

Metrobus

Integrated Annual Report 2022/23:

We don't just drive buses, we drive the economy.

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Closed on Sunday and Public Holidays



a world class African city

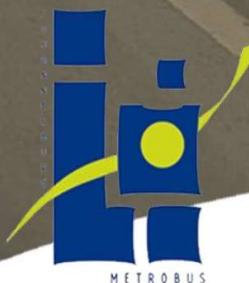


MISSION

To promote accessible, reliable and environmentally friendly mobility through an efficient and sustainable bus service

VISION

To be a people centred, performance driven provider of an efficient conventional bus service within the integrated public transport network



CORE VALUES

CO-OPERATION

Seeking to at all times join hands with all concerned with the furtherance of the interests of the Citizens of Joburg internal and external to Metrobus

ACCOUNTABILITY

Holding ourselves responsible for our actions and the outcomes of our work

HONESTY

Doing the right thing even when no one is looking

RESPECT

Valuing those we serve, those who we work with and our organization.



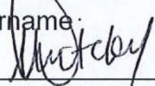
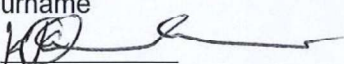
UBUNTU

A sense of community, being driven in our actions by the greater good of the Citizens of Joburg





Approval:

<u>Patrick matanhire</u> Name & Surname Signature  Chief Financial Officer	Date of approval: <u>04 December 2023</u>
<u>Luyanda Gidini CA(SA)</u> Name & Surname Signature  Managing Director	Date of approval: <u>5 December 2023</u>
<u>Lemgarco Mitchell</u> Name & Surname Signature  Chairperson of the Board	Date of approval: <u>5 December 2023</u>
<u>Kenny Kurene</u> Name & Surname Signature  Member of Mayoral Committee	Date of approval: <u>06 December 2023</u>

VERSION CONTROL

EMT APPROVAL	Date of approval:	28 November 2023
AUDIT AND RISK COMMITTEE APPROVAL	Date of approval:	28 November 2023
BOARD OF DIRECTORS APPROVAL	Date of approval:	30 November 2023

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GLOSSARY OF TERMS / LIST OF ACRONYMS

Acronym/abbreviation Name/phrase	Acronym/abbreviation Name/phrase
AFS	Annual Financial Statements
AG/AGSA/Auditor General	Auditor General of South Africa
ARC	Audit and Risk Committee
Board	Board of Directors
GHG	Green House Gas
CNG	Compressed Natural Gas
CoJ/City of Joburg/City	City of Johannesburg Metropolitan Municipality
Companies Act	Companies Act, 2008, Act No 71 of 2008
DDF	Diesel Dual Fuel
DPSA	Department of Public Service and Administration
EAM	Enterprise Asset Management
EE	Employment Equity
ERP	Enterprise Resource Plan
FAR	Fixed Asset Register
FY	Financial Year
GDS	City of Johannesburg 2040 Growth and Development Strategy
ICT	Information and Communications Technology

Acronym/abbreviation Name/phrase	Acronym/abbreviation Name/phrase
IDP	Integrated Development Plan
MFMA	Local Government: Municipal Finance Management Act, 2003, Act 56 of 2003
MSA	Local Government: Municipal Systems Act, 2000, Act 32 of 2000
NBV	Net Book Value
OOC	Out of Commission
POPI	Protection of Personal Information Act
PPE	Property, Plant and Equipment
REMCO	Human Resources and Remuneration Committee (REMCO)
SEC	Social and Ethics Committee (SEC)
SHE	Safety, Health and Environment
SDC	Service Delivery Committee
CoE	Centre of Excellence

Basis of Preparation

The Municipal Finance Management Act (MFMA), the Municipal Systems Act (Section 46) and National Treasury's MFMA Annual Report Circular 63 require a Municipality and its Entities to prepare an annual report for each financial year covering both financial and non-financial performance. The report is informed by guidelines provided by the International Integrated Reporting Council (IIRC) and also considers the reporting priorities outlined in the King Code of Governance for South Africa, 2016 (King IV).

The Auditor General of South Africa (AGSA), in its capacity as external auditor audited the consolidated financial statements included in the integrated annual report and their unmodified audit opinion is included herein as Annexure N. The AGSA is doing no other work for the entity. In the Board's opinion, the integrated annual report provides a fair and balanced representation of the integrated performance of the company within the context of its identified material aspects and has been prepared in accordance with internationally recognized best practice.

Scope of Report

The Metrobus integrated annual report aims to provide stakeholders with a balanced assessment of the entity's ability to create and sustain value to ensure short, medium and long-term viability. The report, together with the audited annual financial statements and other supplementary information, provides complete and balanced review of Metrobus operations, economic, social and environmental performance, within the context of its strategy, risks and opportunities for the financial year ended 30 June 2023.

This report combines elements of a sustainability report with a conventional financial report. The aim is to provide sufficient insight to enable stakeholders to form a comprehensive view of the organisation's performance and its ability to create and sustain value, in the context of its environmental, social and economic challenges. Due consideration is given to appropriate internal and external factors, including the operating environment, stakeholder expectations and the company's strategy and the associated opportunities and risks.

In compiling its integrated annual report, Metrobus has applied the principles contained in the King IV Report on Corporate Governance for South Africa, 2016 (King IV), Municipal Finance Management Act (MFMA); Generally Recognized Accounting Principles (GRAP), Section 46(1) on the Municipal Systems Act (MSA); concepts, guiding principles and content elements contained in the International Integrated Reporting (IR) Framework issued by the International Integrated Reporting Council (IIRC); Global Reporting Initiative Framework; Millennium Development Goals; Integrated Development Plan (IDP); and Strategic Integrated Transport Plan framework.

The final report will be available online on the Metrobus and City of Johannesburg's websites (www.mbus.co.za and www.joburg.org.za).

Materiality

The entity applies the principle of materiality to determine the nature, timing and extent of the disclosures in its annual reports. A matter is deemed material if it is of such relevance and importance that it could substantially influence an assessment of the report and the entity's ability to create value in the short, medium and long term. The evaluation of materiality is continuously assessed in a number of significant areas in the organization as follows:

Strategy: The strategic environment within which the organization operates is periodically scanned for material issues that may emerge from various developments. Strategic plans are subsequently reviewed accordingly.

Performance: The performance environment within which employees operate is periodically scanned for material issues that may emerge from various internal and external developments. Performance plans are subsequently reviewed accordingly.

Stakeholder Engagements: The stakeholder engagement environment is periodically scanned to ensure that no material matter that develops or emerges is not appropriately mitigated against.

Financial Management and viability: The entity's financial environment is periodically scanned to ensure that material matters are duly reported, risks identified, and remedial plans put in place.

Reporting: Reporting requirements are continuously reviewed and compliance standards adhered to.

Various Frameworks and Methods for the determination of Materiality

Chief among the methods used by the entity to identify material issues in the four areas mentioned above are periodic strategic risk register review, individual performance management, core or service performance indicator assessment and commuter feedback.

KEY INTERNAL AND EXTERNAL CRITERIA EMPLOYED TO IDENTIFY MATERIAL ISSUES

Internal Criteria	External Criteria
Changing Landscape of performance Environment	Joburg long term strategy
Significant change in input cost	IDP
Dynamics in level of Customer Satisfaction	Dynamics in Mayoral Priorities
Labour Volatility	City Financial Planning
	Developments in the Legislative environment

In consultation with internal and external stakeholders, material issues which could potentially affect the entity's ability to execute its strategic and operational imperatives were identified and prioritized on the basis of their importance. These issues are listed below and appropriately juxtaposed with the relevant organizational objectives on which they may have direct impact.

Strategic Objective	Material Issues	Section discussed
Drive service delivery, productivity and quality through continuous process integrity and proper project and program management, while continuously seeking to innovate.	1. Maintenance of sufficient levels of fit for purpose fleet. 2. Management of efficient procurement processes. 3. Labour Stability. 4. Competency Management.	Chapter 3
Arrive on time, in a clean, road worthy bus, operated legally and by a courteous commuter centric employee.	1. Non-compliance with service standards in relation to reliability as a result of, inter alia, operational inefficiency, labour issues, maintenance of sufficient fleet, and operator conduct.	Chapter 3
Achieve Fare revenue collection targets and improve expenditure efficiency.	1. Pace of procurement of Automated Fare Collection System and implementation of Intelligent Transport Systems 2. Lack of Commuter enumeration systems for	Chapter 3

	proper planning, and accurate accounting for fare collection	
Approval of a sustainable re-fleeting and refurbishment plan	1. Funding for fleet procurement aligned with fleet procurement schedule.	Chapter 3
Acquire, develop and retain talent in a fit for purpose organizational structure.	1. High vacancy rate in critical position 2. Aging workforce 3. Material decreases in personnel budget	Chapter 4
Enable people and process with technology for service delivery, ability and customer focus.	1. Obsolete ICT infrastructure 2. Lack of fleet management systems 3. Manual scheduling systems	Chapter 2
To promote enterprise development and job creation	1. Suitably qualified technical service providers	Chapter 5
To achieve accredited status as preferred repairs and maintenance of centre of diesel dual fuel buses	1. Functionality of Centre of Excellence 2. Maintenance of accreditation status	Chapter 3
To continuously improve a culture of safety and security	1. Safe Driving 2. Collaboration with law enforcement agencies including JMPD	Chapter 3
To decrease Metrobus contribution to GHG Emissions	1. Conversion of fleet to alternative energy	Chapter 3
To develop and maintain business continuity plans, including plans aimed at ensuring continued functional and resilience in relation to COVID-19		Chapter 1

Assurance

The Entity's Annual report for the 2022/23 financial year was assessed and rated to ascertain whether minimum disclosure requirements were adhered to in terms of the following:

Integrated Reporting Framework	MFMA: Circular 63 Annual reporting requirements
Ethical Leadership and Corporate Citizenship	MMC's Foreword Statement and Executive Summary Report

Boards and Directors: <ul style="list-style-type: none"> - Board Independence; - Board reporting; - Boards performance; - Board Committees; - Director's remuneration; 	Governance <ul style="list-style-type: none"> - Governance structures; - Supply Chain Management, By laws, oversight committees; - Risk management; - Anti-corruption and Fraud; - Disclosure of financial interests.
Audit Committee <ul style="list-style-type: none"> - Finance Competence; - Audit Committee performance; 	Service delivery
The Governance of Risk	Organizational Development Performance
Compliance with Laws, Codes, Rules and Standards	Financial Performance
Internal Audit <ul style="list-style-type: none"> - Internal Audit Function; - Internal Controls 	Appendices; Annual Financial Statements
Governing Stakeholders Relationships	
Integrated Reporting Disclosure <ul style="list-style-type: none"> - Financial Disclosure; - Sustainability Disclosure; 	
Integrated Reporting Philosophy	

The mitigating strategies on the assessment and outcomes of the Entity's 2022/23 annual report in terms of the Integrated Reporting and MFMA Circular 63 has been included as part of this report (refer to Section of Chapter 6 – Auditor General's findings).

The Entity will continue to refine its approach in future annual reports to further align with international reporting standards and to promote consistency and accountability with respect to its role in creating and sustaining value for all citizens of Johannesburg.

Statement of Responsibility

The performance information fairly reflects actual achievements against planned objectives, indicators and targets as per the business plan of the entity for the financial year ended 30

June 2023. Metrobus' performance information for the year ended 30 June 2023 has been examined by the internal auditors.

To the best of our knowledge, we confirm:

- All information and amounts disclosed in the annual report are consistent with the annual financial statements
- The report is complete, accurate and free from any omissions
- The report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury
- The annual financial statements in chapter five have been prepared in accordance with the GRAP and MFMA standards applicable to Metrobus
- The Board is responsible for preparation of the annual financial statements and for judgments made in this information
- The Board is responsible for implementing a system of internal control designed to provide reasonable assurance on the integrity and reliability of the performance information, human resources information and annual financial statements
- The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the Integrated Annual Report fairly reflects the operations, performance information, human resources information and financial affairs of Metrobus for the year ended 30 June 2023.

CHAPTER 1: LEADERSHIP & CORPORATE PROFILE

1.1 Foreword by Member of the Mayoral Committee



I consider it an honor to present the 2022-23 Integrated Annual Report for Metrobus, in line with applicable legal prescripts and legislation.

The role of Metrobus in the transport ecosystem of Johannesburg can never be underestimated. Throughout many decades the entity has continued to be a preferred mode of mobility for many citizens.

Consequently, the brand has been etched on the consciousness of many citizens, thus carving for itself an indelible impression. The entity continues to be a forerunner in the creation of a green economy for the City and Province. The entity is lauded among its peers as an early adopter of alternative eco-friendly fuel, thus contributing immensely to the management of the transport carbon footprint in the City and Province.

However, the entity has also faced many challenges, cardinal of which is insufficient investment in ensuring an adequate fit-for-purpose fleet. In addition, in terms of technological enablement, the entity has over the years lagged behind other players in the transport ecosystem.

The year under review has seen many strides in pushing back the frontiers of technological inadequacy through the implementation of state-of-the-art Intelligent Transport systems that will improve the entity's service offering as well as revenue generation. This is in line with the Gauteng Province's "Growing Gauteng Together 2030" strategy which seeks to achieve smart mobility to reduce traffic congestion, increase road safety, improve the environment, and make transportation more accessible and affordable.

As an entity of the City of Johannesburg Municipality, the entity is also carving its role as a strategic player in the City's Integrated Public Transport Network.

Over and above its demarcated mandate, the entity has also contributed to a number of initiatives in pursuit of social development and cohesion as well as ensuring that the South African society makes significant strides in transformation. Through its procurement initiatives, the entity supports small, medium, and macro enterprises while also increasing the employability of young people through skills programs, apprenticeship, and leadership.

Participation in the Extended Public Works Program ensures that job opportunities are created.

It is notable that the entity has maintained a fatality-free record of operation, thus delivering on its promise of a safe and reliable public bus transportation service. A significant number of commuters indicate satisfaction with the level of service provided by the entity. It is also encouraging to note that in the year under review, 90% reliability of service has been reached against a target of 90%.

I would like to express my sincere gratitude to the Board of Directors, management, and staff at Metrobus for their continued commitment and dedication. A work of appreciation also to all the oversight bodies as well as our key stakeholders for their continued support towards ensuring that we deliver a safe and efficient transport service for all.

Cllr. Kenny Kunene

MMC: Transportation

1.2 Chairperson's Foreword



On behalf of the Board of Directors at Metrobus, I am pleased to present the 2022-23 financial year Integrated Annual Report. The period under review unfolded in the context of a continuing general decline in revenue generation across Metropolitan Municipalities. Consequently, the ability of Metropolitan municipalities such as the

City of Joburg to subsidize municipal entities was negatively affected. During the mid-year budget adjustment period, the budget of Metrobus was subsequently revised downwards. However, I am happy to announce that despite this enormous setback the entity persisted in delivering much-needed affordable transport service through a number of strategic choices under the stewardship of the board.

It must be noted, that although the effects of the COVID-19 pandemic continue to be felt in many sectors of the economy, the entity has reported growth in passenger numbers from 3.4 million passengers in the previous reporting period to 4.9 million in the year under review. These passengers were ferried over a total of 8.8 million kilometers. In this regard, I must pause to celebrate that once again the entity operated fatality-free transportation over the entire scope of its operation in the period under review.

The operating environment was characterized by a number of challenges ranging from escalation in energy costs which were uncharacteristically more pronounced in the context of decreasing levels of financial support from the Shareholder versus increasing service requirements. The effect of the non-implementation of a structured program of re-fleeting continues to manifest in the form of a fleet that has aged significantly and is consequently more prone to breakdown that takes protracted periods of time to repair. This results in ever-increasing numbers of out-of-commission buses translating to over-usage of the remainder of the fleet. This situation is mitigated by the fact that over the last few years, a program of refurbishment has successfully injected more economic life into a number of our buses. A budget of R60 million has been approved for the financial year 2023-24 for the purchase of new buses.

During the period under review, strides have been made in relation to improving the employee relations climate in the organization. This is evidenced by the fact that no industrial action was recorded and that the Local Management Forum is active and that matters of mutual

concern between management and employees are appropriately ventilated and solutions reached.

As pertains to the overall performance of the entity, the board remains concerned that in comparison to the previous financial year, a decline in the level of performance has been recorded. While the entity exceeded its overall performance target by 4% in the previous year, performance has been recorded at 14% below budget in the period under review. Although this is largely due to non-performance in specific Key Performance Indicators which are not directly passenger-related, however, such key performance indicators are related to governance and compliance with specific pieces of legislation which is the core of the board's oversight role. The board is poised to ensure that performance agreements are properly structured and monitored to ensure accountability and consequence management should the need arise.

Significant strides have been achieved during the period under review in relation to the implementation of Intelligent Transport Systems. Success in this regard will ensure improvements in operational efficiency through operational data recording and analytics; and financial sustainability through improved revenue generation.

In order to ensure the entity's focus strategic continuity, during the period under review, the board embarked on a review of the Corporate Strategy 2022-2027 and determined a number of turnaround focus areas as follows:



The Board considers the entity's strategic outlook as positive both in the medium and long term. Pertaining to the short term, the following initiatives will expedite the turnaround outcomes envisaged by the entity and increase both operational efficiency and financial sustainability:

- Implementation of Intelligent Transport Systems
- Record of decision on a suitable funding model for the entity
- Record of decision on the write-off of debt to the shareholder
- Purchase of fleet

In the medium to long term, the Board has set the entity's strategic direction as outlined in the Metrobus Corporate Strategic Plan 2022-27.

The Board wishes to thank the Member of the Mayoral Council (MMC) for Transport, Cllr Kenny Kunene for his leadership and encouragement, management, and employees of Metrobus for their dedication and hard work. To our passengers, members of the Commuter forum, and other key stakeholders we thank you for your continued support.

The Board remains steadfast in its resolution to guide the entity to operational excellence, financial sustainability, eco-consciousness, and to cement its role as a key player in public transportation in Johannesburg.

.....
Mr Lemarco Mitchell
Metrobus Board Chairperson

1.3 Managing Director's Report



As Metrobus, we are proud of our slogan that says, “We don’t just drive buses, we drive the economy.” This is an aspirational goal that we have for ourselves, as we understand the potential that this entity has despite its many challenges. The famous Chinese proverb mainly attributed to Lao Tzu says, “The journey of a thousand miles begins with a single step”. Our biggest drive as a management team and staff is to deliver a reliable and safe transportation service for all our commuters. Our focus is to explore the opportunities that we have and collaborate with the Shareholder in dealing with our various challenges.

Metrobus has experienced significant challenges over the years and many of the issues are not new. We remain committed to collaborating with the Shareholder to ensure that these challenges are eliminated. We are technically and factually insolvent as per the definition from the Companies Act, and we are overly reliant on the City in order for us to continue to operate as a going concern. In the past two financial years, we have had over R200 million in budget cuts, which has negatively affected our ability to deliver services reliably. Our performance during the financial period has significantly reduced from over 89% to 71% as we did not have adequate resources to operate according to our passengers’ expectations.

In the 2023/24 financial period, the entity has been provided R60 million for the procurement of buses, over R40 million for the refurbishment of buses, amongst other capital expenditure investment from the Shareholder. We are confident that we will be able to improve on our overall organisational performance despite the operational budget cuts which still remain.

Despite the significant budget cuts, we have managed to reach monumental achievements that are the first few steps in improving the quality of our services during the financial period such as:

- Implementing a hybrid security system to ensure that our assets are adequately protected and reduce the risk of losses;
- Reviewed and approved Corporate Services policies which have been an audit finding for over two years;

- Revitalised the Labour Management Forums meetings whereby key labour issues are discussed and solutions are sought through the collaboration from management and our organised labour partners;
- Implemented free Wi-Fi on our buses for our passengers which will be launched during Transport Month in the following financial period;
- Implemented a new fleet management system (Eye on the Bus) recently which has the following functions which we will launch during the Transport Month in the following financial year (amongst others):
 - An app that consumers will be able to download and track the movement of our buses depending on their preferred trip route;
 - Cameras in the buses which will monitor the movement of our buses and ensure safety for our passengers in real-time;
 - A device that will automatically count the number of passengers in our buses in real-time that will assist us in our route planning schedules; and
 - A system that monitors our bus operators driver behaviour and rewards safe driving.
- Amongst many other initiatives.

Maintaining the requisite capacity to deliver on its mandate remains firmly on the radar of the entity. The filling of vacant posts remained a priority. 86% of leadership positions remained filled for the entirety of the financial year. 72% of the posts in the other levels of employment remained filled. Management remains on course to ensure that the vacancy rate of 28% is reduced in line available resources. In this regard the entity has prioritized critical positions and processes for the filling of these has been expedited.

The entity measures itself against the target of successfully completing 90% of all planned trips. This is an important indicator of our performance in that it is the core of our promise to the citizens of Johannesburg. Planned trips inform the schedule of service which we advertise to our commuters. In this regard, the entity achieved a target of reaching 90% performance level for the year, thus delivering on the promise we made to the citizens of Johannesburg. In comparison to the previous financial year the performance of the entity has increased in regard to planned trips operated.

Towards ensuring the reliability of our services through maintaining on-time arrival at starting points, a target of 90% was set, this target was consistently met during the financial year at an average of 93% for the year under review. During the previous financial year, the target in this regard was also exceeded indicating focus on reliability of services.

During the year under review the audit outcome remained unchanged at unqualified with findings in comparison to the previous financial year. The entity developed measures to mitigate identified strategic risks. A report on the progress in the mitigation of risks is tabled on a quarterly basis. The top five strategic risk that remain under focus are: A new funding model; the procurement of an Automated Fare Collection System, Operating as a going concern, Investment in Technology; and funding to recapitalise Metrobus.

The entity views commuter numbers as a litmus test for its sustainability. During the year under review ridership numbers increased from 3.4 million to 4.9 million indicating the advent of an upward trend from the downward experienced during the last five financial years. This incline can be attributed to levels of reliability and a strong iconic brand which in this financial year enjoyed the commendation of no less than 73% of commuters.

However, challenges still remain in that the buses as a mode of transport enjoy a significantly lower ridership level than other modes of transport in the City. It is also important to note that ridership patterns in Gauteng are unfavourably skewed toward private cars and minibus taxis who collectively share over 90% of the market. In order to ensure that Gauteng meets its sustainability objectives a significant modal shift towards public transportation is desirable. Metrobus is well positioned to play a vital role in this regard.

Towards efforts aimed at turning the tide on the loss of ridership, the entity has established through market research that its deployment of buses may not be appropriately aligned with the mobility requirements of a number of potential commuters, however a significant enabler in this regard is the maintenance of sufficient fit-for-purpose fleet. While funding has been approved for the purchase of new buses during the 2023-24 financial year, a more long-term commitment towards a program of re-fleeting with requisite financial commitments.

A determinant of our capacity to provide a reliable service is the ability to maintain a fit-for-purpose fleet in relation to the number of buses in proportion to peak requirements enabled

by significant decrease in Out of Commission (OOC) buses. During the year under review, levels of OOC remained a concern. Although reliability levels are being achieved, this comes at the cost, inter alia, of higher levels of breakdown and a concomitant high maintenance costs.

Albeit the employee relations environment in the organization remains a concern, green shots are evident in this regard, particularly in view of a revived and active management-labour engagement forum. While only one man-day was lost due to industrial action in the previous financial year, no man-days were lost due to industrial action in the period under review.

The capacitation of our employees has remained a key focus area. Outcomes of a skills audit conducted in the entity have informed the development and implementation of a Work Skills plan.

Regarding the goal of a green economy, Metrobus considers its role in securing the future of urban eco-mobility through ensuring that services are delivered in a sustainable manner. This is against the backdrop of worldwide transport related greenhouse emissions, which by 2025 are expected to have increased by 30% from 2005 levels. Transport energy costs continue to rise. In this regard the entity has set in motion processes that will enable a shift in energy usage from an over reliance on diesel to a more balanced use of diesel and compressed natural gas. Our collaboration with the German Development Agency (GIZ) and the University of Johannesburg was aimed at a feasibility study to determine the efficacy of the usage of alternative fuels. The study has been completed and outcomes will inform the entity's approach going forward. The profiling of all Metrobus routes is imminent and will ensure that the routes on which the use of alternative energy will bear maximum benefit are identified and fleet deployed accordingly.

Ninety-nine percent (99%) of the capex budget was spent against a target of 100%. This is a significant achievement that also underlines the importance of collaboration between entities.

In the area of the financial sustainability of the entity, the apex challenges revolve around pushing back the frontiers of over-reliance on shareholder funding through higher levels of own revenue generation, towards a more equitable balance between grant and own revenue.

During the year under review, significant strides were made in the implementation of Intelligent Transport Systems which will turn the time in respect of own revenue generation and general operation efficiency. The expansion of alternative revenue streams and deployment of automated fare collection is pivotal in this regard. During the year under review, the entity focused on alternative revenue streams through offering mobile advertising space.

The financial position of the entity remains a concern. At its establishment, Metrobus was financed through a loan of R 251 million (2002). From 2002 to 2016 Metrobus acquired new buses with a cost of R551million. During the year under review, the net liability position of the entity declined by R66, 8 million (36%) from R183, 4 million (30 June 2022) to R250, 1 million (30 June 2023). In the period under review, the entity recorded a deficit of R66.8 million compared to the recorded deficit of R75.9 million in the previous year. The debt restructuring process is expected to be completed during the 2023/24 financial year.

During the year under review, the entity achieved 71% of its predetermined objectives and 100% of service standards. In addition to the increasing demand for urban mobility, a need to evolve the character of mobility in the City of Joburg is ever increasing. Urban mobility and mobility needs are evolving. Changing travel habits, demand for services to increase convenience, speed and predictability, as well as evolving commuter expectations towards individualization and sustainability required business model transformation. More than ever it is expected of public transport providers to work hard at improving attractiveness, and capacity and efficiency of mobility systems despite dwindling public financing.

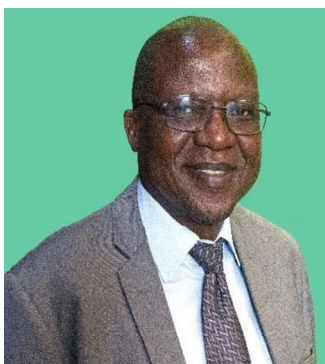
Metrobus remains an important role player in the City's Integrated Public Transport Network. Urban mobility is one of the toughest system-level challenges facing players of the mobility ecosystems. In the future, innovative mobility services will be driven less by improvements in single transport modes than by integration. In this regard, the central theme of the entity's Strategic Vision 2022-27, is readiness for participating in the Integrated Public Transport Network of the City of Joburg. Going forward, while delivering on the current mandate, the entity will focus on visionary strategy and ecosystems, mobility supply, mobility demand management and alternative public transport financing.

Metrobus is committed, in collaboration with all stakeholders, to continue providing quality mobility solutions to citizens of Johannesburg.

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Luyanda Gidini CA(SA)
Acting Managing Director

1.4 Chief Financial Officer's Report



The report below reflects the financial performance, position; and its related cash flows as at 30 June 2023. The 2022/23 financial report was prepared on going concern basis, that is, the entity would continue to operate for the foreseeable future.

Financial Performance

The table below summarises the financial performance of the entity as at 30 June 2023.

Financial Position

Description	YTD		30-Jun-23
	Actual	Budget	Prior year
	R'000	R'000	R'000
Revenue	641 506	631 402	568 544
Direct costs	178 214	99 426	144 892
Margin	463 292	531 976	423 652
Expenses	484 590	487 340	470 383
Operating result	-21 298	44 636	-46 731
Interest paid	45 463	44 636	29 164
Total Expenditure	708 267	631 402	644 439
Surplus / Deficit	-66 761	0	-75 895

Metrobus recorded a deficit amounting to R66, 8 million for the financial year (2021/22: R75, 9 million). Metrobus faced multiple budget cuts over the past few years. This is besides that the bus fleet utilised for service delivery is aged and requiring constant repairs and maintenance attention. In addition, the buses are aged and are now less efficient in fuel utilisation. In the 2022/23 financial year the budget was reduced by R62, 0 million and this had negative implications in our operations.⁷ Metrobus had to reallocate resources and focusing only on those projects that are related to service delivery and had to maintain the

minimum service required. As a result the entity's approved budget was overspent by R76, 8 million. A conscious decision was then reached to continue operating and not to inconvenience the customers.

Total revenues recorded amounted to R638, 6 million against the approved budget of R631, 4 million resulting in net positive amounting to R7, 1 million. However, the internally generated revenues is still way below when compared to pre-covid period and management is implementing strategies to ensure internally generated revenues are increased. These included, but not limited to under-performance in terms fare revenues, contracted and private hire as well as the after effects of COVID-19 as the number of passengers have reduced as some of the people are now working from home.

Significant overspending were recorded on the following items:

- Employee related costs of approximately R20, 4 million.
- General expenses of approximately R71, 5 million, general expenses included diesel which was overspent by R53, 4 million

Financial Position

The table below reflects the abridged financial position of the entity as at 30 June 2023

Financial Position

Description	30-Jun-23	30-Jun-22	Movement	Movement
	(R000's)	(R000's)	(R000's)	(%)
Non-Current Assets	551 948	545 943	6 005	1%
Current Assets	28 135	26 752	1 383	5%
Total Assets	580 083	572 695	7 388	1%
Capital & Reserves	-250 086	-183 359	-66 727	36%
Non-Current Liabilities	62 683	114 129	-51 446	-45%
Current Liabilities	767 486	641 925	125 561	20%
Total Equity & Liabilities	580 083	572 695	7 388	1%

Current liabilities increased by approximately R125, 6 million (20%) from R641, 9 million (30 June 2022) to R767, 5 million (30 June 2023). This change was driven by the following:

- A R64, 0 million (13%) increase in the loans from shareholders.
- A R13, 5 million (29%) increase in other financial liabilities.
- A R46, 6 million (42 %) increase in payables from exchange transactions.

Non-current assets increased by approximately R6, 0 million (1%). This was largely driven by:

- PPE decreased by R28, 8 million (6%) from R511, 0 million (30 June 2022) to R482, 2 million (30 June 2023).
- Loans to shareholders increased by R2, 2 million (7%); and
- Intangibles assets increased by R34, 4 million (1724%) due to intangible assets acquired during the period.

Current liabilities increased by approximately R125, 6 million (20%) from R641, 9 million (30 June 2022) to R767. 5 million (30 June 2023). This change was driven by the following:

- A R64, 0 million (13%) increase in the loans from shareholders.
- A R13, 5 million (29%) increase in other financial liabilities.
- A R46, 5 million (42 %) increase in payables from exchange transactions.

Non-current liabilities improved by R51, 4 million (45%) from R114, 1 million (30 June 2022) to R62, 7 million (30 June 2023). This change was driven by:

- A R59, 2 million (56%) decrease the long term loans from the City; and
- A R1, 0 (12%) decrease in employee benefits liability.
- A R8, 7 million increase in finance lease obligation

The unfavourable solvency and liquidity position of the entity cannot be ignored. Net liability position of the entity declined by R66, 8 million (36%) from R183, 4 million (30 June 2022) to R252, 9 million (30 June 2023). This was driven by R66, 3 million (17%) deterioration in the accumulated loss.

The entity was overdrawn by approximately R542, 3 million (2022/23: R478, 3 million). The overdraft was due to the accumulated losses over the years resulting from fare revenue

shortfall as well as capital expenditure incurred with respect to a new fleet procurement of buses that was procured in prior years.

Compliance and Internal Control environment

There has been an improvement in the internal controls over the past year. The entity is actively managing the payment within 30 days. Fruitless and wasteful expenditure amounting to R10 thousand was recorded. This resulted from interest charged on an outstanding invoice. This invoice was not paid on time as the city was facing cash flow challenges and could not allocate cash flow to Metrobus. The entity has complied with all City instructions in terms of budget preparation. There were no major changes in the accounting standards which affected the organization in the current financial year.

Supply Chain Management

While SCM continues to be a challenging environment, Finance has made significant improvements in terms of the management of the contract register.

Total irregular expenditure as at the end of 30 June 2022 amounted to approximately R2, 3 million. Investigations and consequence management is in progress on employees that caused the irregular expenditure.

The entity approved deviations to the amount of R59, 5 million for the procurement of various goods and services.

Strategic Outlook and Business Conditions

The entity will continue with its focus of being a low cost provider of public transport going forward, however this strategy needs to be compensated through proportional investment in a robust revenue collection system, adequate fleet and fuel management systems as well as the replacement the ageing fleet. The harnessing of efficiencies through focussing on well-populated routes will be a major focus area in repositioning the entity to market leadership.

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Patrick Matanhire

Acting Chief Financial Officer

1.5 Corporate Profile and Overview of the entity

The City of Johannesburg Metropolitan Municipality (the City) established Metrobus in 2000 as a wholly owned Municipal Entity. The Entity was established to play a critical role in delivering safe, reliable and affordable public transport service.

As part of the phased development of the City's Integrated Transport Plan (CITP), the City adopted the Strategic Integrated Transport Plan Framework (SITPF) in 2013. The SITPF identifies Metrobus as a primary operator for conventional bus services that would be used on medium-demand public transport routes and to extend service to new areas of captive car users in the South, South-East, North and North-West of the City.



In 2013, the City of Johannesburg agreed on a turnaround plan for Metrobus which involves:

- Reviewing the routes that Metrobus services;
- Reviewing the way Metrobus is managed by the City to make sure that services are more reliable;
- Introduction of a new funding model, based on a fee per kilometre as opposed to outright grant funding;
- Introducing new green fuel buses; and

- Introducing a new fare collection system, which will use smartcard.

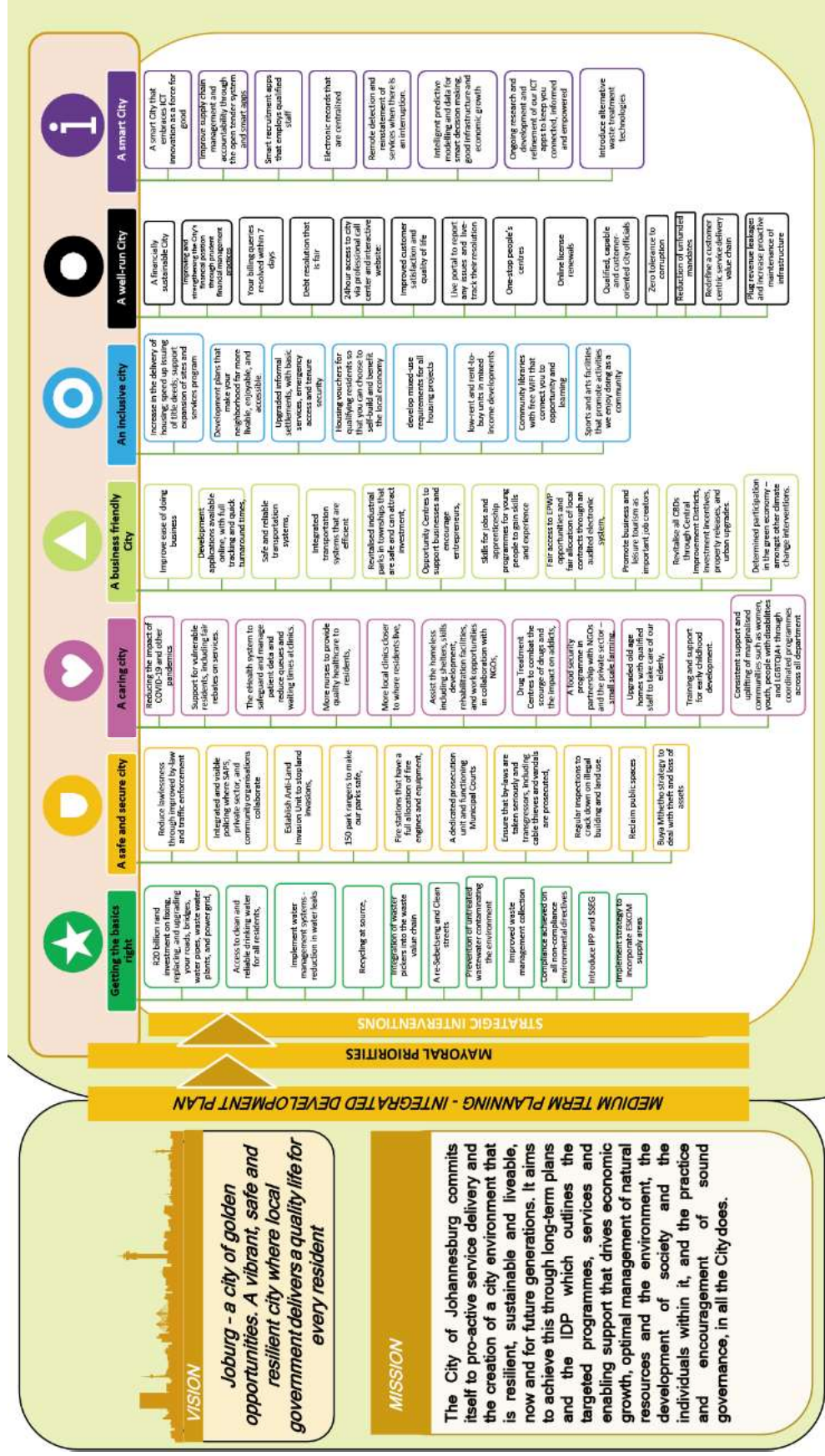
The turnaround plan is reviewed every three (3) years. Since 2013, the following has been implemented:

- Procurement of buses in 2015
- Institutional Review done in 2015
- Refurbishment of buses since 2019
- Debt restructuring is at an advanced stage
- Rationalisation of routes is on-going

1.5.1 Correlation Between Mayoral priorities, SDBIP, and IDP

The correlation between Mayoral priorities, SDBIP, IDP and City long term strategy forms the basis of all planning and resource allocation. The correlation is manifested in the entity outcomes as outlined in its predetermined objectives. In this regard the following GDS outcomes appropriately linked to programs in line with outcomes of the 5-year Integrated Development Plan and Mayoral priorities are key:

Figure 1: Linking planning guidelines and imperatives



The entity in turn bases its predetermined objectives on the programs as outlined in order to ensure that ultimately the Growth and Development Strategy outcomes are achieved.

1.5.2 Fleet Capacity

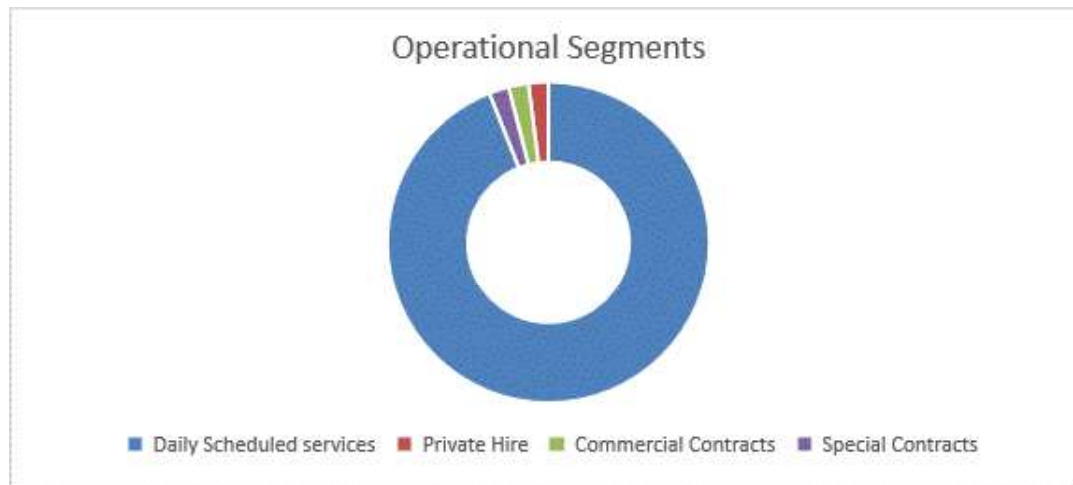
The current fleet of Metrobus buses stands at 381 and below is a table depicting the fleet by make and model.

Table 1: Fleet details

Fuel Type	Asset Group	Milpark	Roodepoort	Village Main	Total
Diesel	Merc Benz 1725/59	49	5	32	86
	Merc Benz Euro 3	14	7	4	25
	Volvo B7L	42	7	39	87
	VOLVO B7R	9		1	10
Diesel Total		114	19	76	208
Duel Fuel	Merc Benz 1725/DDF	24	5		29
	Merc Benz Euro 5	55	36	54	144
Duel Fuel Total		79	41	54	173
Total		193	60	130	381

The entity operates within the Greater Johannesburg metropolitan area in four operational segments, proportionally outlined below:

Figure 2: Operational Segments



In addition to the above the company's social responsibility mandate, the following services are offered at discounted rates:

- A dedicated service to persons with disabilities;
- Subsidised pensioner services;
- Scholar services; and

1.6 Strategic Objectives

Metrobus service mandate is aligned to the National Development Plan strategic areas and planning priorities, which focus on the creation of a workable urban transit that will streamline an effective urban, transport system through:

- Provision of affordable, faster, reliable and safe public transport;
- Transport plans that are aligned with spatial development; and
- Providing incentives for public transport use.

As an entity of the City of Joburg, Metrobus has aligned its long-term strategic imperatives with the Growth and Development Strategy of the City of Joburg (GDS 2040) and contributes directly to outcome two and three of the Growth and Development strategy 2040. Outcome two (2) relates to the provision of a resilient and liveable, sustainable urban environment underpinned by smart infrastructure supportive of a low carbon economy. In relation to the GDS outcome 2, it is noteworthy that South Africa has launched the country's first Green Transport Strategy (GTS) to promote a transport system that is environmentally friendly and helps boost economic growth and create jobs. In South Africa, the transport sector is reported to be the most rapidly growing source of greenhouse gas (GHG) emissions, and its continued growth is expected to have an increasing impact on biodiversity, air quality, land resources and water quality. The industry accounts for over 90% of total emissions. For its part, out of a total of three hundred and eighty one (381) buses, the entity operated one hundred and seventy four (174) dual fuel buses which significantly reduced its greenhouse emissions. The entity will persist with its efforts in this regard by maintaining an energy mix that is supportive of a green economy.

Outcome three (3) which relates to an inclusive, job intensive, resilient, competitive and smart

economy that harnesses the potential of citizens. Transportation remains a significant enabler of a smart economy. In this regards, the entity contributes to a smart economy for Johannesburg through distinct Intelligent Transport System which involves the following;

- Eye on the bus- The projects is intended to automate most of the functions in the Bus, Depots and to Advance the user experience
- Automated Fare Collection (AFC)- (AFC) system is the collection of components that automate the ticketing system of a public transportation network
- Wi-Fi on buses- The project will assist Metrobus to understand its customers and collect customer information that is accurate

Figure 3: Alignment to GDS 2040



In line with the Growth and Development Strategy 2040 outcomes to which the entity contributes, related outputs find expression specific entity priorities as outlined below

Table 2: Alignment to GDS outcomes, outputs and entity priorities

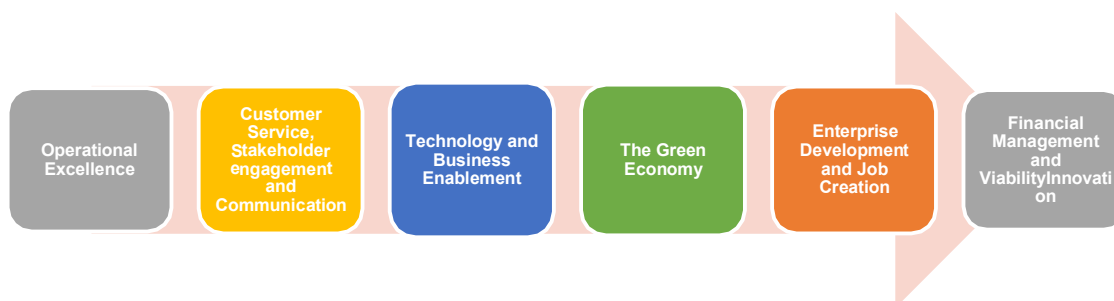
GDS/Long Term Outcomes	GDS/Long Term Outputs	Entity Contribution/ Entity Priorities
Provide a resilient, livable, sustainable urban environment underpinned by smart infrastructure	<ul style="list-style-type: none"> • A society characterized by healthy living for all 	<ul style="list-style-type: none"> • Energy mix based on the use of CNG as alternative energy • Preferential procurement • Transportation supportive of a growing economy

supportive of a low carbon economy.	<ul style="list-style-type: none"> • A safe and secure city • A city characterised by social inclusivity and enhanced social cohesion 	<ul style="list-style-type: none"> • Technology: introduction of technology with capacity for smart commuter interface, operator behavior monitoring, general positional surveillance of buses and automated fare collection • Adherence to service level standards.
An inclusive, job intensive, resilient, competitive and smart economy that harness the potential of citizens	<ul style="list-style-type: none"> • Job-intensive economic growth • Promotion and support to informal and micro business 	<ul style="list-style-type: none"> • Extended job opportunities through EPWP • Development and support of SMME's

1.6.1 Metrobus Strategic Focus Areas

In pursuit of its Mandate Metrobus focuses on six (6) strategic focus areas outlined in figure 3 below. Annual strategic objectives developed in line with the strategic focus areas.

Figure 4: Metrobus Strategic Focus Areas



In terms of the entity's corporate strategic plan 2022-27, the following strategic goals have been identified;

- Ensure that Metrobus is viable and sustainable.
- Ensure effective and efficient bus operations.
- Attain, develop, and retain talent in a fit for purpose organisational structure that will deliver on our mission.
- Ensure a well governed entity.
- Continuously monitor, evaluate and improve service.

1.6.2 Metrobus Strategic Objectives

The Entity strategy is informed, inter alia, by successive demographics and mobility data and trends as published by Statistics South Africa (General Household Survey) as supplemented by the City's Group Strategy Policy Coordination and Relations Unit, and the Department of Transport General household Travel Survey.

Overview of Statistical Figures

Ref	Indicator	Baseline 2022	2023 estimated trends
1	Population	6 094 057	6 353 636
2	Number of households	2 050 801	2 139 271
2	Number of households residing in formal dwellings	1 679 986	No change assumed
2	Number of households living in informal dwellings	3 54 789	459 285 backlog
2	Number of households with water supply infrastructure of RDP standard or higher	2 045 000	94 271 backlog
2	Number of households with access to a functioning basic sanitation facility (strategic framework)	1 947 000	192 271 backlog
2	Number of households with access to electricity	1 591 528	547 743 backlog
2	Number of households who have their refuse removed at least once a week	1 796 026	343 245 backlog
3	Poverty rate (people below the upper poverty line)	51.2%	2.83% increase
3	Inequality (Gini)	0.62	-0.58% decrease
3	Human Development Index	0.69	0.04% increase
4	Unemployment rate	34.60%	2.19% increase
4	Youth Unemployment rate	47.05%	>2.19% increase
5	Quality of Life	62%	
6	Customer Satisfaction	59%	

	Population 2022	Households 2022
Region A	841 189	340 318
Region B	356 341	126 513
Region C	838 965	287 519
Region D	1 595 817	493 641

Region E	656 620	256 139
Region F	538 329	178 063
Region G	1 266 796	368 611

The Statistics South Africa (Stats SA) travel survey gives transport needs and behaviour, assesses attitudes towards transport services, and how South Africans get to their workplaces, educational institutions and other places.

The National Household Travel Survey (NHTS) 2020 reveals that the main purpose of travel for most households was getting to educational institutions.

The primary purpose of undertaking a trip by household members was to travel to educational institutions.

The NHTS 2020 report also reveals that the number of South Africans who had travelled during the seven days prior to the survey increased from 42,4 million in 2013 to 45,0 million in 2020.

Gauteng (28,2%) had the largest number of individuals who undertook trips during the seven days prior to the interviews, followed by KwaZulu-Natal (16,9%), Western Cape (11,2%) and Limpopo (11,2%). Northern Cape had the least number of persons who undertook trips (2,3%).

Trips to the usual workplace were the second most common purpose for household members to travel. These trips were most predominant in Western Cape (37,4%), Gauteng (31,1%), and KwaZulu-Natal (28,3%). Also, these proportions were much higher than the national proportion of 26,3%.

About 17,4 million South Africans walked all the way to their destination, followed by 10,7 million individuals who made use of taxis and 6,2 million who used a car/truck as a driver.

Trains were the mode of travel that was least used by household members, except for Western Cape (1,6%) and Gauteng (1,5%), where more than one per cent of household members used this mode of transport.

The report further shows that about 10,1 million learners walked all the way to their educational institution, which is a decrease from the 11 million observed in 2013.

Across provinces, the highest percentage of learners who walked to their educational institution were found in KwaZulu-Natal (20,3%) and Gauteng (17,7%), followed by Eastern Cape and Limpopo both at 14,6%.

In 2020, learners who used public transport experienced long travel times in the morning to access their educational institution — train users travelled for 91 minutes, bus travellers spent 59 minutes travelling and taxi users travelled 51 minutes.

Learners who walked all the way to their educational institution required 29 minutes to arrive at their institution.

The percentage of learners who travelled for longer than 60 minutes to their educational institution increased most significantly in Western Cape, Eastern Cape and Gauteng

It is reported that most workers used private transport (43,5%) as their main mode of travel to work, while 35,0% used public transport. Approximately twenty per cent of workers reported walking all the way (20,3%).

The estimated total number of workers' trips using public transport decreased significantly from 5,4 million in 2013 to 4,7 million in 2020. Taxis accounted for most public transport users with 80,2% of workers.

The percentage of workers who spent 15 minutes or more walking to their first transport decreased nationally from 14,7% in 2013 to 11,5% in 2020. Similarly, the proportion of workers who waited more than 15 minutes for the first public transport decreased from 10,3% in 2013 to 6,7% in 2020.

The household travel survey reported that in 2020, workers who used public transport experienced a long travel time in the morning to access their workplace; train users travelled for 107 minutes, bus travellers spent 84 minutes travelling, and taxi users travelled 63 minutes. Those who used a car/bakkie/truck as passengers needed 49 minutes to get to work, while those who drove took 44 minutes.

There has been a general increase in households who used a taxi (from 9,8 million to 11,4 million). However, a significant decrease was recorded in the number of households who used a bus (from 2,9 million to 2,1 million) and a train (1,4 million to 0,5 million) as their preferred mode of transport.

In 2020, travel cost (30,8%) surpassed travel time as (23,3%) as the biggest factor influencing modal choice of households. Flexibility was mentioned by 11,9% of households.

Train passengers have higher dissatisfaction rates, with the exception of fares, while Taxi and Bus passengers are particularly dissatisfied with facilities at taxi rank or bus stop, the behaviour of the taxi/bus drivers.

In order to realize Metrobus' Vision and Mission, the entity developed quantifiable, time bound and measurable strategic objectives as follows:

Strategic Objective 1: To acquire, develop, and retain talent in a fit-for-purpose organizational structure that will deliver on our Mission.

A key component to this strategic objective is not only ensuring that we have the technical skills needed to operate a bus service, but also increasing the business acumen of our people towards improvement of our overall performance.

It is important that all employees provide the leadership necessary within their sphere of influence to guide our organization. We will hire and develop leaders who are committed to our strategic direction, and are focused on delivering the travel experience our customers expect, and know how their decisions affects our collective future.

We will strive to recruit employees who are motivated to serve others. Our training and development will be biased towards behaviors and actions that drive customer satisfaction and a culture of service. This culture of service will be instilled and reinforced with appropriate performance management systems and incentives. The Metrobus Human Resources Development Strategy outlines key programs and interventions regarding this strategic objective

Strategic Objective 2: To enable employees, commuters and processes with technology for efficient service delivery, agility and consumer centricity

In order to perform effectively and improve customer satisfaction, our employees must have technology that provides quick access to information is linked to critical processes, offers seamless connection, and connects us to customers in a rapidly evolving market place. Our

technology will be biased towards the purpose of supporting and enhancing business process improvement as its first and immediate priority.

Our approach will include consolidating systems and information to provide a validated, single source of data that is easily accessible for timely decision-making

Customers desire real-time updates, communication that is more frequent and more rapid responses and resolution of issues. This capability forms the basis for our approach to technology enablement.

The entity requires ICT infrastructure that ensures the technology used by business is functional, efficient and effective whether the desired outcome is business improvement, mobility or communication and collaboration, Metrobus requires the right kind of infrastructure to support our vision. The digitization program of which the Automated Fare Collection system is a significant constituent element is the key enabler towards the achievement of this strategic objective.

Strategic Objective 3: To drive service delivery, productivity and quality through continuous process integrity, and proper project and program management, while continuously seeking to innovate.

Our focus on operating efficiency is not confined to the operations department. The day-to-day operations of every department and functional group within Metrobus must continually improve so that goals can be met at the lowest possible cost. Target areas include process improvements, optimizing service delivery, compliance with regulations such as supply chain management and efficiencies.

Whether it is the way buses are serviced or the process by which we recruit and select employees, we will find ways to improve our effectiveness. Inventory can be better managed to improve revenue cash flow. Projects and programs must deliver the intended results on time and on budget, whether we are installing a new technology application or overhauling an engine. In addition, those who work on and manage projects must be accountable for delivering on scope, schedule and budget.

Our focus over the next five years will be to consistently deliver a high level of operating efficiency and productivity. The Metrobus Operational Efficiency Models is intended towards the achievement of this strategic objective.

Strategic Objective 4: To promote enterprise development and job creation

In this regard, the entity participates fully in the programs geared towards the creation of jobs. The entity employs a number of citizens of Johannesburg in line with the Extended Public Works Program. A significant portion of expenditure of both Opex and Capex is spent on the Small, Medium and Macro enterprises. In addition, the entity conducts programs to assist designated enterprises with procurement compliance procedures.

Strategic Objective 5: To achieve accredited status as preferred repair and maintenance centre of Diesel Dual Fuel Buses

Metrobus is regarded as a leader in the transport industry in relation to the usage of Diesel Dual Fuel buses. As an early adopter of this technology, the entity has learnt a number of valuable lessons and is in a position to establish itself as a preferred repair and maintenance centre of Diesel Dual Fuel buses. The entity has collaborated with highly regarded organizations and academic institutions towards the acquiring of knowledge in this regard.

Strategic Objective 6: To arrive on time, in a clean, road worthy bus, operated legally and by a courteous, customer centric employee.

Metrobus will at the very least meet customer service standards as contracted with the parent municipality and endeavour to exceed these in a quest to move Johannesburg progressively.

Strategic Objective 7: To continuously improve a culture of safety and security

Improve safety and security for people travelling on, or waiting for buses and for employees of Metrobus.

Instilling such a culture means that regardless of function or rank, all employees base their day-to-day decisions and behaviors on whether or not they reduce safety risks.

As we continue this transformation, we will work with partners and our industry peers to develop improved metrics that help us gauge our progress and make better decisions. In order to improve further, we must find better ways to identify and remove barriers to safety so we can reduce accidents and injuries. In pursuit of the broader objectives of the Service

Delivery Agreement entered into between Metrobus and its parent municipality, the entity adheres to a set of service standards measured on a monthly basis which encompasses the thrust of this objective.

Strategic Objective 8: To decrease Metrobus contribution to GHG emissions

Minimize the environmental damage caused by buses and bus related operational activities. Contribute to a significant shift in transport modal choice “get citizens out of private cars into public transport.

Continue the conversion of the existing fleet to diesel dual fuel and ensuring that all new buses operate on sustainable energy as a matter of choice. This will have the greater outcome of changing Johannesburg’s rating favourably in terms of its high GHG emitter status.

Strategic Objective 9: To achieve fare revenue collection targets and improve expenditure efficiency

Key among operational tactics is to maintain the “no-cash-on-hand” culture while technologically enabling our collection capacity. Business efficiencies will be implemented to contain the cost of doing business.

Strategic Objective 10: To implement a sustainable re-fleeting and refurbishment plan

Metrobus will implement an investment worthy re-fleeting strategy and plan to ensure that its fleet is kept viable and fit for purpose.

Strategic Objective 11: Develop and maintain Business Continuity plans including plans aimed at ensuring continued functionality and resilience in relation to COVID19.

Metrobus has reviewed its Occupational Health, Wellness and Safety Strategy to ensure that the workplace is safe from hazards including COVID19. This endeavour will encompass both our physical (offices, depots and Ghandi Square) and mobile workspaces (Buses and other fleet)

1.6.3 Metrobus Value Creation Process

The value creation process at Metrobus is underscored by a continuous effort to balance financial and non-financial value through constant refinement of a purpose worthy business model. The process is concerned with inputs from various forms of capital (human, financial

and social) and transforming them through business activities and interactions to produce outputs and outcomes that ultimately create value for the organization, society, stakeholders and the environment.

Metrobus recognizes that value is driven by the transformation of capabilities and inputs into outcomes that sustain its competitive advantage. Key among these are financial drivers such as pricing strategy, operational efficiency, refueling strategy, revenue generation strategy, implementation of a fee per kilometre business model, brand equity and the cost of capital. Non-financial drivers include customer relations, labour relations, social expectations, environmental concerns, innovation and corporate governance. Towards transforming capabilities and inputs into outcomes, the entity manages individual and organizational performance through continuous measurement and improvement on an activity as well as outcome levels.

Our values, which include integrity, honesty, and corporation support our value creation infrastructure.

1.6.4 Resource Allocation Plan

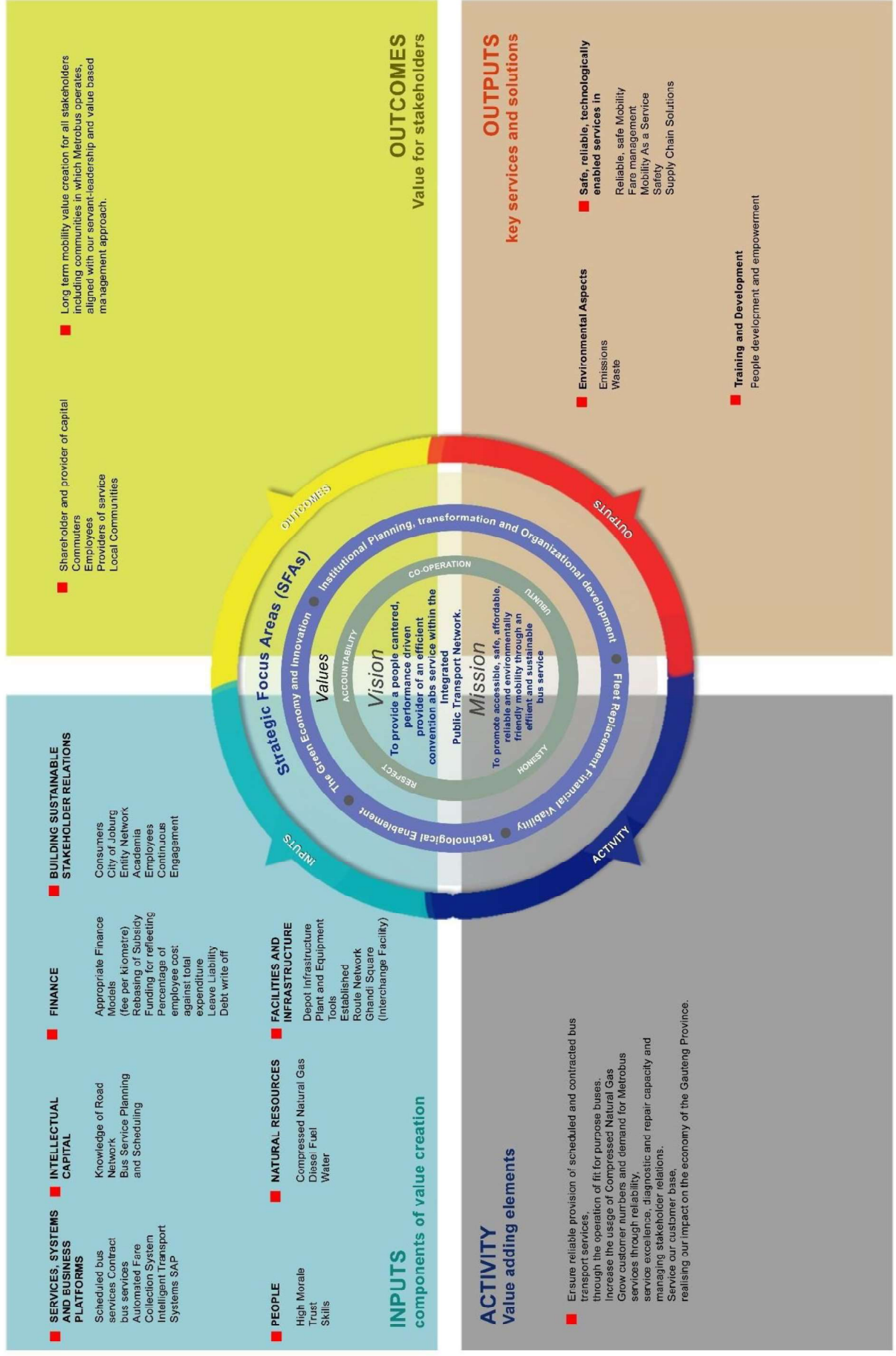
The Entity's resource allocation plan is premised upon three distinct resources which are clearly measurable: Financial, human resources, and fleet capacity. The reality is that a number of cost elements in the organization are in effect and to a large extent, fixed. Key among the fixed cost elements is Human Resources related cost which accounted for over 44% of the entity's budget during the 2021/22 financial year with an average vacancy rate of 20%. The scope of operation at Metrobus is geographically demarcated and operationally serviced through three main depots and two satellite depots. Both fleet capacity and human capacity is allocated in proportion to the size of depot scope of operation in relation to the entity's entire scope of operation. Requisite fleet capacity per depot is the single most influential determinant of financial resource allocation. The administrative hub of the entity sits at its head office and is a shared function.

1.6.5 Metrobus Business Model

Metrobus is contracted to the City of Joburg through a Service Delivery Agreement, for the provision of reliable scheduled bus transport services to citizens of the City of Johannesburg. The entity's value proposition can be encapsulated simply as providing reliable, cost effective public transportation.

Towards this end the following is a schematic representations of the entity's business model reflecting inputs, activities, outputs and outcomes.

METROBUS BUSINESS MODEL



Governance



2.1 Corporate Governance Statement

Adherence to the lofty principles that undergird good corporate governance remains a significant strategic imperative for the entity. Towards maintaining good corporate principled co-operation between management, the Board, the Shareholder and other stakeholders is cultivated and maintained. The entity is guided in this regard by the King Report on Corporate Governance for South Africa (and King IV of 2016). Moreover, the company sets its own targets for corporate governance, which are closely monitored and regularly reviewed.

The Board of Directors provides strategic direction and oversight for Metrobus' activities and operations. The Board meets at least four times a year. The governance structures of Metrobus are committed to global principles and guidelines on corporate governance. The entity relies primarily on the legislative framework set out in the new Companies Act 71 of 2008 (as amended) ("the Companies Act") and the fourth King Report on Corporate Governance ("King IV"). These two instruments continue to serve as the bedrock according on which corporate governance principles are formed, and tested.

Through the preparation of quarterly performance assessment reports as well as the integrated annual report, the entity acts in compliance with the Local Government: Municipal Finance Management Act and the Municipal Systems Act No 32 of 2000 and also promotes accountability to stakeholders for decisions taken by its governance structures and matters relating to administrative structures, throughout the financial year.

The entity applies the governance principles contained in King IV and continues to further entrench and strengthen recommended practices in our governance structures, systems, processes and procedures. The Board of Directors and Executives recognise and are committed to the principles of openness, integrity and accountability advocated by the King IV Code on Corporate Governance.

The Board of Directors has incorporated the City of Johannesburg's Corporate Governance Protocol into its Board Charter, which *inter alia* regulates its relationship with the City of

Johannesburg as its sole member and parent municipality in the interest of good corporate governance and good ethics.

The Protocol is premised on the principles enunciated in the King IV Report for Corporate Governance for South Africa 2016 (King IV). The entity's practices are, in all material respects, in line with the principles set out in the King IV Report. On an ongoing basis, steps are continuously taken to align practices with the Report's recommendations and the Board continually reviews progress in this regard to ensure that we improve our Corporate Governance. During the year under review, the Company entrenched its risk management culture. Reviews, reporting and compliance assessments were conducted in terms of the Companies Act, the Municipal Systems Act (MSA) and the Municipal Finance Management Act (MFMA).

2.1.1 Ethical Leadership

As codified in Metrobus Code of Ethics Policy and Human Resources, Social & Ethics (HRSE) Committee Charter; Metrobus observes high standards of business and personal ethics in the conduct of its duties and responsibilities. Through the oversight role of the board's Human Resources and Social and Ethics Committee, proper oversight and leadership in respect of ethics is ensured.

The entity recognizes its responsibility to act in the community with other role players in transport to ensure that the environment is protected in a sustainable manner.

Metrobus has adopted a Code of Ethics, which is applicable to Board members, management, and staff. Board members further attend governance forum meetings arranged by the shareholder, which provides a platform for training and development on ethical and effective leadership. An annual performance evaluation is conducted through the shareholder, which assists with identifying any areas of concern.

The entity's culture, ethics and values permeate the way in which business is conducted through a number of protocols, procedures and rules. Committees for the administration of procurement are in place to ensure that procurement is conducted, inter alia, as ethically as possible. Relationships with key stakeholders such as commuters are subject to measurable service standards on which the entity periodically reports and are part of its performance outcomes.

On a quarterly basis, a report on social and ethical issues is considered by the Human Resources and Social and Ethics Committee, which addresses critical issues. Key issues during the year under review were the following:

- Policy review
- Monitoring of Sustainable development practices
- Ethics and Compliance
- Corporate social investment, donations and sponsorships
- Stakeholder and consumer relations
- Black economic empowerment and employment equity
- Health and public safety
- Labour relations, working conditions and human rights
- Training and skills development
- Management of entity's environment impacts
- Employee remuneration (Total costs including Executives)
- Key vacancies; vacancy rate and staff turnover rate
- Performance management
- Employee relations – disciplinary matters and outcomes
- Employee wellness
- Employee benefits
- Security and inspectorate

Areas of focus are determined in line with a number of considerations including audit findings, investigations, trends in forms of misconduct, and commuter feedback.

2.1.2 Corporate Citizenship

The Entity is guided by its Social and Ethics policy in the performance of its duties which relate to matters of social and economic development, good corporate citizenship, environment, and health and public safety as well as consumer relationships.

As Metrobus, we value responsible business behaviour and Corporate Social Responsibility (“CSR”) in that we understand as a company; we have a role to play in furthering the society’s developmental process.

The office of the Managing Director is charged with the responsibility of directing social responsibility initiatives under the stewardship of the Board.

CSR initiatives are reported on a quarterly basis and focus in this area is determined under the direction of the board of directors.

2.1.3 The Legislative Framework

The legislative framework for municipal entities came into effect through amendments to the Municipal Systems Act (MSA) and the passing of the Municipal Finance Management Act (MFMA). The new provisions of the MSA, including Chapter 8A, came into effect on 1 August 2004. The bulk of the provisions of the MFMA took effect on 1 July 2004 with some transitional provisions based on municipal capacity. The MSA defines three types of entities that may be established by a municipality with effect from 1 August 2004, namely private company, service utility or multi-jurisdictional service utility.

Metrobus is classified as a State Owned Company in terms of the Companies Act and is subject to the provisions of the Companies Act

2.1.4 Municipal Finance Management Act, No.56 of 2003

- **Circular 63**

The aim of this circular is to provide guidance to municipalities and municipal entities on the new Annual Report Format and its contents. Information included in the New Annual Report will better inform in a standardised framework how municipalities and municipal entities have performed, by providing information of a financial and non-financial nature in one document.

2.1.5 Municipal Systems Act, No. 32 of 2000

- **Section 93L**

Section 93L of the Municipal System Act provides principles and guidelines for proper conduct of directors and employees of municipal entities

- **Supply Chain Management**

All measures ensuring the directing of behaviours and decisions of procurement within the ambit of legislation and policy are in place. All committees relating to procurement are in place.

2.1.6 Board independence

In accordance with the requirements of the legislative framework, the majority of members of the Board of Directors are non-executive. The Board has a diversity of skills and experience. The majority of the members of the Audit and Risk Committee are independent members and not non-executive directors. The board has not employed any external advisers or invitees who regularly attend committee meetings. The employment contract of executive directors is on the basis of a term of five years, with a notice period of 60 days. Levels of remuneration are determined by the shareholder. The Managing Director holds no other professional commitments or membership of any governing bodies outside of the entity.

The board has approved a delegation of powers framework for the entity and is satisfied that same contributes to role clarity and the effective exercise of authority and that responsibilities are clearly disclosed.

2.1.7 Board reporting

The Board established board committees that consider all reports prior to submission to the Board for consideration. Board committees function in accordance with their terms of reference and delegations. On a quarterly basis, reports are submitted to the Board on the proceedings at the committee meetings.

2.1.8 Municipal/Entity Oversight Reporting

Metrobus reports at prescribed intervals to all municipal/entity oversight committee including the Municipal Structures Act Section 79 committee, Group Performance and Audit Committee (GPAC), Municipal Public Accounts Committee (GPAC), Group Audit Committee (GAC) and the Group Risk and Audit Committee (GRGC)

2.1.9 Remuneration Management

The remuneration of both the board and senior management is determined by the shareholder. The remuneration of other levels of employees in the organization is centrally determined under the auspices of a bargaining council.

The entity maintains a payroll policy which is subject to the approval of the board. All remuneration decisions are informed by the Local Government: Regulations on Appointment and Conditions of Employment of Senior Managers.

No awards made under variable remuneration incentive schemes in the current and prior years are yet to vest.

The contracts of senior managers include variable pay to the maximum of 14% of total cost to company contingent upon performance in relation to predetermined performance levels and key performance areas and indicators. Performance measures are department specific and aligned to the organizational predetermined outcomes.

2.2 Composition, Key Activities & Remuneration of Board of Directors

2.2.1 Board of Directors

The entity has a unitary board, which consist of non-executives and executive directors. The Board is chaired by a non-executive director. The Board meets regularly, at least quarterly and retains full oversight control over the entity. The Board remains accountable to the City of Johannesburg Metropolitan Municipality, the Shareholder and its stakeholders as well as the citizens of Johannesburg. The Board provides quarterly, bi-annually and annual reports on its performance and service delivery to the parent municipality as prescribed in the aforesaid SDA, the Municipal Finance Management Act and the Municipal Structures Acts. The responsibilities of the Board are clearly outlined in the Company's Act, Memorandum of Incorporation, Shareholder compact, Board Charter, and the approved Delegation of Authority Framework.

Non-executive Directors contribute an independent view to matters under consideration and add to the depth of experience of the Board. The role of the Board and Management is separate, in that the Board plays a governance oversight role and Management an operational day-to-day role. The Board plays no executive function within the entity. Directors have unlimited access to the Company Secretary, who acts as an advisor to the Board and its committees on matters including corporate governance, compliance with laws, rules and regulations and best good governance practices.

An annual director and peer review is undertaken, as well as a Board evaluation. A performance evaluation of the Board is conducted at the end of the financial year by City of Johannesburg's Group Governance Department. Any shortcomings are addressed and

areas of strength consolidated. The performance of Board Committees is evaluated against the achievement of objectives outlined in their charters or terms of reference.

A comprehensive induction programme ensures that new Directors have the required knowledge of Metrobus structure, policies and sector related issues to enable them to fulfil their duties and responsibilities. New Directors are also provided with details of all applicable legislation, minutes of the Board and relevant committee meetings, relevant committees' terms of reference and the latest management accounts.

The Board of Directors has adopted the Board charter, which encapsulates the Board roles and responsibilities, meeting procedures, ethics and the conduct of the board and committee members. During the year under review, the board has expressed its satisfaction regarding the fulfilment of its responsibilities in line with the Board charter.

Registers are kept and updated on the disclosure and declaration of interests of directors and senior management. The Board and Senior Management ensure that there is full material compliance to all relevant legislation. The Company Secretary has certified in terms of section 268(d) of the Companies Act that all statutory returns have been submitted to the Registrar of Companies.


The Board interacts with the Member of the Mayoral Committee (MMC) for Transport on a quarterly basis through the Chairperson's quarterly meeting. The purpose of the meeting is to discuss the entity's performance with regards to achievements, challenges, status of internal controls, risks and a plan of action taking into account the political direction the MMC provides.


The Board is re-confirmed every year at the company's Annual General meeting ("the AGM"). The entity has eleven (11) Non-executive Directors confirmed during the 01 March 2023 Annual General Meeting and two (2) Executive Directors. Two (2) Non-executive Directors resigned on 30 June 2023.


The movement in the Board Directors is reflected below together with the attendance of the Directors at meetings. The Board met on twenty (20) separate occasions during the 2022/23 financial year to consider, amongst other matters:


- Entity's quarterly performance assessment report,
- The 2022/23 procurement plan, 2022/23 budget adjustment and 2023/24 Business Plan including the budget,
- Board induction,
- 2022-27 Strategy Review
- 2021/22 Integrated Annual report,
- Auditor General audit report,
- AG Management report
- Audited Financials, and
- Policies and Board and Committee Charters


BOARD OF DIRECTORS


		Qualifications	Other Directorships Held
	<p>Chinelle Stevens (32)</p> <p>Board Chairperson</p> <p>Retired on 29 June 2023</p>	<ul style="list-style-type: none"> • Bachelor in Education • Honours in Development Studies 	<ul style="list-style-type: none"> • Board Chair – Metropolitan Trading Company


		Qualifications
	<p>Lemarco Mitchell (31)</p> <p>Board Chairperson</p> <p>Appointed on 19 October 2023</p>	<ul style="list-style-type: none"> • LLB


		Qualifications	Other Directorships Held
	<p>Charley Pietersen (56)</p> <p>Chairperson: Service Delivery Committee</p>	<ul style="list-style-type: none"> • Bachelor in Management Leadership • Diploma in NLP & Life Coach • Certificate facilitation • Financial Management • JSales & Marketing Management 	<ul style="list-style-type: none"> • Board Member – Fundraiser Hospice • Board Member – Adopt a Child • Board Member – Free State Cricket • Board Member – Footprint Athletics • Board Member – The Growing Up without a Father Foundation


		Qualifications	Other Directorships Held
	<p>Khanya Sithebe (33)</p> <p>Chairperson: Human Resources, Social & Ethics Committee</p>	<ul style="list-style-type: none"> • Bachelor of Law • Bachelor of Arts 	<ul style="list-style-type: none"> • Non-Executive Director – Joburg Property Company


		Qualifications
	<p>Hein Toerien (46)</p>	<ul style="list-style-type: none"> • N6: Human Resource Certificate • Media Monitoring Training Certificate


		Qualifications	Other Directorships Held
	Omphemetse Mokgosi (40)	<ul style="list-style-type: none"> • BA Honours Media Studies • BA Communications Science • Social Auxiliary Work • Arts Administration • Diploma Dramatic Arts 	<ul style="list-style-type: none"> • Board member: Joburg Tourism Company (2020-2021)

		Qualifications	Other Directorships Held
	Ponds Petersen (57)	<ul style="list-style-type: none"> • MBA • Bachelor's degree • Diploma in Education • Change Management Certificate 	<ul style="list-style-type: none"> • Committee Member of World Urban Parks (WUP) • Non-Executive Board Director - Joburg City Parks and Zoo. • HRSE Committee Member (JCPZ) • Operations Committee Member (JCPZ)


		Qualifications
	Lungisile Mkize (32)	<ul style="list-style-type: none"> • Bachelor of Commerce in Financial Accounting • Post Graduate Diploma in Accounting (CTA) • Post Graduate Diploma in Internal Auditing • Diploma in Financial Management


		Qualifications
	Sharifa Prinsloo (27)	<ul style="list-style-type: none"> • Bachelor of Arts in Politics • Bachelor of Arts


		Qualifications
	Tiphany Harmse (32)	<ul style="list-style-type: none"> • Diploma in Public Relations Management


		Qualifications
	Patricia Jacobs (47)	<ul style="list-style-type: none"> • Bachelor of Education • Diploma in Financial Services • Diploma in Advanced Credit

INDEPENDENT AUDIT COMMITTEE MEMBERS

		Qualifications
	Wayne Buckley (41)	<ul style="list-style-type: none"> • Bachelor of Business Administration • Asset Finance Certificate • N3: Small Business Management & Entrepreneurship Certificate

		Qualifications	Other Directorships Held
	Michele Botha (43)	<ul style="list-style-type: none"> • Bachelor of Commerce Honours in Business Economics • Bachelor of Commerce in Insurance & Risk Management and Law • Diploma in Advance Insurance Practice 	<ul style="list-style-type: none"> • Non-Executive Director – Joburg Tourism Company

		Qualifications	Other Directorships Held
	Gloria Matshusa (45)	<ul style="list-style-type: none"> • Bachelor of Public Management • Public Relations Certificate • Certificate Programme In Management 	<ul style="list-style-type: none"> • Non-Executive Director – Joburg Metrobus • Non-Executive Director – Joburg Tourism Company

		Qualifications	Other Directorships Held
	Tony Ferreira (52)		<ul style="list-style-type: none"> Non-Executive Director - Joburg Market and 10 other entities

2.2.2 Board Meetings

During the financial year under review there were five (5) formal meetings with the shareholder. This comprised of the four chairperson's quarterly meetings as well as the annual general meeting held in March 2023. Further, there were twenty (20) Board meetings during the Financial Year. This comprised of nine (9) ordinary Board meetings, six (6) special Board meetings, three (3) – day Board strategy session and two 2-day Board induction. The attendance to the ordinary and special Board meetings was as follows:

Table 3: Current Members

Member Name	Role	Meetings Attended
Ms. Chinelle Stevens	Chairperson - NED	5
Mr. Charley Pietersen	Non-Executive Director	5
Mr. Lemarco Mitchell	Non-Executive Director	5
Mr. Hein Toerien	Non-Executive Director	5
Ms. Patricia Jacobs	Non-Executive Director	5
Ms. Tiphany Harmse	Non-Executive Director	5
Ms. Ponds Petersen	Non-Executive Director	4
Ms. Ompemetse Mokgosi	Non- Executive Director	5
Ms. Lungisile Mkize	Non- Executive Director	5

Ms. Sharifa Prinsloo	Non- Executive Director	5
Ms. Khanya Sithebe	Non- Executive Director	5
Mr. Luyanda Gidini	Executive Director: Acting MD from 24 November 2022	15
Mr. Patrick Matanhire	Executive Director: Acting CFO from 19 December 2022	10

Table 4: Retired Members

Member Name	Role	Meetings
Ms. Yongama Pamla	Non-Executive Director	10
Mr. Tumelo Mlangeni	Non-Executive Director	10
Mr. Simphiwe Dzengwa	Non-Executive Director	10
Ms. Lita Mbokotho	Non-Executive Director	10
Dr. Lawrence Kok	Non-Executive Director	10
Dr. Olwethu Sipuka	Non-Executive Director	10
Ms. Judith Nyavasana Shiwundlana	Non-Executive Director	10
Ms. Gloria Fhulufhedlana Matshusa	Non-Executive Director	10
Ms. Simphiwe Mamvura	Non-Executive Director	10
Ms. Xoliswa Mhlongo	Executive Director	10
Mr. Luyanda Gidini	Executive Director	10

2.2.3 Board Committees

The Metrobus board has three committees, namely the Audit and Risk Committee (ARC), the Human Resources, Social and Ethics Committee (HRSE), and Service Delivery Committee (SDC). The ARC comprises of seven (7) members, four (4) of which are independent audit committee members. The HRSE committee comprises of three (3) board members. The SDC comprises of three (3) board members.

2.2.3.1 Audit and Risk Committee

The Audit and Risk Committee met ten (10) times to discuss and deliberate matters necessary to fulfil its role. This included the review of quarterly reporting of management, the review of the annual report for submission to the Auditor-General as well as review of the Auditor-General's Management and Audit Report on the entity.

Table 5: Current Members

Member Name	Role	Meetings Attended	Appointed Date
Mr. Lemarco Mitchell	Chairperson (NED)	4	01 March 2023
Ms. Patricia Jacobs	Non-Executive Director	4	01 March 2023
Ms. Lungisile Mkize	Non-Executive Director	4	01 March 2023
Mr. Wayne Buckley	Independent ARC Member	4	01 March 2023
Ms. Gloria Matshusa	Independent ARC Member	4	01 March 2023
Mr. Tony Ferreira	Independent ARC Member	4	01 March 2023
Ms. Michele Botha	Independent ARC Member	4	01 March 2023

Table 6: Retired Members

Member Name	Role	Meetings attended	Retirement date
Mr. Lita Mbokotho	Chairperson (NED)	6	01 March 2023
Ms. Simphiwe Mamvura	Non-Executive Director	6	01 March 2023
Ms. Ethel Ruiters	Independent ARC Member	4	01 March 2023
Ms. Refilwe Morajane	Independent ARC Member	6	01 March 2023

2.2.3.1.1 Statutory duties

- Appointment of the Auditor General of South Africa ("AGSA") as auditor
- Ensure the financial statements are prepared in accordance with standards of Generally Recognised Accounting Practice (GRAP) and in the manner required by the Act;
- Review and discuss the audited financial statements with management;

- Consider and make where necessary, recommendations on internal financial controls;
- Consider the content of annual financial statements, and internal financial controls;
- Review legal matters that could have a significant impact on the organisation's financial statements;
- Evaluation of the internal audit function;
- Approve the internal audit charter;
- Approve the internal and external audit plans;
- Consider audited financial statements; and
- Consider AG audit and management reports

2.2.3.1.2 The Effectiveness of Internal Controls

Throughout the period under review, the ARC assisted the Board in discharging its duties by:

- Monitoring the systems to safeguard the Company's assets;
- Monitoring the establishment of and compliance with the enterprise risk management policies and procedures;
- Monitoring compliance with applicable laws, regulations and standards;
- Monitoring the adequacy of corrective action taken in terms of the recommendations and observations of internal and external auditors;
- Reviewing financial information and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards; and
- Overseeing the performance of the internal audit function and the external auditors.

2.2.3.1.3 Finance Function

The ARC has considered and satisfied itself of the appropriateness of the expertise, resources and experience of the senior members of management responsible for Metrobus' financial function.

2.2.3.2 Human Resources, Social and Ethics Committee (HRSE)

The board has established the Human Resources, Social and Ethics Committee. The Committee met on three (03) occasions. The HRSE advises the Board on the following matters:

- Human resources policies,
- Determine specific Remuneration packages
- Conditions of employment;
- Oversight on performance management
- Monitoring of organisational structure
- Monitoring skills development; and
- Social and Ethics matters.

Table 7: Current Members

Member Name	Role	Meetings Attended	Appointment Date
Ms. Khanya Sithebe	Chairperson	1	1 March 2023
Mr. Hein Toerien	NED	1	1 March 2023
Ms. Ponds Petersen	NED	1	1 March 2023

Table 8: Retired Members

Member Name	Role	Meetings Attended	Retirement Date
Dr. Larence Kok	Chairperson	2	1 March 2023
Dr. Olwethu Sipuka	NED	2	1 March 2023
Mr. Tumelo Mlangeni	NED	2	1 March 2023

2.2.3.3 Service Delivery Committee

The board has established the Service Delivery Committee, in consultation with the Shareholder, in June 2021. The Committee met on three (03) occasion during the financial year. The SDC advises the Board on the following matters

- Oversee and direct the development of the enterprise strategy
- Review organizational needs and objectives in line with the company's mission and/or goals
- Guide and monitor marketing and communication services of the company
- Reviewing of operation services strategy and activities
- Monitoring use of the core operations budget
- Establishing Operation Committee's policies and agreements and monitoring compliance with them.
- Ensuring that there are appropriate systems across the company to support the company's objective in operations.
- Monitor Information Technology (IT) support for the business
- Monitoring and advising on existing programmes and activities
- Monitoring key performance indicators of the entity.

Table 9: Current Members:

Member Name	Role	Meetings attended	Appointment Date
Mr. Charley Pietersen	NED	1	1 March 2023
Ms. Tiphany Harmse	NED	1	1 March 2023
Ms. Omphemetse Mokgosi	NED	1	1 March 2023
Ms. Sharifa Prinsloo	NED	1	1 March 2023

Table 10: Retired Members

Member Name	Role	Meetings attended	Appointment Date
Mr. Simphiwe Dzengwa	NED	2	1 March 2023
Ms. Gloria Matshusa	NED	2	1 March 2023
Ms. Judith Shiwundlana	NED	2	1 March 2023

2.2.4 Disclosure of interests

It is peremptory at the commencement of either a meeting of the board of directors or any of its committees that all directors declare any financial or other interest in line with legislation

and all relevant guiding instruments. All Directors attendance and declarations are filed safely in the office of the Company secretary.

2.2.5 Director and Prescribed Officer Remuneration

Table 11: Remuneration of Board of Directors

Name	1 st QTR.	2 nd QTR	3 rd QTR	4 th QTR	Total
Ms. Yongama Pamla	48 000	50 000	32 000	—	130 000
Mr. Tumelo Mlangeni	68 000	80 000	44 000	—	192 000
Dr. Lawrence Kok	76 000	58 000	46 000	—	180 000
Ms. Gloria Matshusa	68 000	54 000	44 000	—	166 000
Ms. Judith Shiwundlana	68 000	38 000	44 000	—	150 000
Dr. Olwethu Sipuka	68 000	78 000	44 000	—	190 000
Mr. Lita Mbokotho	76 000	78 000	66 000	—	220 000
Ms. Simphiwe Mamvura	52 000	66 000	52 000	—	170 000
Mr. Simphiwe Dzengwa	78 000	60 000	46 000	—	184 000
*Ms. Keamogetswe Ruiters	8 000	16 000	16 000	—	40 000
*Ms. Refilwe Morajane	16 000	16 000	16 000	—	48 000
Ms. Chinelle Stevens	—	—	16 000	120 000	136 000
Mr. Lemarco Mitchell	—	—	12 000	154 000	166 000
Mr. Charley Pietersen	—	—	12 000	94 000	106 000
Ms. Khanya Sithebe	—	—	—	—	—
Mr. Hein Toerien	—	—	12 000	92 000	104 000
Ms. Patricia Jacobs	—	—	—	108 000	108 000
Ms. Sharifa Prinsloo	—	—	12 000	92 000	104 000
Ms. Tiphany Harmse	—	—	12 000	92 000	104 000
Ms. Omphemetse Mokgosi	—	—	12 000	92 000	104 000

Ms. Lungisile Mkize	—	—	12 000	116 000	128 000
Ms. Ponds Petersen	—	—	—	92 000	92 000
*Ms. Michele Botha	—	—	—	56 000	56 000
*Mr. Tony Ferreira	—	—	—	56 000	56 000
*Mr. Wayne Buckley	—	—	—	56 000	56 000
*Ms. Gloria Matshusa	—	—	—	56 000	56 000
Grand Total	626 000	594 000	550 000	1 276 000	3 046 000

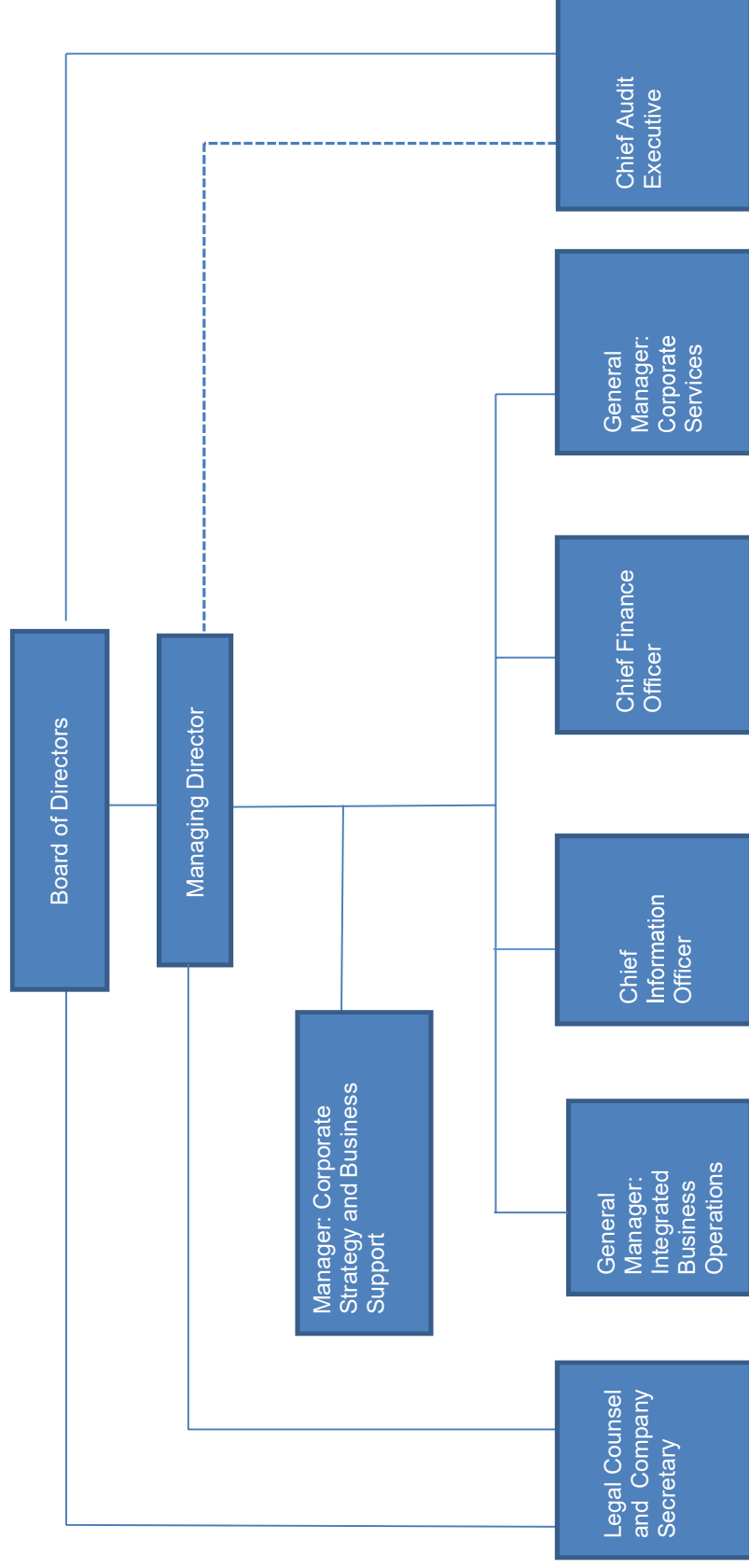
2.3 High-Level Organisational and Functional Structure

The current organisational structure is premised on the Metrobus Strategy 2015-2020, in line with the principle that the follows strategy. Metrobus functional structure and operating model is regarded as one of the critical building blocks required for organisational structure design and identifies the strategic service drivers and relevant capabilities which the organisation must cater for in order to achieve its core mandate. It further indicates how the strategic service drivers and capabilities should be grouped together into operating blocks for effective value proposition. In developing the entity's functional structure, management took into account the reason of existence for the entity, which is to ensure that the fleet that is well maintained and is on the road at the right time to meet the needs of our customers. Given the dictates of the entity's mandate, the Integrated Business Operations function is regarded as a core function

The High-level organisational structure and functional structure are depicted in figures and below

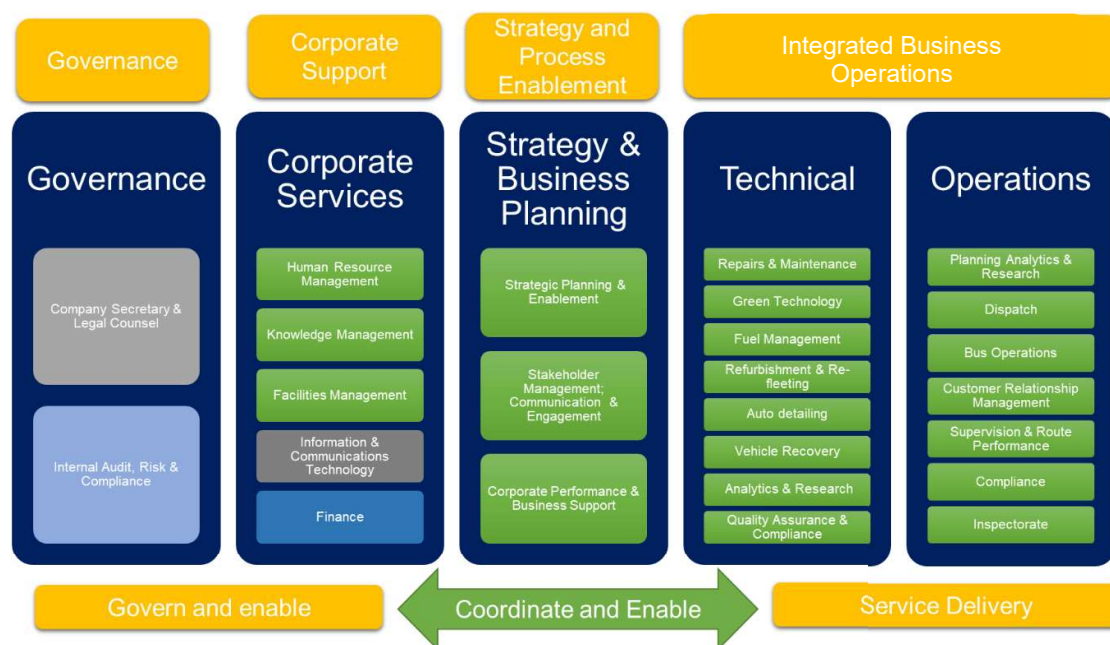
2.3.1 High-Level Organogram

Figure 5: High-Level Organogram



2.3.2 High Level Functional Structure

Figure 6: Functional Structure



2.4 Governance of Stakeholders Relations

In terms of the entity's integrated marketing and communications strategy, an annual stakeholder mapping process outlines the entity's stakeholder universe and determines a stakeholder engagement model. The current stakeholder universe including the methods through which the entity engages with each of its stakeholders is depicted in table 16 below

Table 12: Engagement with Stakeholders

STAKEHOLDER	INTEREST	METHOD OF ENGAGEMENT
Commuters	Reliability, quality and affordability.	Call-in service, social media platforms , medial briefings and notices
Commuter Forum	Organized Commuter voice	Commuter Forum Meetings
Metrobus Employees	Performance management, employee value proposition	Union-Management meetings, departmental meetings and notices.

COJ Transport Department	Transport Authority support, strategic alignment	Monthly cluster meetings; chairperson's quarterly meetings and integrated planning sessions.
Service Providers	Quality of service, commodities and development support	Service level agreement, SMME support program
Shareholder (COJ)	Mandate, Strategic direction and Funding	Meetings and Lekgotla
Other Government Departments, Entities and agencies	Inter-governmental Relations	Meetings, inter-governmental relations platform

2.4.1 Customer Service Charter

Metrobus has developed and published a customer service charter which clearly highlights Metrobus commitment to service standards and delivery. The charter is premised upon a service pledge to:

- I. Provide an **accessible** bus service through a network of bus stops
- II. Provide our services in an **inclusive** manner, ensuring that all customers including those with physical limitations are able to make full use of our services
- III. Provide our services in a manner that ensures **equality** of all our customers irrespective of differences in gender, culture or any other such grounds.
- IV. Provide our services in a **professional** manner through the proper licensing of all bus operators and practicing a professional etiquette in all our dealings with customers
- V. Provide our services in a manner that takes care of the **environment** within our buses as well as outside of our buses, through maintaining a clean and sanitary bus cabin, operated by a uniformed bus driver. In addition, we shall keep all the spaces from which our business is operates clean at all times. We shall keep within the law in terms of the greenhouse gas emissions resulting from our operations and continuously seek ways to reduce our carbon footprint. In addition, our buses are designated as smoke and alcohol free social spaces.
- VI. Treat with **confidentiality** any information provided by our customers and seek express consent in matters where the publishing of such information serves a legitimate business or social purpose.

- VII. Provide our services in a **safe and secure** environment through safe driving practices aimed at fatality free kilometers, and collaboration with our law enforcement agencies to increase visibility of law enforcement in our operations
- VIII. **Communicate** all information related to our service in a timely and accurate manner, through easy to access channels, which reach the greatest number of our customers, and ensure that all relevant contact information is published and updated timeously.
- IX. Attend to **complaints** from our customers promptly through acknowledging customer complaints within **24 hours** of receipt and notifying customers of the outcome of their complaint within **5 working days**.
- X. Publish all relevant information including operating times, valid fare structure and time tables.

2.4.2 Inter-Governmental Relations

Metrobus has established a relationship with the Provincial Department of Transport through the Eldorado Park bus service contract. For security and safety of commuters on our buses, Metrobus has established a relationship with South African Police Services (SAPS), the Johannesburg Metro Police Department (JMPD) and the South African National Defence Force (SANDF) officers. There were no muggings or security incidents reported in the 2022/23 Financial Year. Metrobus has entered into a memorandum of understanding with the City of Joburg Ombudsman for purposes of ensuring that stakeholders have a platform for escalations of grievance and queries to a body independent of the entity.

2.5 Risk Management (Progress on the Management of Strategic Risks)

Metrobus has established and maintains a system of risk management in accordance with the provisions of the Municipal Finance Management Act, the King IV report on Corporate Governance and risk management standards as applicable.

The Audit and Risk Committee which is a committee of the Board of Directors is responsible for the oversight of the risk management in the company. This committee is functional and meets on a quarterly basis in accordance with approved terms of reference. Metrobus monitors the movement of Risks on a quarterly basis, guided by the internal audit findings, the AG findings and the 2022/23 Business Plan. The majority of the risks remained the same.

This can be attributed to budgetary constraints and a slow process in finalising procurement processes with potential suppliers.

Table 13: The Risk Acceptability

The below table provides an indication of how the organization rates its risk appetite across major risk types/ categories.

Risk rating	Risk Magnitude/ level	Risk acceptability & Proposed mitigating steps
15 – 25	High	Unacceptable risk -Take action to reduce risk with highest priority. Risk needs to be escalated to the accounting authority and executive authority
8 – 14	Medium	Unacceptable risk- Take action to reduce risk and inform senior management.
1 – 7	Low	Acceptable- low level of control intervention required. Manage risk within business unit.

Key Performance Outcome	Key Performance Indicator	Risk Description	Risk Indicator	Residual Risk Exposure	Risk Owner	Interventions/ Actions to improve management of the risk	Time Scale	Progress to Date
Programme 1: Customer Services, Stakeholder Engagement and Communication								
A city that gets the basic right Business friendly	% Planned Trips Completed	Inability to Meet Scheduled Services and Collect Revenue	SR 1	Very High	IBO	<p>1.1 100% implementation of Bus Maintenance Plans per Quarter</p> <p>1.2 Communicate 100% of security incidents to JMPD</p>	<p>1.1 Quarterly, 100% to be Reported by 30 June 2023</p> <p>1.2 Daily, 100% to be Reported by 30 June 2023</p>	<p>1.1</p> <p>Not Achieved Inability to meet <u>scheduled services</u> - Currently there is a challenge of bus unavailability. Most of the buses are old. However, there is a plan to procure new buses in the upcoming financial year. <u>Collection of revenue</u> – the department is still waiting for the finalisation of the recruitment of inspectorate.</p>
	Average number of Metrobus passenger trips per working day							<p>1.2</p> <p>Achieved</p>

									To date there has been no security incidents reported.
A city that gets the basic right	Blameworthy Accidents Rate per 100 000 bus kilometres operated	Inadequate Enforcement of good organisational culture by Management/Leadership	SR2	Very High	IBO	1.3 100% of all Drivers, who did not attend driver refresher training in the 2021/22 Financial Year attending a Refresher Training Course	1.3 30 September 2023	Not Achieved Progress Driver refresher training has been taken place on an ongoing basis. . More training to be conducted and anticipated to have been finalised by the 30 September 2023.	
Business friendly	% Service Disruptions Communicated	Inadequate /Limited Effectiveness of Existing and Future Communication Channels	SR3	Medium	Strategy	1.4 All Complaints Recorded in Manual Complaints Register for follow up and resolution 1.5 100% of Complaints resolved within the timelines specified in the Customer Service Charter	1.4 and 1.5 Daily 100% to be Reported by 30 June 2023	Achieved 1.4 & 1.5 All Complaints Recorded Progress To date Metrobus has reported a 100% Achievement of this target.	
A city that gets the basic right	% Complaints resolved within the timelines specified in the Customer Services Charter								
A city that gets the basic right	% Customer Satisfaction Index	Inadequate Enforcement of good organisational	SR2	Very High	IBO	1.6 Proposal for free Wi-Fi on busses submitted to EMT	1.5 Ongoing	Achieved Wi-Fi___33 is being installed in	

		culture by Management/Leadership				all operational buses.
A city that gets the basic right	% Customer Service Standards				1.6. Same as 1.4	
Programme 2: Innovation and Green Economy						
Smart City	% Carbon Emissions	Inability to meet Carbon Emission Targets	SR 4	Low	<p>2.1 Emission Testing by an External Service Provider</p> <p>2.2. Replace Injection Systems after 60 000 Kms (Where Applicable- Category C and D Buses)</p>	<p>2.1 Achieved Emissions testing is being concluded quarterly and reported in the business plan.</p> <p>2.2 Not Achieved <i>Progress</i> Currently, due to budgetary constraints, this process is not being 100% implemented.</p>
Programme 3: Enterprise Development and Job Creation						

An inclusive city	Total number of SMME's Supported	Inability to Attract Sufficient SMME's	SR 5	Low	CFO	3.1 Allocation of Budget for SMME Development. 3.2 80% Spend Against Budget. 3.3 1 Supplier Awareness Communications Regarding Fronting and the Consequences Thereof Published	3.1 1 July 2022, 3.230 June 2023, 3.3 31 December 2022	3.1 Achieved 3.2 Not Achieved Less than 80% Spent 3.3. Achieved Progress A communication on fronting was published on Instagram in December 2022.
An inclusive city	% of Total Expenditure spent on BBBEE							
An inclusive city	Total Number of EPWP Opportunities Created	Inability to Provide/Supply Sufficient EPWP Jobs to Alleviate Poverty	SR 6	Very High	Corporate Services	3.4.1 Update Plan for EPWP personnel to ensure alignment with current budget and any COJ Prescripts 3.4.2 Conclude 1 Engagement with CoJ Parks and Recreation	3.4 1 - 3.4.2 31 July 2022	3.4.1 Achieved The Metrobus target set by the City for EPWP is 100 and Metrobus currently provides 197 opportunities for EPWP participants. Therefore the target has been exceeded. 3.4.2 Achieved Engagement with JCP CZ took place, and they recently informed Metrobus that

									they will not allow its participation on cooperatives.
Programme 4: Financial Management, Viability and Sustainability									
A city that gets the basic right	% Spent against Approved Operating Expenditure Budget	Failing to meet set Targets Resulting in Non-Achievement of Performance Objectives resulting in the reduction of Grant Funding from the Shareholder	SR 7	Very High		4.1 Actual Spend against Budget Reported by Executive Quarterly and Performance Management implemented for Non-Performance	4.1 Quarterly: 30 September 2022, 31 December 2022, 31 March 2023 and 30 June 2023 100% to be Reported on 30 June 2023	4.1 Achieved To date monthly and quarterly reports were prepared since the commencement of the financial year.	
A city that gets the basic right	% Spent against Approved Capital Expenditure Budget					4.2 100% of all Tenders per Procurement Plan advertised and awarded	4.2 30 June 2023	Not Completed	

A city that gets the basic right	% AGSA Findings Resolved				Metrobus Business Performance Reports	2022, 31 March 2023 and 30 June 2023	of the financial year.
A city that gets the basic right	% Fleet Available to Operate Scheduled Trips Met	Inability to Meet Scheduled Services and Collect Revenue	SR 1	Very High	IBO	5.2 Same as 1.1 Above	
A city that gets the basic right	% implementation of the strategic risk management action plan findings resolved	Inability to address all identified Risks	SR 8	Medium	Internal Audit	5.3 Quarterly Review of Actual against Planned Risk Management Interventions, Reported in the Quarter Metrobus Business Performance Reports	5.3 Achieved in all months since commencement of the financial year
Programme 6: Technology and Business Enablement							

A city that gets the basic right	% Intelligent Transport System	Inability to continue with Operations within Metrobus	SR 9	Very High	Acting CIO	6.1 Implementation of all deliverables for the ICT Strategy applicable to the 2022/23 Financial Year	6.3 30 June 2023	6.3 The ITS projects have already embarked and the service provider has started working. The projects are: 1. Eye on the Bus is being installed in all operational buses. ICT is currently running the change management program and training to all the users. 2. Wi-Fi is being installed on all operational buses. 3. Implementation of an interim AFC solution - has not yet been implemented
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2.5.1 Opportunities

Short term	Medium Term	Long Term
Opportunity for Metrobus to start on a clean start (Resolving Metrobus current financial situation)	Metrobus to focus on the core business which is operating and maintenance of buses given that the shareholder will be responsible for patronage growth, revenue collection and on-route bus monitoring, under a fee per kilometre funding model, of hybrid.	<ul style="list-style-type: none">• Centre of Excellence for repairs and maintenance of vehicles• Role in the integrated public transport network

2.6 Anti-corruption and fraud Investigations (including forensic investigations)

Metrobus has developed a Fraud Policy, which is in line with that of the City. Part of the implementation of the Fraud Policy includes performing regular fraud risk assessments and monitoring the implementation of fraud prevention strategies.

Messages relating to anti-fraud and corruption are communicated to the employees and public through the Metrobus Website and stickers. Preventative strategies are being implemented within the ticketing space and Supply Chain Management (SCM) to ensure that risk of fraud is mitigated.

A fraud hotline is centrally maintained within the CoJ. All cases are handled by GFIS unless the assistance of the Metrobus IAF is requested.

2.7 ICT Governance

The proper functioning and governance of Information and Communications Technology (ICT) remains a key enabler of a number of the strategic objectives of the entity. The entity is facing a number of ICT challenges, which emanate from ICT infrastructure. Most of the challenges are being resolved except on the legacy systems such as Qmerit that cannot be upgraded nor properly supported. The entity has for a number of years lacked funds to invest into necessary ICT infrastructure and systems. This has resulted in the entity experiencing a lag in technological advancement.

The ICT function continues to manage all its identified risks both on a strategic and operational level. It is key to note that although certain risks have been accepted since these risks are outside of Metrobus's ICT's department's control, management continues to implement mitigation plans against strategic and operational risks under its control

In collaboration with Internal Audit, the risk register has been updated and progress is reported on a quarterly basis. Below are critical elements outlined for work done in ICT Governance, which is in line with COBIT5 and ITIL:

- Operational and Strategic Risk registers are currently updated on regular basis.
- Audit findings: currently on par per all mitigation plans
- Risks Accepted are explained below:
 - I. AFC replacement system related risks as this is being run by Transport department. All the old 'way- fare' system risks have been accepted; as nothing can be done about those risks currently until the system is replaced, by the city.
 - II. Backup systems are being procured and waiting for the hardware to be delivered for implementation.
 - III. The service desk is being implemented but it is gradually adopted as most of the Metrobus users are struggling with utilizing technology

2.7.1 Smart City Initiatives

- Metrobus is in the process of procuring the ITS systems. This system will include WIFI in the buses. This technology will attract more passengers especially the millennials. This technology also has the platform to do the digital marketing. This platform will be able to generate some income for Metrobus.
- Metrobus in collaboration with Transport have embarked on the process of procuring the Automated Fare Collection system. This systems will be a shared platform that can allow integration with other transport providers

2.7.2 ICT Achievements

Table 14: ICT Projects

Revenue & Customer Impact	Cost Control and Internal Efficiencies	Risk, Compliance & Security Mitigation
<ul style="list-style-type: none"> • Automated Fare Collection – Cancelled • Interim - Automated Fare Collection- Completed • Wi-Fi in the Bus- completed 	<ul style="list-style-type: none"> • Interim ERP – Completed • PABX Telephone Systems – Completed • Intelligent Transport System (ITS) including "Eye-on-the-bus"- completed 	<ul style="list-style-type: none"> • Disaster Recovery – estimated-Completed • Backups – Completed

2.7.3 Challenges

ICT is faced with several challenges. These include the following:

- High-level of manual business processes.
- Current revenue system is outdated. The entity urgently requires the AFC procurement process to be concluded

2.8 Compliance with Laws & Regulations

The entity relies primarily on the legislative framework set out in the Companies Act 71 of 2008 (as amended) ("the Companies Act") and the King Report.

In the quarter, the entity continued with compliance monitoring and reporting within the legal framework applicable to the business as a company and municipal entity. In particular, the focus was on compliance with the National Land Transport Act (NLTA), Companies Act, and Local Government Regulations: Municipal Finance Management Act (MFMA) and Municipal Systems Act (MSA), the King Code and Labour legislation.

The Compliance Checklist is attached as **Annexure D**. The biggest areas of non-compliance from the assessment are Occupational Health and Safety, where significant non-compliance has been identified. A project was launched to identify all instances of non-compliance and to determine the cost of rectifying such. Johannesburg Property Company was engaged to assist in this process, work in this regard is in progress.

Reports on compliance are considered by the ARC as well as the Group Risk Committee of the City of Johannesburg

2.8.1 Permits

Buses are required to have valid permits to convey passengers. The NLTA requires that these permits be converted to operating licences. All operational buses have valid operating licences.

2.8.2 Traffic Fines

During the period under review, thirty two (32) traffic fine was issued. During the same period in the last financial year, one (1) traffic fine was issued to bus operators. In addition, route inspectors are encouraged to monitor driver behaviour en-route and re-emphasize proper behaviour. Bus operators are responsible for the settling of such fines.

2.8.3 City of Johannesburg Metropolitan Municipality (CoJ) Transport By-Laws

Metrobus complies with CoJ's By-Laws in the following operationally relevant areas:

- **Stopping places:** No Metrobus driver may stop for the purpose of picking up or setting down any passenger, except at a place designated by the Council. Bus stops are clearly marked. This is included in the operations code of conduct and traffic fines relating to these infringements are the driver's responsibility.
- **Entering and alighting a bus:** Prospective passengers of a bus may only enter or alight from a bus at a stopping place designated by the Council. A Customer Charter makes reference to this point.
- **Driver to stop at stopping places:** The driver of a bus, which at the time is not carrying the maximum number of passengers the vehicle is lawfully entitled to carry, must stop at any designated stopping place if a prospective passenger is waiting at such stopping place. This is part of the Operations code of conduct.
- **Fare Evasion:** Policies on Fare evasion are clearly highlighted in the Customer Charter.

2.8.4 Carbon emissions compliance

Diesel smoke emissions' testing is a legal requirement and contributes to the continued decrease in CO₂. Cleaner diesel is key to reducing the world's emissions and the Hartridge smoke meter has been designed to meet measure the levels of emissions. Diesel Exhaust Smoke meters, and also referred to as opacity meters, detect and measure the amount of light blocked in a sample of smoke emitted by diesel engines from our buses (and used for other combustion engines too). The Hartridge meter readout displays the smoke density giving a measure of the efficiency of combustion. This makes the smoke meter an excellent diagnostic tool to ensure proper maintenance of diesel engines for improved fuel economy and protection of the environment.

Metrobus carbon emissions reduction programme involves maintaining pumps, turbos and injectors, in order to ensure that emissions are below 30%. Metrobus Hartridge units increased (measure of carbon emissions emitted) from 16% in the previous financial year to an average of 17% for all bus types. Metrobus' green fleet has a major contributing effect in the achievement of this objective. Metrobus's fleet above the age of 12 years are the biggest emitters of greenhouse gas. These are the Mercedes Benz 1725, Volvo B7L and Volvo B7R. The government specification is a maximum of 72.5%. This is a major contribution on behalf of the City towards the reduction of overall global emissions.

Table 20: Carbon emissions test results per bus type

Metrobus continues its quest to ensure leadership in the quest towards a green economy. In this regard research in collaboration with University of Johannesburg, German Development Agency (GIZ) as well as the International Council on Clean Transportation. This initiative will inform the entity's strategy regarding an appropriate energy mix as well as the specifications of energy efficient future fleet procurement.

Bus Type	GOV Spec	MBS Spec	Q1 Opacity %	Q2 Opacity %	Q3 Opacity %	Q3 Opacity %
Merc 1725	72,50%	50%	16%	30%	25%	22%
Euro 5	72,50%	50%	19%	5%	9%	2%
Euro 3	72,50%	50%	5%	20%	0%	10%
VOLVO B7L	72,50%	50%	15%	44%	62%	20%
Weighted Average			11%	25%	21%	11%
Annual Weighted Average			17%			

Service Delivery Performance



CHAPTER 3: SERVICE DELIVERY PERFORMANCE

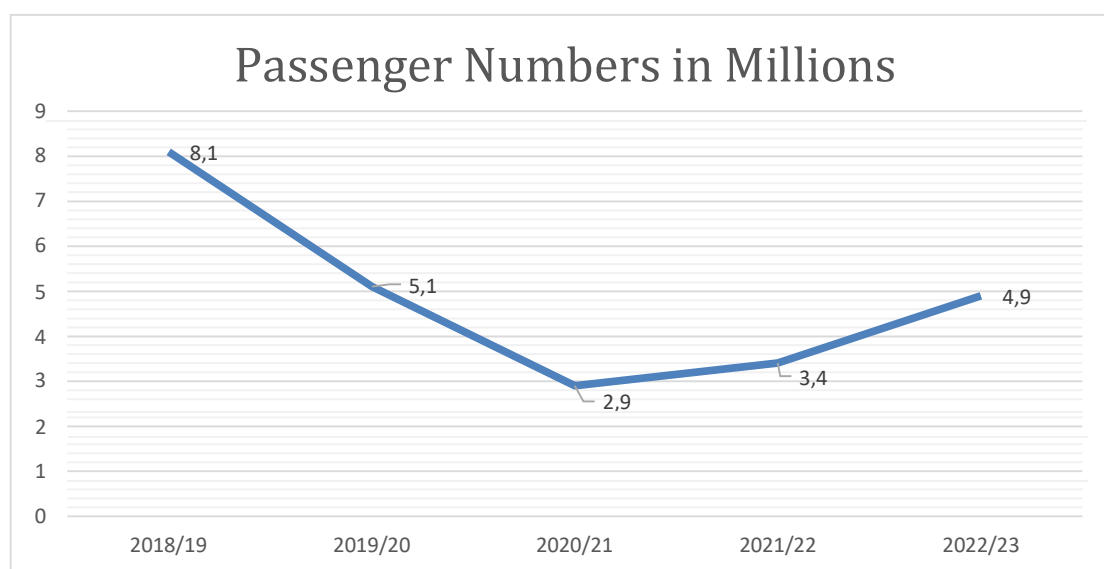
3.1 Highlights and Achievements

While the entity's operating environment posed various challenges, the entity achieved a number of highlights. These highlights are depicted below as follows:

3.1.1 Increase in Passenger Numbers

Figure 7: Increase in Passenger Numbers

While the number of commuters declined consistently over the last three years this trend has seen a positive change in the year under review. Passenger numbers have increased from 3, 4 million in the previous financial year to 4, 9 million.



3.1.2 Fatality-Free Urban Mobility

The entity continues to maintain safe public transportation. During the period under review, the entity operated 8, 8 million fatality free kilometres. During the same period last year, the entity operated 6, 9 million kilometres fatality free. This is a significant achievement particularly in relation to the ongoing loss of lives on South African roads resulting from fatalities involving public transport operations.

3.1.3 Economic Transformation

During the period under review, the entity significantly exceeded the target for SMME support. While the target for the financial year was to support fifty (50) SMMEs, the actual performance was one hundred and thirty four (134) SMMEs supported amounting to R203 million. The number increased from one hundred and twenty five (125) in the previous year.

3.2 Service Delivery Challenges and Mitigations

Table 15: Challenges and Mitigations

Challenges	Mitigation
Level of OOC	<ul style="list-style-type: none"> Approval and implementation of repairs and maintenance policy Leasing of buses Implementation of Continuous Operations shift system Refurbishment of buses
Inadequacy of security and inspection services	<ul style="list-style-type: none"> Fast-tracking of inspectorate recruitment Implementation of hybrid inspection services (internal and external inspectors) Use of technology for access control Employment of cohort of armed guards
Fare Collection	<ul style="list-style-type: none"> Implementation of intelligent transport systems including AFC Performance/incentive-based contract for external inspectorate Team-based incentive schemes
Vacancy Rate	<ul style="list-style-type: none"> Streamlining of internal recruitment processes and fast-tracking Alternatives to human capacity- e.g. automation of processes, or alternatives such as job enrichment

3.3 Response to Strategic Direction

Metrobus contributes to the City's Economic Growth Cluster which is central to the promotion of economic development and investment. Sustainable mobility and equitable access are essential factors in developing and facilitating a successful economy and inclusive society. Metrobus contributes to the City's key strategic priorities to which its response is outlined as follows:

Table 16: Response to Strategic Directives

Strategic Priorities	Priority Programmes	Entity Contribution
Good Governance	Combat corruption, fraud and maladministration.	Metrobus maintains a Fraud Tip-off line which allows members of the public as well as employees to report fraud and corruption. All employees of the entity declare any interests on an annual basis. Probity processes are

		undertaken for all supply chain management processes.
Financial Sustainability	Improve and Strengthen the financial position of the City of Joburg Municipality.	This has embarked on the implementation of a revenue generation strategy aimed at generating alternative sources of own revenue in a bid to reduce the current levels of subsidy dependence.
Energy Mix	Improved eco-mobility	Energy mix based on the use of CNG as alternative energy
Sustainable Service Delivery	Accelerated and visible service delivery and reintroduction of co-production in the delivery of basic services.	Accelerated service delivery remains a priority, the needs of communities are constantly surveyed through various platforms including a commuter forum, and a commuter satisfaction survey conducted on an annual basis. This ensures that citizens are given an opportunity to develop their own destiny.
Job Opportunity and creation	Creation of job opportunities	The entity employs a number of citizens on the Extended Public Works Program as well as internships, leaderships and apprenticeships. The current intake in this regard is more than 180.
Safer City	A safer city by introducing ward based policing (Joburg 10) and effective by-law enforcement. Combat illegal land invasion and promote regulated land use.	Metrobus maintains a cohort of route inspectors, which, inter alia, ensures that passengers are ferried safely, and that Metrobus buses remain safe zones for all commuters.
Active and engaged citizenry	Community based planning and enhanced community engagement, including mayoral imbizos.	The entity has established a commuter forum, which serves as a platform for engagement with commuters. The forum meets on a quarterly basis.
Sustainable Economic Growth	Development and support of SMME's.	On an annual basis the entity allocates a predetermined quantum of its capital expenditure and operational expenditure budgets for the specific benefit of SMME's. In addition a basket of non-financial support measures are directed at the development of SMME's.
Sustainable Environmental Development	Decrease the level harmful of emissions on the environment and introduce environmentally friendly practices	The entity has developed standards against which greenhouse gas emissions are assessed, which forms part of the predetermined objectives of the entity. Plans are currently being implemented to ensure that more compressed natural gas is utilized for the operations of the entity.
Smart City	Smart City	The entity is currently implementing a number of Intelligent Transport Systems towards the development of a Smart City. These include the "dial-a-bus" platform as well as the "Eye-one-the-bus" platform which will respectively ensure that commuters are more active in the planning of their journeys and that the entity is able to monitor its fleet on a real time basis.

3.4 Performance against Service Standards

In keeping with the Service Delivery Agreement, a total of five (5) service standards between Metrobus and the Shareholder are outlined. Metrobus achieved an average of 5 service standards during the year under review, translating to a performance level of 100%.

Table 17: Service Standards

Core Service	Service Standard Target	Service Performance
% of scheduled public bus trip arriving on time	90%	93%
Bus timetable	90-95% adherence to daily bus schedule (<5 min headway)	90%
Safety of passengers	100% compliance to health and safety legislation 1) Zero security incidents on buses 2) Zero fatalities	100% compliance to health and safety legislation 3) Zero security incidents on buses 4) Zero fatalities
	Enforcing of bus seating-standing in line with applicable regulations	Enforcing of bus seating-standing in line with applicable regulations
Response time for walk in enquiries	All walk in queries acknowledged within 1 hour	All walk in queries acknowledged within 1 hour

3.5 Performance against Predetermined Objectives

Metrobus' 2022/23 business plan is purposively aligned to the City's priority areas. To manage the execution of the strategy, Metrobus has developed a Corporate Scorecard which is premised on a set of strategic levers. These Strategic levers will serve as programs of action for the period of the current strategy period.

The Metrobus 2022/23 business plan is aligned to the City's Mayoral priorities. To ensure the achievement of strategic outcomes, Metrobus has developed a Corporate Scorecard premised on the City's Service Delivery and Budget Implementation plan as well as a set of Entity strategic levers which serve as programs of action. In terms of the approved 2022/23

Metrobus Business Plan, the entity's performance is measured on the basis of a total of twenty two (22) key performance indicators. At year end twenty one (21) KPIs were assessed and fifteen (15) KPIs were achieved. This translates to a 71% achievement level against a target of 85%.

Following the performance assessment for each of the quarters in the financial year remedial action was outlined in respect of improving on unachieved planned performance levels. These measures included improvements in the speed of procurement of goods and services, contract management and improvement on repairs and maintenance particularly in relation to the length of average Out of Commission time.

The entity's overall performance has decreased from 89% in 2022/23 financial year to 71% in financial year 2022/23, the outlook on future performance is reasonably positive based on the enablement of business performance through, inter alia, the following interventions:

- Appointment of the inspectorate to improve revenue collection.
- Implementation of intelligent transport systems including Automated Fare Collection and Eye-On-The-Bus capabilities to improve data collection and analysis for improved planning, bus surveillance for improved asset management, and driver behaviour monitoring.
- The procurement of buses to increase fleet capacity to operate scheduled trips.
- Functionality of organized labour engagement forum to ensure conducive labour relations.

3.6 Public Satisfaction on Municipal Services

The level of Customer satisfaction has consistently increased during the last financial years, however the satisfaction level for the period ending 30 June 2023 has decreased by 5%. The 2022/23 customer satisfaction survey achieved a level 73% against a target of 70%. This development is attributable to a concerted effort on commuter requirements including expansion of sales outlets, reliability of service and price. As assessment of Commuter Satisfaction could not be conducted during 2020/21 due to Covid19 restrictions.

Figure 7: Customer Satisfaction Survey



3.7 Recommendations and Plans for the next financial year

Metrobus will actively explore new opportunities and initiatives to meet the needs of commuters to increase patronage and revenue. Metrobus will continue to explore and harness partnerships and collaborative opportunities with SETAs, Institutions of Higher Learning, as well as other key public transport role players, spanning both the public and private sectors in a bid to complement its capacity to deliver services and strengthen its institutional arrangements.

Towards this end, Metrobus has crafted a number of complementary strategies towards ensuring a sufficient capacity of fit-for-purpose fleet; infrastructure; technology, competency; analytical ability; employee value proposition, safety and wellness; and stakeholder engagement. Furthermore, an overarching corporate strategy is in place with a term ending in 2027.

Metrobus will focus on the following strategic and operational areas:

- Fleet enhancement strategies including leasing, refurbishment and procurement
- Robust pursuit of alternative revenue streams including mobile advertising, grand funding outside the City, and commercial multipurpose use of facilities such as Milpark depot
- Employee Relations Stabilization

- A new Funding Model
- Implementation of an optimised Route Plan
- Finalisation of Metrobus Financial Restructuring and implementation of revenue generation strategy
- Implementation of Intelligent Transport Systems (ITS)
- Implementation of the Metrobus Corporate Strategy 2022-27

3.8 Batho Pele Principles

Batho Pele principles are all about putting people first and is rooted in the legislative frameworks. This was meant to work on transform the public service regardless of the level. The principles include consultation, service standards, access, courtesy, information, openness and transparency, redress, value for money and encouraging Innovation and Rewarding Excellence

In the customer services charter Metrobus commits to:

- provide an accessible bus service
- provide clear and accurate information on services
- treat everyone equally regardless of gender, civil status, family status, sexual orientation, religion, age, disability or race
- respond to your enquiries promptly
- continue to search for new technology and modern facilities to improve services and travelling experience for the customers:

3.8.1 Treating all customers equally and accommodating diversity

Metrobus is committed to providing a quality service that suits all of the customers as well as promoting equality, accommodating diversity and ensuring non-discrimination for both Metrobus employees and our customers. Metrobus does not tolerate any discrimination based on gender, age, disability, race, religion, civil status, family status, sexual orientation or membership of the Traveller community

3.8.2 Customer feedback – Enquiries, Complaints and Compliments

Metrobus treats all customer complaints fairly and sensitively and keeps customers into confidential. All complaints submitted by email are acknowledged within 72 hours of receipt and then investigated by Metrobus where appropriate. If commuter are not happy with the response, Customer Relations Office is always available to assist with the review of the complaint.

On annual basis, the entity utilises the services of an independent party to solicit customer opinion on its service. The entity has entered into a memorandum of agreement with the City of Johannesburg ombudsman to allow for ease of escalation by aggrieved parties.

3.8.3 Information sharing, openness and transparency

The entity using social media platforms, internet and commuter forum to engage with commuters. Monthly meetings with commuter forum ensures that the entity is kept informed of how the service is perceived by the commuters. Feedback and suggestions are used to review operational plans. Business plans, performance reports and financial reports are shared with the public via the interne

Organizational Development Performance



CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

4.1 Employee Remuneration (Total Costs including Executives)

Total employee costs on salaries only (including Executives) at the end of the reporting period stood at

R 261, 5 million against a budget of R 240, 6 million. With a deficit variance of (R 20, 9 million). The variance is attributable to the vacancies that are in a process of being filled and a downsized budget.

Figure 8: Employee related costs for the period 01 July 2022 – 30 June 2023

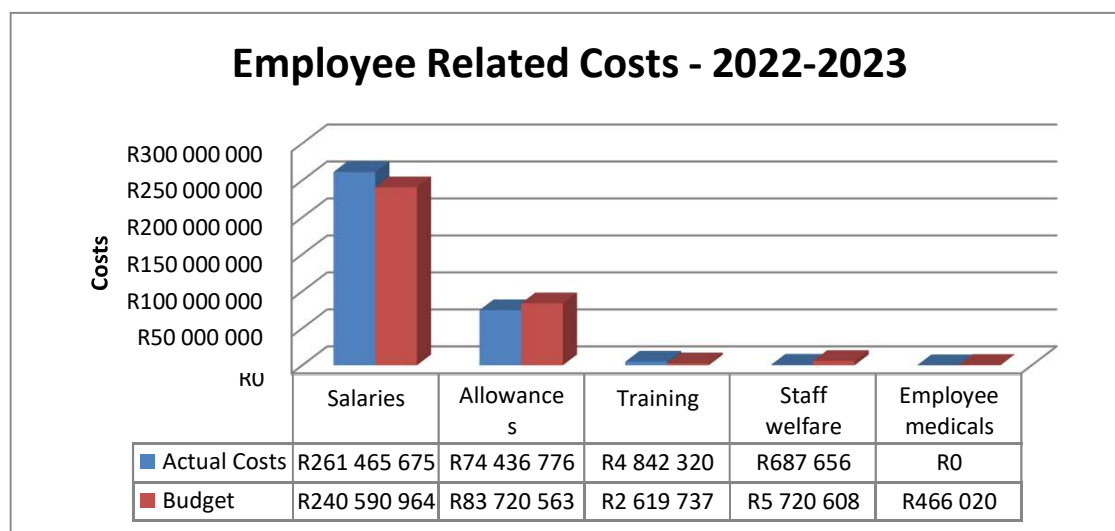


Table 18: Executive compensation

Executive Position	Incumbent	Quarter 1	Quarter 2	Quarter 3	Quarter 4	TOTAL
Managing Director	Ms Mhlongo Xoliswa	R525 000	R525 000	R525 000	R525 000	R2 100 000
Chief Financial Officer (CFO)	Mr Gidini Luyanda	R412 500	R412 500	R412 500	R412 500	R1 650 000
General Manager: Corporate Services	Mr Lebelo Phillip	R400 000	R400 000	R400 000	R400 000	R1 600 000
General Manager: Integrated	Ms Khathi Zandile	R412 500	R412 500	R412 500	R412 500	R1 650 000

Business Operations						
Legal Counsel & Company Secretary	Mr Sibisi Zibonele	R325 000	R325 000	R325 000	R325 000	R1 300 000
Chief Audit Executive (CAE)	Mr Haffejee Yaasir	R350 000	R350 000	R350 000	R350 000	R1 400 000
Chief Information Officer (CIO)	Vacant	0	0	0	0	0
	TOTAL	R2 425 000	R2 425 000	R2 425 000	R2 425 000	R9 700 000

4.2 Key Vacancies

The City approved a downward adjustment to the budget of Metrobus in January 2022 on Employee related costs, which necessitated the re-prioritisation of critical vacancies for filling in the forthcoming reporting period. Plans are afoot to aggressively fill the positions during the next reporting period. Critical vacancies were prioritised for filling and a recruitment plan proposed going forward.

Table 19: Critical Vacancies

#	JOB TITLE OF POSITION	DEPARTMENT	QUANTITY	STATUS
1	Chief Information Officer (CIO)	ICT	One (1)	Position to be re-advertised.
2	Chief Audit Executive (CAE)	Internal Audit and Risk	One (1)	Position to be advertised in the first quarter of 2023/2024 financial year.
3	Senior Manager: Integrated Business Operations	Integrated Business Operations (IBO)	Two (2)	Ready for shortlisting.
4	Manager: Planning, Research and Analytics	IBO	One (1)	Ready for shortlisting.
5	Manager: Operations	IBO	One (1)	Ready for shortlisting.
6	Manager: Fleet maintenance	One (1)	Ready for shortlisting.	Ready for shortlisting.
7	Supervisor: Operations	Four (4)	Ready for shortlisting.	Ready for shortlisting.
8	Manager: Facilities and Auxiliary services	One (1)	Ready for shortlisting.	Ready for shortlisting.
9	Manager: Financial Accounting	One (1)	Ready for shortlisting.	Ready for shortlisting.

4.3 Staff Establishment and Employment Equity

Staff Establishment

Table 20: Workforce Profile in terms of Age, Race, Gender and Foreign National Status

Occupational Level (below EAP row)	Male				Female				Foreign National		Total
	A	C	I	W	A	C	I	W	M	F	
Top Management	3	0	1	0	2	0	0	0	0	0	6
Senior Management	11	0	0	1	1	0	0	0	0	0	13
Professional Qualified	8	3	0	0	4	0	0	1	0	0	16
Skilled Technical	125	5	2	9	15	0	0	2	0	0	158
Semi-Skilled	295	8	0	0	91	3	1	3	0	0	401
Unskilled	134	10	0	0	10	0	0	0	0	0	154

Employment Equity Summary of Demographic Profile

Table 21: EE Profile

Present and Expected		Male				Female				TOTAL
		A	C	I	W	A	C	I	W	
All	Current	576	26	3	10	123	3	1	6	748
Employees	Proposed	540	50	13	41	247	12	12	29	944

The current report on the demographic profile for Metrobus indicates that 31% of employees' fall within the age category 46-55 and percentage of African males is 69%. Women of all races in all employee categories constitute 27% of the company's staff complement (2021/22:21.8%), Metrobus has an established Employment Equity Forum that determines and monitors the achievement of the entity's EE targets. It remains the same due to vacant positions not being filled in this quarter only few movements internal for the employees that have been promoted.

In realising the Metrobus Employment Equity Plan the entity has targeted all the vacant position to meets it's a five (5) year employment equity plan to aggressively push the narrative of transformation agenda in line with approved legislatives and policies that governs the Employment Equity.

Metrobus Employment Equity Numerical Goals: the projected workforce profile the entity seeks to achieve by the end of 2024 based on the total number of employees as at the beginning of the employment equity plan which commenced in 2017.

Metrobus has established Employment Equity Forum that meets periodically to monitor and fast track achievement of the entity's EE targets. The unstable labour environment within Metrobus impacted the meetings of this forum adversely during the period in review however process are underway to resuscitate the forum.

4.3.1 Vacancies filled

During the reporting period, fourteen (14) positions were filled apportioned as per the table below:

Table 22: Positions filled

#	Position filled / Designation	Number	Gender	Race
1.	Office Administrator (IBO)	1	Female	African
2.	Finance Clerks	6	4 Females, 2 Males	African
3.	Officer : Management Accounting	1	Male	African
4.	Inventory Controller	2	1 Female, 1 Male	African
5.	Office Administrator (Finance)	1	Female	African
6.	Clerk Administration (Roster Clerk)	1	Female	African
7.	Office Administrator (COSEC)	1	Female	African
8.	Specialist: Legal Services	1	Male	African
	TOTAL	14		

4.4 Skills Development and Training

4.4.1 Overview

The Metrobus Human Resource Development Strategy encourages employees to further their career and professional development by assisting them through the subsidised education scheme, which allows employees to apply for funding to further their studies to

attain formal education from reputable and registered institutions of Higher Education and Training (HET).

During the period under review, a total of two hundred and six (206) employees were trained as part of skills development programme initiatives to develop employees and instill the culture of learning organization in line with the approved Human Resource Development Strategy and Workplace Skills Plan for the organization

Metrobus policy for subsidised employee education aims to priorities officials without formal education for matriculation, under graduate certificates, diplomas and degrees before officials who are in pursuit of postgraduate qualifications. This is done in order to improve the social standing of internal employees of Metrobus, afford them an opportunity to advance in life; but also contribute positively to skills development for the country.

The budget for Subsidised Education is as a result apportioned in line with the 80/20 principle to ensure that maximum impact in terms of affording financial assistance is biased towards employees who are without a formal qualification first.

The total budget spend on subsidized education to date is R 1 018 271.35 for this quarter so far it was due the impact COVID-19 regulations impacted the Education and Training Institutions academic year

Metrobus received rebates amounting to R 456,728.86, which represents 40 % of the total levy contributions.

4.4.2 Apprenticeship Programme

In response to the scarce skills shortage in identified technical and provisional vocations by the National, Provincial and Local Government spheres through mandated sector of education and training (SETA). The apprentices continue with their workplace training at the depots for all apprentices.

4.4.3 Internship Programme

All interns placed at Metrobus continues with their institutional learning continues with the programme. During the year under review, twenty one (21) comprising TVET and University interns that are placed at Metrobus in collaborations between the Technical Vocational and

Education Training (TVET) and UJ University are deployed at various departments to acquire practical experience as part on job learning.

4.4.4 Learnerships Programme for Drivers

The learners on the Professional Bus Driving Learnership completed the 12 months programme in February 2023. To that effect their contract were terminated and all the learners as part of exit strategy will be placed on the talent pool for future skills needs also they will be assisted with other state institutions to setup their business and apply for funding after entrepreneurial workshops. All learners will later graduate with the NQF level 4 in Professional Driving Occupational Certificate. This will assist in addressing the shortage of skilled Professional Bus Drivers for the transport sector, and Metrobus.

4.5 Performance Management

All employees who are subject to the signing of performance agreements have entered into performance contracts and assessments are conducted in line with applicable policies. Corporate Services continues to monitor and communicate relevant milestones in the performance management system in order to assist employees with compliance to the policy.

4.6 Disciplinary Matters and Outcomes

The table below depicts the number of finalized disciplinary cases that attracted sanctions:

4.6.1 Sanctions

Table 23: Sanctions

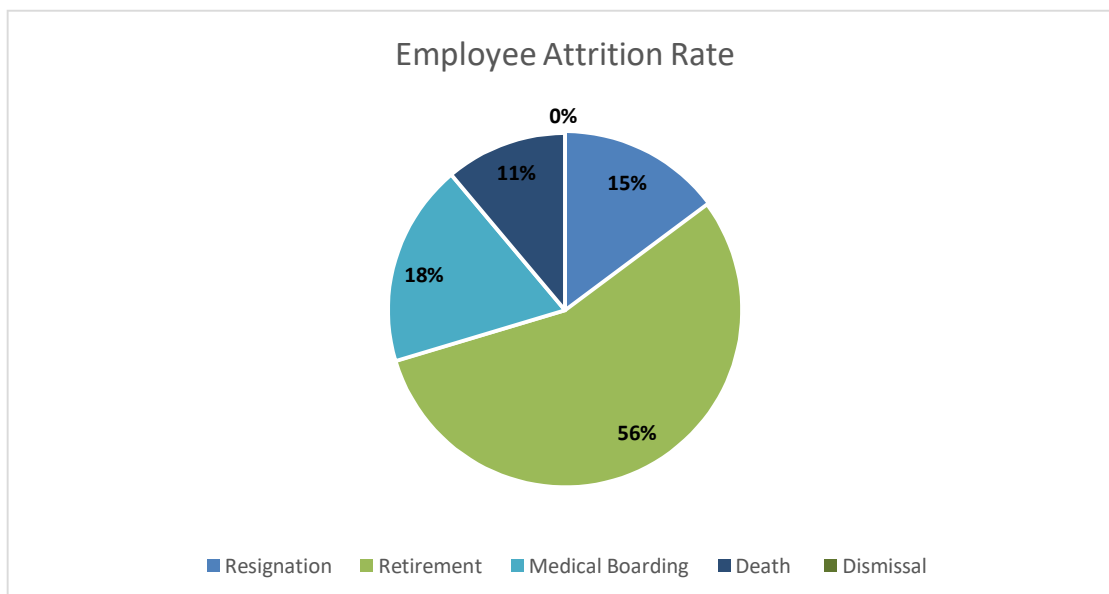
Sanction	Number
Written Warning	0
Final Written Warning	0
Suspension as Sanction	0
Precautionary suspension	10
Dismissal	0
Total	10

4.6.2 Staff Turnover

During the period under review, twenty seven (27) employees exited the service of Metrobus because of both natural attrition and disciplinary process outcomes.

Table 24: Natural Attrition

	Number
Resignation	4
Retirement	15
Medical Boarding	5
Death	3
Dismissal	0
Total	27



During the period under review, and across all levels of employment in the entity, twenty-seven (27) employees exited the service of Metrobus owing to both natural attrition and disciplinary process outcomes.

While the leadership cohort of the entity consists of the Managing Director and six executives. The Managing Director was placed on special leave during the second quarter of the year under review. The Chief Financial Officer was appointed to act in the position of Managing Director. Consequently, a senior manager in finance was appointed to act in the position of

Chief Financial officer. Due to the exit of the Chief Information Officer in the 2021/22 financial year, as senior manager in the ICT department remained acting for the period under review. During the third quarter of the year under review, the General Manager of corporate Services was placed on precautionary suspension. Consequently, a senior manager in the Corporate Services Department was appointed to act in the position of General Manager: Corporate Services. In terms of other levels of management changes remained negligible, albeit the vacancy rate at this level remains a concern.

4.7 Leave and productivity Management

4.7.1 Leave Management

It is essential to report that employees of Metrobus qualify for 24 working days annual leave. This is in line with the Main Collective Agreement as well as its Leave Management Policy. During the period under review, the entity maintained an average of 79% employee leave balances as compliant. Regular communication is taking place with the affected employees to inform them about the importance of taking annual leave and to inform them about the provisions of the Basic conditions of Employment Act No. 75 of 1997 and Leave Regulations in this regard particularly where it compels the company to grant annual leave to employees not later than six months after the end of each leave cycle, in an unlikely scenario where the affected employee refuses to take leave, then such number of leave days shall be forfeited. This will reduce the number of leave days available to each employee and improve Labour productivity in a long run.

4.8 Employee Wellness

The Employee Health and Wellness Programme at Metrobus is designed to create an enabling environment by providing health and wellness services that enhance mental health, support positive lifestyle change, coping skills, and healthy relationships, thereby resulting in improved employee well-being, productivity and morale. The objectives of the Employee Health and Wellness are Psychosocial Support, Physical Wellness, Organisational Wellness and Work-Life Balance.

The purpose of psychosocial support is to address employee's personal and / or work challenges that may hinder on productivity. The challenges faced by employees ranged from stress related matters, abuse of substances, over independent , absenteeism , temporal and

permanent incapacity due to illness such as heart diseases , strokes and diabetes and traumatic events on duty and off duty.

Metrobus has ensured that employees are kept physically, emotionally, socially and spiritually healthy under extreme circumstances. Employees continue to utilise internal gym facilities.

4.8.1 HIV/AIDS Support Programme

Metrobus has a policy on HIV and AIDS which is implemented in conjunction with the Employee Health and Wellness strategy. Support to employees affected and infected with HIV and AIDS is provided continuously to those who have disclosed their status. Metrobus also provides psychological support and access to medical care for employees by referring them to relevant partners.

In partnership with the Provincial Department of Health and Old Mutual a total of one hundred and twenty seven [127] employees received HIV/AIDS counselling and testing. One [1] test returned reactive a referral was made to a local clinic. Three [3] employees who tested negative reported to have been earlier exposed and referrals for Pre Exposure Prophylaxis [PREP] were made to the local clinic.

All the employees who received HIV/AIDS counselling and testing also had their vitals tested and no challenges were detected. A total of one hundred and twenty [120] packets of male condoms and 17 female condoms were distributed.

4.9 Employee Benefits

The Employee Benefits for the period under review amounted to a total of R79 966 753, 00 against a budget of R92 526 928 apportioned as per the following table:

Table 25: Employee Benefits

YR2022/23	Allowances	Training	Staff welfare	Employee medicals	Total
Actual Costs	R74 436 776	R4 842 320	R687 656	R0	R79 966 753
Budget	R83 720 563	R2 619 737	R5 720 608	R466 020	R92 526 928
Variance	R9 283 787	-R2 222 583	R5 032 952	R466 020	R12 560 175

The variance of R12 560 175 as depicted in the above table is attributable to the vacancies that exist and currently being filled budget.

4.10 Occupational Health & Safety Programs

Eleven (11) safety related incidents were reported during the year under review, all incidents were reported to department of Employment and labour apportioned as follows:

- Two (2) of the injuries caused by slip and fall
- Two (2) injury from Milpark where reported one employee was hit by a stone in the eye while cleaning the yard
- one (1) was hit by a spanner on the eye while fixing a bus
- One (1) injury from head office where an employee was hit by a 2-litre ice on the foot while opening the fridge.
- One (1) was object slipped and fell on the employee's foot and
- One (1) from Milpark de pot cause of the incident is assault.
- Three (3) was a motor vehicle accident

All incidents were investigated internally and safety toolbox talks were encouraged to all departments affected.

4.11 Corporate Social Responsibility

As part of corporate social responsibility, Metrobus Executive Team took children from two foundations specializing in early child development training to Johannesburg ZOO. These are children from disadvantaged backgrounds, hosted by the Roots & Wings charitable foundation. This was an early Christmas present to the children, an initiative of the Community Development Department assisted by Metrobus.

Metrobus continuously play an active role in community development programs, which are socially significant. The entity is intensifying its efforts on providing transportation for people with special needs. This is a customized transport arrangement of picking up disabled commuters from their homes to various destinations.



Financial Performance and Exposure



CHAPTER 5: FINANCIAL PERFORMANCE AND EXPOSURE

5.1 FINANCIAL PERFORMANCE AND EXPOSURE

Table 26: Financial Performance and Exposure

Statement of Financial Position	2023	2022	Movement	
	Actual (R 000's)	Actual (R 000's)	Actual (R 000's)	%
Current Assets	28 135	26 752	1 382	5%
Cash and cash equivalents	561	307	253	82%
Receivables: Exchange transactions	2 597	3 763	162	4%
Receivables: Non-exchange transactions	1 353	21	5	22%
Prepayments	6 884	3 366	3 518	104%
Inventories	16 739	19 295	-2 556	-13%
Non-Current Assets	551 948	545 943	6 005	1%
Property, plant and equipment	482 211	511 007	-28 796	-6%
Intangible assets	34 446	1 889	32 557	1724%
Loans to shareholders	35 291	33 047	2 244	7%
Total Assets	580 083	572 696	7 387	1%
Current Liabilities	767 486	641 925	125 560	20%
Loans from shareholders	542 310	478 307	64 003	13%
Other financial liabilities	59 173	45 715	13 458	29%
Payables from exchange transactions	158 163	111 588	46 575	42%
VAT payable	0	5	-5	-100%
Deferred income	2 875	2 741	134	5%
Provisions	3 478	3 570	-92	-3%
Insurance fund liability	1 486	0	1 486	0%
Non-Current Liabilities	62 683	114 129	-51 446	-45%
Other financial liabilities	46 901	106 075	-59 173	-56%
Employee benefit obligation	7 064	8 054	-990	-12%
Finance Lease obligation	8 718	0	8 718	100%
Total Liabilities	830 169	756 054	74 115	10%
Net Assets	-250 086	-183 359	-66 728	36%
Share capital	54 774	54 774	0	0%
Revaluation reserve	163 170	163 557	-387	0%
Accumulated deficit	-468 030	-401 690	-66 340	17%
Equity and Liability	580 083	572 696	7 387	1%

5.1.1 Variance analysis on the financial position

Current assets analysis:

Current assets increased by approximately R1, 4 million (5%) from R26, 8 million (30 June 2022) to R28, 1 million (30 June 2023). This change was mainly driven by the following:

- A R2, 6 million (13%) decrease in inventory.
- A R3, 5 million (104%) increase in prepaid expenses;

(i) Prepayments

Prepayments increased by R 3, 5 million (104%) from R 3, 4 million (30 June 2022) to R 6, 9 million (30 June 2023) due to an increase in the number of buses renewed and increase in license fees charged.

(ii) Inventory

Inventory decreased by R2, 6 million from R19, 3 million (30 June 2022) to R16, 7 million (30 June 2023). The decrease in inventory was due to increased repairs on out of commission buses, obsolete stock write-off and improved management of purchasing of stock in order to avoid excess stock. Inventory lists is reviewed on a monthly basis to avoid overstocking. When purchasing inventory, the entity uses the minimum and maximum stock levels in order to prevent over stocking and inventory becoming obsolete.

Non-current assets analysis:

Non-current assets analysis:

Non-current assets increased by approximately R6, 0 million (1%). This was largely driven by:

- PPE decreased by R28, 8 million (6%) from R511, 0 million (30 June 2022) to R482, 2 million (30 June 2023).
- Loans to shareholders increased by R2, 2 million (7%); and
- Intangibles assets increased by R32, 6 million (1724%) due to intangible assets acquired during the period.

(i) Property, Plant and Equipment (PPE)

PPE decreased by R28, 8 million (6%) from R511, 0 million (30 June 2022) to R482, 2 million (30 June 2023). The net increase is attributed to depreciation charge of 44, 7 million, impairment loss of R10, 3 million and disposal of PPE of R2, 6 million. This was offset by the

additions amounting to R28, 8 million in respect of PPE, and as well as R26, 1 million in respect of work in progress.

(ii) Loans to shareholders

This represents the portion of post-retirement employment benefits that is being managed by the City on behalf of the entity. This balance increased by R2, 2 million (7%), from R33, 0 million (30 June 2022) to R35, 3 million (30 June 2023).

(iii) Intangible assets

Intangibles assets increased by R32, 6 million (1724%) from R1, 3 million (30 June 2022) to R34, 4 million (30 June 2023). The net increase resulted from acquisition of intangible assets.

Current liability analysis

Current liability analysis

Current liabilities increased by approximately R128, 4 million (20%) from R641, 9 million (30 June 2022) to R770, 4 million (30 June 2023). This change was driven by the following:

- A R64, 0 million (13%) increase in the loans from shareholders.
- A R13, 5 million (29%) increase in other financial liabilities.
- A R46, 5 million (42 %) increase in payables from exchange transactions.
- A R3, 1 million (112 %) increase in deferred income.

(iv) Loans from shareholders

This represents the outstanding balance on the sweeping account of the entity. Loans from shareholders has increased by R64, 0 million (13%) from R478, 3 million (30 June 2022) to R542, 3 million (30 June 2023). This increase was caused by reduced subsidies for the financial year which resulted with operating expenditure and capital expenditure being funded by the CoJ loan.

(v) Other financial liabilities

This represents the current portion of the capital expenditure loans. The increase of R13, 5 million (29%) from R45, 7 million (30 June 2022) to R59, 2 million (30 June 2023). This is the current portion of the capital loan that becomes due in the next financial year.

(vi) Payables from exchange transactions

The payables from exchange transactions increased by R46, 5 million (42%) from R111, 6 million (30 June 2022) to R158, 1 million (30 June 2023). The normal accounts payments increased from R54, 8 million (30 June 2022) to R126, 2 million (30 June 2023) due to increase purchase of inventory for bus repairs and maintenance and the balance is made up of payroll related accruals.

(vii) Deferred Income

Deferred income represents coupons not utilised by passengers at the end of the reporting period. Deferred income increased by R3, 1 million (112%) from R2, 7 million (30 June 2022) to R5, 8 million (30 June 2023).

(viii) Provisions

The provisions related payment of performance bonuses. The provisions for performance bonuses decreased by R 92 000 (3%). At 30 June 2022, the provisions for bonuses were R 3, 6 million. Leave provisions are classified as trade payables and as they are certain and not based on estimates.

Non-current liability analysis

Non-current liabilities improved by R51, 4 million (45%) from R114, 1 million (30 June 2022) to R62, 7 million (30 June 2023). This change was driven by:

- A R59, 2 million (56%) decrease in the long-term loans from the City; and
- A R1, 0 (12%) decrease in employee benefits liability obligations.
- A R8, 7 million increase in finance lease obligations.

Net asset analysis

Net liability position of the entity declined by R66, 7 million (38%) from R183, 4 million (30 June 2022) to R252, 9 million (30 June 2023). This was driven by R69, 2 million (17%) deterioration in the accumulated loss.

The ability of the entity to meet its financial obligations is still uncertain. The impact of the continued underperformance in revenue as well as the liability in respect of the capital expenditure incurred in the prior years contributed to the financial strain of the entity. In summary without the shareholder support, the entity will not be able to operate independently.

(i) **Accumulated loss**

The entity's accumulated loss deteriorated by R69, 2 million from R401, 7 million as of June 2022 to R470, 9 million (30 June 2023). This was driven by the deficit recorded in the current financial year as well as the releasing of revaluation reserve to the accumulated surplus.

5.2 Statement of Financial Performance and high-level notes

Table 27: Financial Performance

Statement of Financial Performance	2023	2022	Movement	
	Actual (R 000's)	Actual (R 000's)	Actual (R 000's)	%
Total revenue from exchange transactions	70 580	51 470	53 472	104%
Rendering of services	65 891	46 402		0%
Other income	1 730	3 392	-1 662	-49%
Interest received - investment	2 244	1 232	1 011	82%
Actuarial Gain	715	444	271	61%
Total revenue from non-exchange transactions	570 927	517 074	53 852	10%
Government grants & subsidies	570 927	517 074	53 852	10%
Total revenue	641 506	568 544	72 962	13%
Expenditure				
Employee related costs	-336 522	-320 798	-15 724	5%
Depreciation and amortisation	-47 473	-58 266	10 793	-19%
Impairments	-9 858	-2 614	-7 244	277%
Finance costs	-45 463	-29 164	-16 300	56%
Lease rentals on operating lease	-6 118	-5 579	-540	10%
Debt Impairment	651	-948	1 599	-169%
Loss on disposal of assets and liabilities	-2 717	-12 051	9 334	-77%
General Expenses	-260 767	-215 021	-45 747	21%
Total expenditure	-708 267	-644 439	-63 828	10%
Deficit for the year	-66 761	-75 895	9 134	-12%

5.2.1 Statement of Financial Position Analysis

Metrobus recorded a deficit amounting to R66, 8 million for the financial year (2021/22: R75, 9 million). Metrobus faced multiple budget cuts over the past few years. This is besides that the bus fleet utilised for service delivery is aged and requiring constant repairs and maintenance attention. In addition, the buses are aged and are now less efficient in fuel utilisation. In the 2022/23 financial year the budget was reduced by R62, 0 million and this had negative implications in our operations. Metrobus had to reallocate resources and focusing only on those projects that are related to service delivery and had to maintain the minimum service required. As a result, the entity's approved budget was overspent by R76, 8 million. A conscious decision was then reached to continue operating and not to inconvenience the customers.

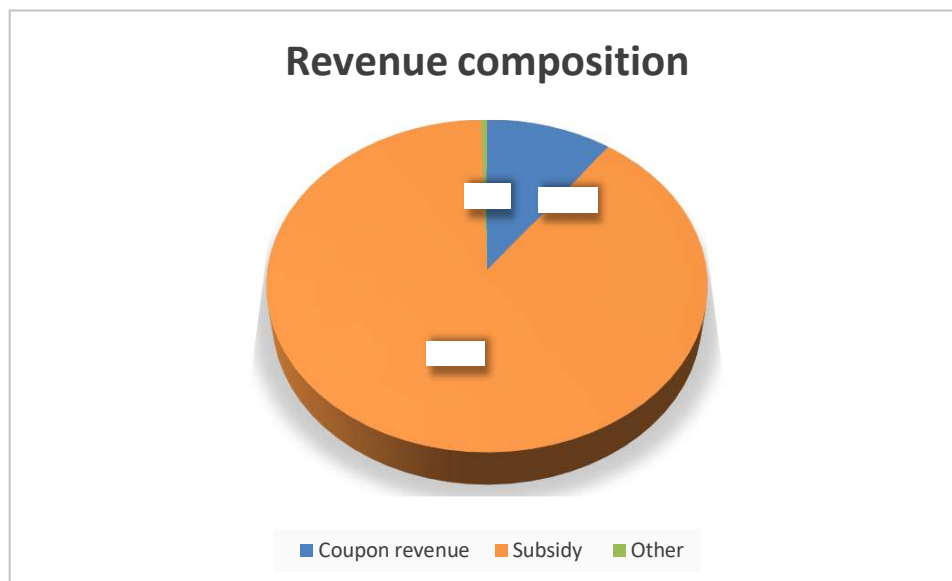
5.2.2 Variance analysis on the financial performance

Revenue management analysis

Fare revenue and subsidy remain the core sources of funding for Metrobus, collectively contributing R641, 5 million (2021/22: R568, 5 million).

The figure below represents the composition of our revenue as at 30 June 2023

Figure 9: Revenue Composition



(i) Subsidy

The entity is largely dependent on the provision of a subsidy from its shareholder. This represents over 89% (R570, 9 million) of the revenue of the entity. The subsidy was reduced by R62, 0 million during the financial year. The reduction of the subsidy resulted in the entity failing to sustain itself which resulted in the entity recording a loss. Withdrawal of the subsidy would result in the entity being unable to continue its operations.

(ii) Fare Revenue

Fare revenue has seen an improvement in comparison to prior, however, it is still significantly lower when compared to revenue collected pre-covid period. Fare revenue was R4, 4 million above budget and this is mainly attributed to reduced budget.

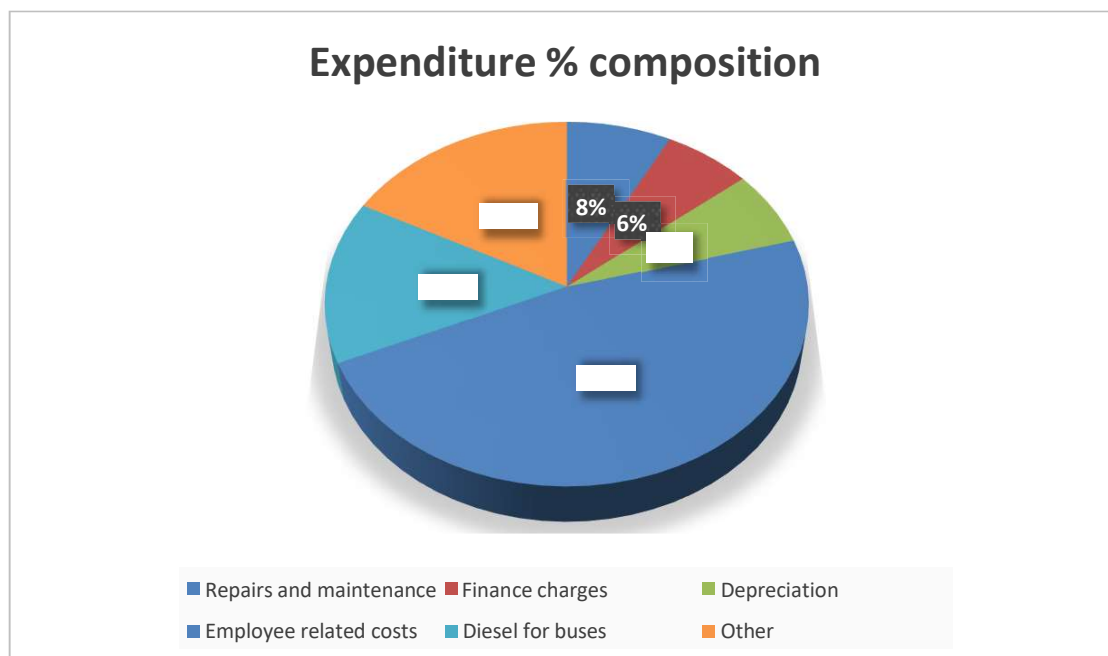
The low fare revenue can be attributed to the following factors:

- After effects of COVID-19 pandemic which has resulted in reduced number of people travelling to work as some are now working from home,
- Reduced economic activities.
- Declining economic conditions which has resulted in increased unemployment and less people travelling.
- Non-achievement of private hires revenue.
- Underperformance in terms of private hires and contracted services

Expenditure management analysis

As reflected below, the main cost drivers are employee costs at 48%, Fuel for buses at 14%, Repairs and maintenance at 8%, finance charges at 6% and depreciation and amortisation 7% and other costs 17%. Metrobus's performance on these items are discussed below.

Figure 10: Expenditure Composition



Expenditure for the year amounted to R708, 2 million (2020/22: R644, 4m) against a budget of R631, 4 million. Below are the lines with significant spending:

(i) Employee related costs

Employee related costs amounted to R336, 5 million. Employee related costs reflected an increased spending of R15, 7 million (5%) when compared to the prior year. The 2022/23 employee related budget was overspent by R20, 4 million (6%). The overspending is attributed to inadequate budget allocation during the adjustment budget.

(ii) Depreciation and amortisation

Depreciation and amortisation amounted to R47, 5 million (30 June 2023). Depreciation and amortisation reflected a decrease in spending of R10, 8 million (19%) when compared to the expenditure as at 30 June 2022. The depreciation expenditure budget was underspent by R20, 1 million (30%). This can be attributed to asset retirements, review of useful lives and disposal of assets during the year.

(iii) Impairment of assets and inventory loss

Impairment of assets amounted to R9, 9 million (30 June 2023). This reflected an increase of R7, 2 million when compared to prior year. The change in these costs were driven mainly by the application of GRAP with regards to fair value changes to the assets. No revaluations were done during the financial year. This full amount was not budgeted for.

(iv) Finance costs

Finance costs amounted to R45, 5 million (30 June 2023). Finance costs reflected an increase in spending by R16, 3 million (56%) when compared to the expenditure as at 30 June 2022. The budget was overspent by R0, 8 million (2%).

(v) Lease rentals on operating lease

Lease rentals amounted to R6, 1 million (30 June 2022: 5, 5 million). Lease rentals increased by R0, 5 million (10%) when compared to the expenditure as at 30 June 2022. Lease rentals were R4, 3 million above budget for the period due to the reduced budget made during the budget rebase. The lease rentals are for vehicles and this contract is controlled by CoJ.

(vi) Debt impairment

Debt impairment reflected the net change of R 0, 7 million decrease.

(vii) General expense

General expenses includes fuel costs, repairs and maintenance, insurance, motor vehicle expenses, security, consultants, etc. General expenses amounted to R260, 8 million (30 June 2023). General expenses reflected an increase in spending of R45, 7 million (21%) when compared to the expenditure as at 30 June 2022. Fuel costs amounted to R102, 2 million (30 June 2023). Fuel costs reflected an increased spending of R35, 1 million (52%) when compared to the expenditure as at 30 June 2022 and this can be attributed to reduction in the diesel budget during the 2022/23 Adjustment Budget period.

(viii) Loss on disposal of assets

There was a net loss on disposal of assets of R2, 7 million. This was due to retirement of assets. These items were not budgeted for.

Surplus/ (Deficit)

Metrobus recorded a deficit amounting to R66, 8 million in the current financial year. This represents a decline of R9, 1 million when compared to 2021/22 financial year. The underperformance on fare revenue and reduction of the subsidy budget had significantly negative implications on the financial performance of the entity.

5.3 Budget Statement Analysis

The operating budget was adjusted downwards from R693, 4 million to R631, 4 million during the city budget rebase.

Table 28: Budget Statement

	2021/22				2022/23		
	Actual	Original Budget	Adjustment Budget	Adjusted Budget	Actual	Variance to Budget	
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	%
Revenue from exchange transactions							
Rendering of services	50 238	89 357	-30 000	59 357	65 891	6 534	11%
Interest received - investment	1 232	-	-	-	2 244	1 126	0%
Other income		1 118		1 118	2 445	2 445	100%
Total revenue from non-exchange transactions	51 470	90 475	-30 000	60 475	70 580	10 105	17%
Revenue from non-exchange transactions							
Government grants & subsidies	517 074	602 927	-32 000	570 927	570 927	0	0%
Total revenue from non-exchange transactions	517 074	602 927	-32 000	570 927	570 927	0	0%
Total revenue	568 544	693 402	-62 000	631 402	641 506	10 104	2%
Expenditure							
Employee related costs	-320 798	-316 133		-316 133	-336 522	-20 389	6%
Depreciation and amortisation	-58 265	-67 622	-	-67 622	-47 473	20 149	-30%
Finance costs	-29 164	-44 636	-	-44 636	-45 463	-827	2%
Lease rental on operating lease	-5 579	-1 837		-1 837	-6 118	-4 281	233%
General expenses	-230 633	-263 174	62 000	-201 174	-272 690	-71 516	36%
Total expenditure	-644 439	-693 402	62 000	-631 402	-708 267	-76 865	12%
Deficit (Surplus) for the year	-75 895	-	-	-	-66 761	-66 761	

5.4 Cash flow statement for the period ended 30 June 2023

Table 29: Cash Flow Statement

Cash Flow Statement	30-June 2023 (R000)	30-June 2022 (R000)	
Net Cash Flow from Operating Activities	38 196	-72 401	
Receipts	637 216	565 226	
Grants & subsidies	570 927	517 074	
Other income	66 289	48 152	
Payments	-599 020	-637 628	
Employee costs	-304 730	-363 716	
Suppliers	-248 827	-244 748	
Finance costs	-45 463	-29 164	
Cash Employed in Investment Activities	-64 191	-35 893	
Purchase of property plant and equipment	-28 847	-34 800	
Purchase of intangible assets	-35 343	-1 094	
Cash flow from Financing Activities	26 248	108 518	
Other financial liabilities	-45 715	-41 431	
Movement of sweeping account	61 759	149 949	
finance lease payments	10 204		
Net Increase / (Decrease) in Cash & Bank Balances	253	223	
Cash & Bank Balances Beginning of the Year	307	84	
Cash & Bank Balances End of the Period	561	307	

5.4.1 Analysis of cash flow

The entity recorded cash inflow flows amounting to R38, 2 million (2021/22: -R72, 4 million) from its operations. The investing activities recorded a net outflow amounting to R64, 2 million (2021/22: R35, 9 million) as well cash inflows from financing activities of R26, 2 million (2021/22: R108, 5 million).

Overall cash increased from R307 000 at the beginning of the 2022/23 financial year to R561 000 at the end of the year.

The company's cash flows continued to worsen on the back under performing fare revenues, negative effects of COVID-19, outdated fare technology, aged fleet, and declining passenger numbers which can be attributed to the non-availability of buses and outdated fare

technology. The finance costs paid on outstanding capital loans is a significant drain on the cash of the entity.

5.5 Capital Projects & Expenditure

The shareholder approved capital expenditure budget amounting to R 37, 0 million for various capital projects of which R 30 million was for the ICT projects that includes eye on the bus project. The total spent to total budget for the financial year period was 99%.

Table 30: Capital Projects and Expenditure

Project Name	Original Approved Budget(R 000's)	Adjustments (R 000's)	Adjusted Budget(R 000's)	Actual expenditure (R 000's)	% Spent against total budget%
Plant, tools, equipment & Furniture	2 000		2 000	1 789	89%
IT Equip, New Computers and Hardware Computer	30 000		30 000	29 702	99%
Engine and Gear box refurbishment	5 000		5 000	4 973	99%
Bus Refurbishment	22 000	-22 000	-	-	0%
Automated Fare Collection (AFC)	1 000	-1 000	-	-	0%
Total Capital expenditure	60 000	-23 000	37 000	36 465	99%

5.6 Ratio Analysis

Table 31: Ratio Analysis

Description	30-Jun-23	30-Jun-22
Liquidity and solvency ratio		
Solvency Ratio	0.43: 1	0.35: 1
Current ratio	0.04:1	0.04:1
Acid test	0.01:1	0.01:1
Gearing Ratio		
Gearing Ratio* (only considering shareholder loan)	103%	104%
Gearing	305%	292%
Expenditure management ratio		
Employee related costs to total expenditure	48%	50%
Repairs to total expenditure	8%	10%
Cost coverage ratio	9%	7%
Capital expenditure to approved budget	99%	74%
Operating expenditure to approved budget	112%	108%

While the ratios currently reflect a negative outlook on the organization, ongoing discussion regarding alternative permutations on the funding model of the entity are under consideration and are expected to improve the outlook.

(i) Solvency:

The entity's solvency ratio was calculated at 0.44: 1 (2021/22: 0.35: 1). The ability of the entity to meet its financial obligations is still uncertain. This ratio remained stable from the previous year.

(ii) Liquidity:

The entity was overdrawn by approximately R542, 3 million (2022/23: R478, 3 million). The overdraft was due to the accumulated losses over the years resulting from fare revenue shortfall as well as capital expenditure incurred with respect to a new fleet procurement of buses that was procured in prior years.

(iii) Expenditure Management Ratio

Employee related cost expenditure remained at 48% of total expenditure. Repairs and maintenance expenditure increased to 8%. This is over the National Treasury norms of 7%.

The entities poor performance is reflected in the cost coverage ratios. As reflected in the table above, the entities cost coverages decreased from an average of 7% in the 2020/21 financial year to 9% as at the end of 30 June 2023.

As stated above, Capex performance was reported at 99%. This was a significant improvement from the 74% achieved in the 2021/22 financial year.

Opex spend was reported at 112% of the budgeted expenditure.

5.7 Supply Chain Management (SCM & Compliance Matters)

5.7.1 Irregular, Fruitless and wasteful expenditure

Irregular expenditure (Cumulative) recorded for the 2022/2023 financial period ending on 30 June 2023 amounts to R 2 365 697, 19 (Q1: R1, 1m, Q2: R1, 1m Q3: R0, 1; Q4:0). Total prior year irregular expenditure amounted to R2 999 792, 95. Unauthorized expenditure of 72 618 484 was incurred under the financial period under review. Fruitless and wasteful expenditure amounted to R10 243, 61 during the period under review. A total amount of R317 691 515 was written off by the council as irrecoverable. Any irregular, unauthorized,

fruitless and wasteful expenditure which might not have been reported will be disclosed immediately as and when discovered.

Table 32: Irregular, Fruitless and wasteful expenditure

RECON OF IRREGULAR EXPENDITURE	2022/23 (R) 000'	2021/22 (R) 000'
Opening Balance	335 484	288 467
Irregular Expenditure by Quarter		
Quarter 1 :	1 122	
Quarter 2:	1 078	12 107
Quarter 3:	165	
Quarter 4:		
Prior year - (Unaudited)	2 999	
Overspending of Approved Budget	76 865	34 910
Written Off	(317 691)	
Closing balance	100 024	335 484

The table below lists the irregular expenditure by supplier as well as the cause of the irregular expenditure.

Table 33: Irregular expenditure for the 2022/23 Financial Year

Company Name	Description of Incident	Status	Amount (R) 000'
Afrirent	AGSA Finding: Regulation 36 contract was irregular from the centralized contract at the City.	Investigation will be done at City Level.	1 647
Avis	AGSA Finding: Regulation 36 contract was irregular from the centralized contract at the City.	Investigation will be done at City Level.	553
			2 365

Table 34: Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure amounted to R10 243, 61 during the period under review. The matter will be submitted to MPAC for review and condonement.

Company Name	Description of Incident	Status	Amount (R) 000'
AGSA	Interest paid on overdue amount	The matter will be submitted to MPAC for review and condonement	10
			10

5.7.2 Deviations

There were nine (9) deviations approved for 2022/23 Financial Year

Company Name	Description	Applicable Regulation	Approved Amount (R) 000'
E-Bus	Procurement of ink rollers for the wayfarer machines	Where such goods or services are produced or available from a single provider only. Regulation 36 (1) (a) (ii)	R200
Chippa Training Academy Refueo Security JV	Procurement of security and inspection services.	Where such goods or services are procured in an emergency or in case where it is impractical or impossible to follow official procurement processes. Regulation 36 (1) (a) (ii) and (v)	R41 000
Tokiso	Utilization of facilitation services	Where such goods or services are procured in an emergency or in case where it is impractical or impossible to follow official procurement processes. Regulation 36 (1) (a) (i) and (v)	66
Tokiso	Utilization of facilitation services	Where such goods or services are procured in an emergency or in case where it is impractical or impossible to follow official procurement processes. Regulation 36 (1) (a) (i) and (v)	63
Dogan Exhibition & Events	Falitation of exhibiton & trade:Rand Show	Where such goods or services are produced or available from a single provider only. Regulation 36 (1) (a) (ii)	185
Bahwiti Investment CC	Provision for the supply, delivery, fitment and balancing of tyres and maintenance services	Where such goods or services are produced or available from a single provider only. Regulation 36 (1) (v) (b)	R7 442

Olitzki Property Holdings and other service providers	Provision of service providers to provide office leasing services and related services	Where such goods or services are procured in any other exceptional case where it is impractical or impossible to follow the official procurement process. Regulation 36 (1) (a) (v)	R9 409
Kubapay	Provision for Wayfarer machine, fair collection on the buses	Where such goods or services are procured in any other exceptional case where it is impractical or impossible to follow the official procurement process. Regulation 36 (1) (a) (v)	R1 007
Iron Montain	Storage Facility	Where such goods or services are procured in any other exceptional case where it is impractical or impossible to follow the official procurement process. Regulation 36 (1) (a) (v) and 1b	R221
Total			R59 594

5.7.3 Awards where there we no three quotes

Below are awards where less than three (3) quotes were obtained approved for the 2022/23 financial period ending 30 June 2023.

Company Name	Description	Applicable Regulation	Approved Amount (R) 000'
Margen Industrial Supplies	Request for Fire Forensic Investigator.	Procurement above R30k that were advertised. At least RFQ should have been placed twice on the website.	R195,5
South African United Against Cancer	Wellness walk against Cancer.	Services procured from a single source service provider, such as participation in events organised by state institutions, non-profit organisations.	R 30

5.7.4 Summary of Contracts and commitments

Description	Number of Contracts	Total Contract Value	Amounts Spent	Total Commitments
Contracted in relation to Capital expenditure	14	227 101 012	61 982 084	165 118 928
Contracted in relation to operational expenditure	25	246 330 920	60 026 215	186 304 705
National Treasury Transversal Contracts	7	247 481 470	83 378 962	164 102 509

5.7.5 Expenditure on B-BBEE and SMMEs

Total procurement for the 2023/2023 financial year period amounted to R210 889 428, 01 was procured by the organization. The total BBEE expenditure was R204 741 209, 68 which was 97.0% of the total procurement expenditure. A total number of 134 SMMEs has been supported with a total spend of R202 311 456, 37 for the 2022/2023 financial period. Actual spent on operational expenditure (OPEX) amounted to R195 732 955, 7 while Capital Expenditure (Capex) amounted to R15 156 472, 33 of total procurement

5.7.6 Payments within 30 days

Most of the creditors' payments are done within the stipulated 30 days. The creditors who have surpassed the 30 days are due to creditors having disputes with the organization. The amounts are only for outside creditors and exclude intercompany. Supplier payments amounting to R9, 9 million were not paid within 30 days for the financial year.

Table 35: Reconciliation of invoices outstanding for more than 30 days

Description		Q1	Q2	Q3	Q4	Total
		(R000's)	(R000's)	(R000's)	(R000's)	(R000's)
Total payments made	A	124 626	122 334	128 479	131 851	507 290
Invoices paid within 30 days	B	120 017	111 285	118 277	129 932	479 511
Invoices not paid within 30 days due to invoice issues	C	4 609	11 049	10 202	1 919	27 779
Invoices paid outside 30 days with no valid reason	D	0	0	0	0	0
Compliance percentage	B/A	96.30%	90.97%	92.06%	98.54%	94.52%

In terms of the above, the entity is reviewing our processes to ensure a greater level of compliance. This will be implemented before the end of the first quarter of the 2023/24 financial year

5.7.7 Amounts Owed by Metrobus to Government Entities

There are currently no amounts owed by Metrobus to CoJ departments or Entities.

5.7.8 Amounts Owed to Metrobus by CoJ and Entities Intracompany

Period	Department	Contact person	(R'000)	Comments
Jun-23	JDA	Thabiso Ngoepe	17	This amount was settled in August 2023
	Total		17	

5.7.9 Amounts Owed by Metrobus to CoJ Core Departments (Inter-company Liabilities)

Table 36: Amounts Owed by Metrobus to CoJ Core Departments (Inter-company Liabilities)

Period	Department	Contact person	(R'000)	Comments
Jun-23	MTC	Nonhlanhla Radebe	41 466	Ongoing varying ICT services
Jun-23	JPC	Nselelo Nxasana	11 743	Buildings renovation management fees
Jun-23	JHB Theatre	Babalwa Mbodla	214	Hospitality & Catering
Jun-23	JHB City Parks & Zoo (NPC)	Sizwe Zwane	12	Conference Venue
	Total		53 435	

Internal and External Audit Findings



CHAPTER 6: INTERNAL AND EXTERNAL AUDIT FINDING

Internal Audit Plan

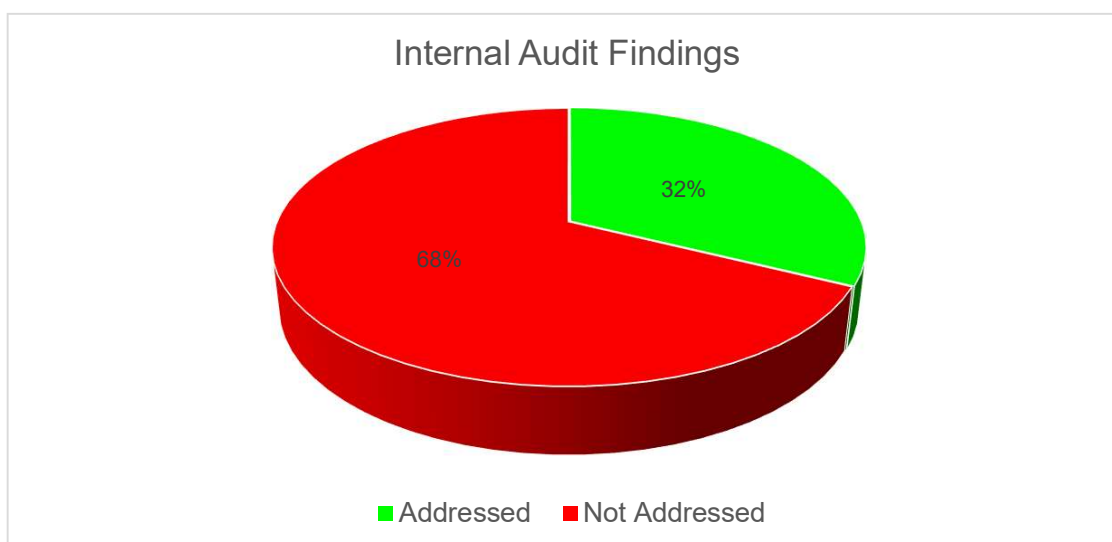
The table below provides a summary of the Internal Audits performance against its approved Internal Audit Plan for the 2022/23 Financial Year.

Table 37: Planned Projects

Total Planned Projects	Total Projects Completed	% Achievement
13	13	100%

Resolution of Internal Audit Findings

Figure 11: Internal Audit Findings



Metrobus Internal audit is a co-sourced function between the internal staff and PKM Advisory. Internal Audit performed a number of internal audits during the year under review and as at the 30 of June 2023, 32% of all internal audit findings within the control of Metrobus were addressed.

6.3 Progress on resolution of External Audit Findings (categorised between findings affecting and not affecting the audit opinion)

The AGSA had raised 34 findings for the financial year ended 2021/2022 as set out below.

Table 38: Progress on AGSA Findings

Category	Total	Addressed	Not Addressed
Annexure A	2	0	2
Annexure B	32	28	4
Total	34	28	6
Achievement 82%			

The history of the Audit opinion for the past five years is as per the table below. Overall Audit opinion for Metrobus remained stagnant over the years.

Table 39: Audit Opinion

	2018/19	2019/20	2020/21	2021/22	2022/23
Audit Opinion	Unqualified With findings	Unqualified With findings	Unqualified With findings	Unqualified With findings	Unqualified With findings

6.3 Overall State of Internal Controls (adequacy and effectiveness)

Table 40: Internal Control Rating

Overall Rating of Internal Control	Description
Partially adequate	☹️

Internal Control Rating Overall Rating of Internal Controls Description Partially adequate

The entity's systems of internal controls, which are embedded in all key operations, provide reasonable assurance that the company's business objectives will be achieved, subject to risk tolerance levels. The Board has delegated implementation of the entity's systems of risk management and internal financial control to executive management.

The Internal control environment has been monitored throughout the year with the intention of improving the control environment.



ANNEXURES

ANNEXURE A: MUNICIPAL ENTITY/SERVICE PROVIDER PERFORMANCE SCHEDULE

Priority: Sustainable Service Delivery									
KPI NO.	KEY PERFORMANCE INDICATOR	BASELINE	2022/23 ANNUAL TARGET	2022/23 QUARTERLY TARGETS		2022/23 TOTAL BUDGET '000		Comments on progress (incl. justification for non-achievement)	Proposed tangible plan of actions (Mitigations)
				2022/23 Target	2022/23 Actual	Capex	Opex		
	Average number of Metrobus passenger trips per working day	13 793 Metrobus passenger trips per working day	15 000 Average number of Metrobus passenger trips per working day	15 000	19 724	-	38 618		

ANNEXURE B: METROBUS SCORECARD

Program1 Customer, Stakeholder Engagement and Communication

#	PIP	GDS2040	Key Performance Indicator	Baseline 2021/22	2022/23 Target	Q1 Actual	Q2 Actual	Q3 Actual	Q4 Actual	Year to Date	Means of verification and Key Interventions
1	Sustainable Service Delivery	An inclusive, Job intensive, resilient, competitive and smart economy that harnesses the potential of citizens	% planned trips completed	90% planned trips completed	90% planned trips completed	92%	92%	89%	89%	90%	Target met
2	Sustainable Service Delivery	An inclusive, Job intensive, resilient, competitive and smart economy that harnesses the potential of citizens	Average number of Metrobus passenger trips per working day	13 793 Metrobus passenger trips per working day	15 000 Metrobus passenger trips per working day	18 074	18 887	19 378	22 739	19 724	Target met
3	Sustainable Service Delivery	An inclusive, Job intensive, resilient, competitive and smart economy that harnesses the potential of citizens	Blameworthy Accident Rate per 100 000 bus kilometers operated	Blameworthy Accident rate at 0.26 per 100 000 bus kilometers per month	Blameworthy Accident rate at <0.75 per 100 000 bus kilometers per month	0.13	0.13	0.31	0.29	0.21	Target met

		the potential of citizens											
4	Sustainable Service Delivery	An inclusive, Job intensive, resilient, competitive and smart economy that harnesses the potential of citizens	% of service disruptions communicated	100% of service disruptions communicated	95% of service disruptions communicated	100%	100%	100%	100%	100%	100%	100%	Target met
5	Sustainable Service Delivery	An inclusive, Job intensive, resilient, competitive and smart economy that harnesses the potential of citizens	% complaints resolved within the timelines specified in the customer service charter	100% of complaints resolved within the timelines specified in the customer service charter	80% of complaints resolved within the timelines specified in the customer service charter	92%	100%	88%	90%	93%			Target met
6	Sustainable Service Delivery	An inclusive, Job intensive, resilient, competitive and smart economy that harnesses the potential of citizens	% Customer satisfaction	78% Customer satisfaction	70% Customer satisfaction	Not Assessed	Not Assessed	Not Assessed	73%	73%			Target met
7	Sustainable Service Delivery	An inclusive, Job intensive, resilient,	% Achievement of service standards	100% Achievement of	100% Achievement	100%	100%	80%	80%	100%			Target met

Program 2: Innovation and Green Economy

#	PIP	GDS 2040 Outcome	Key Performance Indicator	Baseline 2021/22	2022/23 Target	Q1 Actual	Q2 Actual	Q3 Actual	Q4 Actual	Year to Date	Means of verification and Key Interventions
8	Smart City	Provide a resilient, liveable, sustainable, urban environment – underpinned by smart infrastructure supportive of a low carbon economy.	% Carbon emissions	Maintain hartridge units measurement at 16%	Maintain hartridge units measurement at 30%	11%	25%	21%	11%	17%	Target met

Program 3 Enterprise Development and Job Creation

#	PIP	GDS 2040 Outcome	Key Performance Indicator	Baseline 2021/22	2022/23 Target	Q1 Actual	Q2 Actual	Q3 Actual	Q4 Actual	Year to Date	Means of verification and Key Interventions
9	Sustainable Economic Development	Accelerated and visible service delivery and re-introduction of co-production in the delivery of basic services	Total number of SMMEs supported	125 SMME's supported	50 SMME's supported	68	91	118	134	134	Target met
10	Sustainable Economic Development	An inclusive, job intensive, resilient, competitive and smart economy that harnesses the potential of citizens	% of total expenditure spent on BBBEE	88% Expenditure spent on BBBEE	30% expenditure spent on BBBEE	79%	97%	97%	97%	93%	Target met
11	Sustainable Economic Development	An inclusive, job intensive, resilient, competitive and smart economy	Total number of EPWP jobs created	220 EPWP Jobs created	200 EPWP jobs created	185	185	175	175	175	Target not met

[illegible]

Program 4: Financial Management, Viability and Sustainability

PIP	GDS 2040 Outcome	Key Performance Indicator	Baseline 2021/22	2022/23 Target	Q1 Actual	Q2 Actual	Q3 Actual	Q4 Actual	Year to Date	Means of verification and Key Interventions
12	Accelerated and visible delivery and re-introduction of co-production in the delivery of basic services	An inclusive, job intensive, resilient, competitive and smart economy that harnesses the potential of citizens	% Spent on operating budget against approved operating budget	105% spent on operating budget against approved operating budget	100% spent on operating budget against approved operating budget	22%	24%	52%	112%	Target met
13	Accelerated and visible delivery and re-introduction of co-production in the delivery of basic services	An inclusive, job intensive, resilient, competitive and smart economy that harnesses the potential of citizens	% spent on capital budget against approved capital budget	74% spent on capital budget against approved capital budget	100% spent on capital budget against approved capital budget	1%	2%	52%	99%	Target not met
14	Accelerated and visible delivery and re-introduction of co-production in the delivery of	An inclusive, job intensive, resilient, competitive and smart economy that	% spent on repairs and maintenance to property, plant and equipment	New	8% spent on repairs and maintenance to property, plant and equipment	1%	2%	6%	10%	Target met

Program 5: Operational Excellence

PIP	GDS 2040 Outcome	Key Performance Indicator	Baseline 2021/22	2022/23 Target	Q1 Actual	Q2 Actual	Q3 Actual	Q4 Actual	Year to Date	Means of verification and Key Interventions
17	Improve and strengthen financial position	An inclusive, job intensive, resilient, competitive and smart economy that harnesses the potential of citizens	% resolution of Internal Audit Findings	New	100% resolution of Internal Audit Findings	26%	32%	32%	32%	Target not met
18	Improve and strengthen financial position	An inclusive, job intensive, resilient, competitive and smart economy that harnesses the potential of citizens	% resolution of AGSA findings	70% resolution of AGSA findings	100% resolution of AGSA findings	76%	76%	82%	82%	Target not met
19	Sustainable service delivery	An inclusive, job intensive, resilient, competitive and smart economy that	% fleet availability to operate scheduled trips met	174% fleet availability to operate scheduled trips met	90% of quarterly fleet requirement	96%	91%	88%	91%	Target met

		harnesses the potential of citizens											
20	Improve and strengthen financial position	An inclusive, job intensive, resilient, competitive and smart economy that harnesses the potential of citizens	% implementation of the strategic risk management action plan findings resolved	75% implementation of the strategic risk management action plan findings resolved	100% implementation of the strategic risk management action plan findings resolved	67%	83%	83%	83%	83%	83%	83%	Target not Met
21	Sustainable service delivery	An inclusive, job intensive, resilient, competitive and smart economy that harnesses the potential of citizens	% of pre-determined objectives achieved	89% of pre-determined objectives achieved	85% achievement of pre-determined objectives achieved	85%	65%	60%	52%	71%			Target not met

Program 6: Technology and Business Enablement

#	PIP	GDS 2040 Outcome	Key Performance Indicator	Baseline 2021/22	2022/23 Target	Q1 Actual	Q2 Actual	Q3 Actual	Q4 Actual	Year to Date	Means of verification and Key Interventions
22	Smart City	An inclusive, job intensive, resilient, competitive and smart economy that harnesses the potential of citizens	% Intelligent Transport System Projects	New	100% of Intelligent Transport Systems Projects	0	38%	86%	86%	100%	Target met

ANNEXURE C: UNACHIEVED KPI'S

Unachieved Key Performance Indicators	Key Enablers	Mitigation Actions
Total Number of EPWP jobs created	<ul style="list-style-type: none"> Recruitment Process 	<ul style="list-style-type: none"> Efficient and proper planning of recruitment
% spent on capital budget against approved capital budget	<ul style="list-style-type: none"> Market Intelligence Procurement Planning Procurement Process Project Management 	<ul style="list-style-type: none"> Pre-performance year completion of procurement processes Robust vendor management through SLAs
% of valid invoices paid within 30 days	<ul style="list-style-type: none"> Validity of Invoices Vendor Compliance Cash-Flow 	<ul style="list-style-type: none"> Efficient dispute resolution mechanism Vendor Education
% resolution of Internal Audit Findings	<ul style="list-style-type: none"> Approved Implementation Plan Performance Contracting 	<ul style="list-style-type: none"> Robust performance and consequence management
% resolution of AGSA findings	<ul style="list-style-type: none"> Approved Implementation Plan Performance Contracting 	<ul style="list-style-type: none"> Robust performance and consequence management
% implementation of the strategic risk management action plan findings resolved	<ul style="list-style-type: none"> Approved Risk Register with an implementation plan Performance Contracting 	<ul style="list-style-type: none"> Robust performance and consequence management

ANNEXURE D: CIRCULAR 88

N o	National Treasury Proposed Indicators	Ref No	2020/21 Baseline	2022/23 Targets	Q1 Actual	Q2 Actual	Q3 Actual	Q4 Actual	2022/23 Actual	Target met or not
1	Percentage of municipal bus services 'on time'	TR4.21	100%	90% scheduled bus services 'on time'	93%	94%	92%	94%	93%	Target met
2	Number of scheduled public transport access points added	TR5.11	Zero	Zero	Zero	Zero	Zero	zero	zero	Target met
3	Percentage of scheduled municipal bus service stops that are universally accessible	TR5.31	94%	90%	100%	100%	100%	100%	100%	Target met
4	Staff vacancy rate	GG1.21		< 30%	28.03%	28.03%	28.03%	28.03%	28.03%	Target met
5	Audit opinion	GG3.1	Unqualified with findings	Unqualified with findings	N/A	Unqualified with findings	N/A	N/A	Unqualified with findings	Target met

ANNEXURE E: COMPLIANCE CHECKLIST

	Person /Department Responsible	Activity	Frequency	Due Date	Status
Companies Act No 71 of 2008					
Financial Statements Sec 30	Company Secretary	Ensure that Annual Financial Statements are submitted to Registrar of companies (CIPC) together with the annual returns.	Annually by end of the month following the anniversary date of incorporation	December	Annual Financial Statements for the financial year ended 30 June 2022 were duly Submitted. Annual Financial Statements for the year ended 30 June 2023 are not yet due.
Directors, company name, registered office, registration number Sec 70	Company Secretary	Ensure that letterheads, website (and records with the Registrar) are up to date and that all official communication reflects this information. Consent to act as director to be kept on record	10 days after change	10 days after change	Completed
Annual Returns to be submitted in terms of Sec 33	Company Secretary	Ensure that annual return (comprising full details of company; directors; auditors; company secretary and financial year-end) is submitted to CIPC within 30 days of anniversary date of registration.	Annually by end of the month following the anniversary date of incorporation	May	Annual returns for the financial year ended 30 June 2021 were duly returned. Annual returns for the financial year ended 30 June 2022 were duly returned.

	Person /Department Responsible	Activity	Frequency	Due Date	Status
Board Meetings	Company Secretary	Ensure that: meetings take place; terms of reference are up to date and adhered to; meetings are duly constituted; minutes are taken and filed.	Quarterly	Quarterly	Completed - Board meetings take place quarterly, and minuted. Terms of references are up to date.
Annual General Meetings	Company Secretary	Ensure that: meetings take place; terms of reference are up to date and adhered to; meeting is duly constituted; all members are represented; minutes are taken and filed.	Annually	Within 6 months of year end	AGM took place on 1 March 2023
Auditor appointed	Company Secretary	Auditor consent to appointment and same to be lodged with CIPC	Annually	Annually	A new Board was appointed at the AGM on 01 March 2023 and upon receiving resolutions of AGM will the appointed Auditors be lodged with CIPC
Register of directors and Officials	Company Secretary	Register of directors and officials to be maintained	Annually	Annually	A new Board was appointed at the AGM on 01 March 2023 and upon receiving resolutions of AGM will the appointed Auditors be lodged with CIPC
Labour Relations and Employment Law					
Labour Relations Act No. 66 of 1995	GM: Corporate Services	Ensure that Act is adhered to.	Ongoing	Done and Ongoing	Engagements with organized labour are ongoing. Discipline and disputes are dealt with in terms of the legislative provisions. Conditions of employment are in line with the Act
Basic Conditions of Employment Act No. 11 of 2002	GM: Corporate Services	Ensure that Act is adhered to.	Annually	Done and Ongoing	Conditions of employment, i.e. working hours and leave arrangements are in place in terms of the collective agreement.

	Person /Department Responsible	Activity	Frequency	Due Date	Status
Employment Equity Act No. 55 of 1998	GM: Corporate Services	Submission of Employment Equity plan	Every five (5) years	Upcoming quarter and ongoing	Employment Equity plan submitted January 2019.
		Submission of Employment Equity plan report	Annually		Employment Equity plan report submitted January 2022.
Occupational Health and Safety Act No. 85 of 1993	GM: Corporate Services	Ensure execution that a safe and hygienic working environment is maintained and that the Act is displayed in the workplace.	Annually	Annually	A plan was developed to deal with adverse findings: <ul style="list-style-type: none"> - Electrical compliance at head office. - More capex for upgrades
Skills Development Act No.97 of 1998 as amended by the Skills Development Act, 2003	GM: Corporate Services	Ensure that the Works Skills Plan is submitted and implemented	Annually	April	WSP in place <ul style="list-style-type: none"> - Contracts are in place. - Training was conducted. - Training committee meets on a regular basis
Unemployment Insurance Act No.32 of 2003	GM: Corporate Services	Ensure that all returns are submitted to the Commissioner (by the 26th of each month).	Annually	26 th of each month	Completed
Promotion of Equality and Prevention of Unfair Discrimination Act No.52 of 2002	GM: Corporate Services	Ensure that requirements are met and that the Metrobus Code is adhered to.	Annually	Annually	In place
Compensation for Occupational Injuries and	GM: Corporate Services	Ensure that Act is adhered to - Return of Earnings (W.As.8) and Act is adhered	Annually	Ongoing	Completed

	Person /Department Responsible	Activity	Frequency	Due Date	Status
Diseases Act No. 130 of 1993 ("COVID")		to - lodgement of employee claims			
Code of conduct of schedule 2 of the Municipal Systems Act	Employees	Declaration of interest	Annually	Annually	Employee Declaration of interest for the financial year ending 30 June 2022 were duly completed. Employee declarations of interest for the financial year ending 30 June 2023 are not yet due.
Finance / Value Added/ Tax Law					
Value Added Tax No. 89 of 1991	Chief Financial Officer	Submit relevant returns to the Receiver by the 25th of every month. (If submitted by EFT the due date is the 31 of each month.)	Annually	End of each month	Completed
Income Tax Act No. 58 of 1962	Chief Financial Officer	Ensure that relevant returns are submitted to the Receiver	Annually	Annually	Completed
Income Tax Act No. 58 of 1962 PAYE	GM: Corporate Services	Ensure that monthly payments are made.	Annually	Monthly	Completed
Prevention and Combating of Corrupt Activities Act No 12 of 2004 (Anti-corruption Act)	CAE	Ensure corruption is managed effectively	Annually	Annually	Completed. An anonymous tip-offline which is managed by an independent party is in place. No tip-offs were received during this quarter.
Protected Disclosures Act, No 26 of 2000 (Whistleblowing Act);	CAE	Management of whistleblowing hotline – reports received and addressed in line with policy	Annually	Monthly	Completed. No disclosures were made during this quarter.

	Person /Department Responsible	Activity	Frequency	Due Date	Status
Financial Intelligence Centre Act, No 38 of 2001	Chief Financial Officer	All service providers FICA compliant	Annually	Annually	Completed
General laws					
Road Traffic Act	GM: Operations	Ensure that all vehicles licenses and traffic fines are paid.	Annually	Annually	Completed
Code of Conduct for Municipal Staff Members, (schedule 2 to the Municipal Systems Act No 32 of 2000)	All Departments & Directors and Board Sub-Committees	Ensure that written declarations of interests are recorded	Annually	Annually	Completed
Protection of Personal Information Act	CIO	Ensure all personal information (employees, bidders, contractors etc.) is treated with the necessary safeguards to ensure compliance with Act	Annually	Annually	Completed and ongoing
National Archives and Records Services of South Africa Act	GM: Corporate Services	Ensure there is a records management system and documents are stored in the manner, and for the required time frame, as per legislation	Annually	Annually	Completed and ongoing
National Road Traffic Act 93 of 1996 and chapter VIII of National	GM: Operations	Transportation of dangerous goods as classified in terms of SABS code of practice (SANS 0228:2012);	Annually	Annually	Completed

	Person /Department Responsible	Activity	Frequency	Due Date	Status
Road Traffic Regulations of 2000					
Environment					
Petroleum Products Act	GM Integrated Business Operations.	Ensure tanks and dispensing done in line with requirements	Annually	Annually	Completed
Agreements / Licenses etc.					
Service Delivery Agreement with City (SDA)	MD	Ensure that the Metrobus mandate is complied with.	Annually	Annually	Completed
Municipal Finance Management Act No.56 of 2003 – the said Act cross references the following Acts which should also be taken into account when determining compliance:					
S 65(2)	CFO	Payment declarations	Monthly	Monthly	Completed
S 85 86	MD	Open and operate at least one bank account and submit details to City	Annually	Annually	Completed
S 87	Board / CFO	Submit proposed Budget to City	150 days before start of FY	End Feb	Completed
S 88	Accounting Officer / Board	Mid-term report By 20 th January each year submit a report on the assessment of the entity to Board and City	Annually	20 Jan	2021/22 Mid-term report duly submitted. 2022/23 Mid-term report duly submitted
S 104	MD	Any non-compliance with MFMA responsibilities reported to City	Annually	Annually	Completed – disclosed and reported in Annual report and AFS

	Person /Department Responsible	Activity	Frequency	Due Date	Status
S 106	MD	All delegations reduced to writing	Annually	Annually	Not yet due
S 111	Finance - CFO	SCM Policy and implementation thereof	Annually	Annually	Policy in place and an update was approved in July 2018.
S 116	MD	Report to Board regularly on major supply contracts which the entity has entered into	Annually	Annually	Complied with as and when required
S 116(1)	Finance - CFO	All contracts concluded after compliance with SCM processes and in writing	Annually	Annually	Ongoing
S 121 /122 / Co Act	Board	Annual Report to City – ensure AR meets minimum reporting requirements of MFMA and Co Act.	Annually	October 30	Report not due
S 126	CFO	Submit annual financial statements to AG for auditing	Annually	October 30	Submission not due
S 165 / 166	MD / Board	Internal Audit Unit and Audit Committee	Annually	Annually	Compliant – Unit and Committee in place and functional
Circular 68 UIFW	CFO	Expenditure declarations	Quarterly	Quarterly	Completed
Broad Based Black Economic Empowerment Act No. 53 of 2003					
Broad Based Black Economic Empowerment Act No 53 of 2003	Chief Financial Officer	Compliance with framework for the accreditation and verification by all verification agencies	Annually	Annually	In Place

ANNEXURE F: RECOMMENDATIONS OF THE AUDIT COMMITTEE

No	Meeting Date	Heading	Decision	Responsible Person	Due Date	Progress
1	05 July 2022	Resolution register	<p>a. A separate resolution register containing resolutions taken since the tenure of the new Committee to be presented going forward.</p> <p>b. The resolution register is to be updated with timelines and progress.</p>	COSEC	On-going	ongoing
2	05 July 2022	Internal Audit Plan 2022/23	<p>The Committee approved the 2022/23 internal audit plan subject to the following amendments and additions:</p> <p>a. An update on the financial year on the 1st-page</p> <p>b. The quality of the assurance assessment is to be deferred to the 1st July 2022.</p> <p>c. Pending the conducting of the quality assurance, the CAE is to provide the Committee with a quarterly status report update resolving the deficiencies identified.</p>	CAE		Completed.
3	05 July 2022	Internal Audit Charter 2022/23	The Committee approved the Internal audit Charter 2022/23	CAE		Completed
4	05 July 2022	Procurement Plan 2022/23	The Committee recommended the 2022/23 Procurement Plan for approval subject to an inclusion of a column stipulating which items will be actioned in the next 12 months.	CFO	Next Board Meeting	Completed

5	05 July 2022	4 th Quarter Performance Assessment Report	The Committee recommended the report subject to it being updated before tabling it at the Board Meeting	MD	Next Board Meeting	Completed.
6	05 July 2022	User Access Management Policy	The Committee recommended the policy for Board approval	ACIO	Next Board Meeting	Completed.
7	05 July 2022	BCP (ICT)	<p>The Committee recommended the ICT Disaster Recovery/ Business Continuity Plan to the Board for approval with the following inputs:</p> <p>a. The Committee is to provide their further comments post the meeting, the report is to be circulated to the committee members, and ACIO is to update the report with further comments received.</p> <p>b. A matrix to be included in the BCP highlighting who will be responsible for certain functions.</p>	CIO	Next Board Meeting	Completed
8		4 th Quarter Internal Audit Report	The Committee noted the report.	CAE		Completed
9		AG Findings tracking Matrix	The Committee noted the report.	CAE		Completed.
10		Metrobus Compliance Universe	The Committee noted the report.	CAE		Completed
11	05 July 2022	UIFW Register	The Committee noted the report.	CAE		Completed

12	05 July 2022	Progress on Procurement Plan 2021/22	The Committee noted the report.	CFO		Completed.
13	05 July 2022	Awarded Tender Report	The Committee noted the report.	CFO		Completed.
14	05 July 2022	4 th Quarter Finance report	The Committee noted the report.	CFO		Completed.
15	05 July 2022	4 th Quarter ICT Report: Security, Compliance, and Governance	The Committee noted the report.	ACIO		Completed.
16	29 August 2022	2022 Engagement Letter and Audit Strategy	The Committee Approved the 2022 Engagement Letter and Audit Strategy	AGSA	16 September 2022	Completed
17	29 August 2022	2021/22 Pre-Audited Financial Statements	The Committee recommended the 2021/22 Pre-Audited Financial Statements to the Board for Approval subject to amendments	CFO	Before the Board Meeting	Completed

18	29 August 2022	2021/22 Draft Integrated Annual Reports	The Committee recommended the 2021/22 Draft Integrated Annual Report to the Board for Approval subject to amendments	MD	Before the Board Meeting	Completed
19	29 August 2022	2022/23 Procurement Plan	The Committee recommended the 2022/23 Procurement Plan to the Board for Approval subject to amendments	CFO	Before the Board Meeting	Completed
20	03 October 2022	2022/23 First Quarter Performance Report	The Committee recommended the 2022/23 First Quarter Performance Report to the Board for approval subject to amendments	MD	Before the Board Meeting	Completed
21	29 November 2022	2021/22 Management Report and Audit	The Committee recommended the Management Report and Audit Report subject to amendments	AGSA	Immediately	Completed
22	29 November 2022	2021/22 Audited Annual Statements	The Committee recommended the 2021/22 Audited Financial Statements to the Board for Approval subject to amendments	CFO	Immediately	Completed

23	29 November 2022	2021/22 Integrated Annual Report	The Committee recommended the 2021/22 Integrated Annual Report to the Board for Approval subject to amendments	MD	Immediately	Completed
24	10 January 2023	2022/23 Mid-Term Performance Assessment Report	The Committee recommended the 2022/23 Mid-Term Performance Report to the Board for approval subject to amendments	MD	Immediately	Completed
25	10 January 2023	Information Memos	Information memos on the entity provided to the Board to be shared with the Independent Audit Members.	Cosec	Going forward	Completed
26	10 January 2023	Deviation Mid-Year 2022/23 Business Plan	The Report was deferred to the ARC meeting of 26 January 2023	AMD	26 January 2023	Completed
27	26 January 2023	GFIS Investigations Status Report	The Committee noted the GFIS Investigation Status Report.	GFIS	immediately	Completed

28	26 January 2023	ICT Business Continuity Plan	The Committee recommended the ICT Business Continuity Plan to the Board for approval.	CIO	immediately	Completed
29	26 January 2023	Deviation Mid-Year 2022/23 Business Plan	The Committee recommended the Deviation to Mid-Year 2022/23 Business Plan to the Board for Approval.	AMD	Immediately	Completed
30	26 January 2023	UIFWs	<p>The Committee recommended that the Board approves the following UIFWs to be written off:</p> <ul style="list-style-type: none"> • AON - R 28 620 475 • Allan Black - R 2 027 347 • Bonani Chartered Accountants - R 2 763 651 • PK Bus Builders - R 1 568 537 • Aubrey Nyiko Training - R 181 227 • Tat-Iching - R 761 833 • Viva Engineering - R 6 941 523 • BP Petroleum - R 1 220 707 • Lawson Naidoo - R 1 243 200 • Pinpoint One - R 102 600 	CAE	Immediately	Completed

31	26 January 2023	Mid-Year Audit Reports	The Committee noted the following reports: <ul style="list-style-type: none"> • Mid-Year Internal Audit Report • AG Findings Report • External Audit Findings Matrix • Internal Audit Findings Matrix 	CAE	Immediately	Completed
32	26 January 2023	Mid-Year Risk Report	The Committee noted the Mid-Year Risk Report.	CAE	Immediately	Completed
33	26 January 2023	Quality Assurance Improvement Programme	The Committee noted the Quality Assurance Improvement Programme.	CAE	Immediately	Completed
34	26 January 2023	Internal Audit Methodology	The Committee noted the Internal Audit Methodology.	CAE	Immediately	Completed
35	26 January 2023	Metrobus Compliance Checklist	The Committee noted the Compliance Checklist.	CAE	Immediately	Completed

36	26 January 2023	Progress on the 2022/23 Procurement Plan and Awarded Tenders	The Committee noted the progress on the 2022/23 Procurement Plan and the Award Tenders.	CFO	Immediately	Completed
37	26 January 2023	ARC Scorecard	The Committee noted the ARC Scorecard.	Cosec	Immediately	Completed
38	26 January 2023	ARC Charter	The Committee recommended the ARC Charter to the Board for approval.	Cosec	Immediately	Completed
39	26 January 2023	PAIA Manual	The Committee resolved not to recommend the PAIA Manual to the Board until all the information required in the manual was completed.	Cosec	Going forward	Completed
40	26 January 2023	Policy Review: Accounts Payable Policy	The Committee recommended the Accounts Payable Policy to the Board for approval.	CFO	Immediately	Completed
41	26 January 2023	Preferential Procurement Regulations of 2022 (PPFA)	The Committee noted the update.	CFO	Immediately	Completed

42	26 January 2023	ICT Mid-Year Report	The Committee noted the Mid-Year ICT Report.	CIO	immediately	Completed
43	17 April 2023	Third Quarter Performance Assessment Report	The Committee recommended the 2022/23 Third Quarter Performance Assessment Report for approval by the Board subject to amendments	AMD	immediately	Completed
44	26 April 2023	PAIA Manual	The Committee recommended the PAIA Manual to the Board for approval subject to the final editing of the table of content page to be in alignment with the headings and the page numbers.	Cosec	immediately	Completed
45	26 April 2023	Third Quarter Audit Reports	<p>The Committee noted the following reports:</p> <ul style="list-style-type: none"> • 3rd. Quarter Internal Audit Report • AG Findings Report • External Audit Findings Matrix • Internal Audit Findings Matrix 	CAE	immediately	completed
46	26 April 2023	Third Quarter Risk Report	The Committee noted the Third Quarter Risk Report.	CAE	immediately	completed
47	26 April 2023	UIFWs	The Committee noted the UIFWs reported	CAE	immediately	completed

48	26 April 2023	Update on GFIS investigations	The Committee noted the update on the GFIS investigations.	CAE	immediately	completed
49	26 April 2023	Metrobus Compliance Checklist	The Committee noted the Compliance Checklist.	CAE	immediately	completed
50	26 April 2023	Awarded Tenders and Progress on 2022/23 Procurement Plan	The Committee noted the update on the awarded tenders and the progress on the 2022/23 Procurement Plan.	ACFO	immediately	completed
51	26 April 2023	Committee Scorecard	The Committee noted the Committee Scorecard.	Cosec	immediately	completed
52	26 April 2023	Policy Review	The Committee recommended the following policies to the Board for approval. i. Account Management Policy ii. Asset Management Policy iii. Revenue Management Policy iv. Supply Chain Management Policy	ACFO	immediately	completed
53	26 April 2023	Third Quarter CFO Report and Financial	The Committee noted the Third Quarter CFO Report and Financial Performance and Exposure Report	ACFO	immediately	completed

		Performance & Exposure Report					
54	26 April 2023	Third Quarter ICT: Security, Compliance and Governance Report	The Committee noted the Third Quarter ICT: Security, Compliance and Governance Report.	ACIO	immediately	completed	
55	29 May 2023	2023/24 Business Plan	The Committee recommended the 2023/24 Business Plan for approval by the Board subject to amendments	CSBS	immediately	completed	
56	26 June 2023	Consideration of the UIFWs Report	<ol style="list-style-type: none"> 1. That the Board endorses the UIFWs previously approved for write-off. 2. The Board to approve the 2021/22 irregular expenditure amounting to R 34 909 133, to be written off. 	CAE	Immediately	Completed	

ANNEXURE G: BOARD OF DIRECTORS; COMMITTEE ALLOCATION AND ATTENDANCE

Board Composition

The composition of the Board is as follows

Member Name	Role
Ms. Chinelle Stevens	Chairperson - NED
Mr. Charley Pietersen	Non-Executive Director
Mr. Lemarco Mitchell	Non-Executive Director
Mr. Hein Toerien	Non-Executive Director
Ms. Patricia Jacobs	Non-Executive Director
Ms. Tiphany Harmse	Non-Executive Director
Ms. Ponds Petersen	Non-Executive Director
Ms. Ompemetse Mokgosi	Non- Executive Director
Ms. Lungisile Mkize	Non- Executive Director
Ms. Sharifa Prinsloo	Non- Executive Director
Ms. Khanya Sithebe	Non- Executive Director
Mr. Luyanda Gidini	Executive Director: Acting MD from 24 November 2022
Mr. Patrick Matanhire	Executive Director: Acting CFO from 19 December 2022

Independent Audit and Risk Committee Members

#	Independent Audit Committee (IAC)
1	Ms. Michele Botha
2	Ms. Gloria Matshusa
3	Mr. Wayne Buckley
4	Mr. Antonio Ferreira

The composition of the Board Committees prior to the Annual General Meeting on 1 March 2023 was as follows:

Audit and Risk Committee

Member Name	Role
Lita Mbokotho	Chairperson NED
Simphiwe Mamvura	Non-Executive Director
Ethel Ruiters	Independent ARC Member
Refilwe Morajane	Independent ARC Member

Human Resources, Social and Ethics Committee

Member Name	Role
Dr Lawrence Kok	Chairperson NED
Dr Olwethu Sipuka	Non-Executive Director
Tumelo Mlangeni	Non-Executive Director

Service Delivery Committee

Initial and Surname	Role
Simphiwe Dzengwa	Chairperson NED
Gloria Matshusa	Non-Executive Director
Judith Shiwundlana	Non-Executive Director

Composition of the Board Committees post the Special General Meeting on 1 March 2023 was as follows:

Audit and Risk Committee

Member Name	Role
Mr. Lemarco Mitchell	Chairperson (NED)
Ms. Patricia Jacobs	Non-Executive Director
Ms. Lungisile Mkize	Non-Executive Director
Mr. Wayne Buckley	Independent ARC Member

Ms. Gloria Matshusa	Independent ARC Member
Mr. Tony Ferreira	Independent ARC Member
Ms. Michele Botha	Independent ARC Member

Human Resources, Social and Ethics Committee

Member Name	Role
Ms. Khanya Sithebe	Chairperson (NED)
Mr. Hein Toerien	Non-Executive Director
Ms. Ponds Petersen	Non-Executive Director

Service Delivery Committee

Member Name	Role
Mr. Charley Pietersen	Chairperson (NED)
Ms. Tiphany Harmse	Non-Executive Director
Ms. Omphemetse Mokgosi	Non-Executive Director
Ms. Sharifa Prinsloo	Non-Executive Director

Attendance of meetings from 1 July 2022 to June 2023

During the financial year under review there were five (5) formal meetings with the shareholder. This comprised of the four chairperson's quarterly meetings as well as the annual general meeting held in March 2023. Further, there were twenty (20) Board meetings during the Financial Year. This comprised of nine (9) ordinary Board meetings, six (6) special Board meetings, three (3) – day Board strategy session and two 2-day Board induction. The attendance to the ordinary and special Board meetings was as follows:

Current Members

Member Name	Role	Meetings Attended
Ms. Chinelle Stevens	Chairperson - NED	5
Mr. Charley Pietersen	Non-Executive Director	5
Mr. Lemarco Mitchell	Non-Executive Director	5

Mr. Hein Toerien	Non-Executive Director	5
Ms. Patricia Jacobs	Non-Executive Director	5
Ms. Tiphany Harmse	Non-Executive Director	5
Ms. Ponds Petersen	Non-Executive Director	4
Ms. Ompemetse Mokgosi	Non- Executive Director	5
Ms. Lungisile Mkize	Non- Executive Director	5
Ms. Sharifa Prinsloo	Non- Executive Director	5
Ms. Khanya Sithebe	Non- Executive Director	5
Mr. Luyanda Gidini	Executive Director: Acting MD from 24 November 2022	15
Mr. Patrick Matanhire	Executive Director: Acting CFO from 19 December 2022	10

Retired Members

Member Name	Role	Meetings
Ms. Yongama Pamla	Non-Executive Director	10
Mr. Tumelo Mlangeni	Non-Executive Director	10
Mr. Simphiwe Dzengwa	Non-Executive Director	10
Ms. Lita Mbokotho	Non-Executive Director	10
Dr. Lawrence Kok	Non-Executive Director	10
Dr. Olwethu Sipuka	Non-Executive Director	10
Ms. Judith Nyavasana Shiwundlana	Non-Executive Director	10
Ms. Gloria Fhulufhedlana Matshusa	Non-Executive Director	10
Ms. Simphiwe Mamvura	Non-Executive Director	10
Ms. Xoliswa Mhlongo	Executive Director	10
Mr. Luyanda Gidini	Executive Director	10

Audit and Risk Committee

The Audit and Risk Committee met ten (10) times to discuss and deliberate matters necessary to fulfil its role. This included the review of quarterly reporting of management, the

review of the annual report for submission to the Auditor-General as well as review of the Auditor-General's Management and Audit Report on the entity.

Current Members

Member Name	Role	Meetings Attended	Appointed Date
Mr. Lemarco Mitchell	Chairperson (NED)	4	01 March 2023
Ms. Patricia Jacobs	Non-Executive Director	4	01 March 2023
Ms. Lungisile Mkize	Non-Executive Director	4	01 March 2023
Mr. Wayne Buckley	Independent ARC Member	4	01 March 2023
Ms. Gloria Matshusa	Independent ARC Member	4	01 March 2023
Mr. Tony Ferreira	Independent ARC Member	4	01 March 2023
Ms. Michele Botha	Independent ARC Member	4	01 March 2023

Retired Members

Member Name	Role	Meetings attended	Retirement date
Mr. Lita Mbokotho	Chairperson (NED)	6	01 March 2023
Ms. Simphiwe Mamvura	Non-Executive Director	6	01 March 2023
Ms. Ethel Ruiters	Independent ARC Member	4	01 March 2023
Ms. Refilwe Morajane	Independent ARC Member	6	01 March 2023

Human Resources, Social and Ethics Committee

The Committee met on three (03) occasions.

Current Members

Member Name	Role	Meetings Attended	Appointment Date
Ms. Khanya Sithebe	Chairperson	1	1 March 2023
Mr. Hein Toerien	NED	1	1 March 2023
Ms. Ponds Petersen	NED	1	1 March 2023

Retired Members

Member Name	Role	Meetings Attended	Retirement Date
Dr. Larence Kok	Chairperson	2	1 March 2023
Dr. Olwethu Sipuka	NED	2	1 March 2023
Mr. Tumelo Mlangeni	NED	2	1 March 2023

Service Delivery Committee

The Committee met on three (03) occasion during the financial year.

Current Members:

Member Name	Role	Meetings attended	Appointment Date
Mr. Charley Pietersen	NED	1	1 March 2023
Ms. Tiphany Harmse	NED	1	1 March 2023
Ms. Omphemetse Mokgosi	NED	1	1 March 2023
Ms. Sharifa Prinsloo	NED	1	1 March 2023

Retired Members

Member Name	Role	Meetings attended	Appointment Date
Mr. Simphiwe Dzengwa	NED	2	1 March 2023
Ms. Gloria Matshusa	NED	2	1 March 2023
Ms. Judith Shiwundlana	NED	2	1 March 2023

ANNEXURE H: COMMITTEE AND COMMITTEE PURPOSE

Board Committees

- Audit and Risk Committee
- Human Resources, Social and Ethics Committee
- Service Delivery Committee

Audit and Risk Committee Purpose

- Appointment of the Auditor General of South Africa (“AGSA”) as auditor
- Ensure the financial statements are prepared in accordance with standards of Generally Recognised Accounting Practice (GRAP) and in the manner required by the Act;
- Review and discuss the audited financial statements with management;
- Consider and make where necessary, recommendations on internal financial controls;
- Consider the content of annual financial statements, and internal financial controls;
- Review legal matters that could have a significant impact on the organisation’s financial statements;
- Evaluation of the internal audit function;
- Approve the internal audit charter;
- Approve the internal and external audit plans;
- Consider audited financial statements; and
- Consider AG audit and management reports

Human Resources, Social and Ethics Committee Purpose

The HRSE advises the Board on the following matters:

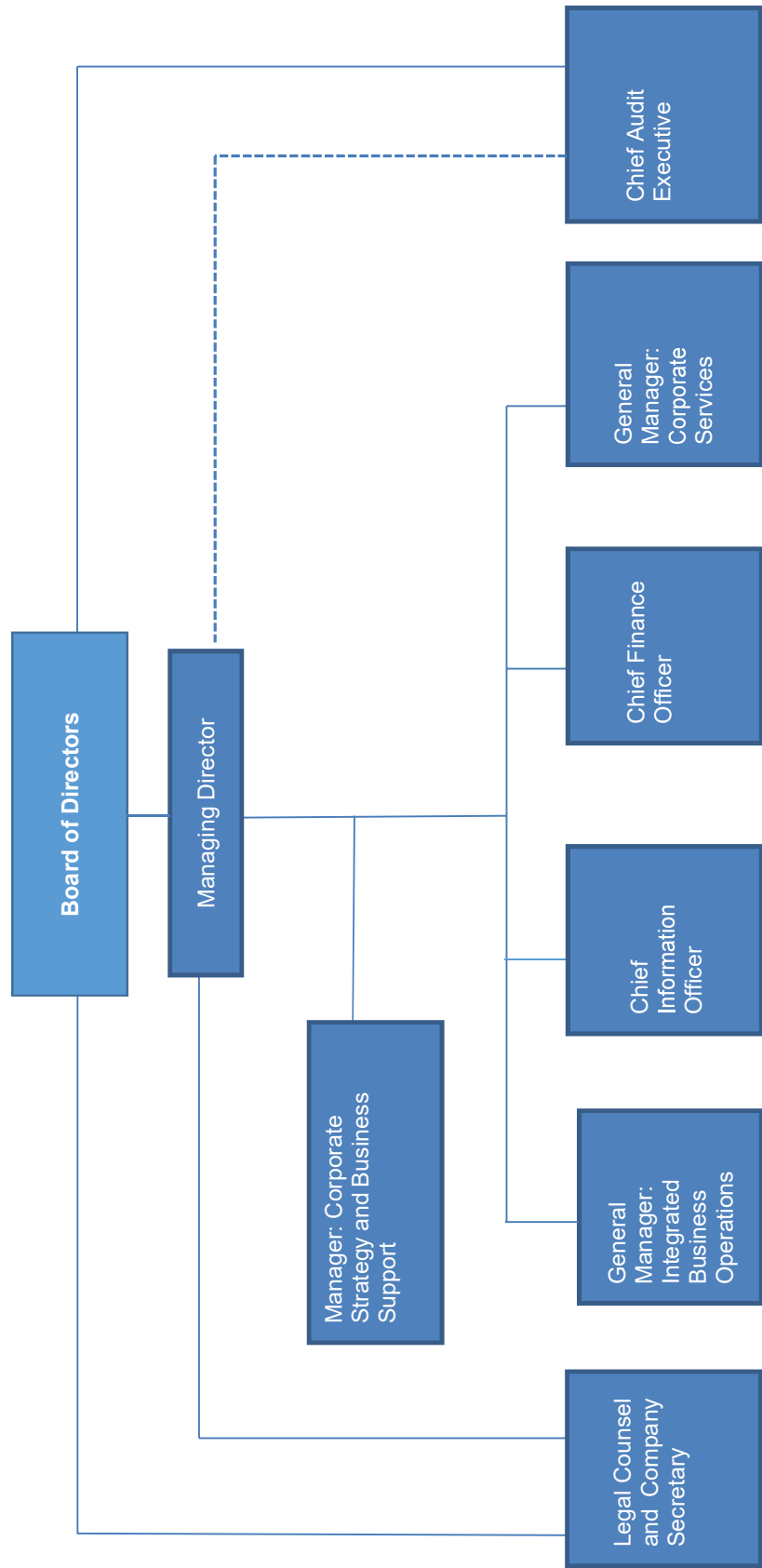
- Human resources policies,
- Determine specific Remuneration packages
- Conditions of employment;
- Oversight on performance management
- Monitoring of organisational structure
- Monitoring skills development; and
- Social and Ethics matters.

Service Delivery Committee Purpose

The SDC advises the Board on the following matters

- Oversee and direct the development of the enterprise strategy
- Review organizational needs and objectives in line with the company's mission and/or goals
- Guide and monitor marketing and communication services of the company
- Reviewing of operation services strategy and activities
- Monitoring use of the core operations budget
- Establishing Operation Committee's policies and agreements and monitoring compliance with them.
- Ensuring that there are appropriate systems across the company to support the company's objective in operations.
- Monitor Information Technology (IT) support for the business
- Monitoring and advising on existing programmes and activities
- Monitoring key performance indicators of the entity.

ANNEXURE I: THIRD TIER ADMINISATRATION STRUCTURE



ANNEXURE J: FUNCTIONS OF THE ENTITY

Metrobus is a municipal entity, wholly owned by the City of Johannesburg and is mandated to promote accessible, reliable and environmentally friendly mobility through an efficient and sustainable bus services to the residents of Johannesburg.

ANNEXURE K: CAPITAL PROGRAMME BY PROJECT CURRENT YEAR

Project Name	Original Approved Budget(R 000's)	Adjustments (R 000's)	Adjusted Budget(R 000's)	Actual expenditure (R 000's)	% Spent against total budget%
Plant, tools, equipment & Furniture	2 000		2 000	1 789	89%
IT Equip, New Computers and Hardware Computer	30 000		30 000	29 702	99%
Engine and Gear box refurbishment	5 000		5 000	4 973	99%
Bus Refurbishment	22 000	-22 000	-	-	0%
Automated Fare Collection (AFC)	1 000	-1 000	-	-	0%
Total Capital expenditure	60 000	-23 000	37 000	36 465	99%

ANNEXURE L: REVENUE COLLECTION PERFORMANCE BY SOURCE

		June 2023	June 2022
		YTD	YTD
		Actual	Actual
Description	Classification	R	R
<u>Operating Income</u>	-	641 506 452	568 544 465
<u>Fare Revenue</u>	-	64 678 795	45 997 913
Fares, Cash	Other revenue	4 271 982	1 696 613
Fares, Coupons	Other revenue	55 334 730	40 662 237
Bus Hire - Contracts	Other revenue	0	84 279
Bus Hire - Daily	Other revenue	2 558 669	475 411
Eldorado Park	Other revenue	2 513 414	3 079 373
<u>Passenger Subsidy</u>	-	570 926 531	517 074 394
Subsidies - Other	Transfers and subsidies received : Inter-Company	570 926 531	517 074 394
<u>Sundry Revenue</u>		5 901 126	5 472 158
Other sundry Revenue	Other revenue	1 195 841	205 544
Sale of tags	Other revenue	1 212 571	847 979
Interest Received	Interest earned - external investments	2 243 889	1 232 488
Local Gov Bodies Training Fund	Other revenue	1 248 825	3 186 147

ANNEXURE M ANNUAL FINANCIAL STATEMENTS

ANNEXURE M ANNUAL FINANCIAL STATEMENTS



Johannesburg Metropolitan Bus Services (SOC) Limited
(Registration number 2000/004704/30)
Trading as Metrobus
Annual Financial Statements
for the year ended 30 June 2023

Johannesburg Metropolitan Bus Services (SOC) Limited

(Registration number 2000/004704/30)

Trading as Metrobus

Annual Financial Statements for the year ended 30 June 2023

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Providing a public bus service to the commuters of the City of Johannesburg as well as short term private fleet rental
Chief Finance Officer (CFO)	Patrick Matanhire (Acting)
Registered office	Transportation House 1 Raikes Road Braamfontein 2000
Business address	Transportation House 1 Raikes Road Braamfontein 2000
Postal address	PO Box 1787 Johannesburg 2000
Controlling entity	The City of Johannesburg Metropolitan Municipality incorporated in South Africa
Bankers	Standard Bank South Africa
External Auditors	Auditor General - South Africa
Secretary	Zibonele Sibisi
Company registration number	2000/004704/30
Tax reference number	9294142147
Preparer	The annual financial statements were internally compiled by: Mr Patrick Matanhire Acting Chief Financial Officer

Johannesburg Metropolitan Bus Services (SOC) Limited

(Registration number 2000/004704/30)

Trading as Metrobus

Annual Financial Statements for the year ended 30 June 2023

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

Johannesburg Metropolitan Bus Services (SOC) Limited

(Registration number 2000/004704/30)

Trading as Metrobus

Annual Financial Statements for the year ended 30 June 2023

Board's Responsibilities and Approval

The directors are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

The annual financial statements 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 control established by the entity and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise 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 management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The directors have reviewed the entity's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The entity is wholly dependent on the entity for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the entity has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although the board is primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 185.

The annual financial statements presented have been prepared on the going concern basis, were approved by the board on 31 August 2023 and were signed on its behalf by:



Luyanda Gidini
Acting Managing Director



Mr. Lemarco Mitchell
Board Chairperson

Johannesburg Metropolitan Bus Services (SOC) Limited

(Registration number 2000/004704/30)

Trading as Metrobus

Annual Financial Statements for the year ended 30 June 2023

Audit and Risk Committee Report

1. INTRODUCTION

We are pleased to present the Audit and Risk Committee (ARC) report for the financial year ended 30 June 2023. Metrobus has a single committee that function's as both the audit and risk committee of the entity.

2. AUDIT AND RISK COMMITTEE

This Audit and Risk Committee [ARC] is established in terms of the Section 166 of the MFMA. The Audit and Risk Committee is an independent advisory body which

(a) advises the board of directors, the accounting officer and the management staff of the entity, on matters relating to:

- Internal Financial control and internal audits;
- risk management;
- accounting policies;
- the adequacy, reliability and accuracy of financial reporting and information;
- performance management;
- effective governance;
- compliance with this Act and any other applicable legislation;
- performance evaluation; and any other issues referred to it by the municipality or municipal entity;

(b) reviews the annual Financial statements to provide the municipal entity, the council of the parent municipality and the board of directors of the entity, with an authoritative and credible view of the Financial position of the municipal entity, its efficiency and effectiveness and its overall level of compliance with this Act, the annual Division of Revenue Act and any other applicable legislation;

(c) responds to the council on any issues raised by the AuditorGeneral in the audit report;

The Audit and Risk Committee has adopted appropriate formal terms of reference in the form of an Audit and Risk Committee Charter. The Audit and Risk Committee has discharged its functions in compliance with this charter and has discharged all its responsibilities as contained therein. The Board adopted the Audit and Risk Committee terms of reference on 29 April 2021. The terms of reference sets out the roles and responsibilities delegated by the Board to the Committee and define the Committee's composition and purpose. The audit and risk committee reports that it has complied with its responsibilities arising from Section 166(2) (a) of the MFMA

3. AUDIT AND RISK COMMITTEE

The audit and risk committee consists of the members listed hereunder and should meet atleast four (04) times per annum. Special meetings where necessary are permitted as per the approved terms of reference. In March 2023, a new board was appointed. This resulted in change in the composition of the audit committee.

4. KEY RISKS

The ARC has identified the following key risks during the year:

- closure of internal and external audit findings
- lack of an automated cash management system
- alternative funding revenue streams
- debt liability on the finances of the Company

ARC RECOMMENDATIONS

- the Audit and Risk Committee recommended that:
- a sustainable funding model be developed and implemented.
- the debt resulting from a loan from the shareholder be further negotiated and pursued with the shareholder.
- an automated fare collection system be procured to address the completeness of revenue;

5. INTERNAL AUDIT

The Audit and Risk Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity and its audits.

The Audit and Risk Committee has approved the Internal Audit Charter and the Internal Audit Methodology in January 2023. The Audit committee has also performed one assessment of the Internal Audit Function for the year under review.

Johannesburg Metropolitan Bus Services (SOC) Limited

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Audit and Risk Committee Report

6. THE EFFECTIVENESS OF INTERNAL CONTROL

The system of internal controls applied by the entity over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the audit and risk committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

The audit and risk committee is satisfied with the content and quality of the quarterly reports prepared and issued by the Finance Department board of the entity during the year under review.

7. GOING CONCERN

The Audit and Risk Committee noted that the annual financial statements were prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The Audit and Risk Committee also noted that the entity is technically insolvent. This arose from under revenue collections due to high number of out of commission buses as well as the lack of a proper fare collection system, the significant debt burden of the entity and the lack of adequate routes to drive revenue.

The entity is wholly dependent on the City of Johannesburg Metropolitan Municipality for continued funding of its operations. The Audit and Risk Committee noted the subordination agreement provided by the City at year end in respect of the financial position of the entity. This provided the basis for preparing the annual financial statements on going concern basis.

8. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (UIFW)

The Audit and Risk Committee commenced investigative process, via the Internal Audit Function, into the UIFW incurred at the entity. The Audit and Risk Committee followed the processes as set out by the Council in terms of the addressing the UIFW. UIFW amounting to R318 338 401 was approved for write off by the Board of Directors..

9. COVID 19

Long-term COVID 19 impact on the business of Metrobus is still being felt with decline in revenue performance over the last three financial years with slight recovery in the 2022/23 financial year.

10. EVALUATION OF ANNUAL FINANCIAL STATEMENTS

The audit committee has:

Reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor General and the board;

- reviewed the Auditor General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices (where applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

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Annual Financial Statements for the year ended 30 June 2023

Audit and Risk Committee Report

11. AUDITOR GENERAL SOUTH AFRICA

The audit committee has met with the Auditor General of South Africa to:

Review the nature, scope and extent of work;

Approve the audit plan and fees;

Discuss and deliberate the findings reported in the Management Report to the entity; and

Discuss and deliberate the Auditor General's Audit Report of entity.

AUDIT COMMITTEE RESPONSIBILITY

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.



Chairperson of the Audit Committee

Date: 30/11/2023

Johannesburg Metropolitan Bus Services (SOC) Limited

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Trading as Metrobus

Annual Financial Statements for the year ended 30 June 2023

Directors Report

The directors submit their report for the year ended 30 June 2023.

1. Incorporation

The entity was incorporated on 09 March 2000 and obtained its certificate to commence business on the same day.

2. Review of activities

Main business and operations

The entity is engaged in providing a public bus service to the commuters of the city of Johannesburg as well as short term private fleet rental and operates principally in South Africa.

3. Going concern

We draw attention to the fact that at 30 June 2023, the entity had an accumulated deficit of R (468 030 134) and that the entity's total liabilities exceed its assets by R (250 086 151). The key contributors to this position as a result of an accumulated under collection of revenue, an outdated fare collection model as well as material historical debt burden. The under collections are a result of the old revenue system in use.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The company is wholly dependent on the City of Johannesburg Metropolitan Municipality for continued funding of its operations. The financial statements are prepared on the basis that the City of Johannesburg Metropolitan Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the company's operations, and will be providing the required funding of operations accordingly.

Should the subsidies be withdrawn, it is management and the Board's opinion that the company would not be in a position to continue as a going concern on its current mandate. Management and the Board are unaware of any reason that could cause the City of Johannesburg Metropolitan Municipality to withdraw its financial support and therefore have no reason to believe that the company would not be operating in the foreseeable future.

4. Share capital / contributed capital

There were no changes in the authorised or issued share capital of the entity during the year under review.

5. Borrowing limitations

In terms of the service delivery agreement, Johannesburg Metropolitan Bus Services (SOC) Limited does not have the authority to borrow funds. All external funding is managed under the auspices of the City of Johannesburg Metropolitan Municipality Assets and Liability Committee (ALCO).

6. Board

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

Name	Nationality	Changes
Ms Yongama Pamla (Chairperson Appointed 15 February 2022)		
Mr Luyanda Gidini (Appointed Acting MD 25 November 2022)		
Mr Patrick Matanhire (Appointed Acting CFO 19 December 2022)		
Ms Xoliswa Mhlongo (Appointed MD - December 2019)		
Mr. Tumelo Mlangeni (Appointed 15 February 2022)		
Mr. Simphiwe Dzegwa (Appointed 15 February 2022)		
Dr. Lawrence Kok (Appointed 15 February 2022)		
Dr. Olwethu Sipuka (Appointed 15 February 2022)		
Ms. Judith Nyavasana Shiwundlana (Appointed 15 February 2022)		
Ms. Gloria Fhulufhedlana Matshusa (Appointed 15 February 2022)		
Ms. Simphiwe Mamvura (Appointed 15 February 2022)		
Ms. Chinelle Stevens (Appointed 1 March 2023)		

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Annual Financial Statements for the year ended 30 June 2023

Directors Report

Board (continued)

Mr. Charley Pietersen (Appointed 1 March 2023)
Mr. Lemarco Mitchell (Chairperson Appointed 1 March 2023)
Mr. Hein Toerien (Appointed 1 March 2023)
Ms. Patricia Jacobs (Appointed 1 March 2023)
Ms. Tiphany Harmse (Appointed 1 March 2023)
Ms. Ponds Petersen (Appointed 1 March 2023)
Ms. Omphemetse Mokgosi (Appointed 1 March 2023)
Ms. Lungisile Mkize (Appointed 1 March 2023)
Ms. Sharifa Prinsloo (Appointed 1 March 2023)
Ms. Khanya Sithebe (Appointed 1 March 2023)

7. Committees of the Board

In terms of providing leadership and oversight over the affairs of the entity, the board has established the following committees with the aim of improving oversight and governance.

- Audit and Risk Committee (ARC)
- Human Resources, Social and Ethics Committee (HRSE); and
- Service Delivery Committee (SDC)

These committees are chaired by Non-Executive members of the Board.

8. Corporate governance

General

The board is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the board supports the highest standards of corporate governance and the ongoing development of best practice.

The entity confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The board discusses the responsibilities of management in this respect at Board meetings and monitor the entity's compliance with the Code on a quarterly basis.

The salient features of the entity's adoption of the Code is outlined below:

Board of directors

The Board:

- retains full control over the entity, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- is of a unitary structure comprising:
 - non-executive directors, all of whom are independent directors as defined in the Code; and
 - executive directors.
- has established a Board directorship continuity programme.

Board Chairperson and Chief Executive Officer

The Chairperson is a non-executive and independent director (as defined by the Code).

The roles of Chairperson and Chief Executive officer are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Johannesburg Metropolitan Bus Services (SOC) Limited

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Trading as Metrobus

Annual Financial Statements for the year ended 30 June 2023

Directors Report

Corporate governance (continued)

Executive meetings

The board met on - separate occasions during the financial year to consider, amongst other matters:

- The entity's quarterly performance,
- The board induction
- The draft annual report; and
- The audited annual report.

Non-executive directors have access to all members of management of the entity.

During March 2023, a new board was appointed at the Annual General Meeting. The change in the Board Members is reflected below together with the attendance of the members at meetings. Yongama Pamla was appointed as the Chairperson of the Board.

Names	Roles	Board meetings	ARC Meetings	HRSE Meetings	SDC Meetings	Chairpersons Quaterly meetings (4)	Total
Ms. Yongama Pamla	NED and Board Former Chairperson	(15) 10	(10) -	(3) -	(3) -	- 3	13
Mr. Tumelo Mlangeni	NED	10	-	3	-	-	13
Mr. Simphiwe Dzengwa	NED	10	-	-	3	-	13
Mr. Lita Mbokotho	NED	10	6	3	-	-	19
Dr. Lawrence Kok	NED	10	-	3	-	-	13
Dr. Olwethu Sipuka	NED	10	-	3	-	-	13
Ms. Judith Nyavasana Shiwundlana	NED	10	-	-	3	-	13
Ms. Gloria Fhulufhedlana Matshusa	NED	10	-	-	3	-	13
Ms. Simphiwe Mamvura	NED	10	6	-	-	-	16
New Board Members							
Ms. Chinelle Stevens	NED	5	-	-	-	1	6
Mr. Charley Pietersen	NED	5	-	-	1	-	6
Mr. Lemarco Mitchell	NED and Board Chairperson	5	4	-	-	-	9
Mr. Hein Toerien	NED	5	-	1	-	-	6
Ms. Patricia Jacobs	NED	5	4	-	-	-	9
Ms. Tiphany Harmse	NED	5	-	-	1	-	6
Ms. Ponds Petersen	NED	4	-	2	-	-	6
Ms. Omphemetse Mokgosi	NED	5	-	-	1	-	6
Ms. Lungisile Mkize	NED	5	4	-	-	-	9
Ms. Sharifa Prinsloo	NED	5	-	-	1	-	6
Ms. Khanya Sithebe	NED	5	-	2	-	-	7
Independent Audit members							
Refilwe Morajane	IAC	-	6	-	-	-	6
Keamogetswe Ruiters	IAC	-	5	-	-	-	5
New IAC Members							
Mr. Wayne Buckley	IAC	-	4	-	-	-	4
Ms. Gloria Matshusa	IAC	-	4	-	-	-	4
Mr. Tony Ferreira	IAC	-	4	-	-	-	4
Ms. Michele Botha	IAC	-	4	-	-	-	4

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Trading as Metrobus

Annual Financial Statements for the year ended 30 June 2023

Directors Report

Corporate governance (continued)

- - - - -

Audit and risk committee

The board has established the Audit and Risk committee. The Audit and Risk Committee is an independent advisory body which advises the Board on various matters, which includes but is not limited to, related to the financial control and reporting, risk management, governance matters, performance management and reporting thereon. The full roles and responsibilities of this committee are reflected in the Audit and Risk Committee Report.

As reflected in the Audit and Risk Committee Report, this committee has met four (04) times to discuss and deliberate matters necessary to fulfil its role. This included the review of quarterly reporting of management, the review of the annual report for submission to the Auditor General.

The committee is made up of the following active members:

	Role	Meetings attended	Date
Audit and Risk Committee members			
Mr. Lemarco Mitchell	Chairperson (NED)	4	Appointed 1 March 2023
Ms. Patricia Jacobs	NED	4	Appointed 1 March 2023
Ms. Lungisile Mkize	NED	4	Appointed 1 March 2023
New IAC Members			
Mr. Wayne Buckley	IAC	4	Appointed 1 March 2023
Ms. Gloria Matshusa	IAC	4	Appointed 1 March 2023
Mr. Tony Ferreira	IAC	4	Appointed 1 March 2023
Ms. Michele Botha	IAC	4	Appointed 1 March 2023

Human Resources, Social and Ethics Committee

The board has established the Human Resources, Social and Ethics Committee. The Committee met on one (01) occasions. The HRSE advises the Board on the following matters:

- Human resources policies,
- Determine specific Remuneration packages
- Other conditions of employment;
- Oversight on performance management
- Monitoring of organisational structure
- Monitoring skills development
- Social and
- Ethics matters.

The committee is made up of the following active members

	Role	Meetings attended	Date appointed
Human Resources, Social and Ethics Committee members			
Ms. Khanya Sithebe	NED & chairperson	1	Appointed 1 March 2023
Mr. Hein Toerien	NED	1	Appointed 1 March 2023
Ms. Ponds Petersen	NED	1	Appointed 1 March 2023

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Annual Financial Statements for the year ended 30 June 2023

Directors Report

. Corporate governance (continued)

Service Delivery Committee

The board has established the Service Delivery Committee, in consultation with the Shareholder. The SDC advises the Board on the following matters:

- Oversee and direct the development of the enterprise strategy
- Review organizational needs and objectives in line with the company's mission and/or goals
- Guide and monitor marketing and communication services of the company:
- Review and assess operations adequacy through
- Monitor Information Technology (IT) support for the business
- Ensure strategic compliance with shareholder requirements
- Implement operational activities of the Service Delivery Committee.

All members of the SDC Committee are Non-Executive Directors (NED) of the Board.

The committee is made up of the following active members:

	Role	Meetings attended	Date of appointment
Service Delivery Ethics Committee members			
Mr. Charley Pietersen	NED & chairperson	1	Appointed 1 March 2023
Ms. Tiphany Harmse	NED	1	Appointed 1 March 2023
Ms. Omphemetse Mokgosi	NED	1	Appointed 1 March 2023
Ms. Sharifa Prinsloo	NED	1	Appointed 1 March 2023

9. Controlling entity

The entity's controlling entity is The City of Johannesburg Metropolitan Municipality incorporated in South Africa.

10. Bankers

The company's banker is the Standard Bank of South Africa Limited (SBSA).

The management of the Treasury Function within the company is performed by the Johannesburg Metropolitan Municipality Assets and Liabilities Committee and Treasury department.

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Annual Financial Statements for the year ended 30 June 2023

Directors Report

11. External Auditors

Auditor General - South Africa will continue in office for the next financial period in accordance with the Public Audit, 2004, (Act No. 25 of 2004), section 92 of the Municipal Financial Management Act, 2003, (Act No. 56 of 2003) and section 90 of the Companies Act, 2008, Act No. 71 of 2008.

The annual financial statements which have been prepared on the going concern basis, were approved by the board on 31 August 2023 and were signed on its behalf by:



Luyanda Gidini
Acting Managing Director



Mr. Lemarco Mitchell
Board Chairperson

Johannesburg Metropolitan Bus Services (SOC) Limited

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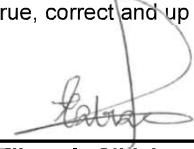
Trading as Metrobus

Annual Financial Statements for the year ended 30 June 2023

Company Secretary's Certification

Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.



Zibonele Sibisi
Company Secretary

Johannesburg Metropolitan Bus Services (SOC) Limited

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Trading as Metrobus

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Cash and cash equivalents	2	560 514	307 435
Receivables from exchange transactions	3	2 597 132	3 763 033
Receivables from non-exchange transactions	4	1 353 494	20 648
Prepayments	5	6 884 272	3 366 439
Inventories	6	16 739 302	19 294 838
		28 134 714	26 752 393
Non-Current Assets			
Property, plant and equipment	7	482 211 136	511 007 491
Intangible assets	8	34 445 870	1 888 802
Loans to shareholders	9	35 290 852	33 046 963
		551 947 858	545 943 256
Total Assets		580 082 572	572 695 649
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	158 162 531	111 587 658
VAT payable	12	-	4 502
Unspent deferred revenue	17	2 874 825	2 740 931
Provisions	19	3 478 133	3 569 731
Loans from shareholders	9	542 310 398	478 307 226
Other financial liabilities	18	59 173 340	45 715 343
Finance lease obligation	16	1 486 314	-
		767 485 541	641 925 391
Non-Current Liabilities			
Other financial liabilities	18	46 901 463	106 074 803
Finance lease obligation	16	8 717 720	-
Employee benefit obligation	13	7 064 001	8 054 001
		62 683 184	114 128 804
Total Liabilities		830 168 725	756 054 195
Net Assets		(250 086 153)	(183 358 546)
Share capital / contributed capital	14	54 774 330	54 774 330
Reserves			
Revaluation reserve	15	163 169 653	163 556 795
Accumulated surplus		(468 030 134)	(401 689 673)
Total Net Assets		(250 086 151)	(183 358 548)

* See Note 42

Johannesburg Metropolitan Bus Services (SOC) Limited

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Trading as Metrobus

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Rendering of services	20	65 891 367	46 401 741
Other income	21	1 730 009	3 391 691
Interest received - investment	22	2 243 889	1 232 488
Actuarial gains		714 656	444 151
Total revenue from exchange transactions		70 579 921	51 470 071
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	23	570 926 531	517 074 394
Total revenue		641 506 452	568 544 465
Expenditure			
Employee related costs	24	(336 522 148)	(320 797 652)
Depreciation and amortisation	26	(47 473 154)	(58 265 979)
Impairments	27	(9 857 681)	(2 613 927)
Finance costs	28	(45 463 141)	(29 163 595)
Lease rentals on operating lease	25	(6 118 494)	(5 578 562)
Debt Impairment	30	651 135	(947 702)
Loss on disposal of assets and liabilities		(2 716 547)	(12 050 999)
General Expenses	31	(260 767 452)	(215 020 899)
Total expenditure		(708 267 482)	(644 439 315)
Deficit for the year		(66 761 030)	(75 894 850)

* See Note 42

Johannesburg Metropolitan Bus Services (SOC) Limited

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Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

	Share capital / Share premium		Total share	Revaluation	Accumulated	Total net
	contributed		capital	reserve	surplus / deficit	assets
Figures in Rand	capital					
Balance at 01 July 2021	13 726 387	41 047 943	54 774 330	169 335 034	(329 469 525)	(105 360 161)
Changes in net assets						
Realisation of revaluation reserve	-	-	-	(3 674 702)	3 674 702	-
Reversal of relaluation reserve	-	-	-	(2 103 537)	-	(2 103 537)
Net income (losses) recognised directly in net assets	-	-	-	(5 778 239)	3 674 702	(2 103 537)
Surplus for the year	-	-	-	-	(75 894 850)	(75 894 850)
Total recognised income and expenses for the year	-	-	-	(5 778 239)	(72 220 148)	(77 998 387)
Total changes	-	-	-	(5 778 239)	(72 220 148)	(77 998 387)
Restated* Balance at 01 July 2022	13 726 387	41 047 943	54 774 330	163 556 795	(401 689 674)	(183 358 549)
Changes in net assets						
Surplus for the year	-	-	-	-	(66 761 030)	(66 761 030)
Realisation of revaluation reserve	-	-	-	(420 570)	420 570	-
Reversal of revaluation reseve	-	-	-	33 428	-	33 428
Total changes	-	-	-	(387 142)	(66 340 460)	(66 727 602)
Balance at 30 June 2023	13 726 387	41 047 943	54 774 330	163 169 653	(468 030 134)	(250 086 151)
Note(s)	14	14	14	15		

* See Note 42

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Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		66 289 216	48 151 935
Grants		570 926 531	517 074 394
Interest income		-	-
		637 215 747	565 226 329
Payments			
Employee costs		(304 730 287)	(363 715 771)
Suppliers		(248 826 569)	(244 748 408)
Finance costs		(45 463 141)	(29 163 595)
		(599 019 997)	(637 627 774)
Net cash flows from operating activities	32	38 195 750	(72 401 445)
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(28 848 029)	(34 799 516)
Purchase of other intangible assets	8	(35 342 616)	(1 093 922)
Net cash flows from investing activities		(64 190 645)	(35 893 438)
Cash flows from financing activities			
Repayment of other financial liabilities		(45 715 343)	(41 431 389)
Repayment of shareholders' loan		61 759 283	149 949 349
Finance lease payments		10 204 034	-
Net cash flows from financing activities		26 247 974	108 517 960
Net increase/(decrease) in cash and cash equivalents		253 079	223 077
Cash and cash equivalents at the beginning of the year		307 435	84 358
Cash and cash equivalents at the end of the year	2	560 514	307 435

The accounting policies on pages 198 to 215 and the notes on pages 216 to 256 form an integral part of the annual financial statements.

* See Note 42

Johannesburg Metropolitan Bus Services (SOC) Limited

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Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Rendering of services	89 357 000	(30 000 000)	59 357 000	65 891 367	6 534 367	1
Other income	-	-	-	1 730 009	1 730 009	
Interest received - investment	1 118 000	-	1 118 000	2 243 889	1 125 889	2
Total revenue from exchange transactions	90 475 000	(30 000 000)	60 475 000	69 865 265	9 390 265	

Revenue from non-exchange transactions

Transfer revenue

Government grants & subsidies	602 927 000	(32 000 000)	570 927 000	570 926 531	(469)	3
Total revenue	693 402 000	(62 000 000)	631 402 000	640 791 796	9 389 796	

Expenditure

Personnel	(316 133 000)	-	(316 133 000)	(336 522 148)	(20 389 148)	4
Depreciation and amortisation	(67 622 000)	-	(67 622 000)	(47 473 154)	20 148 846	5
Impairment loss/ Reversal of impairments	-	-	-	(9 857 681)	(9 857 681)	
Finance costs	(44 636 000)	-	(44 636 000)	(45 463 141)	(827 141)	6
Lease rentals on operating lease	(1 837 223)	-	(1 837 223)	(6 118 494)	(4 281 271)	
Debt Impairment	-	-	-	651 135	651 135	
Loss on disposal of assets	-	-	-	(2 716 547)	(2 716 547)	
General Expenses	(263 173 777)	62 000 000	(201 173 777)	(260 767 452)	(59 593 675)	
Total expenditure	(693 402 000)	62 000 000	(631 402 000)	(708 267 482)	(76 865 482)	

Operating deficit	-	-	-	(67 475 686)	(67 475 686)	
Actuarial gains/losses	-	-	-	714 656	714 656	

Deficit before taxation	-	-	-	(66 761 030)	(66 761 030)	
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Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	-	-	(66 761 030)	(66 761 030)	
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1. Revenue from rendering of services and other revenues: The revenues from rendering of services showed overcollection due to the reduced budget. The revenue collection is still way below the pre-COVID period and can be associated with declining economic conditions, reduced number of passengers and high number of out of commission buses.

2. Interest received: This relates to interest received on the loan account held with the shareholder.

3. Transfers and subsidies: The budget for subsidies was reduced by R32m during the 2022/23 budget rebase period and this resulted in some of the major budget lines unfunded. The entity had to continue spending in order to provide service delivery to the passengers..

4. Employee related costs: Employees related costs were overspent due the in adequate budget. The budget for employee related costs was not increased as requested by management due to the city's cash flow challenges. Management is the process of filling in some of the critical positions.

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						

5. Depreciation and asset impairment: The depreciation budget was underspent due to assets write-offs and review of useful lives during financial year. No revaluations were done during the period as it done every three years.

6. Finance Costs: Finance costs were above budget due to the increased loans from shareholder.

7. Lease rentals: Lease rentals includes vehicles rentals and rentals for the Ghandi Square premises. The increase resulted from the increased number of vehicles rented.

8. General expenses: General expenses includes diesel costs, repairs and maintenance, security charges, consultants charges, etc. The general expenses budget lines were overspent due to reduced budget and under budgeting.

CAPITAL BUDGET

The approved budget for capital expenditure for the year was R 37 million and an amount equating to R 36.5 million was expended.

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Accounting Policies

Figures in Rand	Note(s)	2023	2022
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1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

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

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Trade receivables / Held to maturity investments and/or loans and receivables

The entity assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipal entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The carrying value of trade receivables and payables are assumed to approximate their fair values.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

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Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The entity recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The entity recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the entity to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the entity to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 13.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the value of invoices that are deemed or assessed to be irrecoverable based on their ageing.

1.3 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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Accounting Policies

1.3 Property, plant and equipment (continued)

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

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

The costs of the day to day servicing of items of property, plant and equipment are recognised in surplus or deficit as incurred.

Overhauls of gearboxes and engines as well as refurbishments of buses are major repairs to items of property, plant and equipment. Costs incurred in respect of major repairs are recognised in the carrying amount of an item of property, plant and equipment, when that cost is incurred and if the recognition criteria are met. The carrying amount of those parts that are replaced is derecognised.

The carrying amount of an item of property, plant and equipment is derecognised:

- (a) on disposal (including disposal through a non-exchange transaction); or
- (b) when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

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Accounting Policies

1.3 Property, plant and equipment (continued)

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	8 -35 years
Plant and machinery	Straight-line	2 - 20 years
Furniture and fixtures	Straight-line	1 - 15 years
Motor vehicles	Straight-line	3 - 20 years
Office equipment	Straight-line	2 - 20 years
IT equipment	Straight-line	1 - 12 years
Computer software	Straight-line	4 - 20 years
Leasehold improvements	Straight-line	4 - 18 years
Fare collection equipment	Straight-line	4 - 18 years
Specialised vehicles	Straight-line	2 - 40 years
Tools and lose gear	Straight-line	2 - 22 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate. The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate

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Accounting Policies

1.3 Property, plant and equipment (continued)

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

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

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

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

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

1.4 Intangible assets

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.4 Intangible assets (continued)

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	4 - 20 years

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

1.5 Financial instruments

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

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

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

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

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

- deliver cash or another financial asset to another entity; or

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Accounting Policies

1.5 Financial instruments (continued)

- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

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

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

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

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial assets at fair value comprise of derivatives and non-derivative financial instruments designated at fair value. On initial recognition the financial assets are measured at fair value. Subsequent to initial recognition, all changes to fair value are recognised through the statement of financial performance.

Trade and other receivables; The entity assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

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

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

Financial liabilities; Interest-bearing external loans and bank overdrafts are recorded net of direct issue costs. Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest rate method, except for financial liabilities at fair value through profit or loss or hedging instruments, which are measured at fair value. Finance costs on financial liabilities at amortised cost are expensed in the statement of financial performance in the period in which they are incurred using the effective interest rate method. In addition, gains and losses on these financial liabilities are recognised in the statement of financial performance when the liability is derecognised.

Gains and losses on financial liabilities at fair value through profit or loss arise from fair value movements and related transaction costs on these liabilities. These gains and losses are recognised in the statement of financial performance in the period in which they are incurred. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or when it expires.

1.6 Leases

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

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Accounting Policies

1.6 Leases (continued)

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

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

- The inventories of Metrobus are subsequently measured at weighted average cost as determined by the accounting system
- The value of inventories is assessed at every reporting date whether the currently replacement cost or net realisable value is lower than the carrying amount of the inventories.
- Where this is true, the value of inventory is written down to net realisable value or current replacement cost

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Impairment of cash-generating assets

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

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

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Accounting Policies

1.8 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

Useful life is either:

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

Reversal of impairment loss

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

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

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

1.9 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.10 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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1.10 Employee benefits (continued)

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

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1.10 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

1.11 Provisions and contingencies

Provisions are recognised when:

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

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

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

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

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

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficit.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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1.11 Provisions and contingencies (continued)

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

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

1.12 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

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1.13 Revenue from exchange transactions

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

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

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

Measurement

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

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

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

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

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

1.14 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

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1.14 Revenue from non-exchange transactions (continued)

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

1.15 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

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1.16 Accounting by principals and agents (continued)

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the entity is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an entity is a principal or an agent requires the entity to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The entity assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Recognition

The entity, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The entity, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.17 Insurance fund

The insurance fund is accounted for at net of cost, and any liability thereto, and adjustments are made only where there are valid claims to the fund.

1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

Where unauthorised expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

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1.18 Unauthorised expenditure (continued)

Unauthorised expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

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

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.21 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.22 Segment information

A segment is an activity of an entity:

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

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1.22 Segment information (continued)

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

Measurement

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

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

1.23 Budget information

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

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

The approved budget is prepared on a accrual basis and presented by programmes linked to performance outcome objectives.

The approved budget covers the fiscal period from 2022/07/01 to 2023/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

1.24 Related parties

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

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

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

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

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

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

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1.24 Related parties (continued)

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

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

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

1.25 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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2. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	64 859	78 709
Bank balances	33 155	228 727
Other cash and cash equivalents	462 500	(1)
	560 514	307 435

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
Standard bank SA Main Account - Current	44 175	238 589	-	44 175	238 589	-
Standard Bank SA Charges Account (Current)	(11 031)	(9 863)	-	(11 031)	(9 863)	-
Standard bank SA Salaries Account (Current)	-	-	1	-	-	-
Total	33 144	228 726	1	33 144	228 726	-

3. Receivables from exchange transactions

Trade debtors	2 011 888	3 177 789
Deposits	570 350	570 350
Coin shortages	14 894	14 894
	2 597 132	3 763 033

Receivables from related parties included in receivables from exchange transactions

Johannesburg Development Agency	16 560	-
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Total receivables from exchange transactions	2 597 132	3 763 033
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Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2023, R 613 053 (2022: R 562 237) were past due but not impaired.

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

1 - 30 Days	-	-
31 - 60 Days	-	-
61 - 90 Days	854	-
91 - 180 Days	-	-
181 - 360 Days	56 903	-
361 + Days	555 296	562 237

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Figures in Rand	2023	2022
3. Receivables from exchange transactions (continued)		
Trade and other receivables impaired		
As of 30 June 2023, trade and other receivables of R 543 750 (2022: R 1 194 886) were impaired and provided for.		
The amount of the provision was R (543 751) as of 30 June 2023 (2022: R (1 194 886)).		
Provision for bad debts		
Opening balance	1 194 885	247 183
Movement for the year	(651 135)	947 702
	543 750	1 194 885
4. Receivables from non-exchange transactions		
Other receivables from non-exchange revenue (staff debtors)	1 353 494	20 648
Receivables from non exchange transactions relate to staff debtors arising from disciplinary issues involving Metrobus staff members		
No provision has been raised against non exchange receivables, the amounts have been assessed and are deemed recoverable as there is strong possibility of recovery based on past performance on recoveries and subsequent recoveries.		
Receivables from non-exchange transactions past due but not impaired		
Ageing of receivables from non-exchange transactions:		
1 month past due	-	-
2 months past due	-	-
3 months past due	25 155	20 648
5. Prepayments		
Prepayments		
Prepayments consists mainly of Vehicle, Bus Licences and Software Licences fees payable on an annual basis. The cost are being released to the Statement of Financial Performance over a period relating to the prepayment.		
Prepayments consists of:		
Bus licences	4 906 784	3 366 440
Software licences	1 977 488	-
	6 884 272	3 366 440
6. Inventories		
Stationery stock	249 441	170 301
Spare parts	13 303 044	18 420 017
Smartcard stock	843 095	607 747
Fuel (Diesel, Petrol)	3 489 490	1 658 515
Provisions	(1 145 768)	(1 561 742)
	16 739 302	19 294 838

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7. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	45 490 040	-	45 490 040	45 490 040	-	45 490 040
Buildings	153 740 079	(85 995 463)	67 744 616	153 740 079	(83 451 009)	70 289 070
Leasehold property	1 147 181	(723 687)	423 494	1 147 181	(707 701)	439 480
Plant and machinery	19 936 115	(15 196 413)	4 739 702	19 818 270	(14 020 172)	5 798 098
Furniture and fixtures	1 978 688	(1 285 103)	693 585	1 978 688	(1 134 196)	844 492
Motor vehicles	13 769 418	(3 520 212)	10 249 206	3 441 020	(3 434 620)	6 400
Office equipment	888 125	(819 573)	68 552	823 125	(790 579)	32 546
IT equipment	59 808 103	(20 964 778)	38 843 325	46 449 154	(17 726 703)	28 722 451
Other property, plant and equipment	61 741	(52 576)	9 165	61 741	(48 018)	13 723
Fixed assets clearing	805 066	-	805 066	805 066	-	805 066
Fare collection equipment	7 502 264	(7 472 242)	30 022	7 502 264	(7 468 500)	33 764
Specialised vehicles	1 014 256 885	(704 282 849)	309 974 036	1 018 934 907	(661 987 649)	356 947 258
Tools and loose gear	5 704 335	(2 564 008)	3 140 327	3 916 783	(2 331 680)	1 585 103
Total	1 325 088 040	(842 876 904)	482 211 136	1 304 108 318	(793 100 827)	511 007 491

Land and buildings are revalued independently every 3 years.

Specialised assets (Buses) are revalued independently every 3 years.

The next revaluation exercise for both specialised vehicles as well as Land and Buildings is due on 30 June 2024.

None of the entity's assets are encumbered or ceded to third parties.

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7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	WIP for the Year	WIP Capitalised	Revaluations	Impairment loss	Depreciation	Total
Land	45 490 040	-	-	-	-	-	-	-	45 490 040
Buildings	70 289 070	-	-	-	-	-	-	(2 544 454)	67 744 616
Leasehold property	439 480	-	-	-	-	-	-	(15 986)	423 494
Plant and machinery	5 798 098	117 845	-	-	-	-	(7 137)	(1 169 104)	4 739 702
Furniture and fixtures	844 492	-	-	-	-	-	(3 839)	(147 068)	693 585
Motor vehicles	6 400	10 328 399	-	-	-	-	-	(85 593)	10 249 206
Office equipment	32 546	65 000	-	-	-	-	(307)	(28 687)	68 552
IT equipment	28 722 451	1 879 425	-	34 088 930	(22 609 405)	-	(34 715)	(3 203 361)	38 843 325
Other property, plant and equipment	13 723	-	-	-	-	-	-	(4 558)	9 165
Fixed assets clearing	805 066	-	-	-	-	-	-	-	805 066
Fare collection equipment	33 764	-	-	-	-	-	-	(3 742)	30 022
Specialised vehicles	356 947 258	3 188 550	(2 675 574)	-	-	(8 137)	(10 227 700)	(37 250 361)	309 974 036
Tools and loose gear	1 585 103	1 789 285	-	-	-	-	-	(234 061)	3 140 327
	511 007 491	17 368 504	(2 675 574)	34 088 930	(22 609 405)	(8 137)	(10 273 698)	(44 686 975)	482 211 136

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7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Revaluations	Other changes, movements	Depreciation	Impairment loss	Total
Land	45 490 040	-	-	-	-	-	-	45 490 040
Buildings	72 835 524	-	-	-	-	(2 546 454)	-	70 289 070
Leasehold property	480 388	-	-	-	-	(40 908)	-	439 480
Plant and machinery	6 954 857	-	-	-	-	(1 156 759)	-	5 798 098
Furniture and fixtures	964 756	-	-	-	-	(120 264)	-	844 492
Motor vehicles	13 562	-	-	-	-	(7 162)	-	6 400
Office equipment	43 354	-	-	-	-	(10 808)	-	32 546
IT equipment	21 523 544	3 018 873	-	-	6 736 583	(2 556 549)	-	28 722 451
Other property, plant and equipment	18 280	-	-	-	-	(4 557)	-	13 723
Asset clearing - assets not yet in use	258 052	547 014	-	-	-	-	-	805 066
Fare collection equipment	37 506	-	-	-	-	(3 742)	-	33 764
Specialised vehicles	396 145 974	28 653 443	(12 050 999)	(2 085 000)	-	(51 059 059)	(2 657 101)	356 947 258
Tools and loose gear	1 819 713	-	-	-	-	(234 610)	-	1 585 103
	546 585 550	32 219 330	(12 050 999)	(2 085 000)	6 736 583	(57 740 872)	(2 657 101)	511 007 491

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7. Property, plant and equipment (continued)

Depreciation rates

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	8 - 35 years
Leasehold property	Straight-line	8 - 30 years
Plant and machinery	Straight-line	2 - 20 years
Furniture and fixtures	Straight-line	1 - 15 years
Motor vehicles	Straight-line	3 - 20 years
Office equipment	Straight-line	2 - 20 years
IT equipment	Straight-line	1 - 12 years
Computer software	Straight-line	4 - 20 years
Leasehold improvements	Straight-line	8 - 30 years
Fare collection equipment	Straight-line	4 - 18 years
Specialised assets	Straight-line	2 - 40 years
Tools and loose gear	Straight-line	2 - 22 years

Reconciliation of Work-in-Progress 2023

	Opening Balance	Work In Progress	Work In Progress Capitalised	Total
Buildings	337 549	-	-	337 549
IT Equipment	13 480 704	19 491 699	(1 811 424)	31 160 979
Intangibles	5 835 980	14 597 230	(20 433 210)	-
	19 654 233	34 088 929	(22 244 634)	31 498 528

Reconciliation of Work-in-Progress 2022

	Opening Balance	Work In Progress	Work In Progress Capitalised	Total
Buildings	337 549	-	-	337 549
IT Equipment	12 580 101	900 602	-	13 480 703
Intangibles	-	5 835 980	-	5 835 980
	12 917 650	6 736 582	-	19 654 232

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7. Property, plant and equipment (continued)

Maintenance of property, plant and equipment

Maintenance of property, plant and equipment by condition - 2023

	Preventative Maintenance		Corrective Maintenance		Total
	Condition Based	Total	Planned	Total	
Buildings	13 918 004	13 918 004	-	-	13 918 004
Specialised vehicles	19 007 594	19 007 594	40 645 943	40 645 943	59 653 537
Other property, plant and equipment # 2	2 101 807	2 101 807	-	-	2 101 807
	35 027 405	35 027 405	40 645 943	40 645 943	75 673 348

Maintenance of property, plant and equipment by condition - 2022

	Preventative Maintenance		Corrective Maintenance		Total
	Condition Based	Total	Planned	Total	
Buildings	2 209 736	2 209 736	-	-	2 209 736
Specialised vehicles	18 202 197	18 202 197	50 181 637	50 181 637	68 383 834
Other property, plant and equipment	4 545 653	4 545 653	-	-	4 545 653
	24 957 586	24 957 586	50 181 637	50 181 637	75 139 223

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8. Intangible assets

	2023		2022	
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Accumulated amortisation and accumulated impairment
				Carrying value
Computer software, other	48 910 868	(14 464 998)	34 445 870	(11 678 819)
				1 888 802

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Amortisation	Total
Computer software, other	1 888 802	35 343 247	(2 786 179)	34 445 870

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software, other	1 303 433	1 093 922	(508 553)	1 888 802

Intangible assets in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of Intangible assets	
SAGE Intacct ERP System	35 343 247
	5 313 560

Implementation of SAGE Enterprise Resources Planning (ERP) Solution involved the following stages:

- Built and Development
- Define Phase - Analysis and Documents

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Engineering Services, Configuration and Testing

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9. Loans to (from) shareholders		
Notional loans	35 290 852	33 046 963
These are interest bearing loans with no repayment conditions. They relate to the Post retirement Liabilities of employees who were transferred from the parent municipality at formation.		
Sweeping account	(542 310 398)	(478 307 226)
A loan paying interest at Prime less 3.75% with no repayment conditions. The movement is due to loan repayments that fell due during the year, as well as the losses incurred		
	(507 019 546)	(445 260 263)
Non-current assets	35 290 852	33 046 963
Current liabilities	(542 310 398)	(478 307 226)
	(507 019 546)	(445 260 263)
Sweeping account		
Loans at beginning of the year	478 307 373	327 323 740
Receipts	(615 043 052)	(513 536 961)
Repayments	679 069 924	664 520 594
	542 334 245	478 307 373
10. Deferred tax		
The entity has not calculated any deferred tax asset or liability because the entity does not foresee a situation where it will attain consistent profits to offset its historical tax losses. the entity's core mandate is service delivery. During the year under review the shareholder reduced its grant subsidy by R32m thus returning the entity in a net deficit position.		
11. Payables from exchange transactions		
Trade payables	125 655 123	54 760 601
Other payables - payroll related liabilities	75 939	523 841
Accrued leave pay	23 365 072	22 271 785
Accrued bonus	8 228 726	9 503 965
Other accrued expenses	837 666	24 527 461
Other Creditors	5	5
	158 162 531	111 587 658

Trade payables: Trade payables has increased compared to last year because the reporting period was left open for a longer period to allow for capturing of all invoices related to the year under review and there is one months salary invoice included in trade payable which is paid a month in arrears.

Other payables: payroll related liabilities: This went down compared to last year because all payroll invoices from the City were captured instead of being treated as accruals as previously done.

Other accrued expenses: There were fewer accruals this year because the system had been left open for an extended period to allow for capturing.

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11. Payables from exchange transactions (continued)		
Related party payables included in trade payables		
Johannesburg Property Company	11 742 889	3 286 124
Metropolitan Trading Company	40 890 724	7 926 274
Johannesburg Theatre	213 760	38 127
Johannesburg City Parks and Zoo	12 137	6 086
Other payables regarding related parties (CoJ Metropolitan Municipality)	53 799 168	43 860 524
	106 658 678	55 117 135
12. VAT payable		
Tax refunds payables	-	4 502

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13. Employee benefit obligations

Defined benefit plan

The defined benefit plan, to which 24 (2022: 24) belong, consists of the (specify Pension Fund) governed by the Pension Fund Act of 1956.

The expected value of each employee's post-employment benefit is projected by allowing for future medical aid and salary inflation where applicable. The calculated values are then discounted at the assumed discount interest rate to the date of calculation. We also allowed for mortality, retirements and withdrawals from service as set out in the assumptions section of this report. The accrued liability is determined on the basis that each employee's benefit accrues uniformly over the working life of an employee up until retirement.

Post retirement medical aid plan

Post-employment medical aid subsidies are provided to pensioners in the service of the Municipality as at 1 January 2001 and employees 50 years and older on 1 July 2003 whilst contributory members to either LA Health or Key Health Medical Schemes. The subsidy remains payable only for as long as members remain contributory members to these medical schemes. For employees over the age of 55 on 1 July 2003 the subsidy is equal to 60% of the total monthly contribution to the applicable medical aid whilst for those over the age of 50 years, but below 55 years on 1 July 2003 the subsidy is equal to 50% of the total monthly contribution to the applicable medical aid after they retire. The subsidy calculated above will be limited to a Rand

Valuation Method

We have calculated the liability on a member-by-member basis, taking into account the liabilities

- The projection of the future post-employment medical contribution subsidy cashflows, taking into account the probabilities of survival, withdrawal, early retirement and death in service.
- Increasing the projected subsidy cashflows in line with the expected long-term contribution escalation.
- Discounting these cashflows in order to express the liability in current Rand terms.

Post retirement housing subsidy plan

Eligible employees as at 31 December 1990 have the right to be subsidized after retirement in terms of the HOUSING ASSISTANCE SCHEME, described in Appendix H of the Johannesburg Conditions of Service. A subsidy payable to an employee shall, subject to the provisions of clause 4.5, and subject to him having joined the Pension Fund before 1 July 1987, continue to be paid if he retires from the Service on or after reaching the age of 60 years or is retired on the grounds of illhealth or abolition of his/her post or reorganization and he receives a monthly pension from the Pension Fund.

Valuation Method

In order to calculate the housing subsidy liability, we assumed that all eligible employees reaching retirement will receive the subsidy for a fixed period of 10 years post-employment. As the retirement dates of pensioners were not available, we assumed that all pensioners will continue to receive the subsidy for another 5 years post the valuation date. Expected subsidy payments were projected for the period after retirement, taking into account the probability of survival as well as salary inflation and pension increases. This was then discounted to the valuation date.

Employees are eligible to receive bonus gratuity service of one year for each complete period of five years of gratuity service, subject to a maximum number of bonus years of ten. Calculations have therefore been based on all periods of service whilst not a member of a retirement fund. This has been defined as the period between the date of commencing service and the date of joining a formal retirement fund.

Employees have historically been able to take an "advance" against their future gratuity benefit. Employees electing an advance were "loaned" a sum of money, which was then deducted from their final gratuity payment at the point they retired or left service. These advances effectively represented interest free loans to employees. The data underlying these advances have historically been poorly maintained, however where available advances were offset against accrued benefits.

As all employees were required to join the Joburg Retirement Fund on its creation on 1 January 2002 and began accruing formal retirement fund service from that date all gratuity benefits have been assumed to be fully accrued at the valuation date.

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13. Employee benefit obligations (continued)

Valuation Method

For the purposes of this disclosure, gratuity benefits have been valued for all eligible employees as 1 month's salary for each year of gratuity service.

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13. Employee benefit obligations (continued)

Post retirement gratuity plan

A number of employees are entitled to receive a gratuity benefit on retirement or exit before retirement from employment in respect of any periods of employment with the Municipality during which they were not members of a retirement fund. Gratuity benefits accrue according to employees' conditions of service.

According to these conditions of service, gratuity benefits are payable on retirement, or on exit before retirement provided the member has either 10 years of service and is 55 years of age or has 25 years of service and has reached 45 years of age.

Employees are eligible to receive bonus gratuity service of one year for each complete period of five years of gratuity service, subject to a maximum number of bonus years of ten. Calculations have therefore been based on all periods of service whilst not a member of a retirement fund. This has been defined as the period between the date of commencing service and the date of joining a formal retirement fund.

Employees have historically been able to take an "advance" against their future gratuity benefit. Employees electing an advance were "loaned" a sum of money, which was then deducted from their final gratuity payment at the point they retired or left service. These advances effectively represented interest free loans to employees. The data underlying these advances have historically been poorly maintained, however where available advances were offset against accrued benefits.

As all employees were required to join the Joburg Retirement Fund on its creation on 1 January 2002 and began accruing formal retirement fund service from that date all gratuity benefits have been assumed to be fully accrued at the valuation date.

Valuation Method

For the purposes of this disclosure, gratuity benefits have been valued for all eligible employees as 1 month's salary for each year of gratuity service.

The amounts recognised in the statement of financial position are as follows:

Carrying value

Post-employment medical aid	(1 775 000)	(1 724 000)
Post-employment Housing Subsidies	(83 000)	(84 000)
Retirement Gratuities	(5 206 001)	(6 246 001)
	(7 064 001)	(8 054 001)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	8 054 000	9 460 000
Benefits paid	(805 344)	(1 488 849)
Net expense recognised in the statement of financial performance	(184 656)	82 849
	7 064 000	8 054 000

Net expense recognised in the statement of financial performance

Current service cost	2 000	2 000
Interest cost	528 000	525 000
Actuarial (gains) losses	(714 656)	(444 151)
	(184 656)	82 849

Changes in the fair value of plan assets are as follows:

Opening balance	33 046 971	32 012 687
Expected return	2 243 889	1 232 488
Benefits paid	-	(198 204)
	35 290 860	33 046 971

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13. Employee benefit obligations (continued)

The entity expects to contribute R - to its defined benefit plans in the following financial year.

In addition to the benefits provided to current eligible employees and pensioners of the Municipality, the Municipality has also undertaken to cover such portion of the liability for the eligible employees and pensioners of the different municipal entities, which relates to their service with the Municipality before the establishment of the different municipal entities.

These amounts were calculated based on the same benefits and basis as for Company employees and pensioners. The amounts were determined at 1 July 2003 and were crystallized in the form of "notional accounts", which earn interest at a rate specified by the City. We have recalculated these values as at 30 June 2022, since the build-up of the notional accounts have not been actuarially correct from 1 July 2003 to date.

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,36 %	7,96 %
Expected rate of return on assets	5,07 %	5,94 %
Expected rate of return on reimbursement rights	6,07 %	6,94 %
Actual return on reimbursement rights	6,07 %	6,94 %
Medical cost trend rates	3,10 %	0,95 %
Expected increase in salaries	3,10 %	0,95 %

Medical aid Inflation

The actuaries derived the underlying future rate of consumer price index inflation (CPI inflation) from the point on the yield curve which matches the implied duration of the liability. Our assumed rate of medical aid inflation was set as the calculated value of CPI plus 1%.

The annualised compound rates of increase for the last ten years show that registered medical schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not think that these increases are sustainable and have assumed that medical aid contribution inflation would out-strip general inflation by 1% per annum over the foreseeable future.

Normal Salary Inflation rate

The actuaries derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between current conventional bond yields and the real yield curve at the implied duration assumed. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. Furthermore, an assumed salary increase of 4.9% was used, effective 1 July 2022. The next salary increase is expected to take place on 1 July 2023.

Average Retirement Age

The Average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for early and ill-health retirements.

Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Spouses and Dependents

The actuaries assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement. Dependent adults were assumed to be covered for their life.

Medical aid Membership

The actuaries assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. We assumed that 100% of members retiring will remain on the current plan and option at retirement. We also assumed that members would remain in the same income category and same medical aid option at retirement.

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13. Employee benefit obligations (continued)

Discount rate

GRAP 25 defines the determination of the Discount rate assumption to be used as the rate that can "be determined by reference to market yields at the balance sheet* date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the balance sheet* date) on government bonds should be used. The currency and term of the corporate bonds or government bonds should be consistent with the currency and estimated term of the postemployment benefit obligations." *Statement of Financial Position (herein referred to as the "balance sheet"). The actuaries used the nominal and real zero yield curves as at 30 June 2023 supplied by the JSE to determine our discount rate and consumer price inflation. To determine the discount rate to use, they used the implied duration obtained, to match it with a point on the yield curve. The Net Effective Discount Rate is based on the relationship between the (yield curve based) Discount Rate for the relevant duration and the (yield curve based) Medical aid inflation for the relevant duration.

14. Share capital / contributed capital

Authorised

1000 Ordinary shares of R1 each or par value of R1	1 000	1 000
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Issued

Ordinary	2	2
Ordinary Type A	13 726 385	13 726 385
Share premium	41 047 943	41 047 943
	54 774 330	54 774 330

15. Revaluation reserve

Opening balance	(163 556 795)	(169 335 034)
Change during the year	387 142	5 778 239
	(163 169 653)	(163 556 795)

The revaluation reserve relates to accumulated reserves on land, Buildings and specialised assets. This is released to retained earnings when an asset is disposed off or when it is retired and taken out of service.

16. Finance lease obligation

Minimum lease payments due

- Outstanding lease payments	13 956 116	-
- Less: Future finance charges	(3 752 082)	-
Present value of minimum lease payments	10 204 034	-

Non-current liabilities	8 717 720	-
Current liabilities	1 486 314	-
	10 204 034	-

The shareholder (City of Johannesburg) has entered into a Full Maintenance Lease (FML) with Afrirent for the leasing of operational non specialised vehicles for its departments and entities, even though neither the shareholder nor any of its entities will retain ownership of the vehicles at the end of the lease term, these have been capitalised and finance leases in accordance with GRAP 13.

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17. Unspent deferred revenue		
Unspent conditional grants and receipts comprises of:		
Unspent deferred revenue		
Deferred revenue	2 874 825	2 740 931
Movement during the year		
Balance at the beginning of the year	2 740 931	5 081 712
Additions during the year	133 894	(2 340 781)
	2 874 825	2 740 931

Deferred income refers to the liability relating to passenger trips sold in advance through the Smartcards Multi-Journey Software, the deferred income is released as and when the passengers present these cards on the buses and the bus operators issue a ticket accordingly. Deferred income refers to the liability

18. Other financial liabilities

At amortised cost		
Structured loans Short term	59 173 340	45 715 343
Structured loans long term	46 901 463	106 074 803
	106 074 803	151 790 146
Total other financial liabilities	106 074 803	151 790 146

City of Johannesburg Metropolitan Municipality loans. The loans carry an average interest rate of 9.8% per annum and is repayable in fixed quarterly installments. The latest loan received will be fully paid on 30 June 2025..

Non-current liabilities		
At amortised cost	46 901 463	106 074 803
Current liabilities		
At amortised cost	59 173 340	45 715 343

19. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Total
Performance bonus	(3 569 731)	(3 569 731)	3 661 329	(3 478 133)

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Total
Performance bonus	(2 407 123)	(3 569 731)	2 407 123	(3 569 731)

The provision is management's best estimate of the future performance bonus payout in respect of the past year based on past experience.

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20. Revenue from rendering of services		
Services revenue	65 891 367	46 401 741
Revenue from rendering of services includes, sale of trips, sale of smartcards, bus contracts and bus hire services		
21. Other income		
Sundry revenue	481 184	205 544
Local Govt. Bodies Training Fund	1 248 825	3 186 147
	1 730 009	3 391 691
22. Investment revenue		
Interest revenue		
Interest received - other	2 243 889	1 232 488
Interest earned from investments relates to a notional loan account with the City of Johannesburg, the account is an asset covering the entity's post retirement benefit obligations. The average interest rate for the year is 6.79%		
23. Government grants & subsidies		
Operating grants		
Government grant (operating)	570 926 531	517 074 394
24. Employee related costs		
Basic	207 610 427	203 554 473
Bonus	14 280 535	18 302 887
Medical aid - company contributions	19 052 081	17 680 507
UIF	2 682 969	2 599 175
WCA	2 797 188	3 004 839
SDL	2 759 116	2 370 769
Other payroll levies	16 286 048	16 498 456
Leave pay provision charge	9 145 609	4 950 366
Defined contribution plans	34 109 979	33 034 385
Travel, motor car, accommodation, subsistence and other allowances	2 610 655	2 416 023
Overtime payments	22 051 478	14 097 736
Housing benefits and allowances	2 627 348	2 283 795
Gratuities	(178 941)	(27 597)
Staff welfare	687 656	31 838
	336 522 148	320 797 652
25. Lease rentals on operating lease		
Premises		
Contractual amounts	960 430	959 538
Equipment		
Contractual amounts	5 158 064	4 619 024
	6 118 494	5 578 562

Contractual Amounts Premises: This relates to the Ghandi Square offices that are leased for the entities customer service office

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25. Lease rentals on operating lease (continued)

Contractual Amounts Equipment: This relates to the entities lease agreements for the hire of buses, the hire of small vehicles and the hire of equipment.

26. Depreciation and amortisation

Property, plant and equipment	44 686 975	57 740 872
Intangible assets	2 786 179	525 107
	47 473 154	58 265 979

27. Impairment loss

Impairments

Property, plant and equipment	10 273 654	2 622 082
The impairment on property plant and equipment arises from the year end condition assessment done and the scrap values on old fleet of buses that have been marked for scrappings and disposal		
Inventories	(415 973)	(8 155)
This relates to movement on provision for obsolete stock, actual stock losses on inventory, inventory write downs, and inventory write offs mainly on diesel stock		
	9 857 681	2 613 927

28. Finance costs

Non-current borrowings	13 457 997	17 741 950
Current borrowings	32 005 144	11 421 645
	45 463 141	29 163 595

The finance costs incurred are from the sweeping account and the loans from shareholder

29. Auditors' remuneration

Fees	4 060 103	4 113 747
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30. Debt impairment

Debt impairment	(651 135)	947 702
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The debt impairment is a result of the movement on the provision for bad debts and does not relate to any amounts written off.

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31. General expenses		
Advertising	9 415 171	9 268 237
Assessment rates & municipal charges	22 766	3 909
Auditors remuneration	4 060 103	4 113 747
Bank charges	413 940	1 137 778
Cleaning	1 510 043	1 071 296
Computer expenses	9 245 422	1 702 735
Consulting and professional fees	7 317 610	8 142 119
Entertainment	2 078 886	999 703
Insurance	9 924 635	20 524 921
Conferences and seminars	204 484	82 540
Bus Diesel	105 177 409	66 505 171
Motor vehicle expenses	12 257 390	11 936 759
Placement fees	317 114	218 843
Printing and stationery	1 455 702	654 385
Repairs and maintenance	69 946 707	70 148 014
Royalties and license fees	(2 266)	442 144
Security (Guarding of municipal property)	11 619 576	(153 373)
Subscriptions and membership fees	31 708	57 843
Telephone and fax	2 606 280	189 024
Training	1 553 503	2 838 822
Electricity	2 524 568	2 076 875
Sewerage and waste disposal	1 098 961	938 494
Water	2 057 693	1 734 867
Uniforms	1 645 865	6 804 586
Fines and penalties	6 377	-
COVID-19 Expenditure	-	347 460
Board Members' Services	3 084 000	3 234 000
Theft of company assets	1 193 805	-
	260 767 452	215 020 899

Advertising:

This includes four (4) accounts; Advertising, CoJ Customer Relations, Marketing Research and Publicity. the movement is due to an increase on the City's shared services falling under Customer Relations services done on behalf of Metrobus.

Assessment Rates:

These are billed by the city however the billing is mostly done on an estimate basis.

Computer expenses:

There was a sharp decrease in the current year due to lower fees paid for SAGE licences compared to Oracle licences, further in the previous year there was higher costs incurred in maintaining an obsolete Oracle ERP system.

Consulting and professional fees:

This relates to Consulting fees paid for the implementation of SAGE accounting system, assistance with Tax professional services, fixed assets and supply chain management services and review, it also includes fees paid to lawyers for handling labour disciplinary matters.

Entertainment:

This relates to catering for off site meetings, training and refreshments, in the previous year there has been less utilisation of online platforms which has resulted in more physical meetings and trainings.

Insurance:

The insurance fee decreased during the year as a result of a lower share allocated to Metrobus by the City's Group Risk Services. The Insurance premiums are centrally managed by the city and each entity is billed for their share of the aggregate premium.

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31. General expenses (continued)

Bus diesel:

The increase is mostly due to a resumption of full operations as a result of relaxed COVID rules, in the previous year a significant number of shifts and operations had been suspended, this is in line with the entity's KPI of meeting our operated shifts and routes.

Motor vehicle expenses:

This relates to bus licences and costs incurred on small vehicles used by the route and bus inspectorate.

Repairs and maintenance:

This relates mostly to repairs and maintenance on the bus fleet and buildings with smaller amounts spent on other assets this has remained constant with prior year and is in line with the entity's KPI of meeting our operated shifts and routes.

Security of premises:

This has gone up as a result of additional external security that was contracted as a result of a number of breaches at the entity's depots.

Telecommunications:

There has been an increase in the allocation of cell phones to employees.

Uniforms:

This has gone down in the current year because there were no uniforms procured for the bus drivers who constitute the major portion of this expense.

Theft of company assets:

This relates to the security at the Roodepoort depot where the safe was blown and cash stolen.

Prior Year Adjustments

32. Cash generated from (used in) operations

Deficit	(66 761 030)	(75 894 850)
Adjustments for:		
Depreciation and amortisation	47 473 154	58 265 979
Gain or losses on sale of assets and liabilities	2 716 547	12 050 999
Impairment deficit	9 857 681	2 613 927
Debt impairment	(651 135)	947 702
Movements in retirement benefit assets and liabilities	(990 000)	(1 406 000)
Movements in provisions	(91 598)	1 162 608
PY Error - Accrued Expenses	-	(4 156 467)
Changes in working capital:		
Inventories	2 971 509	8 224 110
Receivables from exchange transactions	1 165 901	1 106 774
Consumer debtors	651 135	(947 702)
Other receivables from non-exchange transactions	(1 332 846)	818 291
Prepayments	(3 517 833)	1 121 639
Payables from exchange transactions	46 574 873	(73 971 818)
VAT	(4 502)	4 144
Unspent deferred revenue	133 894	(2 340 781)
	38 195 750	(72 401 445)

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33. Taxation

Major components of the tax expense

No provision has been made for 2023 tax as the entity has accumulated tax losses that surpass its taxable income for the current year. The estimated tax loss available for set off against future taxable income is 2023: R 468m- (2022: R 401m-).

Management has assessed the company's tax position and given the accumulated losses carried over (2023) R470m and (2022) R401m they have not recognised any tax expenses. Further the South African Revenue Service has not yet done an assessment of the entity's taxable losses and as such a deferred tax asset has not been recognised. Metrobus has engaged an independent Tax Firm to assist in getting the Receiver of Revenue to do an assessment of the entity's tax position.

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34. Commitments		
Authorised capital expenditure		
Open purchase orders		
• Buildings	-	-
• Computer hardware	-	-
• IT Hardware	-	-
	-	-
Amounts related to contracts entered into with service providers		
• Property, plant and equipment	160 248 678	73 059 728
Total capital commitments		
Not yet contracted for and authorised by directors	160 248 678	73 059 728
<p>Authorised capital expenditure is reported under open purchase orders and the balance of the value of contracts the entity has entered into.</p> <p>Purchase orders related to orders issued and accepted by service providers, these are amounts which the entity has a legal obligation on execution of the transaction.</p> <p>The value of outstanding contracts relates to contracts entered into with various service providers, these are conditional of which amongst others"</p> <ul style="list-style-type: none"> - The contracts is subject to budget availability - The contracts are normally on a as and when needed through the normal entity's purchase orders. - The entity reserves the right to terminate with a 30 day notice - All contracts are non onerous, non obligatory and the entity's liability is restricted to expenditure already incurred in the normal course of business through purchase orders <p>At year end there were no open purchase related to capital expenditure, the entity's contractual obligation and commitment is limited to the value of purchase orders raised in the normal day to day operations.</p>		
Authorised operational expenditure		
Open purchase orders		
• Bus repairs and maintenance	-	1 448 071
• Entertainment	-	189 000
• Communication and marketing	11 575	-
• Corporate Services	109 733	-
• HR Department	129 000	-
• IBO - Technical	102 969	-
• ICT	99 399	-
• MDs Section	29 711	-
• Millpark Stores	45 500	-
• RDP Stores	29 000	-
• STORES-VM	23 995	-
• Technical Services Department	46 028	-
• Village Main Stores	160 235	-
• Supply Chain Management	142 054	-
	929 199	1 637 071
Amounts related to contracts entered into with service providers		
• Contracts between the entity and service providers	186 304 704	192 621 857
• National Treasury transversal contracts	164 102 508	205 360 407
	350 407 212	397 982 264

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34. Related parties (continued)

Total operational commitments

Already contracted for but not provided for	929 199	1 637 071
Not yet contracted for and authorised by directors	350 407 212	397 982 264
	351 336 411	399 619 335

Authorised operational expenditure is reported under open purchase orders and the balance of the value of contracts the entity has entered into

Purchase orders related to orders issued and accepted by service providers, these are amounts which the entity has a legal obligation on execution of the transaction as a result of the day to day operations of the entity.

The value of outstanding contracts relates to contracts entered into with various service providers, these are conditional of which amongst others"

- The contracts is subject to budget availability
- The contracts are normally on a as and when needed through the normal entity's purchase orders.
- The entity reserves the right to terminate with a 30 day notice
- All contracts are non onerous, non obligatory and the entity's liability is restricted to expenditure already incurred in the normal course of business through purchase orders.

The contracts with National Treasury relates to the procurement of diesel and company cell phones.

This committed expenditure relates to both capital and operational and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Value of contracts awarded 2023	Original Contract	Value Spent	Value Unspent
Amounts contracted in relation to capital expenditure	227 101 012	(61 982 084)	165 118 928
Amounts contracted in relation to operational expenditure	246 330 920	(60 026 215)	186 304 705
National treasury transversal contracts	247 481 470	(83 378 961)	164 102 509
	720 913 402	(205 387 260)	515 526 142

Value of contracts awarded 2022	Original contract	Value Spent	Value Unspent
Amounts contracted in relation to capital expenditure	105 092 603	(32 032 875)	73 059 728
Amounts contracted in relation to operational expenditure	224 172 958	(31 551 101)	192 621 857
National treasury transversal contracts	300 704 667	(95 344 260)	205 360 407
	629 970 228	(158 928 236)	471 041 992

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	1 887 383	816 415
- in second to fifth year inclusive	4 073 133	1 368 469
	5 960 516	2 184 884

Operating lease payments represent rentals payable by the entity for certain of its office properties and office equipment. Leases are negotiated for an average term of 3 years and rentals are fixed for an average of three years. No contingent rent is payable.

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35. Contingencies

Contingent Liabilities

(i) Unfair discrimination: Two entity employees have raised a salary dispute based on current salary and potential back pay from 1989 and 2013 respectively, The estimated cost is R500,000

(vi) Debt restructuring: During the debt restructuring process, management identified that there could be potential tax issues that could arise from the debt restructuring process. Management also identified certain potential issues in so far as it related to income tax. Management is in the process of assessing this and determining appropriate way forward.

36. Related parties

Relationships

Directors

Refer to directors' report note

Controlling entity

The City of Johannesburg Metropolitan Municipality

Controlled entities

City Power Johannesburg (SOC) Ltd
Johannesburg Water (SOC) Ltd
City of Johannesburg Property Company (SOC) Ltd
Johannesburg City Parks & Zoo (NPC)
Johannesburg Development Agency (SOC) Ltd
Johannesburg Metropolitan Bus Services (SOC) Ltd
Johannesburg Roads Agency (SOC) Ltd
Johannesburg Social Housing Company (SOC) Ltd
Pikitup Johannesburg (SOC) Ltd
Johannesburg Theatre (SOC) Ltd
Johannesburg Fresh Produce Market (SOC) Ltd
Metropolitan Trading Company (SOC) Ltd
Johannesburg Tourism Company (SOC) Ltd

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36. Related parties (continued)		
Related party balances		
Loans to related parties		
City of Johannesburg Metropolitan Municipality	35 606 998	33 060 621
Trade and other receivables regarding related parties		
Johannesburg Social Housing (SOC) Ltd	16 560	-
Trade and other payables regarding related parties		
City of Johannesburg Metropolitan Municipality	53 791 953	43 860 524
City of Johannesburg Property Company (SOC) Ltd	11 742 888	3 286 124
Metropolitan Trading Company (SOC) Ltd	40 890 723	7 926 274
Johannesburg Theatre (SOC) Ltd	213 760	38 127
Johannesburg City Parks & Zoo (NPC)	12 137	-
Total loans from shareholders		
City of Johannesburg Metropolitan Municipality	648 403 527	630 097 757
Grants and subsidy from related parties		
City of Johannesburg Metropolitan Municipality (Subsidy)	570 926 531	517 074 394
Purchases from related parties		
City of Johannesburg Metropolitan Municipality	8 829 240	8 437 502
City of Johannesburg Property Company (SOC) Ltd	936 546	98 690
Pikitup Johannesburg (Soc) Ltd	179 815	172 882
City Power Johannesburg (Soc) Ltd	2 144 637	2 051 809
Johannesburg Water (Soc) Ltd	2 297 887	3 028 210
Johannesburg Theatre (SOC) Ltd	900 635	459 062
Metropolitan Trading Company (SOC) Ltd	55 093 026	6 853 865
Johannesburg City Parks & Zoo (NPC)	12 137	6 085
Other receipts from related parties		
City of Johannesburg Metropolitan Municipality	2 340 289	1 520 578
Johannesburg Development Agency (Soc) Ltd	6 460	-
Interest paid to related party		
City of Johannesburg Metropolitan Municipality	45 463 141	29 163 842

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36. Related parties (continued)

Remuneration of management

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36. Related parties (continued)

Management class: Executive management

2023

	Fees for services as a member of management	Bonuses and performance related payments	Post- employment benefits	Short term benefits	Total
Name					
Managing Director	2 126 696	-	-	2 125	2 128 821
Acting Managing Director	1 462 973	-	227 608	170 381	1 860 962
Acting Chief Financial Officer	577 239	154 964	55 687	58 917	846 807
General Manager: IBO	1 671 878	-	-	39 774	1 711 652
General Manager: CS	1 256 969	-	255 503	192 289	1 704 761
Acting General Manager: CS	148 675	141 635	51 383	140 152	481 845
Chief Audit Executive	1 503 441	-	-	62 209	1 565 650
Legal Counsel and Company Secretary	1 346 258	-	-	47 241	1 393 499
Acting Chief Information Officer	900 200	122 627	80 838	232 204	1 335 869
	10 994 329	419 226	671 019	945 292	13 029 866

2022

	Basic salary	Bonuses and performance related payments	Other short- term employee benefits	Post- employment benefits	Total
Name					
Managing Director	2 137 209	113 241	2 125	-	2 252 575
Chief Audit Executive	1 441 934	-	59 402	-	1 501 336
Legal Counsel and Company Secretary	1 296 561	-	48 721	-	1 345 282
Chief Financial Officer	1 320 238	-	158 946	227 762	1 706 946
General Manager - CS	1 213 064	-	190 202	255 502	1 658 768
General Manager: IBO	1 605 958	-	45 349	-	1 651 307
Chief Information Officer	826 124	152 453	-	-	978 577
Acting Chief Information Officer	442 870	121 113	75 680	38 530	678 193
	10 283 958	386 807	580 425	521 794	11 772 984

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37. Directors' and prescribed officers' remuneration and other benefits paid, payable or receivable

Non Executive

2023

	Directors' fees	Total
Michele Botha	56 000	56 000
Patricia Jacobs	108 000	108 000
Charley Pietersen	106 000	106 000
Chinelle Stevens	136 000	136 000
Dr Lawrence Kok	186 000	186 000
Gloria Matshusa	228 000	228 000
Hein Toerien	104 000	104 000
Judith Shiwundlana	156 000	156 000
Keamogetse Ruiters	40 000	40 000
Lemarco Mitchell	166 000	166 000
Lita Mbokotho	228 000	228 000
Lungisile Mkize	128 000	128 000
Olwethu Sipuka	164 000	164 000
Omphemetse Mokgosi	104 000	104 000
Ponds Petersen	92 000	92 000
Refilwe Morajane	38 000	38 000
Sharifa Prinsloo	104 000	104 000
Simphiwe Dzengwa	172 000	172 000
Simphiwe Mamvura	182 000	182 000
Tiphany Stacey Harmse	104 000	104 000
Tony Ferreira	56 000	56 000
Tumelo Mlangeni	232 000	232 000
Wayne Buckley	56 000	56 000
Yongama Pamla	138 000	138 000
	3 084 000	3 084 000

2022

	Directors' fees	Total
Bernice Dollie	96 000	96 000
Busisiwe Juliet Sibisi	212 000	212 000
Dr Lawrence Kok	104 000	104 000
Refilwe Morajane	16 000	16 000
Gloria Matshusa	92 000	92 000
Grandeur Hove	18 000	18 000
Henry Madalane	114 000	114 000
Judith Shiwundlana	92 000	92 000
Keamogetswe Ruiters	16 000	16 000
Lita Mbokotho	104 000	104 000
Lucky Sixolo	134 000	134 000
Mbuso Poswa	198 000	198 000
Millicent Raborife	56 000	56 000
Gladys Nombulelo Shabangu	128 000	128 000
Nyambeleni Tshindane	68 000	68 000
Olwethu Siphuka	80 000	80 000
Pinkie Zanele Numa	32 000	32 000
Queenie Buthelezi	270 000	270 000
Itumeleng Molontoa	156 000	156 000
Simphiwe Dzengwa	94 000	94 000
Simphiwe Mamvura	100 000	100 000
Themba Mabuya	206 000	206 000

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37. Directors' and prescribed officers' remuneration and other benefits paid, payable or receivable (continued)		
Thulani Hlatshwayo	158 000	158 000
Tshepo Sohaba	180 000	180 000
Tumelo Mokgoka	160 000	160 000
Walter Kganyago	138 000	138 000
Yongama Pamla	144 000	144 000
Tumelo Mlangeni	68 000	68 000
	3 234 000	3 234 000

38. Change in estimate

Property, plant and equipment

In accordance with the policy the useful lives of property plant and equipment is assessed every year at the reporting date of each reporting period. The useful life of Property, Plant and Equipment was re-assessed and this resulted in an increase in the useful life of some assets. These assets are still in a good working condition and based on the asset verification exercise performed at year end.

The useful life and residual value adjustment resulted in a decrease in depreciation in the current year amounting to 2023 R14 986 864; and 2022 R3,871,459.

There was no impact on the cash flow statement as this is a non cash item and the entity uses the direct method by analysing the actual payments and receipts from the bank.

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39. Fruitless and wasteful expenditure

Opening balance as previously reported	696 086	696 086
Add: Fruitless and wasteful expenditure identified - current	10 243	-
Less: Amount written off - current	(316 958)	-
Closing balance	389 371	696 086

Fruitless and wasteful expenditure is presented inclusive of VAT

The fruitless and wasteful expenditure relates to interest charged on over due supplier accounts, this was a result of the shareholders treasury department instituting banking and payment limits on all its entities. the downward revision of the entity's payment plans meant that operational expenditure such as diesel and payments for critical spares such as brakes had to be prioritised over everything else, as a result some supplier accounts were overdue..

Details of fruitless and wasteful expenditure

Interest on over due supplier accounts	The interest was incurred as a result of late payments on supplier accounts due to cashflow constraints. The matter will be presented to MPAC for review and condonment. a formal report has been prepared
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Amount written-off

There amount written off in the current year was R316,958.

40. Irregular expenditure

Opening balance as previously reported	335 484 597	288 467 516
Add: Irregular expenditure - (Non-compliance with laws and regulations) - current	2 365 697	12 106 950
Add: Irregular expenditure - (Non-compliance with laws and regulations) - prior period	2 999 792	-
Add: Irregular expenditure - (Overspending of approved budget) - current	76 865 482	34 910 131
Less: Amount written off - current	(317 691 515)	-
Closing balance	100 024 053	335 484 597

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40. Irregular expenditure (continued)

Incidents/cases identified/reported in the current year include those listed below:

Competitive bidding not followed for transactions over R200,000	-	-
Contract amount exceeded / no procurement process followed	5 365 489	-
Transversal contracts	-	-
Regulation 32 contract amount was exceeded the centralized City's Contract	-	12 106 950
Over spending on approved budget	76 865 482	34 910 131
	82 230 971	47 017 081

Overspending of approved budget: non-cash items include the following:

Depreciation	(20 148 846)	(6 228 020)
Impairment of assets and receivables	827 141	(21 407 405)
	(19 321 705)	(27 635 425)

Cases under investigation

In terms of the Shareholder Contract between Metrobus and the City of Johannesburg, all forensic related, investigations are required to be conducted by the Group Forensic Investigation Service

Cases Relate to Non-Compliance with the Procurement Process	2	5
Cases Relate to Non-Compliance with Internal Policies and Other Legislation	-	2
Cases related to fraud	4	-
Cases related to labour practice	3	-
Cases related to theft of company assets	2	-
	11	7

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40. Irregular expenditure (continued)

Amount recovered

The irregular expenditure relates to City contracts for the lease of motor vehicles, the entity did get value for money from the expenditure incurred and there was no recovery made during the year.

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 317 690 515 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

Subsequent to year end the board of directors sat on the 31st of August 2023 and approved the write off of irregular expenditure amounting to R76,865,482 resulting from budget over spending.

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41. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the board and includes a note to the annual financial statements.

Summary of deviations

Emergency - Reg (1)(a)(i)	41 000 000	439 000
Sole supplier - Reg (1)(a)(ii)	200 000	12 236 046
Impracticability - Reg (1)(a)(v)	18 208 910	23 707 500
	59 408 910	36 382 546

Details of deviation

E-Bus Suppliers : Metrobus uses wayfarer machines as its fare collection system on buses the original installers of the system Questech has informed Metrobus that due to age of the system they are unable to supply us with with ink rollers. E-bus is the currently the only company that is the sole supplier of ink rollers in south africa.	200 000	-
Chippa Training Academy & Rufueo Security JV : The armed robbery which took place in one of our depots warranted urgent intervention from the management to beef up security in Metrobus premises and properties. Other motivational circumstances included, but not limited to: incidents such as intimidation of some managers, theft of employees vehicles within the premises.	41 000 000	-
Tokiso Dispute Settlement(PTY)Ltd : The risk posed by non-implementation of the RBO as planned with impact on the working relationship between management and organised labour. Tokiso was nominated from the legal panel of service providers with expertise in dispute resolutions.	66 240	-
Tokiso Dispute Settlement(PTY)Ltd : Extension of scope for Tokiso Dispute settlement (Pty) Ltd facilitation to continue with provision of facilitation of relationship building in respect of the existing disputes.	63 858	-
Dogan Exhibition and Events : Dogan Exhibition and events are the sole supplier to facilitate Metrobus Exhibition and trade at the annual Rand easter show taking place between 06 to 10 April 2023.	185 308	-
Bahwiti Investment CC : Metrobus is a participant to the National Treasury Transversal contract. There were delays from National Treasury to finalise the awarding of the new contract. NT then advised all organs of state who were participants to the RT69 contract to invoke delegations such as Regulation 36 (deviation) while it was finalising the contract. Metrobus had then entered into an interim contract with Bahwiti to continue supplying the entity with tyres.	7 441 584	-
Olitzki Property and other service providers : Metrobus main bus terminal and the customers service and ticket sales office is located at Ghandi square and it is imperative that Metrobus be able to interact with customers close to the point of sales and visibility within the bus terminal. For this reason it is impractical to procure new office space at different location, other than at Ghandi square.	9 408 962	-
Iron Mountain : Metrobus had previously entered into a contract with Iron Mountain to store documents due to shortage of storage facilities within Metrobus premises. While the documents are still stored at the service providers premises, Metrobus is required to continue paying monthly rental. Furthermore, non-payment of document storage will result in Metrobus not being able to access critical documents and a service provider may institute litigations against the entity.	221 040	-
KubaPay : Kubapay is the current owner of the wayfarer machines, the fare collection system on buses. If support and maintenance is not provided to the current system, this may lead to revenue losses in the event that the system stops functioning properly or if some equipment breakdown. The lack of revenue collection system puts the collection of Metrobus own budgeted revenue of approximately R62 million at risk.	1 007 226	-

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41. Deviation from supply chain management regulations (continued)		
Entsika Consulting (PTY)ltd - Procurement of financial accounting and financial management system and support.	-	2 058 000
Entsika Consulting (PTY)ltd - Procurement of financial accounting and financial management system and support	-	1 500 000
Entsika Consulting (PTY)ltd - Procurement of financial accounting and financial management system and support	-	2 058 000
Various service providers - Procurement of spares and body parts necessitated by the increasing number out of commission buses and backlog due to covid.	-	17 600 000
Various service providers - Provision to appoint a panel of service providers for training venues and catering.	-	300 000
Various service providers - Procurement to appoint a panel of service providers for cleaning materials to ensure compliance with occupational health and safety act requirements.	-	1 349 000
Dalitso Business Equipment - Leasing of multifunctional printers	-	1 500 000
Cestasoft and Motswagae holdings - Procurement of Oracle data recovery after the financial system crashed.	-	139 000
Olitzki Property Holdings - Lease agreement for Ghandi square information centre	-	3 676 000
KubaPay - Procurement of a service provider to support the current revenue collection system	-	8 560 000
	59 594 218	36 383 000

42. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2022

	Note	As previously reported	Correction of error	Restated
Property plant and equipment		506 851 023	4 156 468	511 007 491
Trade and other payables		(124 476 156)	12 888 495	(111 587 661)
		382 374 867	17 044 963	399 419 830

Property Plant and Equipment: The prior period error was as a result of engine refurbishmentss that were done in the prior year but were not capitalised because the invoices were only presented in the current year. a prior period adjustment was done for the asset and the liability portion.

Trade and other payables: The prior period relates to invoices that had been duplicated when the entity was updating its supplier invoice register. the exercise was done by performing a manual full year reconciliation between the batch payments through the bank against the invoice register on the accounting system, the overstatement on both liability and expenditure has been adjusted.

2023

Statement of financial performance

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42. Prior-year adjustments (continued)

2022

	Note	As previously reported	Correction of error	Restated
Employee related costs		327 992 285	(7 194 633)	320 797 652
Lease rentals on operating lease		6 021 875	(443 313)	5 578 562
General expenditure		224 427 916	(9 407 017)	215 020 899
Surplus for the year		558 442 076	(17 044 963)	541 397 113

General Expenditure: The prior period relates to invoices that had been duplicated when the entity was updating its supplier invoice register. the exercise was done by performing a manual full year reconciliation between the batch payments through the bank against the invoice register on the accounting system, the overstatement on both liability and expenditure has been adjusted.

Employee related costs: The prior period relates to payroll invoices from CoJ shared services that had been duplicated when the entity was updating its supplier invoice register. the exercise was done by performing a manual full year reconciliation between the batch payments through the bank against the invoice register on the accounting system, the overstatement on both liability and expenditure has been adjusted.

Lease rentals on operating lease: this relates to invoices from Avis and Afrrent for fleet services that had been duplicated when the entity was updating its supplier invoice register. the exercise was done by performing a manual full year reconciliation between the batch payments through the bank against the invoice register on the accounting system, the overstatement on both liability and expenditure has been adjusted.

43. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year subscription / fee	4 639 373	4 228 139
Amount paid - current year	(4 639 373)	(4 123 426)
	-	104 713

PAYE and UIF

Current year subscription / fee	47 094 294	46 991 503
Amount paid - current year	(47 094 294)	(46 991 503)
	-	-

Pension Deductions

Current year subscription / fee	33 464 115	51 219 259
Amount paid - current year	(33 464 115)	(51 219 259)
	-	-

Medical Aid deductions

Current year subscription / fee	19 052 081	-
Amount paid - current year	(19 052 081)	-
	-	-

Skills development levy

Current year subscription / fee	2 549 828	-
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43. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT receivable	13 001	-
VAT payable	13 001	4 502
	26 002	4 502

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

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44. Segment information

General information

Identification of segments

The entity is organised and reports to management on the basis of three major functional depots, being Milpark, Roodepoort and Village Main, these depots offer the same service across the whole of the Metro and operate what is called a spider route system where buses are not restricted to a particular location of region. The entity under the Municipal Standard Chart of Accounts (mSCAO) reports its activities under one region called Whole of Metro..

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

The geographical areas in which the entity operates is seen as a single geographical area for decision purposes, therefore the geographical areas in which the entity operates are irrelevant for decision making purposes.

Conclusion: Based on the information above, no segment reporting is required and has not been included

Analysis on whether segment reporting is applicable for Metrobus

Applicable to all entities on the accrual basis of accounting. The standard applies to separate (or individual) financial statements of an entity, as well as to consolidated financial statements of an economic entity.

Definition and Identification

An activity of an entity

That generates economic benefits or service potential - Not separable

Whose results are regularly reviewed by management - Yes

For making decisions about the future allocation of resources - Yes

And in assessing its performance – Department Performance

For which separate financial information is available - Is not separable

Revenue, expenditure and balance sheet - Are not separable

Does Metrobus have segments? - No

Are these segments and why? - No

1. Roodepoort

2. Village Main

3. Milner Park

4. Head Office Admin

Explanation

The 3 depots (OPS & TSD) are managed by one executive director (IBO), no autonomy per depot, no separate and independent in strategy

Reportable segments

Reportable segments – segments identified per definition, or aggregation of two or more segments, which are reported in the segment report

Aggregate if similar economic characteristics and most of the following are met

Share nature of goods or services delivered

Share types or class of customer or consumer

Share methods used to distribute the goods or provide the services

Share nature of regulatory environment

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44. Segment information (continued)

Explanation

The 3 depots (OPS & TSD) are managed by one executive director (IBO), no autonomy per depot, no separate and independent in strategy

Reportable segments

Reportable segments – segments identified per definition, or aggregation of two or more segments, which are reported in the segment report

Aggregate if similar economic characteristics and most of the following are met

Share nature of goods or services delivered

Share types or class of customer or consumer

Share methods used to distribute the goods or provide the services

Share nature of regulatory environment

Explanation

These are the same for the 3 depots (IBO department) and therefore should be aggregated

Disclosures

- General information
- Total carrying amount of segment assets - Cannot be identified separately.
- Total carrying amount of segment liabilities - Cannot be identified separately.
- Surplus or deficit, e.g. revenue - Basing on estimates
- Depreciation, interest, material items of revenue and expenses - Cannot be identified separately.

Disclosures - Explanation of measures

- Basis of accounting for transactions between segments
- Nature of difference between segment and entity for - No difference
- Surplus or deficit - No difference
- Assets - No difference
- Liabilities - No difference
- Changes from prior periods in measurement methods - No difference
- Nature and effect of asymmetrical allocations to reportable segments - No difference

Disclosures – Reconciliations

- Reconciliations of total reportable segments to entity:
- Revenues - Based on estimates
- Surplus/deficit - Based on estimates
- Assets - Based on estimates
- Liabilities - Not determinable
- Every other material item - Not determinable

Disclosures – Geographical segments

- Geographical areas of operation - Not applicable
- External revenues from non-exchange transactions - Not applicable
- External revenues from exchange transactions - Not applicable
- Total expenditure - Not applicable
- Total expenditure - Not applicable
- Non-current assets - Not applicable

Conclusion: Based on the information above, no segment reporting is required. The geographical areas in which the entity operates is seen a single geographical area for decision purposes, therefore the geographical areas in which the entity operates are irrelevant for decision making purposes.

Based on the information above, management reached a conclusion that since the whole organization operates as one, using the same accounting systems and there is no separation of revenues, costs and the statement of financial position,

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44. Segment information (continued)

no segment reporting was applicable. Reporting the whole organization as a segment will not add anything to faithful and fair presentation of the AFS as this will not add any value to the users of the financials.

45. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At amortised cost	At cost	Total
Loans to shareholders	35 290 852	-	35 290 852
Trade and other receivables from exchange transactions	-	3 359 288	3 359 288
Other receivables from non-exchange transactions	-	-	-
Cash and cash equivalents	-	46 796	46 796
	35 290 852	3 406 084	38 696 936

Financial liabilities

	At amortised cost	At cost	Total
Loans from shareholders	542 310 398	-	542 310 398
Other financial liabilities	109 074 803	-	109 074 803
Trade and other payables from exchange transactions (excluding employee benefits)	-	126 568 733	126 568 733
Income received in advance	-	2 740 931	2 740 931
	651 385 201	129 309 664	780 694 865

Residual interest

2022

Financial assets

	At amortised cost	At cost	Total
Loans to shareholders	33 046 963	-	33 046 963
Trade and other receivables from exchange transactions	-	4 141 986	4 141 986
Cash and cash equivalents	-	313 036	313 036
	33 046 963	4 455 022	37 501 985

Financial liabilities

	At amortised cost	At cost	Total
Loans from shareholders	478 307 266	-	478 307 266
Other financial liabilities	151 790 146	-	151 790 146
Trade and other payables from exchange transactions	-	124 476 156	124 476 156
Income received in advance	-	2 740 931	2 740 931
	630 097 412	127 217 087	757 314 499

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45. Financial instruments disclosure (continued)

Financial instruments in Statement of financial performance

2023

	At fair value	At cost	Total
Net actuarial gains on financial instruments	714 656	-	714 656
Interest income (calculated using effective interest method) for financial instruments at amortised cost	-	2 243 889	2 243 889
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	-	(45 463 141)	(45 463 141)
Fee income from financial instruments at amortised cost	-	2 000	2 000
	714 656	(43 217 252)	(42 502 596)

2022

	At fair value	At cost	Total
Net actuarial gains on financial instruments	444 152	-	444 152
Interest income (calculated using effective interest method) for financial instruments at amortised cost	-	1 232 488	1 232 488
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	-	(29 163 518)	(29 163 518)
Fee expense from financial instruments at amortised cost	-	2 000	2 000
	444 152	(27 929 030)	(27 484 878)

46. Risk management

Financial risk management

The entity's activities exposure to a variety of financial risks is very limited risks such as market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk are centrally managed at the City's treasury department.

Liquidity risk

The entity's liquidity and cashflow is managed by the City's treasury department. There is a sweeping arrangement in place where the balance on the entity's bank accounts is sweeping and reduced to zero at the end of each business day. All payments to suppliers and any liability obligations is managed by the City's treasury department, thus the entity is not exposed to liquidity risk.

Cash flow forecasts are prepared and submitted to the City's treasury department which in turn allocates funds to the entity for its planned payment plan.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and trade debtors. The entity does not hold any deposits cash with any banks.

Trade receivables comprise a very small customer base made up of City of Johannesburg entities and departments. Management has evaluated credit risk and has come to the conclusion that given the insignificance of the receivables book there is no risk attached to it, further the book is made up entirely of the city's departments and entities as related parties

Market risk

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46. Risk management (continued)

Interest rate risk

As the entity has no interest-bearing assets that are affected by external factors, all loan assets are with the City of Johannesburg as the major shareholder, the entity's income and operating cash flows are substantially independent of changes in market interest rates because all of the entity's borrowings are determined by the Shareholder through the City's treasury department.

Price risk

The entity is not exposed to commodity price risk regarding fuel and bus spares. The risk is borne by the supplier, once contracted and a purchase order is issued the supplier is obligated to invoice on the purchase order price regardless of price fluctuations. The entity mitigates this risk by entering into service agreements at the most favourable terms available with multiplier fuel suppliers.

Both diesel and bus spare part prices are also influenced by fluctuation in exchange rates. Management has very limited control over these fluctuations. The risk of exchange rate fluctuations is transferred to suppliers by entering into fixed price contracts where ever possible.

47. Going concern

We draw attention to the fact that at 30 June 2023, the entity had an accumulated deficit of R (468 030 134) and that the entity's total liabilities exceed its assets by R (250 086 151).

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

48. Events after the reporting date

- There were no adjusting events after the reporting date that would affect the financial statements as reported.
- There was a bus that burnt down subsequent to year end.
- Subsequent to the the year end the board of directors approved the write off of irregular of R76,865,482 on the 31st of August 2023, the irregular expenditure was as a result of budget overspending.

ANNEXURE N AGSA UNMODIFIED AUDIT OPINION

Report of the auditor-general to the Gauteng Provincial Legislature and the council of the City of Johannesburg Metropolitan Municipality on the Johannesburg Metropolitan Bus Services (SOC) Limited

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Johannesburg Metropolitan Bus Services (SOC) Limited set out on pages 178 to 256, which comprise the statement of financial position as at 30 June 2023, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Johannesburg Metropolitan Bus Services (SOC) Limited as at 30 June 2023 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Companies Act 71 of 2008 (Companies Act).

Basis for opinion

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

Key audit matters

6. I have determined that there are no key audit matters to communicate in this auditor's report.

Emphasis of matter

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

Restatement of corresponding figures

8. As disclosed in note 42 to the financial statements, the corresponding figures for 30 June 2022 were restated as a result of an error in the financial statements of the municipal entity at, and for the year ended, 30 June 2023.

Other matter

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

Unaudited disclosure notes

10. In terms of section 125(2)(e) of the MFMA, the municipal entity is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

11. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the MFMA and the Companies Act; and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
12. In preparing the financial statements, the accounting officer is responsible for assessing the municipal entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipal entity or to cease operations, or has no realistic alternative but to do so.

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

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

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

Report on the audit of the annual performance report

15. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected programmes presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
16. I selected the following programmes presented in the annual performance report for the year ended 30 June 2023 for auditing. I selected programmes that measure the municipal entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Programme	Page numbers	Purpose
Customer, stakeholder engagement and communication	134	To provide an inclusive, job intensive resilient, competitive and smart economy that harnesses the potential of citizens.
Innovation and green economy	137	To decrease Metro bus's contribution to GHG emissions
Enterprise development and job Creation	138	To promote enterprise development and job creation
Operational excellence	142	To arrive on time, in a clean, road worthy bus, operated legally and by a courteous, customer centric employee

17. I evaluated the reported performance information for the selected programmes against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the municipal entity's planning and delivery on its mandate and objectives.
18. I performed procedures to test whether:
- the indicators used for planning and reporting on performance can be linked directly to the municipal entity's mandate and the achievement of its planned objectives
 - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
 - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be

delivered and by when, the required level of performance as well as how performance will be evaluated

- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for the measures taken to improve performance.

19. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

20. The material findings on the reported performance information for the selected programmes are as follows:

Customer, stakeholder engagement and communication

Various indicators

21. I could not determine if the reported achievements were correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievements might be more or less than reported and were not reliable for determining whether the targets had been achieved.

Indicator	Target	Reported achievement
% planned trips completed	90%	90%
Average number of Metrobus passenger trips per working day	15 000	19 724

Innovation and green economy

% Carbon emissions

22. An achievement of (17%) was reported against a target of (30%). I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining whether the target had been achieved.

Operational Excellence

% fleet availability to operate scheduled trips met

23. An achievement of (91%) was reported against a target of (90%). I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining whether the target had been achieved.

Other matters

24. I draw attention to the matters below.

Achievement of planned targets

25. The annual performance report includes information on reported achievements against planned targets and provides measures taken to improve performance. This information should be considered in the context of the material findings on the reported performance information.

Material misstatements

26. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for customer service, stakeholder engagement and communication, innovation and green economy and operational excellence. Management did not correct the misstatement and I reported material findings in this regard.

Report on compliance with legislation
--

27. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the municipal entity's compliance with legislation.
28. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
29. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the municipal entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
30. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Expenditure management

31. Money owed by the municipal entity was not always paid within 30 days, as required by section 99(2)(b) of the MFMA.
32. Reasonable steps were not taken to prevent irregular expenditure amounting to R76 865 482 as disclosed in note 39 to the annual financial statements, as required by section 95(d) of the MFMA. The majority of the irregular expenditure was caused by contravention of section 87(8) of the MFMA.
33. Expenditure was incurred in excess of the approved budget, in contravention of section 87(8) of the MFMA.

Other information in the annual report

34. The accounting officer is responsible for the other information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act. The other information referred to does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported on in this auditor's report.
35. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
36. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
37. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

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

40. The accounting officer did not exercise adequate oversight responsibility over the internal controls relating to compliance with key laws and regulations. This resulted in material non-compliance with laws and regulations.
41. Senior management did not ensure adequate monitoring of controls to prevent non-compliance with laws and regulations.
42. Senior management did not implement sufficient controls for the preparation of valid, accurate and complete annual performance report that is supported by reliable supporting information. This resulted in material findings on the annual performance report.

Other reports

43. I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
44. The GFIS was investigating allegations of possible fraud, procurement irregularities and financial misconduct at the municipal entity, covering various financial years and including the current financial year. The outcome of these investigations is expected after 30 June 2023.

Johannesburg

30 November 2023



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

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

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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

Financial statements

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipal entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the municipal entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipal entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

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

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

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Section 1 - Paragraph (a), (b) & (d) of the definition: irregular expenditure, Sections 87(5)(b), 87(5)(d), 87(5)(d)(i), 87(5)(d)(iii), 87(6)(c), Sections 87(8), 88(1)(a), 90(1), 90(2)(a), 90(2)(b), 95(d), Sections 96(2)(a), 96(2)(b), 97(e), 97(f), 97(h), 97(i), 99(2)(a), Sections 99(2)(b), 99(2)(c), 99(2)(g), 102(1), 102(2)(a), 112(1)(j), Sections 116(2)(b), 116(2)(c)(ii), 122(1), 126(2)(b), 133(1)(a), Sections 133(1)(c)(i), 133(1)(c)(ii), 170, 172(3)(a), 172(3)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 73(1), 73(2), 75(1), 75(2)
MFMA: Municipal Investment Regulations, 2005	Regulations 3(2), 3(3), 5(4), 6, 6(8)(b), 7, 10(1), 12(2), 12(3)
MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2005	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 16(a), Regulations 17(1)(a), 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), Regulations 22(2), 27(2)(a), 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), Regulations 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(ii), 32, Regulations 36(1), 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), Regulations 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, Regulations 46(2)(e), 46(2)(f)
Municipal Systems Act 32 of 2000	Sections 93B(a), 93C(a)(iv), 93J(1)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulations 17, 25(7A)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), Regulations 6(8), 7(1), 7(2), 7(3),

Legislation	Sections or regulations
	7(6), 7(8), 8(2), 8(5), 9(1), Regulations 10(1), 10(2), 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)
Companies Act 71 of 2008	Sections 45(2), 45(3)(a)(ii), 45(3)(b)(i), 45(3)(b)(ii), 45(4) Sections 46(1)(a), 46(1)(b), 46(1)(c), 112(2)(a)