



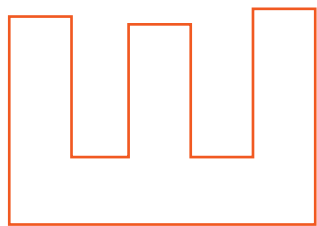
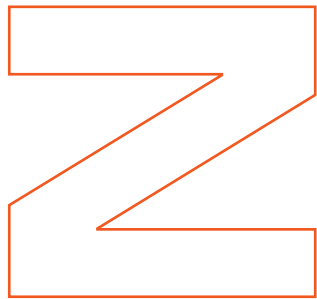
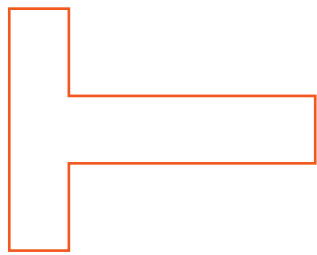
RAILWAY
SAFETY
REGULATOR

RAIL SAFETY ON THE RIGHT TRACK

The background of the entire page is a photograph of railway tracks stretching into the distance under a dramatic sunset sky. The sky is filled with vibrant orange, red, and yellow hues. Overhead power lines and support structures are visible, creating a sense of depth and perspective. The tracks are flanked by snow in the foreground, suggesting a winter setting. The overall mood is one of safety and reliability.

ANNUAL REPORT

2022/23



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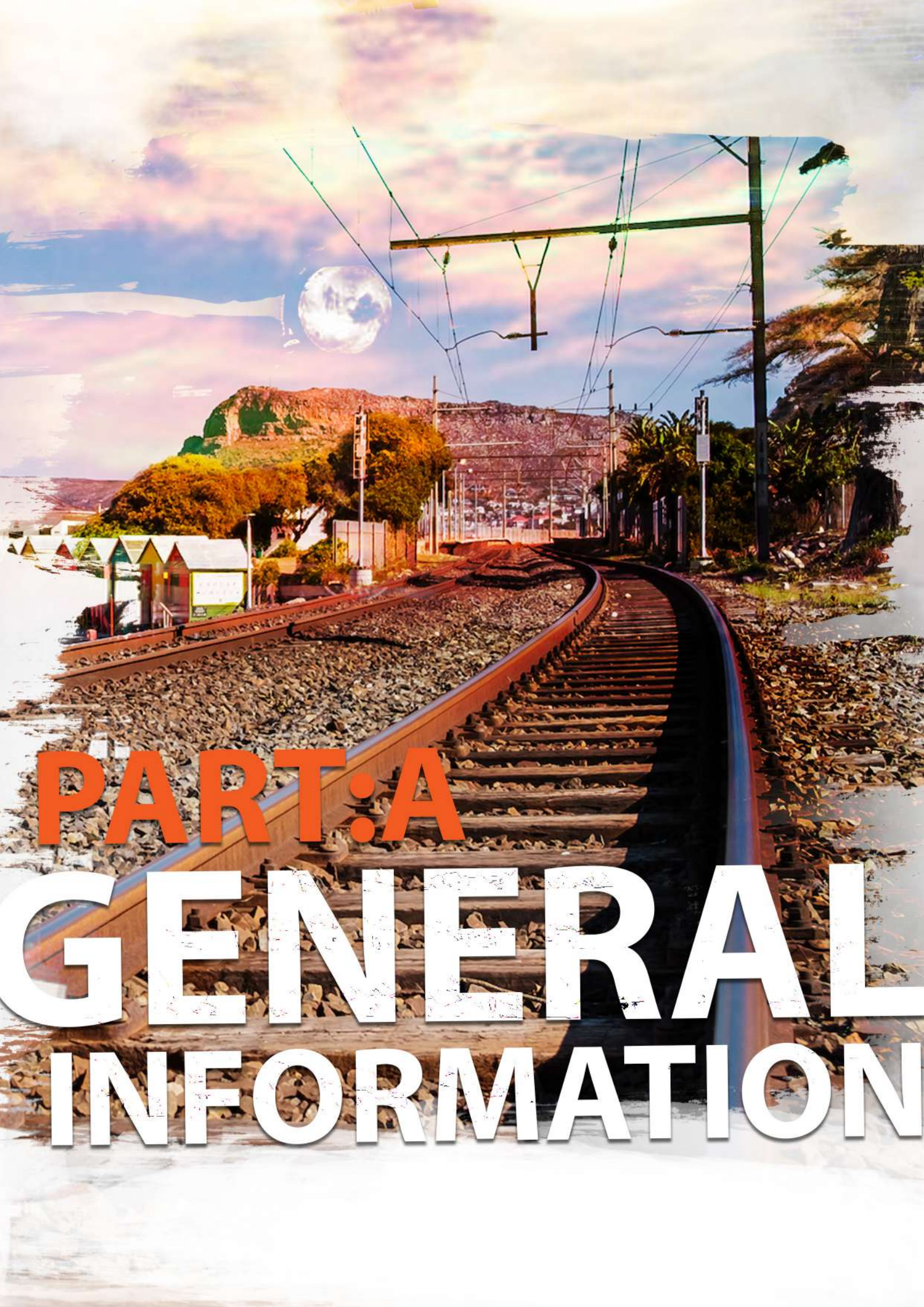
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PART:A

**GENERAL
INFORMATION**



Public entity's general information

| | |
|------------------------------------|--|
| Registered Name: | Railway Safety Regulator |
| Registration Number: | N/A |
| Registered Office Address: | Building 4, Waterfall Point Office Park, Cnr. Waterfall and Woodmead Drive, Waterfall City, Midrand, 1685, South Africa |
| Postal Address: | P.O Box 11202, Centurion, 0051, South Africa |
| Contact Telephone Number/s: | +27 10 495 5391 |
| Email Address: | comms@rsr.org.za |
| Website Address: | https://www.rsr.org.za |
| External Auditors: | Auditor General of South Africa 4 Davenry Street, Lynnwood Bridge Office Park Lynnwood Manor Pretoria, SA |
| Banker: | ABSA |
| Company/Board Secretary: | Ms Mologadi Mametja Company Secretary |

List of abbreviations/Acronyms

A

| | |
|-------------|---------------------------------|
| AFS | Annual Financial Statements |
| AGSA | Auditor General of South Africa |
| APP | Annual Performance Plan |
| ARC | Audit and Risk Committee |
| ASB | Accounting Standards Board |

B

| | |
|---------------|--|
| B-BBEE | Broad Based Black Economic Empowerment |
|---------------|--|

C

| | |
|---------------|---|
| CCMA | Commission for Conciliation Mediation and Arbitration |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| COO | Chief Operations Officer |
| CSM CA | Common Safety Method Conformity Assessment |
| CSM RA | Common Safety Method Risk Assessment |

D

| | |
|------------|-------------------------|
| DoT | Department of Transport |
|------------|-------------------------|

E

| | |
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| ERM | Enterprise-Wide Risk Management |
|------------|---------------------------------|

F

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| EXCO | Executive Committee |
|-------------|---------------------|

G

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| FY | Financial Year |
|-----------|----------------|

H

| | |
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| GRAP | Generally Recognised Accounting Practice |
|-------------|--|

I

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| HFM | Human Factor Management |
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| HR | Human Resources |
|-----------|-----------------|

K

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| IAA | Internal Audit Activity |
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| | |
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| ICT | Information Communication Technology |
|------------|--------------------------------------|

| | |
|-------------|--|
| IIMS | Integrated Information Management System |
|-------------|--|

M

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| KPI | Key Performance Indicator |
|------------|---------------------------|

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| MoU | Memorandum of Understanding |
|------------|-----------------------------|

| | |
|-------------|-----------------------------------|
| MTEF | Medium Term Expenditure Framework |
|-------------|-----------------------------------|

| | |
|-------------|---------------------------------|
| MTSF | Medium Term Strategic Framework |
|-------------|---------------------------------|

N

P

R

S

T

U

V

| | |
|-----------------|---|
| NATMAP | National Transport Master Plan 2050 |
| NDP | National Development Plan 2030 |
| NIMS | National Information Monitoring System |
| NRP | National Rail Policy |
| NRSRA | Nationally Recognised Statistical Rating Agency |
| PFMA | Public Finance Management Act |
| PRASA | Passenger Rail Agency of South Africa |
| REPUBLIC | Republic of South Africa |
| RIA | Regulatory Impact Assessment |
| RM3 | Railway Management Maturity Model |
| RSR | Railway Safety Regulator |
| SADC | Southern Africa Development Community |
| SALGA | South African Local Government Association |
| SANS | South African National Standards |
| SARA | Southern Africa Railways Association |
| SATAWU | South African Transport and Allied Workers |
| SCM | Supply Chain Management |
| SMME | Small Medium and Micro Enterprises |
| SMS | Safety Management System |
| SMSR | Safety Management System Report |
| SOP | Standard Operating Procedure |
| TETA | Transport, Education and Training Authority |
| TFR | Transnet Freight Rail |
| TR | Treasury Regulations |
| UNTU | United National Transport Union |
| VSCC | Verbal Safety Critical Communication |



Chairperson 's foreword

In her maiden budget vote speech, Minister of Transport Ms Sindiswe Chikunga highlighted the Department of Transport's focus on achieving tangible outcomes, particularly through the modernisation of the rail fleet and the recovery of priority rail corridors. The National Rail policy supports these objectives. In this context, the role of the Railway Safety Regulator (RSR) becomes crucial in regulating the evolving rail network and overseeing the implementation of new safety technologies. The RSR ensures compliance with safety standards, monitors industry practices, and plays a vital role in evaluating and approving innovative technologies for the rail sector. The Minister's sentiment reflects a commitment to improving efficiency, safety, and overall service quality in the railway sector, with the Regulator serving as a key enforcer of safety regulations.

The Regulator has actively contributed to key priorities of the government's 6th Administration, specifically in building an ethical and capable developmental state. This has been achieved by implementing policies such as the Ethics Management Strategy and Fraud and Corruption Prevention Framework to fortify an ethical foundation within the organisation. The appointment of an Ethics Officer further solidifies the entities' commitment to ethical governance.

During the 2022/23 financial year, the RSR took significant strides to enhance its relations with the South African Local Government Association (SALGA). This collaboration aimed to establish SALGA as a key point of contact for municipalities regarding Rail Reserve Regulation enforcement. By working together, the RSR and SALGA aimed to ensure the effective enforcement of regulations governing railway reserves.

Furthermore, the RSR actively promoted community involvement in railway operations by engaging with individuals who have an interest in or are affected by railway activities. This approach aimed to foster a sense of inclusivity and allow affected communities to have a voice in decision-making processes related to railways.

The RSR aims to play a leading role in aligning railway safety regulations of Southern Africa with those of the Southern African Development Community (SADC). As a member of the Southern African Railways Association (SARA), the RSR plans to engage with SADC regulators and operators through outreach initiatives, with the International Rail Safety Council hosted by the RSR in October 2023 serving as a key platform. The RSR's objective is to promote harmonised safety standards and practices across the region, fostering regional cooperation and enhancing safety measures within the SADC railway network.

I would like to express my gratitude to the Minister of Transport, and the board members for their continuous support and dedication to the RSR. I also want to extend my thanks to the Regulator's Executive team and staff for their hard work and commitment. Lastly, I want to acknowledge the broad spectrum of stakeholders in the rail safety realm for their unwavering support and commitment to rail safety. Together, we will continue to prioritise and advance the cause of rail safety for the benefit of all.



Ms Nompumelelo Ekeke
CHAIRPERSON: RSR BOARD



Chief Executive Officer's overview

Global Goals aptly articulates that eradicating poverty is not a task of charity, it's an act of justice and the key to unlocking an enormous human potential. Still, nearly half of the world's population lives in poverty, and the lack of food and clean water is killing thousands every single day of the year. The Railway Safety Regulator (RSR) is determined to contribute towards the eradication of poverty as envisioned in the NDP 2030 by addressing employment and investment, broadening access to employment and improving public transport, while raising rural incomes.

There is an African proverb that says if you educate a man, you educate an individual. But if you educate a woman, you educate a nation. The RSR has woven this proverb into its DNA by utilising procurement spend to target designated groups such as women, youth and small enterprises. The RSR spent a total amount of R62 975 135 of which 94.32% equates to R59 401 017 was on B-BBEE compliant suppliers, 36% which equates to R21 639 526 was spent on women-owned companies, while 17.78% which equates to R10 560 496 was spent on youth-owned companies. Out of the total 586 companies utilised, 461 (78.67 %) were Exempted Micro Enterprises, 50 (8.53%) were Qualifying Small Enterprises and the remaining 75 (12.80%) were large companies. This is a testament to the organisation's commitment to heed President Cyril Ramaphosa's plea during his 2023 State of the Nation Address (SONA) that we need to work together to ensure that no one is left behind. The RSR also set aside a budget for external bursaries for critical skills required in the rail sector. Interns were employed and provided with work experience to increase their future employability in the job market. The RSR also provides bursaries to internal staff to ensure development and value-add to the industry. Accordingly, the RSR has 48% female employees (63% female representation in EXCO), 10 Interns and 1 person with disabilities.

One of the other greatest challenges that South African rail is facing is the ongoing loadshedding that compromises the livelihood of rail users, more especially the poor who use trains on a daily basis. In response to the energy crisis in South Africa wherein rationing of electricity supply is being implemented, the RSR has identified and implemented several mitigation measures in an effort to address the unavailability of electricity as a result of loadshedding. The RSR has taken a position in line with its Business Continuity Plan to ensure that all physical offices the RSR occupies are equipped with backup generators to provide uninterrupted power supply for business continuity to ensure the Regulator carries out its mandate during loadshedding.

While there may be elements including loadshedding that could derail the day to day business of operating rail, the common denominator is and will always be to ensure rail safety.

Much has been achieved over the past financial year. We are particularly proud of the Verbal Safety Critical Communications Standard that has been implemented and workshopped with operators to ensure compliance. Furthermore, the National Rail Policy that was launched during 2023 creates an environment for a risk based approach to safety management which enables the Regulator to implement our regulatory muscle effectively. These achievements bear reference to the commitment and zeal of the RSR workforce without whom none of these achievements would have been possible.



Mr Mmuso Sealedi

ACTING CHIEF EXECUTIVE OFFICER

Statement of responsibility and confirmation of accuracy for the Annual Report

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

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

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

The Annual Report has been prepared in accordance with the guidelines on the Annual Report as issued by National Treasury and the Department Of Performance, Monitoring And Evaluation (DPME) .

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

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

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

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

In our opinion, the Annual Report fairly reflects the operations, performance information, human resources information and the financial affairs of the RSR for the Financial Year (FY) ended 31 March 2023.

Yours faithfully



Mr Mmuso Selaledi
Acting Chief Executive Officer



Ms Nompumelelo Ekeke
Chairperson of the Board

Vision

Safe, reliable, and sustainable railway operations recognised globally.

Mission

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

Values

Integrity

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



Transparency

We communicate information openly.

Fairness

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



Innovation

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



Timely and accountable delivery

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

Mutual respect

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



Excellence

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

Legislative and other mandates

CONSTITUTIONAL MANDATE

The Constitution identifies the legislative responsibilities of different levels of government with regards to airports, roads, traffic management, and public transport. Transport is a function that is legislated and executed at all levels of government. The implementation of transport functions at the national level takes place through public entities which are overseen by the Department of Transport. The RSR is responsible for ensuring compliance with elements relevant to the Regulator and corporate governance aspects of the Constitution of the Republic of South Africa as it relates to the following:

- The RSR observes and adheres to the principles of co-operative government and intergovernmental relations which is supported by its work on the rail reserve regulations and harmonisation of the Southern African Development Community (SADC) railways through common safety methods.
- Promotion of the rights of people in South Africa affirms the democratic values of human dignity, equality and freedom. The achievement of safer railways reinforces the values contained in the Bill of Rights.

LEGISLATIVE AND POLICY MANDATES

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

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

Legislative mandate

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

Other legislative mandates

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

- Occupational Health and Safety Act (OHSA), 1993 (Act no 85 of 1993) (as amended);
- Legal Succession to the South African Transport Services Act, 1989 (Act no 9 of 1989) (as amended);
- Public Finance Management Act, 1999 (Act no 1 of 1999) (as amended);
- National Environmental Management Act, 1988 (Act no 107 of 1988) (as amended);
- National Disaster Management Act, 2002 (Act no 57 of 2002) (as amended);
- Protection of Personal Information Act, 2013 (Act 4 of 2013);
- Promotion of Access to Information Act, 2000 (Act no 2 of 2000);
- Various labour legislation, including the Labour Relations Act, 1995 (Act no 66 of 1995), Basic Conditions of Employment Act 1997 (Act no 75 of 1997), Skills Development Act, 1998 (Act no 97 of 1998), Employment Equity Act, 1998 (Act no 55 of 1998);
- Prevention and combating of Corruption Activity Act, 2004 (at 12 of 2004);
- Protected Disclosures Act, 2000 (Act no 26 of 2000); and
- Promotion of Administrative Justice Act, 2000 (Act no 3 of 2000).

Policy mandate

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

- The National Development Plan 2030 (NDP);
- The National Transport Master Plan 2050 (NATMAP);
- The Revised White Paper on National Transport Policy, 2018;

- The National Rail Policy
- The New Growth Path Framework; and
- Various national and international policies within the railway sector.

Alignment to the Medium-Term Strategic Framework

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

The National Development Plan 2030

The National Development Plan (NDP) is a plan for the country to eliminate poverty and reduce inequality by 2030 through uniting South Africans, unleashing the energies of its citizens, growing an inclusive economy, building capabilities, enhancing the capability of the state and leaders working together to solve complex problems.

High-level objectives to be achieved by 2030

The high-level objectives of the NDP are to:

- Reduce the number of people who live in households with a monthly income below R419 per person (in 2009 prices) from 39 per cent to zero; and
- Reduce inequality, as measured by the Gini Coefficient, from 0.69 to 0.60.

Enabling milestones

Of the 19 enabling milestones listed in the NDP 2030, the RSR contributes to the six milestones listed below:

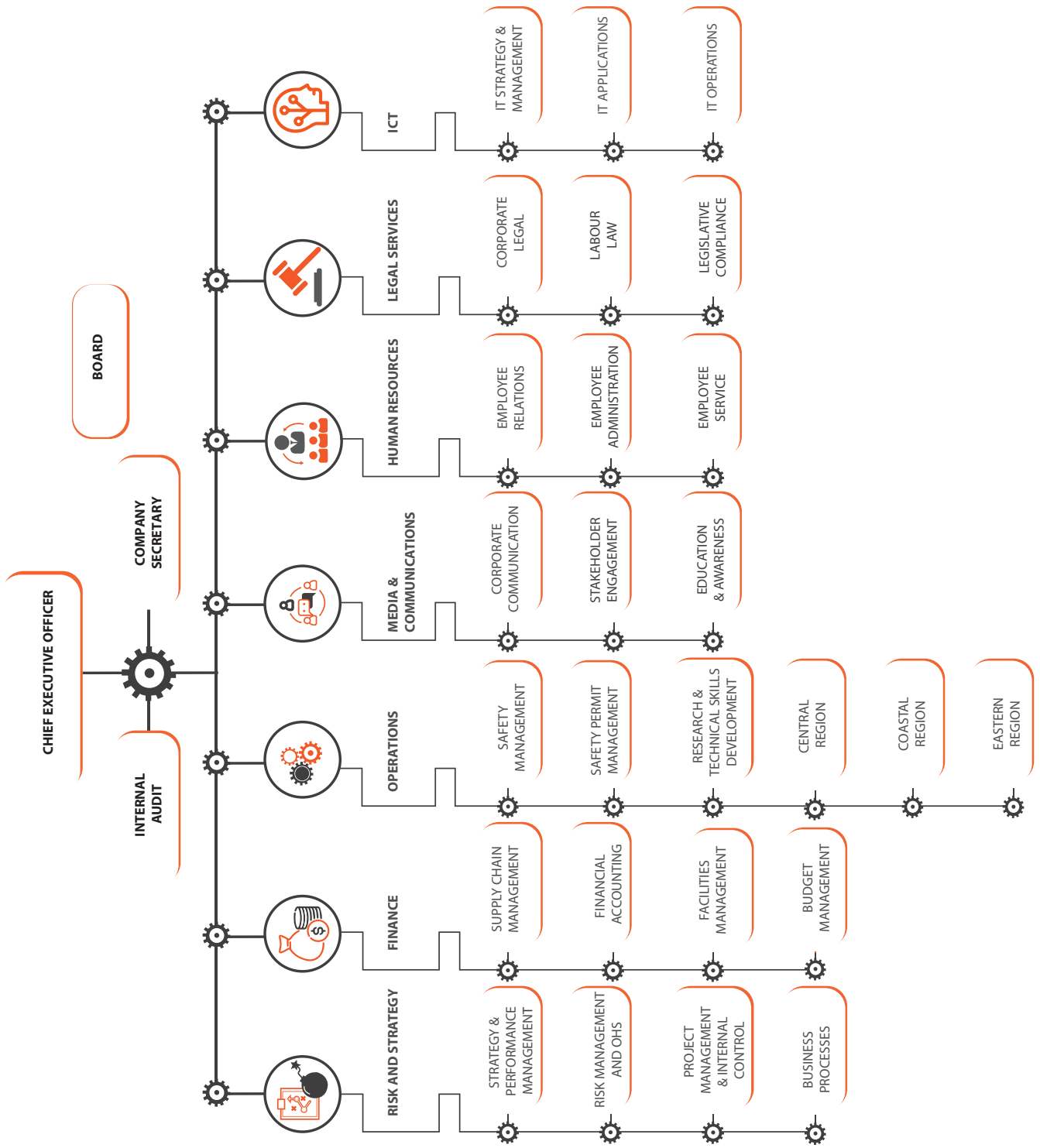
1. Increase employment from 13 million in 2010 to 24 million in 2030.
2. Establish a competitive base of infrastructure, human resources and regulatory frameworks.
3. Ensure that skilled, technical, professional and managerial posts better reflect the country's racial, gender and disability makeup.
4. Establish effective, safe and affordable public transport.
5. Realise a developmental, capable and ethical state that treats citizens with dignity.
6. Play a leading role in continental development, economic integration, and human rights.

Critical actions

Of the 10 critical actions listed in the NDP 2030, the five listed below are the actions that the RSR contributes to:

1. A social compact to reduce poverty and inequality and raise employment and investment.
2. A strategy to address poverty and its impacts by broadening access to employment, strengthening the social wage, improving public transport and raising rural incomes.
3. Public infrastructure investment at 10 per cent of the gross domestic product (GDP), financed through tariffs, public-private partnerships, taxes and loans, and focused on transport, energy and water.
4. Interventions to ensure environmental sustainability and resilience to future shocks.
5. New spatial norms and standards – densifying cities, improving transport, locating jobs where people live, upgrading informal settlements and fixing housing market gaps.

Organisational structure



Board of Directors



Ms Yongama Pamla
Deputy Chairperson

* August 2020 to December 2023



Mr Boy Johannes Nobunga
Board Chairperson

* August 2020 to December 2023 (re-appointed)



Mr Mmuso Selaledi
Acting Chief Executive Officer



Mr Sisa Lunga Mtwá

* August 2020 to December 2023



Ms Nompumelelo Ekeke

* August 2020 to December 2023



Ms Dineo Mathibedi

* August 2020 to December 2023



**Adv Frans Johannes
Van Der Westhuizen**

* August 2020 to December 2023



Mr Christiaan Johan de Vos

* August 2020 to December 2023



Mr Godfrey Maluleke

* August 2020 to December 2023



**Adv Johannes Collen
Weapond**

* August 2020 to December 2023



Ms Mologadi Mametja
Company Secretary

***Cabinet at its sitting on 8 December 2023 confirmed the appointment of the following board members:**

Ms Nompumelelo Sibongile Ekeke (Chairperson) – re-appointment, Mr Sisa Lunga Mtwá (Deputy Chairperson) – re-appointment, Adv Johannes Collen Weapond (re-appointment), Ms Zamakhanya Makhanya, Ms Nolitha Pieterse, Prof Tshepo Herbet Mongalo, Mr Lungi Maminza, Mr Tawana Mopeli, Ms Sibusisiwe Nomfundo Molefe and Ms Xoliswa Njokweni - Mlotywa.

Executive Committee



Mr Albert Tjatji
Acting Chief Financial Officer



Mr Mmuso Selaledi
**Acting Chief Executive Officer
& Executive: Risk and Strategy**



Mr Denis Owaga
Acting Chief Operations Officer



Ms Madelein Williams
Executive:
Media and Communications



Mr Bongani Sibiya
Executive: Human Resources



Ms Varsha Sewlal
Executive: Legal Services



Mr Tshepo Mothoagae
Chief Information Officer



Ms Malerato Kekana
Chief Audit Executive

*CEO resigned on 31 March 2023





PART:B

**PERFORMANCE
INFORMATION**

Shoshol

Auditor's Report: Predetermined objectives

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

Refer to page 99 - 102 of the Auditors Report, published as Part E: Financial Information.

Overview of performance

Service delivery environment

The RSR's contribution to the government's priorities

Government planning should be in line with the Medium Term Strategic Framework and each tier of government, as well as public entities are required to base their planning for the MTSF on these priorities and outcomes. The Regulator's contribution can be described as follows:

| Priority 1 | Building a capable, ethical and developmental state |
|------------------|--|
| RSR contribution | <p>The RSR has developed the following:</p> <ul style="list-style-type: none">• Ethics Management Strategy• Fraud and Corruption Prevention Framework• Financial Sustainability Plan• Safety Permit Fee Model |
| Progress | <p>Ethics Management Strategy</p> <p>To enhance and formalise the role ethics play in good governance in the organisation, the Board appointed an Ethics Officer during 2022. The Ethics Officer will henceforth in 2023/24 attend the Certified Ethics Officer training offered by the Ethics Institute. This is an effort to ensure a comprehensive ethics programme and strategy is established and implemented in the Regulator. An Ethics Officer is responsible for promoting and enforcing ethical practices within an organisation. They work to develop and implement ethical policies and procedures, provide training and guidance to employees, investigate ethical violations, and ensure compliance with relevant laws and regulations.</p> |

| | |
|-------------------------|--|
| | <p>Fraud and Corruption Prevention Framework</p> <p>The Fraud and Corruption Prevention Framework was approved and a zero tolerance on fraud and corruption adopted in the RSR. There has been good progress on the implementation of the Fraud and Corruption Prevention Plan which is developed annually to implement provisions of the Fraud and Corruption Framework . This is to maximise fraud prevention and enhance good corporate governance practices. The plan has been monitored, with progress reported to the Audit and Risk Committee (ARC) on a regular basis.</p> <p>Permit Fee Model</p> <p>The target in the plan for the 2022/23 FY was actioned and achieved. This target was: Achievement of RSR’s Cost of Employment at 60 per cent of fixed revenue.</p> <p>The model was published on 17 March 2023 and rail operators were given 60 days to comment.</p> |
| Priority 2 | Economic transformation and job creation |
| RSR Contribution | The RSR utilises procurement spend to target designated groups such as women, youth and small enterprises |
| Progress | The RSR spent a total amount of R62 975 135 of which 94.32% equates to R59 401 017 was spent on B-BBEE compliant suppliers, 36% which equates to R21 639 526 was spent on women-owned companies, while 17.78% of which equates to R10 560 496 was spent on youth-owned companies. Out of the total of 586 companies utilised, 461 (78.67%) were EMEs, 50 (8.53%) were QSEs and the remaining 75 (12.80%) were large companies. |
| Priority 3 | Education, skills and health |
| RSR Contribution | The RSR sets aside a budget for external bursaries for critical skills required in the rail sector. The Regulator also employs interns to provide them with work experience and to increase their future employability in the job market. The RSR provides bursaries to internal staff to ensure development and value-add to the industry. |
| Progress | A total of 15 students were awarded bursaries to the value of R1 611 346 covering tuition, accommodation, and incidental expenses. The organisation further awarded 21 internal bursaries totalling R814 194. Further to this, 9 internship contracts were extended for a further 12 months to allow for effective training, development, work-related experience and exposure. |
| Priority 4 | Consolidating the social wage through reliable and quality basic services |
| RSR Contribution | No direct RSR contribution |

| | |
|-------------------------|---|
| Priority 5 | Spatial intergration, human settlements and local government |
| RSR Contribution | <p>The RSR constantly engaged with the South Africa Local Government Association (SALGA) as a nodal point to municipalities. The Regulator contributed to this priority through the initiatives listed below:</p> <ul style="list-style-type: none"> • Rail reserve regulation • Education and awareness campaigns • Community involvement of the people interested and affected by railway operations |
| Progress | <p>During the 2022/23 FY, the RSR and SALGA mutually agreed to enter into an MOU, that will serve as a guideline for the collaboration amongst the two parties. The MOU will, amongst other things focus on safety permit compliance by municipalities, spatial planning, and level crossing safety. The MOU was drafted by the RSR and forwarded to SALGA for inputs.</p> |
| Priority 6: | Social cohesion and safe communities |
| RSR Contribution | <p>The RSR is strengthening the rail regulatory framework through Determinations, protocols and industry tools aimed at building an industry safety risk profile to support critical risk mitigation decisions that will result in safer railway operations. These interventions include:</p> <ul style="list-style-type: none"> • Occurrence reporting categories published; • Industry-wide hazard log; • Railway Risk matrix • Railway Management Maturity Model; • Human Factor Management Capacity Building Framework; • Verbal Safety Communication Determination developed; • Interface Agreements Framework; and • National Rail Communicators Forum. |
| Progress | <p>During the 2022/23 FY, the RSR conducted the following:</p> <ul style="list-style-type: none"> • The Common Safety Method on Risk Assessment (CSM-RA) guideline which was developed to be used by the rail operators was tabled at the EXCO and the Board for noting. The guideline was then published for public comments in line with the APP deliverables. The guideline is planned for publication in the 2023/24 financial year as a regulatory tool for implementation. The purpose of this tool is to assist the operators to prepare satisfactory risk assessment submissions for the RSR when requesting to introduce major/significant changes in the operational system. |

| | |
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| | <ul style="list-style-type: none"> • The RSR has embarked on a process to standardise interface agreements between operators through the development of an Interface Agreement Standard which is to be implemented throughout the industry. The draft standard was developed by the RSR Technical Working Group and approved by EXCO. The next step is to engage the industry and other stakeholders through the Industry Working Group, to allow for public comments, and to complete the SEIAS. These activities are planned for completion in the 2023-24 financial year prior to publication of the standard as a regulatory tool. This Standard was developed with a primary view to facilitate better interoperability between operators which is a crucial component of safe railway operations. • The RSR team developed the VSCC Standard which was approved and adopted by the RSR Board as a regulatory tool for the industry. The board-approved standard was then published in the Government Gazette for implementation. The RSR team then conducted technical workshops for the RSR regional teams and the operators to familiarise them with requirements of the standard. |
| Priority 7 | A better africa and world |
| RSR Contribution | <p>The RSR is a member of the Southern African Railways Association (SARA), an association that aims to promote the harmonisation of the railway safety regime in the Southern African Development Community (SADC) railway operations.</p> <p>The Regulator plays a pivotal role in ensuring that the common Standards are adopted at a regional level, thus ensuring interoperability among member states.</p> |
| Progress | <p>The RSR is currently engaging with the Land and Transport Regulatory Authority (LATRA) to provide the required support with regards to the Regional Railway Regulator Association (RRASA) Secretariat duties, which were facilitated by the RSR since the establishment of RRASA during September 2019, and handed over March 2022.</p> <p>The RSR continues to participate as a member of the Task Team for the development of the Regional Occupational Health & Safety, and Environmental Management Policy, and the Task Team is currently engaging with the United Nations Agency, International Labour Organisation regarding the Proposed Concept on the funds for this project.</p> <p>The RSR continues to participate, and to provide risk and safety support in the SARA Technical Committees, Conferences, and Railway Sub Committees (Railway SCOM).</p> |
| In implementing the MTSF, Government will factor-in the interests of Women, Youth and People with disabilities | <p>48% Female employees (63% female representation in EXCO), 10 Interns and 1 person with disability RSR procurement spend has a set target to procure through women owned companies.</p> |

Over and above the stated policies, the RSR is expected to contribute and support government's programmes including standing together against corruption and contributes to the government's key priorities that were announced by President Cyril Ramaphosa during the 2023 State of the Nation Address (SONA). The 2023 SONA is titled "Working together to ensure that no one is left behind" and it contains numerous initiatives from electricity generation to economic infrastructure to social services. The four key priorities discussed below clearly articulate the agenda of the government and the RSR's response to the National priorities.

| Priority | RSR contributions |
|--|--|
| Loadshedding | The RSR continuously assesses the impact of loadshedding on safe railway operations at various operators. |
| Supporting Women-Owned Business | The RSR has set specific targets for procurement from women-owned enterprises which will culminate in an improvement in its B-BBEE rating. |
| Structural Reforms | The RSR supports the revitalisation of the rail network and the National Rail Policy through the development of regulatory instruments that will enable strategic initiatives contained in the National Rail Policy. |
| Strengthening The Fight Against Corruption | The RSR has developed a Code of Ethics and Conduct, furthermore, mandatory declaration of the financial interests and gifts for the staff has been implemented. The RSR has a Whistle Blowing hotline for reporting of any alleged or suspected fraud and/or corruption. |

The table below depicts the organisation's alignment to the DoT priorities for the year under review.

| Outcome | Intervention | Indicator | Rsr contribution |
|---|---|---|--|
| Increase access to affordable and reliable transport systems. | Implement comprehensive rail modernisation and upgrade programme | Rolling stock expansion and upgrade | Technology reviews conducted and no-objection approvals granted to operators |
| | Plan to facilitate transition from road freight to rail and the participation of private sector | Private Sector Participation Framework | Interface agreement standard developed and piloted with operators and SALGA |
| Affordable, safe and reliable public transport | Percentage of national usage of public transport | Modernisation of the existing rail network and system through Station Modernisation Programme | Technology reviews conducted and no-objection approvals granted to operators |

Organisational environment

The RSR continued with the implementation of the Work from Home policy in support of business continuity in cases of disruptions such as the current energy crisis. The policy is continually used through a proclamation by the Acting Chief Executive Officer. Notwithstanding the continuation of the new way of working, the organisation successfully achieved 100% of the annual performance plan for the 2022/23 FY.

In line with international best practices regarding railway safety management, the RSR must guide the railway industry towards excellence in the management of safety to reduce operational risks in the railway environment to as low as reasonably practicable. The strategic aspiration of the Regulator to achieve the reduction of risk are documented in the 2020-25 Strategic Plan, which sets out the specific strategic objectives to be achieved during this period.

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

The following functions were undertaken to ensure the successful execution of the RSR's mandate:

Among others, the RSR executes human resource and financial support functions. The Human Resource department is responsible for ensuring institutional stability, collaboration and functional integration. Additionally, continual employee training and development is encouraged and facilitated. The Finance department provides financial management services and endorses all financial information which ensures compliance with the government budget cycle as well as qualitative improvement in how the RSR does business, making use of the Supply Chain

Management (SCM) Policy as a base. The SCM system is premised on effectiveness, efficiency, transparency, competitiveness and fairness.

- **Issues and manages safety permits:** The SMS and concomitant safety permit provide the legal interface between the RSR and railway operators. This relationship enables and promotes continuous improvement in safe railway operations. Annually, the RSR evaluates the Safety Improvement Plans and the SMSR submitted by operators, outlining directives and/or interventions to improve safety in the operational environment.
- **Conducts inspections and audits:** The RSR is mandated to play an oversight safety role in the railway industry. This role is undertaken through various strategic initiatives such as conducting safety-related audits and inspections of operators' activities. The key objectives of safety audits and inspections are to critically assess the safety systems and processes of operators. These assessments provide in-depth knowledge and understanding of required interventions which the RSR provides to promote the attainment of safe rail operations.
- **Conducts safety assessments:** The RSR fulfils its safety oversight mandate on new works and technology developments by conducting safety assessments and providing approvals on all life cycle phases of railway projects to ensure that safety is not compromised in the revitalisation of the local industry by the operators. These regulatory safety assessments also aim to ensure that the impact of the intended changes is considered within the immediate environment of its application and from a systemic perspective encompassing the asset/operational system life cycle.
- **Investigates railway occurrences:** To achieve safety improvement and a reduction of occurrences, the RSR conducts investigations of occurrences that have led to major loss, including fatalities, injuries, and major damage to property

to identify the root causes and prevent recurrences. Operators are obligated to report all occurrences to the RSR to ensure that analysis and review of incidences and the causes thereof are consolidated to assist the RSR in providing tools and strategic direction in addressing safe rail operations.

- **Develops regulations, safety standards and regulatory prescripts:** In terms of Sections 29, 30 and 50 of the Act, the RSR is mandated to develop regulations, safety standards and related regulatory prescripts which form an integral part of the regulatory regime adopted for the oversight and enforcement of safe railway operations.
- **Issues notices of non-conformance and non-compliance.** The RSR issues operators with notices to indicate conditions within the operators' system that are deemed to be sub-standard or not in compliance with regulatory prescripts that ensure safe rail operations in terms of the adopted regulatory regime. Furthermore, the Regulator imposes penalties for non-compliance with the Act and safety standards adopted by the Board of Directors of the RSR.
- **Supports and promotes occupational health and safety and security:** To address occupational health and safety and security issues that impact on railway safety, the RSR conducts investigations, audits and inspections. Occupational health and safety legal requirements are included in the Human Factors Management Standard and are, therefore, continuously promoted during the technical workshops that are conducted by the RSR.
- **Co-operates with relevant organs of state to improve safety performance and oversight functions:** In compliance with the Act, the RSR concludes appropriate co-operative agreements with relevant state organs to give effect to co-

operative government and inter-governmental relations as contemplated in Chapter 3 of the Constitution. The RSR has concluded 12 co-operative agreements, nine with various government departments and three with industry associations. The MOUs with government departments aim to eradicate duplication where there is dual jurisdiction and promotes collaboration while the agreements with industry associations aim to share best practices with the industry and maintain an interactive approach in enforcing compliance with the view to result in an occurrence free environment. While all these agreements focus on different issues, the common denominator is to ensure rail safety.

- **Plays a leading role in the alignment of the railway safety regime of South Africa with those of the Southern African Development Community:** The RSR plays a significant role in harmonising the rail safety regime within the SADC region. Through SARA, the RSR workshops and facilitates its South African standards, with the vision of adapting them at the SADC level, once approved by the SARA Board.
- **Data management and analysis:** This function is in support of Section 37 and 39 of the Act, which requires that all occurrences be reported to the RSR and in turn requires the RSR to establish a National Information and Monitoring System (NIMS). In terms of risk identification and management as well as strategic and operational planning, the RSR must maintain an accurate data management system. The data must be reliable and regularly analysed for risks. This enables the Regulator to accurately identify the major safety-relevant risks that will require actions such as inspections, audits, investigations, awareness campaigns, etc., to increase the level of operational safety within the South African rail environment.

Key policy developments and legislative changes

National Rail Policy

The National Rail Policy (NRP) was approved during March 2022 and the policy aims to position rail as an affordable, competitive, effective, integrated, reliable, safe, sustainable, and valued mode of transport. Furthermore, the National Rail Policy sets out to revitalise the country's railway sector by investing substantially to establish a high – performance rail sector that will recapture rail's proper contribution to the national transport task.

The primary intervention of the NRP is to initiate railway renaissance in the country by deploying high speed, heavy haul, heavy intermodal as well as contemporary urban and regional rapid transit to ensure rail offers the most economically, environmentally, financially and socially viable logistics and mobility solution. The RSR is at the centre of ensuring the successful implementation of objectives of the National Rail Policy, work has started to institutionalise the objectives of the policy.

Railway Safety Bill

In 2021 government initiated the process to develop the Railway Safety Bill. The bill seeks to amend the National Rail Safety Regulator Act No 16 of 2002 as amended by ensuring a continued enhancement of safe railway operations, while encouraging the collaboration and participation of interested and affected parties in improving railway safety. The National Safety Regulator Act provided for the establishment of the Railway Safety Regulator and to provide for safety standards and regulatory practices. The Bill facilitates a modern, flexible and efficient regulatory regime that ensures the continued enhancement of safe railway operations and sets out to promote the harmonisation of the railway safety regime of the Republic with those of the Southern African Development Community (SADC). The Bill furthermore provides for:

- The regulation of railway safety in the Republic;
- The continued existence of the Railway Safety Regulator;
- The board and governance structures of the Railway Safety Regulator
- Railway safety permits;
- National railway safety information and monitoring system;
- Legal framework to enforce compliance with the Act and to deal with railway occurrences;
- Appeal mechanism and the repeal of the National Railway Safety Regulator Act, 2002.
- Railway occurrence and railway occurrence investigations;
- Licencing of railway safety critical grades and registration of training institutions

It also promotes a legal framework that supports the safety of commuters thereby encouraging rail as a mode of transport. The Bill is currently being deliberated before the Portfolio Committee on Transport after a national drive of public hearings in all provinces. These hearings revealed the public outcry for rail services.

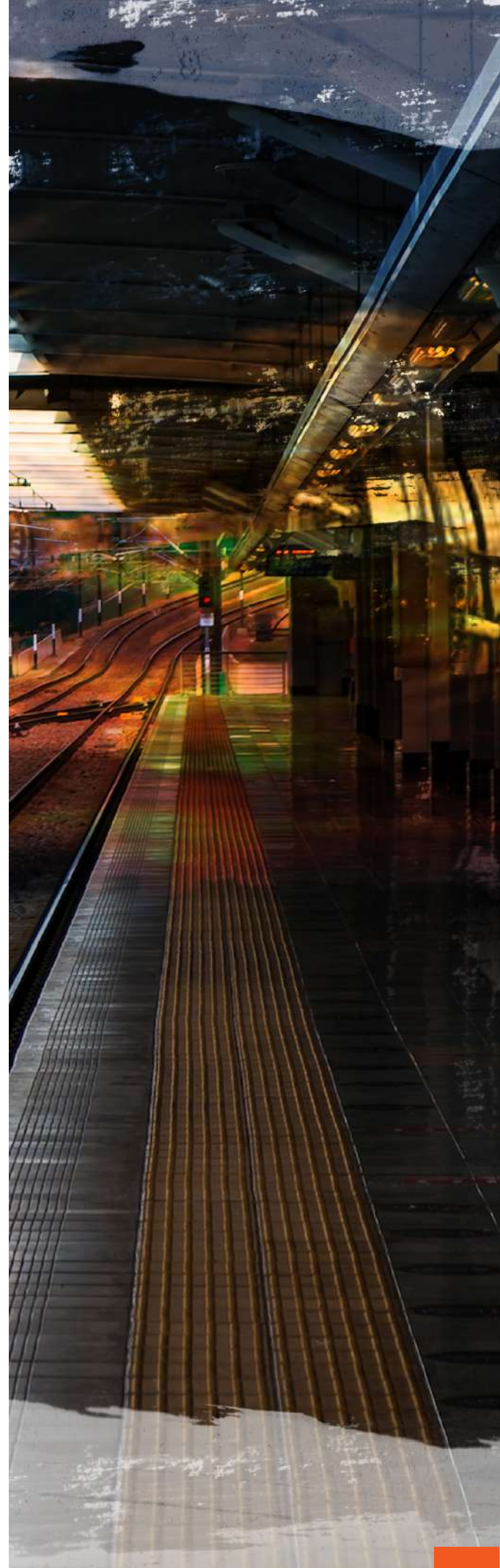
Progress towards achievement of institutional Impacts and Outcomes

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

Outcomes, Outputs, Output Indicators, Targets and Actual Achievements Table

| No | Outcome | Output | Output indicator | Audited actual performance 2020/21 | Audited actual performance 2021/22 | Planned annual target 2022/23 | Actual achievement 2022/23 | Deviation from planned target to actual achievement 2022/23 | Reasons for deviations |
|-----|--------------------|---|---|---|--|---|---|---|------------------------|
| 1.1 | Railways are safer | Industry safety risk profiling towards increased critical risk mitigation decisions | Industry safety risk profile developed | Industry-wide hazard log developed | Industry-wide hazard log validated | Railway risk matrix developed | Railway risk matrix developed | None | None |
| 1.2 | Railways are safer | Industry-consulted risk assessment tools and methodologies | Common Safety Methods developed and tested | CSM RA tested with 3 Class A and 3 Class B operators | CSM-RA tested with 9 selected Class A or Class B operators | CSM-RA draft regulatory tool (determination/standard/ guideline) published for comments | CSM-RA draft regulatory tool (determination/standard/ guideline) published for comments | None | None |
| 1.3 | Railways are safer | Industry-consulted risk assessment tools and methodologies | Common Safety Methods developed and tested (Supervision)* | Common Safety Method for Supervision framework developed | - | - | - | None | None |
| 1.4 | Railways are safer | Industry consulted risk assessment tools and methodologies | Implementation of railway management maturity assessments | Railway Management Maturity Assessment Report for PRASA and BOC | Railway Management Maturity Assessment Reports for 8 Class A dangerous goods operators | 14 RM3 assessment reports for Class A mining operators | 14 RM3 assessment reports for Class A mining operators | None | None |

| No | Outcome | Output | Output indicator | Audited actual performance 2020/21 | Audited actual performance 2021/22 | Planned annual target 2022/23 | Actual achievement 2022/23 | Deviation from planned target to actual achievement 2022/23 | Reasons for deviations |
|-----|--------------------|--|---|---|---|--|--|---|------------------------|
| 1.5 | Railways are safer | Industry consulted risk assessment tools and methodologies | Interface Agreements aligned with operational risks | Interface Agreements stakeholder engagement on IA gaps with Transnet and PRASA | Interface Agreements stakeholder engagement on IA gaps with 4 metropolitan municipalities | Draft Interface Agreement Standard developed | Draft Interface Agreement Standard developed | None | None |
| 1.6 | Railways are safer | Industry consulted risk assessment tools and methodologies | Developed and implemented RSR Standard on Verbal Safety Critical Communications | - | Draft Verbal Safety Critical Communications RSR Standard published for public comments | VSCC RSR Standard adopted | VSCC RSR Standard adopted | None | None |
| 1.7 | Railways are safer | State of safety interventions | Research Reports published | Level crossing research paper published. Personal safety on trains and stations research paper published | Two topical research papers published | Two research papers published | Two research papers published on the RSR website | None | None |



| No | Outcome | Output | Output indicator | Audited actual performance 2020/21 | Audited actual performance 2021/22 | Planned annual target 2022/23 | Actual achievement 2022/23 | Deviation from planned target to actual achievement 2022/23 | Reasons for deviations |
|-----|--|--|---|---|---|---|--|---|--|
| 2.1 | Good governance and clean administration | To secure an adequate operational financial base | Progress made in revising the permit fee model developed in 2014/15 | Board approved financial Sustainability plan | Implementation of financial sustainability plan actions due by year-end | Implementation of financial sustainability plan actions due by year-end | Implementation of financial sustainability plan action due by year-end | None | None |
| 2.2 | Good governance and clean administration | To monitor and track the effectiveness of RSR compliance initiatives | NIMS maintained | 50% of NIMS developed | Not achieved | NIMS maintained and uptime at 99% | NIMS maintained and uptime at 99% | None | None |
| 2.3 | Good governance and clean administration | Organisational Excellence improved | Employee engagement improved | Framework for assessing culture of excellence developed and baseline employee satisfaction survey conducted | Employee engagement action plan developed and implemented | Employee satisfaction improved. Action plan developed and implemented | Employee Satisfaction improved. Action plan developed and implemented | None | None |
| 2.4 | Good governance and clean administration | Surplus funds | Surplus funds | Current ratio of 1,32:1 | Current ratio 1,9:1 | Current ratio 1,15:1 | Current ratio 1,53:1 | Exceeded by 0.38 | High cash balances to fund outstanding commitments |
| 2.5 | Good governance and clean administration | ISO (QMS) related policies ISO (QMS) Audit Reports | ISO (QMS) related policies ISO (QMS) Audit Reports | QMS Policy approved | Pre-certification audit conducted | ISO 9001: 2015 Certification | ISO 9001:2015 certification | None | None |
| 2.6 | Good governance and clean administration | Clean administration | Clean administration | Clean audit | Clean audit | Clean audit | Unqualified audit opinion with findings | Non compliance finding | Non compliance finding |

| No | Outcome | Output | Output indicator | Audited actual performance 2020/21 | Audited actual performance 2021/22 | Planned annual target 2022/23 | Actual achievement 2022/23 | Deviation from planned target to actual achievement 2022/23 | Reasons for deviations |
|------------|------------------------------|---|--|---|---|---|---|---|---|
| 3.1 | Improved stakeholder service | To influence safe railway behaviour | Number of safety awareness initiatives conducted | 22 Railway safety awareness initiatives conducted | 30 Railway safety awareness initiatives conducted | 42 Railway safety awareness initiatives conducted | 43 Railway safety awareness initiatives conducted | 1 additional safety awareness campaign conducted | On the 15th of December 2022 the RSR partnered with the minister of transport during the ministerial campaign to launch the Naledi Corridor |
| 3.2 | Improved stakeholder service | To promote safety consideration during new investments through annual industry safety thematic interventions | Annual industry safety interventions conducted | - | Annual Rail Safety Conference conducted | Annual Rail Safety Conference conducted | Annual Rail Safety Conference conducted | None | None |
| 3.3 | Improved stakeholder service | Regular engagement with organised labour and interested parties to encourage collaboration towards improved railway safety of employees, commuters and the public | Stakeholder forums implemented | 8 stakeholder forum discussions conducted | 8 stakeholder forum discussions conducted | 8 stakeholder forum discussions conducted | 8 Stakeholder forum discussions conducted | None | None |

Linking performance with budgets

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

| No | Output Indicator | Annual Target | 2021/22 | | | 2022/23 | | |
|-----|---|---|-------------|----------------------------|--------------------------------------|-------------|----------------------------|--------------------------------------|
| | | | Budget R | Actual Expenditure R | (Over)/ Under expenditure R | Budget R | Actual Expenditure R | (Over)/ Under expenditure R |
| 1.1 | Industry safety risk profile developed | Industry-wide hazard log developed | 5 533 911 | 3 614 292 | 1 919 619 | 8 200 582 | 3 919 063 | 4 281 520 |
| 1.2 | Common Safety Methods developed and tested | CSM RA tested with 3 Class A and 3 Class B operators | 5 533 911 | 3 614 292 | 1 919 619 | 7 600 582 | 3 919 063 | 3 681 520 |
| 1.3 | Common Safety Methods developed and tested (Supervision)* | - | - | - | - | - | - | - |
| 1.4 | Implementation of railway management maturity assessments | Railway Management Maturity Assessment Reports for 7 Class A dangerous goods operators | 5 533 911 | 3 614 292 | 1 919 619 | 4 600 582 | 3 919 063 | 681 520 |
| 1.5 | Interface Agreements aligned with operational risks | Interface Agreements stakeholder engagement on IA gaps with 4 metropolitan municipalities | 5 533 911 | 3 614 292 | 1 919 619 | 4 600 582 | 3 919 063 | 681 520 |
| 1.6 | Developed and implemented RSR Standard on Verbal Safety Critical Communications | Draft Verbal Safety Critical Communications RSR Standard published for public comments | 5 533 911 | 3 614 292 | 1 919 619 | 4 600 582 | 3 919 063 | 681 520 |
| 1.7 | State of safety interventions | Two topical research papers published | 5 533 911 | 3 614 292 | 1 919 619 | 4 600 582 | 3 919 063 | 681 520 |

| No | Output Indicator | Annual Target | 2021/22 | | | | 2022/23 | | | | | |
|-----|---|---|------------|--|--------------------|--|-----------|------------|--------------------|------------|--|-----------|
| | | | Budget | | Actual Expenditure | | Budget | | Actual Expenditure | | | |
| | | | R | | R | | R | | R | | | |
| 2.1 | Progress made in revising the permit fee model developed in 2014/15 | Implementation of financial sustainability plan actions due by year-end | 10 687 380 | | 8 064 700 | | 2 622 680 | 12 694 592 | | 10 007 919 | | 2 686 672 |
| 2.2 | New NIIMS build and maintained | 100% of NIIMS developed and available for use | 10 687 380 | | 8 064 700 | | 2 622 680 | 14 200 592 | | 10 007 919 | | 4 192 672 |
| 2.3 | Employee engagement improved | Employee engagement action plan developed and implemented | 10 687 380 | | 8 064 700 | | 2 622 680 | 12 694 592 | | 10 007 919 | | 2 686 672 |
| 2.4 | Growing investment | Current ratio of 1.1:1 | 10 687 380 | | 8 064 700 | | 2 622 680 | 12 694 592 | | 10 007 919 | | 2 686 672 |
| 2.5 | ISO 9001: 2015 Certification | Pre-certification audit conducted | 10 687 380 | | 8 064 700 | | 2 622 680 | 12 694 592 | | 10 007 919 | | 2 686 672 |
| 2.6 | Number of material audit findings | Clean audit | 10 687 380 | | 8 064 700 | | 2 622 680 | 12 694 592 | | 10 007 919 | | 2 686 672 |
| 3.1 | Number of safety awareness initiatives conducted | 30 Railway safety awareness initiatives conducted | 5 203 177 | | 3 970 371 | | 1 232 807 | 5 824 158 | | 5 179 012 | | 645 147 |
| 3.2 | Annual industry safety interventions conducted | Annual Rail Safety Conference conducted | 5 203 177 | | 3 970 371 | | 1 232 807 | 5 824 158 | | 5 179 012 | | 645 147 |
| 3.3 | Stakeholder forums implemented | Eight stakeholder forum discussions conducted | 5 203 177 | | 3 970 371 | | 1 232 807 | 5 824 158 | | 5 179 012 | | 645 147 |

RSR's response to electricity crisis (loadshedding)

In response to the energy crisis in South Africa, wherein rationing of electricity supply is being implemented, the RSR has identified and implemented several mitigation measures in an effort to address the unavailability of electricity as a result of loadshedding.

Buildings

The RSR has taken a position in line with our Business Continuity Plan to ensure that all physical offices the RSR occupies, are equipped with back-up generators to provide uninterrupted power supply for business continuity to ensure the Regulator carries out its mandate during loadshedding.

Work From Home

The Work From Home Policy that was developed and implemented since 2020 due to the Covid-19 pandemic, brought the remote working arrangements which resulted in the organisation exploring new ways of ensuring organisational efficiency as well as continuity of operations. The policy allows employees to work from home through a proclamation by the Chief Executive Officer. To enable successful implementation of the policy, inverters have been procured for staff to use while working from home. And to this end, the policy has been evidenced as a success, not only benefiting employees but promoting flexible working hours. The performance at the RSR has shown improvement year-on-year 100% achievement of the APP targets

Loadshedding affects work time arrivals and departures due to traffic lights not working and heavy traffic. It has a major effect on traffic flow with traffic lights out of order for long periods of time.

Loadshedding also affects the time employees return home. Each time sections are experiencing load shedding, the traffic lights cease to work, causing delays and more time spent in traffic. The streets also get dark, compromising the safety of employees and exposing them to harm and road traffic accident.

Institutional programme performance information

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

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

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

| | | | |
|---|--|---|--|
| MTSF priority | Establish effective, safe and affordable public transport | | |
| NDP five year implementation plan and intervention | New spatial norms and standards – densifying cities, improving transport, locating jobs where people live, upgrading informal settlements and fixing housing market gaps | | |
| Measure of success | Improved stakeholder satisfaction | | |
| Outcome | Outcome indicator | Baseline | 5-Year target |
| Improved stakeholder service | Targeted campaigns, awareness, promotion initiatives and collaboration between stakeholders. | 20 safety promotion initiatives conducted | 210 safety promotion initiatives conducted |

Revenue collection

| Sources of revenue | 2021/22 | | | 2022/23 | | |
|--------------------|--------------------|-------------------------|-------------------------|--------------------|-------------------------|-------------------------|
| | Estimate | Actual amount collected | Over/(Under) Collection | Estimate | Actual amount collected | Over/(under) Collection |
| | R | R | R | R | R | R |
| Permit Fees | 179 825 974 | 178 883 567 | (942 407) | 183 332 349 | 183 496 027 | 163 678 |
| Investment Income | 4 385 864 | 6 880 368 | 2 494 505 | 8 163 544 | 8 863 007 | 699 463 |
| Penalties | 1 197 500 | 1 197 500 | 0 | 0 | 100 000 | 100 000 |
| Grant Income | 69 657 000 | 69 657 000 | 0 | 72 874 000 | 72 874 000 | 0 |
| Other income | 0 | 2 103 522 | 2 103 522 | 0 | 836 174 | 836 174 |
| Total | 255 066 338 | 258 721 957 | 3 655 620 | 264 369 893 | 266 169 208 | 1 799 315 |

2022/23 FY

1. **Investment income:** The RSR invests its surplus cash balances with the Corporation for Public Deposits (CPD) which is held by the South African Reserve Bank. More interest was generated compared to the budget due to unpaid long outstanding disputed creditors, cancellation of non-responsive tenders and increase in interest rates at the CPD during the 2022/23 financial year.
2. **Penalty income:** Penalty imposed for contraventions by operators. RSR does not budget for penalties.
3. **Other income:** RSR does not budget for other variable revenue. This revenue line includes insurance proceeds for loss of assets, proceeds from sale of old RSR assets no longer in use, and the delegates fees for the Annual Rail Safety Conference (ARSC).

Capital investment

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

The RSR does not own significant infrastructure nor moveable assets that require significant continuous maintenance. The RSR incurred repairs and maintenance related expenses on motor vehicles, furniture, and equipment. The organisation acquired new assets during the year. The new acquisitions include motor vehicles (17%), office equipment (35%) and computer equipment (48%). The significant portion of the organisation's fixed assets at 31 March 2023 were in good condition.

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

| Infrastructure projects | 2021/22 | | | 2022/23 | | |
|-------------------------|---------|--------------------|---------------------------|---------|--------------------|--------------------------|
| | Budget | Actual expenditure | (Over)/ Under expenditure | Budget | Actual expenditure | (Over)/Under expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Total | N/A | N/A | N/A | N/A | N/A | N/A |





PART:C
GOVERNANCE

Introduction

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

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

Portfolio committees

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

Executive authority

The organisation submits all quarterly reports to the Executive Authority and National Treasury (NT) in compliance with the National Treasury frameworks. All quarterly reports for the 2022/23 FY were submitted within 30 days after the end of each quarter.

The accounting authority/board

Introduction

The Board of the National Railway Safety Regulator is committed to ensuring that it complies with the letter and spirit of the legislative prescripts applicable to the National Railway Safety Regulator (hereinafter referred to as "RSR").

The RSR Board sets the tone and leads the organisation with integrity, efficiency, and accountability. The Board is responsible for ensuring that management cultivates an ethical culture that the organisation adheres to. This necessitates agile, decisive, and ethical business leadership.

The RSR has been able to withstand difficult economic conditions over the years due to its adherence to sound financial management principles and a robust corporate governance culture. The Board is committed to ensuring that we play a central role in society by fostering transformation, economic growth, national expansion, and development. We are committed to continually enhancing our corporate governance processes in accordance with best practices in order to enhance railway safety.

To the extent applicable and relevant to the RSR, the Board subscribes to the principles of good governance as set out in the King Report on corporate Governance in South Africa, 2016 (King IV) and recognises these as fundamentally important to the success and continued sustainability of the organisation.

Good Governance, amongst others, ensures that resources and business activities throughout the organisation are focused on attaining the objectives of the organisation. The Board leads by example and has adopted a code of ethics and conduct to commit to writing the business practices which the organisation will follow, and this sets the standards of behaviour required by others within the organisation. The Board ensures that an ethical culture is imbued in its culture, strategy, plans and performance of the organisation.

Effectiveness, strategy, and reporting

The RSR Board assumes responsibility for the organisation's performance. Thus, the Board assists organisation in defining our mission and achieving our strategic objectives. The Board of Directors constantly monitors the macro environment, risks, and opportunities, as well as the requirements of our stakeholders, which inform our strategy. We continually strive to improve reporting standards through transparency and compliance with applicable reporting frameworks and best practices. We intend to provide all stakeholders with all the relevant, material and timely information.

Governing structures and delegation

The Board is the focal point of and custodian for corporate governance and consists of 8 Non-executive Directors and one Executive Director with an appropriate balance of knowledge, skills, experience, diversity, and autonomy. This enables our Board to fulfil its governance responsibilities objectively and efficiently. All Board members are suitably qualified for their roles as Directors and possess extensive business experience and specialised skills in a variety of fields, including rail safety, governance, human resources, compensation, information and communication technology, accounting and finance, legal, and transportation and logistics. Open and frank dialogue that scrutinises decisions, fosters consensus, and demands accountability is encouraged.

The roles and responsibilities of the Independent Non-executive Chairperson and the Chief Executive Officer have been clearly defined and are distinct to ensure checks and balances in decision making. The Non-Executive Directors utilise their experience, expertise, and business acumen to ensure impartial and objective perspectives in decision-making processes and ethical standards. There is a clear balance of power and authority at the Board level to ensure that no single Director possesses unrestricted decision-making authority.

The Board delegates certain functions to six well-structured committees without evading its own responsibilities. In each committee's Terms of Reference, the committee's composition and duties, responsibilities, and scope of authority are specified

Compliance to KING IV

The King IV Code of Corporate Governance has been adopted by the Board for the organisation. The Board Charter, along with the code of conduct, ensure that the RSR is effectively managed and controlled by a moral Board that acts in the best interests of all stakeholders. To demonstrate their dedication to ethics, the Board has adopted a communications protocol and signed the Ethics Pledge. Because RSR is a values-driven organisation, we regularly review our values with the help of our staff and stakeholders. The Board takes great care to protect the RSR's reputation and uphold the highest ethical standards. Bullying, harassment, and discrimination are not tolerated by the Regulator. To advance the RSR's goals in the best interests of stakeholders, members are expected to uphold a set of standards. The Board, which is ultimately accountable and responsible for the performance and business affairs of the Regulator, serves as the focal point of the RSR's corporate governance system.

The Board, through the Board Committees and Executive Management oversight, makes sure that the organisation's efforts as a responsible corporate citizenship include adherence to its own codes of conduct and policies as well as the laws, leading standards, and the South African Constitution.

The Board has approved the Risk Management Framework, which expresses and implements its determined risk policy. With the creation of a Board ICT Committee, which will keep track on new technological advancements, the Board approves policy that clarifies and puts into practise its stated direction on the employment of information and technology. The ICT Committee meets on a quarterly basis to assess the ICT Strategy and its execution against operational plans. Management is in charge of overseeing this process using both internal resources and outside service providers.

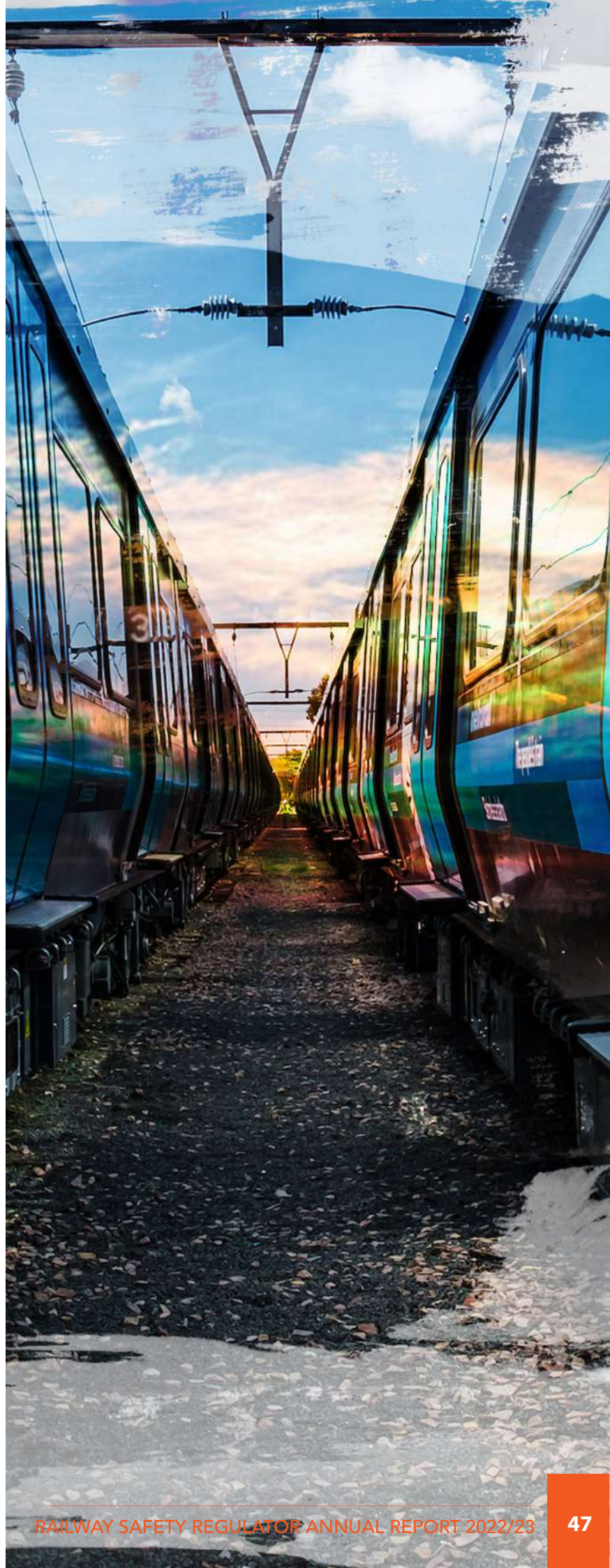
In carrying out its duties, the Board oversees management's implementation of Board plans and strategies to encourage ethical behaviour and compliance with applicable laws and regulations, audit and accounting principles and practises, and the RSR's own governing documents and codes of conduct. The Board is also responsible for the stewardship of the RSR. The Board is assisted in achieving compliance by the Social and Ethics Committee, Audit and Risk Committee, Human Resource Committee, and the Safety Committee.

Board Evaluation

The Board Performance review was conducted between 15 December 2022 and 28 February 2023. The conclusion of the evaluation is that overall, the Railway Safety Regulator has an effective governance framework in place, however, there is room for improvement in certain areas which, if attended to, can move RSR from a rating of "meeting expectations" to "exceeding expectations" and "outstanding performance". The evaluation implementation plan is monitored quarterly through the Human Resources and Remuneration Committee to ensure that all recommendations of the evaluation are finalised.

Composition of the Board

| Name | Designation (In terms of the Public Entity Board Structure) | Date appointed | Date resigned | Qualifications | Area of expertise | Board Directorships (List the entities) | Other Committees or Task Teams (e.g.: Audit committee / Ministerial task team) | No. of meetings attended |
|--------------------------------|---|-----------------------------|---------------|---|--|--|--|--------------------------|
| Mr Boy Johannes Nobunga | Non-executive director and Board Chairperson | 06/08/2021 (re-appointment) | N/A | <ul style="list-style-type: none"> BCom Hons (UWC) Diploma in Public Relations (IAC) Certificate in Economic and Public Finance (UNISA) Advanced Diploma in Economic Policy (UWC) | <ul style="list-style-type: none"> Governance and legislation | <ul style="list-style-type: none"> RSR Chairperson Mpumalanga Tourism and Parks Agency | N/A | 11 |



| Name | Designation (In terms of the Public Entity Board Structure) | Date appointed | Date resigned | Qualifications | Area of expertise | Board Directorships (List the entities) | Other Committees or Task Teams (e.g.: Audit committee / Ministerial task team) | No. of meetings attended |
|-------------------------|---|----------------|---------------|--|---|--|---|--------------------------|
| Ms Yongama Pamla | Non-executive director and Deputy Chairperson | 06/08/2020 | N/A | <ul style="list-style-type: none"> Chartered Accountant (South Africa) Postgraduate Diploma in Accounting (UCT) Postgraduate Diploma in Management Financial Accounting (UFH) Bachelor of Commerce (University of Fort Hare) | <ul style="list-style-type: none"> Strategy development Financial management Enterprise risk and compliance management Policy development Corporate governance | <ul style="list-style-type: none"> Pamla Financial Solutions (Pty) Ltd POYA Investments (Pty) Ltd Workers Life Direct (Pty) Ltd Magalies Water | <ul style="list-style-type: none"> RSR Board Procurement Committee Chairperson RSR ARC Member RSR Social and Ethic Committee Member: PGC Group Investment Committee Member Health and Welfare Sector Education and Training Authority Finance, Remuneration and Tender Standing Committee Member Lepelle Northern Water Co-opted Finance Committee Member Johannesburg Property Company (SOC) (Pty) Ltd – Audit and Risk Committee Member | 10 |

| Name | Designation (In terms of the Public Entity Board Structure) | Date appointed | Date resigned | Qualifications | Area of expertise | Board Directorships (List the entities) | Other Committees or Task Teams (e.g.: Audit committee / Ministerial task team) | No. of meetings attended |
|--|---|-------------------|------------------|---|---|---|---|--------------------------------|
| Adv Johannes Collen Weapond | Non-executive director | 06/08/2021 | N/A | <ul style="list-style-type: none"> • B.Juris – UNISA • Bachelor of Laws (LLB) (UNISA) • B.Tech Policing (TUT) • Post Graduate Certificate in Computer Forensics (UNISA) • BCom Honours Information Technology (UCT) • Diploma in Compliance Management (UP) • Programme in Fraud Management (RCE) • Diploma in Education, SP III • Business Management Training College of Southern Africa (BMTCSA) • Diploma in Business Management (UNISA) • Masters in Forensics (Coursework completed) (CPUT) • Masters in IT (Coursework completed) • Masters in Business Systems (coursework completed) (Wismar Hochschule University) | <ul style="list-style-type: none"> • Corporate governance • Strategic management • Monitoring the implementation of action plans • Development and implementation of risk mitigation measures • Risk management oversight • Monitoring the implementation of strategic and operational risk • Legal and information technology management • Criminal profiling and investigation; corporate investigation; compliance and fraud management. • Forensic and fraud investigation | <ul style="list-style-type: none"> • Chairperson: Department of Communication and Digital Technologies • Chairperson: Free State Department of Education • Chairperson: Gauteng Provincial Audit Committee Cluster (5) | <ul style="list-style-type: none"> • Member: Audit and Risk Committee • Member: Procurement Committee • Member: ICT Member: Audit Committee of the Department of Correctional Service • Member: Mining Qualifications Authority | 10 |

| Name | Designation (In terms of the Public Entity Board Structure) | Date appointed | Date resigned | Qualifications | Area of expertise | Board Directorships (List the entities) | Other Committees or Task Teams (e.g.: Audit committee / Ministerial task team) | No. of meetings attended |
|-------------------------------|---|-------------------|------------------|---|---|--|---|--------------------------------|
| Mr Sisa Lunga Mtwa | Non-executive director | 06/08/2021 | N/A | <ul style="list-style-type: none"> BSc (Fort Hare) BSc (Chem Eng.) (UCT) Global Executive Development Programme (GIBS) Certificate in Directorship (IoDSA) Fellow membership (IoDSA) Strategic Leadership Coaching (UCT - GSB) | <ul style="list-style-type: none"> Business leadership and direction Business strategy development and execution Business transformation and turnaround Corporate governance, risk management and compliance Engineering and technical management Management systems development Manufacturing operations management Transport and logistics business leadership Strategic leadership coaching and mentoring | <ul style="list-style-type: none"> Non-executive: Africa Rising & Leadership Practitioners Principal Member: Terbilogix cc | <ul style="list-style-type: none"> Chairperson: Safety Committee Member: Procurement Committee Member: Human Resource & Remuneration Committee | 11 |

| Name | Designation (In terms of the Public Entity Board Structure) | Date appointed | Date resigned | Qualifications | Area of expertise | Board Directorships (List the entities) | Other Committees or Task Teams (e.g.: Audit committee / Ministerial task team) | No. of meetings attended |
|--|---|-------------------|------------------|---|---|--|--|--------------------------------|
| Adv Frans Johannes Van Der Westhuizen | Non-executive director | 06/08/2020 | N/A | <ul style="list-style-type: none"> Diploma IURIS (UNISA) B.JURIS (UNISA) LLB (UNISA) | <ul style="list-style-type: none"> Adjudicator: housing disputes. Specialists Board of Enquiry | <ul style="list-style-type: none"> Chairperson: Appeals Committee South Africa Nursing Council Member: Local Committee Gauteng Liquor Board | <ul style="list-style-type: none"> Chairperson: Social and Ethics Committee Member: Human Resource and Remuneration Committee Member: Safety Committee Member: Audit and Risk Committee: Boxing South Africa | 10 |
| Ms Dineo Mathibedi | Non-executive director | 06/08/2020 | N/A | <ul style="list-style-type: none"> MBA (Regenesys Business School) Global Executive Development Program (GIBS) Advanced Diploma Organisational Development (UNISA) BSc Honours in Psychology (UNISA) Management Development Program (University of Pretoria) B Cur Degree (MEDUNSA) | <ul style="list-style-type: none"> Chartered Human Resources Professional HR Auditor Organisational Strategy Governance Strategic risk management Rewards and recognition Knowledge management Human resource management. Organisational development | <ul style="list-style-type: none"> Member: Human Resource and Remuneration Committee (ICASA) Member: Professional Registration Committee (South African Board of People Practices) | <ul style="list-style-type: none"> Chairperson: Human Resource and Remuneration Committee Member: Social and Ethics Committee | 11 |

| Name | Designation (In terms of the Public Entity Board Structure) | Date appointed | Date resigned | Qualifications | Area of expertise | Board Directorships (List the entities) | Other Committees or Task Teams (e.g.: Audit committee / Ministerial task team) | No. of meetings attended |
|---------------------------------------|---|----------------|---------------|--|---|---|---|--------------------------|
| Ms Nompumelelo Sibongile Ekeke | Non-Executive Director | 06/08/2021 | N/A | <ul style="list-style-type: none"> • Master's Degree in Disaster Management (UFS) • Advanced Diploma Disaster Management (UFS) • BEd Adult and Community Education (UJ) • BA English and Geography (UNISA) • Teachers Diploma (Transvaal Teachers College) • Diploma Human Resource and Management (Varsity College) | <ul style="list-style-type: none"> • Design and implementation of strategic planning • Communications plans; disaster management • Project management • Strategic stakeholder engagement and planning • Occupational health and safety • Training and capacity building • Development and implementation of disaster assessment and strategy • Writing research papers • Moderating academic work on the following: <ul style="list-style-type: none"> - Pre-moderation of examination papers and memorandum - Moderation of examination and special examination answer scripts | - | <ul style="list-style-type: none"> • Member: Safety Committee • Member: Social and Ethics Committee | 11 |

| Name | Designation (In terms of the Public Entity Board Structure) | Date appointed (re- appointment) | Date resigned | Qualifications | Area of expertise | Board Directorships (List the entities) | Other Committees or Task Teams (e.g.: Audit committee / Ministerial task team) | No. of meetings attended |
|------------------------|---|---|------------------|---|---|---|---|--------------------------------|
| Mr Chris De Vos | Non-executive director | 01/03/2021 (re- appointment) | N/A | <ul style="list-style-type: none"> • Certificate: Labour Relations (UP) • Advanced Labour Law Diploma (RAU) • Certificate Labour Relations Trade Unions (UP) • Diploma: Conciliation and Mediation (CCMA) | <ul style="list-style-type: none"> • Rail operations • Railway incidents investigations • Human relations • Basic Conditions of Employment Act • Labour Relations Act • Act 85 Investigations | - | <ul style="list-style-type: none"> • Member: Human Resource and Remuneration Committee • Member: Safety Committee | 11 |



| Name | Designation (In terms of the Public Entity Board Structure) | Date appointed | Date resigned | Qualifications | Area of expertise | Board Directorships (List the entities) | Other Committees or Task Teams (e.g.: Audit committee / Ministerial task team) | No. of meetings attended |
|-----------------------------|---|----------------|---------------|--|---|---|---|--------------------------|
| Mr Mkhacani Maluleke | | 19/11/2021 | | <ul style="list-style-type: none"> • Bachelor of Arts: University of the North • High Education Diploma: University of the North • Certificate: Managing integrated development for service delivery: University of Witwatersrand • Certificate: Project Management: University of Pretoria • Presidential Strategic Leadership Development programme: North-West University • Bachelor: Education and Traffic Safety: North West University • Certificate: PFMA Supply Chain Management: University of Pretoria • Master of Development and Management: North West University | <ul style="list-style-type: none"> • Labour Relations • Financial Management • Government Procurement • Oversight of Entities • Monitoring & Evaluation and Transport Safety | - | <ul style="list-style-type: none"> • Member: ICT Committee • Member: Safety Committee | 03 |

| Name | Designation (In terms of the Public Entity Board Structure) | Date appointed | Date resigned | Qualifications | Area of expertise | Board Directorships (List the entities) | Other Committees or Task Teams (e.g.: Audit committee / Ministerial task team) | No. of meetings attended |
|---------------------------|---|-------------------|------------------|--|--|---|---|--------------------------------|
| Ms Tshepo* Kgare | CEO | 01/05/2022 | N/A | <ul style="list-style-type: none"> MBA: Edinburgh Business School, UK, Certificate: Enterprise Risk Management University of Cape Town, South Africa Diploma in Road Safety Lund University, Sweden, P.G. Dip European Traffic and Transportation Nottingham Trent University, UK N. Dip Civil Engineering Vaal University of Technology, South Africa, 2000) | <ul style="list-style-type: none"> Strategic leadership: strategy formulation and execution Organisational design and performance management General management: operations, finance, and human resources Regulatory management: compliance Corporate governance Project/programme management Policy development Transport management and planning | N/A | <ul style="list-style-type: none"> Member: Human Resources and Remuneration Committee Member: Safety Committee Member: Audit and Risk Committee Member: Social and Ethics Committee | N/A |
| Mr Mmuso Seledit** | ACEO | 21/04/2021 | | <ul style="list-style-type: none"> BAcc Rhodes University CA (SA) | <ul style="list-style-type: none"> Strategy formulation and monitoring Risk Management Project Management Financial Accounting Internal and External Auditing | None | None | 11 |

*Resigned on 31 March 2023

**Acting appointment 1 April 2023

There are no alternate members of the Board.

Committees

| Committee | No. of meetings held | No. of members | Name of members |
|---------------------------------|----------------------|----------------|--|
| Audit and Risk Committee | 20/04/2022 | 04 | Margaret Phiri (Chairperson) Yongama Pamla Collen Johannes Weapond Mmuso Selaledi |
| | 19/05/2022 | 04 | Margaret Phiri (Chairperson) Yongama Pamla Collen Johannes Weapond Mmuso Selaledi |
| | 19/07/2022 | 06 | Margaret Phiri (Chairperson) Sathie Gounden Gerrit Van Wyk Yongama Pamla Collen Johannes Weapond Tshepo Kgare |
| | 22/07/2022 | 06 | Margaret Phiri (Chairperson) Sathie Gounden Gerrit Van Wyk Yongama Pamla Collen Johannes Weapond Tshepo Kgare |
| | 20/10/2022 | 06 | Margaret Phiri (Chairperson) Sathie Gounden Gerrit Van Wyk Yongama Pamla Collen Johannes Weapond Tshepo Kgare |
| | 8/11/2022 | 06 | Margaret Phiri (Chairperson) Sathie Gounden Gerrit Van Wyk Yongama Pamla Collen Johannes Weapond |
| | 19/01/2023 | 06 | Margaret Phiri (Chairperson) Sathie Gounden Gerrit Van Wyk Yongama Pamla Collen Johannes Weapond Tshepo Kgare |

| Committee | No. of meetings held | No. of members | Name of members |
|-------------------------------------|----------------------|----------------|---|
| Human Resource and Committee | 14/04/2022 | 05 | Dineo Mathibedi (Chairperson) Chris De Vos Sisa Lunga Mtwla Frans Van Der Westhuizen Mmuso Selaledi |
| | 15/05/2022 | 05 | Dineo Mathibedi (Chairperson) Chris De Vos Sisa Lunga Mtwla Frans Van Der Westhuizen Tshepo Kgare |
| | 15/07/2022 | 05 | Dineo Mathibedi (Chairperson) Chris De Vos Sisa Lunga Mtwla Frans Van Der Westhuizen Tshepo Kgare |
| | 14/10/2022 | 05 | Dineo Mathibedi (Chairperson) Chris De Vos Sisa Lunga Mtwla Frans Van Der Westhuizen Mmuso Selaledi |
| | 13/01/2023 | 05 | Dineo Mathibedi (Chairperson) Chris De Vos Sisa Lunga Mtwla Frans Van Der Westhuizen Tshepo Kgare |
| | 02/02/2023 | 05 | Dineo Mathibedi (Chairperson) Chris De Vos Sisa Lunga Mtwla Frans Van Der Westhuizen Tshepo Kgare |
| | 28/02/2023 | 05 | Dineo Mathibedi (Chairperson) Chris De Vos Sisa Lunga Mtwla Frans Van Der Westhuizen Tshepo Kgare |
| | 09/03/2023 | 05 | Dineo Mathibedi (Chairperson) Chris De Vos Sisa Lunga Mtwla Tshepo Kgare |
| | 18/04/2023 | 05 | Dineo Mathibedi (Chairperson) Chris De Vos Sisa Lunga Mtwla Frans Van Der Westhuizen Tshepo Kgare |

| Committee | No. of meetings held | No. of members | Name of members |
|------------------|----------------------|----------------|---|
| Safety Committee | 19/04/2022 | 5 | Sisa Lunga Mtwla (Chairperson) Chris De Vos Nompumelelo Ekeke Frans Van Der Westhuizen Mmuso Sealedi |
| | 18/07/2022 | 5 | Sisa Lunga Mtwla (Chairperson) Frans Van Der Westhuizen Nompumelelo Ekeke Chris De Vos Mkhacani Maluleke Tshepo Kgare |
| | 17/10/2022 | 5 | Sisa Lunga Mtwla (Chairperson) Frans Van Der Westhuizen Nompumelelo Ekeke Chris De Vos Mkhacani Maluleke Tshepo Kgare |
| | 17/01/2023 | 5 | Sisa Lunga Mtwla (Chairperson) Frans Van Der Westhuizen Nompumelelo Ekeke Chris De Vos Mkhacani Maluleke Tshepo Kgare |
| | 20/03/2023 | 5 | Sisa Lunga Mtwla (Chairperson) Frans Van Der Westhuizen Nompumelelo Ekeke Chris De Vos Mkhacani Maluleke Tshepo Kgare |
| | 27/03/2023 | 5 | Sisa Lunga Mtwla (Chairperson) Frans Van Der Westhuizen Nompumelelo Ekeke Chris De Vos Mkhacani Maluleke Tshepo Kgare |
| | 14/04/2023 | 5 | Sisa Lunga Mtwla (Chairperson) Frans Van Der Westhuizen Nompumelelo Ekeke Chris De Vos Mkhacani Maluleke Mmuso Sealedi |

| Committee | No. of meetings held | No. of members | Name of members |
|---------------|----------------------|----------------|---|
| ICT Committee | 08/04/2022 | 5 | Annah Badimo (Chairperson) Denisha Jairum Collen Johannes Weapond Mmuso Sealedi |
| | 26/07/2022 | 5 | Annah Badimo (Chairperson) Denisha Jairum Mkhacani Maluleke Collen Johannes Weapond Tshepo Kgare |
| | 24/10/2022 | 5 | Annah Badimo (Chairperson) Denisha Jairum Mkhacani Maluleke Collen Johannes Weapond Tshepo Kgare |
| | 13/12/2022 | 5 | Annah Badimo (Chairperson) Denisha Jairum Mkhacani Maluleke Collen Johannes Weapond Tshepo Kgare |
| | 16/01/2023 | 5 | Annah Badimo (Chairperson) Denisha Jairum Mkhacani Maluleke Collen Johannes Weapond Tshepo Kgare |
| | 27/03/2023 | 5 | Annah Badimo (Chairperson) Denisha Jairum Mkhacani Maluleke Collen Johannes Weapond Mmuso Sealedi |
| | 13/04/2023 | 5 | Annah Badimo (Chairperson) Denisha Jairum Mkhacani Maluleke Collen Johannes Weapond Mmuso Sealedi |

| Committee | No. of meetings held | No. of members | Name of members |
|------------------------------------|----------------------|----------------|---|
| Social and Ethics Committee | 12/04/2022 | 5 | Frans Van Der Westhuizen (Chairperson) Yongama Pamla Dineo Mathibedi Mpumi Ekeke Mmuso Selaledi |
| | 28/09/2022 | 5 | Frans Van Der Westhuizen (Chairperson) Yongama Pamla Dineo Mathibedi Mpumi Ekeke Tshepo Kgare |
| | 29/03/2023 | 5 | Frans Van Der Westhuizen (Chairperson) Yongama Pamla Dineo Mathibedi Mpumi Ekeke Tshepo Kgare |
| | 19/04/2023 | 5 | Frans Van Der Westhuizen (Chairperson) Yongama Pamla Dineo Mathibedi Mpumi Ekeke Mmuso Selaledi |

| Committee | No. of meetings held | No. of members | Name of members |
|------------------------------|----------------------|----------------|---|
| Procurement Committee | 17/03/2023 | 4 | Yongama Pamla (Chairperson) Collen Johannes Weapond Sisa Lunga Mtwā Tshepo Kgare |
| | 24/03/2023 | 4 | Yongama Pamla (Chairperson) Collen Johannes Weapond Sisa Lunga Mtwā Mmuso Selaledi |

Remuneration of Board Members

How Board members' remuneration is determined

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

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

The following members are not remunerated:

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

| Name | Remuneration | Other allowance | Other re-imbursments | Total |
|---------------------------------------|------------------|-----------------|----------------------|------------------|
| Mr Boy Johannes Nobunga (Chairperson) | 743 535 | 18 000 | 29 020 | 790 555 |
| Ms Yongama Pamla (Deputy Chairperson) | 325 947 | 18 000 | 3 706 | 347 653 |
| Mr Chris de Vos | 343 613 | 18 000 | 22 235 | 383 848 |
| Ms Dineo Mathibedi | 284 926 | 18 000 | 3 546 | 306 472 |
| Adv Frans Van Der Westhuizen | 326 725 | 18 000 | 3 425 | 348 150 |
| Adv Collen Johannes Weapond | 261 894 | 18 000 | 2 306 | 282 200 |
| Mr Sisa Lunga Mtwana | 320 269 | 18 000 | 375 | 338 644 |
| Ms Nompumelelo Ekeke | 281 347 | 18 000 | 2 345 | 301 692 |
| Mr Godfrey Maluleke | - | - | - | - |
| TOTAL | 2 888 256 | 144 000 | 66 958 | 3 099 214 |

Risk Management

The RSR is a Public Finance Management Act (PFMA) Schedule 3A Public Entity, and therefore complies with the requirements of the Act. In compliance with the PFMA requirement, the RSR has approved an Enterprise Risk Management (ERM) Framework which comprises of the Risk Management Policy and Strategy for the Regulator.

The ERM Framework outlines roles and responsibilities for risk identification, assessment and the overall risk management process. Strategic and operational risks are identified, assessed and reviewed annually with the involvement of all relevant stakeholders. Operational risks are assessed on an annual basis and monitored quarterly. Risk management is fully embedded in the processes of the RSR and plays a critical role in decision making.

Responsibilities of Audit and Risk Committee

The Audit and Risk Committee (ARC) is an independent function of the Board, delegated with the responsibility to provide oversight on risk management processes, and significant risks facing the RSR. The ARC is regulated by approved Charter aligned with the PFMA requirements and has complied with its responsibilities arising from section 51(1)(a)(ii) of the PFMA along with Treasury regulation 27.1.

Integrated Risk Management

The Board bears the overall responsibility of governance for risk management implemented through effective leadership. Management is accountable to the Board for design, implementation and continuous monitoring of risk management and integration of risk process into daily operations.

The RSR has implemented an integrated risk management strategy through which it ensures risks and opportunities are identified and monitored on an ongoing basis.

Governance of Risk Management

The Board has established the Audit and Risk Committee (ARC) to oversee risks associated with the RSR. The Risk Management Unit reports to the ARC on the management of risks and advises management on best practices and including monitoring the progress on the implementation of planned mitigations as a form of assurance towards the RSR's management of risks.

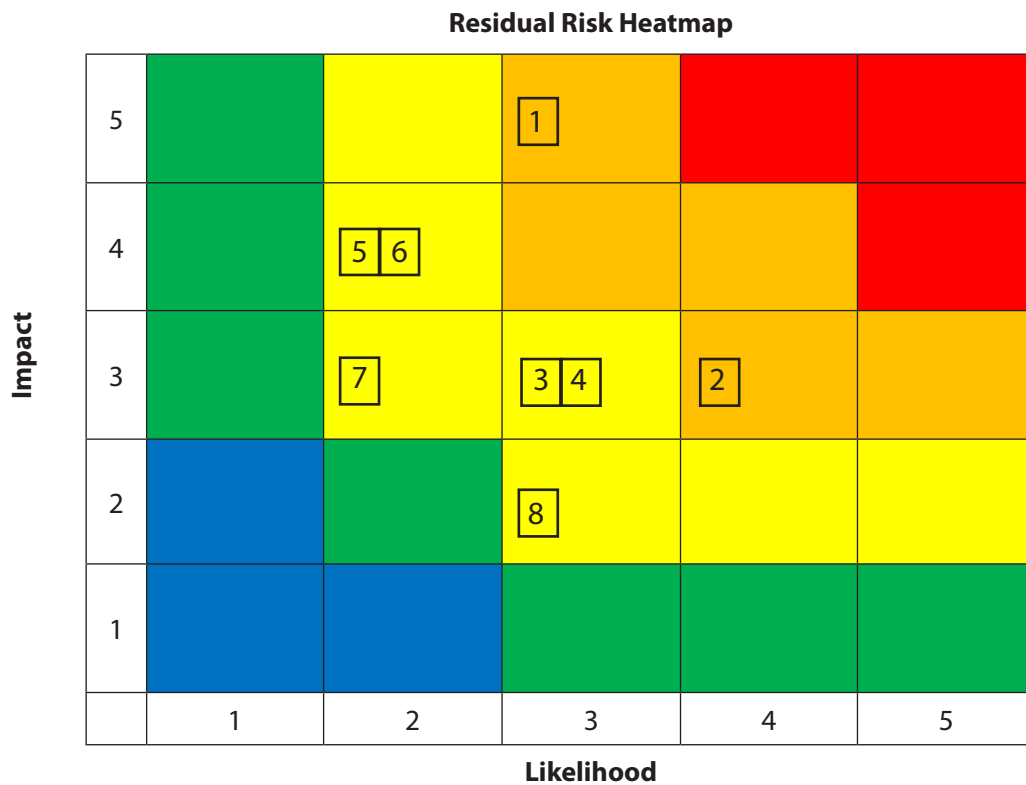
The ARC has reviewed the strategic, operational, business continuity, project-specific, including new and emerging risks. The committee further satisfies itself of the implementation of mitigation plans employed to ensure that risks are within the organisation's tolerable levels.

Strategic Risks

Strategic risks during the 2022/23 financial year faced by the RSR are as follows:

| No. | Risks detail |
|-----|---|
| 1. | Cyber security vulnerability – Hackers may gain access to the RSR systems and corrupt data or share inappropriate operators’ information. |
| 2. | Inaccurate and incomplete safety information – The National Information Management System (NIMS) may have design faults, be inaccessible or data inputted on NIMS by operators may be incomplete or inaccurate resulting in non-compliance with the requirements of the RSR Act. |
| 3. | Interruption of RSR business activities – Events might occur resulting in business disruptions for the RSR. |
| 4. | Inadequate regulatory framework and competencies – The RSR implementing an incomplete, inconsistent, or incoherent mix of regulations, determinations, standards, or protocols. |
| 5. | Lack of independence – The RSR may fail to fully utilise its regulatory instruments and authority due to internal inefficiencies, political interferences from or familiarity with operators. |
| 6. | Loss of key skilled personnel – The RSR may struggle to effectively execute its mandate due to the departure of key personnel. |
| 7. | Financial sustainability – The financial position may deteriorate to the extent that the RSR is unable to continue as a going concern, unable to render regulatory services or unable to pay salaries and creditors. |
| 8. | Inadequate stakeholders buy-in and support (RSR initiatives) – The RSR initiatives may experience poor attendance, repeated objections or receive an insufficient number of public comments thereby diminishing their value or delaying their implementation. |

The Strategic risks are plotted as follows on the residual risk heatmap:



Business Continuity Management (BCM)

Business Continuity Management (BCM) Oversight

The RSR has established the Occupational Health & Safety and Business Continuity Management (OHSBCM) Committee regulated by the approved terms of references to assist in ensuring that Business Continuity and health & safety matters are attended to effectively. The Committee successfully held its four (4) quarterly meetings and reviewed the BCMS which included the development of BCMS plans.

ISO 22301:2019 BCMS Certification

The RSR is undergoing the process of being ISO 22301:2019 BCMS certified. The stage 1 audit of the ISO 22301 Business Continuity Management System certification was successfully conducted and subsequently recommended for a stage 2 certification audit.

Internal controls

Combined Assurance

In line with the provisions of KING IV report on Corporate Governance, the RSR has adopted a combined assurance model that incorporates and optimizes all assurance providers and functions so that, taken as a whole, it enables an effective control environment; support the integrity of information used for internal decision making by management, the governing body and its committees.

The RSR has developed a Combined Assurance framework, through which management has adopted a five (5) level of defence approach with assurance being provided by management, risk management, internal and external audit as well as the Audit and Risk Committee. The assurance providers ensure provision of assurance on the implementation of strategies to mitigate against the risks and assess the effectiveness for assurance to EXCO and ARC. To date, this approach has resulted in close monitoring of significant risks in the organisation by different assurance providers working towards a common goal.

During the year under review, a combined assurance model was compiled from risk analysis performance translated into the strategic risk register. The combined assurance model for the RSR focused on high-risk areas and the related assurance to be provided by line management, risk management, internal audit, external audit, and other regulatory assurance providers. All efforts by the different assurance providers were co-ordinated and these enabled management to assign resources efficiently to mitigate the risks to an acceptable level.

The effectiveness of internal control

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

For the period under review, the Risk Management Unit has successfully developed and conducted a Control Self-Assessment with the focus on key controls within the RSR.

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

Internal Audit and Audit Committees

The RSR has established an in-house Internal Audit Activity (Department) under the direction of the Chief Audit Executive. The department has provided the RSR with value-added services to support the achievement of financial, compliance, environmental, operational and performance objectives. The Audit and Risk Committee has approved and successfully monitored the implementation of the 2022/23 Internal Audit Plan that included the following planned internal audit reviews:

1. Annual Financial Statements Review
2. Annual Performance Review
3. OHS and Facilities
4. Performance Management (Contracting)
5. Performance Management (Incentives)
6. Management of MOUs
7. Legislative Compliance (Legislative) including POPIA
8. Stakeholder Management
9. Litigation and Penalty Management
10. Audits, Inspections and Directives
11. Management of Consultants
12. Physical and Environmental controls Review (Data Centre and Server Room)
13. Management of Safety information
14. Permit Management
15. Contract Management
16. Leave Management
17. Audit of Performance Information (Q1-Q2) and (Q3)
18. Risk Management
19. Call Centre/IT Service/Helpdesk management review
20. Documents/Records Management
21. Planning Review
22. Budget, Revenue and Expenditure Management
23. Business Continuity & Disaster Recovery Management
24. Application & General Controls Review
25. Supply Chain Management (SCM) and Deviations Review
26. Asset Management
27. IT Governance
28. IT Security
29. Data and Information Management

Key activities and objectives of the Audit and Risk Committee

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

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

| Name | Qualifications | Internal or external | If internal, position in the public entity | Date appointed | Date resigned | No. of meetings attended |
|---------------------------|---|----------------------|--|----------------|---------------|--------------------------|
| Margaret Phiri | <ul style="list-style-type: none"> BCom. Accounting CTA/BCompt Honours Chartered Accountant Registered auditor and Registered tax practitioner | External | No | 01/05/2020 | Active | 8 |
| Ms Yongama Pamla | <ul style="list-style-type: none"> Chartered Accountant (South Africa) Postgraduate Diploma in Accounting Postgraduate Diploma in Management (Financial Accounting) Bachelor of Commerce | Board Member | No | 06/08/2020 | Active | 8 |
| Adv Collen Weapond | <ul style="list-style-type: none"> MTech Information Technology (Cape Peninsula University of Technology) Current. Master's in Business Systems (Wismar University of Germany) BCom Honours Information Technology (UCT) MTech Forensic Investigation (UNISA) Bachelor of Laws (LLB) (UNISA) BTech (Policing and Investigation) Tshwane University of Technology Diploma Business Management (Business Management Training College) Certificate Policing (Tshwane University of Technology) Certificate in Leadership Development (WITS) | Board Member | No | 06/08/2020 | Active | 8 |

Compliance with laws and regulations

The Board is committed to advance and maintain a strong compliance management capability and culture. The Board regularly reviews compliance related matters including policies and procedures, ensuring a holistic view of compliance management across the RSR. The organisation strives in doing the right thing in the right way in a timely, inclusive, open, and accountable manner to promote good governance.

The Audit and Risk Committee is assigned with a responsibility for overseeing risk management and to enforce and monitor compliance to ensure that monitoring behaviour is persistent.

The role played by the Compliance function as mandated by the Committee is to ensure that the organisation supports the business activities in their duty to comply with relevant laws, regulations, and internal controls. This is accomplished by identifying, mitigating, continually monitoring and reporting on the operational effectiveness of the internal controls.

The organisation's compliance function performed and covered the following areas;

- Maintaining the Legislative requirements register
- Managing the Policy developments highlights
- Manage the Policy Compliance Review
- Facilitate the ISO 9001: 2015 is a Quality Management System (QMS)
- Maintain Records Management System

Legislative Compliance Register

Legislative Compliance is one of the fundamental requirements of the organisations processes to ensure compliance to all legal prescripts. The RSR demonstrated adherence to the compliance with applicable laws and regulations by ensuring effective implementation, meaning that all approved policies and procedures have been/are aligned with the relevant legislations.

Furthermore, an important proactive measure is applied by the organisation, by ensuring that all approved policies are workshopped to employees effectively, to enable them to understand their roles and responsibilities and thus incorporate compliance as part of their daily functions and business activities.

Improving compliance with related or relevant legislation is one of the key areas of focus for the RSR. This is done through continuous monitoring of the Legislative Matrix and continued implementation of various interventions aimed at ensuring that the RSR deals effectively with the growing trend of non-compliance and non-adherence to the existing legislative and regulations. Subsequently the RSR has successfully achieved a 100% compliant status for the Legislative Matrix for the year under review.

Policy development

The RSR understands the importance of regularly reviewing the policies. It also ensures that policies are consistently up to date with the latest regulations and industry best practices.

During the reporting period under review, the following policies were approved:

| Policies | Status |
|---|-----------------------|
| Occurrence Investigation Policy | Reviewed and approved |
| Injury on Duty Policy | Reviewed and approved |
| Audit and Inspection Policy | Reviewed and approved |
| Code of Ethics Policy | Reviewed and approved |
| Conditions of Service Policy | Reviewed and approved |
| Disciplinary Policy | Reviewed and approved |
| Education Training and Development Policy | Reviewed and approved |
| Financial Delegations of Authority | Reviewed and approved |
| Guidelines for development of Operational Plans | Reviewed and approved |
| Labour Relations Policy | Reviewed and approved |
| Media and Communications Policy | Reviewed and approved |
| Overtime Policy | Reviewed and approved |
| Resettlement Policy | Reviewed and approved |
| Project Management Policy | Reviewed and approved |
| Safety Compliance Policy | Reviewed and approved |
| Sexual Harassment Policy | Reviewed and approved |
| Travel and Substance Policy | Reviewed and approved |
| Guideline for Managing Performance Information | Reviewed and approved |

Policy Compliance

Furthermore, the RSR has closely looked at reviewing compliance on all the approved policies per business units. The purpose is to identify compliance risks issues using the compliance review checklist.

Continuous monitoring is one of the RSR's cornerstones and it will continue to intensify its risk management processes by working collaboratively with business units. This process provides management with information on key performance matrices in close to real-time, allowing them to have better insight into issues as they arise.

The policies below were successfully reviewed for compliance during the 2022/23 financial year:

- Project Management Policy;
- Smoking Policy;
- Internship Guidelines;
- Audit and Inspection Policy;
- Business Continuity Management Policy;
- Asset Management Policy;
- Information Security Policy;
- Loss Control Terms of Reference;
- Occurrence Investigation Policy;
- Bank Card Policy;
- Bursary Policy; and
- Substance Abuse Policy.

ISO 9001: 2015 Quality Management System (QMS)

The ISO is an international body that sets standards in a range of industrial, commercial, and other areas. During the year under review, the RSR has gone through a process of obtaining the ISO 9001:2015 which is the Quality Management System (QMS) certification. The standard is intended to promote monitoring and enforcement of railway safety compliance and performance within the railway safety sector of South Africa.

The Stage one Certification audit was conducted during the year under review, of which the organisation has successfully attained the certification of registration. The second phase is underway with anticipation to conclude the process in the next financial year.

Records management

The RSR continues to adhere to the National Archives and Records Service Act. This is done by ensuring that

activities and functions are documented to provide adequate evidence of compliance and to ensure compliance with the provisions of the promotion of the Administrative Justice Act (Act No. 2 of 2002). The provisions require that organisations ensure that administrative action is lawful, reasonable, fair, and properly documented.

During the 2022/23 financial year, the RSR successfully obtained a standing disposal authority from the National Archives and Records Services of South Africa. A disposal authority is a written authority issued by the National Archivist specifying records to be transferred into archival custody or specifying records to be disposed of otherwise. In line with the disposal authority the RSR will dispose of its records according to its determined retention periods.

Fraud and corruption

The RSR has developed a Fraud and Corruption Prevention Framework which outlines the governance of fraud and corruption matters. The Fraud and Corruption Framework includes the protected disclosure assurance by the organisation in line with the responsibility that the RSR bears in terms of the Protected Disclosures Act 26 of 2000 to ensure the protection of whistle blowers and all employees who report fraud and corruption activities at the RSR. The Fraud and Corruption Prevention Framework further outlines processes such as identification and reporting of fraud and corruption in the RSR.

In addition, the RSR has an ethics whistleblowing hotline, which is independent to the organisation and reports directly to the Audit and Risk Committee. The purpose is to ensure and guarantee anonymity of the person reporting suspected fraud related issues. No fraud and corruption cases were reported during the period under review.

2022/23 Fraud Prevention Plan

The Fraud and Corruption Plan is developed annually to action provisions of the Fraud and Corruption Framework. During the period under review, the following activities of the approved Fraud and Prevention Plan were implemented:

| No. | Activity | Frequency |
|-----|---|-------------|
| 1. | Annual staff independence declaration | Bi-Annually |
| 2. | Annual Board Independence declaration | Annually |
| 3. | Maintenance of register of gifts and donations | Ongoing |
| 4. | Vetting and security clearance for applicable employees | Ongoing |
| 5. | Fraud questionnaire | Annually |
| 6. | Fraud tests and audit procedures | Annually |
| 7. | Fraud awareness workshops | Ongoing |
| 8. | Fraud risk assessments | Quarterly |
| 9. | Monitoring of whistleblowing hotline and investigation of reported matters. | Ongoing |
| 10. | Investigation of matters referred to Security Department | Ongoing |

Minimising conflict of interest

A conflict occurs when a person's or entity's vested interests raise a question of whether their actions, judgment, and/or decision-making can be unbiased. The RSR endeavours to mitigate conflict of interest by avoiding it.

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

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

Code of conduct

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

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

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

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

Health, Safety and Environmental issues

The management of Occupational Health and Safety (OHS) risks, and the implementation of controls remain crucial and integral to the activities of the RSR. The RSR further continues to support and ensure compliance to the OHS legislative framework, by facilitating the integration of these legislations into the Railway Safety Regulatory Framework.



During the 2022/23 FY, the following milestones were achieved:

Policy Development and Implementation

Medical Surveillance Policy

As part of ensuring compliance with the Occupational Health and Safety Act, 85 of 1993 (OHSA) and its Regulation, and RSR OHS policy, RSR conducted a health risk assessment and developed medical surveillance policy which was approved during the year under review.

Implementing of the Medical Surveillance Programme

In efforts to implement the medical surveillance Policy, RSR has appointed the service provider to conduct the medical surveillance examination and has also established medical surveillance working group to ensure that there is an effective implementation of the programme.

Furthermore, the policy considered the health risk assessment that was conducted in all job categories of the RSR, the assessment considered the risk exposures. Mitigating factors were then incorporated into the Medical Surveillance Policy. In the implementation of the approved Medical Surveillance Policy, (83)

identified positions on the RSR organisational structure applicable for medical surveillance, seventy-nine (79) examinations have been conducted to date.

Emergency Preparedness Procedure

Emergency simulation exercises were conducted across the RSR offices to test the effectiveness of the emergency plans and procedures. The emergency plans and procedures were found to be effective and were adhered to during simulations. The simulations considered a variety of emergency scenarios.

OHS Governance Structures

OHS and BCM Committee

The RSR merged the Occupational Health and Safety (OHS) and Business Continuity Management (BCM) committee to monitor, maintain and exercise operational authority on the implementation of provisions of the RSR's Occupational Health and Safety Policy and the Business Continuity Management System. The committee has successfully held its four planned meetings for the Financial Year.

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



Conducted compliance audit assessment

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

| LEVEL OF COMPLIANCE | | |
|---------------------|---------|---------|
| 2020/21 | 2021/22 | 2022/23 |
| 94% | 98.5% | 100% |

The RSR continuously monitor compliance and corrective measures are implemented to ensure full compliance with the Occupational Health and Safety Act.

Company secretary

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

Social responsibility

The RSR held its Mandela Day activity on 18 July 2022 at the Tshepang Care Centre in Tembisa. The centre takes care of approximately 500 children, 15 of which are orphans and stay at the centre. The remaining are kids from underprivileged families, who receive a meal from the centre daily. On the day, the RSR, which was joined by the DoT; PRASA; SACAA and other NGOs donated 70 blankets, 70 foam mattresses and 70 food parcels. The RSR further donated an additional 100 parcels at an event that was hosted by the Road Accident Fund and DoT, also on the same day.

Audit and Risk Committee report

The Audit and Risk Committee (ARC) is pleased to present the report for the financial year ended 31 March 2023.

Responsibilities of Audit and Risk Committee

The Audit and Risk Committee has complied with its responsibilities arising from Section 51(1) (a) (ii) of the Public Finance Management Act (PFMA) and the National Treasury Regulations, paragraph 27.1.

The Audit and Risk Committee also adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The Effectiveness of Internal Controls

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

From the Committee's review of the reports of the Internal Auditors, the Audit and Management Reports from the AGSA, it can be concluded that the system of internal control as applied over financial and non-financial matters and enterprise risk management and governance at the RSR are generally satisfactory.

The effectiveness of the Internal Audit Function

The Committee reviewed and approved the 2022/23 Internal Audit Charter. The Committee approved the Internal Audit Plan with twenty seven(27) planned audits. The Committee evaluated the independence, effectiveness and performance of the internal audit function and compliance with its mandate. The Committee is satisfied with the level of independence and effectiveness of internal audit function.

Enterprise Risk Management

The Committee considers reports on the effectiveness of risk management activities. A strategic and operational risk assessment for the year under review was conducted. The Audit Committee has reviewed the risk registers on a quarterly basis. The Committee ensure that the assurance functions of management, internal and external audit are sufficiently integrated. The Committee is satisfied with the risk management processes and the level of risk maturity within the RSR.

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

The Committee is satisfied that the RSR has established appropriate financial reporting procedures for quarterly reporting. Consequently, the Committee is satisfied with the quality of the In-year Management and Monthly/Quarterly Report.

Evaluation of Financial Statements

The Committee reviewed the Annual Financial Statements prepared by the public entity.

Auditor's Report

The Committee has reviewed the public entity's implementation plan for audit issues raised in the prior year and were satisfied that the matters have been adequately resolved

The Committee met with the AGSA to ensure that there were no unresolved issues that emanated from the regulatory audit.

Corrective actions on the detailed findings raised by the AGSA will continue to be monitored by the Audit and Risk Committee.

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

Appreciation

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



Ms Margaret Phiri CA(SA)

CHAIRPERSON: AUDIT AND RISK COMMITTEE

Broad-Based Black Economic Empowerment Compliance Performance Information

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

| | |
|--|---|
| Name of sphere of government / Public entity / Organ of state: | The Railway Safety Regulator |
| Registration number (If applicable): | Not Applicable |
| Physical address: | Building 4, Waterfall Point Office Park, Cnr. Waterfall and Woodmead Drive, Waterfall City, Midrand, 1685 |
| Type of sphere of government / Public entity / Organ of state: | Regulation |
| Organisation industry / Sector | Transportation sector |

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

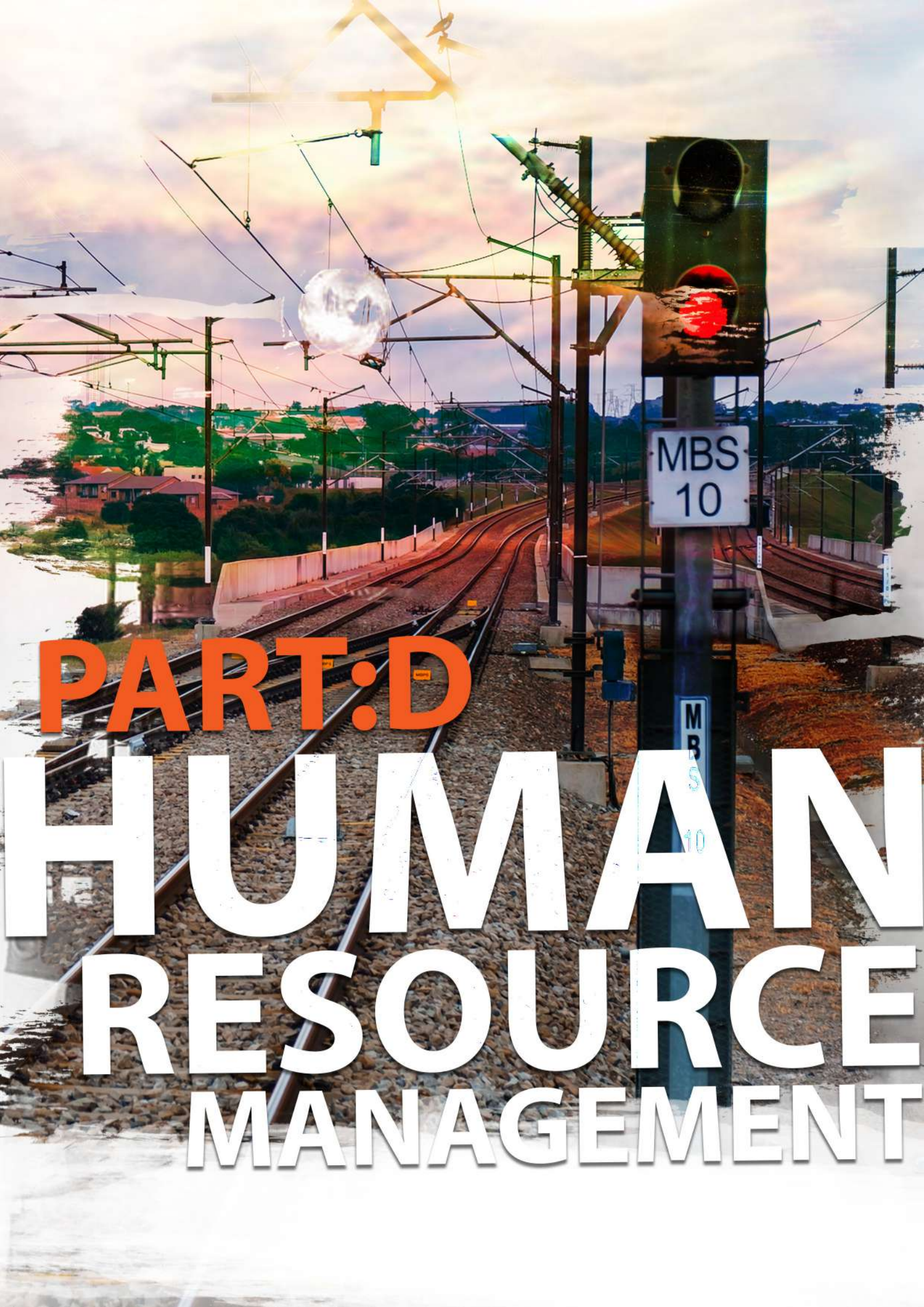
APPROVED BY:



Ms Nompumelelo Ekeke

CHAIRPERSON: RSR BOARD OF DIRECTORS





PART:D

HUMAN RESOURCE MANAGEMENT

Introduction

The Human Resources department provides advice and support to the organisation on human resources-related issues.

Overview of matters

Within this framework, the department developed and implemented effective human resources management processes to cultivate leadership and create a learning organisation that values the importance of its employees, service delivery and empowering people for operational excellence. The following provides an overview of the core functions of the department:

- Employee relations, including labour relations management and employee wellness.
- Employee administration, including recruitment, employee development, succession planning and performance management.
- Employee services, including payroll administration and the management remuneration and employee benefits.
- Communicate key human resource decisions to ensure consistent service delivery.
- Ensure alignment of the HR strategy with the RSR strategic objectives.
- Develop and build effective relationships with internal and external stakeholders in order to encourage the integration of HR best practices into business planning.
- Ensure integrity of RSR personnel records.

HR priorities

RSR Organisational Structure

During the period under review, the RSR finalised the implementation of the Organisational structure, and the following activities were achieved:

- a) Redeployment of employees
- b) Approval and implementation of Job Evaluation outcome.
- c) Appointment of acting employees to the strategic vacant positions
- d) Appointment of ten (10) employees during the period (*Internal and external appointments*)

Workforce planning framework

Talent Management

The Talent Management process that involves Phase 2 that includes the Support departments of the RSR was concluded towards the end of quarter 3 of the financial period. The assessment outcomes were presented to the Management and subsequently to the individual employees as a feedback process.

The feedback was communicated with both strengths and weaknesses to all employees and taking into consideration the employees job requirements. This also entails the hard and soft skills that employees have. The Talent Management will be in the new financial year by incorporating it with learning and development and also succession planning strategy.

Employee Value Proposition (EVP)

The EVP and RSR Employer Brand are interlinked and interdependent. RSR's employer brand is aimed at clearly outlining with the EVP to provide current and potential employees with a sense of what RSR stands for as an organisation, and how its philosophy is embodied in how it operates.

The EVP further intentionally consolidates and projects what is deemed as its value proposition for the attraction, development, and retention of the human resources that is required for the delivery of the strategic objectives and mandate. The proposed EVP contains EVP stations that will outline the various aspects of the EVP and the implications on policies that are in place and those to be developed as detailed in the attached report.

Below is a list of the EVP stations as proposed in the EVP. The above-mentioned aspects are classified as EVP stations that have specific significance to the HR value chain:

1. Flexible Working Conditions
2. Communication
3. Work Environment
4. Skills Development
5. Recognition
6. Remuneration
7. Benefits
8. Careers
9. Wellbeing
10. Culture

The EVP stations as mentioned above have an impact on the various HR process and contribute to the overall HR value chain and require a policy position that will effectively allow for the implementation of the value proposition.

Employee performance management framework

The employee Performance Management has been greatly improved in line with achieving an excellent organisation, the introduction of subcommittee for job levels below management to enable line

managers to give practical moderation and help eliminate queries. The plan for the 2023/24 financial period to move from Paper based to Electronic Performance Management system that will eliminate human error and create a seamless linkage with the Talent management strategy.

Employee wellness programme

The Employee Wellness has made great strides in the financial period by appointing a suitable service provider to be available for all RSR employees 24/7 - 365 days.

The year under review had several activities held on all RSR offices by the Human Resources through its Employee Wellness service provider to achieve a healthy workforce and this has proven to be a proactive engagement to assist employees take measures necessary towards maintenance of Healthy RSR employee beyond the workplace.

Policy development

Institutional Governance

The RSR reviewed a number of policies governing the department and amongst those are the improved Conditions of Service that caters for an aligned governance against the set Strategic direction of the organisation. Several SOP's have been updated to keep up to date with both gaps identified during implementation as well as ensuring legislative compliance is adhered to. The following policies were revised during the period:

- Acting Policy
- Bursary Policy
- Conditions of Service
- Disciplinary Policy
- Education, Training and Development Policy
- Labour Relations Policy
- Leave Administration Policy
- Overtime Policy
- Resettlement Policy
- Sexual Harassment Policy
- Work from Home Policy

Achievements

Employee Value Proposition

The EVP was conducted as a yardstick to compare the organisation's current offering with the external market to gain an understanding of the current processes to determine relevancy and explore the things that makes the organisation exceptional. The process entailed the intrinsic and extrinsic factors at the RSR that affect the employees daily.

The process looked at the following activities:

- a) Rewards and Benefits regime
- b) Performance Management regime
- c) Change Management processes.

Training and Development

The approved Training Plan for 2022/2023 was implemented fully. A total of 91 employees undertook training on staff development during the 2022/23 financial year.

Internal and External Bursaries

As part of the RSR's contribution to the National Development Plan priority of developing a capable state, the organisation has awarded internal bursaries to 20 staff members to the value of R814 194 and external bursaries to 25 students to the value of R1 611 346.

Voluntary Severance Package (VSP)

During the 2018/19 financial year, the organisation developed a Financial Sustainability Plan that included an intervention that the organisation will not exceed the 60% threshold it set for itself on the Cost of Employment (COE). One of the interventions to manage this target is to implement the Voluntary Severance Package procedure, based on availability of funds. Upon opening the VSP process in 2022/23 FY, four (4) staff members opted to apply, and these applications were consequently approved, and the employees will be leaving in the new financial year.

Challenges

The lack of footprint in the regional offices that would enable quicker attendance of HR related matters, offer advice and support without the need for Head Office interaction.

Aligning all HR functions/disciplines to be recognised in line with the HRBPP standards.

Future plans

The Human Resources is planning to move into an HR Business partner model organisational structure, that enables a one stop shop for all Human Resources needs in the organisation.

Human Resource oversight statistics

Personnel cost by programme/ activity/ objective

| Department/ Region | Total Expenditure for the entity | Personnel Expenditure | Personnel exp. as a % of total exp. | No. of employees | Average personnel cost per employee |
|--|--|--------------------------|---|---------------------|--|
| OCEO | 11 041 432 | 6 853 638 | 3% | 3 | 2 284 546 |
| Company Secretary | 7 315 960 | 1 347 772 | 1% | 2 | 673 886 |
| OCOO | 3 908 545 | 1 421 091 | 1% | 3 | 473 697 |
| <i>Central Region</i> | 20 925 802 | 20 352 536 | 8% | 16 | 1 272 034 |
| <i>Coastal Region</i> | 13 604 550 | 12 542 766 | 5% | 12 | 1 045 230 |
| <i>Eastern Region</i> | 13 266 954 | 12 669 782 | 5% | 14 | 904 984 |
| <i>Research & Technical Skills Development</i> | 18 649 200 | 18 034 335 | 7% | 12 | 1 502 861 |
| <i>Safety Management</i> | 16 604 793 | 13 876 855 | 5% | 12 | 1 156 405 |
| <i>Safety Permit Management</i> | 11 595 634 | 10 577 792 | 4% | 10 | 1 057 779 |
| Finance | 59 782 666 | 22 785 459 | 8% | 30 | 759 515 |
| Human Resources | 16 686 567 | 5 763 365 | 2% | 7 | 823 338 |
| Internal Audit | 7 197 163 | 4 995 724 | 2% | 6 | 832 621 |
| Legal Services | 11 316 973 | 6 222 787 | 2% | 6 | 1 037 131 |
| Media and Communications | 26 648 373 | 11 111 338 | 4% | 12 | 925 945 |
| Risk & Strategy | 12 488 681 | 9 999 274 | 4% | 9 | 1 111 030 |
| Systems and ICT | 17 505 748 | 7 261 875 | 3% | 10 | 726 187 |
| Total | 268 539 039 | 165 816 389 | 62% | 164 | 1 011 076 |

Personnel cost by salary band

| Level | Personnel expenditure | % of personnel expenditure to total personnel cost | No. of employees | Average personnel cost per employee |
|---|--------------------------|---|---------------------|---|
| Top Management | 4 534 286 | 2.7% | 1 | 4 534 286 |
| Senior Management | 29 227 600 | 17.6% | 14 | 2 087 686 |
| Professionally qualified and experienced | 87 771 517 | 52.9% | 68 | 1 290 758 |
| Skilled technical and academically qualified workers | 38 438 022 | 23.2% | 55 | 698 873 |
| Semi-skilled | 5 844 964 | 3.5% | 26 | 224 806 |
| Unskilled | 0 | 0 | 0 | 0 |
| TOTAL | 165 816 389 | 100% | 164 | 1 011 076 |

Performance Rewards

| Level | Performance rewards | Personnel expenditure | Percentage of performance rewards to total personnel cost |
|--|---------------------|-----------------------|---|
| Top Management | 303 216 | 4 534 286 | 6.7% |
| Senior Management | 2 125 681 | 29 227 600 | 7.3% |
| Professionally qualified and experienced | 5 495 774 | 87 771 517 | 6.3% |
| Skilled technical and academically qualified workers | 2 361 920 | 38 438 022 | 6.1% |
| Semi-skilled | 171 691 | 5 844 964 | 2.9% |
| Unskilled | 0 | 0 | 0 |
| TOTAL | 10 458 282 | 165 816 389 | 29.3% |

Training costs

| Programme/ activity/ objective | Personnel expenditure (R'000) | Training expenditure | Training expenditure as a % of Personnel Cost | No. of employees trained | Average training cost per employee |
|--------------------------------|-------------------------------|----------------------|---|--------------------------|------------------------------------|
| Internship | 1 230 122 | 198 841 | 16% | 9 | 22 093 |
| Staff Training | 68 448 573 | 2 255 419 | 3% | 110 | 20 504 |
| Staff Bursary | 15 312 439 | 814 194 | 5% | 21 | 38 771 |
| TOTAL | 84 991 134 | 3 268 454 | 4% | 140 | 23 346 |

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

Employment and vacancies

| Department | 2022/23 No. of employees | 2022/23 Approved posts | 2022/23 Vacancies | Percentage of vacancies |
|--|--------------------------|------------------------|-------------------|-------------------------|
| OCEO | 3 | 3 | 0 | 0% |
| Company Secretary | 2 | 2 | 0 | 0% |
| OCCO | 3 | 3 | 0 | 0% |
| <i>Central Region</i> | 16 | 21 | 5 | 24% |
| <i>Coastal Region</i> | 12 | 16 | 4 | 25% |
| <i>Eastern Region</i> | 14 | 14 | 0 | 0% |
| <i>Research & Technical Skills Development</i> | 12 | 13 | 1 | 8% |
| <i>Safety Management</i> | 12 | 14 | 2 | 14% |
| <i>Safety Permit Management</i> | 10 | 12 | 2 | 17% |
| Finance | 30 | 30 | 0 | 0% |
| Human Resources | 7 | 12 | 5 | 42% |
| Internal Audit | 6 | 6 | 0 | 0% |
| Legal Services | 6 | 6 | 0 | 0% |
| Media and Communications | 12 | 12 | 0 | 0% |
| Risk & Strategy | 9 | 13 | 4 | 31% |
| Systems and ICT | 10 | 10 | 0 | 0% |
| TOTAL | 164 | 187 | 23 | 12% |

Employment changes

The employment changes reflect employee movements during the period under review and the appointments made include 9 interns as of 31 March 2023.

| Salary band | Employment | Appointments | Terminations | Employment at end of the period |
|--|------------|--------------|--------------|---------------------------------|
| Top Management | 0 | 1 | 1 | 0 |
| Senior Management | 10 | 1 | 2 | 9 |
| Professionally qualified and experienced | 70 | 2 | 3 | 69 |
| Skilled technical and academically qualified workers | 54 | 0 | 6 | 48 |
| Semi-skilled | 0 | 0 | 11 | 16 |
| Unskilled | 27 | 0 | 11 | 16 |
| TOTAL | 161 | 4 | 23 | 142 |

Reasons for staff leaving

| Reason | Number | % of total no. of staff leaving |
|-----------------------------|-----------|---------------------------------|
| Resigned | 7 | 31% |
| Retired | 0 | 0% |
| Discharged | 9 | 39% |
| Deceased | 1 | 4% |
| Voluntary severance package | 0 | 0% |
| End of contract | 6 | 26% |
| Termination | 0 | 0% |
| Total | 23 | 100% |

The overall number of terminations may be attributed to normal attrition as well as the contract terminations.

Labour Relations: Misconduct and disciplinary action

| Nature of disciplinary Action | Number |
|--------------------------------|--------|
| Verbal warning | 0 |
| Written warning | 1 |
| Final written warning | 0 |
| Dismissal (Upskilling process) | 6 |

Equity Target and Employment Equity Status

| Levels | Male | | | | | | | |
|------------------------|-----------|-----------|----------|----------|----------|----------|----------|----------|
| | AFRICAN | | COLOURED | | INDIAN | | WHITE | |
| | Current | Target | Current | Target | Current | Target | Current | Target |
| Top Management | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Senior Management | 7 | 5 | 1 | 1 | 0 | 0 | 0 | 1 |
| Professional qualified | 38 | 38 | 1 | 3 | 0 | 2 | 2 | 4 |
| Skilled | 20 | 20 | 0 | 1 | 0 | 1 | 0 | 1 |
| Semi-skilled | 3 | 5 | 0 | 1 | 0 | 1 | 0 | 0 |
| Unskilled | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 68 | 69 | 2 | 6 | 0 | 4 | 2 | 6 |

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

| Levels | Female | | | | | | | |
|------------------------|-----------|-----------|----------|----------|----------|----------|----------|----------|
| | AFRICAN | | COLOURED | | INDIAN | | WHITE | |
| | Current | Target | Current | Target | Current | Target | Current | Target |
| Top management | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Senior management | 2 | 4 | 1 | 0 | 1 | 0 | 0 | 0 |
| Professional qualified | 22 | 21 | 2 | 3 | 0 | 0 | 0 | 1 |
| Skilled | 29 | 34 | 0 | 2 | 0 | 1 | 0 | 2 |
| Semi-skilled | 10 | 11 | 1 | 1 | 0 | 0 | 1 | 1 |
| Unskilled | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 64 | 70 | 4 | 6 | 1 | 1 | 1 | 4 |

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

| Levels | Disabled Staff | | | |
|------------------------|----------------|----------|----------|----------|
| | Male | | Female | |
| | Current | Target | Current | Target |
| Top Management | - | - | - | - |
| Senior Management | - | - | - | - |
| Professional qualified | - | - | - | - |
| Skilled | - | - | 1 | - |
| Semi-skilled | - | - | - | - |
| Unskilled | - | - | - | - |
| TOTAL | - | - | 1 | - |

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





PART: E
PFMA
COMPLIANCE
REPORT

Irregular, fruitless and wasteful expenditure and material losses

Irregular expenditure

Irregular Expenditure

Reconciliation of irregular expenditure

| Description | 2022/23 | 2021/22 |
|--|-----------|----------------|
| Opening Balance | 169 566 | 556 667 |
| Add: Irregular expenditure incurred | 692 219 | 181 641 |
| Less: Irregular expenditure condoned | (861 784) | (568 742) |
| Less: Irregular expenditure not condoned and removed | - | - |
| Less: Less Irregular expenditure recoverable | - | - |
| Add: Irregular expenditure not recovered and written off | - | - |
| Closing balance | - | 169 566 |

Reconciling notes to the Annual Financial Statements disclosure

| Description | 2022/23 | 2021/22 |
|--|----------------|----------------|
| Irregular expenditure that was under assessment in 2021/22 | - | - |
| Irregular expenditure that relates to 2021/22 and identified 2022/23 | - | - |
| Irregular expenditure for the current year | 692 219 | 181 641 |
| Total | 692 219 | 181 641 |

Details of current and previous year irregular expenditure under assessment, determination and investigation

| Description | 2022/23 | 2021/22 |
|---|-------------------|-------------------|
| Irregular expenditure under assessment ¹ | 16 865 251 | 50 424 709 |
| Irregular expenditure under determination | - | - |
| Irregular expenditure under investigation | - | - |
| Total | 16 865 251 | 50 424 709 |

¹This relates to the disputed audit finding for the office lease which has been escalated to the National Treasury.

Fruitless and wasteful expenditure

Fruitless and wasteful Expenditure

Reconciliation of fruitless and wasteful expenditure

| Description | 2022/23 | 2021/22 |
|--|------------------|------------------|
| Opening Balance | 8 320 201 | 8 320 201 |
| Add: Fruitless and wasteful expenditure confirmed | - | 1 440 |
| Less: Fruitless and wasteful expenditure written off | - | - 576 |
| Less: Fruitless and wasteful expenditure recoverable | - | - 864 |
| Closing balance | 8 320 201 | 8 320 201 |

Reconciling notes to the annual financial statements disclosure

| Description | 2022/23 | 2021/22 |
|--|----------|--------------|
| Fruitless and wasteful expenditure that was under assessment in 2021/22 | - | - |
| Fruitless and wasteful expenditure that relates to 2021/22 and identified in 2022/23 | - | - |
| Fruitless and wasteful expenditure for the current year | - | 1 440 |
| Total | - | 1 440 |

Late and/or non-payment of suppliers

Compliant invoices were paid within 30 days and as per the service level agreements.

Supply chain management

Procurement by other means

| No | Project Description | Name of Supplier | Type of procurement by other means | Contract number | Value of contract |
|--------------|---|--|------------------------------------|-----------------|-------------------|
| 1 | Procurement of postage units for the franking machine | DG Incentives/Capital | Sole source procurement | N/A | 19 200 |
| 2 | Legal services | WERKSMANS ATTORNEYS | Single source procurement | N/A | 900 000 |
| 3 | Provision of PABX and Cloud Hosting services | Vodacom SA | Single source procurement | N/A | 893 365 |
| 4 | Annual subscription of ten SABS standards | South African Bureau of Standards (SABS) | Sole source procurement | N/A | 8 736 |
| 5 | Legal services | Phukubje Pierce Masithela Attorneys INC | Emergency procurement | N/A | 500 000 |
| 6 | Competition entry fee | South African Publication Forum | Sole source procurement | N/A | 3 800 |
| 7 | Training | The Ethics Institute | Sole source procurement | N/A | 57 120 |
| 8 | TV Marketing Platform | PRASA | Single source procurement | N/A | 600 001 |
| 9 | IRSC 2023 Conference and Hotel Venue | Century City Conference Centre | Single source procurement | N/A | 3 632 337 |
| 10 | IRSC 2023 Hotel Accommodation | The Marriot Crystal Towers | Single source procurement | N/A | 749 925 |
| 11 | Legal services | Lawtons Africa | Single source procurement | N/A | 2 000 000 |
| 12 | Advertising | Sesame Workshop International | Single source procurement | N/A | 675 351 |
| Total | | | | | 10 039 835 |

Contract variations and expansions

| No | Project Description | Name of Supplier | Contract modification type (Expansion or Variation) | Contract number | Original contract value | Value of previous contract expansion/s or variation/s (if applicable) | Value of current contract expansion or variation |
|--------------|--|--|---|-----------------|-------------------------|---|--|
| 1 | Office Cleaning Services | Power Full Projects | Expansion | N/A | 287 280 | - | - |
| 2 | KZN disaster relief essential items | Prime Projects and Supplies | Variation | N/A | 510 000 | - | 15 999 |
| 3 | Legal services | MM Baloyi Attorneys | Variation | N/A | 400 000 | - | 1 000 000 |
| 4 | Job evaluation and salary benchmarking | Emergence Growth | Expansion | N/A | 597 138 | - | 57 931 |
| 5 | NIIMS support and maintenance | Zawit (PTY) LTD | Variation | N/A | 354 384 | - | 53 158 |
| 6 | Legal services | Chaane Attorneys | Variation | N/A | 500 000 | - | 250 000 |
| 7 | Job evaluation and salary benchmarking | Emergence Growth | Expansion | N/A | 597 138 | 57 931 | 17 825 |
| 8 | ICT Managed Security Services | Dataproof Communications (PTY) LTD | Expansion and Variation | N/A | 861 767 | - | 129 202 |
| 9 | Provision of TV advert and Moya video clips | Image Works (PTY) LTD | Expansion | N/A | 136 517 | - | 18 236 |
| 10 | SAGE 300 technical support services | Omni Africa | Expansion and Variation | N/A | 193 200 | - | 72 450 |
| 11 | Disciplinary hearings Chairperson | Tshiqi Zebediela Attorneys | Variation | N/A | 300 000 | - | 200 000 |
| 12 | Procurement of protective clothing | Select PPE | Variation | N/A | 658 238 | - | 15 772 |
| 13 | Initiating services of a new disciplinary hearing | AM Vilakazi Tau Incorporated Attorneys | Variation | N/A | 400 000 | - | 400 000 |
| 14 | Legal services | Chaane Attorneys | Variation | N/A | 500 000 | - | 150 000 |
| 15 | SAGE 200 and 300 support and maintenance and implementation and support of Sage (300) recruitment and selection module | Omni Africa (PTY) LTD | Variation | N/A | 193 200 | 72 450 | 360 031 |
| 16 | Legal services | Tshiqi Zebediela Attorneys | Variation | N/A | 800 000 | - | 1 000 000 |
| 17 | Legal services | Tshiqi Zebediela Attorneys | Variation | N/A | 490 000 | - | 490 000 |
| Total | | | | | 7 778 861 | 1 30 381 | 4 230 602 |



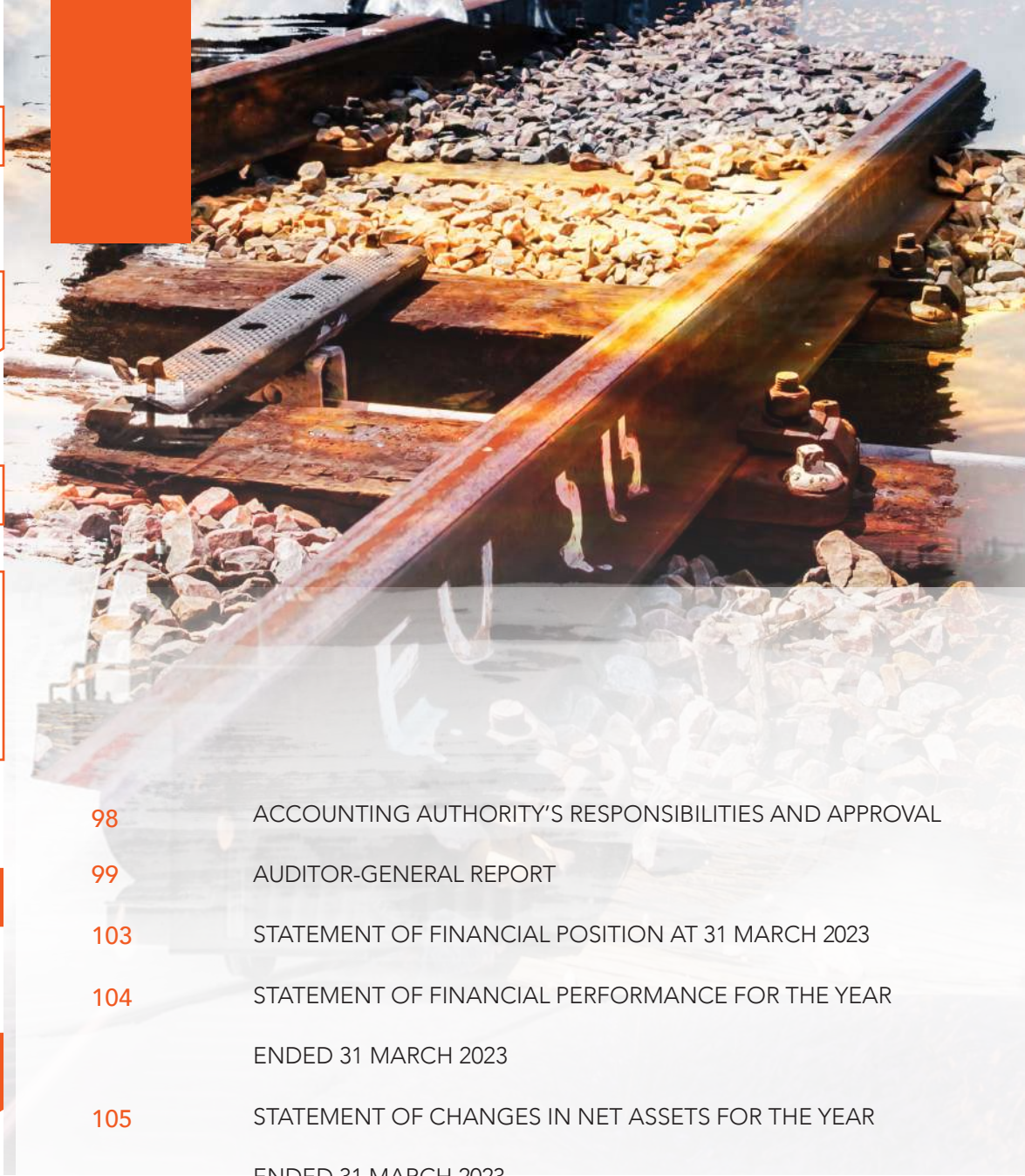


PART:F
FINANCIAL
INFORMATION

Public entity's General Information

| | |
|--|--|
| Country of incorporation and domicile | South Africa |
| Legal form of entity | Public Entity in terms of Schedule 3A of the Public Finance Management Act |
| Nature of business and principal activities | To oversee and enforce safety performance by all rail operators in South Africa including those of neighbouring states who enter South Africa. |
| Registered office | Building 4 Waterfall Point Office Park Cnr Waterfall and Woodmead Drive Midrand 1685 |
| Postal address | PO Box 11202 Centurion 0051 |
| Bankers | ABSA |
| Auditors | Auditor General of South Africa Registered Auditors |

FINANCIAL



| | |
|-----------|---|
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| 103 | STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2023 |
| 104 | STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2023 |
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Abbreviations

| | |
|--------------|--|
| GRAP | GENERALLY RECOGNISED ACCOUNTING PRACTICE |
| IGRAP | INTERPRETATION OF GENERALLY RECOGNISED ACCOUNTING PRACTICE |
| PFMA | PUBLIC FINANCE MANAGEMENT ACT |
| RSR | RAILWAY SAFETY REGULATOR |

Accounting Authority's Responsibilities and Approval

The members of the Board of the RSR are required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records. The Board is also responsible for the content and integrity of the Annual Financial Statements and related members included in this report. It is the responsibility of the Board to ensure that the Annual Financial Statements fairly present the state of affairs of the RSR, the results of its operations and cash flows for the period ended 31 March 2023.

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

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

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

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

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

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

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

The Board has reviewed and approved the budget of the RSR for the 2023/24 financial year and in light of this review and the current financial position, are satisfied that the RSR has access to adequate resources to continue its operational existence for the foreseeable future.

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

The Annual Financial Statements, which have been prepared on a going concern basis, were approved by the Board on 31 May 2023 and were signed on its behalf by:



Mr Mmuso Selaledi CA(SA)
CHIEF EXECUTIVE OFFICER



Ms Nompumelelo Ekeke
CHAIRPERSON: RSR BOARD

Auditor-General Report

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Railway Safety Regulator set out on pages 103 to 141, which comprise the statement of financial position as at 31 March 2023, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amount for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Railway Safety Regulator as at 31 March 2023 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for opinion

3. We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.
4. We are independent of the public entity in accordance with the Code of professional conduct for auditors of the Independent Regulatory Board for Auditors (IRBA) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards).
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

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

National Treasury Instruction Note No. 4 of 2022-23: PFMA Compliance and Reporting Framework

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

Responsibilities of the accounting authority for the financial statement

8. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the PFMA; and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

9. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.
14. I evaluated the reported performance information for the selected objective against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using the secriteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.

Responsibilities of the auditor-general for the audit of the financial statements

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

15. I performed procedures to test whether:
- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
 - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
 - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
 - the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
 - the reported performance information is presented in the annual performance report in the prescribed manner
 - there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets/ measures taken to improve performance.
16. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.
17. I did not identify any material findings on the reported performance information of Railways are safer.

Report on the audit of the annual performance report

12. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected objectives presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.
13. I selected the following objective presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected an objective that measures the public entity's performance on its primary mandated functions and that is of significant national, community or public interest.

| Objective | Page number | Purpose |
|--------------------|-------------|--|
| Railways are safer | 32 - 33 | Mitigating the risks of occurrences by establishing a collaborative risk-based regulatory approach to oversee, monitor and enforce railway safety. |

Report on compliance with legislation

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

19. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
20. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
21. The material finding on compliance with the selected legislative requirements, presented per compliance theme, is as follows:

Expenditure management

22. Effective and appropriate steps were not taken to prevent irregular expenditure as disclosed in note 23 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance with supply chain related laws and regulations.

Other information in the annual report

23. The accounting authority is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported on in this auditor's report.
24. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
25. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

26. If based on my work I have performed, I concluded that there is a material misstatement in this other information, I am required to report this fact. I have nothing to report in this regard.

Internal control deficiencies

27. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
28. The matter reported below is limited to the significant internal control deficiency that resulted in the material finding on compliance with legislation included in this report.
29. Inadequate review and monitoring of compliance with procurement related laws and regulations by management resulted in non-compliance with legislation and consequently irregular expenditure was incurred.

Other reports

30. I draw attention to the following engagement concluded during the financial year under review. This report did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
31. The audit committee commissioned an investigation by the National Treasury on reported allegations in terms of Treasury Regulation 27.1.9, covering the period 2018 to 2021. The investigation was concluded on 21 June 2022 and the contents of the report is presently still under consideration.

Auditor - General

Pretoria

13 February 2024



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the Auditor report

The annexure includes the following:

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

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected objectives and on the public entity's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made

- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

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

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

Compliance with legislation-selected legislative requirements

The selected legislative requirements are as follows:

| Legislation | Sections or regulations |
|--|---|
| Public Finance Management Act No.1 of 1999 (PFMA) | Section 51(1)(a)(iv); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii); 53(4); 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); 55(1)(c)(i); 56(1); 56(2); 57(b) |
| Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR) | Treasury Regulation 8.2.1; 8.2.2; 16A3.1; 16A3.2; 16A3.2(a); 16A6.1; 16A6.2(a) & (b); 16A6.2(e); 16A6.3(a); 16A6.3(a)(i); 16A6.3(b); 16A6.3(c); 16A6.3(d); 16A6.3(e); 16A6.4; 16A6.5; 16A6.6; 16A.7.1; 16A.7.3; 16A.7.6; 16A.7.7; 16A8.2(1); 16A8.2(2); 16A8.3; 16A8.3(d); 16A8.4; 16A9.1; 16A9; 16A9.1(b)(ii); 16A9.1(c); 16A9.1(d); 16A9.1(e); 16A9.1(f); 16A9.2; 16A9.2(a)(ii); 16A9.2(a)(iii); 30.1.1; 30.1.3(a); 30.1.3(b); 30.1.3(d); 30.2.1; 31.1.2(c); 31.2.1; 31.3.3; 33.1.1; 33.1.3 |
| Prevention and Combating of Corrupt Activities Act No.12 of 2004 /PRECCA) | Section 34(1) |
| Construction Industry Development Board Act No. 38 of 2000 (CIDB) | Section 18(1) |
| Construction Industry Development Board Regulations | Regulation 17; 25(1); 25(5) & 25(7A) |
| Preferential Procurement Policy Framework Act (PPPFA) | Section 1(i); 2.1(a); 2.1(b); 2.1(f) |
| Preferential Procurement Regulations of 2017 (PPR 2017) | Paragraph 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.1; 6.2; 6.3; 6.5; 6.6; 6.8; 7.1; 7.2; 7.3; 7.5; 7.6; 7.8; 8.2; 8.5; 9.1; 9.2; 10.1; 10.2; 11.1; 11.2; 12.1 and 12.2 |
| Preferential Procurement Regulations of 2022 (PPR 2022) | Paragraph 3.1; 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4 |
| PFMA SCM Instruction no. 09 of 2022/2023 | Paragraph 3.1; 3.3(b); 3.3(c); 3.3(e); 3.6 |
| National Treasury Instruction No.1 of 2015/16 | Paragraph 3.1; 4.1; 4.2 |
| NT SCM Instruction Note 03 2021/22 | Paragraph 4.1; 4.2 (b); 4.3; 4.4; 4.4(a); 4.4(c) - (d); 4.6; 5.4; 7.2; 7.6 |
| NT SCM Instruction 4A of 2016/17 | Paragraph 6 |
| NT SCM Instruction Note 03 2019/20 | Par 5.5.1(vi); Paragraph 5.5.1(x) |
| NT SCM Instruction Note 11 2020/21 | Paragraph 3.1; 3.4(a) and (b); 3.9; 6.1; 6.2; 6.7 |
| NT SCM Instruction note 2 of 2021/22 | Paragraph 3.2.1; 3.2.2; 3.2.4(a) and (b); 3.3.1; 3.2.2; 4.1 |
| PFMA SCM Instruction 04 of 2022/23 | Paragraph 4(1); 4(2); 4(4) |
| Practice Note 5 of 2009/10 | Paragraph 3.3 |
| PFMA SCM instruction 08 of 2022/23 | Paragraph 3.2; 4.3.2; 4.3.3 |
| Competition Act | Section 4(1)(b)(ii) |
| NT instruction note 4 of 2015/16 | Paragraph 3.4 |
| Second amendment of NTI 05 of 2020/21 | Paragraph 4.8; 4.9; 5.1; 5.3 |
| Erratum NTI 5 of 202/21 | Paragraph 1 |
| Erratum NTI 5 of 202/21 | Paragraph 2 |
| Practice note 7 of 2009/10 | Paragraph 4.1.2 |
| Practice note 11 of 2008/9 | Paragraph 3.1; 3.1(b) |
| NT instruction note 1 of 2021/22 | Paragraph 4.1 |

Annual Financial Statements

Statement of Financial Position at 31 March 2023

| Description | Note(s) | 2023 | 2022 |
|--|---------|--------------------|--------------------|
| Assets | | | |
| Current Assets | | | |
| Receivables from exchange transactions | 3 | 10 750 870 | 6 159 991 |
| Cash and cash equivalents | 4 | 85 269 729 | 93 298 461 |
| | | 96 020 599 | 99 458 452 |
| Non-Current Assets | | | |
| Property, plant and equipment | 5 | 29 057 354 | 28 652 858 |
| Intangible assets | 6 | 539 170 | 968 728 |
| | | 29 596 524 | 29 621 586 |
| Total Assets | | 125 617 123 | 129 080 038 |
| Liabilities | | | |
| Current Liabilities | | | |
| Payables from exchange transactions | 7 | 48 905 292 | 46 641 275 |
| Provisions | 8 | 13 961 980 | 17 319 081 |
| | | 62 867 272 | 63 960 356 |
| Total Liabilities | | 62 867 272 | 63 960 356 |
| Net Assets | | 62 749 851 | 65 119 682 |
| Accumulated surplus | | 62 749 851 | 65 119 682 |

Statement of Financial Performance for the year ended 31 March 2023

| Description | Note(s) | 2023 | 2022 |
|---|---------|----------------------|----------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Safety permit fees | 9 | 183 496 027 | 178 883 567 |
| Other revenue | | 694 259 | - |
| Interest received | 10 | 8 863 007 | 6 880 368 |
| Total revenue from exchange transactions | | 193 053 293 | 185 763 935 |
| Revenue from non-exchange transactions | | | |
| Administration grant | | 72 874 000 | 69 657 000 |
| Penalties | | 100 000 | 1 197 500 |
| Other income | | 141 915 | 2 103 522 |
| Total revenue from non-exchange transactions | | 73 115 915 | 72 958 022 |
| Total revenue | | 266 169 208 | 258 721 957 |
| Expenditure | | | |
| Employee related costs | 11 | (165 816 389) | (165 724 363) |
| Transfer payments - surplus funds | | - | (7 737 454) |
| Depreciation, amortisation and impairment | | (5 262 395) | (4 856 661) |
| Debt impairment and write - off | 12 | (50 461) | (183 761) |
| Loss on disposal of assets | | (203 880) | (123 232) |
| General expenses | 13 | (97 205 914) | (77 532 585) |
| Total expenditure | | (268 539 039) | (256 158 056) |
| (Deficit) surplus for the year | | (2 369 831) | 2 563 901 |

Statement of Changes in Net Assets for the year ended 31 March 2023

| Description | Accumulated surplus | Total net assets |
|---------------------------------|---------------------|--------------------|
| Balance at 01 April 2021 | 62 555 781 | 62 555 781 |
| Changes in net assets | | |
| Surplus for the year | 2 563 901 | 2 563 901 |
| Total changes | 2 563 901 | 2 563 901 |
| Balance at 01 April 2022 | 65 119 682 | 65 119 682 |
| Changes in net assets | | |
| Deficit for the year | (2 369 831) | (2 369 831) |
| Total changes | (2 369 831) | (2 369 831) |
| Balance at 31 March 2023 | 62 749 851 | 62 749 851 |

Cash Flow Statement for the year ended 31 March 2023

| Description | Note(s) | 2023 | 2022 |
|---|---------|--------------------|---------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Sale of goods and services | | 181 282 240 | 182 567 056 |
| Grants | | 72 874 000 | 69 657 000 |
| Interest income | | 8 812 124 | 6 880 369 |
| | | 262 968 364 | 259 104 425 |
| Payments | | | |
| Employee costs | | (165 117 490) | (160 470 892) |
| Suppliers | | (100 582 930) | (123 404 436) |
| | | (265 700 420) | (283 875 328) |
| Net cash flows from operating activities | 14 | (2 732 056) | (24 770 903) |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 5 | (5 438 591) | (3 216 211) |
| Proceed on sale of assets | | 141 915 | 217 919 |
| Net cash flows from investing activities | | (5 296 676) | (2 998 292) |
| Net decrease in cash and cash equivalents | | (8 028 732) | (27 769 195) |
| Cash and cash equivalents at the beginning of the year | | 93 298 461 | 121 067 656 |
| Cash and cash equivalents at the end of the year | 4 | 85 269 729 | 93 298 461 |

Statement of Comparison of Budget and Actual Amounts for the year ended 31 March 2023

Budget on Cash Basis

| Description | Approved budget | Adjustments | Final budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|----------------------|---------------------|----------------------|------------------------------------|--|-----------|
| Statement of financial performance | | | | | | |
| Revenue | | | | | | |
| Revenue from exchange transactions | | | | | | |
| Safety permit fees | 179 288 020 | - | 179 288 020 | 179 446 042 | 158 022 | |
| Safety application fees | 4 044 329 | - | 4 044 329 | 4 049 985 | 5 656 | |
| Interest received - investment | 3 963 544 | 4 200 000 | 8 163 544 | 8 863 007 | 699 463 | N1 |
| Other revenue conference | - | - | - | 694 259 | 694 259 | N2 |
| Total revenue from exchange transactions | 187 295 893 | 4 200 000 | 191 495 893 | 193 053 293 | 1 557 400 | |
| Revenue from non-exchange transactions | | | | | | |
| Transfer revenue | | | | | | |
| Administration grant | 72 874 000 | - | 72 874 000 | 72 874 000 | - | |
| Penalties | - | - | - | 100 000 | 100 000 | N2 |
| Other income | - | - | - | 141 915 | 141 915 | N2 |
| Total revenue from non-exchange transactions | 72 874 000 | - | 72 874 000 | 73 115 915 | 241 915 | |
| Total revenue | 260 169 893 | 4 200 000 | 264 369 893 | 266 169 208 | 1 799 315 | |
| Expenditure | | | | | | |
| Employee costs | (165 827 338) | 500 000 | (165 327 338) | (165 816 389) | (489 051) | |
| Non - executive directors | (3 588 185) | - | (3 588 185) | (4 119 016) | (530 831) | N3 |
| Depreciation and amortisation | - | - | - | (5 262 395) | (5 262 395) | N4 |
| Loss on disposal of assets | - | - | - | (203 880) | (203 880) | N4 |
| Office rental | (13 279 886) | 65 240 | (13 214 646) | (14 932 731) | (1 718 085) | N5 |
| General expenses | (40 827 362) | (13 548 966) | (54 376 328) | (50 306 807) | 4 069 521 | N6 |
| Debt Impairment and write - off | - | - | - | (50 461) | (50 461) | N7 |
| Repairs and Maintenance | (1 298 000) | 346 479 | (951 521) | (391 166) | 560 355 | N8 |
| External audit fees | (3 060 873) | 126 978 | (2 933 895) | (2 986 931) | (53 036) | |
| Consulting and professional fees | (28 128 249) | (19 280 119) | (47 408 368) | (24 469 263) | 22 939 105 | N9 |
| Total expenditure | (256 009 893) | (31 790 388) | (287 800 281) | (268 539 039) | 19 261 242 | |
| Budget Surplus/(Deficit) | 4 160 000 | (27 590 388) | (23 430 388) | (2 369 831) | 21 060 557 | |
| Surplus/(Deficit) for the year | 4 160 000 | (27 590 388) | (23 430 388) | (2 369 831) | 21 060 557 | |
| Capital expenditure | (4 160 000) | (2 716 576) | (6 876 576) | (5 441 212) | 1 435 364 | N10 |
| Actual amounts on comparable basis as presented in the budget and actual comparative statement | - | (30 306 964) | (30 306 964) | (7 811 043) | 22 495 921 | |
| Reconciliation | | | | | | |
| Basis difference | | | | | | |
| Capital expenditure | | | | 5 441 212 | | |
| Actual amounts in the Statement of Financial Performance | | | | 2 369 831 | | |

Budget Differences

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

N1. Interest received - R699 463

The RSR deposits its surplus funds with the Corporation of Public Funds (CPD). More interest was generated compared to the budget due to unpaid long outstanding disputed creditors, cancellation of non-responsive tenders and increase in the interest rates at CPD during 2022/23.

N2. Other Income from exchange transactions and non exchange - R936 174

The RSR does not budget for variable income. The reason for not budgeting for this type of income is that it is not certain to be generated. Therefore, the RSR does not want to increase its budget for revenue that may not be collected. This amount includes insurance proceeds for lost assets, proceeds from sale of old RSR assets no longer in use, conferences fees and penalties.

N3. Non - Executive directors remunerations - R530 831

The difference is as a result of non - scheduled meetings which took place during the year.

N4. Depreciation and amortisations and loss on disposal of assets

RSR does not budget for non - cash items.

N5. Office rental - R1 718 085

This variance is as a result of the recognition of the operating lease liability movement (Smoothing of R1.7 million) in respect of the lease of RSR Office.

N6. General expenditures - R4 069 521

This variance resulted from the planned for expenditure not invoiced by year - end. Due to under expenditure or purchase order issued, but services have not been delivered by year - end. A portion of this amount represents commitment at year - end

N7. Debt impairment and write-off - R50 461

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

N8. Repairs and maintenance - R560 355

This variance resulted from the planned for expenditure not invoiced by year- end. Due to under expenditure or purchase order issued, but services have not been delivered by year - end. A portion of this amount represents commitments at year - end.

N9. Consulting and professional fees - R22 939 105

This variance is as a result of planned expenditure not incurred before year - end. The significant amount of this variance represents commitments at year - end.

N10. Capital expenditure - R1 435 364

The total budget was R6.8 million and R5.2 million was incurred, resulting in a variance of R1.6 million. The R1.6 million represents commitments at year - end.

Accounting Policies

1. Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice, issued by the Accounting Standards Board in accordance with Section 55 of the Public Finance Management Act (Act 1 of 1999). These Annual Financial Statements comply with the Generally Recognised Accounting Practice.

These Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African rands and rounded off to the nearest rand.

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

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

Comparative information

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

Significant accounting judgements and estimates

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

Useful life assessment

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

The accounting policies are consistent with the previous period.

1.1 Property, plant and equipment

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

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

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

Property, plant and equipment are initially measured at cost.

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

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

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

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

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

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

Accounting Policies

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

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the RSR. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

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

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

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

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

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

1.2 Intangible assets

An asset is identifiable if it is:

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

A binding arrangement describes contracts and other arrangements that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract.

An intangible asset is recognised when:

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

Accounting Policies

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

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

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

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

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

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

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

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

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

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

| Item | Depreciation method | Average useful life |
|-------------------|---------------------|---------------------|
| Computer software | Straight line | 3 - 11 years |

The RSR intangible assets consist of purchased computer software.

1.3 Financial instruments

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

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

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

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

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

A financial asset is:

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

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

Accounting Policies

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

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

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

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

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

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

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

Gains and losses

For financial assets and financial liabilities measured at amortised cost, a gain or loss is recognised in surplus or deficit

when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Cash and cash equivalents:

Cash and cash equivalents comprises cash on hand and short term deposits held with the South African banks.

1.4 Statutory receivables

Identification

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

Accounting Policies

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

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

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

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

The RSR recognises statutory receivables as follows:

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

Initial measurement

The RSR initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Impairment losses

Derecognition

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

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

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

1.5 Taxation

Income tax

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

Value Added Tax

The RSR is exempt from the Value Added Tax.

Accounting Policies

1.6 Leases

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

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the RSR's incremental borrowing rate if it is impractical to determine the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability. The RSR's incremental borrowing rate is the prime interest rate.

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

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

Operating leases - lessee

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

1.7 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. Useful life is either:

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

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

The assets of the RSR are designated as non-cash generating assets as they are not used with the objective of generating commercial return but for use in delivering its mandate of overseeing and enforcing railway safety performance by operators.

Identification

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

Accounting Policies

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

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

Value in use

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

1.8 Segment information

The RSR is organised and reports based on the basis of two programmes namely : Administrative support and Operations. These programmes are treated as cost centres for the purpose of cost control and resources allocation, the existing set up and operations does not warrant segment reporting.

1.9 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Accounting Policies

Short-term employee benefits include items such as:

- Wages, salaries and social security contributions;
- Short-term compensated absences (such as paid annual leave and paid sick leave) for which the compensation for the absences is due to be settled within 12 months after the end of the reporting period in which the employees render the related employee service;
- Bonus, incentive and performance related payments payable within 12 months after the end of the reporting period in which the employees render the related service; and
- Non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

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

- As a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the RSR recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- As an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense because the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The RSR measure the expected cost of accumulating compensated absences as the additional amount that the RSR expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The RSR recognise the expected cost of bonus, incentive and performance related payments when the RSR has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the RSR has no realistic alternative but to make the payments.

1.10 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 16.

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

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

Accounting Policies

1.11 Revenue from exchange transactions

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

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

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

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

Measurement

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

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

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

Accounting for adjustments to revenue

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

Revenue comprises of:

Safety permit application and permit fee

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

Interest received

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

Technology audits

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

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

1.12 Revenue from non-exchange transactions

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

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

Fines and penalties

Revenue from fines and penalties is recognised when:

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

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

Accounting Policies

Unconditional grant

Administration grants received or receivable from the Department of Transport represent unconditional government grants and are recognised as revenue when:

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

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

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

1.13 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds. Borrowing costs are recognised as an expense in the period in which they are incurred.

1.14 Irregular, Fruitless and wasteful expenditure

The National Treasury issued Instruction No.4 of 2022/23 which deals with the process and reporting of irregular, fruitless and wasteful expenditure, among other things. This instruction is effective from 1 January 2023 and applicable to the Annual Financial Statements issued on or after 1 January 2023. In preparing the Annual Financial Statements for the year ended 31 March 2023, the RSR has applied the new reporting requirement retrospectively by restating the comparative figure for the year ended 31 March 2022.

Irregular expenditure

Irregular expenditure comprises expenditure, other than unauthorised expenditure, incurred in contravention of or not in accordance with the RSR Supply Chain Policy, PFMA, National Treasury Regulations, PPPFA, State Tender Board Act or any other applicable legislation providing for the procurement procedures. Such expenditure is accounted for in the statement of financial performance.

Irregular expenditure incurred and confirmed during the current financial year is disclosed in the notes to the Annual Financial Statements with a one year comparative analysis.

Irregular expenditure for the previous financial year must be accounted for in the period in which it relates to, including:

- Irregular expenditure incurred and confirmed in the previous financial year;
- Irregular expenditure that was under assessment in the previous financial year and confirmed in the current year;
- Irregular expenditure that was not discovered in the previous financial year and identified and confirmed in the current financial year; and
- Irregular expenditure payments relating to multi year contracts that were not condoned or removed.

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. Such expenditure is accounted for in the statement of financial performance in the year it was incurred and where recoverable it is treated as current asset in the statement of financial position until it is recovered or written off as irrecoverable.

Fruitless and wasteful expenditure when incurred and confirmed is disclosed in the Annual Financial Statements. This relates to fruitless and wasteful expenditure incurred in the current financial year, with a one previous year comparative analysis.

Accounting Policies

Fruitless and wasteful expenditure for the previous financial year must be recognised in the period which it relates to including:

- Fruitless and wasteful expenditure incurred and confirmed in the previous financial year;
- Fruitless and wasteful expenditure that was under assessment in the previous financial year and confirmed in the current financial year;
- Fruitless and wasteful expenditure that was not discovered in the previous financial year and identified and confirmed in the current financial year.

1.15 Budget information

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

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

The approved budget is prepared on a cash basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2022/04/01 to 2023/03/31.

The Annual Financial Statements and the budget are not on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.16 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Executive Management are those persons responsible for planning, directing and controlling the activities of the RSR including those charged with the governance of the RSR in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by management in their dealings with the RSR.

The RSR is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those that it is reasonable to expect the RSR to have adopted when dealing with that individual entity or person in the same circumstances.

The terms conditions must also be within the normal operating parameters established by that reporting entity's legal mandate.

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

Notes to the Annual Financial Statements

| Description | 2023 | 2022 |
|-------------|------|------|
|-------------|------|------|

2. New standards and interpretation

2.1 Standards and interpretations issued, but not yet effective

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2023 or later periods:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|--|--|--|
| • Guideline on Accounting for Landfill Sites | Date not yet determined | Unlikely there will be a material impact |
| • GRAP 25 (as revised): Employee Benefits | Date not yet determined | Unlikely there will be a material impact |
| • iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction | Date not yet determined | Unlikely there will be a material impact |
| • Guideline on the Application of Materiality to Financial Statements | Date not yet determined | Unlikely there will be a material impact |
| • GRAP 104 (as revised): Financial Instruments | 01 April 2025 | Unlikely there will be a material impact |
| • iGRAP 21: The Effect of Past Decisions on Materiality | 01 April 2023 | Unlikely there will be a material impact |
| • GRAP 2020: Improvements to the standards of GRAP 2020 | 01 April 2023 | Unlikely there will be a material impact |
| • GRAP 1 (amended): Presentation of Financial Statements | 01 April 2023 | Unlikely there will be a material impact |

3. Receivables from exchange transactions

| | | |
|----------------------|-------------------|------------------|
| Trade debtors | 4 247 383 | 1 483 035 |
| Prepayments | 2 389 701 | 1 310 233 |
| Deposits | 4 319 125 | 3 880 899 |
| Staff debts | 4 765 | 36 175 |
| Impairment allowance | (210 104) | (550 351) |
| | 10 750 870 | 6 159 991 |

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

| | | |
|--------------------|-----------|---------|
| Safety permit fees | 3 542 596 | 956 029 |
|--------------------|-----------|---------|

Notes to the Annual Financial Statements

| Description | 2023 | 2022 |
|---|-------------------|------------------|
| Other non-financial asset receivables included in receivables from exchange transactions above are as follows: | | |
| Prepayments | 2 389 702 | 1 310 233 |
| Deposits | 4 319 125 | 3 880 899 |
| Staff debt | 4 765 | 36 175 |
| Other debtors | 704 786 | 527 006 |
| Impairment allowance - non statutory receivables | (210 104) | (550 351) |
| | 7 208 274 | 5 203 962 |
| Total receivables from exchange transactions | 10 750 870 | 6 159 991 |

Statutory receivables general information

Transaction(s) arising from statute

The statutory receivables of the RSR comprises safety permit fees charged to the rail operators. The safety permit fees and penalties are charged to rail operators in terms of sections 23(2) of the National Railway Safety Regulator Act of 2002 as amended.

Determination of transaction amount

Safety permit fees

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

Technology audits

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

Interest or other charges levied/charged

The Interest was charged on the statutory receivable arising from exchange receivable transactions at 31 March 2023 in line with RSR revenue and receivable policy.

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

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

Receivables past due but not impaired

Relating specifically to statutory receivables

Statutory receivables which are less than 30 days past due are not considered to be impaired. At 31 March 2023, R966 411 (2022: R470 067) were past due but not impaired due to confirmation obtained for future payment.

Notes to the Annual Financial Statements

| Description | 2023 | 2022 |
|-------------|------|------|
|-------------|------|------|

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

| Age | | |
|---------------|----------------|----------------|
| 31- 60 Days | 651 245 | 23 437 |
| 61-90 Days | 22 656 | - |
| 91-120 Days | 245 | 38 907 |
| Over 120 Days | 292 265 | 407 723 |
| | 966 411 | 470 067 |

Total trade and other receivables impaired

As on 31 March 2023, the trade and other receivables relating to receivable from exchange transactions were impaired and provided for. The amount of the provision was R210 105 as of 31 March 2023 (2022: R550 351). These amounts were impaired because they were overdue. There were no responses from the debtors despite several follow-up. These debtors were handed over to Legal services for collection:

| Age | | |
|---------------|----------------|----------------|
| Over 120 Days | 210 105 | 550 351 |
| | 210 105 | 550 351 |

Reconciliation of provision for impairment of total trade and other receivables

| | | |
|--------------------------------------|----------------|----------------|
| Opening balance | 550 351 | 468 300 |
| Provision for impairment | 10 747 | 82 051 |
| Amounts written-off as uncollectable | (350 994) | - |
| | 210 104 | 550 351 |

Notes to the Annual Financial Statements

| Description | 2023 | 2022 |
|-------------|------|------|
|-------------|------|------|

4. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---------------------|-------------------|-------------------|
| Cash on hand | 7 517 | 4 845 |
| Bank balances | 2 491 512 | 890 953 |
| Short-term deposits | 82 770 700 | 92 402 663 |
| | 85 269 729 | 93 298 461 |

5. Property, plant and equipment

| | 2023 | | | 2022 | | |
|------------------------|-------------------|--|-------------------|-------------------|--|-------------------|
| | Cost / valuation | Accumulated depreciation and impairment losses | Carrying value | Cost/ valuation | Accumulated depreciation and impairment losses | Carrying value |
| Furniture and fixtures | 6 149 967 | (1 862 750) | 4 287 217 | 6 554 686 | (2 048 891) | 4 505 795 |
| Motor vehicles | 7 306 790 | (2 024 427) | 5 282 363 | 6 394 133 | (1 446 470) | 4 947 663 |
| Office equipment | 7 718 490 | (2 411 289) | 5 307 201 | 6 145 726 | (1 519 819) | 4 625 907 |
| IT equipment | 9 130 878 | (4 127 444) | 5 003 434 | 7 833 161 | (4 246 599) | 3 586 562 |
| Leasehold improvements | 15 110 327 | (5 933 188) | 9 177 139 | 15 110 327 | (4 123 847) | 10 986 480 |
| Leased assets | 466 540 | (466 540) | - | 563 838 | (563 387) | 451 |
| Total | 45 882 992 | (16 825 638) | 29 057 354 | 42 601 871 | (13 949 013) | 28 652 858 |

Notes to the Annual Financial Statements

| Description | 2023 | 2022 |
|-------------|------|------|
|-------------|------|------|

Reconciliation of property, plant and equipment - 2023

| | Opening balance | Additions | Disposals | Depreciation | Total |
|------------------------|-------------------|------------------|------------------|--------------------|-------------------|
| Furniture and fixtures | 4 505 795 | 127 440 | (4 795) | (341 223) | 4 287 217 |
| Motor vehicles | 4 947 663 | 921 557 | - | (586 857) | 5 282 363 |
| Office equipment | 4 625 907 | 1 760 001 | (15 963) | (1 062 744) | 5 307 201 |
| IT equipment | 3 586 562 | 2 632 214 | (183 119) | (1 032 223) | 5 003 434 |
| Leasehold improvements | 10 986 480 | - | (1) | (1 809 340) | 9 177 139 |
| Leased assets | 451 | - | - | (451) | - |
| | 28 652 858 | 5 441 212 | (203 878) | (4 832 838) | 29 057 354 |

Reconciliation of property, plant and equipment - 2022

| | Opening balance | Additions | Disposals | Depreciation | Total |
|------------------------|-------------------|------------------|------------------|--------------------|-------------------|
| Furniture and fixtures | 4 521 160 | 308 646 | - | (324 011) | 4 505 795 |
| Motor vehicles | 5 459 830 | - | - | (512 167) | 4 947 663 |
| Office equipment | 3 391 224 | 1 925 761 | (47 073) | (644 005) | 4 625 907 |
| IT equipment | 3 412 832 | 1 178 542 | (74 892) | (929 920) | 3 586 562 |
| Leasehold improvements | 12 795 820 | - | - | (1 809 340) | 10 986 480 |
| Leased assets | 18 899 | - | (1 267) | (17 181) | 451 |
| | 29 599 765 | 3 412 949 | (123 232) | (4 236 624) | 28 652 858 |

Expenditure incurred to repair and maintain property, plant and equipment was R391 166 (2022: R610 474).

The RSR assets have not been used as security for any liabilities and no restrictions to the title of RSR assets.

The leased assets consist of Ipads and tablets for Inspectors, Executives and Board members.

Notes to the Annual Financial Statements

| Description | 2023 | 2022 |
|-------------|------|------|
|-------------|------|------|

6. Intangible assets

| | 2023 | | | 2022 | | |
|--------------------------|------------------|--|----------------|-----------------|--|----------------|
| | Cost / valuation | Accumulated amortisation and impairment losses | Carrying value | Cost/ valuation | Accumulated amortisation and impairment losses | Carrying value |
| Computer software, other | 18 378 972 | (17 839 802) | 539 170 | 18 378 972 | (17 410 244) | 968 728 |

Reconciliation of intangible assets - 2023

| | Opening Balance | Amortisation | Total |
|--------------------------|-----------------|--------------|---------|
| Computer software, other | 968 728 | (429 558) | 539 170 |

Reconciliation of intangible assets - 2022

| | Opening Balance | Amortisation | Total |
|--------------------------|-----------------|--------------|---------|
| Computer software, other | 1 588 765 | (620 037) | 968 728 |

7. Payables from exchange transactions

| | | |
|---------------------------------------|-------------------|-------------------|
| Trade payables | 8 066 315 | 10 971 404 |
| Revenue received in advance | 7 573 215 | 7 508 000 |
| Other payables and accruals | 16 671 543 | 12 954 627 |
| Operating lease payables ¹ | 9 630 553 | 7 872 880 |
| 13th cheque accrual | 178 258 | 104 341 |
| Accrued Leave Pay | 6 785 408 | 7 230 023 |
| | 48 905 292 | 46 641 275 |

¹ This liability relates to smoothing of operating lease rentals in respect of the RSR offices.

Analysis of trade and other payables

| | | |
|---------------|------------------|-------------------|
| 0 to 30 Days | 2 205 095 | 4 740 097 |
| 31 to 60 Days | 42 705 | 300 076 |
| 61 to 90 Days | 198 | - |
| Over 90 Days | 5 818 317 | 5 931 231 |
| | 8 066 315 | 10 971 404 |

Notes to the Annual Financial Statements

| Description | 2023 | 2022 |
|-------------|------|------|
|-------------|------|------|

8. Provisions

Reconciliation of provisions - 2023

| | Opening Balance | Additions | Utilised during the year | Total |
|--------------------------------------|-------------------|-------------------|--------------------------|-------------------|
| Performance bonus | 9 581 627 | 10 651 224 | (9 581 627) | 10 651 224 |
| Surplus funds surrender ¹ | 7 737 454 | - | (7 737 454) | - |
| Other provisions | - | 3 310 756 | - | 3 310 756 |
| | 17 319 081 | 13 961 980 | (17 319 081) | 13 961 980 |

¹ Surplus fund for the 2021/22 financial year surrendered to the Revenue Fund in terms of National Treasury instruction No.12 of 2020/2021.

Reconciliation of provisions - 2022

| | Opening Balance | Additions | Utilised during the year | Total |
|-------------------------|-------------------|-------------------|--------------------------|-------------------|
| Performance bonus | 5 667 153 | 9 581 627 | (5 667 153) | 9 581 627 |
| Surplus funds surrender | 49 644 848 | 7 737 454 | (49 644 848) | 7 737 454 |
| | 55 312 001 | 17 319 081 | (55 312 001) | 17 319 081 |

9. Safety permit fees

| | | |
|--------------------|--------------------|--------------------|
| Safety permit fees | 179 446 042 | 178 403 236 |
| Application fees | 4 049 985 | 480 331 |
| | 183 496 027 | 178 883 567 |

10. Interest received

| | | |
|--------------------------------------|------------------|------------------|
| Interest earned on bank balance | 8 803 126 | 6 848 214 |
| Interest earned on debtor's balances | 59 881 | 32 155 |
| | 8 863 007 | 6 880 369 |

The increased interest income arose as a result of increase in Repo rate by the Reserve Bank and a higher bank balance during the year.

Notes to the Annual Financial Statements

| Description | 2023 | 2022 |
|-------------|------|------|
|-------------|------|------|

11. Employee related costs

| | | |
|---------------------------------------|--------------------|--------------------|
| Salaries | 84 632 059 | 80 522 453 |
| Performance bonus | 11 527 879 | 14 426 821 |
| Medical aid - company contributions | 6 827 100 | 6 915 447 |
| Unemployment insurance fund | 641 244 | 656 823 |
| Union Fees | 99 919 | 99 758 |
| Leave pay accrual | (444 615) | 1 456 940 |
| Pension fund | 15 218 344 | 14 304 163 |
| Salaries leave paid | 1 038 326 | 2 227 919 |
| 13th cheque | 430 808 | 405 743 |
| Acting allowances | 1 048 928 | 1 675 285 |
| South African Revenue Services (PAYE) | 44 796 397 | 43 033 011 |
| | 165 816 389 | 165 724 363 |

12. Debt impairment

| | | |
|--------------------------|---------------|----------------|
| Allowance for impairment | (340 247) | 82 052 |
| Bad debts written-off | 390 708 | 101 709 |
| | 50 461 | 183 761 |

Notes to the Annual Financial Statements

| Description | 2023 | 2022 |
|--|-------------------|-------------------|
| 13. General expenses | | |
| External audit fees | 2 986 931 | 2 509 996 |
| Railway safety outreach and awareness | 8 859 779 | 8 348 255 |
| Bank charges | 102 626 | 87 910 |
| Cleaning | 894 365 | 1 332 025 |
| Computer expenses | 2 260 121 | 2 182 448 |
| External bursary | 1 611 346 | 1 658 153 |
| Postage and couriers | 150 290 | 86 930 |
| Catering - refreshments | 766 145 | 531 369 |
| Litigations and claims | 3 694 021 | - |
| Gifts | 141 690 | 74 820 |
| Insurance | 1 134 209 | 970 209 |
| Conferences and seminars | 4 683 046 | 1 030 780 |
| Placement fees | 396 335 | 688 685 |
| Printing and stationery | 223 637 | 412 005 |
| Protective clothing | 568 759 | 284 333 |
| Repairs and maintenance | 391 715 | 610 474 |
| Subscriptions and membership fees | 696 706 | 647 867 |
| Telephone and data | 3 069 513 | 2 465 994 |
| Training | 3 069 613 | 2 358 814 |
| Travel - local | 7 679 050 | 3 337 321 |
| Travel - International | 3 730 052 | 5 923 |
| Municipal services | 5 154 463 | 5 264 471 |
| Equipment rentals | - | 76 940 |
| Corporate stationery | 602 735 | 539 703 |
| Office rental and services | 14 955 923 | 15 018 458 |
| Workmens compensation | 162 124 | 158 409 |
| Library & literature | 615 257 | 561 332 |
| Non - executive directors remuneration | 4 119 016 | 3 556 241 |
| Consulting and professional fees | 24 469 263 | 22 718 350 |
| Relocation cost | 17 184 | 14 370 |
| | 97 205 914 | 77 532 585 |

Notes to the Annual Financial Statements

| Description | 2023 | 2022 |
|-------------|------|------|
|-------------|------|------|

14. Cash used in operations

| | | |
|--|--------------------|---------------------|
| (Deficit)/Surplus | (2 369 831) | 2 563 901 |
| Adjustments for: | | |
| Depreciation and amortisation | 5 262 395 | 4 856 661 |
| Loss on sale of assets | 203 880 | 123 399 |
| Proceeds from sale of assets | (141 915) | (217 919) |
| Changes in working capital: | | |
| Receivables from exchange transactions | (4 590 878) | 884 051 |
| Payables from exchange transactions | (1 095 707) | (32 980 996) |
| | (2 732 056) | (24 770 903) |

15. Commitments

Approved and contracted for

Capital commitments

| | | |
|---------------------------------|------------------|------------------|
| • Property, plant and equipment | 2 842 454 | 2 530 064 |
| • Intangible assets | - | 192 750 |
| | 2 842 454 | 2 722 814 |

Operational expenditure

| | | |
|-----------------------|-------------|-------------|
| • General expenditure | 171 959 579 | 176 340 857 |
|-----------------------|-------------|-------------|

Total commitments approved and contracted for

| | | |
|---------------------|--------------------|--------------------|
| Capital expenditure | 2 842 454 | 2 722 814 |
| General expenditure | 171 959 579 | 176 340 857 |
| | 174 802 033 | 179 063 671 |

Included in the commitments total is an amount of R31 million which represents purchase order balances on 31 March 2023. The RSR will be applying to the National Treasury to retain surplus funds in order to fund these commitments.

Approved not contracted for

| | | |
|---|------------|---|
| • Capital and operational expenditure (1) | 17 083 926 | - |
|---|------------|---|

¹ On 30 March 2023, the RSR Board approved the tender for the development of the Safety Risk Model for the Railway Safety Regulator subject to the negotiation of the quoted price of R17 083 926 and CPI.

Notes to the Annual Financial Statements

| Description | 2023 | 2022 |
|---|-------------------|--------------------|
| Operating leases - as lessee (expense) | | |
| Minimum lease payments due | | |
| Within one year | | |
| Building 2 Central office | 2 876 221 | 2 688 057 |
| Building 4 Head office | 8 514 476 | 7 957 454 |
| Building Eastern region | 947 005 | 885 052 |
| Building Coastal region | 1 628 989 | 1 508 323 |
| In second to fifth year | | |
| Building 2 Central Office | 13 664 175 | 12 770 257 |
| Building 4 Head office | 40 450 052 | 37 803 787 |
| Building Eastern region | 660 127 | 1 607 132 |
| Building Coastal region | 845 821 | 2 474 810 |
| In sixth to tenth year | | |
| Building 2 Central Office | 6 846 057 | 10 616 196 |
| Building 4 Head office | 19 184 545 | 30 345 286 |
| | 95 617 468 | 108 656 354 |

There were no other significant leases that needed GRAP 13 disclosure.

Notes to the Annual Financial Statements

| Description | 2023 | 2022 |
|-------------|------|------|
|-------------|------|------|

16. Contingent liabilities

1. Termination of employee contracts:

1.1 An unfair dismissal dispute was referred to the CCMA where the finding was in favour of the RSR. The matter has been referred to the Labour Court. A possible award equivalent to three months' salary in the sum of R412 970 is contingently provided for.

1.2. An unfair dismissal dispute was referred to the CCMA. The matter is before the Labour Court. A possible award equivalent to six month's salary is provided on a contingent basis to the amount of R700 000.

1.3. A former employee of the RSR challenged the RSR's decision to terminate her employment following a disciplinary hearing and appeal process. The matter proceeded on 01 March 2023 at CCMA and the CCMA ruling held that the RSR is to re-instate the applicant and compensate him. The RSR is reviewing the matter at Labour Court and awaiting trial date. A possible award of R969 288 equivalent to twenty-four month's salary has been contingently provided for.

1.4 The two employee contracts were terminated as a result of their failure to satisfy a resolute condition to obtain the minimum requirement for their employment. The employees are praying for re-instatement and matters are pending. One matter is at CCMA with a claim valued at R256 928 equivalent to twelve month's salary and the second matter at Labour Court with a claim valued at R1 million equivalent to twenty-four month's salary.

2. Full Facilities Management vs RSR

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

wasteful expenditure to the value of R8 million. The matter is awaiting trial date.

3. Unfair labour practice

3.1 An unfair labour practice dispute was referred to the CCMA challenging the "person to holder" principle. The matter was set down on 18 October 2022. The Commissioner delivered his ruling on 04 November 2022 in favour of the RSR. The applicant has proceeded the matter to the Labour Court. The estimated value of the claim is R142 000 should the RSR not be successful in the matter.

3.2 An unfair labour practice matter whereby the applicant was employed by the RSR on 03 July 2020. The applicant was placed under a 12 month probation and her probation was not confirmed. The RSR received court papers on 06 September 2021 pertaining to the alleged harassment. The applicant alleges that the employer has committed acts of omissions directed at her which are unwelcoming, unwarranted and had destructive effect towards the Applicant. The relief sought by the Applicant in her prayers is that RSR pay the applicant R1.6 million. The matter is awaiting a trial date.

4. Civil claim

A former employee of the RSR has lodged a civil claim against the RSR to the value of R4.4 million with interest at seven percent per annum. The RSR is opposing the matter before the High Court and is awaiting a trial date.

5. Application for retention of surplus funds

Section 53(3) of the Public Finance Management Act states that a public entity that must submit a budget in terms of subsection (1), may not budget for a deficit and may not accumulate surpluses unless the prior written approval of the National Treasury has been obtained.

Notes to the Annual Financial Statements

| Description | 2023 | 2022 |
|-------------|------|------|
|-------------|------|------|

The Railway Safety Regulator is a schedule 3A public entity and had declared surplus funds to the amount of R26.4 million on 31 March 2023 in terms of National Treasury Instruction No.12 of 2020/21. The Railway Safety Regulator had commitments to the amount of R31.6 million on 31 March 2023. The Railway Safety Regulator will apply to National Treasury to retain the R26.4 million surplus funds to be able to fund its commitments on 31 March 2023. The surplus funds of R26.4 million are disclosed as a contingent liability as they are subject to the National treasury approval which is expected to be obtained during the period from August to November 2023.

17. Related parties

Relationships

| | |
|---------------------------|---|
| Executive authority | Minister of Transport: Ms LS Chikunga |
| Controlling entity | National Department of Transport |
| Related entities | Entity reporting to the Department of Transport |
| Members of key management | Ms Tshepo Kgare - Chief Executive Officer Mr Denis Owaga - Acting Operations Officer Mr S Maharaj - Chief Financial Officer Mr Mmuso Selaledi - Chief Risk Officer Ms M Kekana - Chief Audit Executive Ms M Williams - Executive Media and Communications Ms V Sewlal - Executive Legal services Mr Tshepo Mothogae - Chief Information Officer Ms Mologadi Mametja - Company Secretary |

Related party transactions

National Department of Transport (Controlling entity)

| | | |
|----------------------|------------|------------|
| Administration grant | 72 874 000 | 69 657 000 |
|----------------------|------------|------------|

Amounts included in revenue relating to Passenger Rail Agency of South Africa

| | | |
|--------------------|------------|------------|
| Safety permit fees | 34 231 607 | 34 231 607 |
| Conference fees | 120 000 | - |

Related party balances

Conference fees

| | | |
|---|---------|---|
| Passenger Rail Agency of South Africa (PRASA) | 120 000 | - |
|---|---------|---|

Notes to the Annual Financial Statements

| Description | 2023 | 2022 | | | |
|---|-------------------|---------------------|-------------------|----------------|-------------------|
| Remuneration of management | | | | | |
| Management class: Executive management | | | | | |
| 2023 | | | | | |
| Name | Basic salary | Medical and Pension | Performance Bonus | Other expenses | Total |
| Ms Tshepo Kgare - Chief Executive Officer ¹ | 3 382 411 | 98 937 | 303 216 | 17 895 | 3 802 459 |
| Mr M Selaledi - Acting Chief Executive Officer ² | 1 938 972 | 100 485 | 309 676 | 28 491 | 2 377 624 |
| Mr B Sibiya - Executive Human Resources ³ | 1 009 496 | 235 029 | 184 889 | 1 251 | 1 430 665 |
| Ms C Walters - Acting Company Secretary ⁴ | 965 117 | 187 715 | 109 835 | 3 197 | 1 265 864 |
| Mr A Tjatji - Acting Chief Financial Officer ⁵ | 1 465 454 | 118 805 | 152 580 | 152 | 1 736 991 |
| Ms M Williams - Executive Media and Communications | 1 573 389 | 239 972 | 266 224 | 26 833 | 2 106 418 |
| Ms LM Mametja - Company secretary ⁶ | 1 059 264 | 144 519 | - | - | 1 203 783 |
| Mr T Mothoagae - Chief Information Officer ⁷ | 1 431 048 | - | - | 20 990 | 1 452 038 |
| Mr S Maharaj - Chief Financial Officer ⁸ | 1 512 358 | - | - | 695 | 1 513 053 |
| Ms M Kekana - Chief Audit Executive | 1 256 887 | 494 227 | 288 977 | - | 2 040 091 |
| Ms V Sewlal - Executive Legal Services | 1 387 160 | 351 773 | - | 417 | 1 739 350 |
| Ms A Ntintelo - Chief Information Officer ⁹ | 553 082 | 27 832 | - | - | 580 914 |
| Mr Denis Owaga - Acting COO ¹⁰ | 1 550 687 | 336 495 | 175 221 | 38 225 | 2 100 628 |
| Mr Freddie Kgomari-Acting COO ¹¹ | 2 088 776 | 135 345 | 206 451 | 26 320 | 2 456 892 |
| | 21 174 101 | 2 471 134 | 1 997 069 | 164 466 | 25 806 770 |

¹ Resigned on 31 March 2023.

² Acting CEO from 1 April 2023.

³ Appointed on 1 February 2023.

⁴ Acting from 16 April to 30 June 2022.

⁵ Appointed on 5 December 2022.

⁶ Appointed 1 July 2022.

⁷ Appointed 9 June 2022.

⁸ Resigned on 31 December 2022.

⁹ Resigned on the 30th April 2022.

¹⁰ Acting from 1 November 2022 to 30 April 2023.

¹¹ Acting from 1 May 2022 to 31 October 2022.

Notes to the Annual Financial Statements

| Description | 2023 | 2022 |
|-------------|------|------|
|-------------|------|------|

2022

| Name | Basic salary | Medical aid and pension | Performance Bonus | Other expenses | Long services awards | Total |
|--|-------------------|-------------------------|-------------------|----------------|----------------------|-------------------|
| Mr. M Selaledi - Acting Chief Executive Officer ¹ | 2 293 654 | 95 280 | 184 120 | 139 | - | 2 573 193 |
| Ms T Kgare - Acting Chief Executive Officer ⁸ | 2 626 166 | 93 834 | 405 628 | - | - | 3 125 628 |
| Mr K Madlwabinga - Executive Human Resources | 1 174 313 | 88 769 | 237 428 | 120 | - | 1 500 630 |
| Ms C Walters - Acting Company Secretary ³ | 1 005 069 | 179 857 | 164 753 | - | 15 000 | 1 364 679 |
| Mr A Tjatji - Acting Chief Financial Officer ² | 1 425 144 | 62 397 | 136 076 | 139 | - | 1 623 756 |
| Ms. M Williams - Executive Media and Communication | 1 481 693 | 127 344 | 237 428 | - | - | 1 846 465 |
| Ms MB Tabane - Executive Legal Services ⁷ | 358 398 | 48 052 | - | - | - | 406 450 |
| Ms T Tenyane - Acting Chief Financial Officer ⁴ | 946 215 | 208 925 | 84 393 | - | - | 1 239 533 |
| Mr S Maharaj - Chief Financial Officer ⁵ | 322 778 | - | - | - | - | 322 778 |
| Ms. M Kekana - Chief Audit Executive | 1 298 230 | 477 103 | 259 891 | - | 15 000 | 2 050 224 |
| Ms V Sewlal - Executive Legal Services ⁶ | 172 924 | 13 132 | - | - | - | 186 056 |
| Ms A Ntintelo - Chief Information Officer ⁵ | 231 109 | 43 716 | - | - | - | 274 825 |
| | 13 335 693 | 1 438 409 | 1 709 717 | 398 | 30 000 | 16 514 217 |

¹ Acting CEO from 21 April 2021

² Acting CFO from 1 February 2021 to 31 October 2021.

³ Acting Company Secretary from 16 July 2021.

⁴ Acting CFO from 1 November 2021 to 31 January 2022

⁵ Appointed on 1 February 2022

⁶ Appointed 18 February 2022

⁷ Probation extended from 16 April 2021 to 15 July 2021

⁸ Acting from 30 November 2017 to 20 April 2021

Notes to the Annual Financial Statements

| Description | 2023 | 2022 |
|-------------|------|------|
|-------------|------|------|

Board and committee members

2023

| Name | Members' fees | Allowances | Expenses | Total |
|-----------------------------|------------------|----------------|---------------|------------------|
| Mr BJ Nobunga (Chairperson) | 743 535 | 18 000 | 29 020 | 790 555 |
| Mr C.J De Vos | 343 613 | 18 000 | 22 235 | 383 848 |
| Mrs MP Mathibedi | 284 926 | 18 000 | 3 546 | 306 472 |
| Ms N Ekeke | 281 347 | 18 000 | 2 345 | 301 692 |
| Adv FJ Van Der Westhuizen | 326 725 | 18 000 | 3 425 | 348 150 |
| Mr SL Mtwá | 320 269 | 18 000 | 375 | 338 644 |
| Adv JC Weapond | 261 894 | 18 000 | 2 306 | 282 200 |
| Ms Y Pamla | 325 947 | 18 000 | 3 706 | 347 653 |
| Mr G Maluleke ¹ | - | - | - | - |
| | 2 888 256 | 144 000 | 66 958 | 3 099 214 |

¹Delegate from the National Department of Transport - not remunerated.

2022

| Name | Members' fee | Allowances | Expenses | Total |
|----------------------------|------------------|----------------|---------------|------------------|
| Mr BJ Nobunga(Chairperson) | - | 18 000 | 34 759 | 52 759 |
| Mr CJ De Vos | 276 779 | 18 000 | 4 158 | 298 937 |
| Mrs MP Mathibedi | 296 329 | 18 000 | 729 | 315 058 |
| Ms NS Ekeke | 220 099 | 18 000 | - | 238 099 |
| Adv FJ Van Der Westhuizen | 238 396 | 18 000 | - | 256 396 |
| Mr SL Mtwá | 250 416 | 18 000 | 610 | 269 026 |
| Adv JC Weapond | 255 208 | 18 000 | - | 273 208 |
| Ms Y Pamla | 351 677 | 18 000 | 3 096 | 372 773 |
| Ms S Nwabueza ¹ | 141 386 | 10 500 | 187 | 152 073 |
| Ms N Khumalo ² | 193 450 | 16 500 | - | 209 950 |
| Mr G Maluleke ³ | - | - | - | - |
| | 2 223 740 | 171 000 | 43 539 | 2 438 279 |

¹ Resigned on 31 October 2021.

² Resigned on 16 March 2022.

³ Delegate from the National Department of Transport - not remunerated.

Notes to the Annual Financial Statements

| Description | 2023 | 2022 |
|-------------|------|------|
|-------------|------|------|

18. Related parties - Board members

Audit and Risk Committee

2023

| Name | Members' fees | Allowances | Total |
|--|----------------|------------|----------------|
| Mr G Van Wyk (Independent member) ¹ | 172 854 | - | 172 854 |
| Mr S Gounden (Independent member) ¹ | 172 854 | - | 172 854 |
| Ms MM Phiri (Independent Member) | 308 896 | 993 | 309 889 |
| | 654 604 | 993 | 655 597 |

¹Appointed on 1 June 2022.

2022

| Name | Members' fees | Allowances | Total |
|---|------------------|--------------|------------------|
| Ms M Mbonambi (Independent Member) ¹ | 297 865 | - | 297 865 |
| Dr P Dala (Independent member) ¹ | 325 507 | - | 325 507 |
| Ms MM Phiri (Independent member) ² | 435 101 | 2 087 | 437 188 |
| | 1 058 473 | 2 087 | 1 060 560 |

¹Term ended on 31 January 2022.

²Reappointed on 31 January 2022.

Information Communication Technology Committee

2023

| Name | Members' fees | Allowances | Total |
|---|----------------|--------------|----------------|
| Ms AMM Badimo (Independent member) | 191 308 | - | 191 308 |
| Dr D Jairam-Owthar (Independent member) | 164 925 | 7 971 | 172 896 |
| | 356 233 | 7 971 | 364 204 |

2022

| Name | Members' fees | Total |
|--|---------------|---------------|
| Ms AMM Badimo (Independent member) ¹ | 31 890 | 31 890 |
| Dr D Jairam Owthar (Independent member) ¹ | 25 512 | 25 512 |
| | 57 402 | 57 402 |

¹Appointed on 1 December 2021.

Notes to the Annual Financial Statements

| Description | 2023 | 2022 |
|-------------|------|------|
|-------------|------|------|

19. Prior period errors

Minimum lease payments disclosure:

The Annual Financial Statements for the year ended 31 March 2022 incorrectly disclosed minimum lease payments for the sixth year in respect of building 2 and 4 as part of payments for later than one year but not more than five years instead of including them as part of minimum lease payments later than five years. The correction of the error was accounted for retrospectively and the details of the correction are as follows:

| Description | As previously reported | Correction | Restated |
|---|------------------------|--------------|-------------------|
| Later than one year but not more than five years - Building 2 | 16 540 396 | (3 770 139) | 12 770 257 |
| Later than one year but not more than five years - Building 4 | 48 964 528 | (11 160 741) | 37 803 787 |
| Later than five years - Building 2 | 6 846 057 | 3 770 139 | 10 616 196 |
| Later than five years - Building 4 | 19 184 545 | 11 160 741 | 30 345 286 |
| | 91 535 526 | - | 91 535 526 |

Notes to the Annual Financial Statements

| Description | 2023 | 2022 |
|-------------|------|------|
|-------------|------|------|

20. Risk management

Financial risk management

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

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

Liquidity risk

Liquidity risk is the risk that the RSR will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk is considered low as the current assets exceeded current liabilities at 31 March 2023. The total current assets reported in the statement of Financial Position has already taken account of the provision for credit losses. Furthermore, all the open order commitments of the RSR at 31 March 2023 were fully funded. Management monitors rolling forecast of the RSR's cash and cash equivalents on the basis of the expected cash flows. The RSR engages with the rail operators on a continuous basis to ensure that it has the cash flows to meet the expected payments as they fall due.

The table below analyses the RSR's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Notes to the Annual Financial Statements

| Description | 2023 | | 2022 | | |
|---------------------------------|---------------------------------|--|--|---|-------------------|
| Maturity groupings | Not later than one month | Later than one month and no later than three months | Later than three month and no later than one year | Later than one year and no later than five years | Total |
| Trade payables | 2 205 095 | 42 695 | 208 | 5 818 317 | 8 066 315 |
| Revenue received in advance | - | 61 575 | 3 640 | 7 508 000 | 7 573 215 |
| Accrued leave pay | - | 6 785 408 | - | - | 6 785 408 |
| Other payables and accruals | 4 375 803 | - | - | 12 295 740 | 16 671 543 |
| Operating lease payables | - | - | - | 9 630 553 | 9 630 553 |
| 13 th cheque accrual | - | - | 178 258 | - | 178 258 |
| | 6 580 898 | 6 889 678 | 182 106 | 35 252 610 | 48 905 292 |

Credit risk

The risk that a counterparty will not meet its obligations under financial instruments, leading to a financial loss. The RSR is exposed to credit risk from its operating activities, primarily for receivables. the RSR's maximum exposure to credit risk as at 31 March 2023 was R8 361 169 (2022: R4 849 758).

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

At 31 March 2023, the RSR did not consider there to be any significant concentration of credit risk which had not been adequately provided for.

Market risk

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

Interest rate risk

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

Cash and cash equivalent

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

The RSR utilised ABSA bank, for daily transactions which has a Ba1 rating as well as the reserve bank for investment purposes

Notes to the Annual Financial Statements

| Description | 2023 | 2022 |
|-------------|------|------|
|-------------|------|------|

Financial assets and Liabilities

RSR's principle financial assets are accounts receivables and cash and cash equivalents. At 31 March 2023, the carrying amounts of cash, accounts receivables and accounts payables at amortised cost approximate their fair values, due to the short term maturities of these assets and liabilities. The available cash balances at year - end and collection rate after year - end to meet future obligations were assessed and no material risks has been identified. The net fair value of the assets and liabilities of the RSR are stated below:

The collection rates after year-end and available cash balance at year-end to meet further obligations were assessed and no material risk has been identified.

Assets

| | | |
|---------------------------|-------------------|-------------------|
| Receivables | 8 361 169 | 4 849 758 |
| Cash and cash equivalents | 85 269 729 | 93 298 461 |
| | 93 630 898 | 98 148 219 |

Liabilities

| | | |
|-------------------------------------|------------|------------|
| Payables from exchange transactions | 48 905 292 | 46 641 275 |
|-------------------------------------|------------|------------|

No financial instrument is carried at an amount in excess of its fair value.

21. Going concern

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. Management has assessed the RSR's ability to continue as a going concern and no material uncertainties were identified.

22. Events after the reporting date

An unfair labour practice matter against the RSR by a former employee was finalised by the Labour Appeal Court on 18 October 2023 wherein, the former employee was awarded a 24-month compensation. This matter was correctly disclosed as a contingent liability in the notes to the annual financial statements for the year ended 31 March 2023. This matter constitutes an adjusting event after the reporting date in terms of GRAP 14. The annual financial statements have accordingly been adjusted to recognise a provision on 31 March 2023.

23. Irregular, Fruitless and Wasteful Expenditure

| | | |
|---|----------------|----------------|
| Irregular Expenditure - current year | 692 219 | 181 641 |
| Fruitless and wasteful expenditure - current year | - | 1 440 |
| Total | 692 219 | 183 081 |

Notes to the Annual Financial Statements

| Description | 2023 | 2022 |
|-------------|------|------|
|-------------|------|------|

Disciplinary steps taken

Irregular expenditure relates to services rendered without a purchase order. The employment contract of the employee who caused the irregular expenditure was terminated and disciplinary steps could not be taken.

Restatement of prior period balance: Irregular expenditure

| | | |
|--|--|----------------|
| As previously stated | | 169 566 |
| Restatement due to the first time application of National Treasury Instruction No.4 of 2022/23 | | 12 075 |
| Total | | 181 641 |

Restatement of prior period balances: Fruitless and Wasteful Expenditure

| | | |
|--|--|--------------|
| As previously stated | | 8 320 201 |
| Restatement due to the first time application of National Treasury Instruction No.4 of 2022/23 | | (8 318 761) |
| Total | | 1 440 |

24. Consulting and professional fees

| | | |
|-----------------------------|-------------------|-------------------|
| Internal audit | 2 119 955 | 1 179 180 |
| Business consultancy | 4 293 601 | 7 108 262 |
| Risk management | 233 719 | 666 020 |
| Board support | 446 525 | 327 788 |
| ICT Support and improvement | 4 367 031 | 4 707 290 |
| Security system | 603 272 | 639 323 |
| HR Training and development | 5 233 551 | 3 078 260 |
| Finance support | 130 770 | - |
| Legal fees | 7 040 839 | 5 012 227 |
| | 24 469 263 | 22 718 350 |



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RP340/2023
ISBN: 978-0-621-51533-6