

# Metrobus

## Performance Report: Mid-Year Financial Year 2022/23

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



### **Head Office**

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### **Private hire Service**

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



a world class African city



**COMPANY INFORMATION**

**Registration number:** : 2000/004704/07

**Registered address:** : Transportation House;  
1 Raikes Road;  
Braamfontein;  
Johannesburg;  
2000

**Postal address:** : PO Box 1787;  
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**Website:** : [www.mbus.co.za](http://www.mbus.co.za)

**Bankers:** : Standard Bank of SA Limited

**Auditors:** : Auditor General South Africa (AGSA)

# MISSION

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

# VISION

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

# CORE VALUES

## CO-OPERATION

Seeking to at all times join hands with all concerned with the furtherance of the interests of the Citizens of Joburg.

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

**City of Johannesburg Metropolitan Municipality**  
**Metropolitan Bus Services (SOC) Ltd**  
**2022/23 Performance Report Mid-Year**

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**APPROVAL:**

Patrick Matanhire

**Name & Surname**

**Acting Chief Financial Officer**



**Signature**

2023/01/19

**Approval Date**

Luyanda Gidini CA(SA)

**Name & Surname**

**Acting Managing Director**



**Signature**

19/01/2023

**Approval Date**

Yongama Pamla CA(SA)

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**Board Chairperson**



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19/01/2023

**Approval Date**

**Funzi Ngobeni**

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**MMC**



**Signature**

24/01/2023

**Approval Date**

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## GLOSSARY OF TERMS / LIST OF ACRONYMS

Acronym/abbreviation Name/phrase	Acronym/abbreviation Name/phrase
<b>AFS</b>	Annual Financial Statements
<b>AG/AGSA/Auditor General</b>	Auditor General of South Africa
<b>ARC</b>	Audit and Risk Committee
<b>Board</b>	Board of Directors
<b>GHG</b>	Green House Gas
<b>CNG</b>	Compressed Natural Gas
<b>CoJ/City of Joburg/City</b>	City of Johannesburg Metropolitan Municipality
<b>Companies Act</b>	Companies Act, 2008, Act No 71 of 2008
<b>EE</b>	Employment Equity
<b>ERP</b>	Enterprise Resource Plan
<b>FY</b>	Financial Year
<b>ICT</b>	Information and Communications Technology
<b>IDP</b>	Integrated Development Plan
<b>MFMA</b>	Local Government: Municipal Finance Management Act, 2003, Act 56 of 2003
<b>MSA</b>	Local Government: Municipal Systems Act, 2000, Act 32 of 2000
<b>OOC</b>	Out of Commission
<b>ED</b>	Executive Director

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<b>NED</b>	Non-Executive Director
<b>SDC</b>	Service Delivery Committee
<b>MD</b>	Managing Director
<b>CFO</b>	Chief Financial Officer
<b>GFIS</b>	Group Forensic Investigation Services

## **1 CHAPTER ONE: LEADERSHIP & CORPORATE PROFILE**

### **1.1 Chairperson's Foreword**

I am honored, on behalf of the Board, to present the 2022/23 Metrobus mid-year performance assessment report. During the latter part of the second quarter, the impact of cash-flow challenges that beset the parent municipality was realized particularly with regard to the supply of diesel as well as the entity's ability to pay suppliers within the regulated time stipulations. Although issues pertaining to the supply of diesel were successfully mitigated, its impact posed a serious risk to the continued operations of the entity.

The entity recorded a decline in performance levels compared to the same period in the previous performance period.

<b>2021-22 MID-YEAR</b>	<b>2022-23 MID-YEAR</b>
<b>89%</b>	<b>65% (Unaudited)</b>

The Board remains concerned regarding the key performance indicators that were not achieved. From a governance point of view, failure to meet targets on the resolution of Auditor General Findings is a grave concern. This is further exacerbated by the failure to meet targets regarding the management of risk. The non-achievement of both these key performance indicators signals the risk a weakening control environment that requires urgent and consistent attention. The Audit and Risk Committee of the Board continues to monitor developments in this regard.

From an operations point of view, underperformance in relation to Capex spending was noted. This is closely related to delays in the implementation of planned Intelligent Transport Systems which is a capex line item where the bulk of capex funds are allocated. Through the Service Delivery Committee, the Board continues to monitor performance in this regard closely. During the second quarter, performance in relation to the payment of suppliers within thirty days declined by 5.33% from quarter one levels, reaching an average of 93.66% at mid-year against a target of 100%.

The Board continues to view the entity's technology trajectory as an important enabler of business excellence going forward. In this regard, the cancellation of the City led procurement

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of the Automated Fare Collection (AFC) System necessitated urgency on the part of the entity to secure an interim solution to ensure that capacity to collect fares remains functional and technologically enhanced to meet current demands, and to attract and retain a new cohort of contemporary commuters.

The entity fulfills its mandate primarily through the provision of reliable transportation. This is measured through the rate of successful completion of planned trips. In this regard, the entity continues to deliver on its mandate; recording a 92% performance level against a target of 90% completed trips at the end of quarter 2 as well as at mid-year. During these trips, no security incidents nor fatal accidents were reported.

In pursuit of mutually beneficial relations with our stakeholders, 3 000 commuters were directly engaged during our marketing campaigns at midyear. The Commuter Forum remains functional and active and assists the entity in its planning and delivery of services. The entity is consistently meeting its engagement and reporting requirements with the shareholder and continues to receive governance support from the shareholder.

The entity has recorded an achievement of 65% against a target of 85% for its pre-determined objectives at midyear.

The overall financial position of the entity is characterized by technical insolvency and remains a concern. The net liability position of the entity worsened from R47, 7million at mid-year of the previous financial year to R192, 4 million at mid-year in the current financial year. As at 30 June 2022 net liability was R200, 6 million and this has improved to R192, 4 million at 31 December 2022 resulting from a surplus of R6, 1 million recorded at mid-year.

The overall financial position of the entity is being addressed through a shareholder led debt restructuring process that seeks to address the debt that the entity has incurred since inception. This process, together with the development of a suitable financial model for Metrobus is among the priority areas that the Board is focusing on in the 2022-23 financial year.

The Board remains committed to advancing the interests of the entity, ensuring continuous improvement of its performance and service offering and proper stewardship of the entity in pursuit of the outcomes of financial sustainability; operational efficiency; industrial harmony;

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and eco-mobility. This commitment is outlined in detailed, measurable terms in the Metrobus Corporate Strategy 2022-27.



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**Ms Yongama Pamla**  
**Board Chairperson**

## **1.2 Managing Director's Report**

For the 2022/23 financial year, Metrobus' overriding objectives of financial sustainability and operational excellence remain unaltered. This includes continuous analysis of cost drivers to identify operational and systemic inhibitors of performance excellence. Digitisation; harnessing of efficiencies and the automation and standardisation of processes remain key enablers in this regard.

During the first half of the year, the operating environment was enhanced through collaborations aimed reducing the number and cost of uneconomic kilometres. In the period under review, strategic collaborations were activated with both private and public sector parties. The entity concluded a Memorandum of Understanding with the Department of Correctional Services (Leeuwkop Correctional Service Facility) regarding layover facilities for thirty five buses operating the Sunninghill route. By securing this layover facility, monthly cost savings are estimated at R3.9 million.

In pursuit of a green economy for the City, the decongestion of public roads remains a priority. on public roads remains a priority. Through a collaboration with the Westgate Mall in the west of Johannesburg, 300 parking bays were secured for the purposes of allowing motorists to park their cars and use the bus for their commute into various business districts of the City. In terms of the Integrated Public Transport Network, the Roodepoort to Johannesburg CBD route has one of the highest commuter yields. This initiative will attract commuters.

Strides in digitisation continue with urgency. Planned technology includes advanced vehicle tracking, monitoring of technical condition of fleet, real time tracking of buses, monitoring of driving behaviour, comprehensive CCTV with face recognition, commuter app, scheduling and dispatching. These functionalities are part of the "eye on the bus" system which is currently underway.

One of the key priorities in operational improvements is to accelerate decarbonisation of the fleet by increasing use of Compressed Natural Gas, reduce diesel consumption and optimise other green fuel technologies as outlined in the fleet renewal strategy. The Centre for Excellence is critical in facilitating this and will be used to leverage on capabilities of various external partners to support our green initiatives and innovation. During the period under

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review, Metrobus received accreditation with Transport and Training Authority (TETA) as the workplace approval to conduct training for employed and unemployed at the organisational premises in line with requirements of the SETA's approval. The accreditation scope covers all the organisation training including the training of interns, learnership, skills programmes and apprentices at workplace in conjunction with service providers that are in the panel.

Performance results at Midyear indicate that service levels continue to recover from the effect of the Pandemic. The entity successfully completed 6 421 more passenger trips than in the same period in the 2021-22 financial year. At midyear of the previous financial year, the entity ferried 1 532 827 passengers, this increased to 2 345 784 passengers at midyear 2022-23 financial year. The entity exceeded its target for completed trips at the midyear of 2021-22 by 4%, this trend continued at the Midyear of the 2022-23 financial year where the target was exceeded by 2%. This remains a key measure of the entity in terms of the reliability of service.

At mid-year, the entity recorded a surplus of R6, 1 million.

It is anticipated that technology that is scheduled for implementation on buses will assist in turning the tide on revenue losses. The benefits that will flow from this must be augmented by the deployment of more buses to allow the entity to access opportunity in private hire and other contracted services.

The net liability position improved from R200, 6 million as at 30 June 2022 to R192, 4 million at 31 December 2022.

During the period under review, capital expenditure including commitments was at 40% of the quarter 2 target and 2% of the total CAPEX budget. Operating Expenditure (OPEX) was at 102% of the quarter two budget. The entity achieved sixty five percent (65%) of predetermined objectives and one hundred percent (100%) of service standards. Performance against predetermined objectives is detailed in Annexure B of this report.

At Midyear, three security breaches were reported including theft of laptop and motor vehicle at head office as well as armed robbery at Roodepoort depot sales outlet. Cases of theft and armed robbery have been opened with South African Police Service. Plans to secure armed guards on an emergency basis have been finalised and are in the process of deployment.

The entity remains committed to delivering a bus service with superior safety, customer service and financial excellence

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**Mr. Luyanda Gidini**  
**Acting Managing Director**

**City of Johannesburg Metropolitan Municipality**  
**Metropolitan Bus Services (SOC) Ltd**  
**2022/23 Performance Report Mid-Year**

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### 1.3 Chief Financial Officer's Report

#### Introduction

The mid-year report was prepared on a going concern basis, that is, the entity would continue to operate for the foreseeable future.

#### Revenue and Expenditure Performance

The table below summarise the financial performance of the entity as at 31 December 2022.

#### Abridged Statement of Financial Performance

Description	Q2 31-Dec-22			YTD 31-Dec-22			Variances		
	Actual	Budget	Prior year	Actual	Budget	Prior year	To budget	Prior year	Prior year
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Revenue	171 381	172 285	173 289	332 147	344 571	349 704	(904)	(1 908)	(12 423)
Direct costs	38 469	34 210	33 689	75 371	68 421	64 908	(4 259)	(4 781)	(6 950)
Margin	132 911	138 075	139 600	256 776	276 150	284 796	(5 163)	(6 689)	(19 373)
Expenses	128 770	126 916	127 762	229 842	253 832	210 814	(1 854)	(1 008)	23 989
Operating result	4 141	11 159	11 839	26 934	22 318	73 982	(7 018)	(7 697)	4 616
Interest paid	10 424	11 159	6 259	20 832	22 318	15 534	735	(4 165)	1 486
Total Expenditure	177 663	172 285	167 709	326 045	344 571	291 256	(5 378)	(9 954)	18 526
Surplus / Deficit	-6 282	0	5 580	6 102	0	58 448	(6 282)	(11 862)	6 102

The operating budget was rebased during the 2021/22 Adjustment Budget period, this rebasing resulted in a reduction of R 107, 9 million on operating expenditure budget and the corresponding reduction on grants and subsidies for the 2022/23 financial period (the rebasing in the 2021/22 period was a reduction of R 153 million). The City has requested that the budget be further rebased by a further R 129, 2 million. The pending budget rebase of R 129, 2 million communicated by the City in its 2022/23 budget adjustment process will have serious negative implications the operations and internal revenue targets may need to be reduced.

During the midyear period, Metrobus recorded a surplus of R 6, 1 million. Operating expenditure budget was underspent by R 18, 5 million by 31 December 2022 due to delays in completing operating expenditure projects.

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The fare revenue was under collected by R 11, 4 million by midyear. A number of causal factors can be attributed to the undercollection, inter alia, the lingering effects of COVID-19 on levels of employment and resultant contraction of the economy. Furthermore underperformance in terms of private hires and contracted services continued. Fare revenue is expected to improve in the remaining period owing to marketing and public relations efforts by management.

The pending budget rebase of R 129, 2 million communicated by the City in its 2022/23 budget adjustment process will have serious negative implications on operations and internal revenue targets may need to be revised in line with the budget. Management will continue to make concerted efforts by running blitz and increased inspections to improve the revenue collection and protection.

Significant overspending against budget was realised for a number of budget line items:

- Diesel related costs of approximately R 16, 9m
- Staff costs of approximately R 13, 1m
- Other direct costs of approximately R 2, 5m

#### Asset and liabilities

The table below reflects the abridged financial position of the entity as at mid-year financial period.

#### Abridged Statement of Financial Performance

Description	31-Dec-22	30-Jun-22	Movement	Movement
	(R000's)	(R000's)	(R000's)	(%)
Non-Current Assets	531 388	542 811	(11 423)	-2%
Current Assets	31 370	26 752	4 618	17%
<b>Total Assets</b>	<b>562 758</b>	<b>569 564</b>	<b>(6 805)</b>	<b>-1%</b>
Capital & Reserves	(194 769)	(200 626)	5 857	-3%
Non-Current Liabilities	87 185	114 129	(26 943)	-24%
Current Liabilities	670 342	656 061	14 281	2%
<b>Total Equity &amp; Liabilities</b>	<b>562 758</b>	<b>569 564</b>	<b>(6 805)</b>	<b>-1%</b>

The overall decrease of R 11, 4 million with respect to non-current assets is driven primarily by the normal depreciation and amortisation of property plant and equipment and intangible assets.

Current assets reflected an 17% increase from June 2022 because of increase in inventory and prepayments.

### **Cash flow**

The entity is experiencing serious cash flow challenges in the period leading up to midyear. The City and its entities has recently faced serious cash flow challenges and this has resulted in less funds allocations to the entities.

Sweeping account/Overdraft: Any funds deposited into the bank account is swept into the City's bank account. The City will then avail funds to the entity based on entity's cash forecast. Recently the City has been experiencing cash flow challenges resulting in less funds allocated to Metrobus. The entity is having challenges in paying some of the critical suppliers including the diesel suppliers. If this situation continues, this may result in reputational damage and possible interest charges to Metrobus.

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

The positive change in Capital and Reserves is related to the surplus of R 6, 1 million that was recorded in the financial period. The decrease in the non-current liabilities is due to the repayment of the long-term debt owed to the City. Current liabilities decreased by R 19, 9 million and this is attributed to the decrease in sweeping account and payables resulting from payments made during the period. The unfavourable solvency and liquidity position of the entity remains a concern. Metrobus net liability position decreased to R 200, 4 million during this period.

### **Compliance and Internal Control Environment**

There has been an improvement in the internal controls in the finance environment over the past year. The entity is actively managing the payment within 30 days payment of suppliers. The entity is pleased to report that no fruitless and wasteful expenditure was incurred over this period.

### **Supply Chain Management**

While SCM continues to be a challenging environment due to shortage of staff, however significant improvements have been made in terms of the management of the contract register and preventing irregular expenditure.

### **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 implemented SAGE system during the current financial year. The harnessing of efficiencies through focussing on well-populated routes and robust marketing of new contract hires will be a major focus area in repositioning the entity to market leadership.



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**Mr. Patrick Matanhire**  
**Acting Chief Finance Officer**

## **1.4 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.

### **1.4.1 Metrobus turnaround plan 2013**

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

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

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

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

#### **1.4.2 Migration from Metrobus vision 2020 to 2027**

In 2015, Metrobus developed a five-year strategic plan known as “Vision 2020”. The purpose of the plan was to outline the entity’s vision and mission and present a holistic strategic approach to the role of the role of the entity in addressing public transportation needs in the current public transport ecosystem and in the context of the impending Integrated Public Transport Network. The strategy was implemented in a coordinated, phase-driven approach encompassing three distinct phases:

- Phase 1: Stabilization – this phase was envisaged to stabilize the operating environment and normalize the performance context.
- Phase 2: Consolidation - this phase was envisaged to consolidate the gains of stabilization and embed a culture conducive to high performance
- Phase 3: Sustainability – it was envisaged that this phase would be characterized by the consistent meeting of performance targets, and making progress toward performance enhancement

Although much progress has been made in respect of the outcomes of the various phases, the entity can be deemed not to have successfully transited from the consolidation phase.

The 2022-23 financial year heralds the first year of vision 2027. The apex outcome of this new vision is the implementation of a new operating model, and alternative funding model, with concomitant enablers including the following: intelligent transport systems programme and funded fleet procurement.

During the latter part of FY 2021/22, a new Integrated Development Plan was adopted by the City, which encapsulates a new set of strategic priorities intended to guide the direction of the city and its entities for the next five years. In alignment thereto, the Board of Metrobus embarked on the development of a strategy for the entity in relation to the period ending June 2027. Towards this end, Metrobus has reviewed a number of operational strategies towards ensuring sufficient capacity of fit-for-purpose fleet; infrastructure; technology; technical competency; employee value proposition; safety and wellness; and stakeholder engagement.

### 1.4.3. Metrobus Fleet

The current fleet of Metrobus buses stands at 383 and below is a table depicting the fleet by make and model.

**Table1: Fleet details**

Fuel Type	Asset Group	Milpark	Roodepoort	Village Main	Total
Diesel	Merc Benz 1725/59	49	5	32	86
	Merc Benz Euro 3	14	7	4	25
	Volvo B7L	42	7	39	88
	VOLVO B7R	9		1	10
<b>Diesel Total</b>		<b>114</b>	<b>19</b>	<b>76</b>	<b>209</b>
Duel Fuel	Merc Benz 1725/DDF	24	5		29
	Merc Benz Euro 5	55	36	54	145
<b>Duel Fuel Total</b>		<b>79</b>	<b>41</b>	<b>54</b>	<b>174</b>
<b>Total</b>		<b>193</b>	<b>60</b>	<b>130</b>	<b>383</b>

### 1.4.4 Metrobus scope of operation

The entity operates within the greater Johannesburg metropolitan area in three business segments, namely: the provision of daily scheduled public transportation, the rendering of private hire transportation services and special contract for the Gauteng Provinces' Department of Transport in Eldorado Park.

In addition to the above services, and as part of the company's social responsibility, the following services are offered at discounted rates: A dedicated service to persons with disabilities, subsidised pensioner transport services, scholar services.

## 1.5 Strategic Objectives

### 1.5.1 Overview

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

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

Metrobus' contribution to the strategic priorities is provided in the table below.

**Table 2: Alignment to Strategic Priorities**

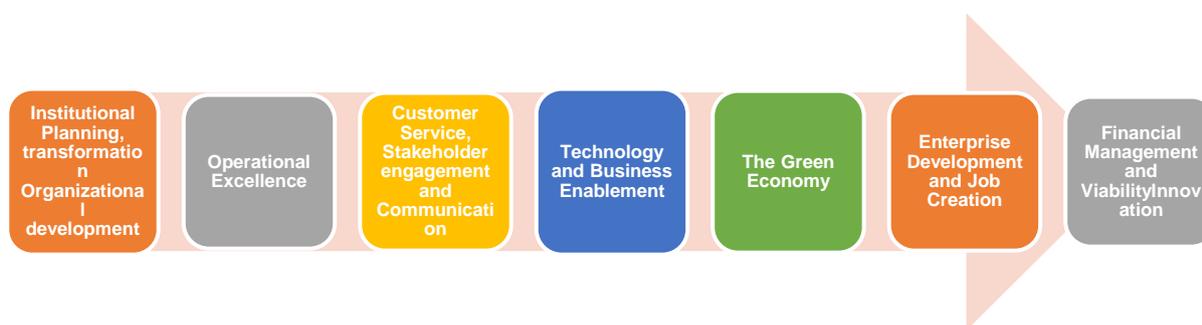
<b>Strategic Priorities</b>	<b>Metrobus Response</b>
Business Friendly	Integration with other public transport operators with regards to operational plan and ticketing system.  Learnership and Apprenticeship programmes for young people to gain skills, experience, and increase their employability.  Climate change interventions- reduction of carbon emissions.  Provision of safe affordable and reliable bus services
A city that gets the basics right	Provision of safe, affordable, accessible and reliable bus service.
An inclusive city	Provision of safe, affordable, accessible and reliable transportation systems.  Offer concessions for different commuter segments including pensioners and scholars.
A well-run city	Stabilisation of employee relations environment.  Commuter and employee engagement.
Smart City	The entity is implementing a number of Intelligent Transport Systems towards the development of a Smart City. These include the cashless ticketing systems, fleet monitoring systems, automated scheduling system, automated timetables, telematics etc. to ensure that commuters are more active in the planning of their journeys and that the entity is able to monitor its fleet on a real time basis.

Metrobus is an integral part of the City's Economic Growth Cluster, which plays a pivotal role in the promotion of economic development investment. Our role in ensuring sustainable mobility and equitable access are key economic enablers towards economic development and an inclusive and equitable society.

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Metrobus' contribution to the service delivery is premised on a set of strategic programs as follows:

**Figure 1: Metrobus Strategic Programmes**



### 1.5.2 Metrobus Strategic Objectives

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

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

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

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

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

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

In order to perform effectively and improve customer satisfaction, our employees must have technology that provides quick access to information is linked to critical processes, offers seamless connection, and connects us to customers in a rapidly evolving market place. Our technology will be biased towards the purpose of supporting and enhancing business process improvement as its first and immediate priority.

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

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

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

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

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

Whether it is the way buses are serviced or the process by which we recruit and select employees, we will find ways to improve our effectiveness. Inventory can be better managed to improve revenue cash flow. Projects and programs must deliver the intended results on

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time and on budget, whether we are installing a new technology application or overhauling an engine. In addition, those who work on and manage projects must be accountable for delivering on scope, schedule and budget.

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

**Strategic Objective 4: To promote enterprise development and job creation**

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

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

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

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

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

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

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

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

As we continue this transformation, we will work with partners and our industry peers to develop improved metrics that help us gauge our progress and make better decisions. In order to improve further, we must find better ways to identify and remove barriers to safety so we can reduce accidents and injuries. In pursuit of the broader objectives of the Service Delivery Agreement entered into between Metrobus and its parent municipality, the entity adheres to a set of service standards measured on a monthly basis which encompasses the thrust of this objective.

**Strategic Objective 8: To decrease Metrobus contribution to GHG emissions**

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

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

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

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

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

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

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

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

## **1.6 Metrobus Strategy 2022-27**

A Board of Directors for the entity was appointed during the third quarter of the 2021/22 financial year. In charting a strategic path for the entity the Board led a process of developing a five-year strategy for the entity. Five strategic goals were determined and are core to the strategy:

- Ensure that Metrobus is viable and sustainable
- Ensure effective and efficient bus operations
- Attain, develop and retain talent in a fit-for-purpose organizational structure
- Ensure a well-governed entity
- Continuously monitor, evaluate and improve service

## **2 CHAPTER TWO: GOVERNANCE**

### **2.1 Governance Framework**

The Board and management of Metrobus are committed to the highest standard of corporate governance, accountability, transparency, fairness and integrity. Having examined the controls, the Board is satisfied that every effort is being made by management to comply with all material aspects of the relevant legislations. The Metrobus Board of Directors and executive management team subscribe to the governance principles set out in the Code of Conduct for Directors referred to in section 93L of the Municipal Systems Act, circular 63 of the MFMA and the King IV code. The Board also actively reviews and enhances the systems of internal control and governance procedures in place to ensure that the Metrobus is managed ethically and within prudently determined risk parameters.

#### **2.1.1 King IV code of corporate governance**

The purpose of King IV Code of Corporate Governance is to help build an environment of trust, transparency and accountability necessary for fostering long-term investment, financial stability and business integrity.

#### **2.1.2 Code of conduct for directors**

The Municipal System Act provides guidance for the conduct of directors and members of staff of municipal entities.

#### **2.1.3 Ethical Leadership**

In line with the provisions of the Municipal Systems Act, the Board has approved a Code of Ethics as a guidance to Metrobus employees and directors on the appropriate manner of conducting the affairs of the entity and executing respective duties and responsibilities. The Board views ethical behaviour and leadership as a second pillar of corporate governance and promotes it throughout the organisation. The Johannesburg Metropolitan Bus Services Company (SOC) Ltd ("Metrobus") policy requires both Non-Executive and Executive Directors ("Directors") and all employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. Metrobus, as a company and a municipal entity, is committed to its values of **Respect, Honesty, Co-operation, Accountability and**

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**Ubuntu** in its business environment, both internally and externally. The guiding principles are namely:

- Professionalism
- Transparency
- Pride
- Diversity
- Fairness

When acting on behalf of Metrobus, directors and employees shall not take unfair advantage through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or other unfair-dealing practices

#### **2.1.4 Board Charter**

The Board of Directors has incorporated the City of Johannesburg's corporate governance protocol into its charter, which regulates its relationship with the City of Johannesburg as its sole member and parent municipality as agreed by the Shareholder Compact, in the interest of good corporate governance and good ethics. The protocol is premised on the principles of the King Code. The charter sets out the composition and powers of the Board.

2.1.4.1 The roles and responsibilities of the Board shall be to:

- I. Act as the focal point for, and custodian of, corporate governance by managing its relationship with management, the shareholders and other stakeholders of the Company along sound corporate governance principles;
- II. Appreciate that strategy, risk, performance and sustainability are inseparable and to give effect to this by:
  - Contributing to and approving the strategy.
  - Satisfying itself that the strategy and business plans do not give rise to risks that have not been thoroughly assessed by management.
  - Identify key performance and risk areas.
  - Ensuring that the strategy will result in sustainable outcomes.
  - Considering sustainability as a business opportunity, that guides strategy formulation.

2.1.4.2 Provide effective leadership on an ethical foundation.

2.1.4.3 Ensure that the Company is and is seen to be a responsible corporate citizen by having regard to not only financial aspects of the business of the Company but also impact that business operations have on the environment and the society within which it operates.

2.1.4.4 Ensure that there is an effective risk-based internal audit.

2.1.4.5 Disclose real and potential conflicts of interests.

2.1.4.6 Appreciate that stakeholder's perceptions affect the Company's reputation.

2.1.4.7 Ensure the integrity of the Company's integrated report.

2.1.4.8 Act in the best interests of the Company by ensuring that individual directors:

- I. Adhere to legal standards of conduct.
- II. Are permitted to take independent advice in connection with their duties following an agreed procedure.
- III. Commence business rescue proceedings as soon as the Company is financially distressed.

## **2.2 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

### **2.2.1 Municipal Finance Management Act, No.56 of 2003**

#### **2.2.1.1 Circular 63**

The aim of this circular is to provide guidance to municipalities and municipal entities on the Approved Annual Report Format and its contents. Information included in the 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.

## **2.2.2 Municipal Systems Act, No. 32 of 2000**

### **2.2.2.1 Section 93L**

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

## **2.3 Composition, Key Activities and Board Member Remuneration**

### **2.3.1 Board of Directors**

The Metrobus has a unitary Board, which comprises both executive and non-executive directors.

The City, in its role as shareholder, appoints the entity's Board of Directors. The composition of the Board during the second Quarter of the Financial Year 2022/2023 was as follows:

**Table 3: Metrobus Board of Directors**

<b>Name</b>	<b>Position</b>
Ms Yongama Pamla	NED; and Chairperson
Mr Lita Mbokotho	NED (Acting Chairperson -November 2022)
Mr Tumelo Mlangeni	NED
Mr Simphiwe Dzengwa	NED
Dr Lawrence Kok	NED
Dr Olwethu Sipuka	NED
Ms Judith Shiwundlana	NED
Ms Gloria Matshusa	NED
Ms Simphiwe Mamvura	NED
Ms Xoliswa Mhlongo	ED, Managing Director
Mr Luyanda Gidini	ED, Acting Managing Director (November 2022)
Mr Patrick Matanhire	ED, Acting Chief Financial Officer (December 2022)

### 2.3.2 Composition of the Sub Committees

Metrobus Board has three (3) 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 (3) of which are independent audit committee members. However, one (1) independent member has since resigned and the resignation was effective for the duration of the period under review and chaired by a Non-executive Director. The HRSE committee comprises of three (3) non-executive directors and chaired by a non-executive director. The SDC comprises of three (3) Non-Executive Directors and is chaired by a Non-Executive Director. The administrative process of de-registering the directors who resigned or have retired and registering new members with the Companies and Intellectual Property Commission (CIPC), has been completed.

**Table 4: Composition of the Sub Committees**

#	Audit and Risk Committee (ARC)	Human Resources, Social and Ethics Committee (HRSE)	Service Delivery Committee (SDC)
1.	Mr Lita Mbokotho <b>(Chairperson)</b>	Dr Lawrence Kok <b>(Chairperson)</b>	Mr Simphiwe Dzengwa' <b>(Chairperson)</b>
2.	Ms Simphiwe Mamvura	Dr Olwethu Sipuka	Ms Judith Shiwundlana
3.	* Ms Refilwe Morajane	Mr Tumelo Mlangeni	Ms Gloria Matshusa
4.	* Ms Keamogetswe Ruiters		
Total	<b>4</b>	<b>3</b>	<b>3</b>

\* Independent Audit Member

The table below reflects the current Independent Audit Committee (IAC) members.

**Table 5: Independent Audit Committee (IAC)**

#	Independent Audit Committee (IAC)
1	Ms Refilwe Morajane
2	Ms Keamogetswe Ruiters

## 2.4 Board Activities

Directors meetings are held on a quarterly basis and may be called more often if required for special matters requiring consideration on a priority basis. Each time a meeting of the Board or one of its Sub-Committees is convened a specific point is included in the agenda on declaration of interests.

The board has three (3) Board committees, namely the Human Resources, Social and Ethics Committee (HRSE), the Audit and Risk Committee (ARC), and Service Delivery Committee (SDC).

During the first half of the financial year, the Board held eight (8) meetings. Three meetings in quarter one and the remainder in quarter two. Three meetings were special and the remainder were ordinary meetings.

The Board Committees held four (4) meetings during the first half of the financial year. Of these, seven were ordinary and the remainder were special meetings. The dates of meetings are reflected in table 06 hereunder:

**Table 6: Board and Sub-Committee meetings held**

<b>Board Meeting</b>	<b>Audit and Risk Committee</b>	<b>Human Resources, Social and Ethics Committee</b>	<b>Service Delivery Committee</b>
<b>[Special]</b> 01 August 2022, 14 October 2022, 18 November 2022, 21 December 2022	<b>[Ordinary]</b> 05 July 2022, 29 August 2022, 03 October 2022, 29 November 2022	<b>[Special]</b> 11 August 2022, 16 August 2022, 30 August 2022, 28 November 2022, 08 December 2022, 20 December 2022	<b>[Ordinary]</b> 01 July 2022
<b>[Ordinary]</b> 14 July 2022, 31 August 2022, 17 October 2022, 30 November 2022		<b>[Ordinary]</b> 04 July 2022	

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**2.4.1 The attendance of meetings**

✓ -Attended; x- Apology – n/a -Not a Member

**Table 7: Board Meetings attendance register**

Name	Designation	Meetings							
		14 Jul 22	01 Aug 22	31 Aug 22	14 Oct 22	17 Oct 22	18 Nov 22	30 Nov 22	21 Dec 22
Ms Yongama Pamla	NED & Board Chairperson	✓	✓	✓	✓	✓	✓	✓	X
Mr Tumelo Mlangeni	NED	✓	✓	✓	✓	✓	✓	✓	✓
Mr Simphiwe Dzengwa	NED	✓	✓	✓	✓	✓	✓	✓	✓
Mr Lita Mbokotho	NED	✓	✓	✓	✓	✓	✓	✓	X
Dr Lawrence Kok	NED	✓	✓	✓	X	✓	✓	✓	✓
Dr Olwethu Sipuka	NED	✓	✓	✓	X	✓	✓	X	
Ms Judith Shiwundlana	NED	✓	✓	✓	X	✓	✓	✓	✓
Ms Gloria Matshusa	NED	✓	✓	✓	✓	✓	✓	✓	✓
Ms Simphiwe Mamvura	NED	✓	✓	✓	✓	✓	✓	✓	✓
Ms Xoliswa	ED Managing Director	✓	✓	✓	✓	✓	✓	—	—
Mr Luyanda Gidini	ED Chief Financial Officer	✓	✓	✓	✓	✓	✓	✓	✓

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**Table 8: Board Sub Committee Meetings attendance register**

Name	SDC 01 Jul 22	HRSE 04 Jul 22	ARC 05 Jul 22	HRSE 11 Aug 22	HRSE 16 Aug 22	ARC 29 Aug 22	HRSE 30 Aug 22	ARC 03 Oct 22	HRSE 28 Nov 22	ARC 29 Nov 22	HRSE 08 Dec 22	HRSE 20 Dec 22
Ms Yongama Pamla	-	-	-	-	-	-	-	-	-	-	-	-
Mr Lita Mbokotho	-	-	✓	-	-	✓	-	✓	-	✓	-	-
Ms Simphiwe Mamvura	-	-	✓	-	-	✓	-	✓	-	✓	-	-
Mr Simphiwe Dzengwa	✓	-	-	✓	✓	-	✓	-	✓	-	✓	✓
Ms Gloria Matshusa	✓	-	-	✓	✓	-	✓	-	-	-	-	-
Ms Judith	✓	-	-	✓	✓	-	✓	-	-	-	-	-

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Shiwundlana												
Dr. Lawrence Kok	-	✓	-	✓	✓	-	✓	-	✓	-	✓	-
Mr Tumelo Mlangeni	-	✓	-	✓	✓	-	✓	-	✓	-	X	✓
Dr Olwethu Sipuka	-	✓	-	✓	✓	-	✓	-	✓	-	✓	✓
Ms Refilwe Morajane	-	-	✓	-	-	✓	-	✓	-	✓	-	-
Ms Keamogetswe Ruiters	-	-	✓	-	-	X	-	✓	-	✓	-	-
Ms Xoliswa Mhlongo	✓	-	✓	-	-	✓	✓	✓	-	-	-	-
Mr Luyanda Gidini	✓	-	✓	-	-	✓	✓	✓	-	✓	-	-

#### **2.4.2 Director and Prescribed Officer Remuneration**

The entity remunerates the Non-Executive Directors and Independent Audit Committee members in accordance with the policy and amounts determined from time to time by the City of Johannesburg Metropolitan Municipality, acting in its capacity as the sole shareholder of Metrobus.

The Non-Executive Directors and Independent Audit Committee members are paid per meeting. Executive directors and prescribed officers are employees of Metrobus and do not receive any additional remuneration.

**Table 9: Board and Independent Member Compensation**

<b>Name</b>	<b>1<sup>st</sup> QTR.</b>	<b>2<sup>nd</sup> QTR</b>	<b>Total</b>
Ms Yongama Pamla	48 000	50 000	98 000
Mr Tumelo Mlangeni	68 000	80 000	148 000
Dr. Lawrence Kok	76 000	58 000	134 000
Ms Gloria Matshusa	68 000	54 000	122 000
Ms Judith Shiwundlana	68 000	38 000	108 000
Dr Olwethu Sipuka	68 000	78 000	146 000
Mr Lita Mbokotho	76 000	78 000	154 000
Ms Simphiwe Mamvura	52 000	66 000	118 000
Mr Simphiwe Dzengwa	78 000	60 000	138 000
Ms Keamogetswe Ruiters	8 000	16 000	24 000
Ms Refilwe Morajane	16 000	16 000	32 000

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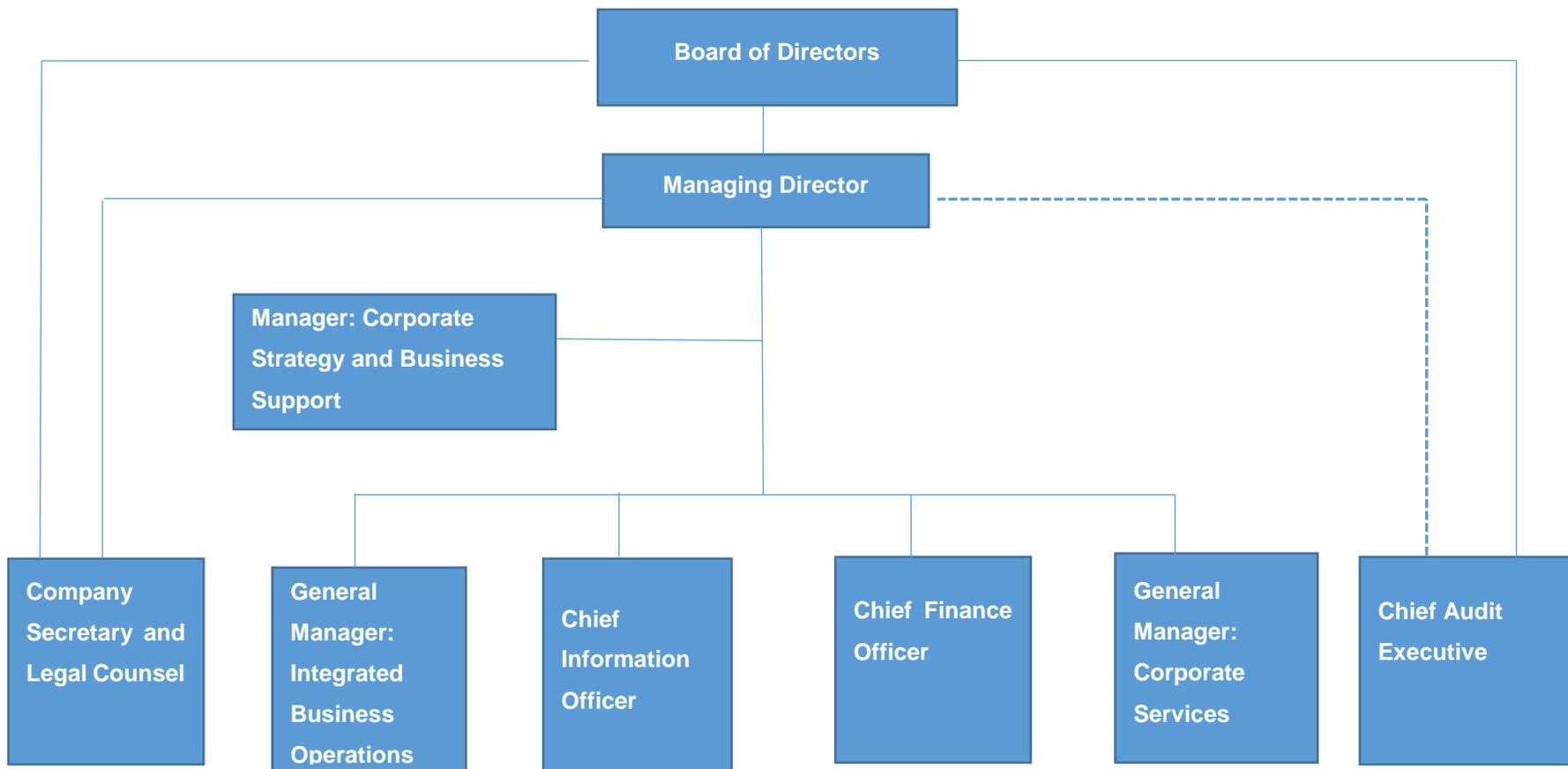
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**Table 10: Executive Compensation**

Executive Position	Incumbent	Annual Package	Quarter 1	Quarter 2	Total
Managing Director	Ms Mhlongo Xoliswa	R2 100 000	R525 000	R525 000	R1 050 000
Chief Financial Officer (CFO)	Mr Gidini Luyanda	R1 650 000	R412 500	R412 500	R825 000
General Manager: Corporate Services	Mr Lebelo Phillip	R1 600 000	R400 000	R400 000	R800 000
General Manager: Integrated Business Operations	Ms Khathi Zandile	R1 650 000	R412 500	R412 500	R825 000
Legal Counsel & Company Secretary	Mr Sibisi Zibonele	R1 300 000	R325 000	R325 000	R650 000
Chief Audit Executive (CAE)	Mr Haffejee Yaasir	R1 400 000	R350 000	R350 000	R700 000
Chief Information Officer (CIO)	Vacant	0	0	0	0
	<b>TOTAL</b>	<b>R9 700 000</b>	<b>R2 425 000</b>	<b>R2 425 000</b>	<b>R4 850 000</b>

## 2.5 High Level Organisational Structure

Figure 2: High Level Organogram

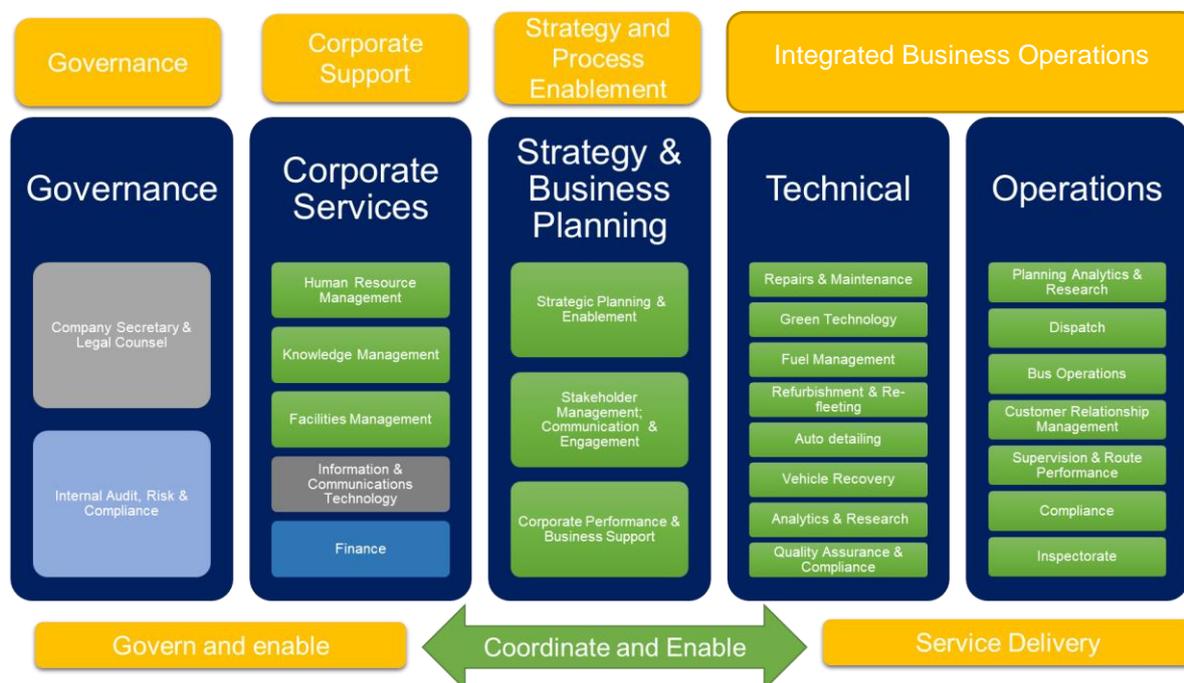


### **2.5.1 High Level Functional Structure**

Metrobus functional structure and operating model is 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 are grouped together into operating blocks for an 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 a fleet that is well maintained, scheduled and is on the road at the right time to meet the needs of our customers.

In line with the Metrobus, service delivery model both the Technical Services and the Operations function, which collectively form the Integrated Business Operations (IBO) are identified as core functions. For the core functions to effectively deliver on the mandate of the entity, they require the support functions which are Corporate and Support Services as well as Governance. The support and core capabilities are coordinated and aligned towards the realisation of the business objectives of the entity strategy and process enablement.

Figure 3: Functional Structure



## 2.6 Risk Management

### 2.6.1 Overview

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.

Oversight over governance and management of risk in Metrobus is carried out by the ARC which is a sub-committee of the Board of Directors. The ARC meets on a quarterly basis or as regularly as it may be agreed between the Board and the Committee. The ARC operates in accordance with the approved terms of reference.

Risk assessments have proved to be assisting management to identify potential risks, in order to anticipate and uncover circumstances that might have negative impact in the achievement of objectives/ Key Performance Indicators (KPI's), and therefore yield unfavourable results in terms of service delivery. Risk assessment processes have also assisted management in

proper planning/alignment of implementation strategies, making informed decisions, as well as ensuring effective and efficient use of resources. The results of these risk assessments have been utilised to take proactive and preventative measures in addressing uncertainties/risks that could hinder achievement of the set goals.

Metrobus monitors the movement of risks on a quarterly basis, guided by the no-going assessment of the risk universe, internal audit findings, the Auditor General findings and the Annual Business Plan.

**2.6.2 Risk acceptability**

The table below provides descriptions of the risk ratings and how Metrobus has rated its risk appetite across major risk types/ categories.

**Table 11: Risk acceptability table**

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

### **2.6.3 Strategic Risk Register**

The entity's current strategic risk register is included hereto as **Annexure D**. The register outlines all requisite descriptive elements in relation to all strategic risks.

## **2.7 Anti-corruption and Fraud Investigations (including forensic investigations)**

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

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

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

## **2.8 ICT Governance**

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

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

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

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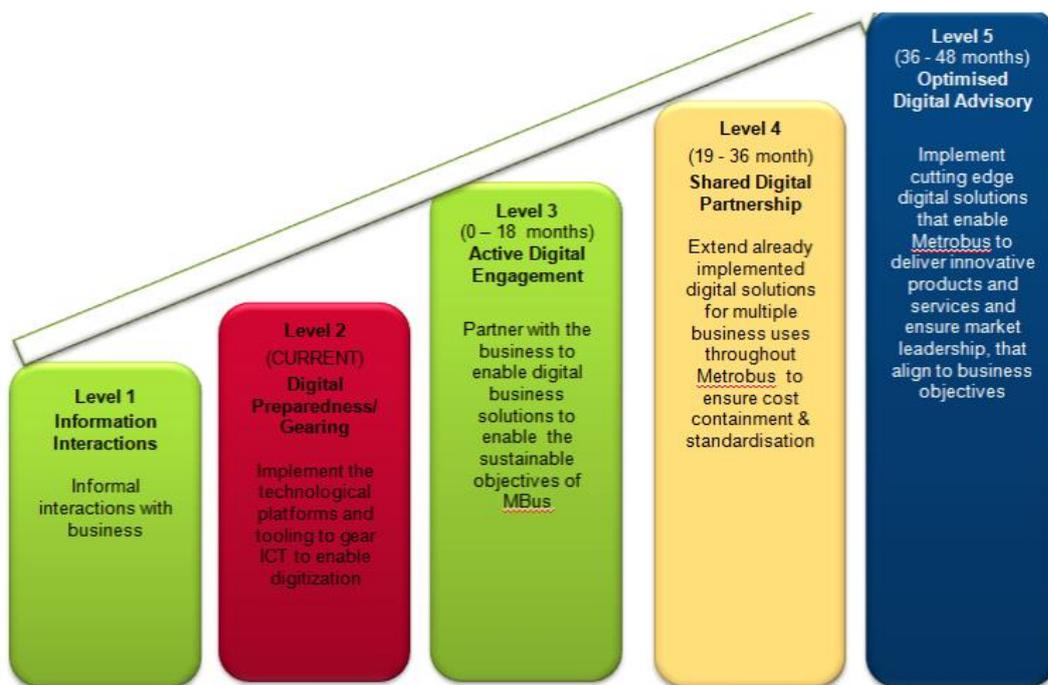
which is in line with COBIT5 and ITIL:

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

### **2.8.1 Overview**

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 third phase of its ICT Maturation journey with distinct elements indicating migration from phase three to phase four of ICT Maturation. An integral part of the maturation journey is digitization, which outlined the implementation of a number of intelligent transport systems, which will be implemented in an integrated manner in line with Metrobus ICT maturation.

Figure 4: Metrobus ICT Maturation Journey



### 2.8.2 Key ICT Projects

Table 12: Current 2022/23 ICT projects for delivery to digitally transform the organisation:

Revenue & Customer Impact	Cost Control and Internal Efficiencies	Risk, Compliance & Security Mitigation
<ul style="list-style-type: none"> <li>Automated Fare Collection – Cancelled</li> <li>Interim - Automated Fare Collection- estimated date- procurement will be finalised in quarter 3 and will be implemented in quarter 4</li> <li>Wi-Fi in the Bus- estimated date- end of Quarter 3</li> </ul>	<ul style="list-style-type: none"> <li>Interim ERP – Completed</li> <li>PABX Telephone Systems – Completed</li> <li>Intelligent Transport System (ITS) including “Eye-on-the-bus”- estimated date- end of quarter 3</li> </ul>	<ul style="list-style-type: none"> <li>Disaster Recovery – estimated-date- end of quarter 3</li> <li>Backups – Completed</li> </ul>

### **2.8.3 Challenges**

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

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

## **2.9 Compliance with Laws & Regulations**

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

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

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

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

### **2.9.1 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.

### **2.9.2 Traffic Fines**

During the quarter under review, no traffic fines were issued. During the same period in the last financial year, no traffic fines were issued to bus operators. In addition, route inspectors are encouraged to monitor driver behaviour en-route and re-emphasize proper behaviour. Bus operators are responsible for the settling of such fines.

### **2.9.3 Carbon Emissions Compliance**

Diesel smoke emissions' testing is a legal requirement and contributes to the continued decrease in CO<sub>2</sub>. Cleaner diesel is key to reducing the world's emissions and the Hartridge smoke meter<sub>2</sub> has been designed to meet measure the levels of emissions. Diesel Exhaust Smoke meters, and also referred to as opacity meters, detect and measure the amount of light blocked in a sample of smoke emitted by diesel engines from our buses (and used for other combustion engines too). The Hartridge meter readout displays the smoke density giving a measure of the efficiency of combustion. This makes the smoke meter an excellent diagnostic tool to ensure proper maintenance of diesel engines for improved fuel economy and protection of the environment.

Metrobus carbon emissions reduction programme involves maintaining pumps, turbos and injectors, in order to ensure that emissions are below 30%. Metrobus Hartridge units increased (measure of carbon emissions emitted) to an average of 25% for all bus types. Metrobus' green fleet has a major contributing effect in the achievement of this objective. Metrobus's fleet above the age of 12 years are the biggest emitters of greenhouse gas. These are the Mercedes Benz 1725, Volvo B7L and Volvo B7R.

The government specification is a maximum of 72.5%. This is a major contribution on behalf of the City towards the reduction of overall global emissions.

Table 13: Carbon emissions test results per bus type

Bus Type	GOV Spec	MBS Spec	Q1 Opacity %	Q2 Opacity %
Merc 1725	72,50%	50%	16%	30%
Euro 5	72,50%	50%	19%	5%
Euro 3	72,50%	50%	5%	20%
VOLVO B7L	72,50%	50%	15%	44%
Weighted Average			<b>11%</b>	<b>25%</b>
<b>Annual Weighted Average</b>			<b>18%</b>	

### **3 CHAPTER THREE: SERVICE DELIVERY PERFORMANCE**

#### **3.1 Highlights and Achievements**

##### **3.1.1 Corporate Social Investment**

###### **3.1.1.1 Corporate Social Investment: Roots and Wings Foundation**

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

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



### 3.1.1.2 Corporate Social Investment: eDeaf and Epilepsy South Africa

This year, the call to action will be focusing on getting the basics right through A *Resebetseng* service delivery activities, promoting community backyard gardens and overall cleaning of public and shared spaces around our communities. Metrobus followed the city's theme by transporting **eDeaf and Epilepsy SA** learners to the Zoo, cleaning and painting at least three classrooms, while the learners were away and feeding them after the activities for the day.



### 3.1.2 Stakeholder Engagement Campaign at Sci-Bono

Metrobus conducts stakeholder engagement campaigns on a quarterly basis as part of brand activation. For a period of five days, Metrobus in partnership with City's Transport Department staged an exhibition or a tradeshow as part of Transport Month (October 2022). The objective

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of the campaign was to create awareness around Metrobus services, and bus fares designed for scholars. The exhibition was held at Sci-bono Science Centre in Newtown bringing thousands of students from different parts of the City and surrounding areas. Metrobus also took the opportunity to share information about sales outlets locations, pricing structures, zones and updated timetables with loyal customers including various career opportunities available at Metrobus.



### **3.1.3 Driver Appreciation Event**

Metrobus took part in the annual driver appreciation event hosted by the City of Johannesburg's Transport Department. Ten Bus Operators who performed beyond the call of duty and provided excellent service to the commuters represented the entity. The criteria used included, drivers who collected the most money on a daily bases and those with no pending disciplinary action against them. The event was held at Brixton multipurpose hall led by the

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MMC Transport Cllr Fuzela Ngobeni and Transport Executive Director Ms. Dorothy Mabuza.



### 3.2 Service Delivery Challenges and Mitigation Actions

**Table 14: Challenges and Mitigation Actions**

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

### 3.3 Service IDP Policy Objectives

The entity contributes to the City’s IDP Objectives by offering public transportation as measured through the average number of passenger trips per working day. **Annexure A** outlines the entity’s positive performance in this regard for the second quarter of financial year 2022/23 and at midyear

### 3.4 Response to Strategic Directives

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 to which its response is outlined as follows:

**Table 15: Response to Strategic Directives**

Mayoral Priority/ Programme	Focus area	Initiatives ( Planned and underway)
A well-run city	Financial Sustainability and solvency;  Employee relations stabilisation	Debt Restructuring Advertising revenue generation Revenue Protection Interim ticketing system Organised labour engagements
Business friendly city	Bus service reliability and optimal fleet utilisation	Leasing of additional buses Continuous Operations - 24 hour service Finalize establishment of a Centre of excellence (COE) Learnership and apprenticeship Programmes
Smart City	Implementation of Intelligent Transport Systems  Digital Interconnectedness	Cashless Ticketing system Digital Route Tracking Wi-Fi on buses Customer mobile app Customer data analytics Fuel Management system revamping  Information Security Firewall Upgrading of the Intranet Back-up Systems Increase Remote personnel accessibility Digital Signature Software Hardware Refresh Phase for SAP Interim ERP
A city that gets the basics right	Systematic cost driver management	Route efficiency - Piloting of trip optimization Profiling of routes for maximum use of Compressed Natural Gas (CNG) use Procurement of CNG infrastructure for two depots Finalization financial model Implementation of the fleet renewal and management strategy Reduction of non-service (dead kilometres)

### **3.5 Performance against Service Standards**

The Service Delivery Agreement sets out five (05) service standards between Metrobus and the Shareholder. Metrobus achieved one hundred percent (100%) on service standards at Quarter 2. Details on the service standards are attached hereto as **Annexure C**

### **3.6 Performance against Predetermined Objectives**

The Metrobus 2022/23 business plan is aligned to the City's Mayoral priorities. To ensure the achievement of strategic outcomes, Metrobus has developed a Corporate Scorecard premised on the City's Service Delivery and Budget Implementation plan as well as a set of Entity strategic levers which serve as programs of action.. In terms of the approved 2022/23 Metrobus Business Plan, the entity's performance is measured on the basis of a total of twenty two (22) key performance indicators. At mid-year twenty (20) KPIs were assessed and thirteen (13) KPIs were achieved. The two (2) residual unassessed KPI's were not due for assessment at mid-year. This translates to a 65% achievement level against a target of 85%. The detailed Performance Scorecard is attached as Annexure B.

The unachieved KPIs include: percentage spent on capital budget against approved capital budget, percentage of valid invoices paid within 30 days, percentage resolution of AGSA findings, percentage implementation of the strategic risk management action plan findings resolved, and percentage Intelligent Transport System Projects. A detailed performance scorecard relating to unachieved Key Performance Indicators including corrective measures envisaged for the next reporting period is outlined in Annexure B1 attached hereto.

### **3.7 Performance against Strategic Deliverables**

#### **3.7.1 Business Plan 2022/23 Strategic Response**

**Annexure G** outlines strategic responses envisaged to support the performance of the entity and the progress made in this regard.

#### **3.7.2 Corporate Scorecard 2022-27 Deliverables**

The Metrobus corporate strategy 2022-27 was developed and approved under the stewardship of the Board. Management is seized with cascading the deliverables flowing from

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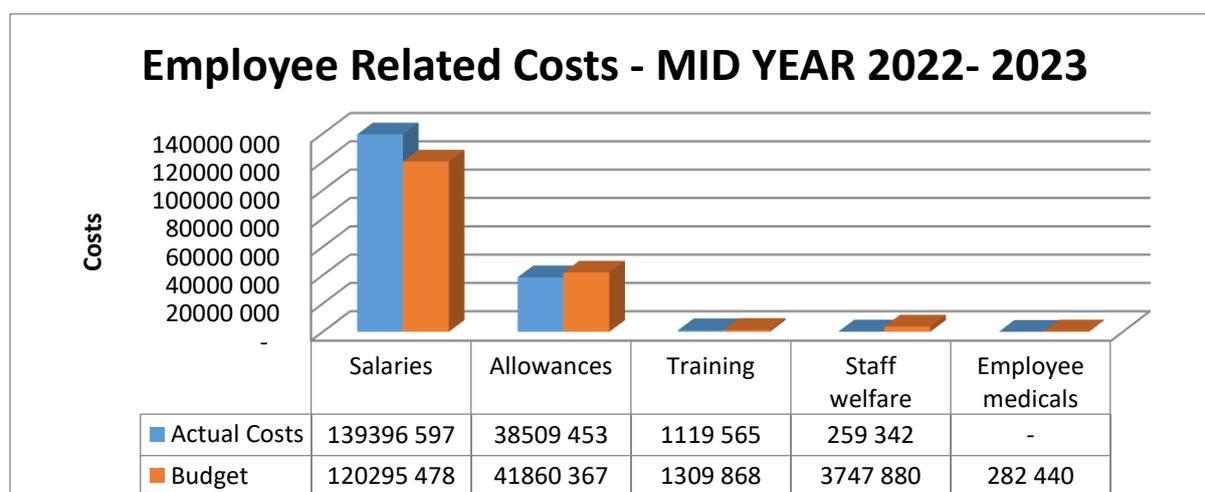
this plan into input and output indicators which will be commencing with in the 2023/24 financial year.

## 4 CHAPTER FOUR: HUMAN RESOURCES & ORGANISATIONAL MANAGEMENT

### 4.1 Employee Remuneration (Total Costs including Executives)

Total employee costs on salaries only (including Executives) at the end of the reporting period stood at R 139, 4 million against a budget of R 120, 3 million. With a deficit variance of (R 19, 1 million). The deficit is attributable to the reduced budget.

**Figure 5: Employee related costs: Mid-Year (R000's)**



### 4.2 Key Vacancies

The City effected a downward adjustment to the budget of Metrobus at midyear of the previous financial year on Employee related costs (R47 million), which has necessitated the re-prioritisation of critical vacancies. Motivation was submitted to the Acting City Manager for the lifting of the moratorium on at least eight critical vacancies, resulting in the lifting of the moratorium for all positions that were previously affected by the moratorium. Plans are afoot to expedite the filling of positions during the next reporting period. Recruitment processes to fill vacancies that have been undertaken during the reporting period are as follows:

**Table 16: Vacancies filled during the period under review**

#	JOB TITLE OF POSITION	DEPARTMENT	QUANTITY	STATUS
1	Office Administrator	Finance	1	Candidate to commence in January 2023
2	Finance Clerks	Finance	6	Candidates started
3	Officer : Management Accounting	Finance	1	Candidate started
4	Inventory Controller	Finance-SCM	2	Candidates started
5	Office Administrator	Integrated Business Operations (IBO)	1	Candidate to commence in January 2023
6	Clerk Administration (Roster Clerk)	Integrated Business Operations (IBO)	1	Candidate to commence in January 2023
7	Office Administrator	Legal Counsel & Company Secretary	1	Candidate to commence in January 2023
8	Specialist: Legal Services	Legal Counsel & Company Secretary	1	Candidate to commence in January 2023

#### **4.2.1 Vacancy Rate**

Although progress was made in the filling of vacancies, the vacancy rate in the Company during the reporting period currently stands at 28.3%. This vacancy rate includes positions that have been put on hold due to reduction of services in response to covid-19 challenges. National Treasury Circular 88 stipulates that vacancy rate should not be more than 30% and Metrobus is still below this stipulation.

#### **4.2.2 Staff Turnover Rate**

The average cost of filling a vacant position and replacing each employee is generally estimated at approximately 10-15% of the total annual package of the employee to be replaced. It is therefore essential to measure and report on the labour turnover rate to find better ways and means of retaining our employees.

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During the quarter under review, ten (10) employees out of a total strength of six hundred and ninety two (692) employees left the service of Metrobus. This translates to an average percentage of 1.15% in staff turnover rate. This figure comprises of employees that left or are scheduled to leave by mid-year to leave the Company due to medical Boarding; resignations; retirement, dismissals, etc. It is essential to mention that this percentage is much lower than the Local Government national average of between 5% -10% Staff Turnover Rate as reported by MCI Consultants (6th Annual HR Recruitment Trend Survey, MCI Consultants).  
Employment Equity

The workforce profile for Metrobus is showing an improvement in relation to the City's economically active population. Currently 30,5% of its employees are within the age category 18-35, 46-55 and percentage of African males is 69.5% which shows the intention of the entity dedication to youth employment and retention including focus on attracting women.

The factors that contributed to the employment equity target improvement can be attributed to the recruitment and placement of inventory officers, buyers, and finance clerks in the Finance Department who started their employment at Metrobus during this reporting period. This is due to emphasis and focus on employing employees that will contribute to improvement of the entity's employment equity numerical targets and goals within the EE Plan.

It should be noted that women of all races in all employee categories constitute approximately 30% of the company's staff complement in the 2022/23 financial year. Therefore, the focus on Employment Equity is now on women, youth and persons with disabilities of all races. The Employment Equity and Skills Development Forum is fully functional with the nominations of the EE/SD Forum representative concluded in October 2022. During this quarter, two meetings took place on the 30 November 2022 and 13 December 2022.

The aim of resuscitating the Employment Equity/Skills Development Committee is to ensure compliance with the Skills Development and Employment Equity Act and to serve as an instrument or tool for monitoring, evaluation and reporting of progress on achievement of the entity's EE targets.

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**Table 17: Demographic Profile as at 31 December 2022**

Occupational Level	Male				Female				Foreign National		Total
	A	C	I	W	A	C	I	W	M	F	
Top Management	3	0	1	0	2	0	0	0	0	0	<b>6</b>
Senior Management	11	1	0	1	0	0	0	0	0	0	<b>13</b>
Professional Qualified and Experienced Specialists and Mid-Management	6	0	0	0	4	0	0	1	0	0	<b>11</b>
Skilled Technical academically qualified and junior management	91	14	2	9	15	0	0	2	0	0	<b>133</b>
Semi-Skilled and Discretionary decision making	296	11	0	0	86	3	1	3	0	0	<b>400</b>
Unskilled and defined decision making	120	0	0	0	9	0	0	0	0	0	<b>129</b>
Temporary employees	0	0	0	0	0	0	0	0	0	0	<b>0</b>
<b>Grand Total</b>	<b>527</b>	<b>26</b>	<b>3</b>	<b>10</b>	<b>116</b>	<b>3</b>	<b>1</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>692</b>

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

### **4.3 Skills Development and Training**

#### **4.3.1 Training and Development Programmes**

During the quarter under review, the entity continued with the implementation of the training programmes as planned for the youth development programmes interventions such as artisan development programme and professional driver learnership programme. The training for the unskilled technical employees who are working as assistants in the workshop, shunters, cleaners, break down crew assistants were assessed as part of Recognition of Prior Learning (RPL) . The assessed employees commenced with training on the 14 November 2022. The training programme will equip the employees with prerequisite skills and competencies to qualify them as the qualified drivers for heavy rigid vehicles (Breakdown Crew) and breakdown crew training which includes technical semi skills that will afford the trained employees to be qualified as artisan assistants.

Further, The Information Communication Technology (ICT) department employees attended a back-up software skills programme as part of the contract signed with the service provider that is responsible for the backup software training as part of capacity building and signed SLA's with Original Manufacturer Equipment (OEM).

Metrobus continues to play its role of investing in people, through capacity building and talent management Programmes. Ten (10) employees received financial assistance in the form of subsidized education scheme to further their studies in line with the approved Human Resource Development Strategy and Workplace Skills Plan for the organization. Further, the Organisation contributes skills levies as part of compliance with the Skills Development Act (97/1998) and Skills Development Levies Act (9/1999) which is minimum of 1% of the total employee remuneration.

During the period under review, seventy- three (73) employees benefited from the training interventions as outlined below.

**Table 18: Skills Development and Training**

#	Training Intervention	Learning Matrix	M	F	Numbers of trained delegates per intervention
1	ICT Backup Training	E	02	1	03
2	Professional Drivers Programme (Module 1-8)	E	30	10	40
3	Artisan Development Programme Employed and Unemployed Phase 1 (Practical Training)	E	15	9	24
4	Breakdown Crew/Driver/Technical Programme	E	15	0	15
<b>Total number of trained delegates</b>			<b>62</b>	<b>20</b>	<b>82</b>

#### **4.3.2 Apprenticeship Programme**

The twenty-four (24) apprentices completed their phase one theoretical training on October 2022, and are now deployed at the depots for continuing with on job training under the guidance of the experienced mentors. All the mentee’s will then be deployed at depot for practical training components with the assigned mentors to shadow them and fulfill the required mandatory training as stipulated in their training plan.

#### **4.3.3 Internship Programme**

During the quarter under review, nineteen (19) interns that were placed at Metrobus as the collaborations between the Technical Vocational and Education Training (TVET) institutions in City of Johannesburg. The interns will acquire the much needed practical work experience referred to work integrated learning to afford them to obtain formal qualification upon completion continues with training. The total of six (6) learners who completed the program were retained for a period of six months in line with the approved funding model of the SETA’s more especially TETA.

#### **4.3.4 Learnership Programme for Bus Drivers**

The learners on the Professional Bus Driving Learnership continues with their structure training conducted internally and externally as per the requirements of the learnership

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contracts agreements between Metrobus, SETA's and Service Providers. The learners were issued with the tools of the trade to enable them to perform their practice note under the supervision of the experienced bus operators, driver instructors at training centre and Integrated Business Operations (IBO) mentors at the depot level.

The program will end in 31 January 2023 per the funding agreement from SETA's and learners will then graduate with the NQF level 4 in Professional Driving Occupational Certificate. This will assist in addressing the shortage of skilled Professional Bus Drivers for the transport sector, and Metrobus.

#### 4.3.5 Subsidised Education

The employees who continue to benefit from subsidised education during this quarter under review are at the semi-skilled and unskilled categories in line with the company's education prioritization.

The allocation of the budget for Subsidised Education is as a result apportioned in line with the 80/20 principle to ensure that maximum impact in terms of affording financial assistance is biased towards employees who are without a formal qualification first. One hundred percent (100%) of the beneficiaries of subsidised education are awarded to employees who are mostly at entry-level positions in the IBO department namely bus operators, and artisans.

**Table 18: Subsidised Education Financial Assistance**

Undergraduate Qualifications	1 <sup>st</sup> Year	2 <sup>nd</sup> Year	3 <sup>rd</sup> Year	Post graduate Qualification	1 <sup>st</sup> Year	2 <sup>nd</sup> Year	3 <sup>rd</sup> Year
	1	7	1	0	0	0	0
Total Number of Sub Ed. Beneficiaries	9			0	0		
<b>Total amount spent</b>	<b>R 186 320.00</b>				0		

The current budget allocation for 2022/23 financial year for Subsidised Education is R 700 000.00. At midyear, the total spent is R 321 240.00.

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#### **4.3.6 Executive and Management Leadership Development Programme**

During the period under review, as part of the strategic objective to focus on the Executive and Management Leadership Development Programme which plays a pivotal role in addressing the shortage leadership skills in the sector more especially in the bus industry sector of under representation of the females in the management echelon.

Metrobus through partnership with TETA to give opportunities for development in managerial and leadership by participating on International Executive Leadership Programme full funded SETA's has been successfully implemented were the Return on Investment (RoI) seen in the change in leadership abilities of the candidates that attended the program. The current nominated female in the Office of The Chief Audit Executive (CEA) continues

#### **4.4 Performance Management**

All employees who are subject to the signing of performance agreements have entered into performance contracts and assessments are conducted in line with applicable policies. Corporate Services continues to monitor and communicate relevant milestones in the performance management system in order to assist employees with compliance to the policy. It is also worth noting that the first quarter end implies that it is time for the first quarter coaching sessions to be conducted throughout the organisation in line with the dictates of the PMS policy.

#### **4.5 Disciplinary Matters and Outcomes**

There were four (04) new disciplinary infractions registered during the second quarter of the 2022/2023 financial year. The infractions included a case of ticket infringement and dishonesty/theft. These matters will be dealt with in the next quarter.

The managing Director has been placed on special leave with effect 25 November 2022

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**Table 19: Disciplinary matters**

Depot	Balance from previous quarter	from Disciplinary matters	New Disciplinary Matters	Old Grievances	New Grievances	Total
Milpark Depot	0		0	0	0	<b>0</b>
Village Main Depot	0		1	0	0	<b>1</b>
Roodepoort Depot	0		1	0	0	<b>1</b>
Head Office	0		2	0	0	<b>2</b>

**Table 20: Grievance Matters**

New Grievances	July 2022	August 2022	September 2022	October 2022	November 2022	December 2022	Total
Milpark	1	0	0	0	2	0	<b>3</b>
Village Main	0	0	0	0	1	0	<b>1</b>
Roodepoort	0	0	0	0	0	0	<b>0</b>
Head Office	2	0	0	1	0	0	<b>3</b>

## 4.6 Litigations

No new Litigation cases can be reported for this period under review, all previously reported cases are however still in progress.

## 4.7 Leave & Productivity Management

### 4.7.1 Leave Management

It is essential to report that employees of Metrobus qualify for 24 Annual Leave days for a five (05) day employee and 27 Annual Leave days for a six (06) day employee in keeping with the provisions of the Main Collective Agreement (MCA) concluded under the auspices of the South African Local Government Bargaining Council (SALGBC). Currently, the limit on accrued annual leave as per the MCA is 48 days and the average accrued annual leave stands at twenty-six (26) days.

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Regular communication takes place with the affected employees to inform them about the importance of taking annual leave in order for them to comply with the provisions of the Main Collective Agreement; particularly where it deals with statutory leave, the possible forfeiture thereof which compels employees to take compulsory annual leave so that they do not forfeit annual within six months after the end of each leave cycle. This will reduce the number of leave days available to each employee and improve Labour productivity in the long run.

#### **4.7.2 Productivity**

One of the Key human factors that tend to have an adverse impact on staff productivity is the rate of “sick absenteeism” in the workplace. In this regard, the rate of absenteeism was calculated for this reporting period and found to be an average of 3.76 working days per employee or one coma five percent (1.5%) of employees reporting sick measured against total available working time during the reporting period.

Best HRM standards; dictate that sick absenteeism should not be more than 1.5% of employees reporting sick against total available time per annum in the workplace, which means that for every 250 working days per year, an average employee should take 3.75 days off sick. It is essential to report that Metrobus meets this HR Benchmark/Standard.

### **4.8 Employee Wellness**

#### **4.8.1 Trauma Debriefing**

A total number of fifty (50) cases were dealt with as at 31 December 2022 and the matters can be divided in the following categories:

**Table 21: Cases**

Type of cases recorded	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL
Permanent incapacity applications	3	2	0	2	0	2 applications Approved	7
Temporal incapacity Applications	0	1	0	0	0	0	1
Incapacity hearing	0	1	0	0	0	0	1
Indebtedness	4	0	2	0	0	0	6
Trauma debriefing	0	3	0	0	1	0	4
Absenteeism	1	2	0	0	0	0	3
Special leave applications	1	1	5	0	0	0	7
Hospitalisation	1	5	1	2	4	2	15
Death of an employee	1	0	0	0	0	0	1
Abuse of substances	1	0	0	0	0	0	1
Immediate family psychosocial support	1	3	0	0	0	0	4
<b>Grand Total</b>	<b>13</b>	<b>18</b>	<b>8</b>	<b>04</b>	<b>05</b>	<b>02</b>	<b>50</b>

#### **4.8.2 Education and Outreach Programme**

Although no education campaign and awareness, we conducted during the period under review. different platforms are used to disseminate information on EAP services. The employee Health and Wellness Office delivered a presentation during an induction of learner drivers. Twelve (12) students received an orientation on the EAP programme.

The topics covered were the offerings of programme, the importance of confidentiality and the methods of referrals. The office also continues to conduct managerial consultations on an ongoing basis these take place on a one on one basis two (2) close up reports were issued to line managers on matters of employee absenteeism.

On 01 December 2022, Metrobus commemorated the World Aids Day under the theme 'Equalize'. Metrobus took the opportunity to stand with the World in the fight against the disease and to show support to people living with HIV/AIDS and remember those who have lost their lives. Employees took part in HIV/AIDS counselling and testing, high blood pressure, Glucose testing, BMI and weight management advice and Vitals testing.

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

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

#### **4.8.3 Occupational health and safety measures**

During the period under review, Metrobus continued to focus on ensuring compliance with all prescripts of the Occupational Health and Safety Act and all its related regulations. In view of internal capacity constraints an external independent resource is currently being sourced to ensure that compliance with the Act is ensured. The following essential elements of the maintenance of health and safety will be included as part of the external resources scope of work. It is envisaged that the resource will be in place by the end of third quarter

- The development of an Organization Health and Safety Manual
  - The development of a safety, Health and Environment annual plan
  - Departmental Safety, Health and Environment risk register and attendant remedial plans
  - Machinery Inventory with requisite safety protocols for all machinery
  - Hazardous Chemical Inventory with requisite safety protocols per hazardous chemical
  - Consolidated inventory to requisite protective clothing and equipment
  - Emergency procedures manual
-

- Assessment of employee exposure to hazardous chemicals

#### **4.9 Employee Benefits**

The Employee Benefits for the period under review amounted to a total of R 21,498,166.00 against a budget of R 23, 600, 277, 00 apportioned as per the following table:

**Table 22: Employee Benefits for the period 01 July 2022 – 31 December 2022**

	<b>Allowances</b>	<b>Training</b>	<b>Staff welfare</b>	<b>Employee medicals</b>	<b>TOTALS</b>
<b>Actual Costs</b>	R21 143 116	R130 891	R224 159	R0,00	<b>R 21 498 166</b>
<b>Budget</b>	R20 930 183	R654 934	R1 873 940	R141 220	<b>R 23 600 277</b>
<b>Variance</b>	-R 212 933	R 524 043	R 1 649 781	R 141 220	<b>R 2 102 111</b>

The variance of R2, 1 million as depicted in the above table is attributable to the vacant positions that are currently being filled.

#### **4.10 Occupational Health & Safety Programmes**

##### **4.10.1 Safety incidents**

During the quarter under review, one MVA incident was reported from Roodepoort depot, Metrobus bus was pulling off from the bus stop, when a PUTCO bus bumped it from behind. An employee sustained minor injuries; he was taken to hospital and discharged after assessment. Preliminary investigation conducted and a report was communicated.

##### **4.10.2 Safety Audit**

During the quarter under review, Occupational Health and Safety has undergone an internal audit assessment. Final consolidated outcomes were submitted in this regard; the following areas have been indicated as immediate and urgent concerns and are being addressed.

- Lack of cleaning equipment

- Lack of emergency preparedness plan
- Poor waste management
- Maintenance matters, which include, structural repair, replacement, and servicing of equipment.

#### **4.11 Security and Inspectorate**

This section within Corporate Services, amidst the overall minimal security related reported instances, has not operated without challenges. Within the entire COJ, there are 1929 security officers who will be charged with having defrauded the South African Social Security Agency (SASSA) by receiving monies for child grants. Some of these employees are found within Metrobus. The impact of the outcome of their disciplinary matters will directly have an effect on security operations within Metrobus and the City.

##### **4.11.1 Security incidents**

There were three security incidents at Metrobus facilities as at mid-year.

###### **Incident 1: Tuesday 02 August 2022,**

A laptop computer was stolen from the office at Metrobus Head Office. The employee did not lock his office and left Head Office to attend a briefing session at a Suppliers premises in Braamfontein. On the other hand, the computer was not locked by any locking cable as he claimed that he was never issued with one. After approximately 90 minutes later, upon his return to his office, he discovered that the laptop had been removed from his desk. A case of theft was opened with Hillbrow SAPS Case 112/08/2022.

###### **Incident 2: Friday 05 August 2022**

A Silver Ford Ranger belonging to an employee was parked at the parking at the rear of Metrobus Head Office at approximately 09h00. Later, at around 12h00 it was reported that the vehicle was stolen, and security was alerted by the employee when he returned to the parking and not finding his vehicle. The employee opened a theft case with the SAPS and also reported that his vehicle was insured and had a tracker fitted.

**Incident 3: Monday 29 August 2022**

On the evening of Monday 29 August 2022, approximately 12 suspects entered the Roodepoort Depot and robbed the cash held at its cash office. In summary, obviously conscious not to compromise ongoing investigations, approximately six (6) of the suspects entered the depot in a black X5 BMW and drove into the depot and stopped just at the rear of the fuel filling area. This vehicle was escorted to the depot by another sedan motor vehicle which made a U-turn at the entrance and drove in a westerly direction from the depot. The other six (6) suspects, entered the depot on foot and after pretending to be pedestrians walking past the depot, they entered the depot and joined the rest of the group (after the security personnel were forced to flee the area for fear of their lives). Four (4) security personnel, immediately walked in the direction of the vehicle as to enquire the reason that the said vehicle had driven into the depot without stopping and going into an area prohibited for private vehicles. In view of the investigations, the rest of the detail will not be disclosed at this juncture to protect the integrity of the information and the investigation.

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5 CHAPTER FIVE: FINANCIAL PERFORMANCE AND EXPOSURE

5.1 Statement of Financial Position and Exposure

Table 23: Summary Statement of Financial Position

Description	31-Dec-2022 Actuals R000	30-Jun-2022 Actuals R000	Movement R000	Movement %
<b>Total Assets</b>	<b>562 758</b>	<b>569 564</b>	<b>(6 805)</b>	<b>-1%</b>
<b>Non-Current Assets</b>	<b>531 388</b>	<b>542 811</b>	<b>(11 423)</b>	<b>-2%</b>
Property, Plant & Equipment	497 327	507 876	(10 548)	-2%
Loans to Shareholders	33 047	33 047	0	0%
Intangible Assets	1 014	1 889	(875)	-46%
<b>Current Assets</b>	<b>31 370</b>	<b>26 752</b>	<b>4 618</b>	<b>17%</b>
Inventories	22 936	19 295	3 641	19%
Receivables	3 814	3 784	30	1%
Prepayment	4 542	3 366	1 175	35%
Insurance Fund	0	0	0	0%
Cash & Cash Equivalents	79	307	(229)	-74%
<b>Total Equity &amp; Liabilities</b>	<b>562 758</b>	<b>569 564</b>	<b>(6 805)</b>	<b>-1%</b>
<b>Equity &amp; Liabilities</b>				
<b>Capital &amp; Reserves</b>	<b>(194 769)</b>	<b>(200 626)</b>	<b>5 857</b>	<b>-3%</b>
Share Capital	54 774	54 774	0	0%
Revaluation Surplus	163 557	163 802	(245)	0%
Accumulated Profit(Loss)	(413 100)	(419 202)	6 102	-1%
<b>Non-Current Liabilities</b>	<b>87 185</b>	<b>114 129</b>	<b>(26 943)</b>	<b>-24%</b>
Interest Bearing Debt	79 131	106 075	(26 943)	-25%
Retirement Benefit Obligation	8 054	8 054	(0)	0%
		0		
<b>Current Liabilities</b>	<b>670 342</b>	<b>656 061</b>	<b>14 281</b>	<b>2%</b>
Payables	88 267	125 723	(37 456)	-30%
Loans From Shareholders	524 118	478 307	45 811	10%
Other Financial Liabilities	50 419	45 715	4 704	10%
Provisions	4 795	3 570	1 225	34%

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VAT Payable	1	5	(3)	100%
Deferred Income	2 741	2 741	0	0%

#### 5.1.1 Property Plant and Equipment

Property Plant and Equipment assets decreased by R 10, 5 million (2%) from R 507, 8 million (30 June 2022) to R 497, 3 million as at 31 December 2022 due to normal depreciation and for the period.

#### 5.1.2 Intangible assets

Intangible assets decreased by R 0, 9 million (47%) from approximately R 1, 8 million (30 June 2022) to approximately R 1, 0 million as at 31 December 2022. This was due to normal amortization of intangible assets.

#### 5.1.3 Inventory

Inventory increased by approximately R 3, 6 million (19%) from R 19, 3 million (30 June 2022) to R 22, 9 million as at 31 December 2022 due increased inventory purchases clear the out of commission buses. The inventory list is reviewed on a monthly basis to avoid overstocking and obsolescence. When purchasing inventory, the entity uses the minimum and maximum stock levels in order to prevent over stocking and inventory becoming obsolete.

#### 5.1.4 Receivables

Receivables increased by approximately R 30 000 (1%) from R 3, 8 million (30 June 2022) to R 3, 8 million as at 31 December 2022. This was due to delays in payment on the Eldorado contract. The average collection period was 48 days due to disputed invoices by other related entities.

#### 5.1.5 Prepayments

Prepayments represents payments made in advance in respect insurance and bus licenses. This is amortised on a monthly basis. Prepayments increased by R 1, 2 million (35%) from

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R 3, 4 million (30 June 2022) to R 4, 5 million (31 December 2022) due to increase in the number of buses renewed and increase in license fees charges.

#### **5.1.6 Interest bearing debt (Non-current liabilities)**

The interest bearing debt decreased by R 26, 9 million (25%) from R 106, 1 million (30 June 2022) to R 79, 1 million (31 December 2022) due to loan repayments. This amount is made of loans given by the City to the entity for purchase of buses.

#### **5.1.7 Trade payables**

Trade payables position decreased by R 37, 5 million (30%). As at 30 June 2022, Metrobus owed over R 125, 7 million. This has decreased to R 88, 3 million (31 December 2022). The decrease in trade payables is due to payments of most suppliers during the period.

#### **5.1.8 Loans from shareholders**

The loan from shareholder position increased by R 5, 8 million (10%). As at 30 June 2022, Metrobus owed R 478, 3 million to the City. This has increased to R 524, 1 million during the financial period ending 31 December 2022 due to payments made through the sweeping account. The entity and the City Treasury department are currently in the process of finalizing the debt to equity process which requires the Board and Council approval before it is finalized. This has the potential to significantly change the solvency structure of the entity once completed.

#### **5.1.9 Other financial liabilities**

Other financial liabilities position increased by R 4, 7 million (10%). As at 30 June 2022 Metrobus owed R 45, 7 million to the City and this increased to R 50, 4 million (31 December 2022) due to repayments made during the period.

#### **5.1.10 Provisions**

The provisions for performance bonuses increased by R 1, 2 million (34%). At 30 June 2022, the provisions for bonuses were R 3, 6 million. This has increased to R 4, 8 million during the

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financial period ending 31 December 2022 due to increased number of employees employed on performance contract. Leave provisions are classified as trade payables as they are certain and not based on estimates.

#### **5.1.11 Accumulated Losses**

The entity has accumulated loss position improved by R 6, 1 million from R 419, 2 million as at the end of June 2022 to R 413, 1 million as at 31 December 2022. This was driven by the surplus of R 6, 1 million made during the period.

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5.2 Statement of Financial Performance and high-level notes

Table 24: Statement of Financial Performance

	A	B	C	D	E	F	A - B	A - C	D - E
Descriptions	Q2 Actual (R000's)	Q2 Budget (R000's)	Q2 Prior Year (R000's)	YTD Actual (R000's)	YTD Budget (R000's)	Prior Year YTD (R000's)	Q2 2022 Variance to Budget (R000's)	Q2 Variance to Prior Year (R000's)	YTD Variance to Budget (R000's)
<b>Revenue</b>	<b>171 381</b>	<b>172 285</b>	<b>173 289</b>	<b>332 147</b>	<b>344 571</b>	<b>349 704</b>	<b>(904)</b>	<b>(1 908)</b>	<b>(12 423)</b>
<b>Grants and subsidy</b>	150 732	150 732	167 621	301 463	301 463	335 242	0	(16 889)	0
<b>Fare revenue</b>	20 540	20 965	5 574	30 562	41 929	14 343	(425)	14 966	(11 367)
<b>Sundry revenue</b>	109	589	94	122	1 178	119	(480)	15	(1 057)
<b>Direct costs</b>	<b>38 469</b>	<b>34 210</b>	<b>33 689</b>	<b>75 371</b>	<b>68 421</b>	<b>64 908</b>	<b>(4 259)</b>	<b>(4 781)</b>	<b>(6 950)</b>
<b>Diesel</b>	22 449	17 110	19 656	51 175	34 221	25 492	(5 339)	(2 794)	(16 954)
<b>Rep &amp; Maint.</b>	6 927	10 995	11 990	9 400	21 990	32 989	4 068	5 063	12 590
<b>Other</b>	9 093	6 105	2 042	14 796	12 210	6 427	(2 988)	(7 051)	(2 586)
<b>Margin</b>	<b>132 911</b>	<b>138 075</b>	<b>139 600</b>	<b>256 776</b>	<b>276 150</b>	<b>284 796</b>	<b>(5 163)</b>	<b>(6 689)</b>	<b>(19 373)</b>
<b>Expenses</b>	<b>128 770</b>	<b>126 916</b>	<b>127 762</b>	<b>229 842</b>	<b>253 832</b>	<b>210 814</b>	<b>(1 854)</b>	<b>(1 008)</b>	<b>23 989</b>
<b>Staff</b>	103 980	83 748	94 575	180 556	167 496	158 537	(20 232)	(9 405)	(13 060)
<b>Depreciation</b>	12 376	16 906	12 934	24 753	33 811	27 356	4 529	558	9 059
<b>Property expenses</b>	1 531	5 620	3 041	2 891	11 240	4 585	4 089	1 510	8 349
<b>Security</b>	-	82	191	288	163	652	82	191	(125)

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<b>Consultants</b>	43	862	3 372	1 565	1 724	3 151	819	3 330	159
<b>Bad debts</b>	-	-	-	-	-	-	0	0	0
<b>Bus rental</b>	-	375	-	-	750	-	375	0	750
<b>Licences buses</b>	2 751	2 070	2 053	5 029	4 140	1 864	(681)	(697)	(889)
<b>Insurance</b>	-	3 159	7 099	-	6 319	4 247	3 159	7 099	6 319
<b>Legal expenses</b>	584	782	94	1 183	1 564	401	197	(490)	380
<b>Audit fees</b>	1 572	1 362	1 785	2 081	2 723	2 554	(210)	213	642
<b>Computer costs</b>	2 564	1 578	7	3 258	3 155	1 238	(987)	(2 557)	(102)
<b>Marketing</b>	1 683	2 945	368	4 783	5 890	3 759	1 262	(1 315)	1 106
<b>Telecommunications</b>	23	813	187	270	1 627	263	791	164	1 357
<b>Other costs</b>	<b>1 663</b>	<b>6 615</b>	<b>2 054</b>	<b>3 187</b>	<b>13 230</b>	<b>2 207</b>	<b>4 952</b>	<b>391</b>	<b>10 043</b>
<b>Operating result</b>	4 141	11 159	11 839	26 934	22 318	73 982	(7 018)	(7 697)	4 616
<b>Interest paid</b>	10 424	11 159	6 259	20 832	22 318	15 534	735	(4 165)	1 486
<b>Total Expenditure</b>	<b>177 663</b>	<b>172 285</b>	<b>167 709</b>	<b>326 045</b>	<b>344 571</b>	<b>291 256</b>	<b>(5 378)</b>	<b>(9 954)</b>	<b>18 526</b>
<b>Surplus / Deficit</b>	<b>-6 282</b>	<b>0</b>	<b>5 580</b>	<b>6 102</b>	<b>0</b>	<b>58 448</b>	<b>(6 282)</b>	<b>(11 862)</b>	<b>6 102</b>

### **5.2.1 Overview**

The operating budget was rebased during the 2021/22 Adjustment Budget period, this rebasing resulted in a reduction of R 107, 9 million on operating expenditure budget and the corresponding reduction on grants and subsidies for the 2022/23 financial period (the rebasing in the 2021/22 period was a reduction of R 153 million). The City has requested that the budget be further rebased by reducing by a further R 129, 2 million. The pending budget rebase of R 129, 2 million communicated by the City in its 2022/23 budget adjustment will have serious negative implications on the operations. Metrobus may have to reduce its operations in line with the budget in order to avoid unauthorised expenditure resulting from overspending the total budget. Metrobus submitted to the City a deviation effectively reducing operations by 35%.

Metrobus recorded a surplus of R 6, 1 million for the six months financial period ending 30 december 2022. The operating expenditure budget was underspent by R 18, 5 million (5%) due to cost containment, delays in some of the procurement processes and some of the costs are cyclical. Spending is likely to increase once most of the tenders are finalised.

### **5.2.2 Fare Revenue**

The fare revenue recorded a shortfall of R 11, 4 million for the six months financial period ending midyear. The entity recorded R 30, 5 million against the target fare revenue of R 41, 9 million. The fare revenue was expected to improve in the following quarters due to the increased marketing and publicity efforts by management. However, the pending budget rebase will result in reduced operations and therefore reduced fare revenue. Management will continue to make concerted efforts by running blitz and increased inspections to improve the revenue collection and protection.

Factors contributing to the revenue shortfalls includes the following:

- COVID-19: The overall decrease in passenger as fewer passengers are travelling;

- Declining economic conditions which has resulted in increased unemployment and less people travelling.;
- Underperformance in terms of private hires and contracted services

### **5.2.3 Diesel**

Diesel costs for the midyear financial period was R 16, 9 million above budget. The 2022/23 diesel budget was approved by the City using an incorrect base resulting from the 2021/22 budget rebase. The trend in diesel expenditure shows that the diesel budget will be exhausted before the end of the financial year. Management intended to request a budget increase on diesel during 2022/23 budget adjustment process but the city requested a budget cut. The matter has been escalated to the City's Budget Office through a budget deviation report with supporting evidence explaining the impact that this budget rebase will have on the entity if the correct base is not applied. The entity is still awaiting for feedback.

### **5.2.4 Repairs and maintenance**

Repairs and maintenance for the midyear financial period were R 12, 6 million below budget due to delays in completing the repair of buses by the external suppliers. The entity continues to make concerted efforts aimed to reduce the number of out of commission buses. The entity continues to make concerted efforts aimed to reduce the number of out of commission buses.

### **5.2.5 Other direct expenses**

Other direct expenses consists of detergents, oils, antifreeze, tyre expenses, hire of equipment and fleet costs for small vehicles. Other direct expenses for the midyear financial period were over budget by R 2, 5 million due to increased tyre expenses.

### **5.2.6 Staff costs**

The actual staff costs for the midyear financial period were R 13, 1 million above budget. The staff cost budget was reduced by R 47, 0 million during the 2021/22 budget rebase resulting in the entity not having adequate funds to fill all the vacant positions. The proposed budget

rebase requires the entity to reduce the salaries budget by a further by R 18, 0 million. This is an impossible task as the salaries budget is already overspent. Management shall present the budget adjustment implications during the 2022/23 budget adjustment discussions in January 2023.

#### **5.2.7 Depreciation and amortization expense**

Depreciation and amortization expense by midyear was R 9, 1 million below budget due to asset write-offs and asset disposals in the previous financial year.

#### **5.2.8 Property expenses**

Savings of R 8, 3 million were realized on property expenses due to savings on water, electricity and rental charges by midyear. The rental budget shall be reallocated as there is no longer any intention for the head office to be relocated in the near future.

#### **5.2.9 Leasing of buses**

No buses were leased during the quarter as the service providers appointed failed to meet the specifications as per the tender advertisement. As a result, the entity is in a process to deviate as we have struggled to appoint successfully by following the normal procurement processes more than once.

#### **5.2.10 Licenses for buses**

Bus licenses for the quarter were R 0, 9 million below budget, this was caused by some buses which were selected for scrapping resulting in savings in licensing fees.

#### **5.2.11 Insurance charges**

Insurance charges recorded a saving of R 6, 3 million, this was caused by delays in appointment of an insurance service provider by the City.

### 5.2.12 Audit fees

Audit fees recorded an R 0, 6 million underspending by midyear. The budget for audit fees allocated evenly over the year and this will result in some timing differences as the external audit turn to concentrate on specific periods.

### 5.2.13 Finance charges / Interest paid

Finance charges were R 1, 5 million below budget for the period due to the lower loan capital base resulting repayments made to the sweeping account and loans with the City. Finance charges on loans are paid on a quarterly basis.

### 5.2.14 Other costs

Other expenses include repairs and maintenance of buildings and equipment, operating lease charges, bank charges, membership fees and stationery. Other costs were R 10, 0 million below budget by midyear quarter as less repairs and maintenance of buildings and equipment were made during the period.

## 5.3 Cash flow statement for the period ended 31 December 2022

**Table 25: Summary Cash Flow**

Cash flow	31-Dec-22	30-Jun-22
	Actual (R'000)	Actual (R'000)
<b>Net Cash Flow from Operating Activities</b>	<b>(23 309)</b>	<b>(73 495)</b>
Grants & subsidies	301 463	517 074
Other income	30 684	48 152
<b>Cash received from grants and income</b>	<b>332 147</b>	<b>565 226</b>
Employee costs	(180 556)	(363 716)
Suppliers	(154 069)	(245 842)
Finance costs	(20 832)	(29 164)
<b>Cash paid to employees, suppliers and finance costs</b>	<b>(355 456)</b>	<b>(638 722)</b>
<b>Cash employed in investment activities</b>	<b>(491)</b>	<b>(34 800)</b>
Expanding of Capital Base	(491)	(1 094)
<b>Movement of insurance fund</b>	<b>0</b>	<b>0</b>

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Cash from financing activities	23 571	108 518
Other financial liabilities	(22 239)	(41 431)
Movement of sweeping account	45 811	149 949
Insurance liability	0	0
<b>Cash Flow From Activities</b>	<b>(229)</b>	<b>(220)</b>
<b>Net Increase / (Decrease) In Cash &amp; Bank Balances</b>	<b>(229)</b>	<b>223</b>
<b>Cash &amp; Bank Balances Beginning of the Year</b>	<b>307</b>	<b>84</b>
<b>Cash &amp; Bank Balances End of the Period</b>	<b>79</b>	<b>307</b>

#### Analysis of cash flow

The entity has experience serious cash flow challenges in the recent period. The City and its entities is facing serious cash flow challenges. Any funds deposited into the bank account is swept on the same day into the City's bank account. The city will then avail funds to the entity based on entity's cash forecast. Recently the City is experiencing cash flow challenges resulting less funds allocated to Metrobus. The entity is having challenges in paying some of the critical suppliers including the diesel suppliers. If this situation continues, this may result in reputational damages and possible interest charges to Metrobus.

The entity has reported a positive cash balance at the end of the period of approximately R 79 000 influenced mainly by the positive net cash flow from financing activities of R 23, 6 million. Actual cash spent on capital expenditure for the period under review is approximately R 0, 5 million excluding commitments. There was a cash outflow of R 23, 3 million from operating activities resulting from payments of suppliers and employees.

#### 5.4 Ratio Analysis

Table 26: Ratio Analysis

Description	31-Dec-22	30-Jun-22	Target
Solvency Ratio	0.33:1	0.29:1	0.1
Current ratio	0.05:1	0.05:1	1.5:1
Acid test	0.01:1	0.01:1	01:01
Gearing Ratio* (only considering shareholder loan)	109%	101%	45%

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<b>Gearing</b>	303%	284%	45%
<b>Cost coverage ratio</b>	9%	6%	50%
<b>Cost coverage ratio – excluding subsidy</b>	34.21	23.62	182.50
<b>Cost coverage ratio – including subsidy</b>	371.83	326.74	365.00
<b>Employee related costs to total expenditure</b>	55%	54%	40%
<b>Repairs to total expenditure</b>	4%	8%	8%
<b>Repairs to PPE</b>	2%	3%	8%
<b>Interest cover</b>	1.29	-1.42	1.50
<b>Training spent against skills levy</b>	91%	41%	1%
<b>Total expenditure against budget</b>	95%	102%	100%
<b>Total capex against budget</b>	2%	74%	95%

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.

#### 5.4.3 Solvency:

Solvency is a measure of a company's ability to service its debts. The net liability position of Metrobus has improved during the financial year. The net liability position improved from R 200, 6 million (30 June 2022) to R 192, 4 million as at 31 December 2022. The entity's solvency ratio was calculated at -0.3: 1 (2021/22: -0.3: 1).

#### 5.4.4 Liquidity:

Liquidity ratio measures the company's ability to pay off current debt obligations using its current assets. The entity was overdrawn on its sweeping account by approximately R 524, 1 million (2021/22: R 478, 3 million). The overdraft was due to the accumulated losses over the years resulting from fare revenue shortfall as well as capital expenditure incurred with respect to a new fleet procurement of buses that was procured in prior years.

## **5.5 Capital Projects & Expenditure**

The shareholder approved capital expenditure budget amounting to R 60, 0 million for various capital projects of which R 1 million was for the procurement of the Automated Fare Collection system (AFC). The bulk of the total capital budget is for bus refurbishment and ICT projects. The City has requested that the capital expenditure budget rebase through by 25%. The entity managed to spend R 491 000 (2%) against the target of R 30 million. After taking into consideration commitments valued at R23, 7 million the entity recorded spending and commitments of 41% of the total budget. The spending on capital projects was delayed due to delays in user departments finalizing their procurement processes.

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Table 27: Summary Capital Projects

Project Name	Approved Budget (R 000's)	Midyear Budget (50%0 (R 000's)	Quarter 1 Actual (R 000's)	Quarter 2 Actual (R 000's)	Midyear Actuals (R 000's)	Commitments (R 000's)	YTD spent including commitment (R 000's)	YTD spent excl commitments on mid year budget %	% Spent including commitments on total budget %	Project Status
Plant, tools, equipment & Furniture	2 000	1 000	-	-	-	-	-	0%	0%	Procurement is in progress
IT Equip, New Computers and Hardware Computer	30 000	15 000	-	-	-	23 718	23 718	0%	79%	Procurement is in progress
Engine and Gear box refurbishment	5 000	2 500	289	202	491	-	491	20%	10%	Procurement is in progress
Bus Refurbishment	22 000	11 000	-	-	-	-	-	0%	0%	Procurement is in progress
Automated Fare Collection (AFC)	1 000	500	-	-	-	-	-	0%	0%	Procurement process is in progress
<b>Total Capital expenditure</b>	<b>60 000</b>	<b>30 000</b>	<b>289</b>	<b>202</b>	<b>491</b>	<b>23 718</b>	<b>24 209</b>	<b>2%</b>	<b>40%</b>	
<b>Less: Procurement for by City (AFC)</b>	<b>1 000</b>	<b>500</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>0%</b>	<b>0%</b>	

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Adjusted Capital Expenditure	59 000	29 500	289	202	491	23 718	24 209	2%	41%	
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**Table 28: Status update on Capital Project**

<b>Project Name</b>	<b>Project Status</b>
<b>Plant, machinery and tools</b>	The procurement of the break testing machine was at the evaluation phase of the project (BEC)
<b>Bus Refurbishment</b>	Bus refurbishment project is at the planning phase
<b>Engine and Gear box refurbishment</b>	The gearbox tender was awarded and this project is at the implementation phase. The engine tender is at the execution phase.
<b>IT Equip, New Computers and Hardware Computer</b>	All the projects are at the planning phase
<b>AFC</b>	This project is at the planning phase and is being undertaken by the City's Department of Transport/MTC

## **5.6 Supply Chain Management (SCM) & Compliance Matters)**

### **5.6.1 Irregular, Fruitless and wasteful expenditure**

Irregular expenditure recorded for the six months financial period ending on 31 December 2022 amounts to R 2 200 485, 39 (Q1: R1,1m, Q2: R1,1m). Total prior year irregular expenditure amounted to R2 999 792, 95. There was no fruitless and wasteful expenditure during the period under review; neither was any fruitless and wasteful expenditure was recorded in the prior year. Any irregular, unauthorized, fruitless and wasteful expenditure which might not have been reported will be disclosed immediately as and when discovered.

**Table 29: Reconciliation of irregular expenditure**

RECON OF IRREGULAR EXPENDITURE	2022/23 (R) 000'	2021/22 (R) 000'
Opening Balance	337 704	288 467
Irregular Expenditure by Quarter		
Quarter 1 :	1 122	
Quarter 2:	1 078	12 107
Quarter 3:		
Quarter 4:		
Prior year - (Unaudited)		2 999
Overspending of Approved Budget		34 131
Written Off		
Closing balance	339 904	337 704

**Table 30: Details of Irregular expenditure by Mid-year 2022/23**

Company Name	Description of Incident	Status	Amount (R) 000'
<b>Afrirent</b>	AGSA Finding: Regulation 36 contract was irregular from the centralized contract at the City.	Investigation will be done at City Level.	<b>1 647</b>
<b>Avis</b>	AGSA Finding: Regulation 36 contract was irregular from the centralized contract at the City.	Investigation will be done at City Level.	<b>553</b>
			<b>2 200</b>

### 5.6.2 Awards where there were no three quotes

Below are awards where less than three (3) quotes were obtained approved for the period under review:

**Table 31: Awards were there were no three quotes**

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

### 5.6.3 Deviations

There were two deviations approved for the period under review.

**Table 32: Deviations**

Company Name	Description	Applicable Regulation	Approved Amount (R) 000'
<b>E-Bus</b>	Procurement of ink rollers for the wayfarer machines	Where such goods or services are produced or available from a single provider only. Regulation 36 (1) (a) (ii)	R200
<b>Chippa Training Academy Refueo Security JV</b>	Procurement of security and inspection services.	Where such goods or services are procured in an emergency or in case where it is impractical or impossible to follow official procurement processes. Regulation 36 (1) (a) (ii) and (v)	R41 000
<b>Total</b>			<b>R41 200</b>

**5.6.4 Expenditure on BBBEE and SMME's**

Total procurement for the six months period ending 31 December 2022 amounting to R98 368 009 was procured by the organization. The total BBBEE expenditure was R95 762 213 which was 97.0% of the total procurement expenditure. A total number of 91 SMMEs has also been supported up to thus far with a total spend of R91 490 245 for the period under review.

**Table 33: BBBEE procurement breakdown**

Details	Spent (R' 000)
Total Procurement	98 368
Actual BBBEE Spent	95 762
% Actual BBBEE Spent	97,0%

**Table 34: SMMEs supported**

	Number of supplier supported	AMOUNT
	Mid-Year	R'000
Total Procurement	104	98 368
BBBE Procurement	97	95 762
SMME Supported	91	91 490

### 5.6.5 Performance against procurement plan

**Table 35: Procurement Plan**

Departments	No. of tenders per Department	Not funded	Appointment	Specification	Audit Probability (BSC)	Advertising	Pre Evaluation	Evaluation	Audit probability (BEC)	Adjudication	Awarded
Finance	4	1	1							1	1
TSD	21	8	4	1				1	3	2	2
Corporate Services	14	1	7	3				1	1	1	
Operations	14	5	9								
ICT	7	4	3								
Office of the MD	6	-	5	1							
<b>Total</b>	<b>66</b>	<b>19</b>	<b>29</b>	<b>5</b>				<b>2</b>	<b>4</b>	<b>4</b>	<b>3</b>

### 5.6.6 Contract Management

**Table 36: Contract Management**

Departments	No. of active contracts per Department	Contracts expiring in 3-6< months	Contracts expiring in >6-12 months	Contracts expiring in >12 months
<b>Finance</b>	0	0	0	0
<b>IBO</b>	17	2	1	14
<b>Corporate Services</b>	9	1	0	8
<b>ICT</b>	7	1	0	6
<b>Office of the MD</b>	5	4	0	1
<b>Total</b>	<b>38</b>	<b>8</b>	<b>1</b>	<b>29</b>

## 5.7 Payments

### 5.7.1 Payments within 30 days

**Table 37: Reconciliation of invoices outstanding for more than 30 days**

Description		Q1	Q2	Total
		(R000's)	(R000's)	(R000's)
Total payments made	A	124 626	122 334	246 960
Invoices paid within 30 days	B	120 017	111 285	231 302
Invoices not paid within 30 days due to invoice issues	C	4 609	11 049	15 658
Invoices paid outside 30 days with no valid reason	D	0	0	0
Compliance percentage	B/A	96.30%	90.97%	93.66%

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 third quarter of the 2022/23 financial year.

## 5.8 Amounts Owed By and To Government Departments and Public Entities

Period	Department	Contact person	(R'000)	Comments
Dec-22	Social Development	Zahin Anandlal	299	Amount owed by Social Development. Still awaiting payment
Dec-22	GCSS	Graeme Reuters	7	Amount owed by Mayor's Office. Still awaiting payment
Oct-22	Events Management EMS	Itumeleng Mankge	52	Amount owed by Events Management - EMS. Still awaiting payment
Dec-22	Social Development	Emmanuel Mashinini	2	Amount owed by Social Development. Still awaiting payment.

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	<b>Total</b>		<b>360</b>	
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**5.9 Amounts Owed to Metrobus by CoJ and Entities (Intercompany)**

Period	Department	Contact person	(R'000)	Comments
<b>Dec-22</b>	GCSS	Graeme Ruiters	32 047	This is part of the balance owed by the City due to Post-Retirement Medical Aid Benefit and is evaluated on annual basis. This is not expected to flow to the entity as this benefit is managed by the City.
	<b>Total</b>		<b>32 047</b>	

**5.10 Amounts Owed by Metrobus to CoJ Core Departments (Intercompany Liabilities)**

Period	Department	Contact person	(R 000's)	Comments
<b>Dec-22</b>	Treasury	Lilian Siala	463 393	Sweeping account
<b>Dec-22</b>	Treasury	Sandile Manondo	130 638	Capital Creditors - CoJ 2016
<b>Dec-22</b>	(GRASS)	Amelia Schoeman	0	Insurance
<b>Dec-22</b>	Revenue CRM	Nyanisi Joseph Nhlapo	8 578	Water disputer with City's Revenue Shared Services.
<b>Dec-22</b>	Payroll	Andre Kemp	89 950	Salaries reimbursement payable to GCSS.
<b>Dec-22</b>	GCSS	Graeme Ruiters	8 218	Security salaries payable to GCSS.

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<b>Dec-22</b>	GCSS	Graeme Ruiters	6	Fleet : Fuel
	<b>Total</b>		<b>700 783</b>	

## **CHAPTER 6: INTERNAL & EXTERNAL AUDIT FINDINGS**

### **6.1 Introduction**

The Internal Audit Function's (IAF's) mandate stems from Section 62(1)(c)(ii) of the Municipal Finance Management Act, 2003 (Act 56 of 2003) which states that the Accounting Officer must ensure that the institution has and maintains a system of internal audit operating in accordance with any prescribed norms and standards. Furthermore, Section 165(1) which states that each municipal entity must have an internal audit unit subject to subsection (3). Section 165(2) states that the internal audit unit of a municipal entity must prepare a risk based audit plan and an IA program for each financial year.

The primary objective of the IAF is to provide a comprehensive service to ensure adequate measures and procedures are in place for sound economic, effective and efficient management as required by the Municipal Finance Management Act (Act 56 of 2003), Companies Act 71 of 2008, Public Audit Act, Standards of Generally Recognized Accounting Practice (GRAP) and King IV.

### **6.2 Staff Establishment**

**Table 38: Staff establishment**

Name of Person	Position
Yaasir Haffejee	Chief Audit Executive
Serame Mothupi	Internal Audit Specialist
Lebogang Mokoena	Specialist: Risk and Compliance

### **6.3 Progress against the 2022/23 Internal Audit Plan**

The table below summarizes the IAF's progress against the 2022/23 IA Plan for Quarter 1-2.

**Table 39: IAF’s Progress**

Name of Internal Audit Project	Performed By	Fieldwork Completed	Audit Report Issued	Audit Project Status
Annual Performance Report	Metrobus IAF	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
AFS		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reported at Special ARC and Board Meeting				
Q1 Performance Information		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Follow Up Findings Review		Refer to Section 11		
Quarterly Assessment		Refer to Section 12		
OHS		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SCM		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Stakeholder Management		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fleet	Co Sourced	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**6.4 Progress against Approved Ad-Hoc- Projects**

The table below summarizes the IAF’s progress against all approved ad-hoc project requests during the Quarter:

**Table 40: Progress against Approved Ad-Hoc Projects**

Name of Internal Audit Project	Performed By	Report Included	Fieldwork Completed	Audit Report Issued	Audit Project Status
Probity Review *3	Metrobus IAF	Submitted to C:BAC	●	●	●
Investigation Reports * 10	Metrobus IAF	EMT/ARC	●	●	●

**6.4 Limitation of Scope and Exclusions**

There were no material limitations of scope identified.

## 6.5 Opinion on Control

### 6.5.1 Rating Summary – Controls Opinion

For the purposes of this report, the audit conclusions have been classified as follows:

**Table 41: Opinion rating summary**

Opinion Rating	Definition	Audit opinion
	Controls appear to be adequate	Satisfactory
	Controls require improvement	Partially Satisfactory
	Controls appear to be inadequate	Unsatisfactory

### 6.5.2 Rating Summary – Detailed Audit Findings

For the purposes of this report, the audit findings, have been classified as follows:

**Table 42: Summary classification of audit findings**

Significant Matters	Other Important Matters	Administrative Matters
Issues referring to important matters that are fundamental to Metrobus’s system of internal control. We believe that the matters observed might cause a business objective not to be met or leave a risk unmitigated and need to be addressed as a matter of urgency.	Issues referring mainly to matters that have an important effect on Metrobus’s controls, but do not require immediate action. A business objective may still be met in full or in part or a risk adequately mitigated, but the weakness represents a significant deficiency in the system.	Issues arising that would, if corrected, improve Metrobus’s internal control in general, but are not vital to the overall system of internal control.

## 6.6 Follow up of IAF and AGSA Findings

### 6.6.1 Progress on Internal Audit Findings and Reviews 2021/22

As at 31 December 2022, 32% of findings (net of accepted findings) have been addressed

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Category	Total	Accepted	Addressed	YTD Achievement	Details of Not Achievement
Fuel and Fleet Management	8	0	2	25%	Fleet Management Policy
HR	3	0	1	33%	The item that is required, is the review of Policies emanating from previous financial years and Leave Matters.
Revenue	6	1 AFC	0	0%	Wayfarer System needs to be replaced with AFC POS System to be Implemented Inadequate Cash Collection Controls (Robbery), Segregation of Duties
SCM	1	0	0	0%	30 Day Payment
Financial Discipline	2	0	1	50%	Inconsistent Reconciliation
IT	4	2 SAP, AFC	2	100%	Not Applicable
Stakeholder Management	5	0	3	60%	Stakeholder Management Policy Outstanding, Manual Customer Database, not Regularly Updated
OHS	8	0	1	14%	All remaining matters are due towards the end of Q 3-4
<b>Total</b>	<b>37</b>	<b>3</b>	<b>9</b>	<b>32% of Findings</b>	

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## 6.6 External Audit Findings

### 6.7.1 Progress on Resolution of External Audit Findings-2020/21

Category	Total	Addressed	Not Addressed	Comments
Annexure A	3	2	1	AoPO-Control Weakness
Annexure B	27	24	3	Critical Vacancies, Unsupported Systems, Outstanding Policies, Performance
<b>Total</b>	<b>30</b>	<b>26</b>	<b>4</b>	
<b>Achievement: 87%</b>				

## 6.8 Overall Quarter Opinion on Controls

Overall Rating of Internal Controls	Description
Partially adequate	☹️

The Board has delegated implementation of the entity's systems of risk management and internal controls to Executive Management. The internal control environment has been monitored throughout the year by Internal Audit and weaknesses identified in the control environment have been reported to management.

Based on the control deficiencies noted throughout the period, the IAF concludes that there are weaknesses in the control environment resulting in an overall rating of "Partially Adequate"

## 6.9 Risk Management

### 6.9.1 Risk Methodology

Metrobus has adopted the risk methodology of the City of Johannesburg (CoJ). The table sets out a description of the final residual risk ratings which are based on the likelihood and impact of a risk materialising.

**Table 43: Risk Ratings**

Rating	Recommendation
Very High	Requires immediate attention from management on implementation of corrective measures
High	Implementation of improvement opportunities and validation of current controls
Medium	Evaluation and improvement of current controls
Low	Validation and optimization of controls

### 6.9.2 Strategic Risks

Risk Assessments (Strategic and Operational) have assisted Management to identify potential risks, in order to anticipate and uncover circumstances that may have an adverse impact on the achievement of KPI's.

These assessments have also assisted Management in proper planning/alignment of implementation strategies as well as ensuring effective and efficient use of resources. The results of these Risk Assessments have been utilized to take proactive and preventative measures in addressing uncertainties/risks that could hinder achievement of the set goals.

The Risk Division within the Internal Audit Function (IAF) reports monthly to the Executive Management Team(EMT) and quarterly to the Audit and Risk Committee (ARC) and are guided by IAF and AGSA findings, the 2022 Business Plan and inputs from Management. On 01 July 2022 a total of 13 Strategic Risks were identified of which 7 were classified as residually very high, 3 classifies as medium and s as residually low.

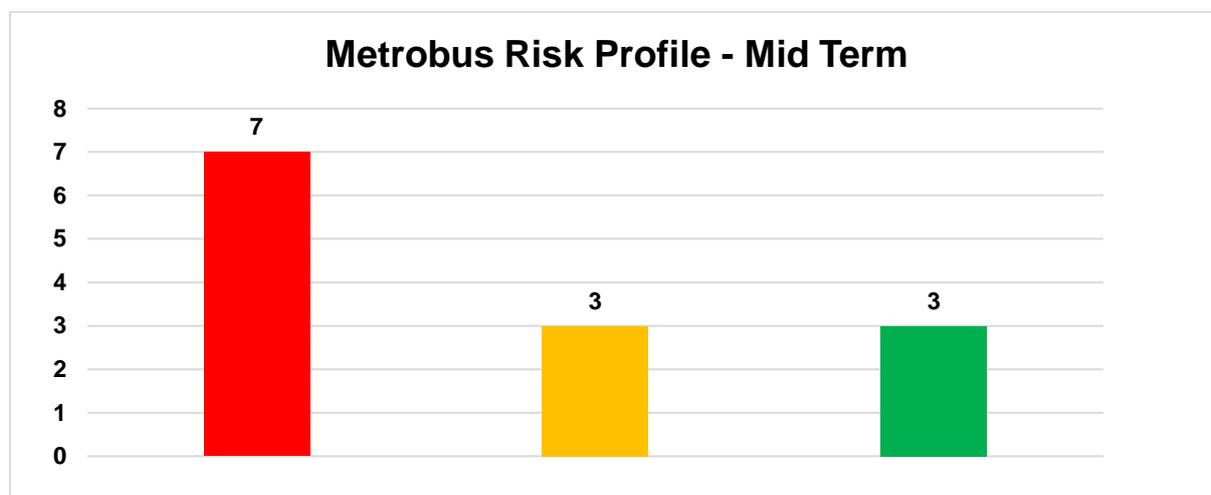
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The graph below illustrates the classification of the identified risks as at 31 December 2022.



The table below provides details of the strategic risks according to the predetermined strategic objectives as at 30 December 2022. There are 26 interventions planned for the 2022/23 Financial Year, of which six were due and in fact implemented during this period.

**Table 44: Strategic Risks**

Division	Total	Due to Date	Addressed
Strategy	2	0	0
IBO	6	1	1
Internal Audit	9	0	0
Finance	6	2	2
Corporate Services	2	2	1
ICT	1	1	1
<b>Total Interventions</b>	<b>26</b>	<b>6</b>	<b>5</b>

#### 6.9.3 Emerging Risks

Risk Description	Risk Rating	Controls
Insurance Contract SLA with Aon Current Expired as at 30 June 2022.		The COJ intends on resolving this matter by 30 September 2022

#### 6.9.4 Progress on Embedding Risks

Tracking and monitoring of the interventions due have been conducted for all the departments and the operational risk registers have been updated accordingly.

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##### 6.9.5 Insurance Incidents

There are currently 234 Open Claims on Buses (See Table Below for a breakdown of its composition). It is important that documentation relevant to the 34 claims highlighted below (Metrobus Responsibility) is submitted timeously. Upon, the re-activation of the insurance SLA, these claims, can then be timeously approved processed.

Total Claims Open	Service Provider Advices Awaited	Litigation	Insurer Advices Awaited	Client Advices Awaited	Admin
234	8	0	17	38	171

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## ANNEXURE A: IDP & SDBIP SCORECARD

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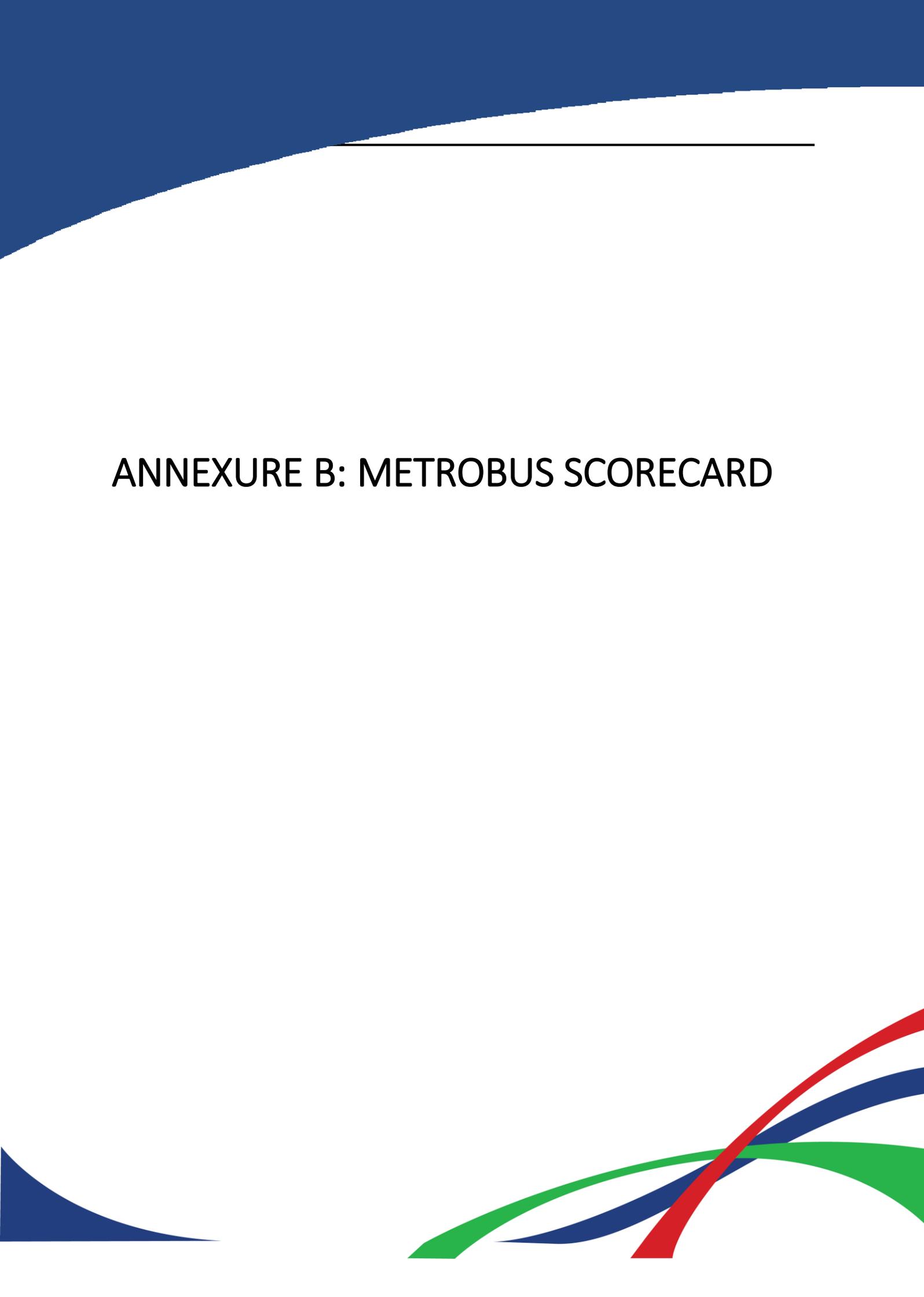
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Priority: A City that gets the basic right									
KPI NO.	KEY PERFORMANCE INDICATOR	BASELINE	2022/23 ANNUAL TARGET	2022/23 QUARTERLY TARGETS		2022/23 TOTAL BUDGET '000		Comments on progress (incl. justification for non-achievement)	Proposed tangible plan of actions (Mitigations)
				Q2 Target	Q2 Actual	Capex	Opex		
	Average number of Metrobus passenger trips per working day	14 315 Metrobus passenger trips per working day	15 000 Average number of Metrobus passenger trips per working day	15 000	18 887	-	<b>38 618</b>		

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# ANNEXURE B: METROBUS SCORECARD



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#### Program 1: Customer Services, Stakeholder Engagement and Communication

#	PIP	Key Performance Indicator	Baseline 2020/21	2022/23 Target	Q2 Target	Q1 Actual	Q2 Actual	Mid-Year Average	Means of verification and Key Interventions
1	A city that gets the basic right	% planned trips completed	100% planned trips completed	90% planned trips completed	90%	92%	92%	92%	Target met
2	A Business friendly	Average number of Metrobus passenger trips per working day	14 315 Metrobus passenger trips per working day	15 000 Metrobus passenger trips per working day	15 000	18 074	18 887	18 471	Target met
3	A city that gets the basic right	Blameworthy Accident Rate per 100 000 bus kilometers operated	Blameworthy Accident rate at <0.45 per 100 000 bus kilometers per month	Blameworthy Accident rate at <0.75 per 100 000 bus kilometers per month	<0.75	0.13	0.13	0.13	Target met
4	A Business friendly	% of service disruptions communicated	100% of service disruptions communicated	95% of service disruptions communicated	80%	100%	100%	100%	Target met
5	A city that gets the basic right	% complaints resolved within the timelines specified in the customer service charter	92% of complaints resolved within the timelines specified in the customer service charter	80% of complaints resolved within the timelines specified in the customer service charter	80%	92%	100%	96%	Target met
6	A city that gets the basic right	% Customer satisfaction	62% Customer satisfaction	70% Customer satisfaction	N/A	Not Assessed	Not Assessed	Not Assessed	Due in Quarter 4
7	A city that gets the basic right	% Achievement of service standards	100% Achievement of service standards	100% Achievement of service standards	100%	100%	100%	100%	Target met

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Program 2: Innovation and Green Economy

#	PIP	Key Performance Indicator	Baseline 2020/21	2022/23 Target	Q2 Target	Q1 Actual	Q2 Actual	Mid-Year Average	Means of verification and Key Interventions
8	Smart City	% Carbon emissions	Maintain hartridge units measurement at 14%	Maintain hartridge units measurement at 30%	30%	11%	25%	18%	Target met

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Program 3 Enterprise Development and Job Creation

#	PIP	Key Performance Indicator	Baseline 2020/21	2022/23 Target	Q2 Target	Q1 Actual	Q2 Actual	Mid-Year Average	Means of verification and Key Interventions
9	An inclusive city	Total number of SMMEs supported	101 SMME's supported	50 SMME's supported	20	68	91	91	Target met
10	An inclusive city	% of total expenditure spent on BBBEE	89% Expenditure spent on BBBEE	30% expenditure spent on BBBEE	30%	79%	97%	88%	Target met
11	An inclusive city	Total number of EPWP jobs created	234 EPWP Jobs created	200 EPWP jobs created	100	185	185	185	Target met

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Program 4: Financial Management, Viability and Sustainability

PIP	Key Performance Indicator	Baseline 2020/21	2022/23 Target	Q2 Target	Q1 Actual	Q2 Actual	Mid-Year Average	Means of verification and Key Interventions
12	A well run City % Spent on operating budget against approved operating budget	85% spent on operating budget against approved operating budget	100% spent on operating budget against approved operating budget	50% of quarter allocation	22%	24%	24%	Target not met
13	A well run City % spent on capital budget against approved capital budget	62% spent on capital budget against approved capital budget	100% spent on capital budget against approved capital budget	50% of total capex budget	1%	2%	2%	Target not met
14	A well run City % spent on repairs and maintenance to property, plant and equipment	New	8% spent on repairs and maintenance to property, plant and equipment	4% of quarterly budget	1%	2%	2%	Target not met
15	A well run City % reduction in unauthorised irregular, fruitless and wasteful (UIFW) expenditure incurred citywide	New	50% reduction in unauthorised irregular, fruitless and wasteful (UIFW) expenditure incurred citywide	30%	0	0	0	Target met

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16	A well run City	% of valid invoices paid within 30 days	New	100% of valid invoices paid within 30 days	100%	96,30%	90,97%	93,66%	Target not met
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Program 5: Operational Excellence

	PIP	Key Performance Indicator	Baseline 2020/21	2022/23 Target	Q2 Target	Q1 Actual	Q2 Actual	Mid-Year Average	Means of verification and Key Interventions
17	A city that gets the basic right	% resolution of Internal Audit Findings	New	100% resolution of Internal Audit Findings	30%	26%	32%	32%	Target met
18	A city that gets the basic right	% resolution of AGSA findings	62% resolution of AGSA findings	100% resolution of AGSA findings	100%	87%	87%	87%	Target not met
19	A city that gets the basic right	% fleet availability to operate scheduled trips met	128% fleet availability to operate scheduled trips met	90% of quarterly fleet requirement	90% of quarterly fleet requirement	96%	91%	94%	Target met
20	A city that gets the basic right	% implementation of the strategic risk management action plan findings resolved	83% implementation of the strategic risk management action plan findings resolved	100% implementation of the strategic risk management action plan findings resolved	100%	67%	83%	83%	Target not Met

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2 1		% of pre-determined objectives achieved	78% of pre-determined objectives achieved	85% achievement of pre-determined objectives achieved	85% achievement of pre-determined objectives achieved	85%	65%	75%	Target not met
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Program 6: Technology and Business Enablement

#	PIP	Key Performance Indicator	Baseline 2020/21	2022/23 Target	Q2 Target	Q1 Actual	Q2 Actual	Mid-Year Average	Means of verification and Key Interventions
2 2	Smart City	% Intelligent Transport System Projects	New	100% of Intelligent Transport Systems Projects	50%	0	38%	38%	Target not met

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## ANNEXURE B1: UNACHIEVED KPI's



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PIP	Unachieved Key Performance Indicator	Key Enablers	Key Interventions
12 A well run City	% Spent on operating budget against approved operating budget	<ul style="list-style-type: none"> <li>• Procurement Planning</li> <li>• Procurement Process</li> <li>• Project Planning</li> <li>• Scheduling of R&amp;M</li> </ul>	<ul style="list-style-type: none"> <li>• Pre-performance year completion of procurement processes</li> <li>• Robust Vendor management through SLAs</li> </ul>
13 A well run City	% spent on capital budget against approved capital budget	<ul style="list-style-type: none"> <li>• Market Intelligence</li> <li>• Procurement Planning</li> <li>• Procurement Process</li> <li>• Project Management</li> </ul>	<ul style="list-style-type: none"> <li>• Pre-performance year completion of procurement processes</li> <li>• Robust Vendor management through SLAs</li> </ul>
14 A well run City	% spent on repairs and maintenance to property, plant and equipment	<ul style="list-style-type: none"> <li>• Expenditure Planning</li> <li>• Timeous award of tenders</li> </ul>	<ul style="list-style-type: none"> <li>• Approval of Repairs and Maintenance policy with R&amp;M schedules including corrective and preventative maintenance</li> </ul>
16 A well run City	% of valid invoices paid within 30 days	<ul style="list-style-type: none"> <li>• Validity of Invoices</li> <li>• Vendor Compliance documents</li> <li>• Cash-Flow</li> </ul>	<ul style="list-style-type: none"> <li>• Efficient dispute resolution mechanism</li> <li>• Vendor Education</li> </ul>

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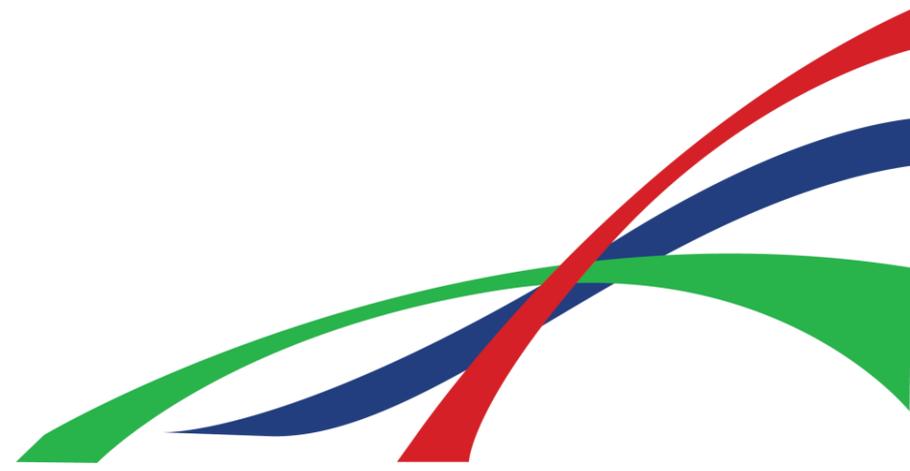
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18	A city that gets the basic right	% resolution of AGSA findings	<ul style="list-style-type: none"><li>• Approved Implementation plan</li><li>• Performance Contracting</li></ul>	<ul style="list-style-type: none"><li>• Robust performance and consequences management</li></ul>
20	A city that gets the basic right	% implementation of the strategic risk management action plan findings resolved	<ul style="list-style-type: none"><li>• Approved Risk register with an implementation plan</li><li>• Performance Contracting</li></ul>	<ul style="list-style-type: none"><li>• Robust performance and consequence management</li></ul>
22	Smart City	% Intelligent Transport System Projects	<ul style="list-style-type: none"><li>• End User Support</li><li>• Vendor Management</li><li>• Project Management</li></ul>	<ul style="list-style-type: none"><li>• End-user engagement</li><li>• SLA Management</li></ul>

Year

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# ANNEXURE C: SERVICE STANDARDS



# City of Johannesburg Metropolitan Municipality

## Metropolitan Bus Services (SOC) Ltd

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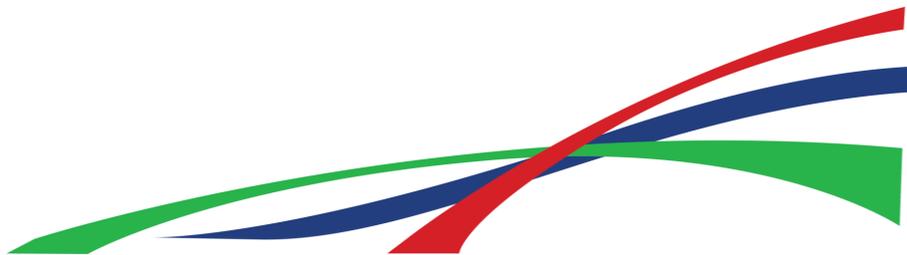
#### Service Standards

Core Service	Service Standard Target	Q1	Q2	Mid-Year
<b>% of scheduled public bus trip arriving on time</b>	90% arrival times	93%	94%	94%
<b>Bus timetable</b>	90-100% adherence to daily bus schedule (<5 min headway)	92%	92%	92%
<b>Safety of commuters</b>	100% compliance to health and safety legislation (1) Zero security incidents on buses (2) Zero Fatalities	100%	100%	100%
<b>Safety of commuters</b>	Enforcing of bus seating-standing in line with applicable regulations	100%	100%	100%
<b>Response time for walk in queries</b>	All queries acknowledged within 1 hour	All queries acknowledged within 1 hour	All queries acknowledged within 1 hour	All queries acknowledged within 1 hour

Year

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## ANNEXURE D: STRATEGIC RISK



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Key Performance Outcome	Key Performance Indicator	Risk Description	Risk Indicator	Residual Risk Exposure	Risk Owner	Interventions/ Actions to improve management of the risk	Time Scale	Progress to Date
<b>Programme 1: Customer Services, Stakeholder Engagement and Communication</b>								
A city that gets the basic right Business friendly	% Planned Trips Completed  Average number of Metrobus passenger trips per working day	Inability to Meet Scheduled Services and Collect Revenue	SR 1	Very High	IBO	1.1 100% implementation of Bus Maintenance Plans per Quarter  1.2 Communicate 100% of security incidents to JMPD	1.1 Quarterly, 100% to be Reported by 30 June 2023 1.2 Daily, 100% to be Reported by 30 June 2023	1.1 Not Due To Date <i>Progress</i>  Maintenance Plans are being implemented, however, due to the unavailability of spare parts, the number of OOC buses is increasing. 1.2 Not Due to Date <i>Progress</i> To date there has been no security incidents reported.
A city that gets the basic right	Blameworthy Accidents Rate per 100 000 bus kilometres operated	Inadequate Enforcement of good organisational culture by Management/Leadership	SR2	Very High	IBO	1.3 100% of all Drivers, who did not attend driver refresher training in the 2021/22 Financial Year attending a Refresher Training Course	1.3 31 December 2022	Partially Achieved Driver refresher training has been taken place on an ongoing basis. To date 14 employees attended training, with another 4 scheduled for February 2023.

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Business friendly	% Service Disruptions Communicated	Inadequate /Limited Effectiveness of Existing and Future Communication Channels	SR3	Medium	Strategy	1.4 All Complaints Recorded in Manual Complaints Register for follow up and resolution 1.5 100% of Complains resolved within the timelines specified in the Customer Service Charter	1.4 and 1.5 Daily 100% to be Reported by 30 June 2023	1.4 & 1.5 Not Due To Date <i>Progress</i> To date Metrobus has reported a 100% Achievement of this target.
A city that gets the basic right	% Complaints resolved within the timelines specified in the Customer Services Charter							
A city that gets the basic right	% Customer Satisfaction Index	Inadequate Enforcement of good organisational culture by Management/Leadership	SR2	Very High	IBO	1.6 Proposal for free Wi-Fi on busses submitted to EMT	1.5 30 September 2022	Achieved Wi-Fi proposal obtained from MTC
A city that gets the basic right	% Customer Service Standards					1.6. Same as 1.4		
<b>Programme 2: Innovation and Green Economy</b>								
Smart City	% Carbon Emissions	Inability to meet Carbon Emission Targets	SR 4	Low	IBO	2.1 Emission Testing by an External Service Provider 2.2. Replace Injection Systems after 60 000 Kms (Where Applicable- Category C and D Buses)	2.1 Quarterly, 100% to be Reported by 30 June 2023 2.2 Quarterly, 100% to be Reported by 30 June 2023	2.1 Not Due To Date <i>Progress</i> Emissions testing is being concluded quarterly and reported in the business plan. 2.2 Not due to Date <i>Progress</i> Currently, due to budgetary constraints, this process is not being 100% implemented.

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Programme 3: Enterprise Development and Job Creation								
An inclusive city	Total number of SMME's Supported	Inability to Attract Sufficient SMME's	SR 5	Low	CFO	3.1 Allocation of Budget for SMME Development. 3.2 80% Spend Against Budget. 3.3 1 Supplier Awareness Communications Regarding Fronting and the Consequences Thereof Published	3.1 1 July 2022, 3.2 30 June 2023, 3.3 31 December 2022	3.1 Achieved 3.2-3.3. Not Due To Date Progress A communication on fronting will be included on social media in December 2022.
An inclusive city	% of Total Expenditure spent on BBBEE							
An inclusive city	Total Number of EPWP Opportunities Created	Inability to Provide/Supply Sufficient EPWP Jobs to Alleviate Poverty	SR 6	Very High	Corporate Services	3.4.1 Update Plan for EPWP personnel to ensure alignment with current budget and any COJ Prescripts 3.4.2 Conclude 1 Engagement with CoJ Parks and Recreation	3.4 1 - 3.4.2 31 July 2022	3.4.1 Achieved The Metrobus target set by the City for EPWP is 100 and Metrobus currently provides 197 opportunities for EPWP participants. Therefore, the target has been exceeded.  3.4.2 Achieved Engagement with JCPCZ took place, and they recently informed Metrobus that they would not allow its participation on cooperatives.
Programme 4: Financial Management, Viability and Sustainability								

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A city that gets the basic right	% Spent against Approved Operating Expenditure Budget	Failing to meet set Targets Resulting in Non-Achievement of Performance Objectives resulting in the reduction of Grant Funding from the Shareholder	SR 7	Very High	CFO	4.1 Actual Spend against Budget Reported by Executive Quarterly and Performance Management implemented for Non-Performance	4.1 Quarterly: 30 September 2022, 31 December 2022, 31 March 2023 and 30 June 2023	4.1 Not due to Date <i>Progress</i> To date monthly reports were prepared for all months since the commencement of the financial year.
A city that gets the basic right	% Spent against Approved Capital Expenditure Budget					4.2 100% of all Tenders per Procurement Plan advertised and awarded	4.2 30 June 2023	Not Due To Date
A city that gets the basic right	% spent on repairs and maintenance to property, plant and equipment					4.3 Same as Above- 4.1		
A city that gets the basic right	% reduction in unauthorised irregular, fruitless and wasteful (UIFW) expenditure incurred citywide	Inability to comply with laws and regulations	SR 10	Very High	Internal Audit	4.4 100% of all Tenders Awarded subjected to Internal Audit Probity Reviews	4.4. As and when required, 100% to be Reported on 30 June 2023	4.4. Not due to Date <i>Progress</i>  100% of all tenders subject to probity evaluated.
A city that gets the basic right	% of valid invoices paid within 30 days				CFO	4.5 Quarterly review of Metrobus's actual performance against this requirement reported Monthly to EMT	4.5. Monthly, 100% to be Reported on 30 June 2023	4.5. Not due to Date <i>Progress</i> To date monthly reports have been shared at EMT

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<b>Programme 5: Operational Excellence</b>								
A city that gets the basic right	% Resolution of Internal Audit Findings	Inability to address all findings issued by both Internal and External Audit	SR 8	Medium	Internal Audit	5.1 Quarterly Review of Internal and External Audit Findings, Reported in the Quarter Metrobus Business Performance Reports	5.1 Quarterly: 30 September 2022, 31 December 2022, 31 March 2023 and 30 June 2023	5.1 Not due to Date Progress Achieved in all months since commencement of the financial year.
A city that gets the basic right	% AGSA Findings Resolved							
A city that gets the basic right	% Fleet Available to Operate Scheduled Trips Met	Inability to Meet Scheduled Services and Collect Revenue	SR 1	Very High	IBO	5.2 Same as 1.1 Above		
A city that gets the basic right	% implementation of the strategic risk management action plan findings resolved	Inability to address all identified Risks	SR 8	Medium	Internal Audit	5.3 Quarterly Review of Actual against Planned Risk Management Interventions, Reported in the Quarter Metrobus Business Performance Reports	5.3 Quarterly: 30 September 2022, 31 December 2022, 31 March 2023 and 30 June 2023	5.3 Not due to Date Progress Achieved in all months since commencement of the financial year

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<b>Programme 6: Technology and Business Enablement</b>								
A city that gets the basic right	% Intelligent Transport System	Inability to continue with Operations within Metrobus	SR 9	Very High	<b>Acting CIO</b>	6.1 Implementation of all deliverables for the ICT Strategy applicable to the 2022/23 Financial Year	6.3 30 June 2023	Not Due To Date

## ANNEXURE E: CIRCULAR 88

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No	National Treasury Proposed Indicators	Ref No	2020/21 Baseline	2022/23 Targets	Q2 Target	Q1 Actual	Q2 Actual	Target met or not	Means of Verification
1	Percentage of municipal bus services 'on time'	TR4.21	100%	90% scheduled bus services 'on time'	90%	93%	94%	Target met	
2	Number of scheduled public transport access points added	TR5.11	Zero	Zero	Zero	Zero	Zero	Target met	
3	Percentage of scheduled municipal bus service stops that are universally accessible	TR5.31	94%	90%	90%	100%	100%	Target met	
4	Staff vacancy rate	GG1.21		< 30%	< 30%	28.03	28.03	Target met	
5	Audit opinion	GG3.1	Unqualified with findings	Unqualified with findings	Unqualified with findings	N/A	Unqualified with findings	Target met	
6	Number of repeat findings	GG3.11	42% of total number of audit findings	<20% of total number of audit findings	N/A	N/A			
7	Number of active suspensions longer than three months	GG5.11	0 active suspensions longer than three months	0 active suspensions longer than three months	10 active suspensions longer than three months	0	0	Target met	
8	Percentage of vacant posts filled within 3 months	GG1.22	100%	100%	100%	100%	100%	Target met	

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# ANNEXURE F: COMPLIANCE CHECKLIST

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	<b>Person /Department Responsible</b>	<b>Activity</b>	<b>Frequency</b>	<b>Due Date</b>	<b>Status</b>
<b>Companies Act No 71 of 2008</b>					
Financial Statements Sec 30	Company Secretary	Ensure that Annual Financial Statements are submitted to Registrar of companies (CIPC) together with the annual returns.	Annually by end of the month following the anniversary date of incorporation	December	Annual Financial Statements for the financial year ended 30 June 2022 were duly Submitted. Annual Financial Statements for the year ended 30 June 2023 are not yet due.

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	Person /Department Responsible	Activity	Frequency	Due Date	Status
Directors, company name, registered office, registration number Sec 70	Company Secretary	Ensure that letterheads, website (and records with the Registrar) are up to date and that all official communication reflects this information.  Consent to act as director to be kept on record	10 days after change	10 days after change	Completed

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	<b>Person /Department Responsible</b>	<b>Activity</b>	<b>Frequency</b>	<b>Due Date</b>	<b>Status</b>
Annual Returns to be submitted in terms of Sec 33	Company Secretary	Ensure that annual return (comprising full details of company: directors; auditors; company secretary and financial year-end) is submitted to CIPC within 30 days of anniversary date of registration.	Annually by end of the month following the anniversary date of incorporation	May	Annual returns for the financial year ended 30 June 2021 were duly returned. Annual returns for the financial year ended 30 June 2022 were duly returned.
Board Meetings	Company Secretary	Ensure that: meetings take place; terms of reference are up to date and adhered to; meetings are duly constituted; minutes are taken and filed.	Quarterly	Quarterly	Completed - Board meetings take place quarterly, and minuted. Terms of references are up to date.

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	<b>Person /Department Responsible</b>	<b>Activity</b>	<b>Frequency</b>	<b>Due Date</b>	<b>Status</b>
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 15 February 2022
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	Documents have been lodged online.
<b>Labour Relations and Employment Law</b>					

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	<b>Person /Department Responsible</b>	<b>Activity</b>	<b>Frequency</b>	<b>Due Date</b>	<b>Status</b>
Labour Relations Act No. 66 of 1995	GM: Corporate Services	Ensure that Act is adhered to.	Ongoing	Done and Ongoing	Engagements with organized labour are ongoing. Discipline and disputes are dealt with in terms of the legislative provisions. Conditions of employment are in line with the Act
Basic Conditions of Employment Act No. 11 of 2002	GM: Corporate Services	Ensure that Act is adhered to.	Annually	Done and Ongoing	Conditions of employment, i.e. working hours and leave arrangements are in place in terms of the collective agreement.
Employment Equity Act No. 55 of 1998	GM: Corporate Services	Submission of Employment Equity plan  Submission of Employment Equity plan report	Every five (5) years  Annually	Upcoming quarter and ongoing	Employment Equity plan submitted January 2019.  Employment Equity plan report submitted January 2022.

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	<b>Person /Department Responsible</b>	<b>Activity</b>	<b>Frequency</b>	<b>Due Date</b>	<b>Status</b>
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"> <li>- Electrical compliance at head office.</li> <li>- More capex for upgrades</li> </ul>
Skills Development Act No.97 of 1998 as amended by the Skills Development Act, 2003	GM: Corporate Services	Ensure that the Works Skills Plan is submitted and implemented	Annually	April	WSP in place <ul style="list-style-type: none"> <li>- Contracts are in place.</li> <li>- Training was conducted.</li> <li>- Training committee meets on a regular basis</li> </ul>
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 <sup>th</sup> of each month	Completed

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	<b>Person /Department Responsible</b>	<b>Activity</b>	<b>Frequency</b>	<b>Due Date</b>	<b>Status</b>
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 No. 130 of 1993 ("COID")	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	Ongoing	Completed
Code of conduct of schedule 2 of the Municipal Systems Act	Employees	Declaration of interest	Annually	Annually	Employee Declaration of interest for the financial year ending 30 June 2022 were duly completed. Employee declarations of

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	<b>Person /Department Responsible</b>	<b>Activity</b>	<b>Frequency</b>	<b>Due Date</b>	<b>Status</b>
					interest for the financial year ending 30 June 2023 are not yet due.
<b>Finance / Value Added/ Tax Law</b>					
Value Added Tax No. 89 of 1991	Chief Financial Officer	Submit relevant returns to the Receiver by the 25th of every month. (If submitted by EFT the due date is the 31 of each month.)	Annually	End of each month	Completed
Income Tax Act No. 58 of 1962	Chief Financial Officer	Ensure that relevant returns are submitted to the Receiver	Annually	Annually	Completed
Income Tax Act No. 58 of 1962 PAYE	GM: Corporate Services	Ensure that monthly payments are made.	Annually	Monthly	Completed

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	<b>Person /Department Responsible</b>	<b>Activity</b>	<b>Frequency</b>	<b>Due Date</b>	<b>Status</b>
Prevention and Combating of Corrupt Activities Act No 12 of 2004 (Anti-corruption Act)	CAE	Ensure corruption is managed effectively	Annually	Annually	Completed. An anonymous tip-offline which is managed by an independent party is in place. No tip-offs were received during this quarter.
Protected Disclosures Act, No 26 of 2000 (Whistleblowing Act);	CAE	Management of whistleblowing hotline – reports received and addressed in line with policy	Annually	Monthly	Completed. No disclosures were made during this quarter.
Financial Intelligence Centre Act, No 38 of 2001	Chief Financial Officer	All service providers FICA compliant	Annually	Annually	Completed
<b>General laws</b>					

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	<b>Person /Department Responsible</b>	<b>Activity</b>	<b>Frequency</b>	<b>Due Date</b>	<b>Status</b>
Road Traffic Act	GM: Operations	Ensure that all vehicles licenses and traffic fines are paid.	Annually	Annually	Completed
Code of Conduct for Municipal Staff Members, (schedule 2 to the Municipal Systems Act No 32 of 2000)	All Departments & Directors and Board Sub-Committees	Ensure that written declarations of interests are recorded	Annually	Annually	Completed
Protection of Personal Information Act	CIO	Ensure all personal information (employees, bidders, contractors etc.) is treated with the necessary safeguards to ensure compliance with Act	Annually	Annually	Completed and ongoing

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	<b>Person /Department Responsible</b>	<b>Activity</b>	<b>Frequency</b>	<b>Due Date</b>	<b>Status</b>
National Archives and Records Services of South Africa Act	GM: Corporate Services	Ensure there is a records management system and documents are stored in the manner, and for the required time frame, as per legislation	Annually	Annually	Completed and ongoing
National Road Traffic Act 93 of 1996 and chapter VIII of National Road Traffic Regulations of 2000	GM: Operations	Transportation of dangerous goods as classified in terms of SABS code of practice (SANS 0228:2012);	Annually	Annually	Completed
<b>Environment</b>					

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	<b>Person /Department Responsible</b>	<b>Activity</b>	<b>Frequency</b>	<b>Due Date</b>	<b>Status</b>
Petroleum Products Act	GM Technical.	Ensure tanks and dispensing done in line with requirements	Annually	Annually	Completed
<b>Agreements / Licenses etc.</b>					
Service Delivery Agreement with City (SDA)	MD	Ensure that the Metrobus mandate is complied with.	Annually	Annually	Completed
<b>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:</b>					
S 65(2)	CFO	Payment declarations	Monthly	Monthly	Completed
S 85 86	MD	Open and operate at least one bank account and submit details to City	Annually	Annually	Completed

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	<b>Person /Department Responsible</b>	<b>Activity</b>	<b>Frequency</b>	<b>Due Date</b>	<b>Status</b>
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 <sup>th</sup> January each year submit a report on the assessment of the entity to Board and City	Annually	20 Jan	2021/22 Mid-term report duly submitted. 2022/23 Mid-term report not yet due
S 104	MD	Any non-compliance with MFMA responsibilities reported to City	Annually	Annually	Completed – disclosed and reported in Annual report and AFS
S 106	MD	All delegations reduced to writing	Annually	Annually	Not yet due
S 111	Finance - CFO	SCM Policy and implementation thereof	Annually	Annually	Policy in place and an update was approved in July 2018.

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	<b>Person /Department Responsible</b>	<b>Activity</b>	<b>Frequency</b>	<b>Due Date</b>	<b>Status</b>
S 116	MD	Report to Board regularly on major supply contracts which the entity has entered into	Annually	Annually	Complied with as and when required
S 116(1)	Finance - CFO	All contracts concluded after compliance with SCM processes and in writing	Annually	Annually	Ongoing
S 121 /122 / Co Act	Board	Annual Report to City – ensure AR meets minimum reporting requirements of MFMA and Co Act.	Annually	October 30	Report not due
S 126	CFO	Submit annual financial statements to AG for auditing	Annually	October 30	Submission not due
S 165 / 166	MD / Board	Internal Audit Unit and Audit Committee	Annually	Annually	Compliant – Unit and Committee in place and functional
Circular 68 UIFW	CFO	Expenditure declarations	Quarterly	Quarterly	Completed

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	<b>Person /Department Responsible</b>	<b>Activity</b>	<b>Frequency</b>	<b>Due Date</b>	<b>Status</b>
<b>Broad Based Black Economic Empowerment Act No. 53 of 2003</b>					
Broad Based Black Economic Empowerment Act No 53 of 2003	Chief Financial Officer	Compliance with framework for the accreditation and verification by all verification agencies	Annually	Annually	In Place

# ANNEXURE G: BUSINESS PLAN 2022/23 STRATEGIC RESPONSE

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No	Mayoral Priorities	Identified issues	Present situation (reality)	Interventions(Solutions)	Mitigation measures	Time frame	Progress
1	A Business Friendly	Aging and unreliable bus fleet	59% of our bus fleet older than 15 years (industry norm is 12 years).	Bus leasing (one hundred high capacity buses). Refurbishment of 30 buses. Procurement of 50 buses.	Presentation of the fleet renewal strategy to the relevant structures to solicit funding	By 30 September 2022 By 30 June 2023 By 30 June 2023	<p>Metrobus went out on an open tender more than thrice with the intention to appoint a service provider for leasing of buses. In the last appointment, the companies recommended were non-compliant in terms of specifications. Metrobus is in the process of requesting approval to deviate from the normal SCM processes in order to enter into leasing agreement, for a number of buses, for a period of 18 months.</p> <p>The signed deviation item is complete and was forwarded to Finance Department (SCM Section) on the 5 Dec 2022. Received a message from Manager Finance that the current funding available is R3 Million. In this case there would be a shortfall that have to be addressed prior to the appointment of new service providers.</p> <p>Item for the cancellation of the previous appointment was still in the office of the MD.</p> <p>Metrobus is in the process of finalising the specifications for the bus body refurbishment and the conversion of diesel dedicated buses to gas dedicated buses. The specifications for both the bus body refurbishment and conversion of dedicated diesel buses to gas dedicated buses were finalised and forwarded to SCM Section early in October 2022 to be considered by the BSC Committee for approval. Received a message on the 24 Nov 2022 that the Bus Refurbishment</p>

							<p>appointment letters (for members presenting the specifications) are still with the CFO and not yet reached the office of the MD. Furthermore I was informed members of the BSC Committee have to undergo a vetting process from GFIS (City) prior to the meeting been convened.</p> <p>Regarding the procurement of new buses, the specifications committee is in the process of engaging the market by submitting a request for information (RFI) to gather information on the following :-</p> <ul style="list-style-type: none"><li>• Investigation of new technology – electric buses.</li><li>• Infrastructure to be in place these type of buses</li><li>• What is available in the market</li><li>• Timelines for manufacturing the buses</li><li>• Availability of stock</li><li>• Operation and capital cost of ownership</li></ul> <p>It is expected that the above information will provide the committee with sufficient information to submit Bid specifications for advertisement by end of January 2023.</p> <p>The RFI specifications were forwarded to SCM Section beginning of Nov 2022 for advertisement. SCM Section requested a meeting with IBO Department in preparation for advertisement. The meeting was held to agree on the specifications for the RFI. The process was finalised and the item was ready for advertisement. To date the RFI have not been advertised.</p>
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2	A well run city	Limited financial resources (budget)	"Technically insolvent"	Negotiate conditional grants for assets instead of loans.	Stakeholder engagement and involvement.	By 30 June 2022	Debt restructuring process (conversion of debt to equity) has been finalised by Metrobus and the Treasury Department. It needs to be presented and approved by the ARC and Board in October 2022. The financial model process will be finalised once a service provider has been appointed. There has been delays in the finalisation of the appointment of the panel of financial service providers due to the unavailability of BAC Members. Recommendation and approval will be sought from the ARC and Board in January 2023 Recommendations for appointment were made by the BAC during December 2022.
3	A city that gets the basic right	Inefficient routes	53% of our routes not efficient.	Reduce quantity of inefficient routes by 10% through improved planning and stakeholder engagement.	Change management, communication and stakeholder engagement.	By 30 June 2023	Metrobus will be finalizing the MOU with UJ -Peets to assist the entity in Route Optimization study. Meeting between the entity and UJ-Peets will only be held on 11 October 2022. The timelines on deliverables will only be set after this meeting. The MOU between Metrobus and UJ-Peets is still to be finalised. The MOU was received from UJ and comments from the Company Secretary (Metrobus) were received on the 6 December 2022. The IBO Department still have to peruse the

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							<p>document and comment on the role of the Technical Task Team.</p> <p>6 To date Metrobus has also received data collection protocol document detailing the project. The project is composed of two parts. The first part evaluates the technical and the economic aspects of the Battery Electric Buses (BEB) relative to the respective routes by utilizing the techno-economic assessment (TEA) methodology. The second part evaluates the environmental aspects of the BEB by utilizing a Life Cycle Assessment (LCA) methodology.</p> <p>In the meantime Metrobus had an opportunity to ride on UJ's first electric bus which is now operational, running between the Doornfontein campus and the residences.</p>
4	A Smart City	Aging and unreliable fare collection system	The current fare collection system is obsolete, not usable anymore, out of warranty and support.	Lease interim fare collection system	Stakeholder engagement and involvement.  Change management.	By 28 February 2022	<p>The interim fare collection system proposed by MTC was too expensive and unaffordable mainly due to it being a joint solution between Metrobus and the Department of Transport. Metrobus continued to utilizing the service of KubaPay, the service provider currently servicing and maintaining the old system. The procurement of the Permanent AFC by the City has been cancelled. Metrobus is perusing the procurement of Interim solution the appointment is expected in January 2023</p>

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5	A city that gets the basic right	High rate of revenue pilferage	Minimum of 50% of revenue not accounted for.	Inspectorate Spots Blitz CCTV	Stakeholder engagement and involvement. Change management.	By 30 September 2022	<p>Recruitment process of inspectors has already commenced and must be finalized by end October 2022. Competency assessment for recruitment of inspectors was finalized on 14 December 2022. The interviews will be conducted in January 2023. The appointment of the inspectors will be finalized by February 2023.</p> <p>Joint operational blitz between Metrobus and JMPD will only commence as from 3 October 2023.</p> <p>The Joint Operational Blitz between Metrobus and JMPD was conducted on the 18 October 2022. Thereafter another Joint Operational Blitz between MMC Transport, Metrobus and JMPD was conducted on the 16 November 2022.</p> <p>ICT Department will be installing the CCTV cameras by end of November 2022.</p> <p>The Eye on the Bus Project has already commenced. The project will entail the following:</p>
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							7 The installation of the CCTV Camera is part and parcel of the eye on the bus projects which is one of the digitization projects to transform Metrobus from its current state. The service provider is being appointed by MTC from its panel of smart city. Some of the feature's that comes with this project are: Bus Scheduling, Driver behaviour, Passenger count, Fleet Management, Surveillance cameras, Passenger app and Fuel management. This is a converged and integrated solution. Metrobus will also have the access to APN to be able to integrate with any system of our choice. The project is in progress and it is anticipated that the solution will be fully implemented and tested by the end of February 2023.
6	A Smart City	Inability to track and account for utilization and deployment of buses	Less than 100% of planned scheduled services implemented (Currently on 87%).	Installation of Fleet Management System	Stakeholder engagement and involvement.  Change management.	By 30 September 2022	Installation of the tracking system to the buses will be completed by end Nov 2022. Eye on the bus will also be in place.  Refer to comments above.
7	A Smart City & A city that gets	High rate of out of commission of bus fleet (OOC)	36% of bus fleet in OOC	Installation of automated bus maintenance tracking system	Training of staff.  Change management.	By 30 September 2022	Most of the fleet is old and over the years there has not been infusion of new fleet. The buses that have been on OOC for a long period were then deregistered. Of the total of 416 there were 32 buses that were deregistered. Filling of the vacant technical posts is critical

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	the basic right						Technical staff rotated to address capacity challenges. Lack of capacity at the SCM Section to deal with the huge demand of spares within the workshops.
8	A well run City	High debt burden (historical)	“Technically insolvent”	Finalise the debt restructuring process.	Stakeholder engagement and involvement.	By 31 Dec 2022	See comments in 2 above
9	A well run City & An Inclusive City	High cost of operations (fuel costs)	Currently on 11-12% of the overall OPEX budget	Increase diesel to gas substitution rate.  Installation of CNG infrastructure.  Reduction of dead Kilometres	Change management.  Communication.  Training of staff.  Stakeholder engagement	By 31 March 2023	As part of the New Refurbishment program, Metrobus is in the process of converting the diesel-dedicated buses into gas-dedicated buses. Service Provider appointed to supply and deliver CNG. The Service Provider have started filling the gas to buses from Roodepoort Depot.  To date 17 buses have been fuelled with gas. These buses are refilled with gas at the service provider’s filling station until the daughter station at Milpark depot have been serviced and COC complied. Albeit that this has been one of the strategic enablers more urgent engagement with the current CNG suppliers to ensure appropriate infrastructure for ease of access. In this regard, a mobile station is being erected at the Roodepoort depot, while buses from the Village Main depot can utilize a facility within five kilometres from the depot. While this will lead to financial savings it will also reduce reliance on diesel which is more expensive.

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							<p>MOU has been signed between Metrobus and Department of Correctional Services (Gauteng Region) for parking 36 buses in the parking lot of Leeuwkop Management Area for the next twelve months. This will result in the reduction of dead kilometers. This will result in a savings of R3 920 932 per month.</p> <p>Bus Drivers operating the route from Ghandi Square to Sunninghill and Soweto to Sunninghill attended the induction training during the October and November 2022 at Leeuwkop in preparation to park the buses.</p> <p>The handover of the project will be finalised early next year.</p> <p>Metrobus will start parking the buses at Leeuwkop Correctional Service immediately after the handover event.</p>
10	A well run City	Uncertainty on future funding investment	Budget re- based by 153M in just one financial period.	Increase market share.	<p>Change management.</p> <p>Communication.</p> <p>Training of staff.</p> <p>Stakeholder engagement</p>	By 30 Sept 2022	<p>The increase in market share is dependent on the following factors:</p> <p>Finalisation of the AFC project which is being run by the Transport department. This is will increase the market share by ensuring the integrity, accuracy and completeness of the revenue collected.</p> <p>Purchase of new buses and bus leases will increase the number of passengers that we can service, therefore increasing our market share.</p>

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							<p>Vacant positions filled will increase market share through better services being provided which will increase passenger numbers.</p> <p>Introduction of the “eye on the bus” and other intelligent IT systems in the company.</p>
11	A well run City	Labour instability (contributing factor on public commuter confidence)		<p>Three company- wide roadshows conducted per financial year.</p> <p>Implemented RBO resolutions where feasible.</p> <p>Monthly LMF</p>	<p>Change management.</p> <p>Communication.</p> <p>Training of staff.</p> <p>Stakeholder engagement.</p>	<p>By 30 Sept 2022</p> <p>Buy 31 October 2022 2022 for the RBO</p> <p>Starting 31 July 2022 and on-going</p>	<p>The Labour Management Forum has met consistently and issues on the agenda are getting resolved</p> <p>Interviews have begun to take place with OL participating as observers</p> <p>RBO will take place by February 2023.</p> <p>Maiden training on collective bargaining processes in LG took place</p>



