and to recommend to the Board the applicable strategies for adoption and implementation.

## Assessment of Legislative Framework

The implementation of the AARTO in the municipalities of Tshwane and Johannesburg started on a pilot phase. The objective of embarking on a pilot prior to national rollout was to test the applicable systems, processes, procedures and to assess the efficacy of implementation in terms of its impact to issuing authorities and stakeholders involved in the process. From such pilot operations, the applicable weaknesses and deficiencies would be identified and the necessary interventions implemented to enhance operations. With the continuation of implementation, some challenges were faced related to the legislative framework. To that effect, the agency led the process for the development of the draft AARTO Regulations Replacements. After development of these regulations, they were submitted to the State Law Advisors for confirmation and advise on their legal validity and compliance to the prescripts of its founding Act.

Whereas section 34 of the AARTO Act only places a responsibility of the Minister to determine the supporting regulations and publish them, and section 7 provides that the Board must advise the Minister regarding amendments to the Act or any other road traffic legislation in order to improve the effectiveness of the agency, a new strategy was implemented that encouraged and enhanced cooperative governance as espoused in Section 41 of the Constitution of the Republic of South Africa. This strategy entailed the following two-phased process:

- the engagement of the State Law Advisors for verification, confirmation and advise on the status of the draft Regulations Replacements;
- the publication of the draft Regulations Replacements for a 1 month period, to

enable members of the public and interested stakeholders the opportunity to comment on them.

The advantage provided by the strategy pursued, provided further intensive engagement and empowerment of various stakeholders, which abodes well for support of the AARTO by members of the public and stakeholders.

## Institutional capacitation

Whereas the agency started the financial year with no budget allocation, it nonetheless managed to continue with its operations. The funding for the agency's operations was acquired from the revenue portion of infringement payments accruing from the current operations as provided for in section 13(1) of the Act. The agency therefore found itself facing difficult challenges of having to set up its infrastructure and resources. A strategic partnership was made with the Road Traffic Management Corporation for the performance of certain administrative functions on behalf of the agency. After the appointment of the Acting Registrar, 3 staff members were transferred from the RTMC to the agency.

A further 6 staff were appointed to assist with the performance of the critical functions related to the agency. After confirmation of the funding from the AARTO operations, a recruitment process was embarked upon for the appointment of 10 representation officers to deal with the adjudication of representations received from infringers. For the period under review, a strategy was developed for the capacitation of the agency to perform its critical tasks, including the consideration of the secondment and transfer of key identified staff from the Department and/or other sister agencies but had not yet been completed during this period.

The critical challenge faced by the agency has been the lack of grant allocation to fund its operations and where such funding was acquired in the operations, it was drastically insufficient to enable the agency to ensure its full capacitation. Considering the role that the agency plays in the follow up of non-compliant infringers who did not exercise any of the options provided for in terms of the Act, the agency embarked on the process of analysing the profile of these infringers and assessed the efficacy of the recoverability of the outstanding debt. The success of these mechanisms would enable the agency to sufficiently capacitate itself with the required technical and human resource skills, as well as the related infrastructure to enhance performance.

### Stakeholder consultations

During the period under review, engagements with various stakeholders continued to be embarked upon, in order to inform them of the establishment of the agency and the role it plays in the adjudication of traffic offences. In

this regard, the agency was actively involved in the AARTO National Task Team meetings. Experiences with the pilot operations were shared during intensive workshops with the metropolitan municipalities of Tshwane, Johannesburg, Ekurhuleni, City of Cape Town, Ethekewini and Nelson Mandela. Various presentations were made at a number of council meetings as well as disseminated correct information regarding the agency. All the stakeholders consulted had indicated their support for the agency and the role it plays. Other consultations were held with the various justice department authorities, such as public prosecutors and the justice college, as well as the South African Board for Sheriffs.

The Agency also participated in the pilot review process that was undertaken by the RTMC, in order to assess its performance and the RTMC is in the process of implementing the necessary interventions to ensure optimum performance.

*Section 6*  
*Performance information report*



## Performance information report

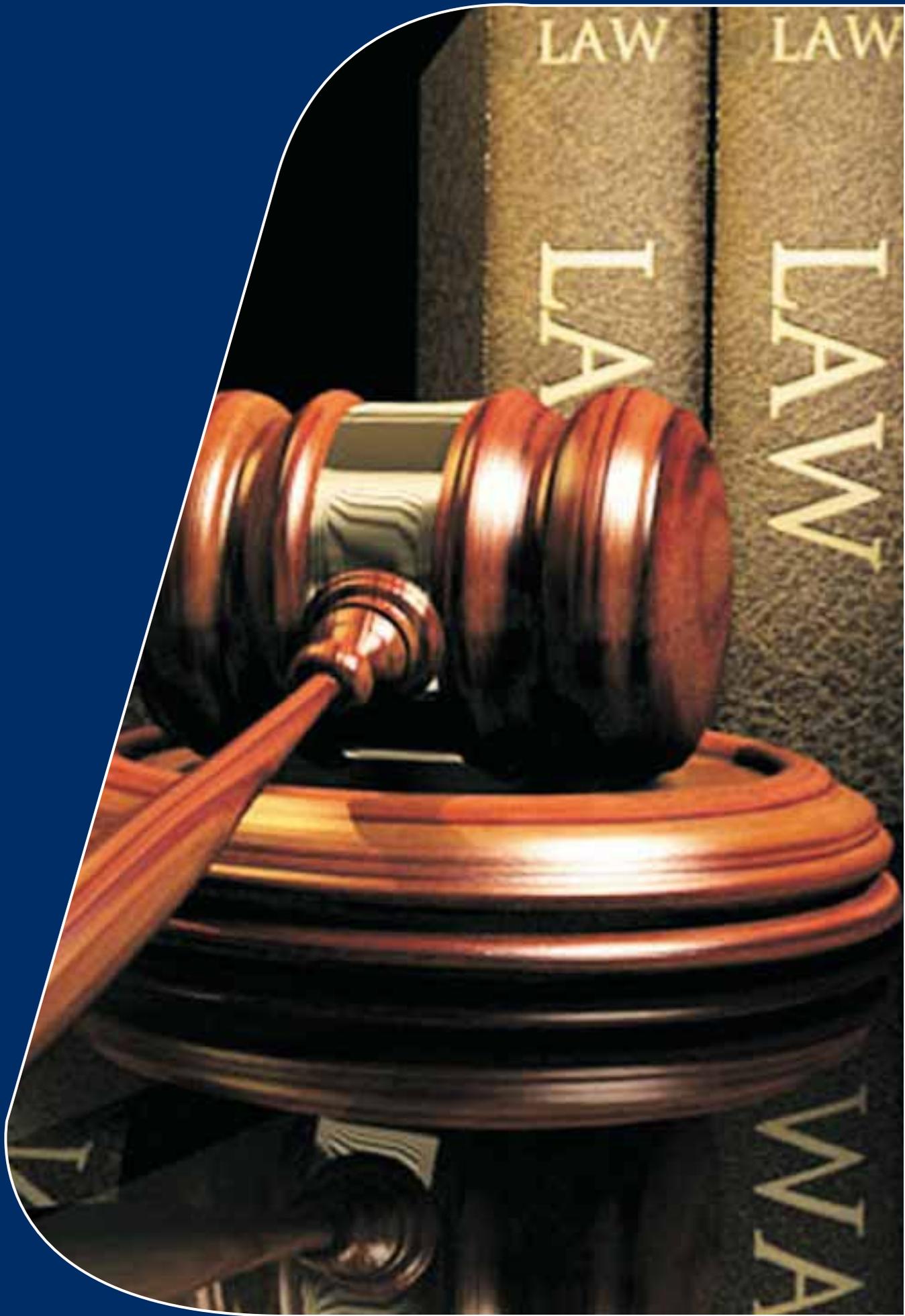
Strategic Goal	Strategic Objective	Performance Indicator	Target 2010/11	Actual Performance	Reasons for over/under performance
<b>Goal 1: Establishment of the Agency</b>	Interim arrangement(including hand over plan)	Signed agreement with RTMC	30 October 2010	SLA drafted and circulated but never signed.	Parties still negotiating terms but reliance placed on chapter 2 of the AARTO Regulations in the interim
		Registration of RTIA as a separate entity	30 November 2010	Entity scheduled on 31 December 2010, retrospective to 1 April 2010	Achieved
<b>Goal 2: Effective Governance</b>	eNaTIS Management	Written undertaking by DOT for effective functioning of the National Contraventions Register	15 November 2010	Initiative commenced. Agreement reached with DoT for prioritisation of NCR functionality	Achieved
		Approved delegations	30 November 2010	Delegations developed but not yet approved	Further consideration required
	Approved Policies	Recruitment policy	30 November 2010	Approved	Achieved
		Supply Chain Management policy	30 November 2010	Developed but not yet approved	Further consideration required
		Materiality and significance framework	30 November 2010	Developed but not yet approved	Further consideration required
	Governance framework	Committees terms of reference	30 November 2010	Approved and implemented	Achieved
		Approved Committees	30 November 2010	Approved and implemented	Achieved
		Board Charter	30 November 2010	Approved and implemented	Achieved
		Directors and liabilities insurance	30 November 2010	Approved but not yet implemented	Delayed by further analysis
		Meeting schedule	30 November 2010	Approved and implemented	Achieved
Appointment of additional Board members	Meeting attendance	31 January 2010	Request tabled with the Department	Delay in appointment process	

Strategic Goal	Strategic Objective	Performance Indicator	Target 2010/11	Actual Performance	Reasons for over/under performance
Goal 3: Operationalisation	System Readiness Analysis	Pilot Assessment Report	30 October 2010	Report Submitted to the Board	Achieved
		System Functionality Report	30 October 2010	Report submitted to the Board	Achieved
	Sourcing of Funding (AARTO operations, DOT or Treasury)	Allocated funds	30 October 2010	No appropriated funding. Funding acquired from the revenue portion stemming from AARTO operations in Tshwane	Partly achieved. Lack of grant allocation impacted negatively on operations
		Regulations	30 January 2010	Regulation replacements drafted and submitted for approval and publication	Achieved
	Legislative Review (recommendations)	Act	30 January 2011	Amendments identified but process halted to finalise regulations under the current Act.	In progress. Further lessons from operations to be included in amendments
		Approved implementation plan	30 January 2011	Plan drafted	Plan updated as systems being enhanced and readiness of all stakeholders being assessed
	Stakeholder Management	Board approval Plan	28 February 2011	Plan drafted but not yet approved	Lack of resources
	Education and Awareness	Report of past initiatives	31 December 2010	Report sourced and circulated	Lack of funding impacted negatively on education awareness



## *Section 7*

*Overcoming the challenges: Way Forward*



## *Overcoming the challenges: Way Forward*

### **Systems and processes**

The Board and management of the agency have taken note of the challenges faced during the agency's first year of operations, as well as the opinion of the Auditor General. To that effect, a concerted effort has been made to devise a strategy that would ensure clean administration and the implementation of effective systems and processes. In this regard, the Board has started the process of developing a system of control, based on the outcome of an integrated reporting framework to ensure the Agency's future sustainability. This envisaged internal system of control entails an interactive method of marrying policies, people, processes, monitoring and governance framework to ensure good performance and management of the agency and its future sustainability. It is geared at ensuring objective accountability for the interface of systems where infringement notices originate from, to the capturing and uploading of updates to those records on the NCR, to ultimately extracting that data to inform the subsequent activities and actions that the agency is entrusted with in terms of its mandate.

### **Unlocking funding**

As part of its funding strategies, the agency has begun to develop an integrated process of unlocking the latent funding relating to its operations, and not merely relying on government's appropriated funding from the national fiscus. This strategy is informed by the conviction that the agency's operations can be self-funded from its operations. To this extent, the necessary changes in the business operating environment are envisaged to give effect to a more efficient and sustainable funding process for the agency. Other mechanisms envisaged entail the establishment of efficient processes for the verification of the validity of the debt

intake for the agency and the consistent and effective debt collection mechanisms to be implemented, pursuant to the goal of ensuring full compliance with traffic laws and penalties imposed.

### **Institutional capacity building**

In order to dispense of its mandate successfully, the agency has to acquire the necessary infrastructure and required human resources capacity and skills. To that extent, a long term sustainable strategy has been adopted. The first phase entails the identification and strategic secondment and/or transfer of critical staff from the Department to assist the agency in its performance. As the funding strategy is unravelled and with its success, the agency will be able to acquire the necessary resources and build its internal capacity.

### **Stakeholder engagement**

Recognising that the goals of increased road safety are not an exclusive ambit of any one entity or role-player, the agency has identified and started on a concerted effort of engagements with key strategic stakeholders. These strategic stakeholders play a critical role and will contribute in various ways, such as the provision of funding and sponsorships, educational and communication programmes as well as making input and ensuring buy-in of the general public. In the coming financial year, the agency is sure to establish a firm footprint for itself and the role it plays, and will achieve a broader role of various stakeholders in the transport sector to ensure that all can make a sterling contribution to the goals of the UNDoARS.

*Section 8*  
*Annual Financial Statements*



## *Annual Financial Statements for the year ending 31 March 2011*

### Corporate Information

Directors	Ms	NE	Rapoo	(Non-executive chairperson)
	Mr	JR	Chuwe	(Executive director)
	Adv	TE	Dicker	(Non-executive director)
	Mr	IS	Jordaan	(Non-executive director)
	Mr	CM	Manzini	(Non-executive director)
	Ms	HG	Motau	(Non-executive director)

Business address            Waterfall Edge B  
                                      Howick Close  
                                      Waterfall Park  
                                      Bekker Road  
                                      Midrand

Postal address              P O Box 6341  
                                      Halfway House  
                                      1685

Auditors                      Auditor General of South Africa



# Index..... Page

The reports and statements set out below comprise the annual financial statements presented to the Minister of Transport:

Approval and Statement of Responsibility .....	44
Report of the Auditor-General to Parliament on the Financial Statements and Performance Information of the Road Traffic Infringement Agency for the year ended 31 March 2011 .....	45-49
Accounting Authority Report .....	50-52
Audit Committee Report .....	53-54
Statement of Financial Position .....	55
Statement of Financial Performance .....	56
Statement of Changes in Net Assets.....	57
Cash Flow Statement.....	58
Accounting Policies.....	59 - 66
Notes to the Financial Statements.....	67 - 72
Detailed expenditure report .....	73

## *Approval and Statement of Responsibility*

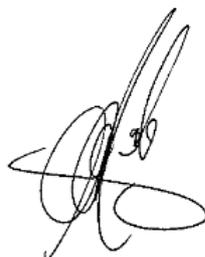
The accounting authority, which is the Board of Directors of the RTIA, is responsible for the maintenance of adequate accounting records and the preparation, integrity and fair presentation of the financial statements of the agency and related information. As at the reporting date, the RTIA had a Board of Directors that were only appointed in August 2010. As in accordance with section 49 of the PFMA, the chief executive officer of the entity shall act as the accounting authority where the Board or controlling body is not in place. To that effect, the Acting Registrar took responsibility for the period prior to the appointment of the Board.

The Auditor General of South Africa is responsible for independently auditing and reporting on the fair presentation of the financial statements in conformity with International Standards of Auditing. The accounting authority is also responsible for the systems of internal financial controls. These are designed to provide reasonable, but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatements and losses. Nothing has come to the attention of the accounting authority to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on the going concern basis, since the accounting authority has every reason to believe that the

Agency, whilst not at its optimum capacity of resources, has nonetheless, the essential and critical staff required to continue with the operationalisation of the Agency and to ensure its operations for the foreseeable future. The accounting authority is satisfied that the information contained in the financial statements fairly presents the results of the operations for the year and the financial position of the Agency at year end.

The annual financial statements set out on pages 55 to 73 have been approved by the accounting authority and were signed on its behalf by:



**Ms Nomini Rapoo**  
Chairperson: RTIA  
Board



**Mr Japh R. Chuwe**  
Acting Registrar

# Report of the Auditor-General to Parliament on the Road Traffic Infringement Agency

## Report on the Financial Statements

### Introduction

1. I was engaged to audit the accompanying financial statements of the Road Traffic Infringement Agency, which comprise the statement of financial position as at 31 March 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 55 to 73.

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

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Recognised Accounting Practise (SA Statements of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on the financial statements based on conducting the

audit in accordance with the International Standards on Auditing and *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### Basis for disclaimer opinion

#### Revenue

4. There was no system of control over traffic infringement revenue sourced from the issuing authorities on which I could rely for the purpose of my audit, and there were no satisfactory audit procedures that I could perform to obtain reasonable assurance that all traffic infringement revenue was properly recorded. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness of traffic infringement revenue of R292 755 000.

#### Trade and other receivables

5. As disclosed in note 2 to the financial statements, all the pilot issuing authorities' infringements have not been added to the accounts receivables balance. No supporting documentation was available to account for the accounts receivable and revenue transactions and I was unable to perform alternative audit procedures. Consequently I was unable to obtain sufficient appropriate audit evidence to confirm completeness, valuation and existence pertaining to trade and other receivables of R292 755 000.

6. Furthermore, an impairment loss has not been recognised in accordance with South African Statement of Generally Accepted Accounting Practise, IAS 39, *Financial Instruments: Recognition and Measurement*. The amount disclosed as receivables for the period under review has not included a provision for uncollectible receivables relating to unpaid traffic infringements. The entity does not have a suitable model to reasonably determine the provision in respect of the collectability of the recognised revenue and receivable. Consequently, I was unable to obtain sufficient appropriate audit evidence to verify the valuation of receivables of R292 755 000.

#### Non disclosure of irregular expenditure

7. Goods and services with a transaction value between R10 000 and R500 000 were procured without inviting at least three written price quotations from prospective suppliers as per the requirements of TR 16A6.1 and National Treasury Practice Note 8 of 2007/08. These expenses amounting to R1 142 824 were irregular and were not disclosed in the annual financial statements as required by the reporting framework.

#### Opinion

8. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

#### Report on other legal and regulatory requirements

9. In accordance with the PAA and in terms of *General Notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages 36 to 37 and material non-compliance with laws and regulations applicable to the public entity.

#### Predetermined objectives

##### Presentation of information

10. The following criteria were used to assess the presentation of information:

- Performance against predetermined objectives was reported using the National Treasury guidelines.

11. The following findings relate to the above criteria:

#### Reasons for major variances between planned and actual reported targets were not provided in the report on predetermined objectives

Adequate explanations for major variances between the planned and the actual reported targets for all programmes were not provided, as required in terms of the relevant reporting guidance. In total 73% of the reported targets with major variances were not explained.

#### Usefulness of information

12. The following criteria were used to assess the usefulness of information:

- Relevance: There is a clear and logical link between objectives, outcomes, outputs, indicators and performance targets.

- Measurability: The indicators are well defined and verifiable.

13. The following audit findings relate to the above criteria:

**Planned and reported performance indicators are not well defined and verifiable.**

For the selected objectives 78% of the planned and reported performance measurable indicators were not clear, as unambiguous data definitions were not available to allow for data to be collected consistently.

**Planned strategic objectives and strategic goals are not relevant to the mandate and primary objectives of the entity**

The indicators, targets and strategic objectives/ goals as per the performance information report did not relate directly in 96% of the instances to the institution's strategic mandate, goals and objectives as per the strategic plan.

**Reliability of information**

14. The following criteria were used to assess the reliability of information:

- Validity: The reported performance did occur and does pertain to the entity
- Accuracy: The amounts, numbers and other data relating to reported actual performance have been recorded and reported appropriately
- Completeness: All actual results and events that should have been recorded have been included in the reported performance information.

15. The following audit findings relate to the above criteria:

**The validity, accuracy and completeness of the actual reported performance against targets could not be confirmed as inadequate supporting source information was provided**

For selected objectives the validity, accuracy and completeness of 68% of the reported indicators could not be established as sufficient appropriate audit evidence could not be provided.

**Reasons for major variances between planned and actual reported targets were not supported by sufficient appropriate evidence**

Sufficient appropriate evidence to support the reasons for major variances between the planned and the actual reported targets could not be obtained. 100% of the reasons for major variances could not be verified.

**Compliance with laws and regulations**

**Non compliance with AARTO in relation to the pilot issuing authorities**

16. The entity have not accounted for and enforced any collective measures for the list of greater than 32 days outstanding infringements originating from the pilot issuing authorities. Therefore the complete lists of all infringements over 32 days have not been included on the financial statements of the entity. This is in contravention of Section 4(1) of the AARTO (Act of 1998).

## Budgets

17. The accounting authority did not submit a budget of estimated revenue and expenditure for that financial year, for approval by the executive authority responsible for that public entity, at least six months before the start of the financial year of the department designated in terms of subsection (2) or another period agreed to between the executive authority and the public entity, as per the requirements of PFMA section 53(1).

## Procurement and contract management

18. Goods and services with a transaction value between R10 000 and R500 000 were procured without inviting at least three written price quotations from prospective suppliers as per the requirements of TR 16A6.1 and National Treasury Practice Note 8 of 2007/08.

## Material misstatements in annual financial statements corrected

19. The accounting authority submitted financial statements for auditing that were not prepared in all material aspects in accordance with generally accepted accounting practice and supported by full and proper records as required by section 55(1)(a) and (b) of the PFMA. Certain material misstatements identified by the AGSA with regards to revenue, expenses, receivables, payables and provisions were subsequently corrected.

## Strategic planning and performance management

20. The accounting authority did not submit the proposed strategic plan to the executive authority for approval at least six months before the start of the financial year of the designated department, or another time period as agreed to between the executive authority and the public entity in contravention of the requirements of TR 30.1.1

## Internal control

21. In accordance with the PAA and in terms of General notice 1111 of 2010, issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the basis for the disclaimer opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

## Leadership

Oversight responsibility regarding reporting and compliance

22. The Road Traffic Infringement Agency did not have sufficient monitoring controls to ensure the proper implementation of the overall process regarding the including of the cases from all the respective issuing authorities. Exercise oversight responsibility

regarding financial and performance reporting and compliance and related internal controls.

### Financial and performance management

Availability of expected information (both financial and performance)

23. Management did not check and verify the financial statements before submitting it to the auditors.

Management did not check and verify information received from the eNaTIS system to ensure completeness and correct allocation to the financial statements.

Management did not verify financial information before submitting it to audit for completeness and accuracy.

Management did not ensure that reasons for variances between planned and actual reported targets were provided and checked before providing the report on predetermined objectives.

Management did not check and verify the variances between planned and actual reported targets with supported evidence before providing it to the auditors.

### *Monitoring of compliance with laws and regulations*

24. Compliance with laws and regulations did not take place during the year under review as the budget was not approved.

Non compliance with laws and regulations could have been prevented had compliance with supply and procurement regulations been properly monitored.

### *Formal control over IT systems*

25. Design and implement formal controls over IT systems to ensure reliability of the systems and the availability, accuracy and protection of information.

*Auditor-General*

Pretoria

30 July 2011



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## Accounting Authority's Report

The accounting authority presents the audited annual financial statement of the RTIA for the year ended 31 March 2011, which is the first set of financial statements from the Agency since it was scheduled on 31 December 2010. The annual financial statements have been prepared on the *going concern* basis since the accounting authority has every reason to believe that the Agency, whilst not at its optimum capacity of resources, has nonetheless, the essential and critical staff required to continue with the operationalisation of the Agency and to ensure its effective operations for the foreseeable future.

### 1. Introduction

The Agency is listed as a national public entity in Schedule 3 Part A of the PFMA. It was established in terms of Section 3 of the AARTO Act.

The function of the Agency is to administer a procedure to discourage the contravention of road traffic laws and to support the adjudication of infringements to enforce penalties imposed against persons contravening road traffic laws; provide specialised prosecution support services and undertake community education and community awareness programmes in order to ensure that individuals understand their rights and options.

The Board of Directors are the accounting authority in terms of section 49 of the PFMA.

### 2. Review of Activities

For the period under review, the Agency faced mammoth challenges which impacted negatively on its operations from its very establishment. The critical issues impacting negatively from the beginning related to the following:

- lack of budget provision;
- delayed appointment of the Accounting Authority;
- delayed scheduling of the entity; and
- retrospective scheduling of the entity.

The Agency was scheduled on 31 December 2010, with retrospective effect from 1 April 2010. Thus for the first 3 quarters of the financial year under review, the RTIA was not yet a scheduled entity and thus could not have been able to acquire government grant allocation to finance its operations. The Board was only appointed with effect from 1 August 2010, already in the second quarter of the financial period and had to deal with issues of the establishment of a completely new agency, with serious lack of resources.

The administrative operations of the Agency were, in the initial inception stage primarily managed by the RTMC as provided for in Chapter 2 of the AARTO Regulations 2008, where the RTMC is empowered to render the administrative functions of the Agency, with the exception of discretionary powers imbedded in the Agency. Thus during this period, the RTIA's operations was performed under incubation in the RTMC.

In the course of implementing its mandate, the Agency maintained focus on its objectives, which are captured in the RTIA Strategic plan 2011 - 14. For the financial period 2010/2011, the RTIA did not receive any government allocation from the national fiscus through the MTEF period. Its operating costs however, amounted to R7,4 m which was funded from the revenue portion accruing from the pilot implementation in the municipality of Tshwane, as provided for in section 13(1) of the AARTO Act which amongst others, allows the Agency to be funded through payments made on infringements after 32 days.

### 3. Organisation Structure

The Agency is accountable to the Board of the RTIA. The Board of Directors were appointed by the Minister and comprises of 5 members plus the Registrar, who is the Accounting Officer.

Management comprises of three senior and one junior managers and the Agency also has a support unit responsible for operations, with total establishment of 10 employees.

### 4. Bankers

Due to its belated scheduling on 31 December 2010, the agency did not have a bank account for the period under review. Thus the agency relied on its strategic partner agency, the RTMC in the processing of its operational requirements and as provided for in Chapter 2 of the AARTO Regulations 2008.

### 5. Auditors

The Auditor General of South Africa is the designated auditor of the Agency.

### 6. Directors

The Board of Directors for the period ending 31 March 2011 was constituted as follows:

Ms NE Rapoo	(Non-executive chairperson)
Mr JR Chuwe	(Executive director)
Adv TE Dicker	(Non-executive director)
Mr IS Jordaan	(Non-executive director)
Mr CM Manzini	(Non-executive director)
Ms HG Motau	(Non-executive director)

The Acting Registrar was appointed in March 2010 and tasked with the responsibility of setting up the agency and its operations. At the time of appointment of the Acting Registrar in March 2010, the period for the allocation of budgets in terms of the PFMA had already passed and

there was no budget allocation made for the agency. The Strategic Plan required for the operations of the agency for the period 2010/11 was not yet done and thus became one of the first priorities for the Registrar to undertake. The remaining Board members were appointed on 17 August 2010, retrospective to 1 August 2010. It thus became clear that the appointment of the board and establishment of the agency was a mammoth task to be undertaken, during a period that made it impossible to comply with all legislative requirements, with the resultant adverse opinion of the Auditor General in this regard that all its operations ultimately led to irregular expenditure due to its strategic and business plan not being approved beforehand and not financed or budgeted for.

### 7. Secretary

An arrangement with the RTMC resulted in the Corporation providing support in the form of an acting Company Secretary for a period of three months until Adv P Nthotso from the Agency acted as the Company secretary from November 2010.

### 8. Materiality and Significance Framework

A materiality and significance framework has been reviewed during the year for reporting losses through criminal conduct and irregular, fruitless and wasteful expenditure, as well as for significant transactions envisaged in section 54(2) of the PFMA that requires Ministerial approval.

### 9. Transitional Arrangements with the Road Traffic Management Corporation (RTMC)

The RTMC is empowered by chapter 2 of the AARTO regulations to perform the

administrative support functions on behalf of the RTIA, which provision has been performed during the pilot implementation in the Johannesburg and Tshwane metropolitan areas. The administrative functions included amongst others, the following:

- issuing of courtesy letters;
- issuing enforcement orders;
- recording of representations received; and
- collection of infringement fees paid after 32 days.

As provided for in the regulations, the performance of these administrative support functions, excluded the exercise of discretion, which is exercised by the Agency itself.

Other administrative support services were also performed by the RTMC on behalf of the Agency such as:

- revenue assurance and expenditure payment, (this information is now reported in these financial statements);
- procurement of services;
- processing of transactions through the Corporation's bank account;

- payment of staff salaries; and
- management of the disbursement of revenue to the various Issuing Authorities in terms of the AARTO function.

Arrangements were made for the RTIA to increase its capacity to perform these functions by itself.

#### **10. Transitional Arrangement provided by the Director-General of the Department of Transport**

During its initial inception stage, the Agency was accommodated at the Department's premises where the eNaTIS operations are performed. This arrangement was made with the specific understanding of the lack of budget provision to enable the Agency to source out its own offices and thus the Department was requested and agreed to provide the required accommodation. Through this arrangement, the Department agreed to the provision of the required office space and necessary infrastructure to support the initial operations of the agency during the 2010/11 period, after which it was expected that the agency would be able to acquire its own infrastructure.

## Audit Committee Report

As required by the Treasury Regulation 27.1.7, the Audit Committee submits the Audit Committee's report.

### Functions of the Audit Committee

The Audit Committee has adopted formal terms of reference as its Audit Committee Charter, as required by Section 51(1)(a)(ii) and 76(4)d of the PFMA and Treasury Regulations 27.1.6 and 27.1.7. Given the very short period of appointment of the Board and consequently the Audit Committee, the Audit Committee hereby confirms that it has discharged limited functions to those embodied in its charter and ascribed to it in terms of the Treasury Regulations 27.1.8 and 27.1.10

### Internal controls, systems and processes

The audit committee was established in the third quarter of the financial year and being in its first year of operations, the committee undertook the following activities:

- reviewed policies and procedures for detecting and protecting fraud, as well as managing its imbedded risks;
- reviewed the framework for establishing the effectiveness of policies, systems and procedures;
- established a framework for determining the agency's compliance with significant legal and regulatory provisions;
- reviewed the controls over significant financial and operational risks;
- reviewed the accounting and auditing concerns identified by the Auditor General;
- considered the independence of the Auditor General; and
- reviewed the annual report and financial statements taken as a whole to ensure

that they present a balanced and understandable assessment of the position, performance and prospects of the agency.

The Committee has noted the significant weaknesses that have been identified by the Auditor General, with the resultant disclaimer of opinion as well as emphasis of matters. The Committee's view on the disclaimer and weaknesses is as follows:

#### 1. Disclaimer of opinion

The implementation of the AARTO continued on a pilot in the municipalities of Tshwane and Johannesburg during the 2010/11 period. As with any pilot, it is expected that potential teething problems would be identified and resolved prior to an appropriate live implementation. This would include ensuring that appropriate Information Technology (IT) systems, resources and critical key issuing authorities are in place, fully able to support implementation and that any significant concerns are addressed. This is more important given that the issuing authorities have been using different systems and integration would be a challenge.

However, in the case of RTIA, the entity was listed on 31 December 2010, with retrospect from 1 April 2010. Whereas assessment of the effectiveness of the pilots was in the process of being conducted, the report was only tabled at the Board in March 2011. Consequently, the critical matters identified therein had not yet been completely resolved, such as the readiness of issuing authorities and supporting IT systems.

In order to resolve the disclaimer, it's critical that the necessary arrangements and agreements are reached between RTIA and other role-players such as the issuing authorities and eNaTIS Contractor. In addition, the Information Technology system needs to be configured in

a way that enables the RTIA to obtain reliable, accurate and complete data. This is important not only for Accounting purposes, but also for management decision making and the effective delivery of the mandate. From the Accounting perspective, it is also necessary that an appropriate accounting framework of accounting for the revenue and accounts receivable is also investigated in consultation with the National Treasury.

Going forward, management will be engaging with all the key stakeholders with the assistance of the Department to ensure timeous resolution of these matters.

## 2. Matters of emphasis

The Audit Committee has noted all the weaknesses that have been emphasised by the Auditor General and have requested management to develop an action plan to address these issues. The Audit Committee will monitor the implementation of these actions on a regular basis.

### Attendance

The audit committee meeting was attended by both executive and non-executive members, with the relevant Senior Managers always reporting at the meeting as per standing invitation.

### Confidential Meetings

The nature of the meeting and its agenda provided for confidential deliberations between committee members.

### Independence and the opinion of the External Auditor

The Audit Committee has considered the independence of the Auditor General and is satisfied. The Committee also has considered the auditor General's findings and conclusions on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be accepted when read together with the report of the Auditor General as well as the context provided in the Annual Report.



**Ms Grathel Motau**

Chairperson: Audit Committee

*Statement of Financial Position as at 31 March 2011*

	Notes	2011 R'000	2010 R'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Trade and other receivables	2	292,755	-
<b>Non-Current Assets</b>			
Intangible Assets	3	4	-
<b>TOTAL ASSETS</b>		<b>292,759</b>	<b>-</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	4	7,238	-
Provisions	5	170	-
<b>Net Assets</b>			
Accumulated Funds		285,351	-
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>292,759</b>	<b>-</b>

*Statement of Financial Performance for the Period ended 31 March 2011*

	Notes	2011 R'000	2010 R'000
<b>Revenue</b>		<b>292,755</b>	-
AARTO Infringement Fees	6	292,755	-
<b>Operating Expenses</b>		<b>7,404</b>	-
Seconded Staff Costs	7	2,167	-
Marketing Costs		177	-
Administrative Expenses		188	-
Operating Expenses		4,872	-
<b>Surplus/(Deficit) for year</b>		<b>285,351</b>	-

*Statement of Changes in Net Assets as at 31 March 2011*

	R'000	R'000
	Accumulated Surplus/ (Deficit)	Total Net Assets
Balance as at 1 April 2010	-	-
Profit for the year	285,351	285,351
<b>Balance at 31 March 2011</b>	<b>285,351</b>	<b>285,351</b>

## Cash Flow Statement for the year ended 31 March 2011

	<b>2011</b>	<b>2010</b>
	<b>R'000</b>	<b>R'000</b>
<i>Cash flow from Operating Activities</i>		
Receipts		
Infringement Receipts	292,755	-
Payments		
Supplier - RTMC	(5,237)	-
Seconded Staff Cost	(2,167)	-
<b>Surplus for the year</b>	<b>285,351</b>	<b>-</b>
<i>Non- Cash movements:</i>	(285,347)	-
Increase in Provisions	170	-
Increase in Receivables	(292,755)	-
Increase in Payables	7,238	-
<b>Net Cash from Operating Activities</b>	<b>4</b>	<b>-</b>
<i>Cash flow from Investing Activities</i>		
Purchase of Intangible Assets	(4)	-
<b>Net Cash flow from Investing Activities</b>	<b>(4)</b>	<b>-</b>
<i>Cash flow from Financing Activities</i>	-	-
<b>Net Cash flow from Financing Activities</b>	<b>-</b>	<b>-</b>
<i>Total Cash Movement for the Year</i>	-	-
Cash and cash equivalents at the beginning of the Period	-	-
<b>Cash and Cash Equivalents at the end of the Period</b>	<b>-</b>	<b>-</b>

## Accounting Policies

### 1. Significant Accounting Policies

The RTIA is a National Public Entity as specified in Schedule 3A of the PFMA. The principal accounting policies applied in the preparation and presentation of these financial statements are set out below. These policies have been applied to the financial year, unless otherwise stated.

#### 1.1 Basis of preparation

The Road Traffic Infringement Agency's financial statements are prepared in compliance with the Generally Recognised Accounting Practice (GRAP), as determined by Directive 5 (Determining the GRAP Reporting Framework) issued by the Accounting Standards Board (ASB) in accordance with Sections 55 and 89 of the PFMA.

These financial statements are prepared in accordance with the going concern principle and on an accrual basis with the measurement base applied being the historical cost unless stated otherwise.

In terms of Notice 1111 in Government Gazette 33872 of December 2010 the RTIA must comply with the requirements of GRAP. Directive 5 details the GRAP Reporting Framework comprising the effective standards of GRAP, interpretations (IGRAPs) of such standards issued by the ASB, ASB guidelines, ASB directives, and standards and pronouncements of other standards setters, as identified by the ASB on an annual basis. The applicable ones relevant to the RTIA are listed below:

Title of standard	Standard
GRAP Framework	Framework for the preparation and presentation of financial statements
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of Non-cash generating Assets
GRAP 23	Revenue from Non Exchange transactions
GRAP 26	Impairment of cash-generating assets

## Accounting Policies

GRAP 100	Non-current Assets held for sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets
Directive 1	Repeal of Existing Provision in and Consequential Amendments to Standards of GRAP
Directive 2	Transitional Provisions for Adoption of Standards of GRAP by Public Entities, Municipal Entities and Constitutional institutions
Directive 5	Determining the GRAP Reporting Framework
Directive 6**	Transitional Provision for Revenue Collected by the South African Revenue Services (SARS)
Directive 7	The application of Deemed Cost on Adoption of Standards of GRAP
iGRAP+	Applying the probability test on initial recognition of exchange revenue
ASB guide	Guideline of Accounting for Public Entity
IPSAS 20	Related Party Disclosure
IFRS 3	Business Combinations
IFRS 4	Insurance Contracts
IFRS 6	Exploration for and Evaluation of Mineral Resources
IAS 12	Income taxes
SIC 25	Income taxes- Changes in the Tax Status of an Entity or its shareholders
SIC 29	Service Concession Agreements - Disclosure
IFRIC 4	Determine whether an Agreement contains a lease
IFRIC 12	Customer Loyalty Programmes
IFRIC 13	Agreements for the Construction of Real Estate
IFRIC 15	Distribution of Non- cash Assets to Owner
IFRIC 18	Transfer of Assets from customer

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

In applying accounting policies, management is required to make various judgements, apart from those involving estimations, which may affect the amounts of items recognised in the financial statements. Management is also required to make estimates of the effects of uncertain future events which could affect the carrying amounts of certain assets and liabilities at the reporting date. Actual results in the future could differ from estimates which may be material to the financial statements. Details of any significant judgements and estimates are explained in the relevant policy where the impact on the financial statements may be material.

## Accounting Policies

### 1.2 Standards and amendments to standards issued but not effective

The following standards and amendments to standards have been issued but are not effective:

Standard	Summary and impact	Effective date
GRAP 18 – Segment Reporting	This standard establishes principles for reporting financial information by segments. The impact on the financial results and disclosure is considered to be minimal.	Issued by the ASB – March 2005 Effective date - To be determined by the Minister of Finance
GRAP 21 – Impairment of Non-cash-generating Assets	This standard prescribes the procedures that the RTIA applies to determine whether a non-cash generating asset is impaired and to ensure that impairment losses are recognised. The impact on the financial results and disclosure is considered to be minimal.	Issued by the ASB – March 2009 Effective date - To be determined by the Minister of Finance
GRAP 23 – Revenue From Non-Exchange Transactions ( Taxes and Transfers)	This standard prescribes the procedures on how a non exchange revenue and expenditure transition should be recognised. The impact on the financial results is fundamental as it determines the recognition criteria for determining revenue in non exchange revenue transactions	Issued February 2008 effective date 1 April 2012
GRAP 24 – Presentation of Budget Information in the Financial Statements	This standard requires a comparison of budget and actual amounts and an explanation for material differences. The impact on the financial results is considered to be minimal. However the impact on disclosure is significant.	Issued by the ASB – November 2007 Effective date - To be determined by the Minister of Finance
GRAP 25 – Employee Benefits	The standard prescribes the accounting treatment and disclosure for employee benefits. The impact on the financial results and disclosure is considered to be minimal.	Issued by the ASB – November 2009 Effective date - To be determined by the Minister of Finance
GRAP 26 - Impairment of Cash-generating Assets	This standard prescribes the procedures to determine whether a cash generating asset is impaired and to ensure that impairment losses are recognised.  The impact on the financial results and disclosure is considered to be minimal.	Issued by the ASB – March 2009 Effective date - To be determined by the Minister of Finance

## Accounting Policies

GRAP 104 – Financial Instruments	<p>This standard establishes principles for recognising, measuring, presenting and disclosing financial instruments.</p> <p>The impact on the financial results and disclosure is considered to be minimal.</p>	<p>Issued by the ASB – October 2009</p> <p>Effective date - To be determined by the Minister of Finance</p>
*** Improvements to the Standards of GRAP	<p>Improvements are proposed to the following standards of GRAP: GRAP 1- 4, 9-14, 16-17, 19 and 100 as part of the ASB's improvement project.</p> <p>The impact on the financial results and disclosure is considered to be minimal.</p>	<p>Proposed effective date - 01 April 2011</p>
* Amendment to IFRS 7 – Financial Instruments: Disclosures	<ul style="list-style-type: none"> <li>o Presentation of finance cost</li> <li>o Amendment dealing with improving disclosures of financial instruments</li> <li>o Amendments enhancing disclosures of fair value and liquidity risk</li> </ul> <p>This standard will not have an impact on the financial results or disclosure as it has been removed from the framework prescribed in Directive 5 for periods beginning on 1 April 2010.</p>	<p>Issued by the IASB in March 2009 but the effective date was back dated to 01 January 2009. As per confirmation with the ASB, this standard is not effective for the year ended 31 March 2011</p>
** Amendment to IFRS 7 – Financial Instruments: Disclosures	<p>Clarifications of disclosures</p> <p>The amendment to the Standard clarifies certain disclosures.</p> <p>This standard will not have an impact on the financial results or disclosure as it has been removed from the framework prescribed in Directive 5 for periods beginning on 1 April 2010.</p>	<p>01 January 2011</p>
IFRS 9 – Financial Instruments	<p>New standard issued relating to the classification and measurement of financial assets, which will replace the relevant portions of IAS 39.</p> <p>This standard will not have an impact on the financial results or disclosure as it has been removed from the framework prescribed in Directive 5 for periods beginning on 1 April 2010.</p>	<p>01 January 2013</p>
Amendment to IAS 32 – Financial Instruments: Presentation	<p>Certain financial instruments will be classified as equity whereas, prior to these amendments, they would have been classified as financial liabilities.</p> <p>This standard will not have an impact on the financial results or disclosure as it has been removed from the framework prescribed in Directive 5 for periods beginning on 1 April 2010.</p>	<p>Issued by the IASB in March 2009 but the effective date was back dated to 01 January 2009. As per confirmation with the ASB, this standard is not effective for the year ended 31 March 2011</p>

## Accounting Policies

<p>*Amendment to IAS 39 – Financial Instruments: Recognition and Measurement</p>	<ul style="list-style-type: none"> <li>o Reclassification of derivatives into or out of the classification at fair value through profit or loss</li> <li>o Designating and documenting hedges at the segment level</li> <li>o Applicable effective interest rate on cessation of fair value hedge accounting</li> </ul> <p>This standard will not have an impact on the financial results or disclosure as it has been removed from the framework prescribed in Directive 5 for periods beginning on 1 April 2010.</p>	<p>Issued by the IASB in March 2009 but the effective date was back dated to 01 January 2009. As per confirmation with the ASB, this standard is not effective for the year ended 31 March 2011.</p>
<p>Amendment to IAS 39 – Financial Instruments: Recognition and Measurement</p>	<p>Clarifies two hedge accounting issues:</p> <ul style="list-style-type: none"> <li>o Inflation in a financial hedged item</li> <li>o A one-sided risk in a hedged item</li> </ul> <p>This standard will not have an impact on the financial results or disclosure as it has been removed from the framework prescribed in Directive 5 for periods beginning on 1 April 2010.</p>	<p>01 July 2009</p>
<p>Amendment to IAS 39 – Financial Instruments: Recognition and Measurement</p>	<p>Amendments for embedded derivatives when reclassifying financial instruments.</p> <p>This standard will not have an impact on the financial results or disclosure as it has been removed from the framework prescribed in Directive 5 for periods beginning on 1 April 2010.</p>	<p>01 July 2009</p>
<p>* Amendment to IAS 39 – Financial Instruments: Recognition and Measurement</p>	<ul style="list-style-type: none"> <li>o Treating loan prepayment penalties as closely related embedded derivatives</li> <li>o Scope exemption for business combination contracts</li> <li>o Cash flow hedge accounting</li> </ul> <p>This standard will not have an impact on the financial results or disclosure as it has been removed from the framework prescribed in Directive 5 for periods beginning on 1 April 2010.</p>	<p>01 January 2010</p>

## Accounting Policies

### 1.3 Presentation and functional currency

These annual financial statements are presented in South African Rand.

### 1.4 Significant judgements and estimates

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

Significant judgements and estimates include:

- Impairment of intangible assets
- Provisions
- Amortised value on intangible asset
- Fair values

#### Intangible assets

In determining the useful lives of computer software, management assumed the software will have to be upgraded every three to five years. The residual values of computer software and internally developed systems are regarded as zero due to the fact that computer software and internally developed systems are not saleable.

### 1.5 Financial instruments

#### Financial Assets

Management determines the classification of its financial assets at initial recognition.

#### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets. The RTIA has not classified any of its financial assets in this category.

#### Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses.

## Accounting Policies

Trade and other receivables are classified as loans and receivables.

### Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, as well as other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks and investments in money market instruments, through the RTMC for the 2010/11 period prior to the Agency opening its own bank account.

### 1.6 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.

### 1.7 Provisions

Provisions are recognised when the Agency has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Noncurrent provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Agency. Provisions are not recognised for future operating losses.

### 1.8 Revenue recognition

#### Grants and receipts

Government grants are recognised when there is reasonable assurance that:

- (a) the Agency will comply with the conditions, if any, attached to them; and
- (b) the grants will be received.

Government grants are recognised as income in the year in which they are received or deferred when conditions for the grant are not met.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Agency with no future related costs is recognised as income in the period in which it becomes receivable.

## *Accounting Policies*

### **AARTO Infringement Fees**

Revenue from AARTO infringements is recognised as revenue when infringements are unpaid with no other options exercised by the infringer after 32 days. Other fees related to the infringement are recognised for unsuccessful representations, when courtesy letters, enforcement orders and warrants of executions are issued.

### **1.9 Fruitless and wasteful expenditure**

Fruitless and wasteful expenditure is defined as expenditure that was made in vain and would have been avoided had reasonable care been exercised. The expenditure must be investigated and action taken against any official who commit such an expenditure.

Such expenditure is treated as an expense in the year in which they occur. If liability is determined and the amount subsequently recovered from an official, it is accounted for as income in the year in which it is recovered.

### **1.10 Irregular expenditure**

Irregular expenditure is defined as expenditure, other than unauthorised expenditure, incurred in contravention or not in accordance with a requirement of the PFMA or any applicable legislation providing for procurement procedures. Irregular expenditure is accounted for as expenditure in the year in which it occurred and where subsequently recovered, it is accounted for as income in the year in which it is recovered.

### **1.11 Comparative figures**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

### **1.12 Going concern assumptions**

These financial statements have been prepared on a going concern basis. The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The AARTO Act allows the Agency to recover from infringers who settle their infringements after 32 days in terms of section 13(1)(b).

## Notes to the Financial Statements for the period ended 31 March 2011

	<b>2011 R'000</b>	<b>2010 R'000</b>
<b>2. Trade and other receivables</b>	<b>292,755</b>	<b>-</b>
AARTO Infringements fees -Penalty Portion	282,191	-
RTMC Receivables	10,564	-
<p>The revenue reflected above include revenue received from JMPD notices that were loaded on the NCR/eNaTIS. The RTMC receivable refers to cash receipts from infringements that would have been reflected in the RTIA bank account had the RTIA had a bank account, however the Agency was scheduled on 31 December 2011, thus a bank account was only opened in April 2011. Trade and receivables recognised herein is the total value of infringements that are outstanding after 32 days from the infringement date. The RTIA thus operates on an accrual basis and recognises this as potential revenue from 32 days after infringement date</p>		
<b>3. Intangible Assets</b>		
<b>Computer software</b>		
Cost	4	-
Accumulated amortisation	-	-
Carrying value	<u>4</u>	<u>-</u>
<b>Reconciliation of intangible assets</b>		
<b>Computer software</b>		
Opening balance	-	-
Additions	4	-
Disposals	-	-
Amortisation	-	-
Carrying value at year end	<u>4</u>	<u>-</u>
<b>4. Trade and other payables</b>	<b>7,238</b>	<b>-</b>
Accruals	2,138	-
RTMC creditor	5,100	-

The RTMC creditors relates to expenses that were incurred by RTMC on behalf of the RTIA as the RTIA did not have its own bank account to pay service providers

## Notes to the Financial Statements for the period ended 31 March 2011

	<b>2011</b> <b>R'000</b>	<b>2010</b> <b>R'000</b>
<b>5. Provisions</b>		
<b>Directors fee</b>		
Opening balance	-	-
Additions	170	-
Payments	-	-
<b>Total</b>	<b>170</b>	<b>-</b>
<b>6. AARTO Infringement fees</b>		
Infringement fees -unpaid	282,191	-
Discount charge-infringement fees	9,627	-
Courtesy fees	825	-
Enforcement fees	52	-
Partial penalty fees	59	-
Revocation fees	1	-
	<b>292,755</b>	<b>-</b>
	<b>2,167</b>	<b>-</b>
<b>7. Seconded Staff costs</b>		

The RTIA did not have permanently employed staff in the financial period. All staff relates to seconded staff from the RTIA and contract workers

## 8. Directors emoluments

### Executive

2011	Basic R'000	Other Allowances R'000	Other Benefits R'000	Total R'000
NAME				
JR Chuwe	726	390	94	1,211
<b>Total</b>	<b>726</b>	<b>390</b>	<b>94</b>	<b>1,211</b>

The allowances paid to the executive director is the total cost to company, with the flexible portion reflected under other allowances and benefits. There were no bonuses paid during this period.

## Notes to the Financial Statements for the period ended 31 March 2011

### Nonexecutive

2011	Basic	Other	Total
	R'000	Allowances R'000	R'000
NAME			
NE Rapoo	-	70	70
HG Motau	-	35	35
TE Dicker	-	-	-
IS Jordaan	-	35	35
CM Manzini	-	29	29
Total	-	169	169

The board fees were not paid due to the determination of their remuneration structure not being finalised and approved by the Minister in consultation with the Minister of Finance as per PFMA requirement, however this table reflects the provision for their payment

## 9. Financial Risk and Capital Risk Management

### Capital risk management

By the very nature of the Agency's operations, it is intrinsically exposed to financial risk through its financial assets and financial liabilities. The fact that the Agency inherits the unpaid infringements where infringers had not exercised any other options, means the Agency must incur expenditure to follow up on these infringers, prior to recouping any of its expenditure.

The Board has overall responsibility for the establishment and oversight of the Agency's risk management framework. Notwithstanding the infancy of the Board, it has established the Finance and Risk Committee, which is responsible for developing and monitoring the Agency's risk management policies. The committee reports regularly to the Board on its activities.

The Agency's risk management policies are established to identify and analyse the risks faced by the Agency, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are to be reviewed regularly to reflect changes in the sector's conditions and the Agency's activities. The Agency, through its training, management standards and standard operating procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Agency's Audit Committee oversees how management monitors compliance with the Agency's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Agency. The Agency does not have major exposure to credit, liquidity and market risk, which is described in more detail below.

## Notes to the Financial Statements for the period ended 31 March 2011

### Market risk

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and equity prices will affect the value of the Agency's financial assets and the amount of the Agency's financial liabilities.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

### Interest rate risk

The Agency has limited exposure to interest risk. Cash and cash equivalents carry interest at a variable rate. The RTIA is not allowed to have an overdraft facility in terms of the PFMA. Thus the interest rate risk is low for the Agency.

### Equity price risk

The Agency has no exposure to equity price risk.

### Currency risk

The Agency has no exposure to currency risk as it operates in the ZAR environment only. The mandate of the Agency has no currency movements.

### Interest risk sensitivity analysis

	2011 R'000	2010 R'000
Interest rate sensitivity		
Interest received for the period	-	-

A change of 50 basis points in the South African prime interest rate at the reporting date would have increased (decreased) the surplus by the amounts shown below. The analysis assumes that all other variables remain constant.

Increase of 50 basis points	-	-
Decrease of 50 basis points	-	-

### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as outstanding receivables and committed transactions. For Banks and financial institutions, only highly reputable financial institutions are used.

## Notes to the Financial Statements for the period ended 31 March 2011

### Trade and other receivables

The Agency's exposure to credit risk is influenced mainly by the Department of Transport.

Due to the nature and mandate of the RTIA's activities and the sector in which the RTIA operates, the RTIA works in an environment that deals mainly with the Department of Transport. There are no external sales value contracts. The exposure to credit risk will result if the RTIA is unable to collect the infringement fees that are stated as debtors. The risk of the Agency being unable to collect the entire debtor book is the highest risk to the organisation.

The Agency does not establish an allowance for impairment.

### Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure at the reporting date.

### Ageing of Financial Assets

The following table provides information regarding the credit quality of assets which exposes the Agency to credit risk.

2011	Assets not impaired	0 to 1 yrs	2 to 5 yrs	5 yrs or more	Impaired Financial Assets	Total Carrying amount
	R'000	R'000	R'000	R'000	R'000	R'000
Trade and other receivables	-	292,755	-	-	-	292,755

The financial assets are past due but are not yet impaired. AARTO Act forces the Agency to ensure recovery even through enforcement and attachments order. As the debt value was raised since April 2011, there is no impairment as yet. In this instance receivables include an amount of R10,5 m which was collected and transferred into the AARTO RTMC account.

## Notes to the Financial Statements for the period ended 31 March 2011

### 10. Financial assets by Category

The accounting policies for financial instruments have been applied to the line items below:

2011	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Available for sale	Total
	R'000	R'000	R'000	R'000	R'000
Trade and other receivables	292,755	-	-	-	292,755

### 11. Financial Liabilities by Category

The accounting policies for financial instruments have been applied to the line items below:

2011	Liabilities at fair value through profit and loss	Assets at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities	Total
	R'000	R'000	R'000	R'000	R'000
Trade and other payables	7,238	-	-	-	7,238

The Agency's financial liability is associated to payments that have been paid through the RTMC account.

### 12. Operating Lease and Furniture

The RTIA was not funded through the MTEF process hence it was unable to obtain its own office lease and furniture. An arrangement was made on behalf of the Agency by the Department of Transport to accommodate the Agency and provide office furniture and consumables through the eNaTIS contractor.

## Detailed Expenditure Report for the financial year ending 31 March 2011

	ACTUAL	BUDGET	VARIANCES
Cash income	10,564,001.53	6,496,636.00	62.61
Credit income	282,191,139.00	-	100
<b>Revenue</b>	<b>292,755,140.53</b>	<b>6,496,636.00</b>	<b>-</b>
<b>Expense</b>	<b>7,404,136.66</b>	<b>6,496,636.00</b>	<b>-</b>
S&W: basic salaries (secondment staff)	2,166,551.04	4,617,236.00	(53.08)
S&W leave discounting	-	-	-
Advertisements: marketing	176,731.84	195,000.00	(9.37)
Catering	16,319.80	3,000.00	443.97
Office rental and equipment	-	140,000.00	(100)
Telecommunication	66,256.03	88,400.00	(25.05)
Professional services	768,000.00	800,000.00	(4)
Postal services	3,739,989.74	-	100
Audit fees	-	50,000.00	(100)
Legal fees	-	50,000.00	(100)
Computer expenses	3,265.76	281,000.00	(98.84)
Board fees - accommodation	176,660.70	107,500.00	64.33
Stationery and printing	76,230.78	14,500.00	425.72
Travel agency fees	1,881.91	-	100
Travelling expense	187,487.46	150,000.00	24.99
Training and development	5,068.00	-	100
AARTO set up expense	19,693.60	-	100
<b>Net profit</b>	<b>285,351,003.87</b>	<b>-</b>	<b>-</b>







Waterfall Edge B  
Howick Close,  
Waterfall Park  
Bekker Road, Midrand

Tel: 011 256 1000  
Fax: 086 662 8861

**Website: [www.rtia.co.za](http://www.rtia.co.za)**  
**email: [info@rtia.co.za](mailto:info@rtia.co.za)**

RP241/2011  
ISBN: 978-0-621-40388-6



**ROAD TRAFFIC  
INFRINGEMENT AGENCY**

