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**SOUTH AFRICAN NATIONAL ROADS AGENCY LIMITED (SANRAL) - ANNUAL REPORT  
2006/2007**

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**1. Introduction**

In terms of section 55(2) of the Constitution of the Republic of South Africa Act (No. 108 of 1996), Parliament is empowered to provide for mechanisms "to ensure that all executive organs of state in the national sphere of government are accountable to it". Moreover, Parliament has a constitutional duty "to maintain oversight of the exercise of the national executive authority, including the implementation of legislation ... and any organ of state".

Furthermore, section 65(1) of the Public Finance Management Act (No.1 of 1999) stipulates that "the executive authority responsible for a department ... must table in the National Assembly ... the annual report and financial statements ... and the audit report on those statements, within one month after the accounting officer for the department ... received the audit report".

What follows below is an analysis of the Annual Report of the South African National Roads Agency Limited (SANRAL). It is aimed at assisting Parliament with evaluating the performance of SANRAL as part of its oversight responsibility. Put differently, the main objective is to establish what progress SANRAL has made in terms of its aims and objectives, as set out in its Strategic and Business Plans.

**2. Government Strategic Objectives**

In his 2007 State of the Nation Address, President Thabo Mbeki stipulated the Government's objectives concerning transport and the following have relevance to SANRAL's activities:<sup>1</sup>

- ❖ Raising the rate of investment and infrastructure spending. Investment and spending on infrastructural requirements are crucial in meeting the 6% per annum growth targets, as set by the Accelerated and Shared Growth Initiative for South Africa (ASGISA);
- ❖ Responding to the challenges of the Second Economy. Transport infrastructural development initiatives implemented through the labour-intensive Expanded Public Works Programme (EPWP) would address unemployment and skills development;
- ❖ Ensuring the implementation of Broad-Based Black Economic Empowerment (BBBE). Emerging contractors should be taken through a development programme and contracted in supplying services to the EPWP; and
- ❖ Improvement in the safety and security of all citizens.

<sup>1</sup> Thabo Mbeki, "State of the Nation Address, 9 February 2007", Reprinted at <http://www.anc.org.za/anedocs/history/mbeki/2007/tm0209.html> (accessed 21 October 2007).



### 3. SANRAL's Strategic Objectives

The strategic objectives of SANRAL are as follows:

- ❖ To manage the national road network ensuring best value for money;
- ❖ To continuously improve the efficiency of business practices;
- ❖ To maintain market confidence;
- ❖ To carry out Government's targeted programmes to better the life of all citizens;
- ❖ To ensure safer roads for all;
- ❖ To work in cooperative partnership with road users, transport providers, relevant authorities and the private sector;
- ❖ To be a good employer managing SANRAL's business efficiently and effectively and to seek continuous improvement;
- ❖ To achieve international best practices;
- ❖ To encourage innovation in knowledge and practice;
- ❖ To research, discover and excel; and
- ❖ To market its solutions to road users.

The principal activities of SANRAL are the financing, management, control, planning, development, maintenance and rehabilitation of the South African national roads network, as prescribed by the South African National Roads Agency Limited Act (No. 7 of 1998). SANRAL is managed through three clusters:

- ❖ Finance;
- ❖ Engineering; and
- ❖ Corporate Services

For reporting purposes, SANRAL divides its business activities and accounting records into toll and non-toll operations.

### 4. Programme Performance

Notwithstanding the successes made by SANRAL pertaining to achieving some of its targets, the focus is on highlighting the issues of concern with a view to finding ways in which SANRAL can improve on its performance.

#### 4.1 Private Sector Investment Index (PSII)

As opposed to an 85% target that SANRAL had set itself as regards expenditure to be funded by the private sector subject to obtaining all necessary approvals from relevant authorities for planned projects, the private sector spent only 23% on SANRAL's projects.<sup>2</sup>

<sup>2</sup> Annual Report, p. 79.



Possible question: Are there corrective measures in place to ensure that the project is timely implemented? If so, what are they and what are the time frames?

#### **4.2 Expenditure Efficiency Index**

This project was partially implemented.<sup>3</sup>

Possible questions: What factors led to SANRAL's inability to achieve its target? What is being or has been done to remedy the situation and what are the time frames concerning the full implementation of the project?

#### **4.3 Incorporation of Provincial Roads**

According to SANRAL, 1 600 km of provincial roads were to be incorporated into the national road network by 31 March 2007. Instead, only 604 km of provincial roads were actually incorporated by the said period.<sup>4</sup>

Possible questions: Notwithstanding the explanation that what caused the delay was that there were no confirmations from Gauteng, North West, Limpopo and Western Cape regarding the remainder of the roads, how does the process normally work? Where are the challenges? How can they be addressed?

#### **4.4 Asset Preservation Index (API)**

This project was supposed to have been implemented by 31 March 2007.<sup>5</sup>

Possible question: What delayed the project and what are the new time frames? Are they realistic and achievable?

#### **4.5 High Texture Exposure**

The time frames were not honoured due to "technical delays".<sup>6</sup>

Possible question: What is meant by technical delays and how can they be avoided or overcome?

<sup>3</sup> Annual Report, p. 79.

<sup>4</sup> Annual Report, p. 80.

<sup>5</sup> Annual Report, p. 82.

<sup>6</sup> Annual Report, p. 82.



#### 4.6 High Texture Exposure

This project is still in its infant stage.<sup>7</sup>

Possible question: When did the surveys commence and when will it come to an end?

#### 4.7 Poverty Alleviation

Though some progress was made, there are still glitches that hinder the full implementation.<sup>8</sup>

Possible question: Whose approval is being referred to and when will it be obtained?

#### 4.8 Budget Management

The project was delayed due to the absence of approvals "from relevant authorities".<sup>9</sup>

Possible question: Does SANRAL have an idea as to when the said approvals will be obtained?

### 5. Socio-economic development

In line with the 2002 UN Millennium Development Goals, SANRAL claims to have committed itself to "promoting gender equality and empowering women". This is, however, not fairly reflected by the number of males and females participating in its training in maintenance, replacement and improvement in non-toll roads.<sup>10</sup>

Possible question: Why are there fewer women participating in SANRAL's training programmes?

### 6. Financial Performance

#### 6.1 Auditor-General's Report

SANRAL received an unqualified report.<sup>11</sup> Despite this finding, the Auditor-General reveals that SANRAL incurred a net loss of R172 million<sup>12</sup> during the year under review and that SANRAL's total liabilities exceeded its total assets by R2.306 billion.<sup>13</sup>

#### 6.2 General Overview of the State of Financial Affairs

Income from non-toll operations was R1 504.0 million for the year under review, which is, an 8.47% from the previous financial year.<sup>14</sup> This represents the grant received from Government of R2 292.1

<sup>7</sup> Annual Report, p. 82.

<sup>8</sup> Annual Report, p. 83.

<sup>9</sup> Annual Report, p. 84.

<sup>10</sup> Annual Report, p. 33; Declaration of Intent, p. 61.

<sup>11</sup> Annual Report, p. 97.

<sup>12</sup> During 2005/06, SANRAL had incurred R222 million. (Annual Report, p. 98).

<sup>13</sup> During 2005/06, the figure stood at R2.134 billion. (Annual Report, p. 98).



million less R906.2 million capitalized during the year and R53.4 million realized from government grants received and capitalized in previous years and R64.7 million other income. The revenue from toll operations was R1 136.1 million for the year, that is, a 17.2% increase from the previous financial year.

## 7. Technical Quality

With the exception of the reporting on "Corporate Performance Information",<sup>15</sup> the structure or format of SANRAL's Annual Report, as well as its Strategic Plan, makes it almost impossible to have a comprehensive interrogation or evaluation as to whether SANRAL has achieved or is achieving its aims and objectives. While there is a fair account of SANRAL's activities in the Annual Report and Strategic Plan, the rest of the account is too abstract. There is a scarcity of concrete examples.

Commenting on the importance of measuring performance, the National Treasury stated:

*The public sector delivers essential services essential to the well-being and development of the nation. To ensure that public service delivery is as efficient and economical as possible, all government institutions are required to formulate strategic plans, allocate resources to the implementation of those plans, and monitor and report the results. Performance information is essential to focus the attention of the public and oversight bodies on whether public institutions are delivering value for the money, by comparing their performance against their budgets and service delivery plans, and to alert managers to areas where corrective action is required.*<sup>16</sup>

It is a truism that SANRAL spells out what it intends to achieve. However, the absence of precise time frames and other relevant performance measurements makes the oversight role arduous. The present format does not allow one to establish, for example, the vacancy rate, staff turnover, compliance with employment equity, reported financial misconduct during the year under review and so forth.

## 8. Recommendations

In order to enhance the quality of SANRAL's report, it is suggested that SANRAL should adopt the format of the Strategic Plan and the Annual Report of the Department of Transport. Moreover, in setting its targets, SANRAL should ensure that they are realistic and achievable.

## 9. Conclusion

SANRAL should be commended for complying with the provisions of the Public Finance Management Act (No. 1 of 1999) concerning submitting its report in time and for receiving an unqualified audit opinion.

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<sup>14</sup> Annual Report, p. 103.

<sup>15</sup> Annual Report, p. 79. (Section 10).

<sup>16</sup> National Treasury, "Framework for Managing Performance Information".



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## References

Constitution of the Republic of South Africa Act (No. 108 of 1996).

Public Finance Management Act (No. 1) of 1999.

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South African National Roads Agency Limited, The, "Declaration of Intent 20050-2008).

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