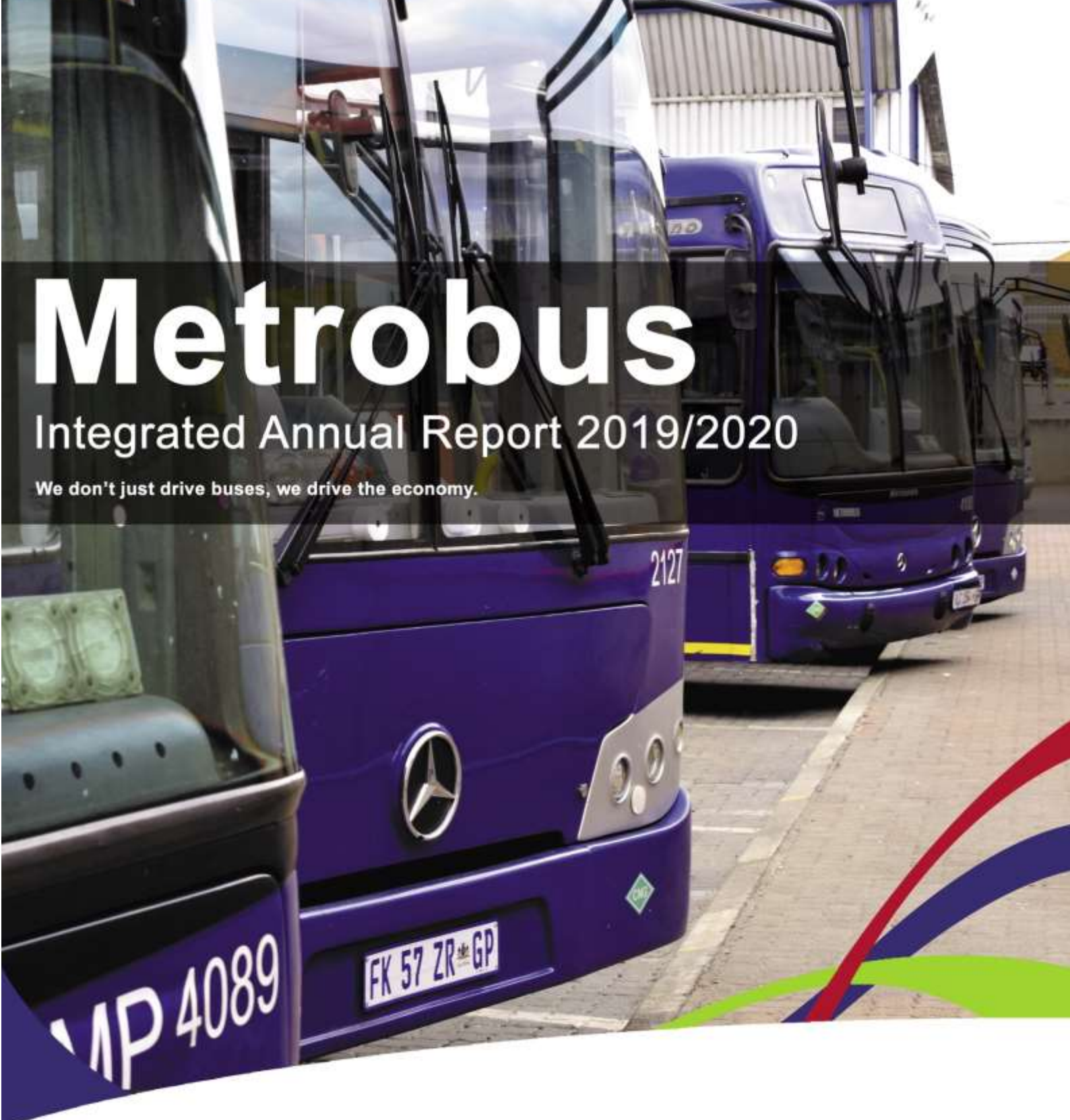


Metrobus

Integrated Annual Report 2019/2020

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



Head Office

Physical Address: Transportation House,
No 1 Raikes Road, Braamfontein, 2001
Postal Address: P O Box 1787, Johannesburg, 2001
Tel: 011 403 4300

www.mbus.co.za

Private hire Service

011 832 3135 /6/7

Call Centre

Tel: 0860 JOBURG (562 874)
Email: busqueries@joburg.org.za

Operating Hours: 05h00 - 21h00 (Monday to Friday)
06h00 - 14h00 (Saturday)
Closed on Sunday and Public Holidays



a world class African city





CORE VALUES

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



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



Metrobus



Approval:

<p><u>LUYANDA GIDINI</u> Name & Surname Signature  Chief Financial Officer</p>	<p>Date of approval: <u>12 APRIL 2021</u></p>
<p><u>XOLISWA MHLONGO</u> Name & Surname Signature  Chief Executive Officer/MD</p>	<p>Date of approval: <u>13 APRIL 2021</u></p>
<p><u>BUSISIWE SIBISI</u> Name & Surname Signature  Chairperson of the Board</p>	<p>Date of approval: <u>13 APRIL 2021</u></p>
<p><u>HN. Makhubela</u> Name & Surname Signature <u>HN Makhubela</u> MMC</p>	<p>Date of approval: <u>13 April 21</u></p>

VERSION CONTROL

	<i>EMT APPROVAL</i>	Date of approval:	
	<i>HRSE COMMITTEE APPROVAL</i>	Date of approval:	
	<i>AUDIT AND RISK COMMITTEE APPROVAL</i>	Date of approval:	
	<i>BOARD OF DIRECTORS APPROVAL</i>	Date of approval:	

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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

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 Municipality and its Municipal 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 D. 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

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 available on the entity website, provides a complete and balanced review of Metrobus economic, social and environmental performance, within the context of its strategy, risks and opportunities for the financial year ended 30 June 2020.

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; Joburg 2040 Growth and Development Strategy (GDS); Integrated Development Plan (IDP); and Strategic Integrated Transport Plan framework.

The report is also 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 planning is 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 planning is 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 Significant change in input cost Dynamics in level of Customer Satisfaction Labour Volatility	Joburg 2040 GDS outcomes IDP Dynamics in Mayoral Priorities 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 its importance. These issues are listed below and appropriately juxtaposed with the relevant organizational objectives on which they may have direct impact.

Relevant 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. Low productivity levels especially in relation to ensuring sufficiency of fit for purpose fleet 2. Lack of innovative capacity planning in line with current challenges	Chapter 3
Arrive on time, in a clean, road worthy bus, operated legally and by a courteous, customer centric employee.	1. Service disruptions arising from non-availability of buses and labour relations issues resulting in early or late arrivals as well as non-arrivals.	Chapter 3

	2.Loss of confidence among commuters and employees	
Achieve fare revenue collection targets and improve expenditure efficiency.	1. Pace of procurement of Automated Fare Collection System and implementation of elements of Intelligent Transport Systems. 2.Lack of Commuter enumeration systems for proper planning, and accounting for fare collection	Chapter 5
Approval of a sustainable re-fleeting and refurbishment plan	1. Approval of Fleet Renewal and management Strategy 2.Pace and scope of refurbishment program	Chapter 3
Acquire, develop, and retain talent in a fit for purpose organizational structure that will deliver on our mission	1.Instability in critical positions; 2.Aging workforce 3. Material decrease in personnel budget	Chapter 4
Enable people and processes with technology for service delivery, agility and customer focus	1.Obsolete ICT infrastructure 2.Lack of fleet management system 3.Manual scheduling systems	Chapter 2

Assurance

The Entity’s Annual report for the 2019/20 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 2019/20 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 2020. Metrobus' performance information for the year ended 30 June 2020 has been examined by the external auditors and their report is attached herein as Annexure D.

To the best of our knowledge, we confirm:

- All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor-General South Africa
- 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 2020.

1.1 Foreword by Member of the Mayoral Committee



In line with the prescripts of applicable legislation and relevant guiding instruments, it is my pleasure to present the 2019/20 Integrated Annual Report for Metrobus. The year under review has attracted national attention on the operations of public transport particularly in light of the COVID-19 pandemic. The advent of the Corona Virus on our shores cast public transportation into the position of a potential super transmission platform for the disease. The implementation of an appropriate prevention and mitigation strategy became the single most pervasive challenge in the last quarter of the year, and I believe that Metrobus discharged its responsibility in this regard remarkably. The entity ensured that health protocols were set in place timeously and sufficiently while ensuring that essential transport services are maintained in support of the objective of keeping the economy of Gauteng moving.

At the commencement of the financial year we indicated that the following matters would receive particular focus on account of their collective potential to unlock a number of benefits for the sustainability of the organization:

- On-going leadership stabilisation
- Finalisation of Automated Fare Collection system
- Improving the solvency position through the finalisation of debt restructuring
- Securing funding for Re-fleeting strategy and plan

During the year under review, great strides were made in ensuring leadership stability. For the first time in the history of the organization, a black female was appointed as Managing Director. This bodes well for transformation and gender equality. A number of other senior positions, which have been vacant for some time, have since been filled. Consequently, the challenge of leadership stability is within reach for the organization.

Processes towards the procurement of an Automated Fare Collection System for the organization progressed to an advanced stage. However, due to factors including requirements for collaboration with other government entities including the South African National Roads Agency (“SANRAL”), the process of procurement has not been completed. Strict timelines have since been agreed with the entity for the completion of this important process.

Significant progress has been made towards the finalisation of the Metrobus debt restructuring process. All due diligence requirements have been met in this regard and a decision is imminent from the shareholder pertaining proposals made by the entity. Once concluded, this intervention will ensure that the solvency and liquidity position of the entity is significantly improved. The entity’s Financial Sustainability strategy aims to expand its current revenue streams, while increasing its capacity to collect revenue from its current active streams. This will significantly improve the entity’s financial sustainability.

The ability of the entity to have a funded re-fleeting program is an important strategic requirement. In this regard, and in line with the entity’s Fleet Renewal and Management Strategy, funding has been secured which will be available in the current medium term framework for the procurement of fleet. Requirements for eco-mobility, intelligent transport systems and an environmentally friendly energy mix in support of the green economy remain uppermost in all fleet renewal considerations.

The year under review has ushered in new ways of working and once again emphasised the importance of technological enablement. The entity has embraced new digitally enabled forms of employee engagement. While the entity has recorded a number of employees who have tested positive for the corona virus, it is encouraging to note that a number of these employees have since recovered. Only one case of a commuter who reported that they had tested positive and had been in transit with other commuters was reported. All fellow commuters were subsequently traced and notified in collaboration with the City.

The financial year 2020/21 heralds the last phase of the Fourth Generation Integrated Development Plan (“IDP”) 2017-2020, the apex municipal planning instrument that outlines our compact with the people of Johannesburg. Reliable public transportation remains an important enabler of developmental local government. Eco-Mobility and environmentally

conscious energy usage are indispensable considerations towards a future of decreased public road congestion, public transportation as a preferred mode, integrated public transport networks and an accelerated rate of decarbonisation.

I would like to express my sincere gratitude to the Board of Directors, the Management and staff at Metrobus, all the oversight bodies as well as stakeholders for their continued support in ensuring the delivery of efficient and reliable public transport in our City.

.....

Nonhlanhla Helen Makhuba
Member of Mayoral Council (MMC): Transportation

1.2 Chairperson's Foreword



The 2019/20 financial year will go down in the history of both our country and Metrobus as one in which our individual and collective resolve to thrive in the midst of challenges was tested significantly. The occurrence of the COVID-19 pandemic threatened our very way of life in ways unimaginable. Lives and livelihoods entered uncharted waters and our survival as a community and a business required visionary leadership and tenacity of spirit. A “New Normal” dawned without much notice and required of us new ways of working, socializing and living together.

In light of all the challenges that we have grappled with, I am pleased to present the 2019/20 Metrobus Integrated Annual Report. During the period under review, Metrobus has positively impacted the lives of over 5.1 million citizens of Johannesburg through the provision of cost effective and safe transportation covering no less than 7 million kilometres and meeting our target of accident free mobility. Our buses remain safe spaces for all commuters including vulnerable citizens (women and children) who account for the majority of our commuters. During the year under review, no security incidents were reported on our buses.

The entity has persisted in its goal of repairing and properly maintaining assets. 81.1 million (12% of total operating expenditure budget) was invested in repairing and maintaining buses. A further 33.2 million was invested towards infusing 5-8 additional years of useful life into 31 buses through the bus refurbishment program. This will significantly increase bus availability and reliability for the benefit of our commuters.

Our contribution towards successful economic transformation and employment creation in Gauteng has received singular attention. In this regard we have spent R218 million (92%) of our annual total procurement spent on BBBEE enterprises. This level of expenditure exceeded our targets by 62%. We spent R18.4 million on Small Medium and Micro Enterprises (SMME), supporting a total of 90 SMMEs, and exceeding our target in this regard by 33%. Furthermore, the entity created one hundred and ninety (190) work opportunities through the Extended Public Works Program.

Levels of reliability of our buses in terms of arriving on time and completing scheduled trips remains a priority. In this regard we have maintained a clean record in relation to arriving at our starting points in time and succeeded to operate over 90% of our scheduled trips. All hands are on deck to ensure that this level of performance improves. We maintain continuous engagement with all our stakeholders. The commuter forum, in which we take great pride, has continued to function and inform our operations on an ongoing basis. We endeavour to acknowledge all commuter complaints within 72 hours and resolve complaints within Fifteen (15) working days. In this regard, we have achieved an 87% resolution rate, in excess of predetermined target of 80%.

The financial sustainability of the entity has been a significant focal point. The restructuring of historical debt, which is at an advanced stage, will translate in positive liquidity and solvency position for the entity. I am pleased to note that the entity has indeed spent 91% of its Capital Expenditure Budget, creating value and ensuring ongoing capability.

In our fight against the Corona Virus pandemic, the entity put at the disposal of employees and commuters no less than 1000 litres of hand sanitizers, in addition to 1000 face masks, and face visors. We configured seating arrangement on our buses to ensure adherence to safety protocols while ensuring that essential workers in Johannesburg enjoyed safe transit. Efforts in this regard will continue for as long as the threat of Covid persists.

We look forward to the financial year 2020/21, which has significant prospects for the entity, including the bringing to fruition of the Centre of Excellence (CoE), a capability that will position the entity as a leader among its peers in the important transport imperative of using clean energy towards the continuous decarbonisation of public transport in Gauteng. We will continue to engage with the shareholder on a sustainable funding model for the entity, and contribute towards encouraging modal shift towards public transportation through providing a reliable service. Engage the shareholder on the possibility of increasing commercial speed and reliability for all collective modes of transport (buses) using enablers such as priority at traffic lights and reserved corridors/lanes, and equipping our bus operators with skills in Eco-driving. An increase in bus commercial speed on a busy line leads to significantly less energy consumption, attracts more passengers, and will speed up the rate of decarbonisation of public transport.

The board of directors remains functional and resolute in its oversight and governance role. While ensuring that oversight continues regarding adequate performance of the entity in relation to its mandate, during the next reporting period, we will maintain much focus on the following important enablers:

- Finalization of the debt restructuring process
- Technological Enablement of the entity
- Expanding the Private Hire, Commercial and Special contacts segments of our operation.
- Funding of the Fleet Renewal and Management Strategy
- Decarbonisation

The Board of Directors and Management recognise the responsibility attached to the realisation of the entity’s vision of being “a people centred, performance driven provider of an efficient conventional bus service within the Integrated Public Transport Network” and remain committed to achieve same, with the continued support of our stakeholders. As we forge ahead into the 2020/21, we have adjusted our sails and as the Board, we have one mission in mind, that is ensuring the entity’s financial sustainability while discharging its mandate efficiently and in an environmentally sustainable manner.

On behalf of the Board, I wish to extend my gratitude to the Shareholder, stakeholders and management of the Entity for their cooperation and support during the year.

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Mr Derrick Mkhwanazi

Metrobus Board Chairperson

1.3 Managing Director's Report



The Johannesburg Metropolitan Bus Services (SOC) Ltd (“herein after referred to as Metrobus/the company”) was incorporated in 2000 and is a wholly owned Municipal Entity of the City of Johannesburg Municipality. In keeping with the provisions of Section 76(b) of the Systems Act, no 32 of 2000, through which a municipality can appoint an external mechanism for the delivery of a designated municipal service, the City appointed Metrobus in terms of a Service Delivery Agreement to provide safe and customer friendly bus transport services to the residents of Johannesburg.

The Service Delivery Agreement (“SDA”) outlines the powers and functions of Metrobus which pertain mainly to the provision of scheduled bus transport services to residents of Johannesburg, operated on a route network and pricing structure determined by the City of Johannesburg.

Whereas a normal financial year would consist of four quarters comprising a complete annual performance assessment period, the 2019/20 financial year, due to the national shutdown arising from the advent of COVID19, comprised of only three quarters during which services could be rendered on a normal basis to the citizens of Johannesburg.

Albeit that during the first three quarters of the financial year the entity persisted on the delivery of its mandate in pursuit of its pre-determined performance targets, the advent of COVID19 necessitated that services be reduced significantly. The focus during this period shifted to ensuring that the entity supports the City in meeting the mobility requirements of only essential services. Adherence to a new set of health protocols including the wearing of masks while in transit, social distancing, installation of contact tracing measures and general sanitization of buses took centre stage.

During this period a number of employees tested positive for the corona virus, however I am pleased to announce that in this regard a 100% recovery rate was recorded. A single case of a commuter who reported to have used one of our buses and later tested positive for the

virus was reported. All commuters who were in transit with this commuter were traced and notified.

However, during the 2019/20 financial year a number of performance enablers remained on course. The entity remained resolute in its resolve to deliver on the services it has promised to the citizens of Johannesburg, adhere to proper governance procedures, and manage all risks that emerged as a result of COVID19.

During the year under review, the entity experienced significantly high turnover in executive management. Four of seven executive managers left the entity. However, the entity was successful in securing the services of a Chief Audit Executive.

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 an impressive 94% 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 remained constant 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 94% 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 declined by 37% (2018/19: 8.1million; 2019/20: 5.1 million)

indicating a persistent decline experienced during the last five financial years. This decline can be attributed to a number of reasons emanating from factors internal and external to the entity. While the entity has consistently struggled with maintaining a sufficient fit for purpose capacity of fleet to meet its peak requirements, a consistent decline in levels of employment and a general decline in economic activity has contributed to the drop in ridership. In addition, the two commuter segments being workers and students who make up over 80% of our commuters were significantly affected by the pandemic thus translating into a steep decline in trips made for work or school.

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 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 reconfiguration of routes necessitates a review of the service level agreement reached with the City. Efforts are afoot in this regard to ensure that the route network serviced by Metrobus is reviewed to ensure that the needs of the citizenry are met while more commuters are attracted to use the services of the entity, which in comparison offer value for money and extended reach.

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, the average number of OOC buses decreased/increased relative to the previous financial year. The integrated Maintenance plan was approved during the last quarter of the year and it aims to ensure the availability of the requisite number of buses to meet peak requirement needs including a 10% spare capacity.

In addition, while the entity has focused on obtaining feedback from commuters on its service through a commuter satisfaction survey, during the 2020/21 financial year a survey focusing on non-users of our services will be conducted to establish what the entity should focus on to attract public transport commuters who are currently not using the services of Metrobus.

The entity has consistently aimed at resolving AGSA audit findings and ensuring that proper processes and controls are in place.

During the year under review 388 employees (49% of total employees) underwent various training programs over 517 man-days. The entity recovered 68% of the training levy paid to the relevant training authority.

The employee relations environment in the organization remains a concern. Six man-days were lost due to industrial action in the financial year 2019/20, this represents an increase from the 2 man-days lost in the 2018/19 financial year

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. In this regard Metrobus considers with much importance its role in ensuring the future of urban 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.

During the 2019/20 financial year the Metrobus Fleet Renewal and Management Strategy was approved which will guide the entity in all its fleet procurement decisions going forward. Notably, the strategy outlines the entity's focus on ensuring a proper fuel energy mix for financial and environmental sustainability as well as a mixed model for the procurement of fleet which includes outright purchase, refurbishment and leasing. The maintenance of assets has remained an important focus area during the period under review. Ninety one per cent (91%) (Excluding capex funds earmarked for the procurement of the Automated Fare Collection System which is the competence of the City) of the capex budget was spent against a target of 95%.

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. 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. While revenue has not been realized in this regard, this initiative heralds a migration from overreliance on grant funding. 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. The Net liability position for the financial year ending 30 June 2020 is R204 million. The entity recorded a surplus of R23.5 million compared to a deficit of R27.2 million reported in the previous financial year reflecting a 192% improvement. The debt restructuring process will be completed during the 2020/21 financial year. In relation of a dispute pertaining to water services for R29 million, the entity has confirmed the validity of 66% of the amount. The residual amount is still under dispute.

During the year under review, the entity achieved 71% of its predetermined objectives and 90% 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 Vision 2025 strategy, 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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Xoliswa Mhlongo

Acting Managing Director

1.4 Chief Financial Officer's Report



The report below reflects the financial position, performance; and its related cash flows as at 30 June 2020. The June 2020 report was prepared on going concern basis, that is, the entity would continue to operate for the foreseeable future.

Financial Performance

The table below summarise the financial performance of the entity as at 30 June 2020.

Description	30 June 2020		
	Actual (R000's)	Budget (R000's)	Prior year (R000's)
Revenue	704 403	730 717	643 598
Direct costs	153 885	137 491	156 649
Margin	550 518	593 226	486 949
Expenses	471 032	533 414	453 199
Operating result	79 486	59 812	33 750
Interest paid	55 973	59 812	60 900
Total Expenditure	680 890	730 717	670 748
Surplus / Deficit	23 513	0	(27 150)

Metrobus recorded a surplus amounting to R23, 5 million for this financial year (2018/19: deficit R27, 2 million). The was due to reduced operations arising from the COVID-19 Pandemic disease as well as cost containment measures implemented by management. While this appears to be a good performance, this also reflects the devastating impact of COVID-19 on the economy of the country

The entity underperformed in terms of the revenue against the budget by R25, 2 million. Fare revenue under-performed by R29,2 million against the budget of R92,2 million. There were multiple reasons for the non-performance against budgeted revenue. These included, but not limited to, the impact of the strike in the first quarter of the financial year, under-performance in terms contracted and private hire as well as the impact of COVID-19.

The COVID-19 pandemic has material impact on revenue. Metrobus had to drastically reduce operations as most passengers were not travelling. When the lockdown conditions were eased most companies remained closed resulting in reduced number of passengers travelling. This was also true with respect to the transport of scholars, which represent a key customer segment of Metrobus. As a result of COVID-19, two of the entities that use Metrobus services (Contracted Hires) terminated their contracts.

In response to the declining internally generated revenues, management has attempted to contain expenditure. Significant savings were realised on:

- Employee related costs of approximately R15,9 million;
- Finance costs of approximately R3,8 million;
- Operating leases of approximately R 2,1 million;
- Insurance cost of approximately R844 000;
- Diesel related costs of approximately R6,8 million
- General expenses of approximately R38,0 million

That being said, there was significant over spending on the following items:

- Depreciation and amortisation of approximately R2,5 million
- Impairment losses of approximately R6,7 million
- Loss on disposal of assets of approximately R9, 3 million.

Financial Position

The table below reflects the abridged financial position of the entity as at 30 June 2020

Abridged Statement of Financial Position	2019/20 (R000's)	2018/19 (R000's)	Movement (R000's)	Movement (%)
Current Assets	28 230	30 715	(2 485)	(8%)
Non-Current Assets	624 616	666 098	(41 482)	(6%)

Total Assets	652 845	696 812	(43 967)	(6%)
Capital & Reserves	(204 033)	(224 071)	20 038	(9%)
Non-Current Liabilities	203 741	242 236	(38 496)	(16%)
Current Liabilities	653 138	678 647	(25 509)	(4%)
Total Equity & Liabilities	652 845	696 812	(43 967)	(6%)

Current assets decreased by approximately R2, 5 million (8%) from R30, 7 million (30 June 2019) to R28, 2 million (30 June 2020). This change was driven by the following:

- A R6, 0 million (485%) increase in the insurance fund debtor.
- A R1, 9 million (29%) decrease in pre-paid expenses;
- A R1, 3 million (33%) decrease in receivables from exchange transactions; and
- A R3, 9 million (20%) decrease in inventory.

Non-current assets declined by approximately R41,5 million (6%). This was largely driven by:

- Property, Plant and Equipment (PPE) decreased by R 41,5 million (7%). Driven by the depreciation charge of R 61,2 million, impairment loss of R 3,1 million, disposal of items of PPE of R 9,3 million. This was offset by the additions of approximately of R45,9 million to PPE and an increase of R 2,9 million with respect to work in progress;
- Loans to shareholders increased by R1,1 million (4%); and
- Intangibles assets decreased by R737 000 (31%).

The entity has had no investments in the financial year under review.

Current liabilities decreased by approximately R25,5 million (33%) from R678,6 million (30 June 2019) to R653,1 million (30 June 2020). This change was driven by the following:

- An R85,2 million (17%) decrease in the loans from shareholders.
- A R3,6 million (11%) increase in other financial liabilities;
- A R56,3 million (44 %) increase in payables from exchange transactions;
- A R1,5 million (31 %) increase in payables deferred income;
- A R573 000 (19%) decrease in provisions; and
- A reversal in the insurance fund liability. (Refer current assets.)

Non-current liabilities improved by R38,5 million (16%) from R242,2 million (30 June 2019) to R203,7 million (30 June 2020). This change was driven by a R37,5 million (16%) decrease

the long term loans from the City; and a R947 000 (8%) decrease in employee benefits liability.

The unfavourable solvency and liquidity position of the entity cannot be ignored. The net liability position of the entity has improved by R20,0 million (9%) from R224,1 million (30 June 2019) to R204,0 million (30 June 2020). This was driven by a R10,2 million (6%) realisation of the revaluation reserve and a R30,2 (7%) million improvement in the accumulated loss.

The entity was overdrawn by approximately R423,5 million (2018/19: R508,7 million) in this financial year. To this extent Metrobus has made a number of proposals which are currently under consideration by the relevant stakeholders.

Prior period adjustments

There were adjustments to the following account balance due to the following factors:

Errors

- Overhauls and provisions for overhauls
- Receivables from exchange transaction and the associated provision
- Irregular Expenditure
- Fruitless and wasteful expenditure

Reclassifications:

- Repairs and maintenance to general expenses
- Accrued expense to Inventory

Details of the adjustment are reflected in Note 39 to the annual financial statements

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. The entity is pleased to report that no fruitless and wasteful expenditure was incurred over this period. 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, the positions of Specialist Contract Management and Logistics Management were not yet filled by the current financial year-end. Finance has made significant improvements in terms of the management of the contract register.

Total irregular expenditure as at the end of 30 June 2020 amounted to approximately R402, 7 million. Subsequent to year-end, an amount of R3, 3 million was approved for write-off by council. Investigations and consequence management is in progress on employees that caused the irregular expenditure.

The entity approved deviations to the amount of R50, 2 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 entity also expects to implement SAP S4 Hana during the course of the current financial year. 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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Feroz Khan CA (SA)
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;
- Introducing new green fuel buses and
- Introducing a new automated fare collection system ("AFC").

In 2015 Metrobus developed a five year Strategic Planned known as "VISION 2020". The purpose of the plan was to outline Metrobus' vision and mission and present a holistic

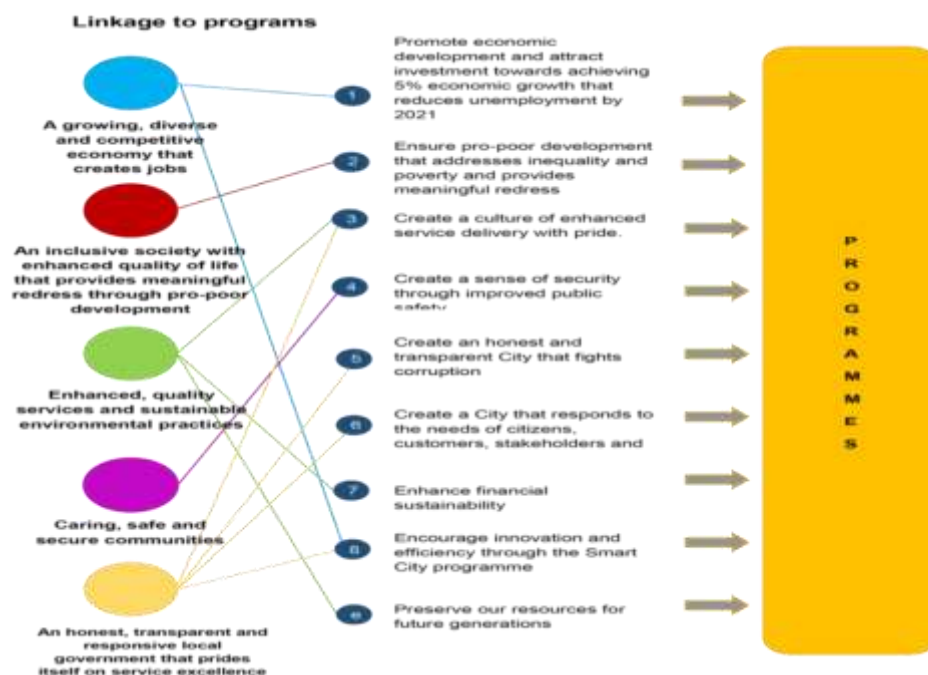
strategic approach to Metrobus' role in addressing public transportation needs within the Integrated Public Transport Network. The strategy is implemented in a coordinated, phased in approach focusing on three distinct phases as follows:

- (i) **Stabilization** – this phase will focus mainly on stabilizing the current environment and thus normalizing the performance context for the entity.
- (ii) **Consolidation** – this phase will focus mainly on consolidating the gains of stabilization and concretizing a culture conducive to high performance.
- (iii) **Sustainability** – this phase will be characterized by a concerted effort to sustain an acceptable level of performance.

1.5.1 Correlation Between Mayoral priorities, SDBIP, IDP and GDS 2040

The correlation between Mayoral priorities, SDBIP, IDP and GDS 2040 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: 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

Since incorporation, Metrobus has accumulated a fleet of four hundred and twenty-one (421) buses. The entity's operations span two hundred and twenty-nine (229) routes across Johannesburg covering circa seven (7) million kilometers and transported 5.1 million passengers per annum as at 30 June 2020.

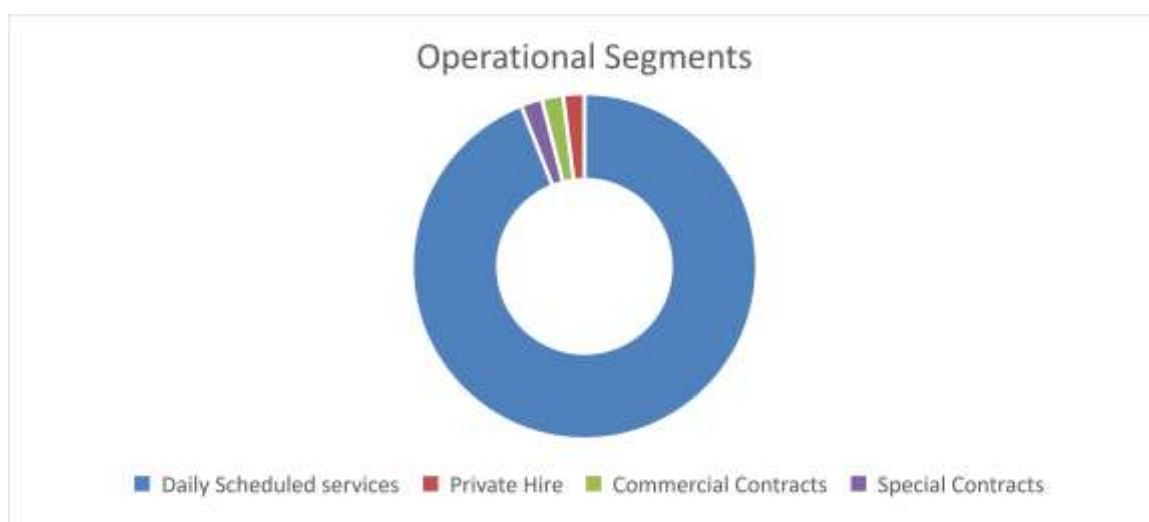
Metrobus operates from three main depots, i.e. Milner Park, Village Main and Roodepoort; the Company's Head Office is situated on Raikes Road, Braamfontein.

Table1.5.2: Fleet details

Asset Group	Age (Years)	Milpark	Roodepoort	Village Main	Grand Total
Mercedes Benz Euro 5	1.5	55	38	54	147
Mercedes-Benz 1725	12	74	5	37	116
Mercedes Benz Euro 3	2	10	5	10	25
Volvo B7L	18	56	5	50	111
VOLVO B7R	18	8		11	19
MAN: Leased Buses		10			10
Grand Total		213	53	162	428



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



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
- Free transportation to the South African Police Services (SAPS), the Johannesburg Metro Police Department (JMPD) and the South African National Defence Force (SANDF) officers.

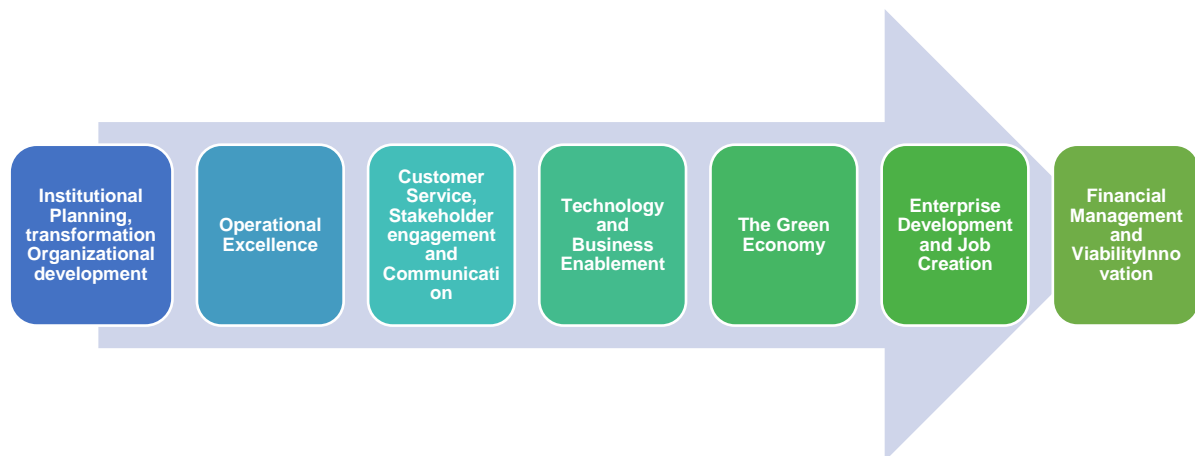
1.6 Strategic Objectives

A synthesis of strategic planning instruments including the National Development Plan; the Gauteng Provincial strategy; the Growth and Development Strategy; the Integrated Development Plan as well as other strategies such as the Green Transport Strategy spearheaded by the National Department of Transport, provide the strategic landscape for the planning and operations of Metrobus.

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.

In this context, Metrobus commuter transport services remain pivotal to the realization and harnessing urban opportunities the City regeneration strategy presents. In view of the need to militate against social exclusion, which is underpinned by mobility and access deprivation, Metrobus remains sensitive to the fact that inadequate or unequal public transport opportunities compromise the ability of some residents to access all available opportunities. The Contribution of Metrobus to the greater City strategic direction during the 2019/20 financial year was premised on six strategic programmes listed below.

Figure 1: Metrobus Strategic Programs



Metrobus Strategic Objectives

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

Strategic Objective 1: 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 buses, but also increasing the business acumen of our people so we can improve our overall performance.

It is critically 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, are focused on delivering the travel experience our customers expect, and know how their decisions impact our collective future.

We will recruit employees who are motivated to serve others. Our training and development will be biased towards behaviours 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.

Strategic Objective 2: Enable people and processes with technology for service delivery, agility and customer focus

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 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, more frequent communication and more rapid responses and resolutions to issues and the forms the basis for 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 needs the right kind of infrastructure to support our vision.

Strategic Objective 3: 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 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's 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. And 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.

Strategic Objective 4: 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 and endeavour to exceed these in a quest to move South Africa positively

Strategic Objective 5: 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 behaviours on whether or not they reduce safety risks.

As we continue this transformation, we will work with NOSA and our industry peers to develop improved metrics that help us gauge our progress and make better decisions.

To further improve, we must find better ways to identify and remove barriers to safety so we can reduce accidents and injuries.

Strategic Objective 6: 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.

Conversion of the existing fleet to diesel dual fuel and ensuring that all new buses operate on renewable energy in the main. This will have the greater outcome of changing Johannesburg's rating favourably in terms of high emitters of GHG.

Strategic Objective 7: Achieve fare revenue collection targets and improve expenditure efficiency

Key among operational tactics will be to collect all revenue that is due to Metrobus and consolidate the collection capacity in order to decrease the cost thereof. Business efficiencies will be implemented to contain the cost of doing business.

Strategic Objective 8: Develop and implement a sustainable re-fleeting and refurbishment plan

Metrobus would work with the shareholder to ensure that its fleet is kept viable through a proper re-fleeting strategy and plan.

1.6.1 Metrobus Value Creation Process

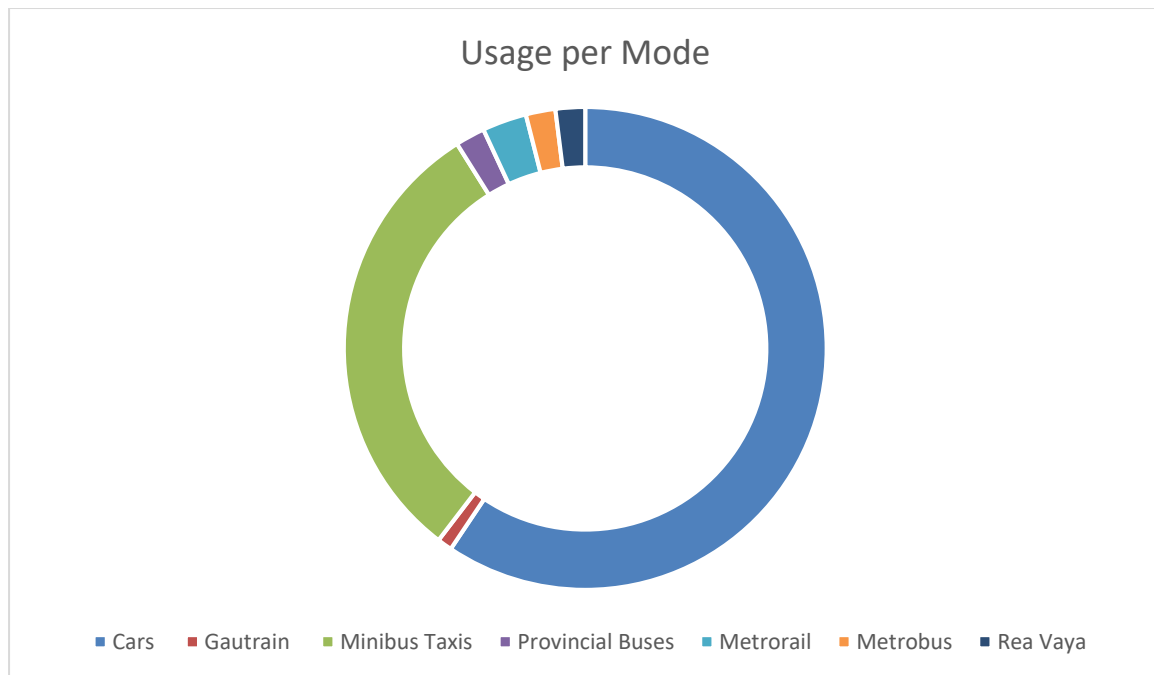
The value creation process at Metrobus is underscored by a continuous effort to balance financial and non-financial value through constant refinement of a purpose worthy business model. The process is concerned with inputs from various forms of capital (human, financial and social) and transforming them 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, re-fleeting strategy, revenue generation strategy, implementation of a fee per kilometre business model, brand equity and the cost of capital. Non-financial drives 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.

Position in the public transport value chain

The population of Joburg is currently growing at a rate of 3% per annum. Traffic growth has mostly materialised in low capacity vehicles such as cars (60%) and minibus taxis (31%). Usage patterns are detailed proportionally among the different modes below.



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.

Figure 1.6.1 Position of Metrobus within the Value Chain

Modes	Position
Rail (Gautrain and PRASA)	Mass transit, high volumes, few stops at key nodes

Rea Vaya BRT	Mass transit, high to medium volumes, dedicated lanes, more frequent stops than rail
Conventional bus (Metrobus and PUTCO)	Medium transit, medium volumes, mostly in mixed traffic but with some public transport priority, frequent stops
Mini bus taxi	Low volume or high volume on short distances, mostly in mixed traffic but with some public transport priority, frequent stops
Tuk tuks, metered taxis	Low volume, last mile, no dedicated routes.

1.6.2 Resource Allocation Plan

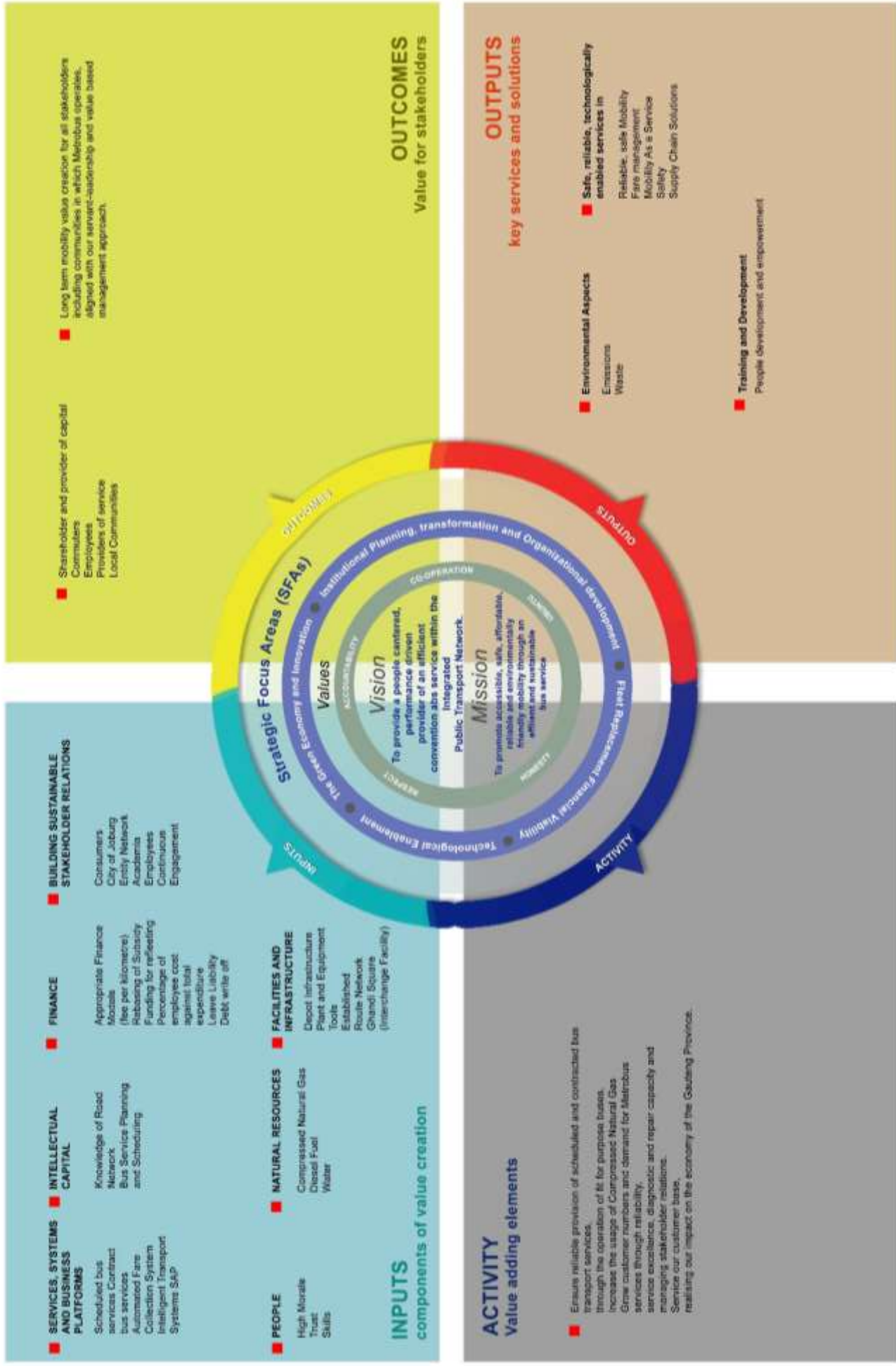
The Entity's resource allocation plan is premised upon three distinct resources which are clearly measurable: Financial, human resources, and fleet capacity. The reality is that a number of cost elements in the organization are in effect and to a large extent, fixed. Key among the fixed cost elements is Human Resources related cost which accounted for over 44% of the entity's budget during the 2019/20 financial year with an average vacancy rate of 26%. The scope of operation at Metrobus is geographically demarcated and administratively operated 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.

1.6.3 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 are schematic representations of the entity's business reflecting inputs, activities, outputs and outcomes.

METROBUS BUSINESS MODEL



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). The annual Board assessments and evaluations were conducted and an annual report for the previous year was effectively completed in accordance with the terms of section 121 of the Municipal Finance Management Act.

2.1.1 Ethical Leadership

As codified in Metrobus 'Social and Ethics Policy and 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 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 attends 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:

- Annual declaration of interest
- Ethics of disease management in the face of COVID-19
- Reduction in carbon emissions
- Training and development of staff

During the year under review, the following remained key areas of focus

- Customer satisfaction and communication with customers
- Employee and commuter safety
- Accuracy and completeness of reporting

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 non-board

members. 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 hold 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 subcommittees which consider all reports prior to submission to the Board for consideration. Board sub-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.

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)

2.1.8 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.

2.1.9 Board of Directors

The Metrobus Board of Directors is constituted of the following members:



Mr. Derrick Mkhwanazi

Non-Executive Director and Board Chairperson
Bachelor of Commerce, Experience in financial management
Accounting and financial planning



Ms. Queenie M.M Buthelezi

Non-Executive Director
BCOM & Honours: Business Management –
UNISA Higher Certificate and many other leadership Programmes
Extensive experience in project management.



Ms. Lucky Sixolo

Non-Executive Director
Human Development Specialist
Involved in community development projects.
Passionate about community development and service delivery.



Dr. Mathetha T. Mokonyama

PhD Engineering, Masters in Transportation Engineering (MEng),
Honours in Transportation Engineering (BEng Hons), Bachelor of
Science in Civil Engineering (BSc Eng)



Ms. Busisiwe Sibisi

Non-Executive Director
Leadership course qualification from the University of Queensland,
Principles and Practice of Communication from Varsity College.
A volunteer, mentor and provides nonfinancial support to communities.



Mr. Daniel Molaontoa

Non-Executive Director

A qualified Paralegal with a certificate in Labour Relations Management, Certified as a Union Rights Policy, Representative, Training and Development Practitioner. Currently pursuing a bachelor's degree in Politics and Economics.



Mr. Tshepo Sohaba

Non-Executive Director

Plays a role in Community Development Projects to ensure service delivery in communities and has intensive experience in Sign Language. An ambassador and a motivational speaker for cancer awareness.



Ms. Nombulelo Shabangu

Non-Executive Director

Involved in a various community development projects in her area. Uses her experience as a trained nursing assistant to volunteer in NGOs. A caregiver for the disable children at the Aganang Foundation.



Ms. Tumelo Mokgoka

Non-Executive Director

B-Tech Degree in Marketing, National Diploma in Marketing. Experience in Market Research, Communication, Customer care and Business Development.



Ms. Duduzile Mthimunye

Non-Executive Director

B Proc, LLB and Master of Laws (Corporate Law)

Leadership Development Programme,

Legal Practitioner with vast experience in compliance, governance, labour and



Ms. Xoliswa Mhlongo

Executive Director and Managing Director

CIMA; Advanced Diploma in Management Accounting; BComm; Post Graduate Certificate in Monitoring and Evaluation Planning; International Executive Leadership Development Programme; Higher Diploma in Education in financial management, project management, strategic planning



Ms. Morwesi Ramonyai

Non-Executive Director (Chairperson of the Audit and Risk Committee)
Bachelor of Commerce from Rhodes University, Executive Master of Business Administration from UCT, International Executive Development Programme from GIBS, Winner of a USADF grant for a renewable Energy Finance innovation for rural women inclusion. UK Royal Academy of Engineering (RA Eng) grant for Renewable Energy Research.



Mr. Feroz Khan

Executive Director and Acting Chief Financial Officer
Bachelor of Commerce; Advanced Certificate in Auditing; Post Graduate Diploma in Accounting; Certificate in Municipal Finance Management
Chartered Accountant South Africa

The entity has a unitary board, which consist of executives and non-executives directors. The Board is chaired by the non-executive director, Mr Derick Mkhwanazi. The board meets regularly, at least quarterly and retains full oversight control over the company. 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, 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 roles of Chairperson and Managing Director are separate, with responsibilities divided between them. The Chairperson has no executive functions. Members have unlimited access to the Company Secretary, who acts as an advisor to the Board and its committees on matters including compliance with Company Rules and Procedures, statutory regulations and best corporate practices.

The Board or any of its members may, in appropriate circumstances and at the expense of the company, obtain the advice of independent professionals. 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 Terms of Reference.

A comprehensive induction programme ensures that new Board members are adequately briefed and have the required knowledge of Metrobus structure, policies and sector related issues to enable them to fulfil their duties and responsibilities. New Board members are given 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 City of Johannesburg Governance Protocol and includes matters of ethics, procedure and the conduct of 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 company has nine (11) Non-executive Directors confirmed during the 11 March Annual General Meeting and two (2) Executive Directors.

The movement in the Board Members is reflected below together with the attendance of the members at meetings. The Board met on eight (08) separate occasions during the 2019/20 financial year to consider, amongst other matters:

- The entity’s quarterly performance,
- The budget including the annual budget adjustment, the COVID-19 budget adjustment as well as the budget for the 2021-23 financial years.
- The board induction
- The draft annual report; and
- The audited annual report.

Meetings with the Shareholder

There were five formal meetings with the shareholder during the last financial year. This comprised of the four chairman quarterly meetings as well as the annual general meeting in March 2020.

Current Members

Member Name	Role	Meetings Attended
Mr Derek Mkhwanazi	Chairperson	8
Ms Morwesi Ramonyai	Non- Executive Director	3
Ms Busisiwe Sibisi	Non-Executive Director	8
Dr Mathetha Mokonyama	Non-Executive Director	8
Ms Xoliswa Mhlongo	Executive Director: MD	8
Mr Feroz Khan	Executive Director: Acting CFO	7
Ms Queenie Buthelezi	Non-Executive Director	8
Ms Nombulelo Shabangu	Non- Executive Director	3
Mr Tumelo Mokgoka	Non- Executive Director	3
Mr Tshepo Sohaba	Non- Executive Director	3
Ms Duduzile Mthimunye	Non- Executive Director	3
Mr Itumeleng Moloantoa	Non- Executive Director	3

Ms Lucky Sixolo	Non- Executive Director	2
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Retired/Resigned Members

Member Name	Role	Meetings
Mr Tebogo Raaleka	Non-Executive Director	3
Ms Sinazo Pato	Non-Executive Director	4
Mr Poobalan Govender	Non-Executive Director	5
Mr Mabitsela Ramonyai	Non-Executive Director	4
Dr Ricky Mukonza	Non-Executive Director	5
Mr Zayne Mheyamwa	Executive Director: CFO	1

Section 2.1.8: Board Committees

Metrobus board has three sub-committees, namely the Audit and Risk Committee (ARC) and the Human Resources Social and Ethics Committees (HRSE), and Service Delivery Committee (SDC). The ARC comprises of five (5) members, three of which are independent audit committee members. The HRSE committee comprises of four (4) board members. The SDC comprises of four (4) board members.

2.1.9 Audit and Risk Committee

As reflected in the Audit and Risk Committee Report, this committee has met seven (07) 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.

Active Members

Member Name	Role	Meetings	Appointed Date
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Attended			
Ms Morwesi Ramonyai	Chairperson (NED)	5	11 March 2020
Grandeur Hove	Independent ARC Member	2	11 March 2020
Millicent Raborife	Independent ARC Member	2	11 March 2020
Nyambeleni Tshindane	Independent ARC Member	2	11 March 2020
Ms Duduzile Mthimunye	NED	2	11 March 2020

Non-Active Members

Member Name	Role	Meetings attended	Retirement date
Dr Mathetha Mokonyama	Chairperson (NED)	5	11 March 2020
Ms Karen Parirenyatwa	Independent ARC Member	3	11 March 2020
Ms Sizo Mzizi	Independent ARC Member	3	11 March 2020
Mr Poobalan Govender	Non-Executive Director	5	11 March 2020

2.1.9.1. Statutory duties

- Accepted the appointment of the Auditor General of South Africa (“AGSA”) as auditor, who, in our opinion is independent of the Company;

- Took appropriate steps to ensure the financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and in the manner required by the Act;
- Reviewed and discussed the audited financial statements with management;
- Considered and, when appropriate, made recommendations on internal financial controls
- Dealt with concerns or complaints on the content of annual financial statements, and internal financial controls; and
- Reviewed legal matters that could have a significant impact on the organisation's financial statements; and
- Recommended the internal audit charter for approval to the Board.

2.1.9.2 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.

2.1.9.3 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.

2.1.9.4 The Remuneration and Social and Ethics Committee (HRSE)

The Committee is appointed by the Board of Directors (“the Board”), in accordance with King IV on Corporate Governance, to assist the Board in fulfilling its obligations relating to human resources, including performance, compensation, organisational design and succession matters.

The board has established the Human Resources and Social and Ethics Committee. The Committee met on five (05) 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.

Active Members

Member Name	Role	Meetings Attended	Appointment Date
Ms Busisiwe Sibisi	Chairperson	4	17-Mar-17
Mr Itumeleng Moloantoa	NED	0	11-Mar-20
Mr Tshepo Sohaba	NED	1	11-Mar-20
Ms Nombulelo Shabangu	NED	2	11-Mar-20
Ms Queenie Buthelezi	NED	4	16-Apr-19

Non-Active Members

Member Name	Role	Meetings Attended	Retirement date
Ms Sinazo Pato	Chairperson	4	11-Mar-20
Dr Ricky Mukonza	NED	4	11-Mar-20
Mr Mabitsela Ramonyai	NED	4	11-Mar-20
Mr Tebogo Raaleka	NED	3	11-Mar-20

2.1.9.5 Service Delivery Committee

The board has established the Service Delivery Committee, in consultation with the Shareholder, in June 2020. The Committee met on one (01) 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:
- 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 by undertaking the following activities:
- To implement operational activities of the Service Delivery Committee by undertaking the following activities:

All members of the SDC Committee are Non-Executive Directors (NED) of the Board. Ms Busisiwe Sibisi was a member of the HRSE before 11 March 2020 and was appointed as the chairperson of the Committee subsequently.

Initial and Surname	Role	Meetings attended	Appointment Date
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Dr Mathetha Mokonyama Chairperson	NED	1	16-Apr-19
Ms Queenie Buthelezi	NED	1	16-Apr-19
Ms Lucky Sixolo	NED	1	11-Mar-20
Mr Tumelo Mokgoka	NED	1	11-Mar-20

As the first meeting was held at the end of the financial year the, the SDC considered the Business Plan for the 2020/21 financial year, as presented by the Executive Management Team.

2.1.10 Disclosure of interests

It is peremptory at the commencement of either a meeting of the board of directors or any of its subcommittees that all directors declare any financial or other interest in line with legislation and all relevant guiding instruments. Member attendance and declaration is recorded in a single register and is open for scrutiny with the office of the Company secretary.

2.1.10.1 Director and Prescribed Officer Remuneration

BOARD MEMBER	QTR.1	QTR.2	QTR.3	QTR.4	Grand Total
B J Sibisi	66,000	36,000	18,000	44,000	164,000
D P Mthimunye				48,000	48,000
D T M Mkhwanazi	85,000	6,000	32,000	56,000	179,000
DR M Mokonyama	64,000	22,000	28,000	24,000	138,000
DR R M Mukonza	66,000	48,000	24,000		138,000
G Hove				12,000	12,000
K Parirenvatwa	11,000	1,000			12,000
L Sixolo				24,000	24,000
M I Daniel				36,000	36,000

M Ramonyai	76,000	6,000	24,000	20,000	126,000
N G Shabangu				42,000	42,000
N Tshindane				12,000	12,000
P Govender	84,000	42,000	18,000		144,000
Q M Buthelezi	66,000	48,180	18,000	42,000	174,180
S P Mzizi	14,000	6,000	6,000		26,000
S Pato	55,000	52,000	8,000		115,000
T I Raaleka	66,000	12,000	18,000		96,000
T Mokgoka				42,000	42,000
T Sohaba				42,000	42,000
M.M.M.Raborife				6,000	6,000
Grand Total	653,000	279,180	194,000	450,000	1,576,180

2.1.10.2 Executive compensation

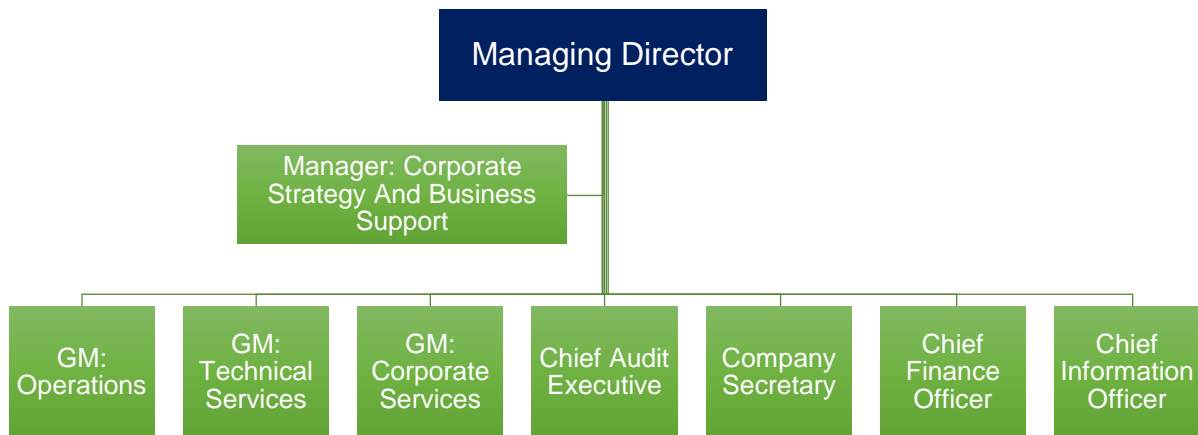
Description	QTR.1	QTR.2	QTR.3	Q4	Grand Total
Managing Director*	333 460	357 985	320 149	474 999.99	1 486 593.99
Acting Chief Finance Officer	132 617			Cost borne by CoJ	132 617
General Manager: HR	412 755	426 875	601 483	377 636.25	1 818 749.25
Company Secretary and Legal Counsel	352 832	373 449	248 965	Cost borne by CoJ	975 246
Chief Audit Executive	283 733	186 807	61 589		532 129
Chief Audit Executive New			231 177	360 937.50	592 114.5

Acting General Manager: Operations*	300 681	321 259	442 473	287 606.82	1 352 019.82
Chief Information Officer	417 099	417 099	417 099	412,500.00	1 663 797
General Manager Technical	355 120	355 102	122 547		832 769
Acting General Manager Technical			460 378	224,684.97	685 062.97
Total Amount	2 588 297	2 438 576	2 905 860	2 138 365.53	10 071 098.53

2.2 High-Level Organizational and functional Structure

One of the key elements of the 2013 Turnaround Plan and subsequent strategic reviews was Institutional review. The organogram and the functional structure provided below are the outcome of the Institutional review conducted in 2014. These two demonstrate how the core business of the entity feeds into the different divisions/departments within the Metrobus. Some critical milestones were not achieved in the 2013 Turnaround Plan and the Board has requested a review of the structure in view of making it fit for purpose.

Table 2.2.1 High-Level Organogram

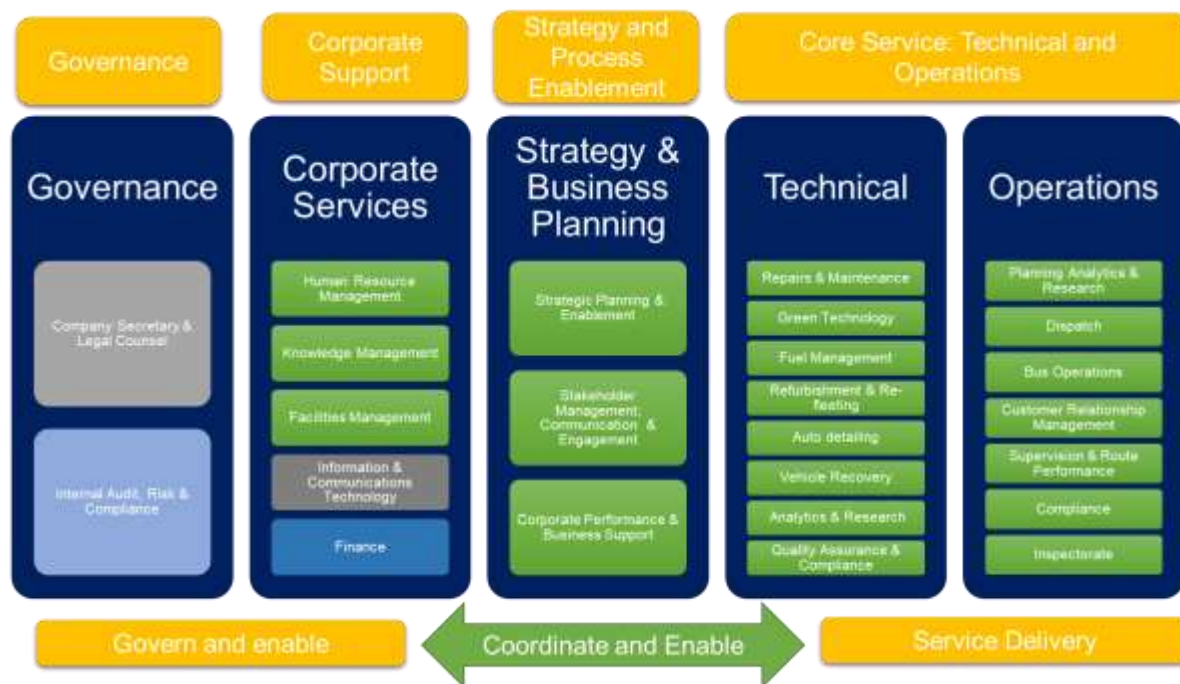


2.2.2: High Level Functional Structure

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 scheduled and is on the road at the right time to meet the needs of our customers.

It is for this reasons that both the Technical Services and business operations functions are identified as the core functions. For the core functions to effectively deliver on the mandate of the entity, they require the support functions which are Governance and Corporate support. The support and core capabilities are coordinated and aligned towards the realisation of the business objectives of the entity by strategy and process enablement.

Figure: Functional Structure



2.3 Governance of Stakeholders

Metrobus stakeholder comprises all parties who either directly or indirectly affected by our services. The following classification of stakeholders also includes the type of interest per stakeholder and the methods of engagement between the stakeholder and the entity. The focus on stakeholders is not only externally directed but also focuses on an internal yet significant stakeholder being the employees.

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

Metrobus has developed a customer service charter which clearly highlights Metrobus commitment to service delivery, service standards and expectations from commuters travelling on the entity buses. Metrobus will embark on the implementation of the approved stakeholder management strategy in the 2019/20 FY.

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 2019/20 Financial Year.

2.4: 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 2019/20 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.

2.4.1 The Risk Acceptability Table

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 STRATEGIC RISKS

SO	Risk Description	IRR	RR	Risk Owner	Interventions/ Actions to improve management of the risk	Action Owner	Time scale	Progress on Implementation of Intervention/ Action Plans
1.Sustainable financial performance and growth	Inability to collect revenue			MD	<p>1.1 Develop a business case for the establishment of a professional independent inspectorate to be approved by EMT</p> <p>1.2 Professionalize (Training) and make inspectorate independent</p> <p>1.3 Request additional budget for recruitment</p>	1.1, 1.2, 1.3 & 1.4 MD	<p>1.1. 31 October 2019</p> <p>1.2. 31 March 2020 (Training) & 31 December 2019 (independent directorate)</p> <p>1.3. 31 December 2019</p>	<p>1.1. Completed. The business case has been developed and funding has been secured.</p> <p>1.2. Partially completed. Professionalization and training will commence once positions are filled. The recruitment process has commenced.</p> <p>1.3. Completed. Additional budget to capacitate the division has been secured.</p>

				1.4 Capacitate the independent unit		1.4. 31 March 2020	1.4. Not yet completed. The recruitment process is currently in progress.
				1.1 Procure the AFC system	2.1 & 2.2 CIO	2.1. 31 December 2019	2.1 Completed. The Tender closed on 28 February 2020. Subsequently, the tender process was cancelled and will need to be re-advertised.
				1.2 Implementation of the AFC system		2.2. 30 June 2020	This action is contingent upon the successful procurement of the AFC

				<p>3.1 Finalize re-fleeting strategy</p> <p>3.2 Request funding for the implementation of the re-fleeting strategy</p>	<p>GM:TSD & GM: OPS</p>	<p>3.1. 31 January 2020</p> <p>3.2. 31 December 2019</p>	<p>3.1. Completed. The Re-fleeting Strategy has been finalised</p> <p>3.2. Completed. Funding for new buses has already been allocated by the City for the forthcoming Financial Year.</p>
2. Operationally reliable, affordable, safe and efficient bus service	Inability to meet demand		MD	<p>1.1 Finalise re-fleeting fundable strategy</p> <p>1.2 Request funding for the new buses</p>	<p>1.1. & 1.2. GM:TSD GM:OPS</p>	<p>1.1. 31 January 2020</p> <p>1.2. 31 December 2019</p>	<p>1.1. Completed. The Re-fleeting Strategy has been finalised</p> <p>1.2. Completed. Funding for new buses has already been allocated by the City</p>

							for the forthcoming Financial Year.
				2. & 3. Continuous operation of servicing buses	2 &3. GM:TSD	2 & 3. 31 December 2019	2&3. Completed. Buses are being continuously maintained and serviced by TSD.
				4.1 Develop of ITS Strategy 4.2 Implement ITS Strategy	4.1 & 4.2 CIO	4.1. 31 January 2020 4.2. 31 December 2020	4.1. Completed. The ITS Strategy has been developed. 4.2 Completed. The ITS strategy activities scheduled for 2019/20 FY has been implemented. AFC procurement was cancelled and funds has been provided to restart the

							process in the 2020/21-2022 financial year.	
3. Building and managing highly efficient, motivated and productive workforce	Inadequate enforcement of good organisational culture by management/ leadership			GM: CS	1. Procurement of an automated time & Attendance System	1. GM: CS	1. 31 December 2020	1. Redundant. The Head Office is relating to a new building therefore this action became redundant.
					3.1 Review the Performance Management Policy	3.1 & 3.2 GM:CS	3.1 31 December 2019	3.1. Completed.
					3.2 Implement the Performance Management Policy		3.2 31 December 2020	3.2 The PM Policy is subject to on-going implementation
					4.1 Develop and implement a service standard charter for each department.	4. Executive Management	4. 31 March 2020	4. Not yet implemented. To date a service standard charter for each department has not been prepared.

4.Enhanced Customer service, stakeholder engagement and increased communication effectiveness	Limited effectiveness of Communication channel			MD	1.1. Establish a manual customer database	1.1 & 1.2 Communication Specialist	1.1. 31 January 2020	1.1. Completed. The Communication Specialist Position was vacant between October 2019 and February 2020 and was only filled via a secondment in March 2020. Customer Manual database has been established 1.2 Automated customer database is dependent on AFC and SAP CRM implementation
					1.2. Establish an automated customer database dependent on the implementation of the AFC System and SAP		1.2. 30 June 2020	
					2.1 Establish a manual customer database 2.1 Language Translation depending on the demographics	2.1 & 2.2 Communication Specialist	2.1. 31 January 2020	2.1 Completed. The Communication Specialist Position was vacant between October 2019 and

						2.2. 31 March 2020	February 2020 and was only filled via a secondment in March 2020. Customer Manual database has been established 2.2 Not yet implemented
5.Enhanced Customer service, stakeholder engagement and increased communication effectiveness	Insufficient human capital			MD	1.1 Request additional budget for recruitment 1.2 Capacitate the Marketing and Comm. Unit	1.1 & 1.2 MD 1.1. 31 December 2019 1.2. 31 March 2020	1.1 Completed. A request for additional budget for recruitment was approved in Q3. 1.2 Completed. Marketing and Communications is capacitated with A marketing and Communication Specialist seconded from EMS, permanent graphic designer and Interns. The process to appoint a permanent Marketing and

							Communications Specialist is underway.	
6.Technology Business Enablement	Inability to procure and implement technologies			MD	1.1 Collaborate with other entities 1.2 Finalise the IT plans for implementation (AFC &SAP)	1.1 & 1.2 CIO	1.1 & 1.2. 30 April 2020	1.1 Completed. Metrobus has collaborated with the City of Johannesburg on SAP and MTC on assessment of CCTV Cameras and to date the following has been implemented: SAP 4 HANA Full report on CCTV functionality and enhancement 1.2. Completed. IT Plans IT Plans for implementation

							of SAP and AFC have been finalised
				2.1. Request funding for the structure	2.1 CFO	2.1. 31 December 2019	<p>2.1 Completed. A request for additional budget for recruitment was submitted and approved by the City in Q3.</p> <p>2.2. Not yet Completed. The recruitment and selection process for all positions has commenced. In this regard, 3 critical positions will be advertised before the end of June 2020.</p>
				2.2. Capacitate the ICT unit	2.2 CIO	2.2. 31 March 2020	

7.Sustainable financial performance and growth	Inability to effectively manage cost			MD	<p>1.1 Segregate duties within Fuel management value chain</p> <p>1.2 Proactive exception report</p> <p>1.3 Increase surveillance on buses in the Depots</p>	<p>1.1. CFO</p> <p>1.2 GM:Ops & GM:TSD</p> <p>1.3. CIO</p> <p>1.4. GM:TSD</p> <p>1.5. GM:TSD</p>	<p>1.1. 31 March 2020</p> <p>1.2.31 October 2019 & Monthly</p> <p>1.3.28 February 2020</p>	<p>1.1 Completed. To date funding has been secured to capacitate the unit to ensure adequate segregation of duties.</p> <p>1.2 Completed. TSD is continually performing exception reporting on Out of Commission (OOC) buses on reporting weekly to Executive Management.</p> <p>1.3. Redundant. Metrobus contracted Metro Trading Company (MTC) to conduct</p>
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				<p>1.4 Conduct maintenance to include elimination of technical evaporation</p> <p>1.5 Develop a strategy for increasing conversion rate from diesel to CNG</p>	<p>1.4 Monthly</p> <p>1.5. 31 October 2019</p>	<p>functionality of Metrobus surveillance technology. MTC's and Metrobus CAPEX budgets to reactive certain CCTV cameras and connect fibre from all depots to the Integrated Operations Centre was not approved at Mid-year budget adjustment (No City CAPEX mid-year request was approved).</p> <p>1.4 Completed.</p> <p>Maintenance of buses is continuing as per existing Maintenance Plans</p>
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							1.5 Completed. A strategy to increase conversion rate was developed through a study collaboration with University of Johannesburg, ICCT and GIZ. This strategy is called DDF Optimisation plan which will be implemented in 2020/21 FY.
				2.1 Request additional budget for recruitment	2.1 & 2.2 MD:Metrobus	2.1. 31 December 2019	2.1. Completed. 2.2 A request for additional budget for recruitment was approved.
				2.2 Fill in vacant positions		2.2. 31 March 2020	2.2 Not yet completed. The recruitment and selection process for all positions is currently in progress.

				<p>3.1 Upgrade to the new hardware for the new MS exchange (email back-up and recoveries)</p> <p>3.2 Replace oracle with SAP S 4 HANA according to the City release strategy for the SAP programme</p>	3.1 & 3.2 CIO	<p>3.1. 31 December 2019</p> <p>3.2. 30 June 2020</p>	<p>3.1. Completed</p> <p>3.2. Completed. SAP S4 HANA has been implemented within the CoJ according to the City release strategy for the SAP programme;</p>
8.Technology Business Enablement	Inability to continue operation within the business		MD	<p>1.1, 2.1 & 3. 1.. Upgrade to the new hardware for the new MS exchange (email back-up and recoveries); implement firewall once hardware is upgraded.</p> <p>1.2, 2.2 & 3.2. Replace oracle with SAP S 4 HANA according to the City release strategy for the SAP</p>	1.1, 1.2 , 2.1, 2.2, 3.1 & 3.2 CIO	<p>1.1, 2.1 & 3.1. 31 December 2019</p> <p>1.2, 2.2 &</p>	<p>1.1, 2.1 & 3.1 Completed with the exception of the Firewall was</p> <p>1.2, 2.2 and 3.2.Completed. To date HR Module of SAP S4</p>

					programme; will use City's data centre to address		3.2. 30 June 2020	HANA has been implemented within the City in accordance with to the City release strategy for the SAP programme;
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Emerging risks

2.4.2: Risks related to the future of Metrobus

Short term risks	Medium Term Risk	Long Term Risk
<ul style="list-style-type: none"> • Resistance by commuters to adapt to new business model (routes, transport integration and revenue collection model). • Resistance by employees (bus operators to operate new shifts) • Delays in resolving Metrobus current financial situation and funding sources • Inability to attract and retain the right calibre of employees • Lack of funding for ICT governance processes, 	<ul style="list-style-type: none"> • Inability to achieve specified targets (Revenue, patronage) • Inadequate fleet capacity if re-fleeting strategy is not approved and funded. • Non adherence to scheduled plan leading to commuter dissatisfaction and unaffordable penalties to Metrobus • Patronage and revenue loss. • Metrobus inability to actively monitor on-route bus performance. • COVID 19 pandemic 	<ul style="list-style-type: none"> • Future of Metrobus as going concern after the twelve (12) year concession period is not defined. • Inadequate funding required for re-fleeting leading to regression in service reliability, high maintenance costs and reputational damage. • Continuous patronage loss • Over reliance subsidy

infra-structure and systems.		
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2.4.3. 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.	<ul style="list-style-type: none"> • Centre of Excellence for repairs and maintenance of vehicles • Role in the integrated public transport network

2.5: 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 the fraud prevention strategies. Messages regarding anti-corruption are communicated to the employees and public using Metrobus website and stickers. Preventative strategies are being implemented within the ticketing space and supply chain to ensure that risk of fraud is mitigated.

The Tip-Off anonymous line is a centralized hotline managed through the City of Johannesburg. The Group Forensic Investigation Services (GFIS) Unit is currently investigating 49 cases at Metrobus (YTD: 4 Received as set out below (Note only current year cases have been included) :

No	Date	Classification	Description	Status
(i)	2019/07/17	Maladministration	Alleged irregularities relating to Metrobus management and DEMAWUSA	Ongoing
(ii)	2019/10/03	Theft	Alleged theft of diesel at depot	Ongoing

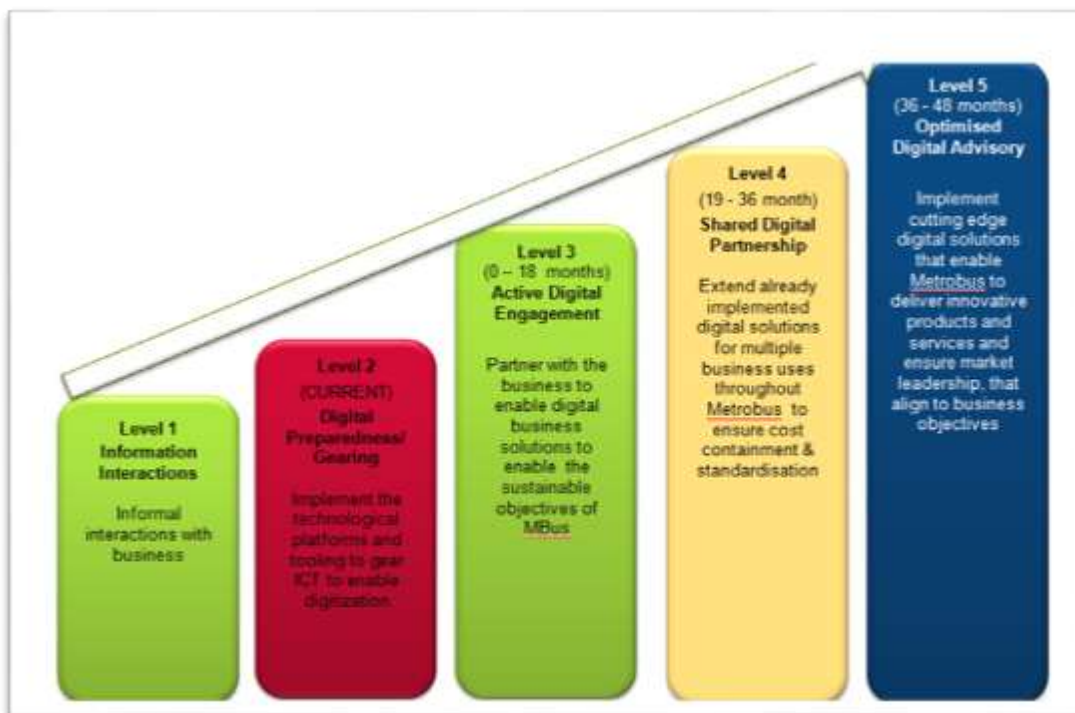
(iii)	2019/10/03	Maladministration	Alleged irregularities pertaining to bus refurbishment tender	Ongoing
(iv)	2020/7/02	Theft	Alleged theft of cash from passengers by bus operator.	Ongoing

2.6: 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. However, the function has continued to operate under distressed conditions emanating, inter alia, from aged technology and outdated platforms. Given the importance of this function, future investment plans will include the revamping of the entity’s IT systems and capabilities.

In this regard the approved ICT strategy included an ICT maturation roadmap with four distinct phases that include all the key indicators for all maturation phases. Metrobus is currently in the second phase of its ICT Maturation journey. An integral part of the maturation journey is digitization, which includes the implementation of a number of intelligent transport systems, which will be implemented in an integrated manner in line with Metrobus ICT maturation. Metrobus is currently migrating to level three (3) of its ICT maturation journey.

Figure: Metrobus ICT Maturation Journey



2.2 ICT Key Projects

Automated Fare Collection System (AFC)

The tender for AFC did not reach completion. The City's transport Department has been tasked with the process of AFC procurement. It is anticipated that the process will reach a conclusion by the third quarter of financial year 2020/21. In this regard, a steering committee is in place which comprises of all relevant stakeholders to ensure that requisite traction is maintained.

SAP S4 Hana

The SAP 4 Hana system from an Employee Self Service and Manager Self Service perspective was to have been rolled out during the month of March. However, deployment and training was delayed due to the National Lockdown. Operations in this regard will resume as soon as feasible.

End-user Hardware Refresh

The end-user hardware refresh project commenced during financial year 2019/20. A service provider was appointed, however, the delivery of hardware was delayed due to the impact of the National Lockdown.

Other Projects

Projects completed during the year under review include the following:

- Microsoft Exchange has been replaced.
- Metro Bus part of City's Microsoft Cloud
- Antivirus Replacement Completed
- Information Security Firewall implemented
- SAP HR on new SAP System; payroll is being run from the new system
- Upgrade of "Track IT" completed, for electronic IT incident management tracking, to rollout.
- Upgraded Intranet completed, and end user rollout in progress.
- Microsoft Teams with full tooling capability enabled
- SCCM tool implemented to track ICT software and assets instituted

2.2.1 ICT Enablement during Covid19 Times

ICT has embarked on the following initiatives to enable the organisation to be able to function even in covid times.

- Microsoft Teams enabled with full capabilities.
- New data cards handed out to key people in the organization to enable work from home arrangements.
- Mobile phones allocated to key personnel at Metrobus to enable work from home arrangements.
- New ICT hardware ordered for all head office staff and new IPAD's with data cards.

2.2.2 Challenges

The Metrobus maturation journey has faced a number of challenges, key among these are the following:

- The retarded progress of procurement of AFC
- The progress towards the filling of ICT critical posts due to Covid19 related challenges
- Inadequate business continuity processes due to dated ICT infrastructure

2.3 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.

During the year under review, 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 B. 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 is considered by the ARC as well as the Group Risk Committee of the City of Johannesburg.

2.3.1 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.

2.3.2 Traffic Fines

The entity is focusing seriously on ensuring that unacceptable driving behaviour is dealt with immediately by instituting disciplinary process against offenders. Sixty-Six (66) traffic fines were reported during the year under review. This reflects a decrease from a Hundred and fourteen (114) fines, which were recorded during 2018/19 financial year-end.

Table 2.7.2 Annual Traffic fines

Financial year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
2018/19	18	3	19	5	17	3	0	0	0	23	24	2	114
2019/20	14	1	5	10	8	9	4	0	0	0	9	6	66

2.3.3 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.

2.3.4 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 managed to reduce Hartridge units (measure of carbon emissions emitted) to an average of 18% 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. Metrobus' achievement in relation to greenhouse emissions is at 20%

Table 2.7.5: 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 specifications energy efficient future fleet procurement.

Bus Type	Government Spec.	MBS Spec	Quarter 1 Opacity %	Quarter 2 Opacity %	Quarter 3 Opacity %	Quarter 4 Opacity %
Merc 1725	72.50%	50%	19%	22%	21 %	14%
Euro 5	72.50%	50%	8%	9%	12%	5%
Euro 3	72.50%	50%	33%	36%	25%	20%

Bus Type	Government Spec.	MBS Spec	Quarter 1 Opacity %	Quarter 2 Opacity %	Quarter 3 Opacity %	Quarter 4 Opacity %
Volvo B7L	72.50%	50%	55%	58%	53%	41%
Volvo B7R	72.50%	50%	17%	20%	22%	27%
Weighted Average			19%	21%	20%	18%
Annual Weighted Average			20%			

3.1 Highlights and Achievements

3.1.1 Alternative Revenue Sources

Metrobus broadened its revenue base by engaging the city’s departments to take the opportunity to use buses as mobile billboards. Five double deck buses have been contracted with core marketing to market the “**Kleena Joburg**” campaign. An advertising tender for advertising on the back panel of buses and digital screen has been awarded and will be rolled out as soon as is feasible given uncertainty with lockdown. This has a potential of generating R2, 5 million per month of passive revenue.



3.1.2 Social Responsibility Projects

Metrobus took part in the Annual Nelson Mandela day on the 18th of July 2019 held in Soweto, Sizwile School for the Deaf. The company took over three hundred scholars for a tour of all historical sites in Soweto using green buses and planted trees and seedlings of different spices at the school garden under the theme “*green initiative*”.



On an annual basis Metrobus conducts a customer satisfaction survey to determine the level of passenger satisfaction with Metrobus service as well as areas of improvement. A report on the results of the Survey was completed, providing a deeper understanding of the needs, preferences and travel behaviours of customers who require accessible services. Findings will guide actionable recommendations to increase the quality of the customer experience, safety and ridership. The outcomes the survey highlighted that 62% of the passengers are satisfied with the service. There is a significant improvement from the 59% Customer satisfaction index (CSI) reported in the previous financial year 2018/19.

3.1.4 Leaders in dual Fuel Technology

Metrobus as a public transport provider has taken leadership in climate change through its strategic objective of going green. South African Bus Operators Association (SABOA) has acknowledged Metrobus as leader in dual fuel technology and are using Metrobus as a case study in alternative fuel technologies for the bus service industry in South Africa.

3.1.5 Collaboration with sister entities in relation to COVID19

During the year under review, Metrobus assisted the Johannesburg Metropolitan Police Department with transport of officers responsible for the security of homes and places of shelters for vulnerable communities who were most affected by the outbreak of the pandemic. In addition, Metrobus transported a number of homeless and vulnerable citizens from the City Centre to places of refuge in Soweto. Metrobus also assisted with the transportation of employees of Pikitup during the period of level five and four of the Covid Risk Levels.

The entity has remained focused on the overall health and wellness of employees. The Peer Educator program remains on track and is the entity's flagship program in educating employees on health and wellness issues including HIV/Aids.

Figure: Metrobus assist in the protection of the homeless and vulnerable during COVID19



3.1.6 Refurbishment Programme

In June 2019, Metrobus launched a program to refurbish 100 Mercedes Benz 1725 buses from 01 July 2019. In order to insure that the work done by the supplier is of the right quality and meets the OEM standards, Metrobus assigned a quality assurance inspector to certify that the below is met.



Before Refurbishment

After Refurbishment

The Mercedes Benz 1725 Refurbishment Project includes a complete Body Refurbishment, Engine Overhaul and Gearbox Overhaul. During the year under review, thirty one (31) buses were completed.

3.1.7 SMMEs Supported

During the year under review, Metrobus supported ninety (90) SMME enterprises, exceeding its target of 60 with a positive variance of 33%. A total of R18.4m was spent year to date.

3.2 Service Delivery Challenges

3.2.1 Bus fleet availability

During the first three quarters of the year, the operational peak requirement to enable Metrobus to fulfil its mandate was three hundred and sixty one (361) buses excluding a 10% spare capacity. During the first three quarters an average of two hundred and sixty (260) buses were available for operation resulting in an average operational shortfall of one hundred and one (101). Due to the advent of Covid 19, demand for public transport services declined significantly. Consequently, the peak operating requirement was reduced to one hundred and fifty (150) buses. Metrobus was able to meet this capacity requirement. The operational context resulted in excess fleet capacity of 55%. The average year to date capacity was 93% exceeding the target of 90%

Table 3.2.1: Bus fleet availability

Fleet Availability Metric	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Average
Fleet operational use	429	429	428	428	429
OOB buses	165	165	177	190	174
Peak Requirement	361	361	361	150	308
Available for operations	264	264	251	238	254
Variance	-97	-97	-110	88	-54
Available Capacity	73%	73%	71%	155%	93%

3.2.2 Labour Relations Volatility

During the year under review, employee relations remained a concern. Over many years the City and its entities had recognized two unions with whom collective bargaining took place at the level of the South African Local Government Bargaining Council. This arrangement ensured that entities not contend with collective bargaining issues at entity level. However the emergence of additional unions who are not part of the bargaining council poses new sets of predicaments. In the third quarter of the year under review, Metrobus experience industrial action led by DEMAWUSA which resulted in the loss of five (5) operational days. Furthermore the strike had a negative effect in that the target for passenger trips could not be achieved.

3.2.3 Impact of Challenges on Service Delivery

a) Service Reliability

Reliability of Metrobus service is measured by the number of scheduled trips operated. For the period under review, Metrobus operated 94% of the bus Scheduled trips. This performance slightly increased from the previous financial year 2018/19 performance by 1%.

Table 3.2.3 (a): Service Reliability

Year to date				
	Actual 2018/19	Actual 2019/20	Target 2019/20	Variance to target
Percentage Reliability	93%	94%	90%	4%

Figure 3.2.3 (b) Trips cancelled versus trips operated



b) Management of Customer Complaints

Metrobus receives complaints from passengers through emails, telephone calls and social media. One hundred and seventy seven (177) complaints were received during the year under review, indicating a significant decline from the previous financial year in which complaints were recorded at three hundred and fifty one (351) recorded.

Table 3.2.3(c): Year on year comparison for customer complaints

Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
2018/19	34	28	35	2	5	0	19	65	44	24	29	21	351
2019/20	43	11	16	25	20	5	16	24	4	0	6	7	177

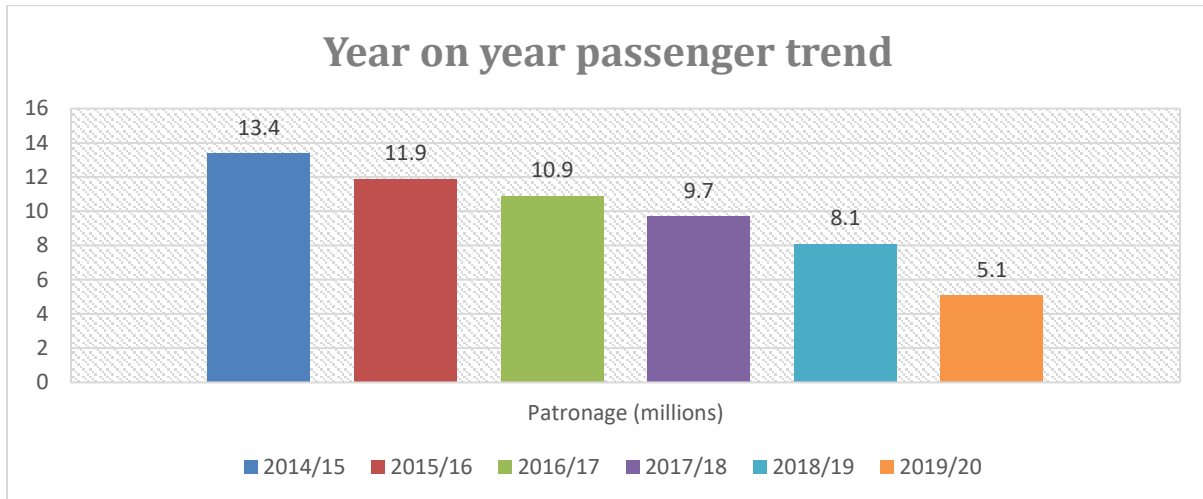
Metrobus maintained an average customer complaints resolution rate of 87% during the year under review exceeding its target of 80%.

3.2.4 Reduction in number of passengers conveyed

A total of 5.1 million passengers (including transfers) were transported for the year under review, indicating a significant decrease from the previous financial year of 8.1 million passengers ferried. This reduction is a result of a combination of factors including insufficient

operational capacity, rising levels of unemployment, and a significantly reduced transport service in the fourth quarter due to Covid 19.

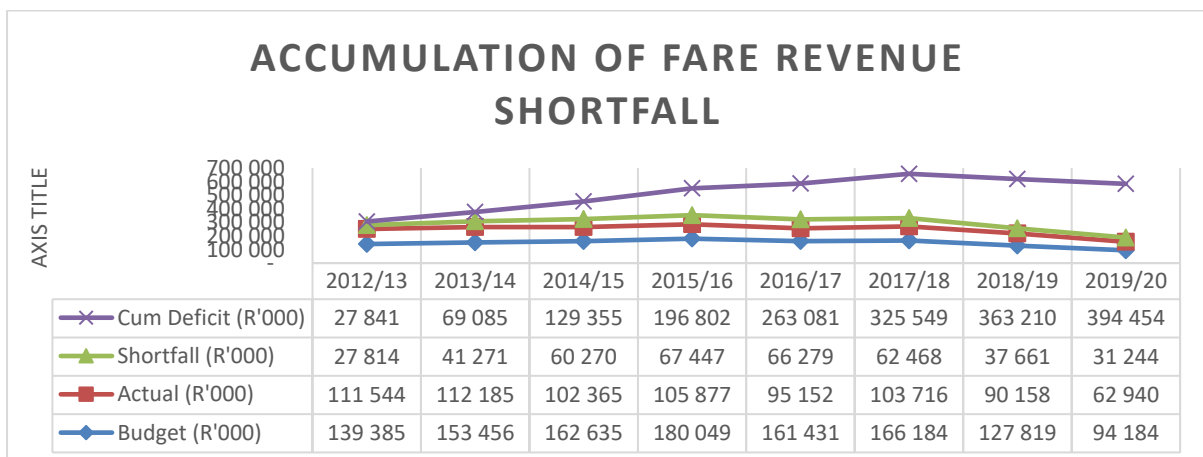
Table 3.2.4: Year on year passenger trend



a) Accumulation of fare revenue shortfall

The gap between budgeted fare revenue and the actual fare revenue collected keeps widening leading to accumulation of operating losses

Table 3.2.4: Accumulation of losses



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 four (4) key strategic priorities and the entity has responded as follows:

Priority 1: Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021.

On-going provision of bus service to the 229 main routes used by citizens of Johannesburg such as employees of various companies, job seekers, students and pensioners etc.

Priority 2: Ensure pro-poor development that addresses inequality and poverty and provides meaningful redress.

Given the challenges the entity is facing with general delivery of a reliable bus service to the commuters whose majority earns less than R6000 a month the entity provides discounts on coupon fares or multi journey fares, students and pensioners.

During the first three quarters of the year under review circa eighty percent (80%) of our commuters used coupons through which trips were bought in advance at a discount of 25%. During the fourth quarter, the no cash on buses regime was implemented resulting in one hundred percentage (100) usage. Tariff increases for 2019/20 were approved at 7%.

Table 3.3 (a): Discount categories

CLASS OF PASSENGER	FARE BASE
Stored Value	8.0% Discount
Adult Commuters – multi journey tags	25% Discount
Scholars	7 % on cash and further 25% discount for multi journey fares
SAPS, JMPD and SANDF members in uniform	Free travel on non-dedicated trips
Pensioners	8.6% on cash and 50% on multi journey trips. Pensioners must be restricted to only use buses during off-peak or pay the normal adult fare.

Metrobus staff	Free travel. But to present staff ID card at all times
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Priority 3: Create a culture of enhanced service delivery with pride.

- On-going and robust monthly Union Management meetings between Organized Labour and Management to discuss the role of Metrobus in the service delivery; employee issues; organizational matters including the financial health and the strategic direction of the entity
- Metrobus has revived the importance of wearing uniform when on duty to enhance the pride in transporting people and growing the economy.

Priority 6: Create a City that responds to the needs of citizens, customers, stakeholders and businesses.

Metrobus has special focus to improve Metrobus relationship with media, in order to enhance the brand image. Inroads were made with media ratings and coverage improving, both positive and negative, but at least brand visibility has been prominent.

In the past emphasis was placed on reactive media response, our current approach is proactively dealing with media.

3.4 Performance against Service Standards

In keeping with the Service Delivery Agreement, a total of five (5) standards between Metrobus and the Shareholder are outlined. Metrobus achieved an average of 4,5 service standards translating to a performance level of 90%. The unachieved service standard relates to safety of commuters

Table 3.4.1: Performance against Service Standards

Core Service	Service Standard Target	Mitigation measures
Safety of commuters	One fatality reported	Bus operator training on road safety is a priority and scheduled refresher training for drivers is being maintained.

3.5 Performance against Predetermined Objectives

Metrobus' 2019/20 business plan is particularly aligned to the City's priority areas and ultimately, the GDS 2040 outcomes relating to economic growth and sustainable human settlements. 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. Total Key Performance Indicators (KPIs) on Metrobus five-year strategic document is 40 but only 25 are included in the Metrobus scorecard with the remaining indicators incorporated in various departmental day to day as well as individual executive management scorecards. Detailed Performance Scorecard is attached as Annexure A.

A total of twenty-four (24) KPIs were measured in the 2019/20 FY and an annual average of (71%) performance level was achieved. Key headline indicators not achieved are outline below. These include passenger trips per working day; resolution of AGSA findings, Capex spending, consumer satisfaction levels. Annexure A outlines in detail all key performance indicators and levels of achievement. In addition, Annexure A identifies unachieved performance indicators and outlines action plans to improve performance in regard to unachieved indicators.

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 remained steady at 70% at financial year 2018/19 and 2019/20.

It is anticipated that contingent upon the requisite re-fleeting of the entity, implementation of AFC, capacitation of the route inspectorate service the overall performance of the entity will improve.

The short, medium and long term interests of the entity are balanced through appropriate strategic programming of initiatives in line with dictates of the entity's mandate, mayoral priorities and finance allocations.

The success of the future strategic direction of the entity is contingent upon the introduction of an alternative funding model, and participation in the Integrated Public Transport Network of the City of Johannesburg as well as digital enablement through appropriate Intelligent Transport Systems.

3.5.1 Performance on Key Capital Projects

During the year under review Metrobus had four major capital projects which accounted for 87.4 million of the total CAPEX budget. As follows:

Automated Fare Collection: The procurement process for the AFC was conducted by the City of Johannesburg on behalf of both Metrobus and the Transport Department in the City, however a Capex budget of R50 million remained as part of the overall capex budget of the entity. The procurement process was not completed during the year under review. Consequently, capex budget in this regard was not spent during the year under review

Bus Refurbishment: The bus refurbishment remains an important strategic lever for the entity in terms of ensuring appropriate fleet capacity in support of the reliability of services. The refurbishment program adds a number of useful life to buses which would otherwise overburden the repairs and maintenance budget of the entity and severely limit the ability to deploy a sufficient capacity of buses to meet ongoing demand. During the year under review the budget for bus refurbishment was R25 million of which 100% was spent.

Engines and Gear Boxes Overhaul: The engine and gearbox overhaul project is an important input into the overall refurbishment project, ensuring the overhaul of the bus drive train in support of an extended useful life of the bus. In this regard, capex budget was R7.4 million which 100% was spent

Building Alterations: Following a number of findings in respect of the requirement of Occupational Health and Safety Act, and regulation thereof, a capex budget of R5 million was budgeted for building alteration and implementation of compliance requirements, of which 100% was spent.

Overall expenditure in terms of the major capital projects for which the entity was accountable, (excluding AFC) was recorded at 100% for the 2019/20 financial year.

3.5.2 Public Satisfaction on Metrobus Services

Metrobus conducts Customer Satisfaction Survey once a year in the last quarter of each financial year. Commuter feedback was obtained through an online Customer Satisfaction Survey. Customer Satisfaction Level for the 2019/20 financial year was recorded at 62%. Metrobus continues to prioritise driver training to address driver attitude, and speeding/reckless driving, Metrobus has published the Customer Charter and create awareness around commuter responsibility.

Figure 3.6.1: Customer Satisfaction Level 2020



While the entity failed to achieve the set target of 70%, a slightly improvement of 3% was achieved in the period under review relative to the 59% achieved in the previous assessment.

Public Participation

Metrobus officials are part of the IDP consultation meetings that are arranged by the City of Joburg and are on hand to respond to and deal with transport related queries.

The entity maintains a functional Commuter forum which operates on the basis of a charter and constitution. This structure ensures that the entity is able to sustain mutually beneficial public participation on an ongoing basis. The forum meets on a quarterly basis.

3.6 Recommendations and Plans for the next financial year

Metrobus problems revolve around three key factors- Inability to meet operational fleet requirement; inability to account for all passengers ferried and revenue generated; and inadequate communication with commuters. Implementation of the following solutions is underway, and will continue in the next financial year.

3.6.1 Strategic initiatives

- **Migrating from vision 2020 to Vision 2025:** During the last five year financial years the entity has been operating under the guidance of Vision 2025, a strategic direction which unfolded through three distinct phases being **Stabilisation** (focus on stabilising the operating environment, and normalising performance context), **Consolidation** (focus on consolidating gains of stabilising and concretising a culture conducive to high performance), **Sustainability** (a concerted effort ta sustaining a high performance culture.

During the next five years commencing in the 2020/21 financial year will be ushered. The apex focus areas in this regard are digital enablement, decarbonisation, readiness for participation in the Integrated Transport Network of the City, expansion of sources/streams of revenue, recapturing lost ground in relation to market share and institutional stability

- **Implementation of the Marketing Strategy:** The board of Directors has approved the following strategies for implementation;
 - Fleet Renewal and Management Strategy
 - Revenue Generations Strategy
 - Integrated Maintenance Strategy
 - Marketing and Communication Strategy
 - Human Resources Development Strategy
 - Employee Health, Wellness and Safety Strategy
 - Employment Equity Strategy
- **Finalisation and Automated Fare Collection (AFC) system procurement and implementation-** in order to stern the tide of revenue loss and enhance the ability of

the entity to accurately account for commuters ferried, the implementation of the AFC is a strategic non-negotiable for the entity

- **Intelligent Transport System-** in order to successfully navigate challenges related to safety of assets, diesel loss, meeting the digital needs of the contemporary commuter, and rising to the opportunities presented by the 4th industrial revolution, a number of intelligent transport system are in the process of being implemented. These include automated bus scheduling, dial-a-bus capability, eye-on the bus capability as well as Wi-Fi on buses.
- **Debt restructuring-** The Debt Restructuring initiative is essential for the improvement of the entity's solvency and liquidity position, in this regard, proposals have been submitted to the City and this process is due for finalisation in the 2020/21 financial year.

CHAPTER 4: HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT

4.1 Employee Remuneration (Total Costs including Executives)

Total employee costs (including Executives i.e. appointees in terms of sections 54 and 56 of the MSA) at the end of the reporting period stood at R 259,288,839.66 against a budget of R 278,307,137.00 .The variance of R 19,018,297.34 against the budget is attributable to the current key vacancies on the establishment that remained vacant, a process is however underway to fill critical vacancies. Also; it should be noted though that the total budget of Metrobus was revised down by R 50, 000,000.00 as at the end of January 2019 and therefore the Entity had a deficit of R 18, 968, 297.34 for the financial year in review.

The said costs include the implementation of salary increases as directed by the South African Local Government Bargaining Council and as resolved by the City's council and adopted by the Metrobus Board of Directors.

Table 4.1.1: Employee related costs for the period 01 July 2019 – 30 June 2020

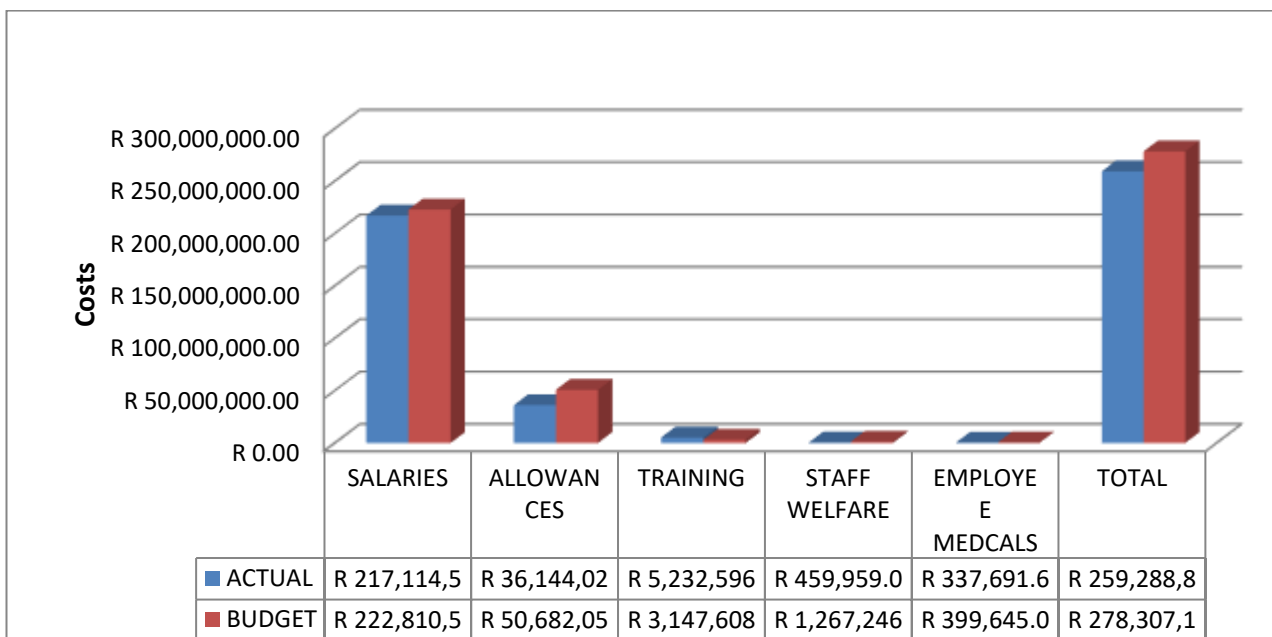


Table 4.1.2: Remuneration of the CFO; MD and EMT for the period 01 July 2019 – 30 June 2020

Position	Status	Total Annual Package	Amount paid to date
Managing Director	Filled	R 1 900 000.00	R 1,108,333.33
Chief Financial Officer	Vacant	N/A	N/A
General Manager: Corporate Services	Vacant	N/A	N/A
Chief Information Officer	Filled	R1,650,000.00	R1,650,000.00
Legal Counsel & Company Secretary	Vacant from 01 March 2020	R 1,465,237.00	R 1,465,237.00*
Chief Audit Executive	Filled	R1,303,451.00	R 651,725.50
General Manager: Technical Services	Vacant from 1 Jan 2020	R1,392,576.00	R 696,288.00
General Manager: Operations	Vacant	N/A	N/A

The amount includes 4 months' salary to be paid as a result of a settlement agreement between the erstwhile incumbent and Metrobus arising from a disciplinary process.

NB: The bottom two (from the table above) vacant positions are combined into a single position of General Manager: Integrated Business Operations.

4.2 Staff Establishment

Table 4.2: Staff establishment

Skills Level	Job Level	2019/20	
		No. of Posts	No. of Employees
Top Management	E0-E1	7	3
Senior Management	D3-D5	46	17
Professionally Qualified	D1-D2	28	10
Senior Technicians	C4-C3	215	147

Semi-Skilled	C1-C3 B1-B5	610	463
Unskilled	A1-A3	266	122
Total		1172	762

4.3 Employment Equity

Employment Equity Summary of Demographic Profile

Table 4.3.1 EE Profile

Present and Expected		Male				Female				TOTAL
		A	C	I	W	A	C	I	W	
All Employees	Current	564	36	3	18	157	5	2	5	790
	Proposed	540	50	13	41	247	12	12	29	944

The challenges of Metrobus in relation to employment equity continue and the lack of adequate funding for vacancies continues to make it almost impossible to change the employment equity outlook of the company. Notwithstanding, these challenges, the company approached the City and received funding for critical positions and to employ the insourced security function. The impact of filling the critical vacancies will have some impact on the EE profile of Metrobus.

Factoring all of the above has had some impact on the EE profile of Metrobus. In this regard, 30% of employees' fall within the age category 46-55 and percentage of African males is 70%. Women of all races in all employee categories constitute 26% of the company's staff complement (2019/20:18.9%)

Metrobus has established an Employment Equity Forum to monitor and fast track achievement of the entity's EE targets.

Vacancies / Positions that have been filled during the Period 1 July 2019 to 30 June 2020

During the reporting period, twenty four (24) positions were filled apportioned as per the table below:

Table 4.3.1: Positions filled

#	Position filled / Designation	Number	Gender	Race
1.	Cashiers	21	Male (7) Female (14)	African 20 Coloured 1
2.	Maintenance Manager VM	1	Male	White
3.	Chief Audit Executive	1	Male	Indian
4.	Graphic Designer	1	Male	African
	TOTAL	24		

Whilst there has been minimal movement on the advancement of employment Equity targets during this period; an Employment Equity Committee has been revived and measures are instituted to ensure that filled positions advance the achievement of the company's Employment Equity targets.

4.4 Skills Development and Training

4.4.1 Skills Development and Training

During the period under review, the entity submitted a Work Skills Plan as per the requirement, Progress in this regards is detailed in the following table.

Table 4.4.1: Skills Development and Training

Training Interventions	Number of delegates/Beneficiaries	Projected budget	Grant	Start Date	End Date	Target Achieved
Employee Engagement and Development Pillar						
Induction Programme(In house)	50	10 000	Not applicable	Ongoing(Depending of Number of Employees Recruited)	Ongoing(Depending of Number of Employees Recruited)	28
ABET Programme	20	200 000	Discretionary Grant application or Flagship Programmes	01 May-19	14-Dec-20	2
RPL and ARPL for Technical	40	240 000	Discretionary Grant application or Flagship Programmes	03-Oct-19	30-Nov-20	9
Total	110	450 000				39
Performance & Productivity Improvement Pillar						
GRAP for Finance Dept	20	50 000	Through Mandatory Grants	01-May-19	01-Jun-19	20
SHEQ for Managers	15	55 500	Through Mandatory Grants	03-Oct-19	06-Oct-20	15
Basic, Intermediate Advance Excel	20	80 000	Through Mandatory Grants	01-Jun-19	01-No-20	0
Hazardous Substances Programme	176	900 000	Through Mandatory Grants	23-Apr-19	31-May-2019	176
Caseware Training for Finance	4	40 000	Through Mandatory Grants	01-Nov-19	30-Mar-20	0

Customer Service	200	400 000	Through Mandatory Grants	01-Oct-19	28-Feb-20	0
Project Management(tbc)	10	100 000	Through Mandatory Grants	02-Feb-19	09-Feb-20	0
Budgeting and Finance	15	195 000	Through Mandatory Grants	02-Feb-19	31-May-20	0
SHEQ Training	93	200 000	Through Mandatory Grants	Tbc	tbc	0
Total Quality Management	5	10 000	Through Mandatory Grants	05-Mar-19	16-Mar-20	0
Computer literacy	30	143 640	Through Mandatory Grants	20-Sep-19	30-Sep-20	0
Operate Heavy Rigid Vehicle(bus)	90	249 750	Discretionary Grant application or Flagship Programmes	03-Oct-19	30-Jan-20	0
Multi Shifting process	15	199 215	Through Mandatory Grants	20-Sep-19	22-Sep-20	0
Total	713	R2 243 105				211
Skills Audit and Talent Management Pillar						
Training Interventions	Number delegates/beneficiaries	Projected budget	Grant	Start date	End date	Targets achieved
Internship Post Graduate & WIL (CS, Finance,	20	Tbc	Discretionary Grant application or Flagship Programmes	01-Nov-19	tbc	20

Operations etc.)						
Apprentice Development Unemployed	20	Tbc	Discretionary Grant application or Flagship Programmes	01-Nov-19	tbc	20
Learnership Unemployed operations	20	Tbc	Discretionary Grant application or Flagship Programmes	01-Nov-19	tbc	0
Total	60	Tbc				40
Succession Planning Pillar						
Managers Development Programme for Superintendents in Operations Dept	06	Tbc	Through Mandatory Grants	01-May-19	tbc	2
Total	06					2
Leadership and Management Development Pillar						
Supervisory skills	12	282 000	Through Mandatory Grants	16-Jan-19	30-Mar-20	0
Junior Management Programme	3	180 000	Through Mandatory Grants	16-Jan-19	14-Dec-20	0

Middle Managers Programme	15	450 000	Through Mandatory Grants			0
New Managers Programme	2	140 000	Through Mandatory Grants	16-Jan-19	14-Dec-20	0
Management Advancement Programme	3	270 000	Through Mandatory Grants	16-Jan-19	14-Dec-20	0
International Executive Leadership Development For Women(GIBS)	10	Tbc	TETA funded programme based on nominations	05-Oct-19	tbc	2
Strategic Women in Leadership Programme	10	185 000	Through Mandatory Grants	30-May-19	16-Feb-20	2
MFMA For Finance Officials	6	348 000	Through Mandatory Grants	16-Jan-19	14-Dec-20	2
Finance for Non Finance Managers	20	171 000	Through Mandatory Grants	25-Sep-19	29-Sep-20	1
Total	81	R 4 089 105				7

Total projected cost for all entire plan	798	R4 089 105	0			299
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NB: For the period in review Metrobus received rebates amounting to R 482,694.17 which represents 25% of the total levy contributions.

4.4.2 Leadership Development and MFMA training for Financial Management and Supply Chain Management

Metrobus identified the need for its Executive Management Team to undergo training as required by the Treasury Regulations in order for them to meet the minimum competencies as prescribed in terms of the Municipal Finance Management Act (MFMA). In this regard, Metrobus has partnered with the City’s Group Human Capital in ensuring that the training and development initiative is implemented for all our Executive Management Team members and Senior Management who will be obligated to attend this training during the financial year.

To this effect, two (2) Senior Managers have completed the required Finance for non-financial managers training (MFMA) so as to ensure that we comply with the National Treasury Competency requirements. The outstanding Executive Management Team, Senior Managers and Managers will be on the next intake planned for 2019/20 financial year. The two managers commenced with the programme on the 01 March 2020 and will be completing the MFMA programme on the 2020/21 financial year.

Further, Metrobus official who was selected through rigorous competency assessment for International Executive Development Programme (IEDP) in the area of Transport Management through Transport Education Training Authority (TETA) completed the programme in August 2019.

The programme it was fully funded by Transport Education Training Authority (TETA) and Gordon Business as part of building leadership capacity to women in executive and leadership positions within the transport sector.

4.4.3 Apprenticeship Programme

As previously reported, the apprenticeship program, which has been a major contributor to the skills pipeline within the Technical Department continued since inception from 01 October 2018 into the second year running. The company continued to implement the applied the funded apprenticeship programme to the value of R 4 080 000, 00 for a period of three (3) years and all twenty (20) appointed apprentices in the area of Auto Electricity and Diesel Mechanics.

In addition; Metrobus has, in conjunction with the Transport Education Training Authority (TETA) and City of Johannesburg Water, embarked on a programme to train and develop fourteen (14) permanent employees from the City of Johannesburg Water. The officials from Johannesburg Water started on the 14 January 2019 and will be rotating between Metrobus and their Company to gain practical knowledge in the field of Diesel Mechanics.

4.4.4 Internship Programme

Metrobus secured flagship funding grant to the value of R 840 000 for a graduate internship programme. This initiative is geared towards contributing to building the required talent pool and skills pipeline within the transport sector, the internship programme plays a vital role in affording the opportunities for young graduates to enter the system and gain meaningful work experience to position them in such a manner that they can actively contribute to the growth of our sector and economy.

Metrobus implemented internship programme in the first Quarter of the 2019/20 financial year, The internship programme focuses on the areas identified as scarce skills for the Metrobus such as Finance, Supply Chain Management, Transport Management, Management Services (Organisation & Work-Study), Risk Management, Legal Secretariat, Human Resource Management and Logistics Management; and in total, 20 interns were in the service of Metrobus for the period in review.

4.4.5 Driver Upskilling Programme

During the reporting period, forty-seven (47) newly appointed Bus Operators completed training. The training programme is structured programme that comprises of theoretical and

practical component delivered through blended training methodologies to yield the desired competency outcomes prior to sign them off.

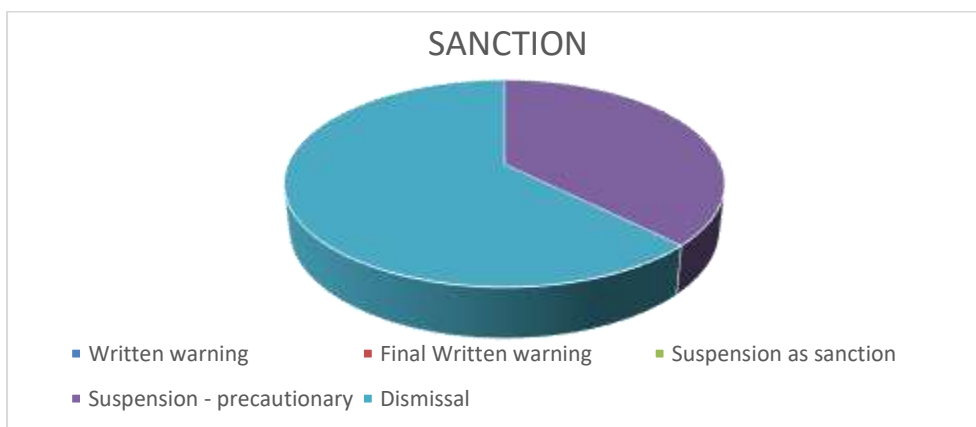
4.5 Disciplinary Matters and Outcomes

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

4.5.1 Sanctions

Table 4.5.1: Sanctions

Sanction	Number
Written Warning	0
Final Written Warning	0
Suspension as Sanction	0
Precautionary suspension	7
Dismissal	15
Total	22

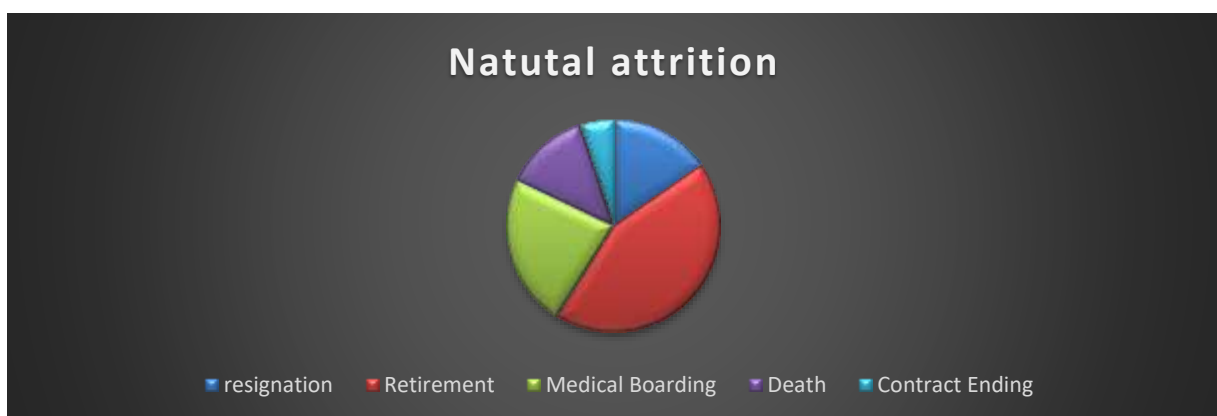


4.5.2 Staff Turnover

During the period under review, a total of sixty one (61) employees exited the service of Metrobus as a result of both natural attrition and disciplinary process outcomes.

Table 4.5.2: Natural Attrition

	Number
Resignation	6
Retirement	17
Medical Boarding	9
Death	5
Contract ending	2
Total	39



It can be noted that thirty nine (39) employees out of a staff complement of seven hundred and ninety (790) exited the company, which is 5%. This percentage is within the range of the Local Government staff turnover rate of 5%-10% as reported by MCI Consultants (6th Annual HR Recruitment survey).

4.6 Leave & Productivity Management

4.6.1 Leave Management

It is essential to report that employees of Metrobus qualify for 26 annual leave days. This is in line with its Leave Management Policy. During the period under review, the entity maintained an average of 78% 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.

During the year under review, the country experienced a national lockdown occasioned by the outbreak of COVID-19 pandemic. The country embarked on levels 5 and 4 lockdown with the impact that employees have to stay at home. This has had an impact on all leave, especially the annual leave balances as employee did not take any leave. The company will need to look at strategies to manage the leave liability to acceptable levels.

4.6.2 Policy Development

In addition to the Human Resources Strategy that was finalised and implemented following approved by the Board in the previous financial year; the department developed the following policies:

Table 4.6.2: Policies Developed and Reviewed

#	New Policy Title	Policy replaced	Salient features
1	Acting on a position, Employee Transfer and Secondment Policy	Staff transfers and promotions policy (PRO002HR) of 2009 This Policy should be rescinded and replaced by the new policy	This policy is now presented in new approved format, and is aligned with the latest CoJ Group Policy framework whilst taking into account the needs of Metrobus. The policy puts an emphasis on transparency, fairness and promoting employee exposure and development in a legally defensible manner.
2	Occupational Health, Wellness and Safety Strategy	New Strategy document	The emphasis of this strategy is on ensuring maintenance of safe, healthy and environmentally conscious working standards and practices by not on only ensuring compliance to the Occupational Health and Safety Act but also on changing employee behaviour so as to have a balanced impact on Productivity; The Green Economy; Health and Safety as well as Legal Compliance. The policy is presented in the latest approved format.

3	Safety Health and Environment (SHE) Policy	SHE Policy of 2012	<p>The emphasis of this Policy is on the achievement of Occupational Health and Safety goals in the Workplace and on the environment by ensuring that there is integration and alignment to the Company's Strategy but at the same time changing employee behaviour and attitudes.</p> <p>The policy is presented in the latest approved format.</p>
4	Collective Bargaining Policy	New Policy	<p>This policy directs and focusses the efforts of Metrobus in the maintenance of organisational peace; resolving problems at the lowest possible point of origin and achieving stability. It promotes employee engagement; promotes a culture of workplace tolerance and cooperation. The document is now presented in new format, and aligned with the latest CoJ Policy framework.</p>
5	Sports Policy	New Policy	<p>This policy is now presented in new format, and is aligned with the latest CoJ Policy framework. The policy helps to put into practice the realisation of "A Healthy body in a Healthy mind" as well as helping to improve the health and general well-being of the employees holistically. The policy also puts an emphasis on the importance of balancing sports activities with the achievement of business goals and objectives.</p>
6	Skills Development and Employee Education Policy	Learning and Development Policy of 2016	<p>This policy is now presented in new format, and is aligned with the latest CoJ Policy framework.</p>
7	Employee Relations Policy	New Policy	<p>This policy directs and focusses the efforts of Metrobus in the maintenance of organisational peace; resolving problems at the lowest possible point of origin and achieving stability. It promotes employee engagement; promotes a culture of</p>

			workplace tolerance and cooperation. The document is now presented in new format, and aligned with the latest CoJ Policy framework.
8	Policy for dealing with sexual harassment	Sexual harassment and favouritism policy	This policy is now presented in new format, and is aligned with the latest CoJ Policy framework.

4.7 Employee Wellness

The entity held wellness day events during quarter two at all depots. 86% of Metrobus employees participated. Arising therefrom; it can be reported that there were employees who presented with various physical ailments.

The analysis of the trends reveals that hypertension and related ailments remain stubbornly high despite efforts at encouraging healthier lifestyle choices among employees. In this regard, further education and awareness programs are currently underway and these are complemented by efforts conducted through peer educator programs.

It is however clear that the entity has to invest in a medical surveillance program which is not necessarily dependent on employees voluntarily presenting themselves with ailments but a programmed intervention which will ensure that an informed determination is made as to the health and wellness of employees on an objective basis.

4.8 Employee Benefits

During the year under review, the South African Local Government Bargaining Council approved a salary increase of 6.5% for all employee falling within the scope thereof. In keeping with the prescripts of the Salary and Wage Collective Agreement, all Employee Benefits for the year under review increased by the same margin and amounted to a total of R 42,174,271.66 against a budget of R 55,496,554.00 apportioned as per the table below:

Table 4.8: Employee Benefits for the period 01 July 2019 – 30 June 2020

BENEFIT	ACTUAL	BUDGET	VARIANCE
ALLOWANCES	R 36,144,025.00	R 50,682,055.00	R 14,538,030.00
TRAINING	R 5,232,596.00	R 3,147,608.00	-R 2,084,988.00
STAFF WELFARE	R 459,959.04	R 1,267,246.00	R 807,286.96
EMPLOYEE MEDICALS	R 337,691.62	R 399,645.00	R 61,953.38
TOTAL	R 42,174,271.66	R 55,496,554.00	R 13,322,282.34

NB: The variance of R13 million can be attributed to the persistent vacancy rate. Added to this, there was an earlier moratorium on filling vacancies which, as soon as it was lifted, the country went into hard lockdown, thus impacting the procurement of human resources.

4.9 Occupational Health & Safety Programs

A total of twenty two (22) safety related incidents were reported during the year under review resulting in the loss of thirty five (35) man days.

The Occupational Health and Safety Policy has been reviewed and is currently undergoing the requisite approval processes. In the interim an Occupational Health and Safety Steering Committee has been established. The Committee is comprised mainly of officials who are appointed in terms of the relevant provisions of the enabling legislation to assist the accounting officer in ensuring compliance with legislation in relation to health and safety, and is responsible for ensuring that proper sponsorship of OHS matters is maintained.

4.10 COVID-19 Report

Following a declaration of lockdown by the state, Metrobus established COVID-19 task team to oversee and ensure that guidelines are properly adhere to and provide guidance and support to all the employees in compliance of the regulations.

Level 5 Lockdown

During this phase of the national lockdown, Metrobus operated a minimal services at the behest of the City. Resultantly only purpose directed trips were operated, as directed by the City.

Level 4 Lockdown

During level 4 Lockdown, more employees returned to work in view of the changes to regulations that required Metrobus to run bus services for Essential Services employees.

Level 3 Lockdown

The easing of lockdown regulations, coupled with the limited opening of the economy meant that more employees would be required to provide transport to those sectors of the economy that were opening. Metrobus adjusted its staff numbers accordingly and 33% staff requirement were met.

Level 2 Lockdown

The further easing of lockdown regulations, coupled with the slight opening of the economy meant that more employees would be required to provide transport to those sectors of the economy that were opening. Metrobus adjusted its staff numbers accordingly and 50% with rotation of staff requirement were met.

Level 1 Lockdown

The further easing of lockdown regulations, coupled with the more opening of the economy meant that more employees would be required to provide transport to those sectors of the economy that were opening. Metrobus adjusted its staff numbers accordingly and 70% with rotation of staff requirement were met.

Decontamination of buildings

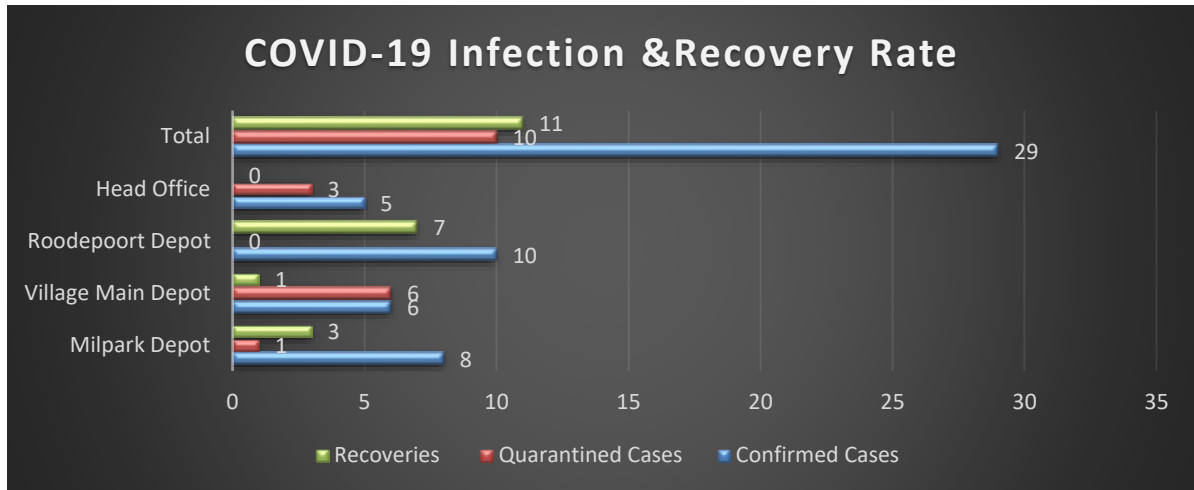
Throughout the lockdown period, Metrobus COVID-19 tasks team continually reviewed and adjusted risks and the risk assessment plan. The adjustments made it possible to minimise the number of infections.

4.11 Covid-19 communication

Internal communication

The COVID-19 tasks team guided communication continuously in ensuring that key stakeholders are kept abreast on coronavirus related issues in line with the approved COVID-19 command council guidelines. The committee used all forms of media including posters, emails, meetings and socials media.

Metrobus continuously provides both internal and external stakeholders with open, transparent updates on COVID-19. The strategy focused on communicating facts quickly and regularly. The graph below gives a snapshot of what leadership communicates to staff with emphasis on infection and recovery rate including alerts on social distancing and wearing of masks.



External communication

The company made it easy for commuters to follow social distancing guidelines with visuals that mark proper distances, adding hand sanitizers in buses for commuters to use. Visual communication is always key to helping commuters trust the brand to comply with COVID-19 regulations as imposed by national government.



Metrobus approached the pandemic with transparency around cleaning, disinfection procedures, and cleaning products in order to help increase commuter trust and build confidence, in a business. Consequently the company has recorded zero coronavirus transmission on record in buses to date.



CHAPTER 5: FINANCIAL PERFORMANCE AND EXPOSURE

5.1 FINANCIAL PERFORMANCE AND EXPOSURE

Statement of Financial Position	2020	2019	Movement	
	Actual (R000's)	Actual (R000's)	(R000's)	(%)
Current Assets	28 230	30 715	(2 485)	(8%)
Cash and cash equivalents	304	184	120	65%
Receivables: Exchange transactions	2 676	3 987	(1 311)	(33%)
Receivables: Non-exchange transactions	406	624	(218)	(35%)
Prepayments	4 772	6 684	(1 912)	(29%)
Insurance fund	4 744		4 744	
Inventories	15 328	19 235	(3 907)	(20%)
Non-Current Assets	624 616	666 098	(41 482)	(6%)
Property, plant and equipment	591 863	633 727	(41 864)	(7%)
Intangible assets	1 621	2 349	(727)	(31%)
Loans to shareholders	31 131	30 021	1 110	4%
Total Assets	652 845	696 812	(43 967)	(14%)
Current Liabilities	653 138	678 647	(25 509)	(33%)
Loans from shareholders	423 500	508 687	(85 186)	(17%)
Other financial liabilities	37 549	33 967	3 582	11%
Payables from exchange transactions	183 054	126 712	56 342	44%
VAT payable	0	0	0	16%
Deferred income	6 581	5 015	1 566	31%
Provisions	2 453	3 026	(573)	(19%)
Insurance fund liability	0	1 240	(1 240)	(100%)
Non-Current Liabilities	203 741	242 236	(38 496)	(16%)
Other financial liabilities	193 222	230 770	(37 549)	(16%)

Employee benefit obligation	10 519	11 466	(947)	(8%)
Total Liabilities	856 879	920 884	(64 005)	(7%)
Net Assets	(204 033)	(224 071)	20 038	(9%)
Share capital	54 774	54 774	0	0%
Revaluation reserve	150 002	160 167	(10 165)	(6%)
Accumulated deficit	(408 809)	(439 012)	30 203	(7%)
Total equity and liabilities	652 845	696 812	(43 967)	(6%)

5.1.1 Variance analysis on the financial position

Current assets analysis:

Current assets decreased by approximately R2, 5 million (8%) from R30, 7 million (30 June 2019) to R28, 2 million (30 June 2020). This change was driven by the following:

- A R6, 0 million (485%) increase in the insurance fund debtor.
- A R1, 9 million (29%) decrease in pre-paid expenses;
- A R1, 3 million (33%) decrease in receivables from exchange transactions; and
- A R3, 9 million (20%) decrease in inventory.

(i) Insurance fund

Insurance fund is used to cover against any excess in insurance claims. Insurance fund increased from a net liability of R1, 2 million (30 June 2019) to a net current assets of R4, 7 million the end of the financial year. The liability in the previous year arose due to the depletion of the fund in the previous financial year.

(ii) Prepayments

Prepayments declined by R1, 9 million (29%). The decline was attributable to a decrease in the advance payments for bus licenses. Metrobus was unable to pay bus licensing fees due to the temporary closure of the licensing departments. This resulted from the national lockdown and restrictions implemented as a result of COVID-19.

As per the National Department of Transport all motor vehicle license discs that expired in the period from 26 March 2020 up to and including 31 May 2020 are deemed to be valid. The

licensing departments opened on 1 June 2020. The validity period was extended by a further 90 days from 1 June 2020.

(iii) **Receivables**

Exchange Transactions

Receivables from exchange transactions decreased by R1, 3 million from R3, 9 million (30 June 2019) to R2, 7 million (30 June 2020). This decrease was driven by a restatement of the receivables from exchange transaction with respect to insurance debtors.

Receivables from exchange transactions included invoices for insurance recoveries amounting to approximately R1, 1 million. These invoices were incorrectly raised as at the time the claims was not approved. As such these claims did not qualify to be treated as revenue and assets. Credit notes were passed in the 2017/18 financial year which resulted in the comparatives being restated.

Receivables from exchange transaction decreased from R3, 3 million in the 2017/2018 financial year by R1, 1 million. Provision for doubtful debts relating to the above insurance claims invoices was adjusted accordingly in the 2017/2018 financial year. The provision decreased by R1, 1 million. The decrease to the 2018/19 opening retained earnings was R 6 000.

During the year, debt amounting R116 000 was written off due to prescription. This debt was impaired during the previous financial year.

Non-Exchange Transactions

Receivables from non-exchange transactions represents amounts owed by staff. This account decreased by R200 000 from R625 000 (30 June 2019) to R405 000 (30 June 2020). The decrease was driven by recovery of outstanding monies.

(iv) **Inventory**

Inventories consist mainly of spares held in stores as well as diesel on hand at year-end. Inventories decreased by R3, 9 million from the prior year.

Summary	30 Jun 2020 Actual (R000's)	30 Jun 19 Actual (R000's)	Movement (R000's)	Movement (%)
Inventories	15 327	19 233	(3 906)	(20%)
Spares	17 354	25 445	(8 091)	(32%)
Diesel	1 864	1 123	741	66%
Other	976	1 313	(337)	(26%)
Provision for obsolete stock	(4 867)	(8 648)	3 781	(44%)

During the 2019/20 financial year, the entity disposed of spare parts amounting to approximately R1,6 million. These items were determined as obsolete stock. The stock was disposed on 27 June 2020.

During the finalisation of the inventory count (30 June 2020), the following stock variances were identified. These are reflected in the table below:

Stock Losses	30 Jun 2020 Actual (R000's)	30 Jun 2020 Actual (R000's)	Movement (R000's)	Movement (%)
Inventories	18 540	4 512	14 028	311%
Diesel	5 574	3 345	2 230	67%
Spares	12 965	1 167	11 798	1 011%

The variance in spares losses is currently under investigation by management. Internal audit is conducting review of the stock system. In terms of the diesel losses, management will implement new security systems over the management of fuel and is currently in the processing of upgrading its fuel management system.

Inventory spare parts included overhauls that did not the definition of inventory as defined by the accounting standards and as such was incorrectly classified. An amount of R 2,9 million was adjusted in the 2017/18 financial year with an additional amount of R 5,6 million being adjusted in the 2018/19 financial year. The provision for overhauls was adjusted by the same amounts in the respective financial years.

Non-current assets analysis:

Non-current assets declined by approximately R41, 5 million (6%). This was largely driven by:

- Property, Plant and Equipment (PPE) decreased by R 41, 5 million (7%). Driven by the depreciation charge of R 61, 2 million, impairment loss of R 3,1 million, disposal of items of PPE of R 9,3 million. This was offset by the additions of approximately of R45,9 million to PPE and an increase of R 2,9 million with respect to work in progress;
- Loans to shareholders increased by R1,1 million (4%); and
- Intangibles assets decreased by R737 000 (31%).

(i) Property, Plant and Equipment (PPE)

PPE decreased by R41,5 million (7%) from R633,7 million (30 June 2019) to R591,9 million (30 June 2020). The net decrease is as a result of the depreciation charge of 61,2 million, impairment loss of R3,1 million and disposal of PPE of R9, 3 million. This was offset by the additions amounting to R45,9 million in respect of PPE as well as R2,9 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 R1,1 million (4%), from R30,0 million (30 June 2019) to R31,1 million (30 June 2020).

(iii) Intangible assets

Intangibles assets is decreased by R727 000 (31%) from R2,3 million (30 June 2019) to R1,6 million (30 June 2020). The net decrease resulted from amortisation charges for the financial year.

Current liability analysis

Current liabilities decreased by approximately R25,5 million (33%) from R678,6 million (30 June 2019) to R653,1 million (30 June 2020). This change was driven by the following:

- An R85,2 million (17%) decrease in the loans from shareholders.
- A R3,6 million (11%) increase in other financial liabilities;
- A R56,3 million (44 %) increase in payables from exchange transactions;
- A R1,5 million (31 %) increase in payables deferred income;
- A R573 000 (19%) decrease in provisions; and
- A reversal in the insurance fund liability. (*Refer current assets.*)

(iv) **Loans from shareholders**

This represents the outstanding balance on the sweeping account of the entity. Loans from shareholders has improved by R85,2 million (17%) from R508,7 million (30 June 2019) to R423,5 million (30 June 2020). This balance excluded payroll related accruals of R66,1 million (refer to payables from exchange transactions) due to the City.

(v) **Other financial liabilities**

This represents the current portion of the capital expenditure loans. The increase of R3,5 million (11%) from R33,9 million (30 June 2019) to R37,5 million (30 June 2020). 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 by increased by R56,3 million (44%) from R126,7 million (30 June 2019) to R183,1 million (30 June 2020).

As reflected below, there was an improvement of R14,6 million (15%) in total trade payables outstanding from R95,1 million (30 June 2019) to R80,6 million (30 June 2020). The improvement could be related to decrease in operations due to COVID-19.

There has been a net increase in employee related accruals of R70,9 million (225%) from R31,5 million (30 June 2019) to R102,4 million (30 June 2020). This increase is primarily driven by the outstanding payroll related liabilities (salary costs) of R66,1 million that was not paid. The leave pay accrual also increased due to officials being unable to take leave during the impact of the national lock down during COVID-19.

As a result of remapping of account balances in the financial reporting tool, an amount of R 1 800 was reclassified from accrued expenses to inventory.

Payables	Actual (R000's)	Actual (R000's)	Movement (R000's)	Movement (%)
Trade payables	46 189	79 263	(33 074)	-42%
Accrued expenses	34 450	15 926	18 524	116%
Total trade payables	80 639	95 189	(14 550)	-15%

Accrued bonus 13th cheque	8 823	7 931	892	11%
Accrued leave pay	27 455	22 891	4 564	20%
Other payables - payroll related liabilities	66 136	698	65 438	9375%
Total employee related accruals	102 414	31 520	70 894	225%
Total	183 053	126 709	56 344	44%

(vii) **Deferred Income**

Deferred income represents coupons not utilised by passengers at the end of the reporting period. Deferred income increased by R1,6 million (31%) from R5,0 million (30 June 2019) to R6,6 million (30 June 2020). This increase can be attributed to the impact of COVID-19 as most passengers could not utilise their coupons due to the national lockdown.

During the year additional information pertaining to the number of forfeited trips became available. This information was imported into the Q-Merit legacy system and resulted in a change to the comparative. Deferred income decreased by approximately R400 000 from R5,4 million to R5 million in the 2018/19 financial year with revenue from exchange transaction increasing by the same amount.

(viii) **Provisions**

The improvement in provisions decreased by R600 000 (19%) from R3,0 million at end of the prior year to R2,6 million as at 30 June 2020. This resulted from a number of positions vacant positions not being filled.

(ix) **Insurance fund liability**

The insurance fund liability of R1,2 million raised in the previous year was fully paid in the current year. The entity now has an insurance fund asset as reflected under current assets.

Non-current liability analysis

Non-current liabilities improved by R38,5 million (16%) from R242,2 million (30 June 2019) to R203,7 million (30 June 2020). This change was driven by:

- A R37,5 million (16%) decrease the long term loans from the City; and
- A R947 000 (8%) decrease in employee benefits liability.

(i) **Other financial liabilities**

Other financial liabilities represents the liability in respect of the funding of capital assets of the entity. Other financial liabilities decreased by R37,5 million (16%) from R230,8 million (30 June 2019) to R193,2 million (30 June 2020). This represented the reallocation of the short term portion of the debt to current liabilities.

(ii) **Employee benefits liability**

Employee benefit liabilities represents the liability post-retirement benefits in respect of medical aid, housing subsidy plan and gratuity plans. Employee benefit liabilities decreased by R947 000 (8%) from R11,4 million to R10,5million.

Net asset analysis

Net liability position of the entity has improved by R20,0 million (9%) from R224,1 million (30 June 2019) to R204,0 million (30 June 2020). This was driven by:

- A R10,2 million (6%) reversal of the revaluation reserve; and
- R30,2 (7%) million improvement in the accumulated loss.

The ability of the entity to meet its financial obligations is still uncertain. The impact of the continued under performance 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 improved by R30,2 million from R439,0 million as at the end of June 2019 to R408,8 million (30 June 2020). This was driven from the surplus achieved in the current financial year as well as the releasing of revaluation reserve the accumulated surplus. A number of items were restated/reclassified had an impact on terms of the opening retained earnings for the 2018/19 financial year as well as the 2019/20 financial year. These are reflected in Note 39 of the annual financial statements.

(ii) **Revaluation reserve**

The revaluation reserve decreased by R10,2 million from R160, 2 million (30 Jun 2019) to R150,0 million (30 June 2020).

5.2 Statement of Financial Performance and high-level notes

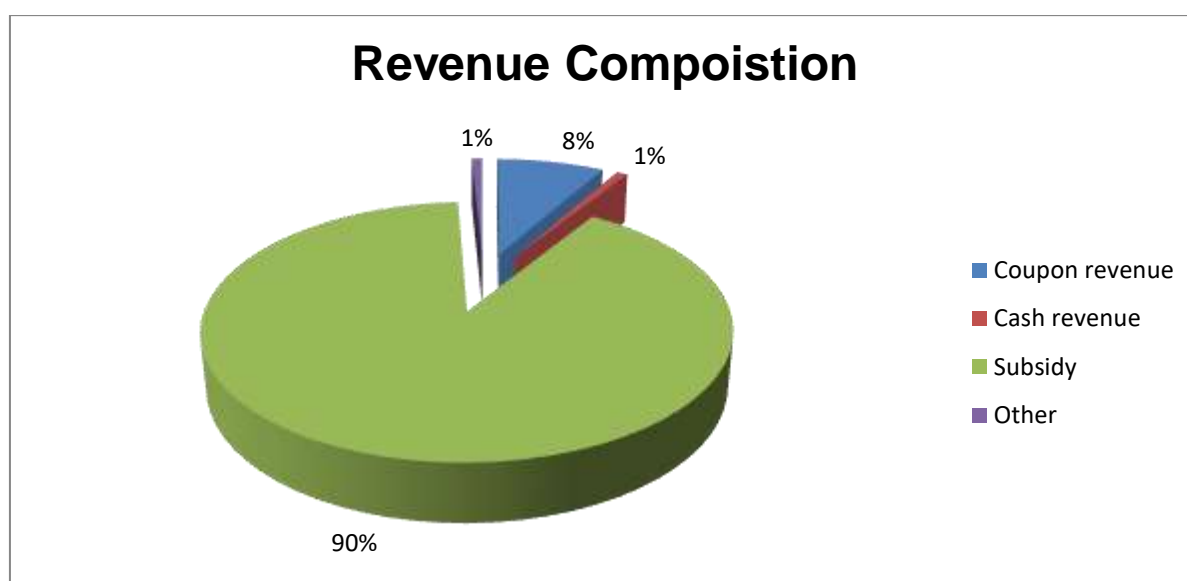
Statement of Financial Performance	2020	2019	Movement	
	Actual (R000's)	Actual (R000's)	Actual (R000's)	%
Revenue: Exchange transactions	68 943	97 718	(28 774)	-29%
Rendering of services	62 941	90 238	(27 298)	-30%
Other income	3 174	5 516	(2 342)	-42%
Interest received - investment	1 756	1 963	(207)	-11%
Actuarial gain (loss)	1 073		1 281	-614%
Revenue: Non-exchange transactions	636 533	546 483	90 050	16%
Government grants & subsidies	636 533	545 463	91 070	17%
Other income	0	1 020	(1 020)	
Total revenue	705 476	644 201	61 275	10%
Total expenditure	(680 246)	(671 351)	(8 895)	1%
Employee related costs	(298 208)	(295 562)	(2 646)	1%
Depreciation and amortisation	(61 883)	(52 235)	(9 648)	18%
Impairments	(6 774)	(7 584)	810	-11%
Finance costs	(55 973)	(60 900)	4 926	-8%
Lease rentals on operating lease	(8 891)	(7 772)	(1 119)	14%
Debt Impairment	(204)	(334)	130	-39%
Diesel and compressed natural gas	(58 235)	(76 631)	18 396	-24%
Insurance	(14 173)	(20 736)	6 562	-32%
Loss on disposal of assets	(9 262)	(663)	(8 599)	1296%
Actuarial loss		(209)	209	-100%
General Expenses	(168 359)	(148 726)	(19 633)	13%
Total Surplus/(Deficit)	23 513	(27 150)	50 663	-187%

5.2.1 Variance analysis on the financial performance

Revenue management analysis

Fare revenue and subsidy remain the core sources of funding for Metrobus, collectively contributing R699,4 million (2018/19: R635,7 million) to total revenue of R705,4 million (2018/19: R644,2 million).

The figure below represents the composition of our revenue as at 30 June 2020.



(i) Subsidy

The entity is largely dependent on the provision of a subsidy from its shareholder. This represents over 90% (R636,5 million) of the revenue of the entity. The subsidy was increased by R91,1 million during the financial year. The withdrawal of the subsidy will result in the entity being unable to continue its operations.

(ii) Fare Revenue

Fare revenue has seen a significant decline in comparison to both the budget as well as the prior per year performance. Fare revenue as at 30 June 2020 amounted to R62,9 million. This represented an under performance of:

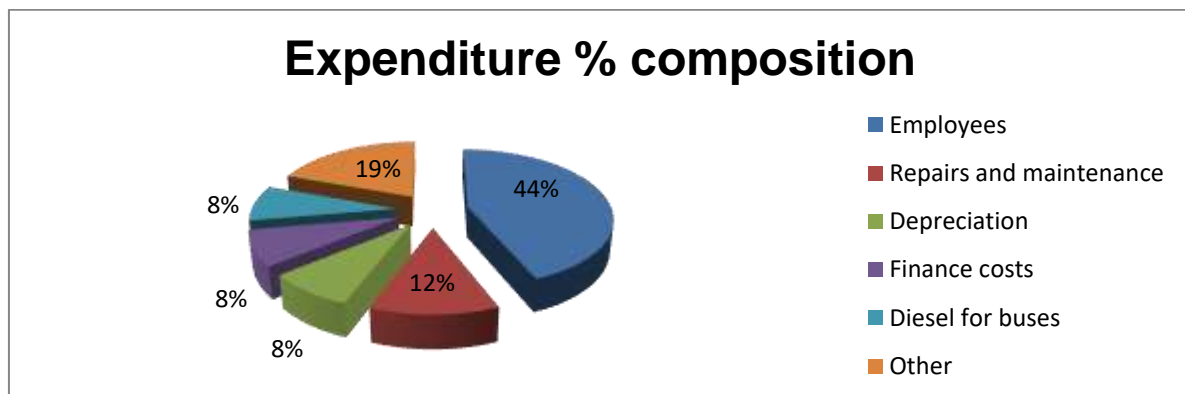
- R29,2 million (32%) against the budget of R92,2 million and
- R27,3 million (30%) against the revenue performance of R90,2 (30 June 2019).

The decrease in fare revenue can be attributed to the following factors:

- Strike in the first quarter of the financial year;
- COVID-19 pandemic which resulted a national lockdown;
- The implementation of the safety measures during the COVID-19 alert levels;
- Non-achievement of private hires revenue;
- Declining economic conditions;
- Underperformance in terms of private hires and contracted services
- Significant decline in patronage from 8,1 million to 5,1 million passengers;
- Cancellation of scheduled trips; and
- A high number of out of commission buses.

Expenditure management analysis

As reflected below, the main cost drivers are employee costs at 44%, Repairs and maintenance at 12%, Fuel for buses at 8%, finance charges at 8% and depreciation 8%. Metrobus's performance on these items are discussed below.



Expenditure for the year amounted to R681,9 million (2018/19 R671,4) against a budget of R730,7 million (2018/19 R668,4 million). While there has been a slight increase in expenditure, there has been significant movement on the individual lines items of expenditure, that is:

(i) **Employee related costs**

Employee related costs amounted to R298,2 million (30 June 2020). Employee related costs reflected an increased spending of R2,6 million (1%) when compared to the expenditure as at 30 June 2019. However, in relation to 2019/20 budget employee related costs was

underspent by R15,9 million (5%). The underspending could be attributed to the impact of COVID-19 which delayed the filling of positions as well as the late approval of the 2019/20 adjustment budget.

(ii) Depreciation and amortisation

Depreciation and amortisation amounted to R61,9 million (30 June 2020). Depreciation and amortisation reflected an increased spending of R9,6 million (16%) when compared to the expenditure as at 30 June 2019. However, in relation to 2019/20 budget depreciation and amortisation costs was overspent by R2,5 million (4%). 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 R6,8 million (30 June 2020). Impairment of assets reflected a decrease of R810 000 when compared to the expenditure as at 30 June 2019. The change in these costs were driven by changes diesel loss of R 4,0 million (30 June 2019: R3,3 million); Stock losses of R2,8 million (30 June 2019: R1,2 million) and a reversal in the provision for obsolete stock of R 2,4 million. The full amount of R6,8 million was not budgeted for.

(iv) Finance costs

Finance costs amounted to R55, 9 million (30 June 2020). Finance costs reflected a decreased in spending of R4,9 million (8%) when compared to the expenditure as at 30 June 2019. A saving of R3,8 million (6%) was also realised against the 2019/20 budget.

(v) Insurance

Insurance amounted to R14,1 million (30 June 2020). Insurance reflected a decreased spending of R6,6 million (44%) when compared to the expenditure as at 30 June 2019. A saving of R844 000 (7%) was also realised against the 2019/20 budget.

(vi) Debt impairment

Debt impairment reflected the net charge of R 204 000. The decrease can be attributed to the overall lower debtors as well as the debt written-off due to prescription.

(vii) **Fuel costs**

Fuel costs amounted to 58,2 million (30 June 2020). Fuel costs reflected a decreased in spending of R18,4 million (28%) when compared to the expenditure as at 30 June 2019. However a saving of R6, 8 million (13%) was also realised against the 2019/20 budget. The decrease in fuel costs resulted from decreased consumption caused by COVID-19 pandemic disease as the operations were drastically reduced during lockdowns and social distancing.

The table reflects year on year fuel consumptions patterns. Year on year comparison on fuel consumption in litres per 100 kilometres operated shows a slight improvement in efficiency.

		30-Jun-20	30-Jun-19
Kilometres operated	(Km)	6 847 685	9 178 031
Litres of diesel consumed	(l)	3 799 115	5 152 849
Fuel consumption per 100 km	(l)	55,48	56,14
Cost per kilometre	(R)	8,50	8,30

(viii) **General expense**

General expenses amounted to R168,4 million (30 June 2020). General expenses reflected an increased in spending of R19,3 (13%) when compared to the expenditure as at 30 June 2019. A saving of R38,0 million (23%) was realised against the 2019/20 budget. Included in general expenses is COVID-19 expenditure of R3,6 million.

Repairs and maintenance was reclassified from the face of the statement of financial performance and included in the note for general expenses. As a result the general expenses increased from R 82,2 million to R 148,7 million in the 2018/19 financial year. For the current year repairs and maintenance amounted to R80,6 million (30 June 2020) was reclassified to general expenses.

The budget on repairs and maintenance was exceeded by R4,7 million (6%) in the 2019/20 financial year. Had the entity not spent on repairs and maintenance, the operations of the entity would have continued on an accelerated downward spiral and come to a grinding halt. In the prior years, the budget for this expenditure item was reduced significantly which has resulted in the entity over-spending on this line item.

(ix) **Loss on disposal of assets**

There was a net loss on disposal of assets of R9,3 million. This was due to retirement of assets. These items were not budgeted for.

Surplus/ (Deficit)

Metrobus recorded a surplus amounting to R24,8 million in the current financial year. This was improvement of R52 million when compared to 2018/19 financial year. While the entity managed to contain its cost, the underperformance on fare revenue has significantly impacted the financial performance of the entity.

5.3 Budget Statement Analysis

The operating budget was adjusted downwards at mid-year from R773 million to R731 million due to the city budget rebasement process. Refer to section 5.4 above for explanation on the performance against budget.

Descriptions	2018/19	2019/20				Variance to Budget	%
	Actual	Original Budget	Adjustment Budget	Adjusted Budget	Actual		
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)		
Rendering of services	98 738	132 341	(38 157)	94 184	68 943	(25 241)	(37%)
Grants and subsidy	545 463	641 453	(4 920)	636 533	636 533	(0)	0%
Total revenue	644 201	773 794	(43 077)	730 717	705 476	(25 241)	(4%)
Employee Related costs	(295 562)	(347 142)	33 012	(314 130)	(298 208)	15 922	-5%
Depreciation and amortisation	(52 235)	(59 343)	0	(59 343)	(61 883)	(2 540)	4%
Impairment losses	(7 584)	0	0	0	(6 774)	(6 774)	100%
Finance costs	(60 900)	(59 812)	-	(59 812)	(55 973)	3 839	-7%
Insurance	(20 736)	(23 284)	8 267	(15 017)	(14 173)	844	-6%
Operating leases	(7 772)	0	0	(11 000)	(8 890)	2 110	-24%
Actuarial gain (loss)	(209)						
Allowance for impairment of current receivables	(334)	0	0	0	(204)	(204)	100%
Fuel Costs	(76 631)	(54 969)	(10 058)	(65 027)	(58 235)	6 792	-12%
Loss on disposal of assets	(663)				(9 262)	(9 262)	100%
General Expenses	(148 725)	(229 244)	11 856	(206 388)	(168 360)	38 028	-23%
Total expenditure	(671 351)	(773 794)	43 077	(730 717)	(681 963)	48 754	7%
Operating Surplus (Deficit)	(27 150)	0	0	0	23 513	23 513	100%

5.4 Cash flow statement for the period ended 30 June 2020

Cash Flow Statement	30-Jun-20 (R000's)	30-Jun-19 (R000)
Receipts	705 451	638 809
Grants & subsidies	636 533	545 463
Other income	68 918	93 346
Payments	(543 520)	(600 060)
Employee costs	(242 698)	(291 015)
Suppliers	(244 849)	(248 145)
Finance costs	(55 973)	(60 900)
Net Cash Flow from Operating Activities	161 931	38 749
Cash Employed in Investment Activities	(41 548)	(16 177)
Expanding of capital base	(34 031)	(25 669)
Proceeds from sale of property plant and equipment	2 601	2 408
Movement of insurance fund	(10 117)	7 085
Cash flow from Financing Activities	(120 263)	(22 611)
Repayment of other financial liabilities	(33 967)	(30 847)
Repayment of shareholder loan	(86 296)	8 236
Net Increase / (Decrease) in Cash & Bank Balances	120	(39)
Cash & Bank Balances Beginning of the Year	184	223
Cash & Bank Balances End of the Period	304	184

5.4.1 Analysis of cash flow

The entity generated positive cash flows R161,5 million (2018/19: R38,7 million) from its operations. This positive cash flow was generated from the increased subsidy from its shareholder and savings resulting from reduced operations during the COVID-19 pandemic.

This was offset by cash outflows from investing activities of R41,5 million (2018/19: R17,4 million) as well cash outflows from financing activities of R119,8 million (2018/19: R21,4 million).

Overall cash increasing from R184 000 at the beginning of the 2019/20 financial year to R304 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 outstanding capital loans is a significant drain on the cash of the entity.

5.5 Capital Projects & Expenditure

The shareholder approved capital expenditure amounting to R93,5 million for various capital projects. While Metrobus was allocated R50 million for the procurement of the automated fare collection system (AFC), the City undertook to procure this capital item on behalf of the entity. At the end of the financial year, this procurement had not taken place.

Excluding the above project from the capital expenditure, the entity managed to spend R39,4 million (91%) of capital expenditure under its control. COVID-19 did have an impact on the capital spending as suppliers were unable to perform against their contracts during the national lockdown.

Capital Projects	Budget	Adjusted Budget	Actual Expenditure	% Spent
	(R000's)	(R000's)	(R000's)	
Building Alterations	5 000	5 000	2 018	40%
Engine and Gear Boxes overhaul	7 400	7 400	10 392	140%
Office Furniture	640	640	248	39%
IT Equipment	4 250	4 250	2 892	68%
Plant and Machinery	1 200	1 200	1 086	91%
Bus Refurbishment	25 000	25 000	22 840	91%
Automated Fare Collection (AFC)	50 000	50 000	0	0%
Total Capital expenditure	93 490	93 490	39 476	42%
Less: AFC - Procurement by City	50 000	50 000	0	0%
Total Capital expenditure	43 490	43 490	39 476	91%

5.6 Ratio Analysis

Description	30-Jun-20	30-Jun-19
Liquidity and solvency ratio		
Solvency Ratio	0.3:1	0.3:1
Current ratio	0.04:1	0.05:1
Acid test	0.02:1	0.02:1
Gearing Ratio		
Gearing Ratio* (only considering shareholder loan)	96%	108%
Gearing	325%	365%
Interest Cover ratio	1.44 times	0.55 times
Expenditure management ratio		
Employee related costs to total expenditure	44%	44%
Repairs to total expenditure	12 %	10%
Cost coverage ratio	9%	13%
Cost coverage ratio in days	33.77 days	49.08 days
Cost coverage ratio in days (incl. subsidies)	377,98 days	350.24 days
Capex Ratio	91%	66%
Opex Ratio	93%	100%

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 net liability position of Metrobus has improved from R224 million (30 June 2019) to R202,7 million 30 June 2020. The entity's solvency ratio was calculated at -0.31: 1 (2019/20: -0.32: 1). The ability of the entity to meet its financial obligations is still uncertain.

(ii) **Liquidity:**

The entity was overdrawn by approximately R423,5 million (2018/19: R508,7 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 44% of total expenditure. Repairs and maintenance expenditure increased by 12%. 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 49 days in the 2018/19 financial year to 34 days as at the end of 30 June 2020

As stated above, Capex performance was reported at 91%. This was a significant improvement from the 66% achieved in the 2018/19 financial year.

Opex spend was reported at 93% of the budgeted expenditure. This was a decrease in performance from the 100% as reported in the prior year.

5.7 Supply Chain Management (SCM & Compliance Matters)

5.7.1 Overview

The entity has developed supply chain management policy in compliance with the provisions of the Municipal Finance Management Act, 2003, Act No 56 of 2003 (MFMA) and the National Treasury: Municipal Supply Chain Management Regulations, 2005. In terms of which, the following prescripts of the policy are followed:

Value	Process
Order < R2000	Single written quotation
Order Value > Below R2000	Written quotation
R30 000 < Order Value > R2 000	Three quotations
R200 000 < Order Value > R30 000	Competitive bidding - Website process
R30 000 Order Value > R2 000	Competitive bidding – Tender process

Metrobus has applied the system of bid committees in accordance with Supply Chain Management Regulations for all tenders over R200 000. The entity established the following bid committees:

- Bid Specification Committee;
- Bid Evaluation Committee; and
- Bid Adjudication Committee.

All procurement committees' members are duly appointed by the Accounting Officer (Managing Director) as required by the Supply Chain Management Policy. All committee members are required to disclose any interest that they may have at the beginning of each meeting.

The adjudication process is applied in line with the MFMA and the Metrobus Supply Chain Management Policy, as adopted by the Board of Directors in 2018. The adjudication committee comprises of the Chief Financial Officer (or Designate), the Supply Chain Manager and at least two other senior managers of the entity.

As per the SCM Regulation, the Metrobus SCM policy provides for the following additional methods of procurement:

- (i) Regulation 32 which allows for the procurement of goods and services under contracts secured by other organs of state.
- (ii) Regulation 36 which allows for the deviation from, and ratification of minor breaches of, procurement processes

While the entity did not procure any goods and services through SCM Regulation 32, Metrobus did utilise the provision of Regulation 36 to procure goods and services. Goods and services procured through Regulation 36 are detailed below.

SCM remains a challenge at Metrobus. During the last financial year, the entity has made significant improvements in the control environment around SCM. Subsequent to year-end, the entity appointed a Contract Management Specialist as well as Logistics Specialist. It is envisaged that these officials will assist the organisation in improving both the control environments as well as compliance.

5.7.2 Irregular, Fruitless and wasteful expenditure

Total irregular expenditure amounted to R509, 1 million (30 June 2020). Subsequent to year-end, an amount of R3, 3 million was approved for write-off by council.

Irregular Expenditure	FY 2019/20 (R000's)	FY 2018/19 (R000's)
Opening Balance	470 127	376 778
UIFW Expenditure Identified from:		
Current year	27 286	91 436
Prior year UIFW	13 013	1 913
Prior year error	2 043	-
Written Off	(3 317)	-
Closing balance	509 153	470 127

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

Current year irregular expenditure

Service Provider	Cause	(R000')
Afrirent	The City incorrect participated in a Regulation 32 contract. All expenditure for Afrirent fleet rentals must be disclosed as irregular expenditure.	904
Avis Fleet Services	The Avis fleet contract was irregularly extended by the City. All expenditure for Fleet are to be disclosed as irregular expenditure.	1 282
Busmark 2000 (Pty) Ltd	One of the company's director was in the service of the state.	138
Copy Star (Pty)Ltd	Services were rendered without the valid procurement process being followed	600
Prestige Motor Spares	The contract was irregularly awarded as the BAC was not properly composed. There was no senior SCM official during the meeting.	2 360
PWC	Contract extended without following a procurement process. Amount and time exceeded	2 043
Q Tique	The diesel contract was irregularly awarded. Numerous areas of non-compliance	5 403
Wasaa Gasses	The diesel contract was irregularly awarded. Numerous areas of non-compliance	9 013
Tipublox	The diesel contract was irregularly awarded. Numerous areas of non-compliance	7 586
AON	The Regulation 32 contract amount was exceeded from the centralized contract at the City.	13 013
Grand Total		42 342

The entity did not incur any fruitless and wasteful expenditure on the current year under review.

Fruitless and Wasteful Expenditure	FY 2019/20	FY 2018/19
	R	R
Opening Balance	669 086	773 035
Current year	-	(77 228)
Prior year error	-	279
Closing balance	669 086	669 086

5.7.3 Deviations

The entity approved deviations to the amount of R50, 2 million for the procurement of various goods and services. The table below summarise the basis for deviating:

Details	(R000's)
36 (1) (a) (i) - Emergency	3 938
36 (1) (a) (ii) - Sole Supplier	5 323
36 (1) (a) (v) - Impractical	40 923
Grand Total	50 184

The table below provides further details in terms of the approved deviations

No.	Service Provider Name	Reasons for deviation	Summary of deviations	30 Jun 2020 (R000's)
(i)	Bahwiti	36 (1) (a) (v) - Impractical	The entity is a participant on national Treasury transversal contract, however there was an objection on the NT awarded contract.	9 000
(ii)	CCMA	36 (1) (a) (v) - Impractical	The appointment of the Commissioner at CCMA for arbitration between Metrobus and Demawusa	7
(iii)	E-Bus	36 (1) (a) (ii) - Sole Supplier	This service provider is the sole supplier of the Ink rollers that is compatible to Wayfarer system.	84
(iv)	Hlanganani Protection Services:	36 (1) (a) (v) - Impractical	Insourcing was not finalised. The entities were instructed by the City not to proceed with any tenders for security services. This service provider was appointed and the absence of security could lead to damage of property and/or even loss of life.	4 778

(v)	Man Bus & Trucks	36 (1) (a) (v) - Impractical	Commuters were threatening Metrobus personnel due to shortage of busses. The situation became an urgent to prevent injury to property and possible loss of life.	6 709
(vi)	Olitzki Properties	36 (1) (a) (v) - Impractical	Rental of Ghandi Square offices. There are no other available space for rental that meet the required space. Also it would be fruitless and wasteful expenditure to move the offices every three years.	2 106
(vii)	Oracle	36 (1) (a) (ii) - Sole Supplier	These licences are owned by the Oracle and Metrobus requires these licences to operate its financial systems.	1 526
(viii)	Questek/ Vix	36 (1) (a) (ii) - Sole Supplier	This is a sole supplier of the smart cards with a chip which is compatible with the current Wayfarer Revenue Management System. This services provider owns the source code of the point of sale system and was responsible for the integration to the Wayfarer Revenue Systems.	3 712
(ix)	Sandown Motors (Mercedes Benz)	36 (1) (a) (v) - Impractical	Strip and quote for a bus repair	19
(x)	Tokiso Dispute Settlement Pty Ltd	36 (1) (a) (v) - Impractical	Procurement for the labour law services to handle disputes.	305
(xi)	Various Service Providers	36 (1) (a) (i) - Emergency	Emergency procurement after the President announced the declaration of the national state of disaster following the World Health	3 000

			Organisation declaring the COVID-19 outbreak as a pandemic.	
(xii)	Various Service Providers	36 (1) (a) (i) - Emergency	Supply and Installation of Protective Perspex on buses for front line staff. A quotation process was followed.	700
(xiii)	Volvo SA; Mercedes Benz, Prestige; Busmark; Marcopolo; Afri Coach; Rowcan; UD trucks; Manutech Supergold; Magnis Trucks:	36 (1) (a) (v) - Impractical	Volvo parts were urgently required to reduce the number of busses that are out of commission. The tender was previously advertised however there were no successful bidder to be awarded. Ten (10) service providers were nominated to supply the Volvo parts while the open tendering process is unfolding.	18 000
(xiv)	Workforce Health Care	36 (1) (a) (i) - Emergency	Testing Employees for COVID-19 and risk assessment. The COVID-19 test process run by previously with City had a number of challenges and was not successfully rolled out. Alternative had to be sought as drivers were returning to work.	223
(xv)	Workforce Health Care	36 (1) (a) (i) - Emergency	The service provider was required to provide trauma counselling services. The trauma counselling was in respect of the brutal killing of an official.	15
	Total			50 184

5.7.4 Awards to the close family members

The entity did not make any awards to close family members during the 2019/20 financial year.

5.7.5 Awards where there were no three quotes

There were no awards where there were no three quotes other than deviations.

5.7.6 Level of commitments

Metrobus had commitments made up of open orders, operational expenditure and contracts awarded. The commitments are outlined below:

Commitments	2019/20 (R 000's)
Operational expenditure	127 660
Capital Expenditure	41 771
Transversal contracts	190 488
Operating leases	3 948
Total	363 867

5.7.7 Expenditure on B-BBEE

The expenditure for the 2019/20 Financial Year at Metrobus on goods and services was R236 million and R218 million was spent of B-BBEE Companies (92%). R207 million was spent of OPEX and R29 million was spent on CAPEX.

5.7.8 COVID-19

The table below reflects the procurement of items of personal protective equipment. As at 30 June 2020, the entity spent R 3, 6 million on the various items of PPE

Description per commodity	Mar 2020 (R000's)	Apr - Jun 2020 (R000's)	Total (R000's)
Masks	162	247	409
Re-Usable gloves	45	-	45

Gloves	66	35	101
Disinfectants / Sanitizers	680	92	772
Sanitisation Services (JPC)	1 525	-	1 525
Wall mounted sanitizer - rental and servicing	279	153	181
Rental of automated wall dispensers sanitizers on all Metrobus facilities	-	229	229
Helmet face shield with head Protection	-	93	93
Thermometers	-	33	33
Demarcation Stickers	-	89	89
Pressure Spray & Spray Bottles	-	21	21
Disposable overall and shoes, and related items	-	104	104
TOTAL	2 506	1 097	3 603

5.7.9 Payments within 30 days

While most of the creditors' payments are done within the stipulated 30 days, the entity does have creditors that are not paid within 30 days. There are various reasons for creditors not being paid within 30 day, which includes disputes and late submission of invoices. The amounts are only for outside creditors and exclude intercompany. Supplier payments amounting to R19 995 323 were not paid within 30 days in the year.

Description		30 Jun-20	30 Jun-19
		R'000	R'000
Total payments made	A	530 621	564 951
Invoices paid within 30 days	B	510 626	562 652
Invoices not paid within 30 days due to invoice issues	C	19 139	9 559
Invoices paid outside 30 days with no valid reason	D	856	2 229
Compliance percentage	(B+C)/A	99,84%	99,59%

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 second quarter of the 2020/21 financial year.

5.8 Pending Litigations and insurance claims

5.8.1 Pending Litigations

No.	Class	Nature	Description of matter	Possible Liability (R)	Estimation Of Probability
(i)	Labour Matter	Alleged unfair dismissal.	10 Alleged unfair dismissal cases against Metrobus currently under consideration by the SALGBC, management is confident that the matter will be ruled in the company's favour,	0	Reasonably possible
(ii)	Civil Matter	Claim for defamation	A matter related to an ex-employee filing a defamation claim against three current employees of Metrobus who testified in the disciplinary case which resulted in the ex-employee's dismissal is underway, Management is confident that a judgment will be made in favor of Metrobus and the current employees.	0	Reasonably possible
(iii)	Labour Matter	Unfair discrimination	Two entity employees have raised a salary dispute based on current salary and potential back pay from 1989 and 2013 respectively, management and external lawyers are confident that the claim will not succeed.	0	Remote
(iv)	Labour Matter	Alleged unfair dismissal.	An employee has raised a dispute for unpaid salary, the estimate is still to be determined. Management is confident that this process will not succeed.	0	Remote
(v)	Labour Matter	Alleged unfair	After the recruitment process for managing director the board	0	Remote

		labour practice.	resolved to recommend the candidate. The recommendation was not approved by the shareholder and Mr Makola declared a dispute. The employee might compel Metrobus to pay damages. The claim does not set out the proper basis of a claim and management is confident that the claim will be successfully defended.		
(vi)	Debt restructuring	Potential tax issues	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 as far as it related to income tax. Management is in the process of assessing this and determining appropriate way forward.	0	Remote

5.8.2 Insurance Claims against/to Metrobus Company

During the period under review, Metrobus submitted 139 claims with a gross settlement amounting to R2 947 006 (Net settlement 2 084 003). These claims relate to several bus accidents that happened during the 2019/20 financial year. Metrobus received 2 084 003 (70.7%) and R142 225 is still outstanding from the insurance company. There were no insurance claims made against Metrobus.

5.9 Statement on Amounts Owed By and To Government Departments and Public Entities

5.9.1 Amounts Owed by Metrobus to Government Entities

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

5.9.2 Amounts Owed to Metrobus by Government Entities

There are currently no amounts owed to Metrobus by Government Entities

5.9.3 Amounts Owed to Metrobus by CoJ and Entities (Intercompany)

Period	Department	Contact person	Amount (R000)	Comments
Jun-20	GCSS	Graeme Ruiters	30 752	Post-Retirement Medical Aid and Gratuity
Jun-20	Office of the Mayor	Evans Mokwatedi	7	Bus hire services
	Total		30 759	

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

Period	Department	Contact person	Amount (R'000)	Comments
Jun-20	Treasury	Lilian Siala	423 500	Bank Sweeping account
Jun-20	Treasury	Sandile Manondo	230 770	Capital Creditors
Jun-20	Office of Mayor(GRASS)	Themba Budha	8 332	Insurance
Jun-20	Revenue - CRM	Nyanisi Joseph Nhlapo	1 023	Agency Fees
Jun-20	Revenue - CRM	Nyanisi Joseph Nhlapo	28 420	Water
Jun-20	Payroll	Andre Kemp	66 184	Salaries
Jun-20	GCSS	Graeme Ruiters	9 865	Security salary
Jun-20	GCSS	Graeme Ruiters	58	MFMA Training
	Total		768 156	

5.9.5 Amounts Owed by Metrobus to CoJ Entities (Inter-company liabilities)

Period	Department	Contact person	Amount (R000's)	Comments
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Jun-20	MTC	Graeme Ruiters	87	Internet
Jun-20	JPC	Mokgadi Mooi	5 629	Buildings refurbishments and maintenances
Jun-20	JHB Theatre		27	Hospitality and catering
	Total		5 743	

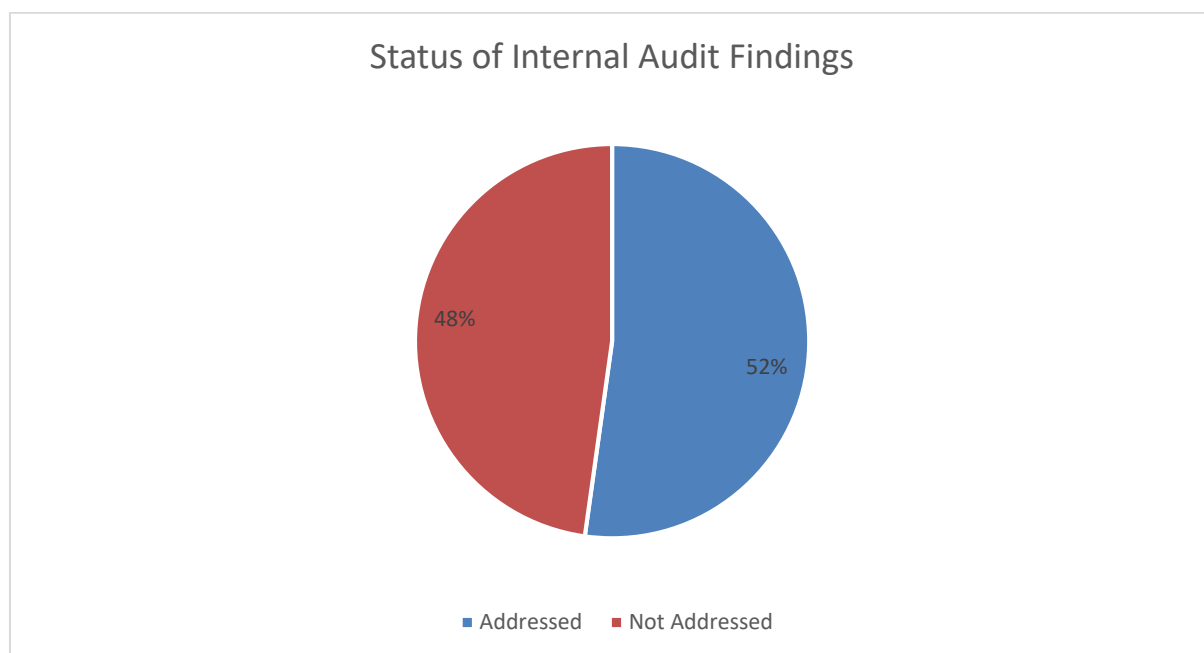
CHAPTER 6: INTERNAL AND EXTERNAL AUDIT FINDING

6.1 Internal Audit Plan

During the financial year ended 30 June 2020, a new Chief Audit Executive was appointed. There is currently only one vacancy which is expected to be filled by 30 November 2020. The table below provides a summary of the Internal Audits performance against its approved Internal Audit Plan for the 2020 Financial Year

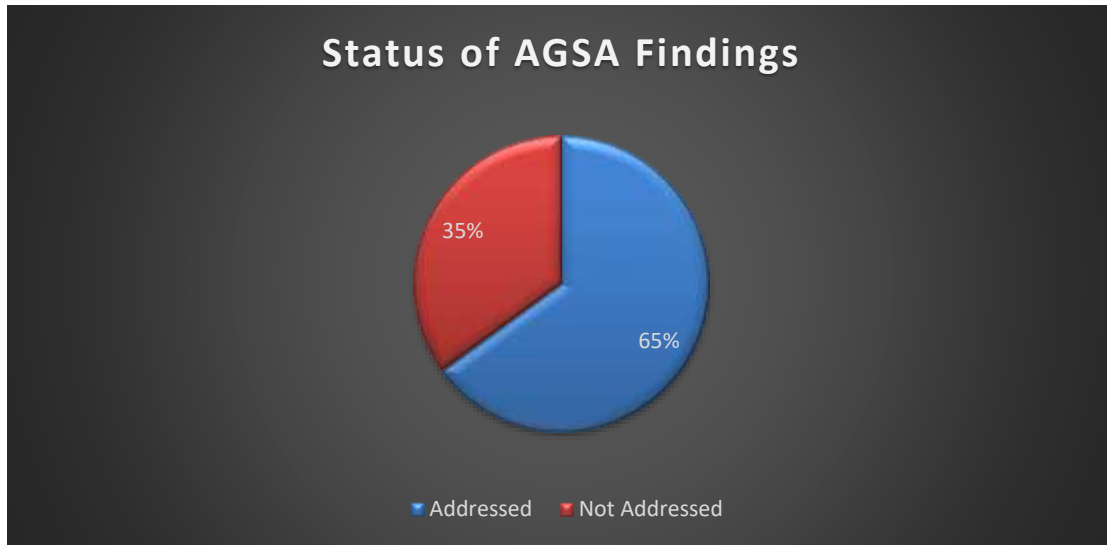
Total Planned Projects	Total Projects Completed	% Achievement
13	13	100%

6.2 Resolution of Internal Audit Findings



Metrobus Internal audit is a co sourced function between the internal staff and Chapu Chartered Accountants. Internal Audit performed a number of internal audits during the year under review and as at the 30 of June 2020, 52% of all historical internal audit findings were addressed with a total of 43 new findings identified. Internal audit has added these findings to the internal audit Matrix and are following up the findings on a monthly basis.

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



The AGSA had raised 23 findings for the financial year ended 2018/2019 as set out below. To date 15 findings (65% of total) findings have been addressed.

Category	Resolved	Unresolved	Total
Matters affecting the Auditors Opinion`	2	3	5
Other Important Matters	12	4	16
Administrative Matters	1	1	2
Total	15	8	23

The history of the Audit opinion for the past five years is as per the table below. There has been a slight improvement over the years.

	2017/18	2015/16	2016/2017	2017/18	2018/19
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)

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. The results of the internal controls assessments have shown improvement in the control environment around leadership and financial performance management on financial reporting.

ANNEXURE A: METROBUS SCORECARD

Program 1: Customer Services, Stakeholder Engagement and Communication

#	PIP	Metrobus Key Performance Outcome	Key Performance Indicator	Baseline	Annual Target	Q1	Q2	Q3	Q4	Annual Performance	Reasons for variance and key interventions
1	Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021	Economic Growth Operational excellence, increased reliability and accessibility	% planned trips completed	87% scheduled trips completed	90%	87%	94%	94%	100%	94%	Target Met.
2	Ensure pro-poor development that addresses inequality and poverty; and	Operational excellence, increased reliability and accessibility	Average number of Metrobus passenger trips per day	38 245 Metrobus passenger trips per working day	45 000	33 482	26 783	21 240	2 745	21 062	Target not met. The entity will focus on fleet availability to ensure that it can meet peak fleet requirements even post Covid. In this

#	PIP	Metrobus Key Performance Outcome	Key Performance Indicator	Baseline	Annual Target	Q1	Q2	Q3	Q4	Annual Performance	Reasons for variance and key interventions
	provides meaningful redress										regard efforts are afoot to determine a proper mix between own and leased fleet in efforts to decrease the burden of Out of Commission buses on the entity.
3	Create a culture of enhanced service delivery with pride	Improved passenger safety	Accident rate per 100 000 kilometres operated (Blameworthy Accidents)	Accident rate at <0.75 per 100 000 bus kilometres per month	<0.75	0,71	0,71	0,34	0.00	0.53	Target met. Driver behaviour is monitored consistently and structured feedback given to drivers.
4	Ensure pro-poor development that addresses inequality and poverty; and	Improved passenger safety	Number of on-board security incidents	Zero number of on-board security incidents	Zero	Zero	Zero	Zero	Zero	Zero	Target met. Customer feedback consistently indicates that our commuters regard safety on our buses as one of the

#	PIP	Metrobus Key Performance Outcome	Key Performance Indicator	Baseline	Annual Target	Q1	Q2	Q3	Q4	Annual Performance	Reasons for variance and key interventions
	provides meaningful address										main reasons why they choose our service.
5	Create a City that responds to the needs of citizens, customers, stakeholders and business.	High levels of customer satisfaction	% of service disruptions communicated	80% of service disruptions communicated	95%	100%	100%	100%	100%	100%	Target met. The entity continues to maintain active engagement with commuters including the communication of service dynamics particularly where same has a potential negative impact in the form of service disruption.
6	Create a City that responds to the needs of citizens, customers,	High levels of customer satisfaction	Percentage complaints resolved within the timelines specified in	60% of complaints resolved within the timelines specified in	80%	82%	89%	85%	100%	87%	Target met.

#	PIP	Metrobus Key Performance Outcome	Key Performance Indicator	Baseline	Annual Target	Q1	Q2	Q3	Q4	Annual Performance	Reasons for variance and key interventions
	stakeholders and business.		the customer service charter	the customer service charter							
7	Create a City that responds to the needs of citizens, customers, stakeholders and business.	High levels of customer satisfaction	% Customer satisfaction index	68% Customer satisfaction index	65%	N/A	N/A	N/A	62%	62%	Target not met. More focused engagement with commuters through various channels including social media is being pursued.
8	Create a culture of enhanced service delivery with pride.	Better Service Quality	% of service standards achieved	70% of service standards achieved	80%	80%	100%	90%	100%	90%	Target met:

Program 2: Innovation and Green Economy

#	PIP	Metrobus Key Performance Outcome	Key Performance Indicator	Baseline	Annual Target	Q1	Q2	Q3	Q4	Annual Performance	Reasons for variance and key interventions
9	Preserve our resources for future generations	Environment consciousness /Decrease carbon footprint	% Carbon emissions	Maintain hartridge units measurement at 41.5%	30%	19%	21%	20%	18%	20%	Target Met Although targeted performance levels have consistently been achieved in this regard. A better level of performance will be achieved when the entity is able to maintain a fleet age in line with best practice. In addition the approval and implementation of the Metrobus refueling strategy will deal with matters related to an appropriate fuel mix for the entity with due regard to the reduction of our carbon footprint.

Program 3 Enterprise Development and Job Creation

#	PIP	Metrobus Key Performance Outcome	Key Performance Indicator	Baseline	Annual Target	Q1	Q2	Q3	Q4	Annual Performance	Reasons for variance and key interventions
10	Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021.	Completeness of revenue	Total number of SMMEs supported	50	60	60	65	68	90	90	Target Met Management has developed a suite of services in support of SMME's including awareness sessions aimed at increasing bid compliance levels as well as outlining on a continuous basis the opportunities that exist not only in Metrobus but also in the Economic Growth Cluster to which Metrobus belongs.
11	Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021.	Safe and secure bus service	% of total expenditure spent on BBBEE	30% of total expenditure spent on BBBEE	30%	70%	80%	97%	114%	92%	Target met Strict adherence to preferential procurement is ensured and is encouraged through support offered to SMME's as alluded to above.

#	PIP	Metrobus Key Performance Outcome	Key Performance Indicator	Baseline	Annual Target	Q1	Q2	Q3	Q4	Annual Performance	Reasons for variance and key interventions
12	Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021.	Capacitated, committed and performance driven employee	Total number of EPWP jobs created	71 EMWP Jobs created	100	170	190	180	190	190	<p>Target met.</p> <p>The availability of EPWP jobs is beneficial to Metrobus in that a number of projects find traction through this program. The entity has consistently performed well in this regard. Beneficiaries are also equipped with additional skills such as Occupational Health and Safety skills whilst employed at Metrobus.</p>

Program 4: Financial Management, Viability and Sustainability

PIP	Metrobus Key Performance Outcome	Key Performance Indicator	Baseline	Annual Target	Q1	Q2	Q3	Q4	Annual Performance	Reasons for variance and key interventions	
13	Enhancing our financial sustainability.	Financial viability and sustainability	% Spent against approved Operating Expenditure budget per quarter	97% total spending	98% Annual Spent	94%	96%	86%	85%	93%	Target not met. Operating expenditure budget was underspent by R28.8 million in the quarter. The year to date total expenditure was underspent by R71.5 million due to cost containment, decline in depreciation provision and savings in staff costs, insurance charges, marketing expenses as well as other expenditure and the savings in expenditure as the operations were

PIP	Metrobus Key Performance Outcome	Key Performance Indicator	Baseline	Annual Target	Q1	Q2	Q3	Q4	Annual Performance	Reasons for variance and key interventions	
										affected by COVID19 lockdowns restrictions.	
14	Enhancing our financial sustainability.	Financial viability and sustainability	Number of annual leave days balance per employee	36 annual leave days balance per employee	24	18% employees with leave balance above 36	18% employees with leave balance above 30	18%	Not Assessed	18% employees with leave balance above 24	Target met.
15	Enhancing our financial sustainability.	Financial viability and sustainability	% spent against approved capital budget	95% spend against approved capital budget	95%	37%	184%	175%	130%	91%	Target not Met. The entity is geared towards completing its procurement plan in the year prior to anticipated procurement. Procurement processes are initiated as soon as the procurement plan is completed.

PIP	Metrobus Key Performance Outcome	Key Performance Indicator	Baseline	Annual Target	Q1	Q2	Q3	Q4	Annual Performance	Reasons for variance and key interventions	
16	Enhancing our financial sustainability	Financial Viability and Sustainability	% spent against approved Repairs and Maintenance budget	New Indicator	85%	114%	118%	98,9 %	71%	100%	Target met. Target revised downwards to 50% through the approved deviation process

Program 5: Operational Excellence

PIP	Metrobus Key Performance Outcome	Key Performance Indicator	Baseline	Annual Target	Q1	Q2	Q3	Q4	Annual Performance	Reasons for variance and key interventions	
17	Create an honest and transparent City that fights corruption		% of Auditor-General South Africa (AGSA) Audit findings resolved	81% AGSA Audit findings resolved	100%	100%	100%	89%	43%	83%	Target not met. Performance will improve significantly on completion of a number of year-end processes on which resolution of the majority of the findings is dependent.
18	Create a culture of enhanced service delivery with pride	Well maintained assets Operational excellence, increased reliability	% fleet requirement to operate scheduled trips met	83% of fleet requirement to operate scheduled trips met	90%	73%	67%	71%	159%	93%	Target met.

PIP		Metrobus Key Performance Outcome	Key Performance Indicator	Baseline	Annual Target	Q1	Q2	Q3	Q4	Annual Performance	Reasons for variance and key interventions
		and accessibility									
19	Create an honest and transparent City that fights corruption		% compliance with key controls dashboard	Nil	100% Resolution of internal audit findings	56%	56%	33%	44%	47%	Target Not Met. A warroom has been established with the express purpose to fast track the resolution of internal audit findings.
20	Create an honest and transparent City that fights	Good, clean governance with a focus on eliminating corruption.	% mitigation actions in the risk registers implemented or up to date.	Nil	70%	75%	75%	33%	82%	82%	Target met.

PIP	Metrobus Key Performance Outcome	Key Performance Indicator	Baseline	Annual Target	Q1	Q2	Q3	Q4	Annual Performance	Reasons for variance and key interventions
21	corruption Create an honest and transparent City that fights corruption	Good, clean governance with a focus on eliminating corruption. % of pre-determined objectives achieved	57%	85%	59%	64%	64%	74%	71%	Target not met See individual Key Performance indicators

Program 6: Technology and Business Enablement

#	PIP	Metrobus Key Performance Outcome	Key Performance Indicator	Baseline	Annual Target	Q1	Q2	Q3	Q4	Annual Performance	Reasons for variance and key interventions
22	Create a culture of enhanced service delivery with pride.	Well maintained assets.	100% implementation of Business Continuity Plan (BCP)	New	100%	0	0	0	100%	100%	Target met A business continuity policy has been developed. Heads of department are currently developing department specific business continuity plans to ensure, inter alia, a proper program of continuous process testing.
23	Create a culture of enhanced service delivery with pride.	Operational excellence, increase reliability and accessibility.	% User satisfaction index	50%	70%	N/A	N/A	N/A	75%	75%	Target met

PROGRAM 7: Institutional Planning, Transformation and Organisational Development

#	PIP	Metrobus Key Performance Outcome	Key Performance Indicator	Baseline	Target	Q1	Q2	Q3	Q4	Annual Performance	Reasons for variance and key interventions
24	Create a culture of enhanced service delivery with pride.	Capacitated, committed and performance driven employees.	% implementation of Human Resources strategy	New	80% implementation of HR Strategy	25%	0	81%	85%	85%	Target met.
25	Create a culture of enhanced service delivery with pride.	Capacitated, committed and performance driven employees.	% employee satisfaction index	New	50%	N/A	N/A	N/A	N/A	N/A	Not assessed Annualised target Competency of the Shareholder

ANNEXURE B:

METROBUS COMPLIANCE CHECKLIST

Relevant Act / Section	Person /Department Responsible	Activity	Frequency	Due Date	Status
Companies Act No 71 Of 2008					
Financial Statements Sec 30	Company Secretary	Ensure that these are submitted to Registrar of companies (CIPC) together with the annual returns.	Annually by end of the month following the anniversary date of incorporation	July	In process
Directors, company name, registered office, registration number Sec 70	Company Secretary	Ensure that letter heads, 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

Relevant Act / Section	Person /Department Responsible	Activity	Frequency	Due Date	Status
Annual Returns to be submitted in terms of Sec 30	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	July	In process
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, minute. 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 11 March 2020

Relevant Act / Section	Person /Department Responsible	Activity	Frequency	Due Date	Status
Auditor appointed	Company Secretary	Auditor consent to appointment and same to be lodged with CIPC	Annually	Annually	Completed
Register of directors and Officials	Company Secretary	Register of directors and officials to be maintained	Annually	Annually	In process, CIPC closed as a result of COVID19. Documents have been lodged online.
Labour Relations and Employment Law					
Labour Relations Act No. 66 of 1995	GM: Corporate Services	Ensure that Act is adhered to.	Annually	Done and Ongoing	Engagements with organized labour are ongoing. Discipline and disputes are dealt with in terms of the legislative provisions.
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.

Relevant Act / Section	Person /Department Responsible	Activity	Frequency	Due Date	Status
Employment Equity Act No. 55 of 1998	GM: Corporate Services	Ensure that Employment Enquiry plan is followed and adhered to.	Annually	Upcoming quarter and ongoing	-New EE plan was submitted January 2020.
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	GM: Corporate Services	Ensure ongoing execution and compliance.	Annually	Upcoming quarter and ongoing	<ul style="list-style-type: none"> - Contracts are in place. - Training was conducted. - Training committee meets

Relevant Act / Section	Person /Department Responsible	Activity	Frequency	Due Date	Status
Development Act, 2003					
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 Diseases Act	GM: Corporate Services	Ensure that Act is adhered to - Return of Earnings (W.As.8) and Act is adhered to - lodgement of employee claims	Annually	31 March	Completed

Relevant Act / Section	Person /Department Responsible	Activity	Frequency	Due Date	Status
No. 130 of 1993 ("COID")					
Code of conduct of schedule 2 of the Municipal Systems Act	Employees	Declaration of interest	Annually	30/11/2019	Submitted
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

Relevant Act / Section	Person /Department Responsible	Activity	Frequency	Due Date	Status
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-off line 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.

Relevant Act / Section	Person /Department Responsible	Activity	Frequency	Due Date	Status
Financial Intelligence Centre Act, No 38 of 2001	Chief Financial Officer	All service providers FICA'ed	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	All Departments & Directors and Board Sub-Committees	Ensure that written declarations of interests are recorded	Annually	Annually	Completed

Relevant Act / Section	Person /Department Responsible	Activity	Frequency	Due Date	Status
No 32 of 2000)					
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	GM: Operations	Transportation of dangerous goods as classified in terms of SABS code of practice (SANS 0228:2012);	Annually	Annually	Completed

Relevant Act / Section	Person /Department Responsible	Activity	Frequency	Due Date	Status
of National Road Traffic Regulations of 2000					
Environment					
Petroleum Products Act	GM Technical.	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

Relevant Act / Section	Person /Department Responsible	Activity	Frequency	Due Date	Status
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	Awaiting
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	Budget will be submitted by end of February and budget process ongoing at present.
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	Completed – report submitted
S 104	MD	Any non-compliance with MFMA responsibilities reported to City	Annually	Annually	Completed – disclosed and reported in Annual report and AFS

Relevant Act / Section	Person /Department Responsible	Activity	Frequency	Due Date	Status
S 106	MD	All delegations reduced to writing	Annually	Annually	Completed – Amendments to Delegations were approved on 22 October 2018.
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	Annually	Annually	Completed as and when required
S 116(1)	Finance - CFO	All contracts concluded after compliance with SCM processes and in writing	Annually	Annually	Completed
S 121 /122 / Co Act	Board	Annual Report to City – ensure AR meets minimum reporting requirements of MFMA and Co Act.	Annually	August 2019 and Dec 2019	- Completed and submitted

Relevant Act / Section	Person /Department Responsible	Activity	Frequency	Due Date	Status
S 126	CFO	Submit annual financial statements to AG for auditing	Annually	August 2019 and Nov 2019	- Completed and submitted
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	
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	Completed