



2017/2018 ANNUAL REPORT



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Vision Statement

Through our well-maintained roads; excellent revenue collection and efficient road maintenance, we take great pride in being recognised as one of the leading Road Funds in Africa.

Mission Statement

To finance road maintenance, upgrading and rehabilitation of road networks and road user safety programmes, aligning ourselves with Government Policy, Best Business Practices, through motivated and committed professional personnel.

Core Values

At all times and to stakeholders we shall uphold the principles of: TRAIT

T= Transparency

R= Responsibility

A= Accountability

I= Integrity, and

T= Team spirit at all levels.

Board of Directors



*Mr. Thato Mohasoa
Chairperson*



*Mr. Nkareng Letsie
Deputy Chairperson*



*Mr. Nkekeletse Makara Pr. Eng
Board Secretary*



*Mr. Jerry Seitlheko
Member*



*Mr. Khasapane Kikine
Member*



*Mr. Lebohang Phohleli
Member*



*Mr. Lebohang Moea
Member*



*Ms. LIneo Lephatsa
Member*



*Ms. Seriti Keta
Member*

Chairperson's Statement

The year 2017/2018 has been full of activity with many achievements and challenges. This report will highlight milestones that Fund achieved while fulfilling the daunting mandate of providing funding for continuous construction, upgrade and rehabilitation of roads in Lesotho, amidst a recognition of limited funds on the part of central government and other conflicting national needs.

The Board is the ultimate governing body of the Road Fund Secretariat in terms of Regulation 6(1) of the Finance (Road Fund) Regulations 2012. It is composed in terms of Regulation 8 for periods established under Regulation 9. It is responsible for the long-term strategy of the organisation as tabulated under Regulation 10. The Board also ensures compliance with applicable legislation, documents, directives and accountability in the activities of the Fund.

The current Board has been appointed at different intervals with some members having left the organisation and some still continuing with their tenure. The Board therefore completed another year of service and continued with its governance role in line with the Fund's Regulations.

The Board committees, namely the Audit and Risk Committee, Human Resources Committee and the Technical Committee continued with their delegated businesses respectively, and completed tasks they were entrusted with during the reporting period.

During the reporting period, the Fund's financial performance has demonstrated steady growth in that total revenue collected for the period up to 31 March 2018 amounted to M148,951,081.95 increasing by M6,212,845.28 (4.35%) from

*Mr. Thato Mohasoa
Chairperson*



M142,738,236.67 collected for the same period up to 31 March 2017. Therefore, an overall of 4.35% (M6,212,845.28) increase in revenue was realized between 2016/2017 and 2017/2018.

Lesotho's road network consists of arterial, urban and rural access roads. Arterial roads connect the districts with one another; others connect border posts with the main road network and traverse through a number of community councils' areas within the districts. The total road network is comprised of 9,200 km categorized in accordance with the surfacing material.

In 2017/2018, the Fund remained committed to giving support to the scientific evaluation of road maintenance needs in Lesotho. The Fund therefore continued to support Roads Directorate's initiative to conduct Road Condition Surveys through the Lesotho Roads Management System.

Having analyzed the conditions of various roads including paved roads, gravel roads, labour based roads which total the Lesotho Road Network, Implementing Agencies will need more than 5.5 Billion Maloti to satisfy the immediate technical needs of the road network.

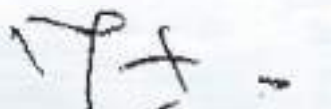
Notwithstanding the achievements, there has been challenges encountered by the Fund during the period under review. The issue of verification of collected revenue at sources has remained a challenge due to manual collection systems. However, the initiative to computerize the national traffic registration system known as Electronic National Traffic System (eNaTIS) commenced and it is anticipated to end in next reporting period, with every district computerized and able to be verified accordingly.

Road Maintenance Agencies have been going through different spells of performance due to delays in the submission of Annual Road Maintenance Programmes, lengthy procurement procedures, insufficient supervision of contractors and insensitivity to contractual obligations. All implementing agencies procure their physical works and services through the government of Lesotho Central Tender Board except for Maseru City Council which uses its in-house Tender Board. The implementing agencies have full responsibility for the procurement and contact management of the road works undertaken by them.

Technical auditing of the programmes has revealed that the agencies do not follow proper change management and reporting processes, this has led to major weaknesses in the analysis of historical data and monitoring of individual projects. In pursuant of acquiring value for money, the Fund invited Road Maintenance Agencies to several stakeholder meetings designed to encourage good practices in project management.

Despite the challenges however, the Fund Secretariat has continued to perform to the best of its ability, under the guidance of the Board of Directors. I would therefore like to extend my heartfelt gratitude to the Management and staff of Road Fund for their dedication in executing the demanding mandate in line with the vision and mission of the organization.

On my behalf and that of that of the entire Board of Directors, I wish to congratulate all stakeholders in making the work of Road Fund easier and for their concerted efforts in ensuring the Fund's achievements against all odds.



Thato Mohasoa (Mr.)
Board Chairperson

Governance Report

MANDATE

Good corporate governance is an essential enabler for the Board to fulfill the organisation's mandate. The Board reviews the governance structures and processes to ensure that the organisation is focused on the strategic objectives, uses resources effectively whilst also focusing on managing risk, providing assurance and accountability and ensuring transparency for the benefit of all stakeholders adhering to leading practices.

BOARD COMPOSITION

The Board is the ultimate governing body of the Road Fund Secretariat in terms of Regulation 6(1) of the Finance (Road Fund) Regulations 2012. It is composed in terms of Regulation 8 for periods established under Regulation 9. It is responsible for the long-term strategy of the organisation as tabulated under Regulation 10. The Board also ensures compliance with applicable legislation, documents, directives and ensures accountability.

The Board of Directors is appointed by the Minister of Finance in terms of Regulation 7 (1). The current Board has been appointed at different intervals with some members having left the organisation and some still continuing their tenure. The Board is comprised of the Chief Executive, three ex-officio members (One representative of the ministry of finance, one representative of the ministry responsible for construction and maintenance of roads and one representative of the ministry responsible for energy) and seven non-governmental members representing the following sectors (passenger transport, freight transport, engineering, Law Society of Lesotho, consumer organisation and two people appointed by the Minister on account of their special skills). The Board is guided by the Board Charter. The below table indicates the current directors of the Road Fund.

<u>NAME</u>	<u>POSITION ON BOARD</u>	<u>REPRESENTATION</u>
Mr. Thato Mohasoa	Chairperson	Minister's appointee
Mr. Nkareng Letsie	Vice Chairperson	Consumer Organisation
Mr. Nkekeletse Makara	Director	Chief Executive Officer
Ms. Seriti Keta	Director	Ministry of Finance
Mr. Khasapane Kikine	Director	Mins. of Public Works and Transport
Ms. Lineo 'Masalome Lephatsa	Director	Law Society of Lesotho
Mr. Lebohang Phohleli	Director	Ass. of Lesotho Road Transporters
Mr. Lebohang Moea	Director	Passenger Transport
Mr. Jerry Seithleko	Director	Department of Energy

Mr. Mohasoa was appointed on 22 January 2018 replacing the then Chairman Mr. Mahashe Chaka who was appointed on 20 February 2015 and his term ended on 19 February 2017. The Board of Directors had been operating with two members less.

NEW BOARD APPOINTMENTS

The Minister of Finance appointed Mr. Mohasoa on 22 January 2018 replacing the then Chairman Mr. Mahashe Chaka who was appointed on 20 February 2015 and his term ended on 19 February 2017.

BOARD COMMITTEES

The Road Fund's governance structure as envisaged under Regulation 10(2) is comprised of three Board Committees, to wit; Audit and Risk Committee (3 members), Human Resources Committee (3 members) and the Technical Committee (3 members). The Chairman of the Board and the Chief Executive are not substantive members of any of the committees but may be invited therein.

AUDIT COMMITTEE

The Audit and Risk Committee is constituted to assist the Board in discharging its oversight and monitoring responsibilities by ensuring that there are adequate controls and systems in place for the reliability of the financial results and accountability for the organisation's assets. The Committee Charter sets out specific responsibilities delegated by the Board to the Audit and Risk Committee. This Charter further details the manner in which the Committee will operate. The Committee is tasked to deal with risk management, internal controls, financial reporting processes, auditing processes, anti-corruption, fraud and theft. The Committee comprises of Mr. Nkareng Letsie as the Chairperson, Ms. Seriti Keta and Mr. Khasapane Kikine as members.

HUMAN RESOURCES COMMITTEE

The Human Resources Committee is mandated by the Board to look into overall human capital issues including but not limited to the creation of a healthy organizational culture, ensuring the creation and maintenance of an environment that supports employee development and growth and actualization of potential performance and to oversee compliance with the applicable laws on all matters pertaining to employment. The Committee comprises, Mr. Lebohang Phohleli as the Chairperson, Mr. Lebohang Moea and Ms. Lineo 'Masalome Lephatsa as members.

TECHNICAL COMMITTEE

The Technical Committee is seized with the responsibility of technical advice focusing on implementation of various projects and taking a strategic role in advising the Board on policy direction as relates to major capital projects.

The Committee was not fully resourced as the Board was missing two technical members.

DISCLOSURE OF INTERESTS

A 'conflict of interest' is considered to be any connection or association with a third party that is (or appears to be) against the best interests of the Road Fund, or which could enable one reasonably to be suspected of using their position within the Road Fund to gain an unfair advantage for or from a third party. Conflicts of interest are best avoided altogether; however, the Road Fund acknowledges that conflicts of interest (and potential conflicts) are sometimes unavoidable. In such circumstances the principles of openness and integrity apply and any such conflicted member of the Board is required to disclose such and this is a standing agenda in all Board and Committee meetings. This is to promote independent and transparent decision making by the Board and its Committees in line with Regulation 12.

BOARD REMUNERATION

Board Remuneration is as approved by the Minister of Finance under Regulation 13.

Chief Executive Officer's Reports

I am pleased to present the Annual Report of the Road Fund for the financial year 2017/2018. On behalf of Road Fund Management and staff, it is pleasing and indeed heartwarming to acknowledge progress that the Fund has attained to date. It is through the contribution of all that we managed to achieve what we did amidst challenges that the Fund faces.

BACKGROUND

During the reporting period, Road Fund continued to work with its Implementing Agencies. For maintenance of roads we worked with Roads Directorate, Ministry of Local Government and Maseru City Council. On Road user safety, Road Safety Department is the relevant stakeholder.

We also continued to finance the following, in order of priority; routine, emergency and periodic maintenance of all roads in Lesotho; urban and rural community roads, on a cost share basis; road rehabilitation, road upgrading, new road works and road safety projects; including any other project or matter connected with roads.

We continued to collect revenue from the Department of Traffic and Transport, Lesotho Revenue Authority, Traffic Police and Oil Companies.

ACHIEVEMENTS

ROAD MAINTENANCE PROJECTS

During the period under review the Road Fund financed a number of projects in order to:

- Enhance the socio-economic development of the country;
- Develop the local construction industry;
- Increase employment opportunities for the local community by financing labour based programmes;
- Respond to road maintenance emergencies; and
- Decrease the number of road accidents by financing road safety activities.

The Road Fund financed Labour based programmes which were mainly catering for upcoming contractors. These programmes have proved to increase the accessibility of remote areas of the country while improving dramatically the standard of living in project area.

Area Routine Maintenance Projects were located in every district and totalled to 12 in number. These projects covered an estimated length of 660KM, employed an average of 30 people per month over 12 months at a total cost of M217,314,196.



*Mr. Nkekeletse Makara Pr. Eng
Chief Executive Officer*

FINANCIAL PERFORMANCE

During the period under review, there has been a slight increase in Road Maintenance Levy (RML) collections. RLM remained the largest stream contributing 51.5% (M76,661,829) of the total revenue collected, followed by Toll Gate Fees with 35.2% (M52,443,887). Motor Vehicle Licenses and Permits contributed 13.1% (M19,582,400) while Fines on Road Traffic Offences contributed 0.2% (M262,965) and lastly Fines on Overloaded Vehicles with 0.0% contribution for the period under review.

On maintenance of roads, a total of M374,809, 604.94 was allocated to Implementing Agencies for the various programmes for the year under review, at the end of the year, M223,497, 401.00 had been utilised.

On the other hand, the secretariat expenses had increased due to a Board's decision to make a provision for bad debts on the money owed by the Government of Lesotho through Treasury Department. This money had been outstanding as far back as prior to July 2009 which led to an agreement between the two ministries, Ministry of Public Works and Transport (MoPWT) and the then Ministry of Finance and Development Planning (now called Ministry of Finance) under which the Road Fund (RF) is responsible, to pay directly into the RF bank account all collections made on behalf of the RF from the Department of Traffic and Transport (DTT) in all the ten districts of Lesotho.

HUMAN RESOURCES POLICIES AND PROCEDURES MANUAL

The other achievement was on the Human Resources front, where the Road Fund Secretariat's Human Resources Policies and Procedures Manual and the Financial Policy and Procurement Procedures Manual were reviewed and approved by the Board. These were workshopped to Members of Staff to usher in a new era of firm commitment to new values of the organization.

The values outline the following:

- Transparency in our business dealings through full, accurate and timely disclosure of information;
- Responsibility by being answerable to our stakeholders, on performance of our duties, per legislated mandate and expected levels of performance;
- Accountability for our activities, accepting responsibility for them and disclosing results in a transparent manner;
- Integrity, by always observing and maintaining high standards of ethical behaviour, refraining from impartiality in service delivery and upholding the rule of law; and
- Team spirit at all levels through promotion of collaboration and interdependencies among teams to achieve set goals and objectives.

CHALLENGES

The challenges that the Fund experienced during the reporting period were mostly turned into opportunities. The Fund decided to spend more money to solve the challenges at hand. Planning and execution of the Electronic National Traffic System for Department of Traffic and Transport would ensure that verification becomes easier than when the collecting agency used a manual system.

In pursuit of acquiring value for money amongst Implementing Agencies, they were invited to several stakeholder meetings designed to encourage good practices in managing projects.

CONCLUSION

I would like to conclude by thanking the Honourable Minister of Finance Dr. Moeketsi Majoro to whom the Fund is answerable. The Board of Directors remained very supportive in overseeing the running of the Fund. I am thankful for their insightful guidance as they played a significant role in the growth of the organization. Our stakeholders whom we depend on for implementation of road networks and where we collect the revenue, we remain grateful for the collaboration we have. We still have a long way to go, but together we will surely get there. The Management and staff of Road Fund remained equally committed to execute the demanding mandate, for that I highly appreciate and encourage all to soldier on, amidst the challenges.



Nkekeletse Malakia Makara (Mr.) Pr. Eng.
Chief Executive Officer

Engineering

OVERVIEW OF THE NATIONAL ROAD NETWORK

Lesotho's road network consists of arterial, urban and rural access roads. Arterial roads connect the districts with one another; others connect border posts with the main road network and traverse through a number of community councils' areas within the districts. The total road network is comprised of 9,200 km categorized in accordance with the surfacing material as stated in Table 1 hereunder.

Table 1:
Lesotho Roads Network

Agency	Length (km)					Proportion (%)
	Paved	Gravel	Earth	Track	Total	
Roads Directorate	1533	3030	1170	132	5865	64
Ministry of Local Government	82	2500	84	0	2666	29
Maseru City Council	167	230	278	0	675	7
Total	1782	5760	1532	132	9206	100

Since 2010, visual condition surveys were conducted annually by trained assessors on the paved and unpaved road network under jurisdiction of the Roads Directorate. Surfacing defects, structural defects and functional aspects were recorded to determine the current condition and future need of the paved and unpaved roads. Equipment measured transverse and longitudinal profiles of paved roads that were conducted in 2017 were included in the analysis to describe the condition of the paved roads. Falling Weight Deflection measurements, also recorded in 2012, were used to calculate structural numbers for the paved road network, to improve the accuracy of the analysis.

The urban roads are within the jurisdiction of urban community councils while the rural access roads traverse the local community councils' areas. In line with the Lesotho road sector and decentralization policies, arterial roads and rural roads which traverse through two or more community councils' areas are under the responsibility of the Central Government, while the urban and rural access roads that provide access limited to the particular councils' areas are under the custody of local authorities.

However, Roads Directorate, under the Ministry of Public Works and Transport is responsible for formulation of national road sector policies and standards, with which every road agency and/or community council must comply.

LESOTHO ROAD MANAGEMENT SYSTEM

The Roads Directorate is mindful of the implications of good road asset management and has implemented a sophisticated Road Management System (LRMS, Lesotho Road Management System) providing valuable information for road network management and planning. This system will provide the Directorate with the ability to manage the access infrastructure connecting the major economic centres in Lesotho as well as providing access to the remote areas of the Mountain Kingdom.

The Fund is committed to giving support to the scientific evaluation of road maintenance needs in Lesotho. It has been a priority to the Fund to support Roads Directorate's initiative of conducting Road Condition surveys through the Lesotho Road Management System (LRMS) from 2009.

CONDITION OF PAVED ROADS

The Visual Condition Index (VCI) is a condition index used to assess the condition of surfaced roads. The average VCI in 2010 was 65% and has reduced to 63% in 2017. The network was thus categorised as being in a fair condition category in 2017. An overall Visual Condition Index (VCI) value for each road segment is required to express the condition in a single value. This is calculated from the various recorded distresses. Each distress has a maximum contribution to VCI, so that one particular distress does not predominate in the calculation.

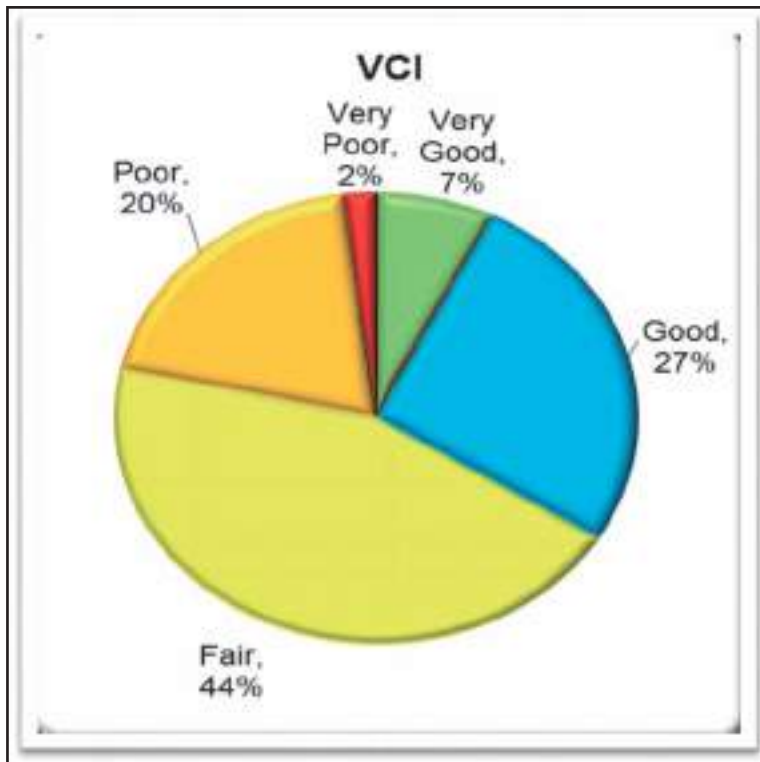
During 2017, visual condition surveys were conducted by trained assessors on the paved and gravel road network under jurisdiction of the Roads Directorate. Surfacing defects, structural defects and functional aspects were recorded to determine the current condition and future need of roads.

To determine the VCI, the formula sums each rated item's rating, multiplied by its weight, and sums all the values obtained in this way, to arrive at a value, which is deducted from 100 to provide a score out of 100. Low scores, close to 0, represent segments with poor road conditions (deteriorated roads), and high scores, close to 100 represent road segments in a good condition. The following categories are used to categorise the VCI into 5 categories of very good, good, fair, poor and very poor roads.

Table 2: VCI condition categories

DESCRIPTION	VCI VALUES
Very good	More than 85
Good	70 to 85
Fair	50 to 70
Poor	30 to 50
Very poor	Below 30

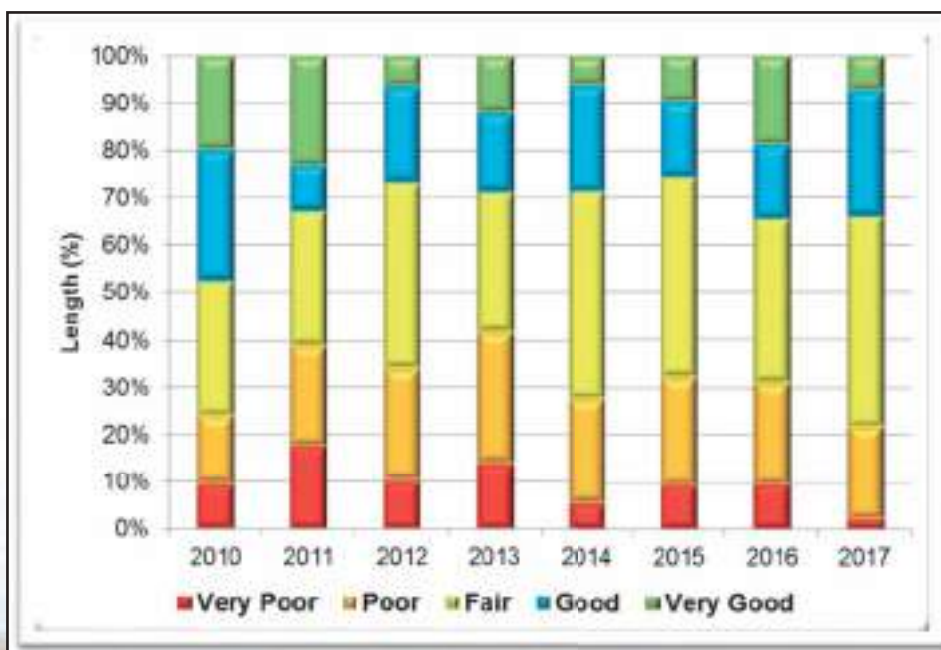
Figure 1: Overall network visual condition index distribution (VCI) for surfaced roads (2017)



The percentage of roads in poor and very poor condition increased from 25% in 2010 to an all-time high in 2013 at 42% where after it decreased to 27% in 2014 and again increased to 30% in 2016 and decreased to 22% in 2017.

The percentage roads in fair condition increased from 28% in 2010 to 44% in 2014 then decreased to 35% in 2016 and increased to 44% in 2017. Note that in 2010, 78% of the paved road network was surveyed, 96% in 2011, 89% in 2012 and 2013, 83% in 2014, 89% in 2015, 99% in 2016 and 89% in 2017.

Figure 2: Overall historical VCI (2010-2017) (% road per condition category)



The average VCI was calculated over the last eight years and is represented in Figure 2 above. There has been a steady decrease in the VCI since 2010. The graph shows a 13% deterioration of the network condition between 2010 and 2013. The overall condition of the roads has improved slightly after 2013 till currently (2017), this could indicate that more maintenance was done.

In 2017, the percentage of roads in ‘poor’ and ‘very poor’ condition category was 22%, thus well above the acceptable norm of 10% (a World Bank guideline), and the roads in the ‘fair’ condition category is 44%, also above the norm of 25%, based on experience. This classifies the Equipment Based paved network as having a large rehabilitation as well as preventive maintenance need.

CONDITION OF GRAVEL ROADS

The Visual Gravel Index (VGI) is a condition index used to assess the condition of gravel roads maintained by the use of heavy road construction equipment.

In a similar fashion to the Visual Condition Index for paved roads, it is also possible to calculate a condition index for gravel roads referred to as the Visual Gravel Index or VGI. This is a single number that attempts to express the overall condition of gravel roads. A low value for a VGI indicates a road segment that is in poor condition, and a high value, close to 100, indicates a road segment that is in good condition.

Figure 3: Network-level distribution of unsurfaced road conditions



Figure 3 shows that the Equipment Based gravel road network is mostly in ‘very poor’ to ‘poor’ condition, with approximately 98% in these condition categories, 2% in ‘fair’ condition and 0% in ‘good’ condition.



The following VGI categories in Table 3 were used to categorise very good, good, fair, poor and very poor roads:

Table 3: VGI Condition Categories

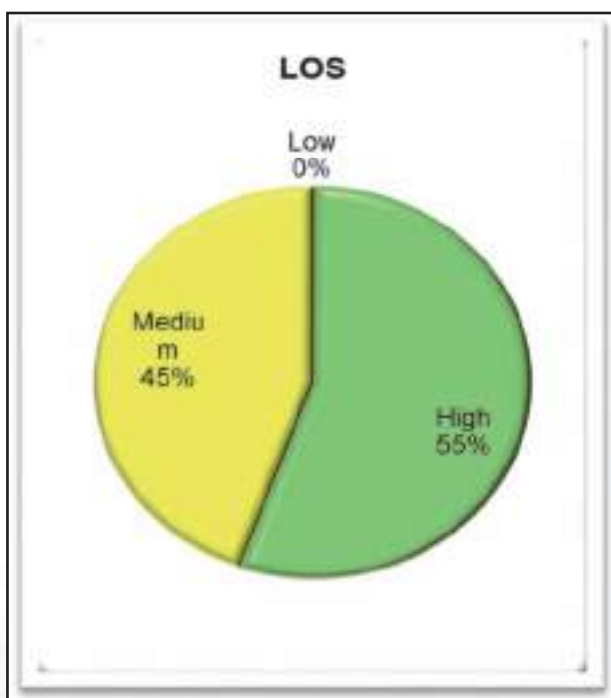
Description	VGI values
Very Good	85 to 100
Good	70 to 85
Fair	50 to 70
Poor	30 to 50
Very Poor	0 to 30

CONDITION OF LABOUR BASED ROADS

The Level of Service (LOS) is a condition index used to assess the condition of gravel roads maintained by Labour Intensive methods of construction. The LOS categories are similar to those used in VGI classifications in Table 2 above.

For Labour Based roads, the unpaved road assessment data, expressing the condition through distress ratings are also used to calculate a single Level of Service (LOS) index. This indicator represents the perceived level of service the road provides *due to its design standards and its current condition*. The LOS is calculated for each labour based road segment that was surveyed.

Figure 4: Network-Level distribution of LOS (2017)



From the 2017 pie chart above, it is clear that labour-based gravel road network mostly delivers a high Level of Service, with approximately 55% being in high LOS and 45% in medium LOS.

ROAD MAINTENANCE AND REHABILITATION NEEDS

The condition of the Lesotho Road Network shows that surfaced roads are in a fair condition. However, the network exhibits an increasing rehabilitation backlog of surfaced roads.

Table 4: Immediate technical needs for paved roads.

Type of Intervention	Length	Cost (Maloti)
Resealing	22km	32 Million
Rehabilitation	504km	2504 Million
Total		2 536 Million

The state of gravel roads is in poor condition and requires urgent attention to ensure that the network does not deteriorate further.

Table 5: Immediate technical needs of unpaved roads

Maintenance Method	Type of Intervention	Length	Cost (Maloti)
Equipment Based Construction	Regravelling	295 km	104 million
	Upgrading to paved	147 km	1 490 million
Sub total			1594 million
Labour Intensive Construction	Upgrade Earth roads to Gravel	674km	1.079billion
	Regravelling	820km	691 million
	Gravel Rehabilitation	372km	384 million
	Spot Treatment	244km	0.044 billion
	Upgrade Track to gravel	71km	.0.086 billion
Total			3.5 billion

It is worth noting that this assessment does not include Ministry of Local Government and Chieftainship and Maseru City Council road network as preparations are underway to include them in the assessment.

In conclusion, due to the condition of Lesotho's Road Network, Implementing Agencies will need more than 5.5 billion Maloti to satisfy the immediate technical needs of the road network.

IMPLEMENTATION OF ROAD MAINTENANCE PROGRAMMES

The Road Fund as mandated by the Legal notice 103 Finance (Road Fund) Regulations 2012 Section 10 (1) (c) review and approve allocation of funds for Annual Roads Programmes and road safety related activities at least six months before the national budget is approved.

Table 6: Budget allocation and expenditure for Implementing Agencies

Financial year	2017/2018	
	Agencies	Budget Allocation
Roads Directorate	160,923,539.74	101,835,683
MCC	131,715,780.40	83,991,462
Ministry of Local Government	76,567,638.80	34,311,061
Road Safety	5,602,650.00	3,359,195
Total	374,809,608.94	223,497,401

ROAD MAINTENANCE PROJECTS AND ROAD SAFETY ACTIVITIES

During the period under review the Road Fund financed a number of projects in order to:

- (i) Enhance the socio-economic development of the country;
- (ii) Develop the local construction industry;
- (iii) Increase employment opportunities for the local community by financing labour based programmes;
- (iv) Respond to road maintenance emergencies; and
- (v) Decrease the number of road accidents by financing road safety activities.




The Road Fund financed Labour based programmes which were mainly catering for upcoming contractors. These programmes have proved to increase the accessibility of remote areas of the country while improving dramatically the standard of living in project area.

Table 7: Major projects financed by the Fund in this reporting period

District	Road Maintenance Agency	Project	Length (KM)	Cost (Maloti)
Thaba Tseka	Roads Directorate	Thaba Tseka Area Routine Maintenance	30	11, 292, 723
Mohale's Hoek	Roads Directorate	Phamong Area Routine Maintenance	48	20, 078, 384
Quthing	Roads Directorate	Quthing Area Routine Maintenance	42	20,460,911
Qacha's Nek	Roads Directorate	Qacha's Nek Area Routine Maintenance	32	10,702,777
Botha Bothe	Roads Directorate	Kao Area Routine Maintenance	44	11,904,165
Leribe	Roads Directorate	Pitseng Area Routine Maintenance		6,327,548

Area Routine Maintenance Projects were located in every district and totalled to 12 in number. These projects covered an estimated length of 660Km, employed an average of 30 people per month over 12 months at a total cost of M217,314,196.

Table 8: 2017/2018 Projects financed by the Road Fund

Maseru City Council Maintenance Projects	Project Photographs (for selected sections)	Cost (Maloti)	Length (Km)	Remarks
Periodic Maintenance of gravel roads Motimposo Matsela ha Beli		1,997,622		Project completed. Social impact: Provided an all-weather access to residents and primary school children
Periodic Maintenance of gravel roads Koalabata to Sekhutlong		8,155,740		Ongoing 90% complete. Social impact: Provided an all-weather access to residents and primary school children
Rehabilitation of Lekhaloaneng Pita to Matala Traffic Circle		127,000,000		Ongoing 90% Complete. Social impact: Provided an all-weather access to residents improved stormwater management.

<p>Emergency Repairs on Lancer's Gap Road</p>		<p>15,000,000</p>		<p>100% Complete. Social impact: Prevented a complete collapse of the road. Villages on the Berea Plateau would have been cut off from the Capital City.</p>
<p>Periodic Maintenance of Botha Bothe Urban Roads.</p>		<p>7,773,307.56</p>		<p>80% Complete. Social impact: Better riding quality within the CBD.</p>

PROJECTS FINANCED BY THE FUND CONTRIBUTING TO CONTRACTOR DEVELOPMENT

The Fund supported more than 100km of gravel road maintenance projects which were awarded to small and medium construction companies in training and after qualification at the Contractor Training Centre.

DESIGN, CONSTRUCTION SUPERVISION AND ENGINEERING SUPPORT

This is done for the purpose of supporting the Implementing Agencies for design, construction supervision, and contract management of road construction projects and installation of artificial lighting on the constructed roads. This reporting year the fund has not received any proposals to fund this phase of works due to the number of designs that still have to be implemented.

PROCUREMENT AND PROJECT MANAGEMENT

All implementing agencies procure their physical works and services through the government of Lesotho Central Tender Board except for MCC that uses its in-house Tender Board. The implementing agencies have full responsibility for the procurement and contract management of the road works undertaken by them.



On the other hand, the role of Road Fund Board is to ensure that funds are disbursed for the sole purpose for which they were intended. The Road Fund Secretariat, on behalf of the Board, conducts financial and technical audits of all works that are financed by the Fund. Payments for works done by contracts under Roads Directorate, Maseru City Council and Ministry of Local Government are made by the Road Fund Secretariat through submission of payments certificates by the respective road agencies. The time for processing and issuing payments has helped to improve contractor’s cash flows thereby ensuring the smooth running of the projects to successful completion as well as stimulating the construction industry as a whole.

Technical auditing of the programmes has revealed that the agencies do not follow proper change management and reporting processes, this has led to major weaknesses in the analysis of historical data and monitoring of individual projects. In pursuant of acquiring value for money the Fund invited Road Maintenance Agencies to several stakeholder meetings designed to encourage project management good practise.

Road Maintenance Agencies have been going through different spells of performance due to delays in the submission of Annual Road Maintenance Programmes, lengthy procurement procedures, insufficient supervision of contractors and insensitivity to contractual obligations. Figure 5 displays performance of Road Agencies compared to the Road Fund approved budget.

Figure 5: Budget versus Expenditure per agency



Figure 5 portrays performance of the Road Fund in funding Road Maintenance activities, performance of Road Maintenance Agencies (RMA) comparing them to revenue collected over a period of 7 years. The chart shows that Road Maintenance Agencies performed below the revenue collected by the Fund from 2011 to 2016, there was an improvement in the performance during the 2016/2017 and 2017/2018 fiscal year where the financial performance was greater than the revenue collected. 2017/2018 indicates a downward trend in the amount of money at that the Road Maintenance Agencies have to implement road maintenance activities.

The downward trend of the budgeted amounts and increase in performance of RMA indicate depletion of reserves collected during the 2011/2012 to 2015/2016. The Road Fund is therefore challenged to collect more when taking this into consideration and the report from the Roads Directorate concluding that the condition of Lesotho's Road Network requires, Implementing Agencies more than 5.5 billion Maloti to satisfy the immediate technical needs of the road network.



Human Resources and Administration

RECRUITMENT ISSUES

The first three-year contract term for the Road Fund staff members expired between 31 March 2017 through 31 May 2017 that. The Road Fund Management Team had proposed a new Organizational Structure to the Road Fund Board of Directors and the Proposal was sent to the Honourable Minister of Finance for approval.

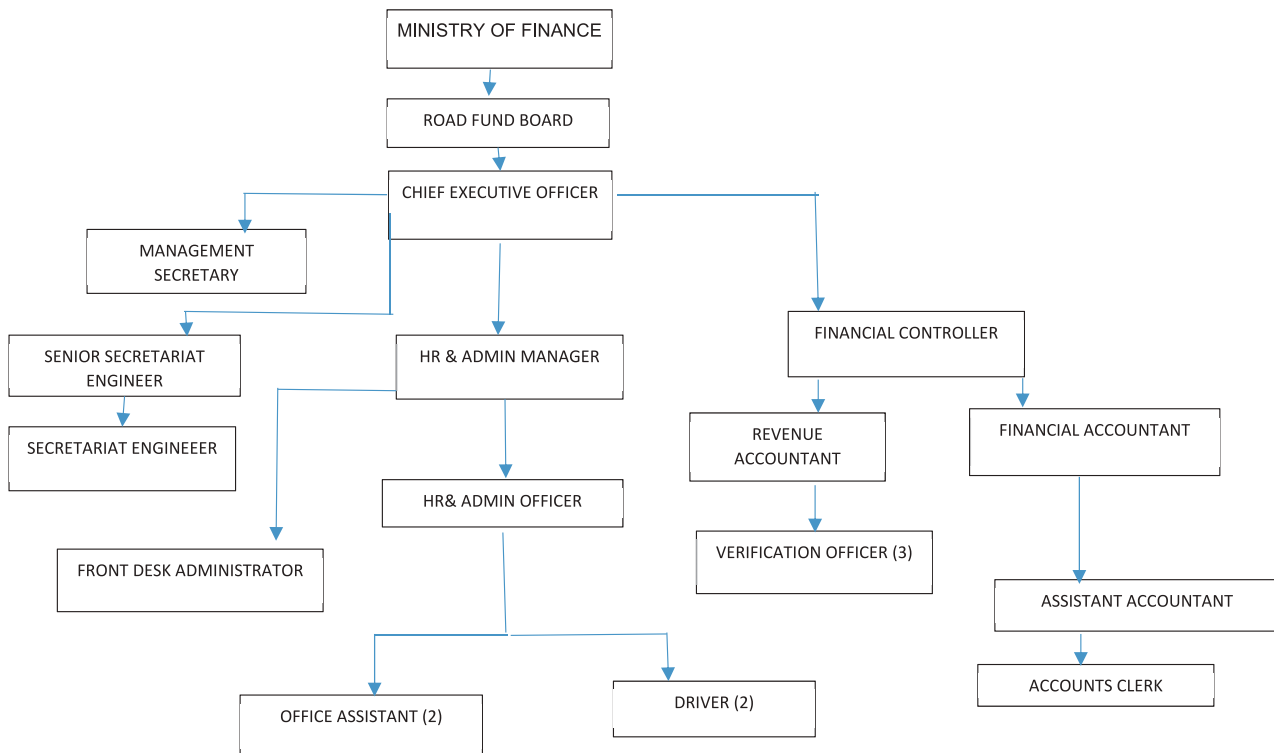
While awaiting consent by the Honourable Minister of Finance, the Road Fund Staff Members were engaged on three months Short-Term Contracts that started on 1 April 2017 and were renewed on the same basis until 28 February 2018 and 31 March 2018 respectively. In its 3rd Special Meeting for Financial Year 2017/2018, the Road Fund Board of Directors resolved to suspend implementation of the new structure of the Road Fund and the three-year contract of employment were put in place for the rest of the Staff Members from the 1 March and 1 April 2018 respectively.

REVIEW OF HUMAN RESOURCES POLICIES AND PROCEDURES AND FINANCIAL POLICY AND PROCUREMENT PROCEDURES MANUALS

During the reporting period, the Road Fund Secretariat's Human Resources Policies and Procedures Manual and the Financial Policy and Procurement Procedures Manual were reviewed and approved by the Board. These were workshopped to Members of Staff to usher in a new era of firm commitment to new values as follows:

- Transparency in our business dealings through full, accurate and timely disclosure of information;
- Responsibility by being answerable to our stakeholders, on performance of our duties, per legislated mandate and expected levels of performance;
- Accountability for our activities, accepting responsibility for them and disclosing results in a transparent manner;
- Integrity, by always observing and maintaining high standards of ethical behaviour, refraining from impartiality in service delivery and upholding the rule of law; and
- Team spirit at all levels through promotion of collaboration and interdependencies among teams to achieve set goals and objectives.

Figure 6: Organisational Structure



TRAININGS, CONTINENTAL AND REGIONAL MEETINGS

In keeping with the Road Fund Policy on Staff Training that: “The Fund shall undertake short term training and development of its employees with a view to improving their performance and enhancing the quality of service that they offer the public,” members of Staff have over the years, been continually exposed to refresher courses ranging from Cleaning Staff refresher courses, Professional Driving courses, Management Development Programmes for Personal Assistants and Executive Secretaries, course in Advanced Accounting Skills, Financial Planning and Control, Development of Human Resources Policies, Project Monitoring and Evaluation, Asset Disposal Management.

Team building exercises involving all members of Staff were also undertaken, and attendance at Conventions, and Conferences of Professional Institutions and Bodies to which respective Members of Staff belong, supported. Today, as the Road Fund sets out, with the approved implementation of Phase II of the restructuring of the Organizational Structure which has seen the creation of an additional thirteen new positions to add to its current structure of eighteen (18), to embark on delivery of business change and transformation projects, and with the approved 2017 – 2020 Strategic Plan to improve its operational performance with implementation of systems that will enhance organizational development, the Fund commits to leading the management of the Road Fund through a structured and planned approach.

PARTICIPATION AT THE CONTINENTAL ASSOCIATIONS MEETINGS

During the reporting period the Fund was represented at the ARMFA SADC Focal Group meetings and Annual General Assembly held at the following places;

Table 9: Attendance of ARMFA Meetings 2017/2018 Financial Year

Meeting Venue	Meeting Type	Date
Madagascar	ASAFG	April 2017
Mozambique	ASAFG	August 2017
Ethiopia	ARMFA	February 2018

Finance

FINANCIAL PERFORMANCE

PREAMBLE

The report on financial performance of the Fund refers to how the Fund performed in terms of meeting the financial requirements of the implementing agencies for their respective road works. It is not supposed to be viewed as Management Accounts whose main objective is to monitor financial performance against budgetary provisions and forecasts.

There has been a slight increase in RML collections. This was last reviewed in June 2006 and as it can be seen only consistent annual adjustments to the road user fees can ensure constant monitoring of roads regardless of the daily challenges that the roads sector comes across.

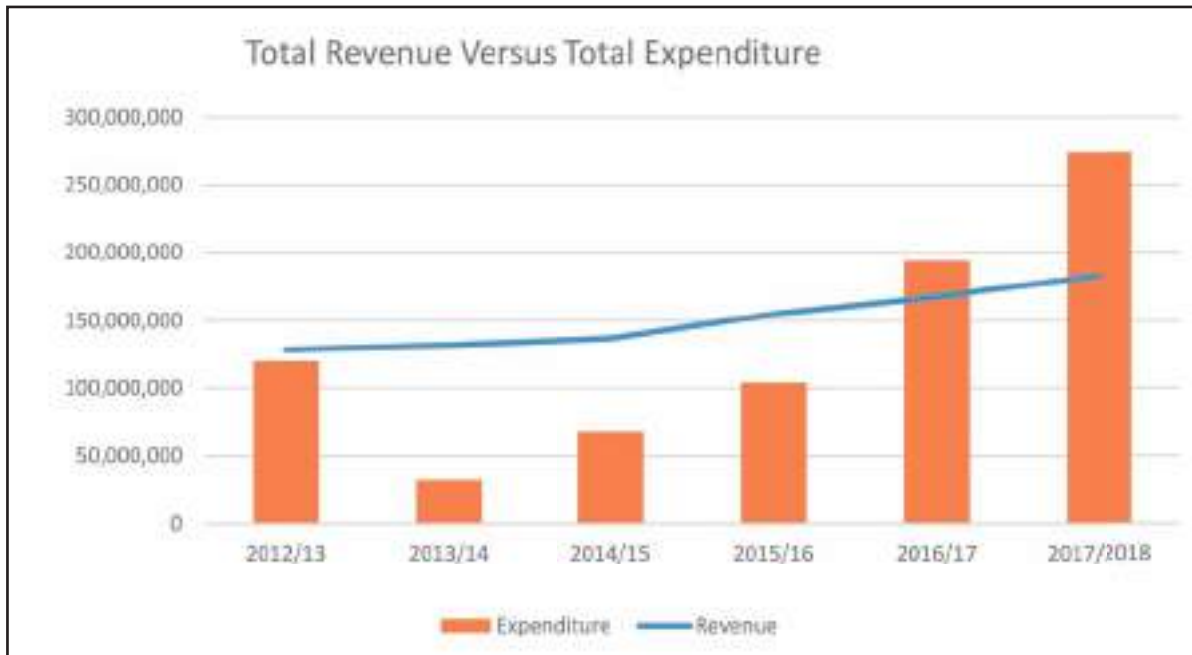
Since July 2009 the Department of Traffic and Transport (DTT) deposited collections directly into the Fund's bank account and the Fund started close monitoring of collections. However, the challenge is that only two districts Maseru and Leribe have an electronic system of collecting motor vehicle licenses only while the rest of the collections in all the other districts are done manually.

The toll collection operations were handed over to LRA in February 2011 as the plan was that LRA should collect all government revenues. This was followed by tollgate fees increase which was effected in March 2011. Since the last review all efforts to review the tariffs were unsuccessful thus posing a problem of road maintenance backlog.

The interest received declined by 33% over the period under review due to increased absorptive capacity of implementing agencies.

On the other hand, the secretariat expenses had increased due to a Board's decision to make a provision for bad debts on the money owed by the Government of Lesotho through Treasury Department. This money had been outstanding as far back as prior to July 2009 which led to an agreement between the two ministries, Ministry of Public Works and Transport (MoPWT) and the then Ministry of Finance and Development Planning (now called Ministry of Finance) under which the Road Fund (RF) is responsible, to pay directly into the RF bank account all collections made on behalf of the RF from the Department of Traffic and Transport (DTT) in all the ten districts of Lesotho.

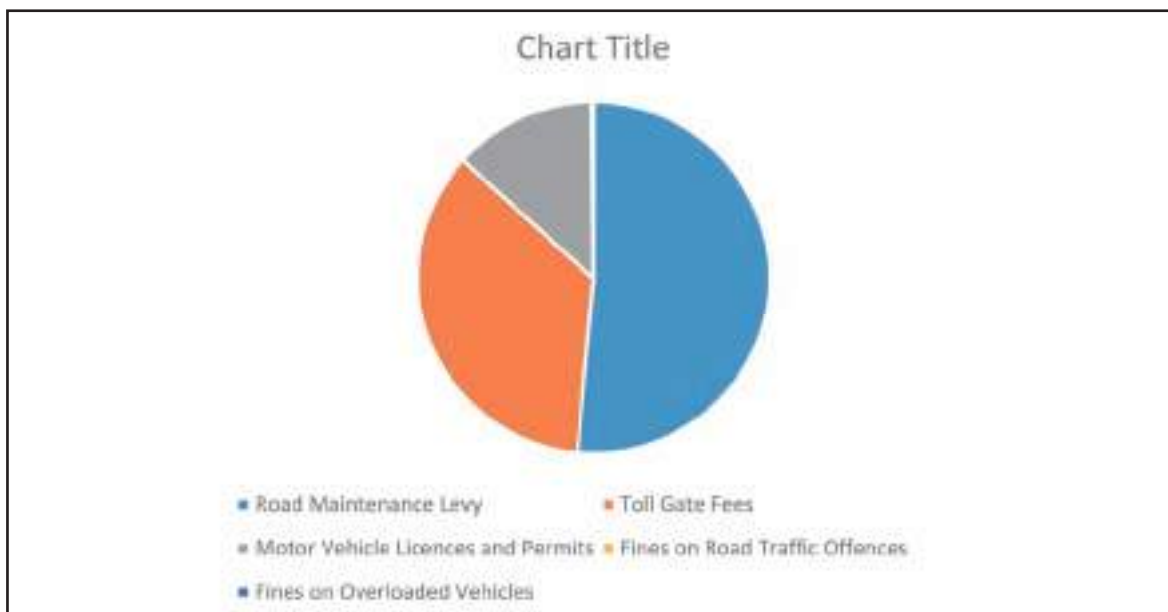
Table 10: Total Revenue Versus Expenditure



REVENUE STREAMS

The Road User Fees are divided into various streams depicted according to each stream contribution to Total Revenue by the chart below:

Figure 7: Revenue Streams



Road Maintenance Levy (RML) remains the largest stream contributing 51.5% (M76,661,829) of the total revenue collected, followed by Toll Gate Fees with 35.2% (M52,443,887). Motor Vehicle Licenses and Permits contributed 13.1% (M19,582,400) while Fines on Road Traffic Offences contributed 0.2% (M262,965) and lastly Fines on Overloaded Vehicles with 0.0% contribution for the period under review. An overall 4.35% (M6,212,845.28) increase in revenue was realized between 2017/18 and 2016/17 resultant from increased effort from the Revenue Section detailed in the report.

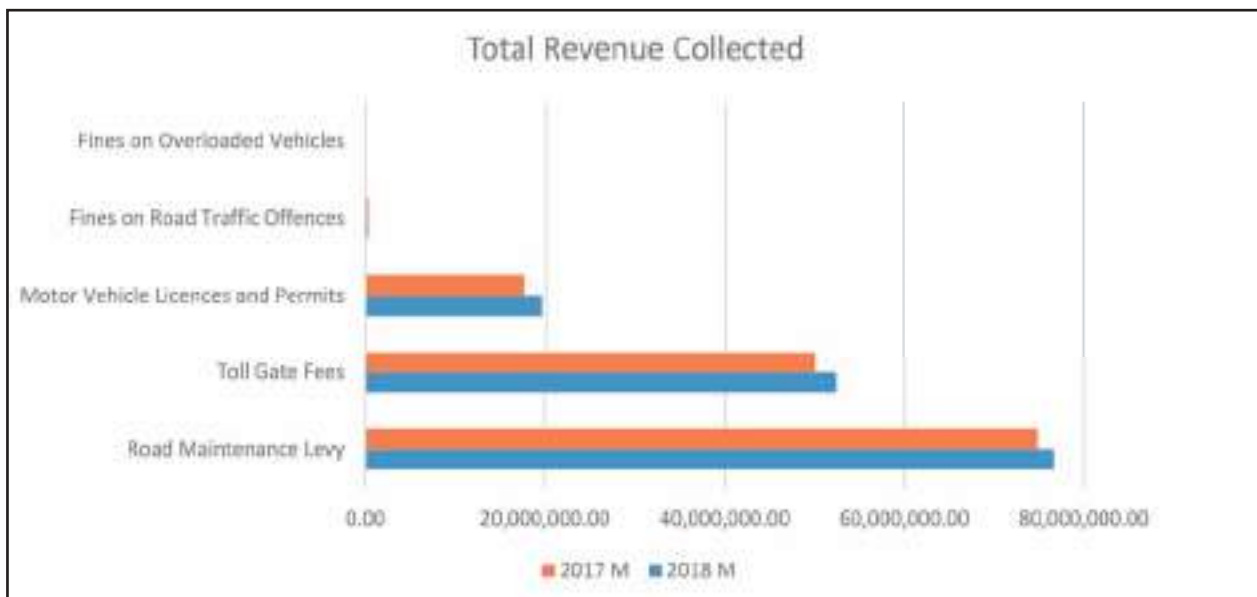
DETAILED ANALYSIS

Total Revenue collected for the period up to 31 March 2018 amounted to M148,951,081.95 increasing by M6,212,845.28 (4.35%) from M142,738,236.67 collected for the same period up to 31 March 2017. Detail on the collection per Revenue Stream is given in table 1 and figure 2 below:

Table 11: Total Revenue Collected

Total Revenue Collected					
		2018	2017	Variance	% Variance
1	Road Maintenance Levy	76,661,829.80	74,763,722.45	1,898,107.35	2.54%
2	Toll Gate Fees	52,443,886.85	50,008,419.00	2,435,467.85	4.87%
3	Motor Vehicle Licenses and Permits	19,582,400.30	17,663,712.43	1,918,687.87	10.86%
4	Fines on Road Traffic Offences	262,965.00	302,382.79	-39,417.79	-13.04%
5	Fines on Overloaded Vehicles	0	0	0.00	0.00%
		148,951,081.95	142,738,236.67	6,212,845.28	4.35%

Figure 8: Total Revenue Collected



The amount collected was M4,030,888 (2.6%) below 2017/18 budgeted revenue of M 152,981,970 as shown in table 2 below.

Table 12: Budget Variance Analysis

Budget Variance Analysis					
	Item	Budget	Actual	Variance	% Variance
		M	M	M	%
1	Road Maintenance Levy	79,643,392	76,661,830	-2,981,562	-3.7%
2	Toll Gate Fees	55,313,414	52,443,887	-2,869,527	-5.2%
3	Motor Vehicle Licenses and Permits	17,653,264	19,582,400	1,929,136	10.9%
4	Fines on Road Traffic Offences	271,900	262,965	-8,935	-3.3%
5	Fines on Overloaded Vehicles	100,000	0	-100,000	-100.0%
		152,981,970	148,951,082	-4,030,888	-2.6%

ROAD MAINTENANCE LEVY

RML is a levy imposed on motor vehicle fuel imported and used in Lesotho in accordance with The Fuel and Service Control Act 1983 (Act No. 23 of 1983) read together with Petrol or Distillate Fuel Levy Regulations 1985 (Legal Notice No. 102 of 1985).

The Levy is collected on behalf of the Fund by licensed Oil Companies operating in the country. The current rates are as follows:

- Thirty (0.30) Lisente per litre of Petrol
- Forty (0.40) Lisente per litre of Diesel

The rates were last reviewed in year 2006 and do not take into consideration the fuel grade i.e. whether leaded or unleaded petrol for instance.

Total revenue collected from RML increased by M1,898,107.35 (2.48%) from M74,763,722.45 in 2016/17 to M76,661,829.80 in 2017/18.

NB: detailed volumes of fuel imported/sold in kiloliters per company may only be published by the Department of Energy as per regulations.

TOLL GATE FEES

Toll Gate as per Toll Gates Act 1976 (Act No. 2 of 1976) means a bar placed across a road to prevent passage by a vehicle until the tax has been paid. Currently Toll Gate fees are collected at designated border posts around the country.

The current rates as per Toll Gate Amendment Regulations 2011 (Legal Notice No. 23 of 2011) are as follows:

Table 13: Toll Gate Fee Rates

Toll Gate Fee Rates	
Vehicle Classes	Rate
Class 1 Light Vehicles (with tare weight of 2000kg or less)	M30.00
Class 2 Medium Vehicles (with tare weight in excess of 2000kg but less than 4500kg)	M60.00
Class 3 2 to 3 axle trucks and buses (with tare weight of 4501kg or in excess thereof)	M90.00
Class 4 4 and 4+ axle buses and goods vehicles	M210.00

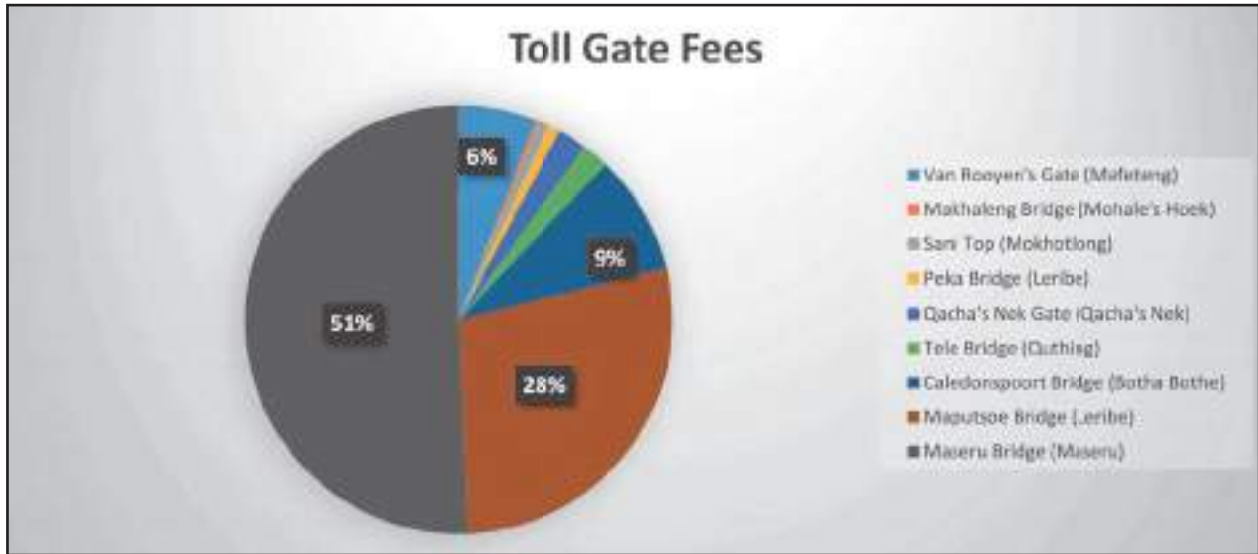
In accordance with a directive issued by the then Honourable Minister responsible for Finance, collection of Toll Gate fees operations was transferred from the Fund to the Lesotho Revenue Authority (LRA) in February 2011.

Toll Gate Fees revenue increased by M 2,435,467.05 (4.64%) to M 52,443,886.05 in 2017/18 from M 50,008,419.00 in 2016/17 with Maseru bridge contributing 51% of the total collection followed by Maputsoe Bridge at 28%, Caledonspoort (Botha Bothe) at 9% and Van Rooyen's Gate (Mafeteng) at 6% and the rest of the smaller border posts collecting the remaining 6% collectively as per Table 14 and figure 9 below:

Table 14: Toll Gates Fees

Toll Gate Fees				
	2018	2017	Variance	% Variance
Border Post	M	M	M	%
Van Rooyen's Gate (Mafeteng)	3,086,370.00	2,757,110.00	329,260.00	10.67%
Makhaleng Bridge (Mohale's Hoek)	142,190.00	140,880.00	1,310.00	0.92%
Sani Top (Mokhotlong)	423,435.00	374,160.00	49,275.00	11.64%
Peka Bridge (Leribe)	472,750.00	348,920.00	123,830.00	26.19%
Qacha's Nek Gate (Qacha's Nek)	1,138,649.00	1,110,151.00	28,498.00	2.50%
Tele Bridge (Quthing)	1,087,425.00	962,482.00	124,943.00	11.49%
Caledonspoort Bridge (Botha Bothe)	4,740,900.00	4,471,900.00	269,000.00	5.67%
Maputsoe Bridge (Leribe)	14,778,598.00	13,670,608.00	1,107,990.00	7.50%
Maseru Bridge (Maseru)	26,573,569.05	26,172,208.00	401,361.05	1.51%
	52,443,886.05	50,008,419.00	2,435,467.05	4.64%

Figure 9: Toll Gate Fees



The noticeable increase in Toll Gate fees can be attributed to the upgrade of the Electronic Toll Collection System (ETCS) the Fund embarked on during the period under review. Now centrally controlled at the state-of-art control room situated at the Fund's Head Office, the ETCS plugged the holes and arrested revenue leakages which were apparent hence the increase in revenue collected despite stagnant review of tariffs.

MOTOR VEHICLE LICENSES AND PERMITS

Motor Vehicle Licenses and Permits are road user fees imposed on motorists for the use of the national roads as per Road Traffic 1981(Act No. 8 of 1981) and Road Transport Act 1981 (Act No. 6 of 1981) read together with related regulations thereon.

The rates on Motor Vehicle Licenses and Permits were last reviewed in 2006 as per Road Traffic Amendment Regulations 2006 (Legal Notice No.18 of 2006).

The Fund currently collects Cross Border Permits (F Permit), Short term permit and Special Permits as well as motor vehicle annual license renewals through the Department of Traffic and Transport of the Ministry of Public Works and Transport as per current legal instruments.



A total of M19,582,400.30 was collected in the period under review as per table 15 below:

Table 15: Motor Vehicle Licenses and Permits

Motor Vehicle Licenses and Permits				
	2018	2017	Variance	% Variance
	M	M	M	%
Motor Vehicle Permits, Botha-Bothe	225,221.00	211,625.00	13,596.00	6.04%
Motor Vehicle Permits, Berea	155,240.30	127,381.87	27,858.43	17.95%
Motor Vehicle Permits, Leribe	489,470.00	375,025.91	114,444.09	23.38%
Motor Vehicle Permits, Mafeteng	216,515.00	152,344.00	64,171.00	29.64%
Motor Vehicle Permits, Mohale's Hoek	190,275.00	154,733.00	35,542.00	18.68%
Motor Vehicle Permits, Mokhotlong	70,570.00	46,510.00	24,060.00	34.09%
Motor Vehicle Permits, Maseru	2,496,769.00	1,812,604.00	684,165.00	27.40%
Motor Vehicle Permits, Qacha's Nek	29,250.00	31,375.00	-2,125.00	-7.26%
Motor Vehicle Permits, Quthing	31,580.00	29,450.00	2,130.00	6.74%
Motor Vehicle Permits, Thaba-Tseka	18,775.00	11,991.00	6,784.00	36.13%
	3,923,665.30	2,953,039.78	970,625.52	24.74%
Motor Vehicle Licenses				
Motor Vehicle Licenses, Botha-Bothe	893,349.62	912,640.06	-19,290.44	-2.16%
Motor Vehicle Licenses, Berea	1,250,671.89	1,232,705.00	17,966.89	1.44%
Motor Vehicle Licenses, Leribe	2,074,482.19	1,916,388.80	158,093.39	7.62%
Motor Vehicle Licenses, Mafeteng	1,226,896.04	1,126,175.91	100,720.13	8.21%

Motor Vehicle Licenses, Mohale's Hoek	766,994.90	710,557.00	56,437.90	7.36%
Motor Vehicle Licenses, Mokhotlong	427,617.47	352,961.18	74,656.29	17.46%
Motor Vehicle Licenses, Maseru	8,062,246.59	7,451,671.84	610,574.75	7.57%
Motor Vehicle Licenses, Qacha's Nek	266,119.19	293,237.84	-27,118.65	-10.19%
Motor Vehicle Licenses, Quthing	455,600.95	443,059.94	12,541.01	2.75%
Motor Vehicle Licenses, Thaba-Tseka	234,756.16	271,275.08	-36,518.92	-15.56%
	15,658,735.00	14,710,672.65	948,062.35	6.05%

The Fund's initiative to improve the Temporary/Special Permits which were launched during the period under review resulted in increase in revenue collection. Initiative to computerize the national traffic register through e-NaTIS is currently underway in order to reduce acute revenue leakages currently experienced due to manual collections in this stream.

ROAD TRAFFIC OFFENCES

Road Traffic Offences form part of the Fund's revenue through collection of Spot Fines imposed on traffic offenders by the Traffic Police. A total of M262,965.00 was collected as per table 16 below:

Table 16: Road Traffic Offences

Road Traffic Offences				
	2018	2017	Variance	% Variance
	M	M	M	%
Road Traffic Offences - Fines, Botha-Bothe	11,905.00	19,607.10	-7,702.10	-64.70%
Road Traffic Offences - Fines, Berea	7,680.00	13,910.32	-6,230.32	-81.12%
Road Traffic Offences - Fines, Leribe	7,770.00	22,646.17	-14,876.17	-191.46%
Road Traffic Offences - Fines, Mafeteng	55,670.00	36,748.00	18,922.00	33.99%
Road Traffic Offences - Fines, Mohale's Hoek	43,795.00	32,690.00	11,105.00	25.36%
Road Traffic Offences - Fines, Mokhotlong	7,455.00	20,350.00	-12,895.00	-172.97%
Road Traffic Offences - Fines, Maseru	86,195.00	110,523.20	-24,328.20	-28.22%
Road Traffic Offences - Fines, Qacha's Nek	17,430.00	19,147.00	-1,717.00	-9.85%
Road Traffic Offences - Fines, Quthing	12,675.00	18,693.00	-6,018.00	-47.48%
Road Traffic Offences - Fines, Thaba-Tseka	12,390.00	8,068.00	4,322.00	34.88%
	262,965.00	302,382.79	-39,417.79	-14.99%

Initiatives to educate the public to honour payment of fines issued and to abide by the road regulations are ongoing under road safety campaigns. A reduction in fines in itself is a deterrent which may indicate positive behavior of road users or negative response of a collection system.

FINES ON OVERLOAD VEHICLES

Weigh bridges currently installed at Maseru Bridge and along Sir Seretse Khama Road in Maputsoe are non-operational hence no revenue collected under this stream. The Department of Traffic and Transport through financial support of the Fund is currently engaging with its parent ministry to put the weigh bridges into operation again.

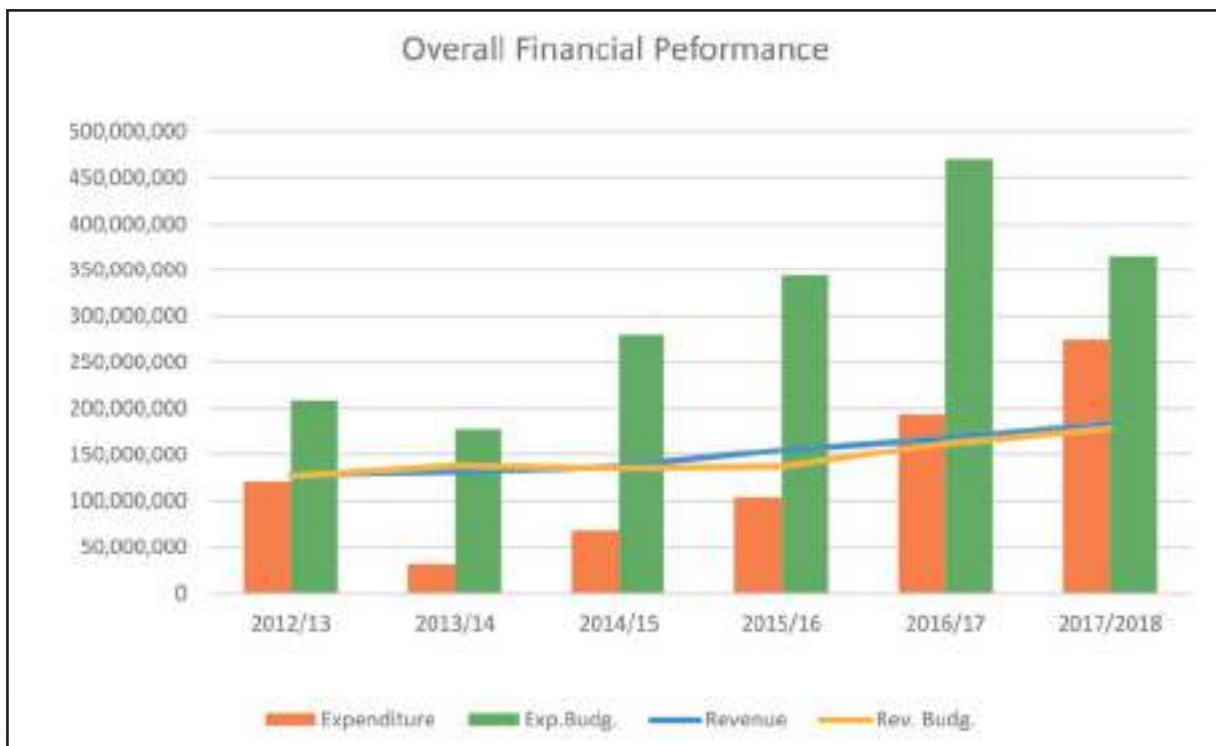
IMPLEMENTING AGENCIES FINANCIAL PERFORMANCE

The performance on implementing agencies further improved in 2016/17 and 2017/18 at M172,658,128 and M239,480,715 respectively. This is attributable to the RF's contribution towards capacitating contractors by:

- (i) Funding the training given to contractors
- (ii) Funding their practicals in the form of Trial contracts
- (iii) Funding the costs of running the training centre
- (iv) Funding of area routine maintenance of gravel roads under Roads Directorate

However the implementing agencies still need to have more human resources to avoid delays in procurement and supervision/monitoring of new and ongoing projects to completion. Due to the ageing road network implementing agencies have increased funding requests for rehabilitation of roads which has influenced expenditure per kilometer.

Figure 10: Overall Financial Performance



AUDIT REPORT

In 2017/2018 the Fund received a Disclaimer of Opinion due to significance of matters described in the auditors' report attached.

The Board has taken measures for an urgent need for review of the founding Road Fund legislation with the intention to motivate towards establishing the Fund through an Act of Parliament. Currently due to the nature of the business the Fund relies on collecting agencies' internal controls which have proved to be inefficient for quite a long time.

CONCLUSION

The improvement in absorptive capacity of implementing agencies is slowly depleting the reserves and the Fund needs to explore on other ways of increasing its revenue base.



Audited *Financial Statement*



Road Fund
(Ministry of Finance, Government of Lesotho)

Annual Financial Statements
for the year ended 31st March 2018

Directors' Responsibilities and Approval

The Directors are required by the Finance (Road Fund) Regulations 2012, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Fund as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards. The Auditor General expresses an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and in the manner required by the Legal Notice No. 103 of 2012 – Finance (Road Fund) Regulations 2012 and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal financial controls established by the Fund and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board of Directors set standards for internal controls aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clear defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Fund and all employees are required to maintain the highest ethical standards in ensuring the Fund's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Fund is on identifying, assessing, managing and monitoring all known forms of risk across the Fund. While operating risk cannot be fully eliminated, the Fund endeavours to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

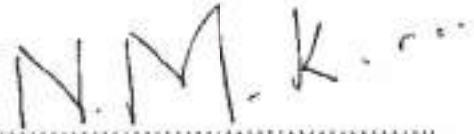
The Directors are of the opinion, based on the information and explanations given by the management that the system of internal controls provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial controls can provide only reasonable, and not absolute assurance against material misstatement or loss.

The Directors have reviewed the Fund's cash flow forecast for the year to 31st March 2019 and, in light of this review and the current financial position, they are satisfied that the Fund has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements set out on pages 8 to 24, which have been prepared on the going concern basis, were approved on the 17th September 2018 and signed by:



.....
Thato Mohasoa (Mr)
Board Chairperson



.....
Nkekeletse Makara (Mr) Pr.Eng.
Chief Executive Officer





OFFICE OF THE AUDITOR - GENERAL
P.O. BOX 502, MASERU 100
LESOTHO

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS
OF ROAD FUND – MINISTRY OF FINANCE
FOR THE YEAR ENDED 31 MARCH 2018**

New Dawn Chartered Accountants, under Section 24 (1) of the Audit Act 2016, have audited the financial statements of Road Fund ("Fund") set on pages 8 to 24, which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income, statement of changes in reserves and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Disclaimer of Opinion

I do not express an opinion on the financial statements of Road Fund because of the significance of the matters described in the basis for Disclaimer of Opinion section of my report. I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

- a) The audit report in the prior year, as previously issued, included a qualified opinion based on inability to obtain sufficient appropriate audit evidence about the following significant components of revenue; Road Maintenance Levy, Tollgate fees and Road User fees amounting to M74 734 162, M50 008 419 and M17 663 712 respectively. The matter giving rise to the modification is still unresolved, except for the revenue from Tollgate. The effects or possible effects of the matter on the current period's figures are both material and pervasive.
- b) Road Fund was established by Finance (Road Fund) Regulations, 2012. The Regulations explain that receipts to the Fund include Road User fees and Road maintenance levy on petrol and diesel. Road Transport Act 1981 part III explains that the responsibilities of the Transport Controller include issuance of different classes of permits hence collection of Road User fees. Lesotho (Petroleum Fund) Regulations, 2009 part II explains that the fund responsibilities include collection of levies imposed on every litre of petroleum fuel purchased in or imported in Lesotho. Road Fund Regulations did not refer to these Acts and Regulations, as a result of these limiting factors, Road Fund has limited access to the records of the service organisations (Department of Traffic and Oil Companies).

- c) I did not get assurance on existence and effectiveness of accounting and internal controls from both the Department of Traffic and Oil Companies to the extent of financial information supplied to Road Fund. Even when using alternative audit procedures, I did not reach a satisfactory conclusion as to the accuracy and completeness of figures reported in the Annual Financial Statements. The amounts included from the Department of Traffic and Oil Companies are M19 840 357 and M76 661 829 respectively.
- d) My audit procedure included obtaining confirmations from implementing agencies (Roads Directorate, Road Safety, Maseru City Council and Ministry of Local Government). I only received confirmations from Roads Directorate and Road Safety. A reconciliation between Roads Directorate records, Road Safety records and Road Fund records was done and errors amounting to M973 467.33 (adjusted) and M659 157.50 were identified with regard to advance payments to contractors as well as road maintenance expenses. I did not receive confirmations from Maseru City Council and Local Government and I am unable to confirm their accuracy and completeness. As a result of these matters, I am unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded revenue and disbursement, and the elements making up the statement of comprehensive income, statement of changes in equity and statement of cash flows.
- e) Road Fund is required by the PFMA Act 2011 to prepare financial statements in accordance with IFRS. However, the Fund does not fully comply with the requirements of IFRS.

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in [jurisdiction], and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS for small and medium entities, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to

continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance 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 those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



LUCY L. LIPHAFI (MRS)
AUDITOR-GENERAL

DATE:



Road Fund
(Ministry of Finance, Government of Lesotho)

Annual Financial Statements
for the year ended 31st March 2018

Directors' Report

The Directors submit the draft annual financial statements of the Fund for the year ended 31st March 2018.

Review of the Fund and its operations

The main objective of the Road Fund is to collect revenue for use to maintain, rehabilitate and upgrade roads, road safety projects and any other projects connected with roads in the country as mandated by the Government of Lesotho.

Operating Results

The operations for the year resulted in a deficit of **M107,866,881** while in 2017 the deficit was M26,045,697.

Going Concern

The financial statements have been prepared on the basis of the 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.

Material events after the year end

The directors are not aware of any matter or circumstance arising since the end of the financial year that will require adjustment or disclosure in the financial statements.

Board of Directors

The directors of the organisation during the year and to the date of this report are as follows:

Mr.M. Chaka	Chairperson - Resigned 28/11/2017
Mr. T. Mohasoa	Chairperson – Appointed 22/01/2018
Mr. N. Letsie	Deputy Chairperson
Mr. K. Kikine	Member
Mr. L. Moea	Member
Ms S. Keta	Member

Mrs. L. Lephatsa	Member
Mr. L. Phohleli	Member
Mr. J. Seitlheko	Member
Mr. N. Makara	Secretary

Physical address of the Fund

1st Floor
Old DRR Building
Crn Moshoeshoe & Senate Road
Industrial Area
Maseru

Auditors

The Office of the Auditor General of Lesotho
4th Floor
Finance House
P.O. BOX 502
Maseru 100
Lesotho

Road Fund
(Ministry of Finance, Government of Lesotho)

Annual Financial Statements
for the year ended 31st March 2018

Statement of Accounting Policies

The annual financial statements have been prepared using accrual basis of accounting, whereby revenues earned and expenses incurred by the Fund up to 31st March 2018 have been incorporated into the financial statements. These financial statements are prepared under the historical cost convention; this is a measurement basis of accounting whereby assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation, or at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business. The financial statements have been prepared to incorporate the following principal accounting policies, consistently applied in all material respects:

1. Property, Plant and Equipment (PPE)

Property Plant and Equipment (PPE) is recognised when the cost of an asset can be reliably measured and it is probable that the Fund will obtain future economic benefits from the asset. PPE is measured initially at cost. Cost includes the fair value of consideration given to acquire the asset (Net of discount and rebates) and any directly attributable costs of bringing the asset to working condition for its intended use (inclusive of import duties and non-refundable taxes) regardless of whether it is idle or not. Cost of PPE is carried at the relevant amount less any accumulated depreciation and subsequent accumulated impairment losses. The depreciable amount is depreciated on straight line basis to reduce carrying amounts over their anticipated economic useful lives at the following depreciation rates:

Motor Vehicles	33.33%
Office Machine and Equipment	33.33%
Furniture and Fittings	20.00%
Land and Buildings	10.00%
Specialized Equipment	33.33%

Full year's depreciation is charged in the year of acquisition and no depreciation is charged in the year of disposal.

Road Fund
(Ministry of Finance, Government of Lesotho)

Annual Financial Statements
for the year ended 31st March 2018

Statement of Accounting Policies (Continued)

2. Revenue

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Fund and the revenue can be reliably measured.

3. Interest Income

It is recognised using the effective interest rate method that is apportioned over time invested up to the period to maturity, when it is certain that such income will accrue to the Fund.

4. Cash and Cash Equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held with banks, and investments in money market instruments, net of bank overdraft, all of which are available for use by the Fund unless otherwise stated.

5. Taxation

The Fund is a non-profit making organisation and is therefore exempt from payment of taxation as per section 25 sub-section 1(c) of Income Tax Order Number 9 of 1993.

6. Impairment of Assets

The carrying amounts of the Fund's assets are reviewed at each Statement of Financial Position date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use. For intangible assets that are not yet available for use or goodwill or intangible assets amortised over a period exceeding 20 years, the recoverable amount is estimated at each Statement of Financial Position date.

Road Fund
(Ministry of Finance, Government of Lesotho)

Annual Financial Statements
for the year ended 31st March 2018

Statement of Accounting Policies (Continued)

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

For an asset that does not generate cash inflows that are largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised in the Statement of Comprehensive Income whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

7. Financial instruments

Financial Assets:

The principal financial assets of the fund are Cash and Accounts Receivable. Accounts Receivable are stated at cost and reduced by appropriate allowances for estimated irrecoverable amounts. Advances that are paid to suppliers in respect of work that is yet to be performed must be recorded as receivable until the work in respect of which the advance was given has been performed.

Receivables that have been discounted with financial institutions are accounted for according to the conditions attaching to the financial agreement. Where the financial institution has no recourse against the fund, the receivable is treated as settled. Where the financial institution has recourse against the fund for defaulting receivables, the amount of such receivables and the related advances are presented in current assets and current liabilities respectively.

Financial liabilities and reserve instruments:

Financial liabilities and reserve instruments are classified according to the substance of the contractual agreements entered into. Significant financial liabilities include trade and other payables. Trade and other payables are stated at their nominal value. Reserve instruments are recorded at the proceeds received net of direct issue costs.

Road Fund
(Ministry of Finance, Government of Lesotho)

Annual Financial Statements
for the year ended 31st March 2018

Statement of Accounting Policies (Continued)

8. Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently stated at amortised cost.

9. Critical accounting estimates and judgements

Management of the fund makes estimates and assumptions concerning the future in applying its accounting policies. The resulting accounting estimates may, by definition, not equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are detailed in the notes to the financial statements where applicable.

Management continually evaluates estimates and judgments based on historical experience and other factors, including expectations of future events which are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the estimates are reviewed and in any future periods affected.

10. Foreign Currency Translation

Transactions on foreign currency are translated to Maloti at a foreign exchange rate ruling at the date of the transaction. All exchange gains or losses arising on the transaction are dealt with in the Statement of Comprehensive Income.

ROAD FUND			
MINISTRY OF FINANCE, GOVERNMENT OF LESOTHO			
STATEMENT OF FINANCIAL POSITION			
AS AT 31 MARCH 2018			
	Notes	2018 M	2017 M
PROPERTY, PLANT & EQUIPMENT	(1)	18,248,222	3,318,109
CURRENT ASSETS:		227,980,189	335,940,328
Road User Fees Debtors	(2)	14,407,531	18,018,413
Contractor's Advance Payments	(3)	6,317,119	31,539,676
Advances to Road Agencies	(4)	1,734,046	3,017,058
Sundry Debtors	(5)	1,367,397	3,991,436
Cash and Cash Equivalents	(6)	204,154,096	279,373,745
TOTAL ASSETS		246,228,412	339,258,438
EQUITY		169,506,384	277 005 122
OPERATING SURPLUS/(DEFICIT)		(107 866 881)	(26 045 697)
ACCUMULATED FUND B/F		277,373,265	303,050,819
CURRENT LIABILITIES			
Accounts Payable	(7)	76,722,027	62,253,316
TOTAL EQUITY AND LIABILITIES		246,228,413	339,258,438

ROAD FUND			
MINISTRY OF FINANCE, GOVERNMENT OF LESOTHO			
STATEMENT OF COMPREHENSIVE INCOME			
FOR THE YEAR ENDED 31 MARCH, 2018			
	Notes	2018	2017
		M	M
REVENUE		166,257,806	142,775,019
Road Maintenance Levy	(8)	76,661,829	74,763,722
Tollgate Fees		52,443,887	50,008,419
Road User Fees		19,582,400	17,663,712
Road Traffic Offences Fines		262,965	302,383
Fines on Overloaded Vehicles		0	0
Sundry Income		19,220	36,782
Other Income		17,287,505	24,816,545
Investment Income	(13)	16,487,327	24,734,997
Gain on sale of fixed assets		800,178	81,548
LESS: EXPENDITURE		274,124,687	193,637,261
Operating Expenses		248,636,220	179,143,484
Road Maintenance Expenses	(9)	239,480,715	172,658,128
Revenue Collection Expenses	(11)	6,724,089	6,344,589
Revenue Enhancement		131,566	0
Toll System Expenses	(12)	2,299,850	140,767
Secretariat Expenses		25,488,467	14,493,777
Consultancy Services		1,475,952	1,399,585
Board Expenses	(14)	823,239	587,200
Secretariat Staff Salaries & benefits	(10)	9,078,896	7,066,093
Office Rent		676,858	372,889
Audit Fees		72,923	68,666
Depreciation		1,277,763	937,807
Bad Debts		7,047,007	8,820
Other Expenses	(16)	5,035,828	4,052,716
OPERATING SURPLUS/(DEFICIT)		(107,866,881)	(50,862,242)

ROAD FUND			
MINISTRY OF FINANCE, GOVERNMENT OF LESOTHO			
STATEMENT OF CHANGES IN RESERVES			
FOR THE YEAR ENDED 31 MARCH, 2018			
	Retained earnings	Revaluation Surplus	Total Equity
	M	M	M
Balance at 1 April 2016	297,567,575		297,567,575
Changes in accounting policy			-
Restated balance	297,567,575	-	297,567,575
Changes in equity for the year 2016			-
Surplus/ (Deficit) for the year	(60,602,431)		(60,602,431)
Movement due to prior year adjustments	5,483,245		5,483,245
Balance at 31 March 2017	242,448,388	-	242,448,388
Changes in accounting policy	34,556,734		34,556,734
Restated balance	277,005,122		277,005,122
Changes in equity for 2017			-
Surplus/(Deficit) for the year	(107,866,881)		(107,866,881)
Movement due to changes in accounting p	368,142		368,142
Balance at 31 March 2018	169,506,384	-	169,506,383

ROAD FUND
MINISTRY OF FINANCE, GOVERNMENT OF LESOTHO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH, 2018

	2018 M	M	2017 M	M
Cash generated by operating activities				
Net Surplus/(Deficit) for the year	(107 866 851)		(26 045 697)	
<i>Adjustment for:</i>				
Depreciation	1 277 763		937 807	
(Gain)/Loss on Fixed Assets Disposal	(800 178)		(81 548)	
Tax paid	-		-	
Operating surplus/(deficit) before working capital changes	(107 389 295)		(25 189 438)	
Working capital changes	47 209 201		(2 514 051)	
(Increase) Decrease in accounts receivable	32 740 490		(38 038 628)	
Increase (Decrease) in accounts payable	14 468 711		35 524 577	
Net cash inflow (outflow) from operating activities		(60 180 095)		(27 703 485)
Net cash inflows/outflows from investing activities	(15 407 699)		(2 365 182)	
Purchases of property, plant and equipment	(16 211 684)		(2 446 730)	
Proceeds on sale of Property Plant & Equipment	803 986		81 548	
Net cash inflows/(outflows) from financing activities		(15 407 699)		(2 365 182)
Net increase (decrease) in cash and cash equivalents		(75 587 793)		(30 068 667)
Cash and cash equivalents at the beginning of the year		279 373 745		303 959 167
Movement in Accumulated Surplus		368 142		5,483,245
Cash and cash equivalents at the end of the year		204 154 096		279 373 745

Road Fund
(Ministry of Finance, Government of Lesotho)

Annual Financial Statements
for the year ended 31st March 2018

Notes to the Annual Financial Statements

1. Property, Plant and Equipment

Additions during 17/18	1,825,577	410,120	47,878	-	13,928,110	16,211,684
Disposals during 17/18	(1,903,940)	(135,951)	(47,783)	-	-	(2,087,674)
Cost as at 31/03/18	2,909,041	1,037,002	528,445	118,871	19,970,965	24,564,324
DEPRECIATION						
Depreciation at 01/04/17	2,375,633	640,486	323,350	118,871	3,663,836	7,122,176
Charge for the year 17/18	954,637	240,678	68,285	-	14,162	1,277,763
Disposals during 17/18	(1,903,941)	(135,951)	(43,975)	-	-	(2,083,867)
Depreciation at 31/03/18	1,426,330	745,213	347,660	118,871	3,677,998	6,316,072
NET BOOK VALUE AT 31/03/2018	1,482,711	291,789	180,785	0	16,292,967	18,248,252
NET BOOK VALUE AT 31/03/2017	611,770	122,348	205,001	-	2,379,019	3,318,138

Road Fund
(Ministry of Finance, Government of Lesotho)

Annual Financial Statements
for the year ended 31st March 2018

Notes to the Annual Financial Statements (continued)

2. Road User Fees Debtors

The balance represents remittances of Road Maintenance Levy, tollgate fees and vehicle license fees not yet transferred, as well as credit sales in respect of tollgate fees not yet paid to the Road Fund. As at 31 March 2018 **M23,237,909** was owing to the Road Fund comprising of:

	<u>2018</u>	<u>2017</u>
	<u>M</u>	<u>M</u>
GOL - Treasury	5,289,315	5,323,762
- Sub-Accountancies	1,702,889	1,715,854
Oil Companies	12,220,353	8,286,933
Tollgate Fees Credit Sales	17,781	17,781
Lesotho Revenue Authority	4,007,571	4,572,047
	<u>23,237,909</u>	<u>19,916,377</u>
Less: Provision for Doubtful Debts	8,830,378	1,897,964
TOTAL	<u>14,407,531</u>	<u>18,018,413</u>

3. Contractors' Advance Payments

The Contractors Advance Payments are as follows:

	<u>2018</u>	<u>2017</u>
Contractors Advance Payments	6,317,119	31,539,676

Road Fund
(Ministry of Finance, Government of Lesotho)

Annual Financial Statements
for the year ended 31st March 2018

Notes to the Annual Financial Statements (continued)

4. Advances to Road Agencies

Amounts advanced for maintenance of Rural Roads and Lesotho Road Management System (LRMS) under Roads Directorate on the basis of its Annual Road Programme submitted to and approved by the Road Fund Board. As at **31 March 2018** the Roads Directorate bank account had an undisbursed balance of **M1,734,045.68**, while as at 31 March 2017 the bank account had M3,017,058.26.

5. Sundry Debtors

	<u>2018</u>	<u>2017</u>
	<u>M</u>	<u>M</u>
Fuel Deposit	10,000	10,000
LNIG - Cash Theft	109,770	109,770
Staff Debtors	151,756	316,424
Prepayments - Leo	0	66,000
Interest Receivable	<u>1,205,641</u>	<u>3,489,242</u>
TOTAL	<u>1,477,167</u>	<u>3,991,436</u>
Less: Provision for Doubtful Debts	<u>109,770</u>	<u>0</u>
	<u>1,367,397</u>	<u>3,991,436</u>

Road Fund
(Ministry of Finance, Government of Lesotho)

Annual Financial Statements
for the year ended 31st March 2018

Notes to the Annual Financial Statements (continued)

6. Cash and Cash Equivalents

	2018	2017
	M	M
Petty Cash - Head Office	5,000	2,000
Current Account - Standard Lesotho Bank	(250,996)	(20,839)
Call Account - Standard Lesotho Bank	183,592	5,591,355
Money Market Account	60,473,519	152,512,734
Stanlib Income Fund	128,787,411	118,062,586
Current Account - Central Bank of Lesotho	14,976,559	3,225,909
Standard Bank Credit Card	(20,990)	0
TOTAL	<u>204,154,096</u>	<u>279,373,745</u>

7. Accounts Payable

	2018	2017
	M	M
Rentention	20,369,273	10,699,463
Supplier Control	54,346,542	47,650,285
Tax Payable	1,012,385	845,132
Sundry Creditors	151,318	57,373
Provision for Gratuity	587,232	3,001,063
Provision for Leave Pay	178,074	-
Cash Shortages/Surplus	77,203	-
	<u>76,722,027</u>	<u>62,253,316</u>

Road Fund
(Ministry of Finance, Government of Lesotho)

Annual Financial Statements
for the year ended 31st March 2018

Notes to the Annual Financial Statements (continued)

8. Road Maintenance Levy (RML)

The RML remained fixed at M0.30 and M0.40 per litre of petrol and diesel respectively. The Oil Companies operating in Lesotho are the collecting agents and the remittances are based on monthly Sales volume.

9. Road Maintenance Expenses

	<u>2018</u>	<u>2017</u>
	<u>M</u>	<u>M</u>
Roads Directorate	112,955,617	38,348,817
Road Safety Department	4,194,290	2,331,619
Ministry of Local Government - Local Government	34,311,061	41,244,403
- MCC	88,019,747	90,733,289
	<u>239,480,715</u>	<u>172,658,128</u>

10. Secretariat Staff Salaries & Benefits

	<u>2018</u>	<u>2017</u>
	<u>M</u>	<u>M</u>
Salaries	5,597,453	4,791,288
Temporary Staff	519,737	344,946
Gratuities	1,944,080	1,453,163
Leave Pay	471,265	29,363
Fringe Benefit Tax	83,393	75,926
Fringe Benefits	462,968	371,407
TOTAL	<u>9,078,896</u>	<u>7,066,093</u>

Road Fund
(Ministry of Finance, Government of Lesotho)

Annual Financial Statements
for the year ended 31st March 2018

Notes to the Annual Financial Statements (continued)

11. Revenue Collection Expenses

	2018	2017
	M	M
LRA Collection Costs Recovery (12%)	6,291,885	6,001,007
RML Collection Costs	31,500	30,000
Sub Accountancy Collection Costs (3.5%)	400,705	313,582
TOTAL	<u>6,724,089</u>	<u>6,344,589</u>

12. Toll System Expenses

	2018	2017
	M	M
Toll System Expenses	2,299,850	140,767

The increase is due to upgrades made on the Toll System by Softcon.

13. Interest Income

	2018	2017
	M	M
STD Bank Call	85,318	36,856
Money Market	7,263,671	15,470,351
Income Fund	9,138,338	9,227,791
TOTAL	<u>16,487,327</u>	<u>24,734,997</u>

Interest received from Standard Lesotho Bank Call Account and Stanlib Income Fund are net of 10% final withholding tax.

Road Fund
(Ministry of Finance, Government of Lesotho)

Annual Financial Statements
for the year ended 31st March 2018

Notes to the Annual Financial Statements (continued)

14. Board Expenses

The Board expenses is comprised of regular and special meetings sitting allowances, sub-committee sitting allowances and the refreshments as follows:

SUMMARY OF BOARD EXPENSES	M
General meetings	178,172.00
Special meetings	378,291.31
Sub Committes	66,303.94
Accomodation and Meals	89,694.00
Subscriptions	-
Refreshments	30,243.40
Flash Drives (4) for Audit and Risk members	676.00
Transport to & fro Maliba Lodge	9,866.71
Gifts for outgoing Board Members	69,992.00
Total	<u>823,239.36</u>

15. Accumulated Surplus/(Deficit)

The advance Payments made to the contractors during 2016/2017 totaling M31,539,676.00 were compiled and adjusted in the Accumulated Surplus account as prior year adjustments.

On the other hand existing balances on advances to road agencies during 2016/2017 totaling M1,734,045.00 were also adjusted in the same account.

Road Fund
(Ministry of Finance, Government of Lesotho)

Annual Financial Statements
for the year ended 31st March 2018

Notes to the Annual Financial Statements (continued)

16. Detailed Statement of Comprehensive Income

	Notes	2018 M	2017 M
REVENUE		166,257,807	142,775,019
Road Maintenance Levy	(8)	76,661,829	74,763,722
Tollgate Fees		52,443,887	50,008,419
Road User Fees		19,582,400	17,663,712
Road Traffic Offences Fines		262,965	302,383
Fines on Overloaded Vehicles		0	0
Sundry Income		19,220	36,782
Other Income		17,287,505	24,816,545
Investment Income	(13)	16,487,327	24,734,997
Gain on sale of fixed assets		800,178	81,548
LESS: EXPENDITURE		274,124,687	193,637,261
Operating Expenses		248,636,220	179,143,484
Road Maintenance Expenses	(9)	239,480,715	172,658,128
Revenue Collection Expenses	(11)	6,724,089	6,344,589
Revenue Enhancement		131,566	0
Toll System Expenses	(12)	2,299,850	140,767
Secretariat Expenses		20,452,639	10,441,061
Consultancy Services		1,475,952	1,399,585
Board Expenses	(14)	823,239	587,200
Secretariat Staff Salaries & benefits	(10)	9,078,896	7,066,093
Office Rent		676,858	372,889
Audit Fees		72,923	68,666
Depreciation		1,277,763	937,807
Bad Debts		0	8,820
Provision For Bad Debts Expense		7,047,007	-
Other Administration Expenses		4,136,497	3,239,697
Advertising and Publicity		215,970	252,308
Bank Charges		147,673	115,439
Cleaning		32,105	16,383

Road Fund
(Ministry of Finance, Government of Lesotho)

Annual Financial Statements
for the year ended 31st March 2018

Notes to the Annual Financial Statements (continued)

16. Detailed Statement of Comprehensive Income

Communication (Te,Fax,E-mail,WAN)	844,982	79,419
Computer Expenses	53,475	2,850
Courier & Postage	100	664
Donations	0	15,000
Electricity & Water	0	0
Entertainment	158,371	103,569
General Expenses	24,844	111,691
Insurances	227,218	228,929
Motor Vehicle Expenses	321,830	297,806
Office Relocation	490,877	597,636
Printing & Stationery	315,375	67,643
Repairs & Maintenance	177,571	91,759
Subscriptions	179,088	127,868
Travel	476,505	517,402
Workshops & Conferences	470,512	613,332
Staff Related Expenses	899,331	813,019
Recruitment	83,032	149,966
Staff Training/Team Building	524,664	450,022
Staff Uniform and Protective Clothing	67,230	21,247
Staff Wellness & Assistance Programme	224,405	191,784
OPERATING SURPLUS/(DEFICIT)	(107,866,881)	(50,862,242)

Road Fund

Staff Members



*Mr. Nkekeletse Makara
Chief Executive Officer*



*Ms. Mphaphathi Ramanyalane
Financial Controller*



*Mr. Tlelima Hlalele
Human Resources and
Administration Manager*



*Mrs. Thuto Mokonyana
Management Secretary*



*Mr. Tseliso Polaki
Secretariat Engineer*



*Mr. Leabile Mofolo
Revenue Accountant*



*Mr. Khatho Mohlomi
Financial Accountant*



*Ms. Mahlape Tsekoa
Human Resources and
Administration Officer*



*Mr. Thato Makoele
Verification Officer*



*Mr. Lenkoane Letete
Verification Officer*

Staff Member

Continuation



*Mr. Lefu Mothobi
Verification Officer*



*Mrs. 'Mamoekoa Thahane
Front Desk Administrator*



*Mrs. 'Malobiane Mokonyana
Assistant Accountant*



*Ms. Molikuo Letsie
Accounts Clerk*



*Mr. Teboho Mosala
Driver*



*Mrs. 'Mamosala Mokitimi
Driver*



*Mr. Teboho Mosala
Office Assistant*



*Mrs. 'Mathabo Tsebo
Office Assistant*

