

# Metrobus

## Performance Assessment

## Report: Mid-year Financial Year 2023/24

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



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

## **COMPANY INFORMATION**

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

**Registered address:** : Transportation House;  
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**Postal address:** : PO Box 1787;  
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**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.



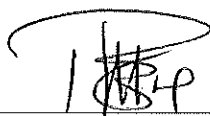
**Metrobus**  
We don't just drive buses, we drive the economy.

City of Johannesburg Metropolitan Municipality  
Metropolitan Bus Services (SOC) Ltd  
2023/24 Performance Report Mid-Year

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19/01/2024  
Approval Date

LUMANDA GIDINI  
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Acting Managing Director

  
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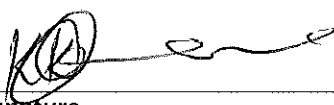
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## GLOSSARY OF TERMS / LIST OF ACRONYMS

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

<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
<b>GDS</b>	City of Johannesburg 2040 Growth and Development Strategy
<b>TETA</b>	Transport Education Training Authority

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

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

It is my honour, on behalf of the Board, to present the 2023/24 Metrobus' mid-year performance assessment report. In its initial diagnostic appraisal of challenges and opportunities that beset the entity over time, the board noted, inter alia, the declining financial resources of the entity and resolved to actively find ways to ameliorate this trend.

Chief among several operational, strategic, and systemic challenges spanning the entire value chain of the entity remain, the financial sustainability of the entity continues to loom large. The Board noted with much apprehension the directive from the shareholder to persist with the downward rebasing of the budget, a trend which is in the third year while the service delivery mandate of the entity remains unchanged in its scope.

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

Mid-year 2022-23	Mid-year 2023-24
65%	63%

The Board remains concerned regarding the key performance indicators that are consistently not achieved, notably Capex Expenditure, the resolution of Auditor General Finding has improved, the management of risk remains a concern. The Board is resolute on guiding the entity on the path of proper governance. Through the Board's Audit and Risk Committee, the entity audit plan remains under careful scrutiny.

From an operations point of view, several operational Key Performance Indicators were not met. These include the availability of an adequate fleet to maintain operations, the completion of planned trips as well as the meeting of service standards.

The Board noted with approval the launch of Intelligent Transport Systems for the entity. The suite of capabilities provided by the various systems span a wide spectrum covering data collection and commuter engagement. These developments continue to increase the traction towards the entity's leveraging of technology as an important enabler of business excellence



going forward. In this regard, the board keenly supports the continuation of this digital journey and views the implementation of the Automated Fare Collection (AFC) as the next significant milestone in this regard.

The entity fulfills its mandate primarily through the provision of reliable transportation. This is measured through the rate of completion of planned trips. In this regard, the entity recorded 76% performance level against a target of 90% completed trips at the end of quarter 2. During the period under review, at mid-year, the entity operated a total of 3.9 million kilometers of fatality-free mobility.

In pursuit of mutually beneficial relations with our stakeholders, 4 000 possible commuters were directly engaged during our marketing campaigns in quarter 1. 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 level of 63% against a target of 85% for its pre-determined objectives at quarter 2 compared to an achievement of 60% recorded in quarter 1.

The overall financial position of the entity is characterized by technical insolvency and remains a concern. The net liability position worsened from R250, 1 million (30 June 2023) to 325, 9 million as at 31 December 2023.

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 key strategic enablers considered imperative for the financial sustainability of the entity.

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; and eco-mobility.

This commitment is outlined in detailed, measurable terms in the Metrobus Corporate Strategy 2022-27, as reviewed by the Board during the period under review.

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**Mr. Lemarco Mitchell**  
**Board Chairperson**

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

At Mid-year of the 2023/24 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.

Strides in digitization 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. Performance results in quarter 1 indicate that service levels continue to recover from the effect of the Pandemic.

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 worsened from R 250, 1 million (30 June 2023) to R 325, 9 million as at 31 December 2023.

At midyear, the entity's target on Capex expenditure was 50%. The actual performance however was 13%. The entity achieved sixty percent (63%) of predetermined objectives against a target of eighty-five percent (85%) and eighty percent (80%) of service standards. Performance against predetermined objectives is detailed in Annexure B of this report. 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**

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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 2023.

#### Abridged Statement of Financial Performance

Description	Q2 31-Dec-23			YTD 30-Jun-23			Variances		
	Actual	Budget	Prior year	Actual	Budget	Prior year	Q4 To budget	Q4 Prior year	YTD To budget
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Revenue	165 832	164 373	164 904	331 961	328 745	164 904	1 459	928	3 215
Direct costs	50 993	27 204	38 469	92 970	54 407	38 469	(23 789)	(12 523)	(38 562)
Margin	114 839	137 169	126 434	238 991	274 338	126 434	(22 330)	(11 595)	(35 347)
Expenses	169 205	125 419	129 536	286 841	250 838	129 536	(43 786)	(39 668)	(36 003)
Operating result	-54 366	11 750	-3 102	-47 850	23 501	-3 102	(66 116)	(51 264)	(71 350)
Interest paid	14 640	11 750	10 424	28 025	23 501	10 424	(2 890)	(4 217)	(4 524)
Total Expenditure	234 838	164 373	178 429	407 835	328 745	178 429	(70 465)	(56 408)	(79 090)
Surplus / Deficit	-69 006	0	-13 526	-75 875	0	-13 526	(69 006)	(55 480)	(75 875)

#### Notes on Income Statements

The approved operating budget was based on the 2022/23 rebased budget and did not take into considerations the trend in actual expenditure in the previous year. Over the past three years, Metrobus has seen its budget being rebased downwards year by year. The cumulative reduction in the budget is causing serious negative implications on the operations. Metrobus budget for six months was overspent by 24%. Metrobus must reduce its operations in line with the budget or else the budget will be overspent. Metrobus recorded a deficit of R 75, 9 million and the budget was overspent by R 79, 1 million for the for the six months period.

The fare revenue recorded a surplus of R 3, 7 million for six months financial period. The entity recorded R 31, 4 million against the target fare revenue of R 27, 7 million, this was mainly due to the budget which was reduced during the adjustment budget period.

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Negative factors contributing to the reduced revenue collections includes the following:

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

Diesel costs for the six months period was R 21, 3 million above budget. The 2023/24 diesel budget was approved using a rebased budget and was not based on the previous year expenditure or current cost of diesel, as a result, the approved diesel budget was far lower than the actual diesel expenditure for the previous year, as a result, the diesel budget for the six months was overspent. The approved diesel budget will be exhausted before end of January 2024. Management shall make presentations to the city during the 2023/24 budget adjustment period and motivate for a budget increase.

Repairs and maintenance for the six months period were R 14, 5 million above budget and this was caused by efforts made by management to reduce out of commission buses. The repairs and maintenance budget were also affected by the budget rebase in the previous three years. The full approved repairs and maintenance budget was exhausted by 31 December 2023. The entity continues to make concerted efforts aimed at reducing the number of out of commission buses.

### **Asset and liabilities**

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

#### **Abridged Statement of Financial Performance**

Description	31-Dec-23	30-Jun-23	Movement	Movement
	(R000's)	(R000's)	(R000's)	(%)
<b>Non-Current Assets</b>	534 011	551 948	(17 937)	-3%
<b>Current Assets</b>	41 788	28 135	13 653	49%
<b>Total Assets</b>	<b>575 799</b>	<b>580 083</b>	(4 283)	<b>-1%</b>
<b>Capital &amp; Reserves</b>	(325 953)	(250 086)	-75 866	30%
<b>Non-Current Liabilities</b>	29 401	62 683	(33 282)	-53%
<b>Current Liabilities</b>	872 350	767 486	104 865	14%
<b>Total Equity &amp; Liabilities</b>	<b>575 799</b>	<b>580 083</b>	(4 283)	<b>-1%</b>

The overall decrease of R 17, 9 million with respect to non-current assets is driven primarily by the normal depreciation and amortisation of property plant and equipment and intangible assets and acquisition of property, plant and equipment and intangible assets. Current assets reflected a 49% increase from June 2023 because of increase in inventory and prepayments.

### **Cash flow**

The entity has been experiencing serious cash flow challenges from mid previous financial year up to this current financial year. The cash flow challenges have improved but the challenge is not yet over and this is affecting payment of suppliers and normal running of the business. The City is responsible for managing the cash flow of the city and its entities. Any funds deposited into the bank by any entity is swept into the City's bank account on the same day. The city is supposed to avail funds to the entity based on entity's cash forecast. During the six months period the City experienced some cash flow challenges resulting in less funds being allocated to Metrobus and this affected payment of some of the suppliers.

The entity reported a positive cash balance of R 96 000 influenced mainly by the net cash inflow of R148, 2 million from financing activities. Actual cash spent on capital expenditure for the period was approximately R 13, 0 million excluding commitments.

### **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 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 vision 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 strategy was reviewed by the Board during the latter part of the 2022/23 financial year and forms the basis of the 2023/24 Business Plan. 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 382 and below is a table depicting the fleet by make and model.

**Table1: Fleet details**

Asset Age	Asset Group	Milpark	Roodepoort	Village Main	Total
<b>17 Years</b>	Mercedes Benz 1725/59	49	5	32	86
	Mercedes Benz 1725/DDF	24	5		29
<b>17 Years Total</b>		<b>73</b>	<b>10</b>	<b>32</b>	<b>115</b>
<b>23 Years</b>	Volvo B7L	41	12	35	88
	VOLVO B7R	8	1	1	10
<b>23 Years Total</b>		<b>49</b>	<b>13</b>	<b>36</b>	<b>98</b>
<b>8 Years</b>	Mercedes Benz Euro 3	14	7	4	25
	Mercedes Benz Euro 5	55	36	53	144
<b>8 Years Total</b>		<b>69</b>	<b>43</b>	<b>57</b>	<b>169</b>
<b>Grand Total</b>		<b>191</b>	<b>66</b>	<b>125</b>	<b>382</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 the creation of a workable urban transit that will streamline an effective urban, transport system through:

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

As an entity of the City of Joburg, Metrobus has aligned its long-term strategic imperatives with the Growth and Development Strategy of the City of Joburg (GDS 2040) and contributes directly to outcome two and three of the Growth and Development strategy 2040. Outcome two (2) relates to the provision of a resilient and liveable, sustainable urban environment underpinned by smart infrastructure supportive of a low carbon economy. In relation to the GDS outcome 2, it is noteworthy that South Africa has launched the country's first Green Transport Strategy (GTS) to promote a transport system that is environmentally friendly and helps boost economic growth and create jobs. In South Africa, the transport sector is reported to be the most rapidly growing source of greenhouse gas (GHG) emissions, and its continued growth is expected to have an increasing impact on biodiversity, air quality, land resources and water quality. The industry accounts for over 90% of total emissions. For its part, out of a total of three hundred and eighty two (382) buses, the entity operated one hundred and seventy four (174) dual fuel buses which significantly reduced its greenhouse emissions. The entity will persist with its efforts in this regard by maintaining an energy mix that is supportive of a green economy.

Outcome three (3) which relates to an inclusive, job intensive, resilient, competitive and smart economy that harnesses the potential of citizens. Transportation remains a significant enabler of a smart economy. In this regards, the entity contributes to a smart economy for Johannesburg through distinct Intelligent Transport System which involves the following;

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

Figure 1: Alignment to GDS 2040



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

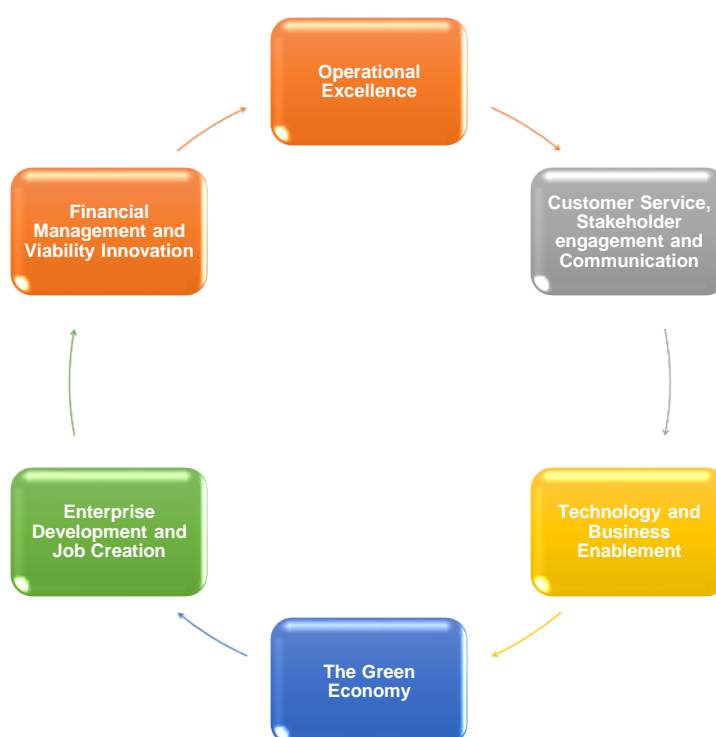
Table 2: Alignment to outcome, outputs and entity priorities

GDS/Long Term Outcomes	GDS/Long Term Outputs	Entity Contribution/ Entity Priorities
Provide a resilient, livable, sustainable urban environment underpinned by smart infrastructure supportive of a low carbon economy.	<ul style="list-style-type: none"> <li>• A society characterized by healthy living for all</li> <li>• A safe and secure city</li> <li>• A city characterized by social inclusivity and enhanced social cohesion</li> </ul>	<ul style="list-style-type: none"> <li>• Energy mix based on the use of CNG as alternative energy</li> <li>• Preferential procurement</li> <li>• Transportation supportive of a growing economy</li> <li>• Technology: introduction of technology with capacity for smart commuter interface, operator behavior monitoring, general positional surveillance of buses and automated fare collection</li> <li>• Adherence to service level standards.</li> </ul>



An inclusive, job intensive, resilient, competitive and smart economy that harness the potential of citizens	<ul style="list-style-type: none"> <li>• Job-intensive economic growth</li> <li>• Promotion and support to informal and micro business</li> </ul>	<ul style="list-style-type: none"> <li>• Extended job opportunities through EPWP</li> <li>• Development and support of SMME's</li> </ul>

**Figure 2: Metrobus Strategic Programmes**



## 1.5.2 Metrobus Strategic Objectives

### Metrobus Strategic Goals and Objectives

#### Goal 1

Ensure that Metrobus is  
viable and sustainable

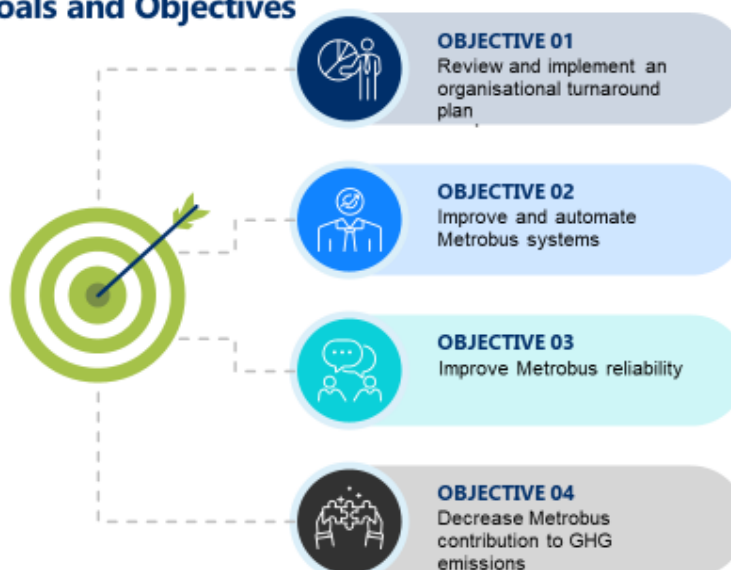


PEOPLE PERFORMANCE BALANCE

### Metrobus Strategic Goals and Objectives

#### Goal 2

Ensure effective and  
efficient bus operations

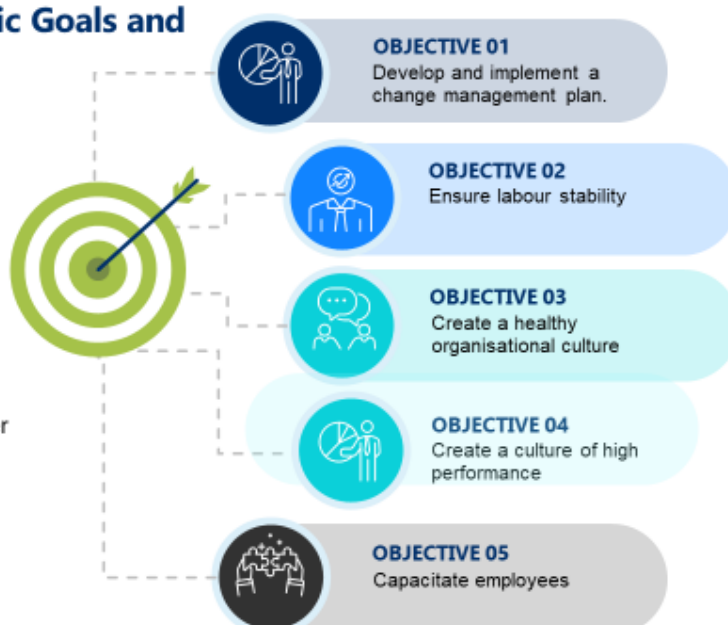


PEOPLE PERFORMANCE BALANCE

## Metrobus Strategic Goals and Objectives

### Goal 3

Attain, develop, and retain talent in a fit for purpose organizational structure that will deliver on our Mission



PEOPLE PERFORMANCE BALANCE

## Metrobus Strategic Goals and Objectives

### Goal 4

Ensure a well governed entity



PEOPLE PERFORMANCE BALANCE

## Metrobus Strategic Goals and Objectives

### Goal 5

Continuously monitor,  
evaluate and improve  
service



#### OBJECTIVE 01

Account for resources and results



#### OBJECTIVE 02

Proactively plan for the future



#### OBJECTIVE 04

Monitor and evaluate the strategic plan

PEOPLE PERFORMANCE BALANCE

## 1.6 Strategy 2022-27

The current 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 reviewing the 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 guide 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 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. At the end of the second quarter, the company had eleven (11) Directors; i.e. nine (9) Non-Executive Directors and two (2) Executive Directors, being the Acting Managing Director and the Acting Chief Financial Officer.

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), is in progress.

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 2023/2024 was as follows:

**Table 3: Metrobus Board of Directors**

<b>Name</b>	<b>Position</b>
Mr. Lemarco Mitchell	NED (Acting Chairperson)
Mr. Charley Pietersen	NED
Ms. Khanya Sithebe	NED
Mr. Hein Toerien	NED
Ms. Sharifa Prinsloo	NED
Ms. Tiphany Harmse	NED
Ms. Omphemetse Mokgosi	NED
Ms. Lungisile Mkize	NED

Ms. Ponds Peterson	NED
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 six (6) members, four (4) of which are independent audit committee members. The HRSE committee comprises of three (3) non-executive directors and chaired by a non-executive director. The SDC comprises of four (4) 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 5: Composition of Sub Committees**

No.	Audit and Risk Committee (ARC)	Human Resources, Remuneration, Social and Ethics Committee (HRSE)	Service Delivery Committee (SDC)
1.	Mr. Lemarco Mitchell (Chairperson)	Ms. Khanya Sithebe (Chairperson)	Mr. Charley Pietersen (Chairperson)
2.	Ms. Lungisile Mkize	Mr. Hein Toerien	Ms. Sharifa Prinsloo
3.	* Ms. Michele Botha	Ms. Ponds Peterson	Ms. Tiphany Harmse
4.	* Mr. Tony Ferreira		Ms. Omphemetse Mokgosi
5.	* Mr. Wayne Buckley		
6.	* Ms. Gloria Matshusa		
<b>Total</b>	<b>6</b>	<b>3</b>	<b>4</b>

\* Independent Audit Member

**Table 6: Independent Audit Committee (IAC)**

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

## **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 quarter under review, the Board held four (4) meetings. Two (2) meetings were ordinary and two (2) special meetings.

The Board Committees held six (6) meetings during the quarter under review. Four (4) meetings were ordinary and two (2) were special meetings. The dates of meetings are reflected in table hereunder:

**Table 7: 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>[Ordinary]</b> 17 October 2023 30 November 2023	<b>[Ordinary]</b> 10 October 2023 28 November 2023	<b>[Ordinary]</b> 06 October 2023	<b>[Ordinary]</b> 09 October 2023
<b>[Special]</b> 18 October 2023 13 November 2023		<b>[Special]</b> 09 November 2023 27 November 2023	

### **2.4.1 The attendance of meetings**

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

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**Table 8: Board Meetings attendance register**

Name	Designation	Meeting			
		Ordinary Board Meeting 17 October 2023	Engagement with SAMWU 18 October 2023	Special Board Meeting 13 November 2023	Post-Audit Meeting 30 November 2023
Mr. Lemarco Mitchell	NED(Chairperson)	✓	✓	✓	✓
Mr. Charley Pietersen	NED	✓	✓	✓	✓
Ms. Khanya Sithebe	NED	✓	—	✓	✓
Mr. Hein Toerien	NED	✓	—	✓	✓
Ms. Sharifa Prinsloo	NED	✓	—	✓	✓
Ms. Tiphany Harmse	NED	✓	—	✓	✓
Ms. Omphemetse Mokgosi	NED	✓	—	✓	✓
Ms. Lungisile Mkize	NED	✓	—	✓	✓
Ms. Ponds Petersen	NED	✓	—	✓	✓
Ms. Michele Botha	IAC	—	—	—	—
Mr. Tony Ferreira	IAC	—	—	—	—
Mr. Wayne Buckley	IAC	—	—	—	—
Ms. Gloria Matshusa	IAC	—	—	—	—
Mr. Luyanda Gidini	Acting MD	✓	✓	✓	✓
Mr. Patrick Matanhire	Acting CFO	✓	✓	✓	✓

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**Table 9: Board Sub Committee Meetings attendance register**

✓ Attended; x- Apology – N/A -Not a Member

Name	Designation	Ordinary HRSE Meeting  06 October 2023	Ordinary SDC Meeting  09 October 2023	Ordinary ARC Meeting  10 October 2023	Special HRSE Meeting  09 November 2023	Special HRSE Meeting  27 November 2023	ARC Post-audit Meeting  28 November 2023
Mr. Lemarco Mitchell	NED	—	—	✓	—	—	✓
Mr. Charley Pietersen	NED	—	✓	—	—	—	—
Ms. Khanya Sithebe	NED	✓	—	—	✓	✓	—
Mr. Hein Toerien	NED	✓	—	—	✓	✓	—
Ms. Sharifa Prinsloo	NED	—	✓	—	—	—	—
Ms. Tiphany Harmse	NED	—	✓	—	—	—	—
Ms. Omphemetse Mokgosi	NED	—	✓	—	—	—	—
Ms. Lungisile Mkize	NED	—	—	✓	—	—	✓
Ms. Ponds Petersen	NED	✓	—	—	✓	✓	—

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Ms. Michele Botha	IAC	—	—	✓	—	—	✓
Mr. Tony Ferreira	IAC	—	—	✓	—	—	✓
Mr. Wayne Buckley	IAC	—	—	✓	—	—	✓
Ms. Gloria Matshusa	IAC	—	—	✓	—	—	✓
Mr. Luyanda Gidini	Acting MD	✓	✓	✓	✓	✓	✓
Mr. Patrick Matanhire	Acting CFO	✓	✓	✓	✓	✓	✓

## **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 10: Board and Independent Member Compensation**

<b>Name</b>	<b>1<sup>st</sup> QTR.</b>	<b>2<sup>nd</sup> QTR</b>	<b>3<sup>rd</sup> QTR</b>	<b>4<sup>th</sup> QTR</b>	<b>Total</b>
Mr. Lemarco Mitchell	128 000	76 000	—	—	204 000
Mr. Charley Pietersen	46 000	66 000	—	—	112 000
Ms. Khanya Sithebe	—	—	—	—	—
Mr. Hein Toerien	60 000	60 000	—	—	120 000
Ms. Sharifa Prinsloo	32 000	44 000	—	—	88 000
Ms. Tiphany Harmse	44 000	44 000	—	—	88 000
Ms. Omphemetse Mokgosi	44 000	44 000	—	—	88 000
Ms. Lungisile Mkize	52 000	52 000	—	—	104 000
Ms. Ponds Petersen	60 000	60 000	—	—	120 000
*Ms. Michele Botha	16 000	16 000	—	—	32 000
*Mr. Tony Ferreira	16 000	16 000	—	—	32 000
*Mr. Wayne Buckley	16 000	16 000	—	—	32 000
*Ms. Gloria Matshusa	16 000	16 000	—	—	32 000



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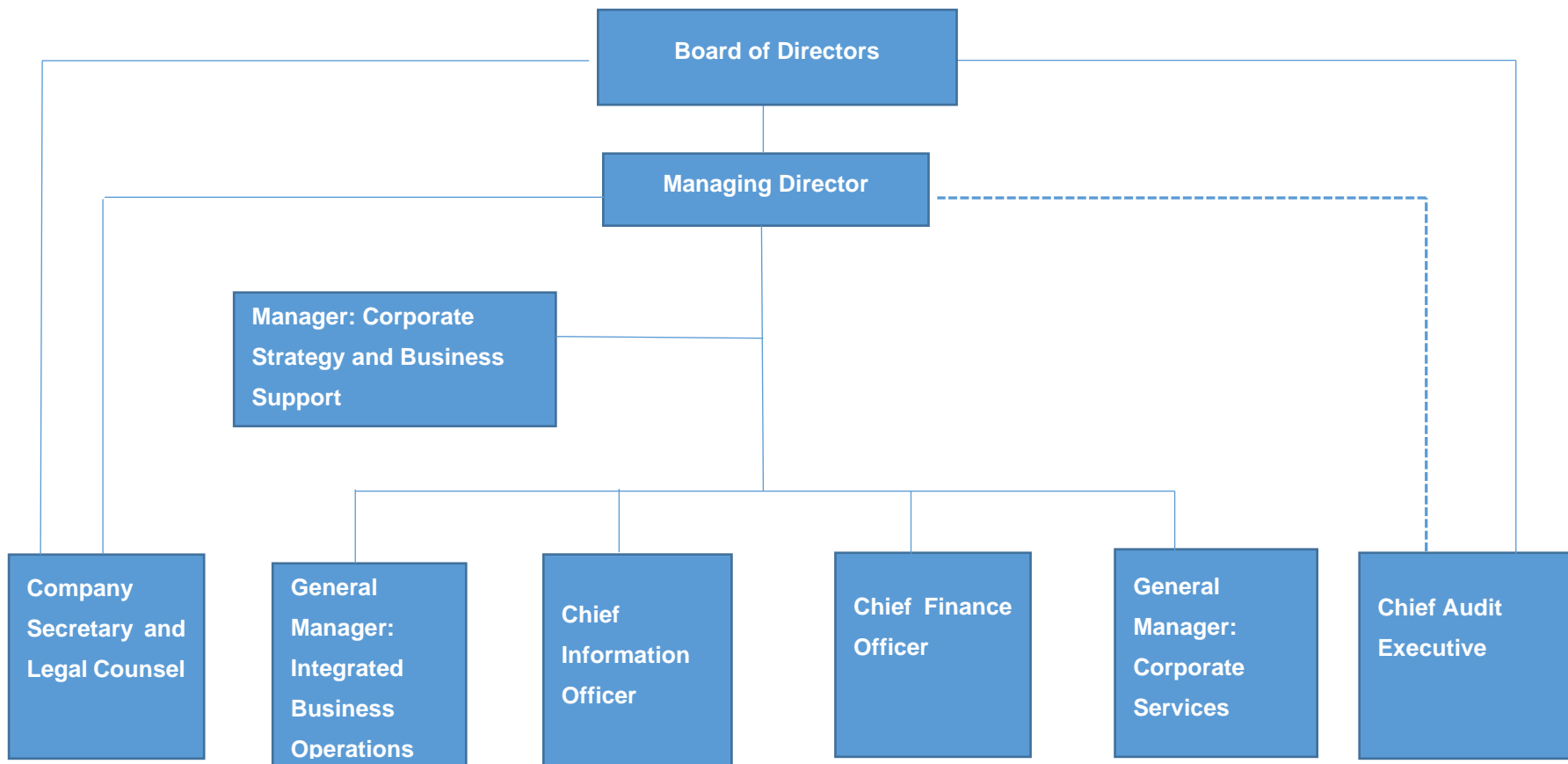
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**Table 11: Executive Compensation**

Executive Position	Incumbent	Annual Package	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Managing Director	Ms Mhlongo Xoliswa	R2 131 500,00	R532 875,00	R532 875,00	-	-	R1 065 750,00
Chief Financial Officer (CFO)	Mr Gidini Luyanda	R1 674 750,00	R418 687,50	R418 687,50	-	-	R837 375,00
General Manager: Corporate Services	Mr Lebelo Phillip	R1 604 954,00	R401 238,50	R401 238,50	-	-	R802 470,00
General Manager: Integrated Business Operations	Ms Khathi Zandile	R1 674 750,00	R418 687,50	R418 687,50	-	-	R837 375,00
Legal Counsel & Company Secretary	Mr Sibisi Zibonele	R1 319 499,96	R329 874,99	R329 874,99	-	-	R659 749,98
Chief Audit Executive (CAE)	Vacant	0	0	0	-	-	0
Chief Information Officer (CIO)	Vacant	0	0	0	-	-	0
	<b>TOTAL</b>	<b>R8 405 453,96</b>	<b>R2 101 363,49</b>	<b>R2 101 363,49</b>	-	-	<b>R4 202 726,98</b>

## 2.5 High Level Organisational Structure

Figure 3: High Level Organogram

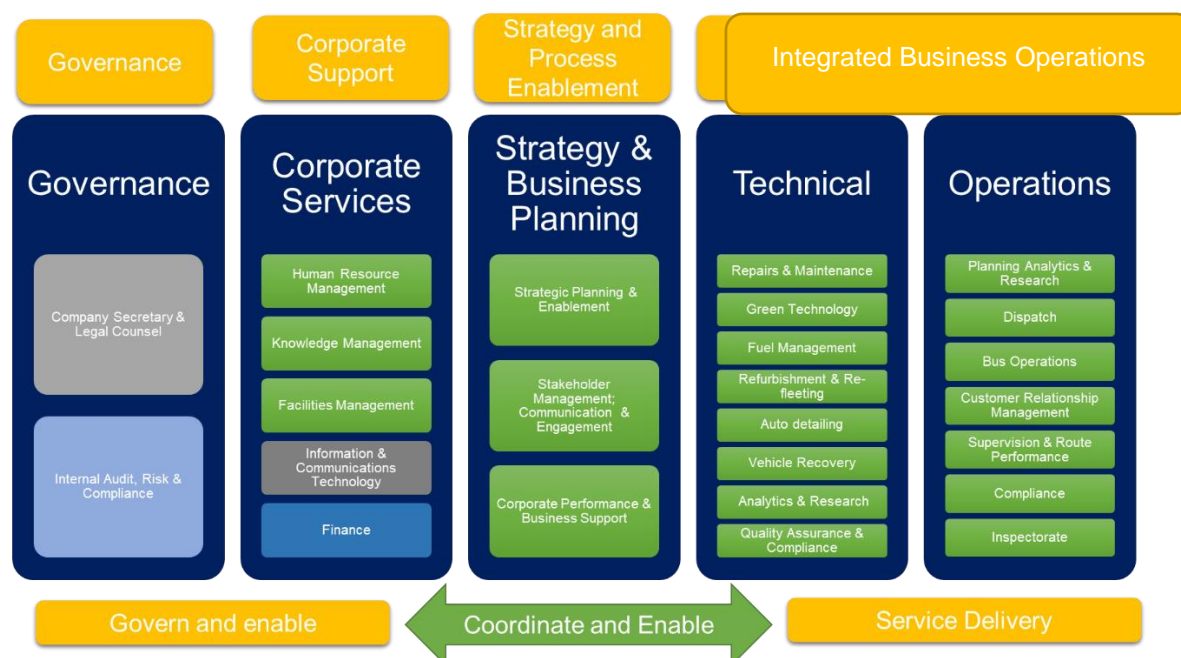


### **2.5.1 High Level Functional Structure**

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 4: 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 12: Risk acceptability table**

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

### **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**

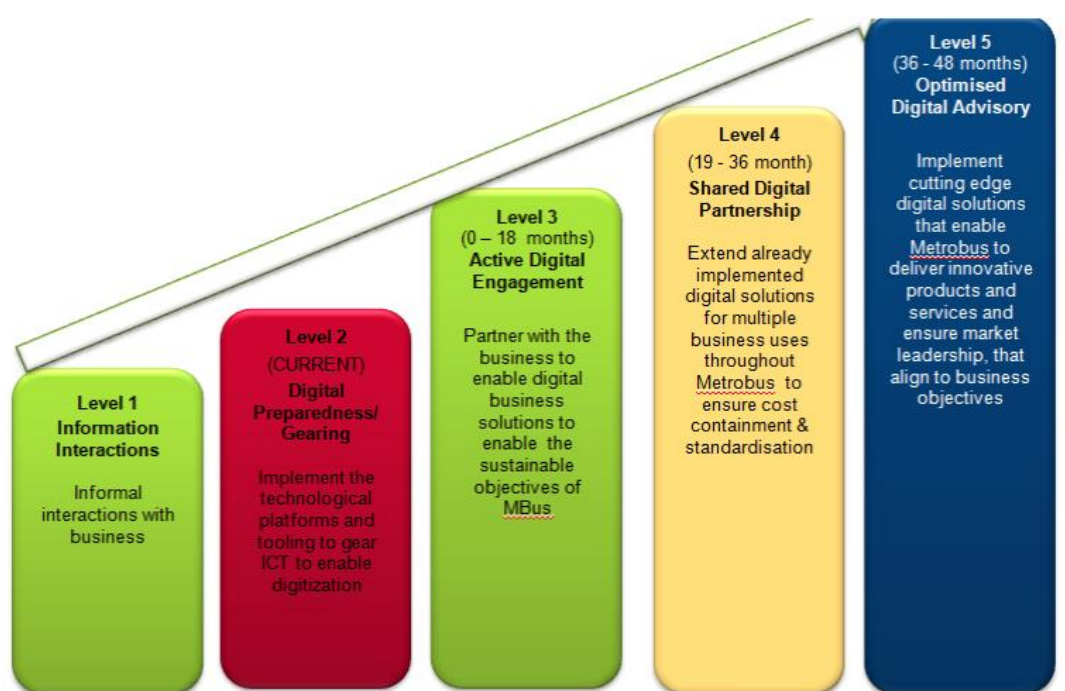
The proper functioning and governance of Information and Communications Technology (ICT) remains a key enabler of a number of the strategic objectives of the entity. The entity is facing a number of ICT challenges, which emanate from ICT infrastructure. Most of the challenges are being resolved except 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.

## 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 5: Metrobus ICT Maturation Journey**



## 2.8.2 Key ICT Projects

**Table 13: Current 2023/24 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>Interim Automated Fare Collection – Completed Testing phase</li><li>Launching of Eye on the Bus, Bus Wi-Fi &amp; Interim AFC – completed</li></ul>	<ul style="list-style-type: none"><li>Wi-Fi in the Depots – Completed</li><li>Access Control/ Time &amp; attendance Solution –in progress</li></ul>	<ul style="list-style-type: none"><li>ICT Professional Services- in progress</li></ul>
In progress	In progress	In progress

### 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. Automated Fare Collection system is completed and it at a testing phase

### 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, twenty nine (29) traffic fine was 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 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

decreased (measure of carbon emissions emitted) from 31% in the previous quarter to an average of 3% 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 14: Carbon emissions test results per bus type**

Bus Type	GOV Spec	MBS Spec	Q1 Opacity %	Q2 Opacity %
Merc 1725	72,50%	50%	34%	5%
Euro 5	72,50%	50%	29%	1%
Euro 3	72,50%	50%	39%	3%
VOLVO B7L	72,50%	50%	28%	16%
<b>Weighted Average</b>			<b>31%</b>	<b>3%</b>
<b>Annual Weighted Average</b>			<b>17%</b>	

### 3 CHAPTER THREE: SERVICE DELIVERY PERFORMANCE

#### 3.1 Highlights and Achievements

##### 3.1.1 Launch of Intelligent Transport Systems

During the period under review, Metrobus launched a suit of Intelligent Transport Systems which includes Eye-on-the-Bus, Wi-Fi on buses, and interim Automated Fare Collection systems. This is a significant achievement for the entity.



##### 3.1.2 Live Tracking and Recovering of a stolen bus.

During the period under review, a stationery bus was stolen by a vagrant. The capabilities of the entity's Intelligent Trasport Systems was put to use. The bus was tracked and officials were able to survey on a real time basis what was happening in the bus. The bus was successfully retrieved.

### 3.1.3 Increase in Revenue

An upward trend in the collection of fares was recorded during the second quarter. This is attributable to the appointment and deployment of inspectorate personnel in all Metrobus routes. It is anticipated that this trend will continue with collaboration between Inspectorate and Intelligent Transport Systems.

### 3.1.4 Economic Transformation

During the period under review, the entity significantly exceeded the target for SMME support. While the target for mid-year was to support seventy (70) SMMEs, the actual performance was one hundred and one (101) SMMEs supported amounting to R100 million.

### 3.1.4 Fatality-Free Service

The entity continues to maintain safe public transportation. During the period under review, the entity operated 3,9 million fatality free kilometres. During the same period last year, the entity operated 4,6 million kilometres fatality free. This is a significant achievement particularly in relation to the ongoing loss of lives on South African roads resulting from fatalities involving public transport operations.

## 3.2 Service Delivery Challenges and Mitigation Actions

**Table 15: Challenges and Mitigation Actions**

Challenges	Mitigation
Level of OOC	<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>
Budget Rebasing	<ul style="list-style-type: none"><li>• Alternative revenue sourcing</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 2023/24.

### 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 key strategic priorities to which its response is outlined as follows:

**Table 16: Response to Strategic Directives**

Strategic Priorities	Priority Programmes	Entity Contribution
Good Governance	Combat corruption, fraud, and maladministration.	Metrobus maintains a Fraud Tip-off line which allows members of the public as well as employees to report fraud and corruption. All employees of the entity declare any interests on an annual basis. Probity processes are undertaken for all supply chain management processes.
Financial Sustainability	Improve and Strengthen the financial position of the City of Joburg Municipality.	This has embarked on the implementation of a revenue generation strategy aimed at generating alternative sources of own revenue in a bid to reduce the current levels of subsidy dependence.
Energy Mix	Improved eco-mobility	Energy mix based on the use of CNG as alternative energy

Sustainable Service Delivery	Accelerated and visible service delivery and reintroduction of co-production in the delivery of basic services.	Accelerated service delivery remains a priority, the needs of communities are constantly surveyed through various platforms including a commuter forum, and a commuter satisfaction survey conducted on an annual basis. This ensures that citizens are given an opportunity to develop their own destiny.
Job Opportunity and creation	Creation of job opportunities	The entity employs a number of citizens on the Extended Public Works Program as well as internships, leaderships and apprenticeships. The current intake in this regard is more than 180.
Safer City	A safer city by introducing ward based policing (Joburg 10) and effective by-law enforcement.  Combat illegal land invasion and promote regulated land use.	Metrobus maintains a cohort of route inspectors, which, inter alia, ensures that passengers are ferried safely, and that Metrobus buses remain safe zones for all commuters.
Active and engaged citizenry	Community based planning and enhanced community engagement, including mayoral imbizos.	The entity has established a commuter forum, which serves as a platform for engagement with commuters. The forum meets on a quarterly basis.
Sustainable Economic Growth	Development and support of SMME's.	On an annual basis the entity allocates a predetermined quantum of its capital expenditure and operational expenditure budgets for the specific benefit of SMME's. In addition a basket of non-financial support measures are directed at the development of SMME's.
Sustainable Environmental Development	Decrease the level harmful of emissions on the environment and introduce	The entity has developed standards against which greenhouse gas emissions are assessed, which forms part of the predetermined objectives of the

	environmentally friendly practices	entity. Plans are currently being implemented to ensure that more compressed natural gas is utilized for the operations of the entity.
Smart City	Smart City	The entity is currently implementing a number of Intelligent Transport Systems towards the development of a Smart City. These include the “dial-a-bus” platform as well as the “Eye-one-the-bus” planform which will respectively ensure that commuters are more active in the planning of their journeys and that the entity is able to monitor its fleet on a real time basis.

### 3.5 Performance against Service Standards

The Service Delivery Agreement sets out five (05) service standards between Metrobus and the Shareholder. Metrobus achieved eighty percent (80%) 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 quarter 2 nineteen (19) KPIs were assessed and twelve (12) KPIs were achieved. This translates to a 63% achievement level against a target of 85%. The detailed Performance Scorecard is attached as **Annexure B**.

The unachieved KPIs include: percentage planned trips completed, percentage achievement of service standards, percentage spent on capital budget against approved capital budget, percentage of valid invoices paid within 30 days, percentage resolution of AGSA findings, percentage, fleet availability to operate scheduled trips met, and implementation of strategic

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

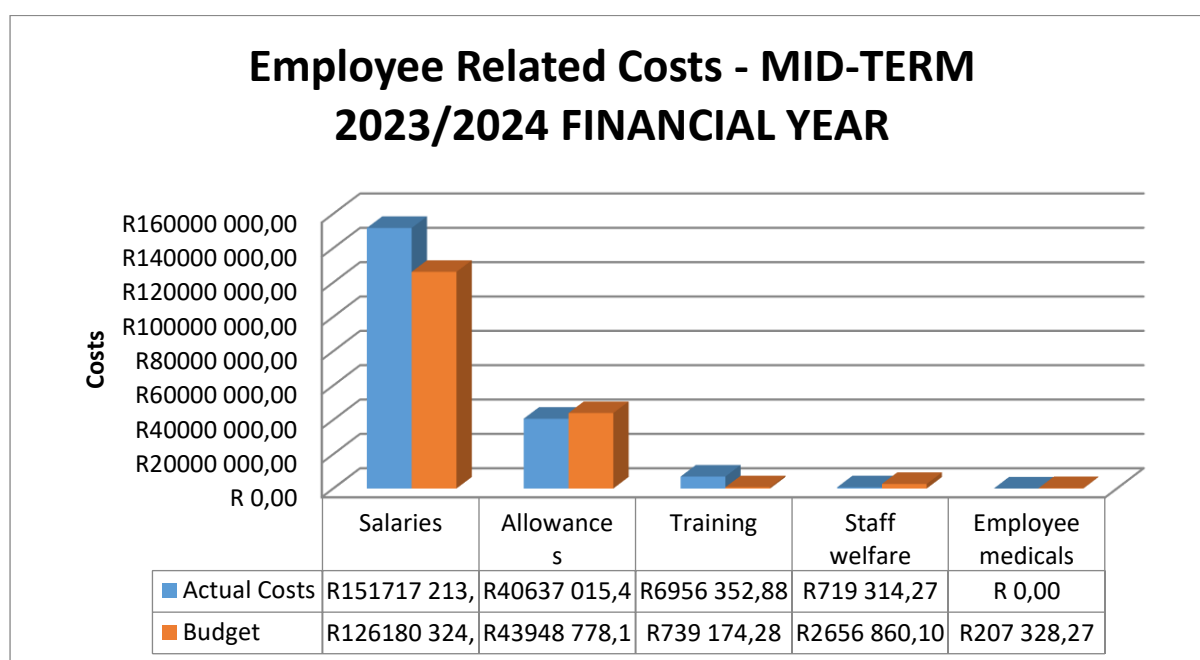


## 4 CHAPTER FOUR: HUMAN RESOURCES & ORGANISATIONAL MANAGEMENT

### 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 R151, 72 million against a budget of R126, 2 million with a deficit variance of (R 26, 3 million). The variance is attributable to the downsized budget.

**Figure 6: Employee related costs**



### 4.2 Key Vacancies

The City approved a downward adjustment to the budget of Metrobus in January 2022 on Employee related costs, which necessitated the re-prioritisation of critical vacancies for filling in the next reporting period. Plans are afoot to speedily fill the positions during the next reporting period. To this end thirty-eight (38) critical vacancies were prioritised and a recruitment plan approved. The entity has three vacancies at Executive Management level as follows:

**Table 17: Vacancies at Executive Management Level**

#	Job title of position	Department	Quantity	Status
1	Managing Director	Office of the MD	1	Position became vacant on December 2023. Position to be advertised in the 3 <sup>rd</sup> Quarter of 2023/2024 financial year.
2	Chief Information Officer (CIO)	ICT	1	Position to be advertised in the third quarter of 2023/2024 financial year.
3	Chief Audit Executive (CAE)	Internal Audit and Risk	1	Position to be advertised in the third quarter of 2023/2024 financial year.

**Table 18: Vacancies at Senior Management to Middle Management Level**

#	Job title of position	Department	Quantity	Status
1	Senior Manager: Integrated Business Operations	Integrated Business Operations (IBO)	Two (2)	Interviews, vetting and competency assessments finalised.
2	Manager: Planning, Research and Analytics	Integrated Business Operations (IBO)	One (1)	Interviews, vetting and competency assessments finalised.

#	Job title of position	Department	Quantity	Status
3	Manager: Operations	Integrated Business Operations (IBO)	One (1)	Interviews, vetting and competency assessments finalised.
4	Manager: Fleet maintenance	Integrated Business Operations (IBO)	One (1)	Interviews, vetting and competency assessments finalised.
5	Supervisor: Operations	Integrated Business Operations (IBO)	Eight (8)	Shortlisting finalised.
6	Manager: Facilities and Auxiliary services	Corporate Services	One (1)	All recruitment processes finalised, offer to be made to the successful candidate
7	Manager: Financial Accounting	Finance	One (1)	Interviews, vetting and competency assessments finalised.

#### 4.2.1 Vacancy Rate

The vacancy rate in the Company during the reporting period currently stands at 24%. 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 21% 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.

During the period under review, seventeen (17) employees out of a total strength of seven hundred and twenty four (724) employees left the service of Metrobus. This translates to an average percentage of two comma three five percent (2, 35%) in staff turnover. This figure comprises of employees who left the Company due to medical boarding, resignations; death; end of employment contract and retirement. 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).

#### **4.3 Employment Equity**

For the reporting period, no new employee appointments have been made to advance the employment equity targets. It can be reported that all the pending recommendations of the candidates have taken consideration to advance the areas that seek to address the EE goals and targets as most of the open vacancies are due for finalisation in the beginning of the second quarter of the financial year 2023/24.

**Table 19: Demographic Profile as at 31 December 2023**

Occupational Level	Male				Female				Foreign National		Total
	A	C	I	W	A	C	I	W	M	F	
<b>Top Management</b>	3	0	0	0	2	0	0	0	0	0	5

Senior Management	11	2	0	2	1	0	0	0	0	0	16
Professional Qualified and Experienced Specialists and Mid-Management	3	0	0	0	3	0	0	0	0	0	6
Skilled Technical academically qualified and junior management	100	16	2	11	15	0	0	3	0	0	147
Semi-Skilled and Discretionary decision making	314	12	0	4	93	3	1	1	0	0	428
Unskilled and defined decision making	103	0	0	0	18	1	0	0	0	0	122
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
Grand Total	534	30	2	17	132	4	1	4	0	0	724

#### 4.4 Skills Development and Training

##### 4.4.1 Training and Development Programmes

The current training interventions planned are based on the submitted work skills plan for 2023/24 in compliance with the planned training interventions that is in the plan, thirteen (13) employees participated in the Recognition of Prior Learning in line with our succession planning interventions to support promotions and mobility of the employees.

Employees continue with the end user computing training which one hundred and thirty five

(135) completed the program and the outstanding sixty- five (65) are due for completion in end of October 2023.

The entity continues to invest in the capacitation of its internal staff on computer usage training and Recognition of Prior Learning (RPL), during the reporting period, a total of one hundred and forty eight (148) employees were capacitated apportioned as shown in table 20 below:

**Table 20: Skills Development and Training**

Intervention	Gender	Age	Total
Recognition of Prior Training	Male- <b>12</b>	>35 Above	12
	Female- <b>1</b>	>35 Above	1
End User Computing Program	Male- <b>98</b>	18 – 34	78
		>35 Above	20
	Female- <b>37</b>	18 – 34	17
		>35 Above	20
TOTAL			148

Further, the entity continues to embark on training and development programmes and interventions aimed at empowering the youth and females with knowledge and skills aimed at enhancing the talent pipeline and combating unemployment for the benefit of the company, the COJ and the Country at large. During the reporting period, seventy-one (71) youth beneficiaries continued to participate in the Internships; Learnership and apprenticeship programmes as shown in table 21 below:

**Table 21: Learnership and apprenticeship programme**

<b>Intervention</b>	<b>Gender</b>	<b>Age</b>	<b>Total</b>
<b>Learnership</b>	Male-3 Female- 7	18-34	10
<b>Apprenticeship</b>	Male- Female	18-34	11 13
<b>Internship</b>	Male-3 Female 7	18-34	3 7
<b>Total</b>			<b>71</b>

#### **4.4.2 Apprenticeship Programme**

All the current cohort of apprentices continues with on job and phase training at both workplace and training centers during the period under review.

#### **4.4.3 Internship Programme**

All interns placed at Metrobus continue with their institutional learning and continue with the programme. During the period under review, twenty one (21) comprising TVET and University interns that are placed at Metrobus in collaborations between the Technical Vocational and Education Training (TVET) and UJ University are deployed at various departments to acquire practical experience as part on job learning.

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

The employees who benefited through the partnership with TETA to give opportunities for development in managerial and leadership by participating on International Executive

Leadership completed the programme during this quarter, and are due for formal graduation in the next quarter.

#### **4.4.5 Skills Levy and Mandatory Grant**

In line with the Skills Development Act, the entity has received a total of R 2 102,951.10 in rebates from Agricultural Sector of Education and Training (AgriSETA) during this reporting period, as the rebates in the month of 29/11/2023 and 13/12/2023. This will be deployed in the skills Development programmes and reported accordingly.

#### **4.5 Performance Management**

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

#### **4.6 Disciplinary Matters**

**Table 22: Disciplinary matters**

<b>Depot</b>	<b>Disciplinary Matters</b>
Milpark Depot	1
Village Main Depot	0
Roodepoort Depot	0
Head Office	0

**Table 23: Grievance Matters**

<b>New</b>	<b>Jul 23</b>	<b>Aug 23</b>	<b>Sep 23</b>	<b>Oct 23</b>	<b>Nov 23</b>	<b>Dec 23</b>	<b>Total</b>
<b>Grievances</b>							
<b>Milpark</b>	0	1	0	4	1	0	6
<b>Village Main</b>	0	0	0	0	0	0	0
<b>Roodepoort</b>	0	0	0	1	0	0	1



Head Office	0	0	2	0	2	0	4
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#### **4.7 Litigations**

No litigations are currently in progress regarding dismissals and or any other relating to the employment relationship between metrobus and any of its employees.

#### **4.8 Leave & Productivity Management**

##### **4.8.1 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.

Regular communication takes place with the affected employees to inform them about the importance of taking annual leave 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.

##### **4.8.2 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 2.66 working days per employee 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

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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.

#### **4.9 Employee Health and Wellness**

Metrobus understands that employee health and wellness is an important strategic objective, the focus remains on preventative measures in order to promote a healthy workplace, reducing absenteeism, and increasing productivity.

##### **4.9.1 Psychosocial Support and Counselling Services**

The Employee Health and Wellness Programme provides counselling support to employees in a confidential setting who are experiencing personal or work-related problems that may affect their job performance, health, or well-being.

Employees are presenting with stress, depression and mood difficulties causing disruption to their life and work life. These employees are referred to external service providers who specialize in the field of depression. Metrobus has a number of employees who do not have medical aids and as a result of not having an Employee, Health and Wellness contract to complement internal services help is then sought from the NGOs and public hospital sector.

Employees who apply for light duty placements, do so based on their Doctors recommendation because of an injury / illness, it is important to note that Metrobus does not have capacity to process these applications because there is no contracted Doctor.

There were five (5) employees who were hospitalized during the reporting period, In the event of any Metrobus employee including the executive level employees for a period of not less than a day. Employees receive support and over and above that, Metrobus purchases flowers or fruit basket with a well-wishing card as part of the hospitalization and bereavement policy.

During the period under review, twenty five (25) cases were dealt with and the matters can be divided in the following categories:

**Table 24: Cases**

Type of cases recorded	MID-TERM QUANTUM
Psychosocial support	29
Trauma debriefing	4
Hospitalisation	18
Death of an employee	4
Alcohol and Substance Abuse	1
Application for incapacity leave	1
Absenteeism	3
<b>TOTAL</b>	<b>60</b>

It is essential to note that sixty (60) cases were handled during the two quarters, namely twenty-five (25) cases for quarter 1 and thirty-five (35) cases for quarter 2, respectively.

Of the 3 previously reported employees who were incapacitated because of illness / injury , one employee remains on incapacity leave, one employee has returned to work, and one has passed away.

Incapacity leave refers to employees who have been assessed and approved by the Incapacity Leave Management Committee for additional paid sick leave if they have exhausted 80 days 3-year cycle allocated sick leave and annual leave as illustrated below:

**Table 25: Incapacity Leave**

Type of Incapacity	Period of absence	Number of days applied for	Number of days approved	Comments
<b>Long Term</b>	06/05/2022-01/12/2023	Unspecified	90 days	The incapacity application is submitted every 3 months. The employee has not returned to work and is now on unpaid incapacity leave pending a new application.
<b>Long Term</b>	08/05/23-28/07/2023	66	45	Returned to work

<b>Long Term</b>	08/10/23- 28/05/2023	Not specified	0	Employee passed away
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#### **4.9.2 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

#### **4.10 Employee Benefits**

The Employee Benefits for the period under review amounted to a total of R48 312 682, 63 against a budget of R47 552 140, 77 apportioned as per the following table:

**Table 26: Employee Benefits as at 31 December 2023**

	<b>Allowances</b>	<b>Training</b>	<b>Staff welfare</b>	<b>Employee medicals</b>	<b>TOTALS</b>
<b>Actual Costs</b>	R40 637 015,48	R6 956 352,88	R719 314,27	R0,00	48 312 682,63
<b>Budget</b>	R43 948 778,12	R739 174,28	R2 656 860,10	R207 328,27	R47 552 140,77
<b>Variance</b>	<b>R 3 311 762,64</b>	<b>-R 6 217 178,60</b>	<b>R 1 937 545,83</b>	R207 328,27	<b>-R 760 541,86</b>

#### **4.11 Occupational Health & Safety Programmes**

##### **4.11.1 Safety incidents**

During the quarter under review three safety incident were reported, one from Milpark cause of incident slip and fall, and two from Village main depot cause of incident is Motor vehicle accident and slip and fall. Man days lost as a result of this incident is a total of 10 days.

#### **4.12 Physical Security and Route Patrol Inspectorate**

Two (2) private security companies, Chippa Training Academy and Refueo Security and Training, were appointed as part of the hybrid security solution for Metrobus in addressing the security shortfall. Their deployment at Metrobus facilities has positively contributed in enhancing the current security by enhancing access control, armed capacity at Head Office and all depots together with fuel and store management. The security companies' deployments are being assessed and reviewed each quarter in order to maximise their impact and to adequately address the needs of Metrobus. The initial contract has ended and they will still perform this function on a month to month basis until the tender process, which should be concluded by the end of the current financial year.

##### **4.12.1 Security Breaches**

There was an incident of attempted theft at Village Main Depot on 06 November 2023. An unknown suspect jumped over the perimeter wall and attempted to steal second hand bus spares to the value of approximately R70 000-00. The suspect was apprehended by the \_\_\_\_\_

Refueo Private Security officer and was arrested by Johannesburg Central SAPS and detained on CAS 227/22/2023.

#### **4.12.2 Route Inspection**

During the reporting period, twenty three (23) newly appointed inspectors commenced with their internal training and to perform work as Route Inspectors. This has substantially improved the Company's revenue collection amidst threats, intimidation and resistance from certain quarters. It is essential to report that the Route Inspectorate component has received new vehicles, which would enhance the execution of their duties.

## 5 CHAPTER FIVE: FINANCIAL PERFORMANCE AND EXPOSURE

### 5.1 Statement of Financial Position and Exposure

Table 27: Summary Statement of Financial Position

Description	31-Dec-2023 Actuals R000	30-Jun-2023 Actuals R000	Movement R000	Movement %
<b>Total Assets</b>	<b>575 799</b>	<b>580 083</b>	<b>(4 283)</b>	<b>-1%</b>
<b>Non-Current Assets</b>	<b>534 011</b>	<b>551 948</b>	<b>(17 937)</b>	<b>-3%</b>
Property, Plant & Equipment	465 515	482 211	(16 696)	-3%
Loans to Shareholders	35 291	34 446	845	2%
Intangible Assets	33 205	35 291	(2 085)	-6%
<b>Current Assets</b>	<b>41 788</b>	<b>28 135</b>	<b>13 653</b>	<b>49%</b>
Inventories	30 355	16 739	13 615	81%
Receivables	4 146	3 951	195	5%
Prepayment	7 192	6 884	308	4%
Insurance Fund	0	0	0	0%
Cash & Cash Equivalents	96	561	(465)	-83%
<b>Total Equity &amp; Liabilities</b>	<b>575 799</b>	<b>580 083</b>	<b>(4 283)</b>	<b>-1%</b>
<b>Equity &amp; Liabilities</b>				
<b>Capital &amp; Reserves</b>	<b>(325 953)</b>	<b>(250 086)</b>	<b>(75 866)</b>	<b>30%</b>
Share Capital	54 774	54 774	0	0%
Revaluation Surplus	163 170	163 170	(0)	0%
Accumulated Profit(Loss)	(543 897)	(468 030)	(75 866)	16%
<b>Non-Current Liabilities</b>	<b>29 401</b>	<b>62 683</b>	<b>(33 282)</b>	<b>-53%</b>
Interest Bearing Debt	22 337	46 901	(24 564)	-52%
Finance lease obligation capital	0	8 718	(8 718)	-100%
Retirement Benefit Obligation	7 064	7 064	(0)	0%
<b>Current Liabilities</b>	<b>872 350</b>	<b>767 486</b>	<b>104 865</b>	<b>14%</b>

**City of Johannesburg Metropolitan Municipality**  
**Metropolitan Bus Services (SOC) Ltd**  
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<b>Payables</b>	110 002	158 163	(48 161)	-30%
<b>Loans From Shareholders</b>	686 548	542 310	144 238	27%
<b>Finance lease obligation capital</b>	10 204	1 486	8 718	587%
<b>Other Financial Liabilities</b>	59 173	59 173	(0)	0%
<b>Provisions</b>	3 478	3 478	(0)	0%
<b>VAT Payable</b>	70	0	70	100%
<b>Deferred Income</b>	2 875	2 875	0	0%

### **5.1.1 Property Plant and Equipment**

Property Plant and Equipment assets decreased by R 16, 7 million (3%) from R 482, 2 million (30 June 2023) to R 465, 5 million as at 31 December 2023 due to normal depreciation and capital assets acquired during the period.

### **5.1.2 Intangible assets**

Intangible assets increased by R 2, 1 million (6%) from approximately R 35, 3 million (30 June 2023) to approximately R 33, 2 million as at 31 December 2023. This was due to normal amortization of intangible assets and intangible assets acquired during the period.

### **5.1.3 Inventory**

Inventory increased by approximately R 13, 6 million (81%) from R 16, 7 million (30 June 2023) to R 30, 4 million as at 31 December 2023 due to increased inventory purchased to reduce the out of commission buses, and most of the inventories relating to breaks and air components were received in December 2023. The inventory list is reviewed monthly to avoid overstocking and obsolescence. When purchasing inventory, the entity uses the minimum and maximum stock levels to prevent overstocking and inventory becoming obsolete.



#### **5.1.4 Receivables**

Receivables increased by approximately R 195 000 (5%) from R 3, 9 million (30 June 2023) to R 4, 1 million as of 31 December 2023. This was due to delays in payments by Gauteng Department of Transport on the Eldorado contract.

#### **5.1.5 Prepayments**

Prepayments represents payments made in advance in respect insurance and bus licenses, this is amortised monthly. Prepayments increased by R 300 million (4%) from R 6, 9 million (30 June 2023) to R 7, 2 million (31 December 2023) due to an increase in the number of buses renewed and increased license fees.

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

The interest-bearing debt decreased by R 24, 9 million (52%) from R 46, 9 million (30 June 2023) to R 22, 3 million (31 December 2023) due to loan repayments made during the period. This amount is made of loans given by the City to the entity for purchase of buses.

#### **5.1.7 Trade payables**

The trade payables position decreased by R 48, 2 million (30%). As of 30 June 2023, Metrobus owed over R 110, 0 million. The decrease in trade payables is due to payments made to suppliers during the period.

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

The loans from shareholder position increased by R 144, 2 million (27%). As at 30 June 2023, Metrobus owed R 542, 3 million to the City. This has increased to R 686, 5 million during the financial period ending 31 December 2023 due to delays in payments caused by the city cash flow challenges. 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 Accumulated Losses**

The entity has accumulated loss position worsened by R 75, 9 million from R 468, 0 million as at the end of 30 June 2023 to R 543, 9 million as at 31 December 2023. This was driven by the deficit recorded during the period.

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5.2 Statement of Financial Performance and high-level notes

Table 28: Statement of Financial Performance

Descriptions	A Q2 Actual (R000's)	B Q2 Budget (R000's)	C Q2 Prior Year (R000's)	D YTD Actual (R000's)	E YTD Budget (R000's)	F Prior Year YTD (R000's)	A - B Q2 2024 Variance to Budget (R000's)	A - C Q2 Variance to Prior Year (R000's)	D - E YTD Variance to Budget (R000's)
<b>Revenue</b>	<b>165 832</b>	<b>164 373</b>	<b>164 904</b>	<b>331 961</b>	<b>328 745</b>	<b>164 904</b>	<b>1 459</b>	<b>928</b>	<b>3 215</b>
<b>Grants and subsidy</b>	149 894	149 894	150 732	299 788	299 788	150 732	(0)	(838)	(0)
<b>Fare revenue</b>	15 630	13 858	14 108	31 366	27 716	14 108	1 772	1 522	3 650
<b>Sundry revenue</b>	308	621	-	806	1 241	64	(313)	244	(435)
<b>Direct costs</b>	<b>50 993</b>	<b>27 204</b>	<b>38 469</b>	<b>92 970</b>	<b>54 407</b>	<b>38 469</b>	<b>(23 789)</b>	<b>(12 523)</b>	<b>(38 562)</b>
<b>Diesel</b>	26 610	14 135	22 449	49 575	28 270	22 449	(12 475)	(4 161)	(21 305)
<b>Rep &amp; Maint.</b>	14 969	6 538	6 927	27 608	13 077	6 927	(8 431)	(8 042)	(14 531)
<b>Other</b>	9 414	6 530	9 093	15 786	13 060	9 093	(2 883)	(321)	(2 726)
<b>Margin</b>	<b>114 839</b>	<b>137 169</b>	<b>126 434</b>	<b>238 991</b>	<b>274 338</b>	<b>126 434</b>	<b>(22 330)</b>	<b>(11 595)</b>	<b>(35 347)</b>
<b>Expenses</b>	<b>169 205</b>	<b>125 419</b>	<b>129 536</b>	<b>286 841</b>	<b>250 838</b>	<b>129 536</b>	<b>(43 786)</b>	<b>(39 668)</b>	<b>(36 003)</b>
<b>Staff</b>	110 488	86 866	104 569	200 030	173 732	104 569	(23 622)	(5 919)	(26 297)
<b>Depreciation</b>	13 648	17 802	12 376	26 090	35 603	12 376	4 153	(1 272)	9 513
<b>Property expenses</b>	1 272	4 897	1 624	470	9 794	1 624	3 625	352	9 324
<b>Security</b>	6 304	83	-	9 809	165	-	(6 222)	(6 304)	(9 644)
<b>Consultants</b>	526	580	43	3 662	1 159	43	54	(483)	(2 502)

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<b>Bad debts</b>	-	-	-	-	-	-	0	0	0
<b>Bus rental</b>	-	387	-	-	775	-	387	0	775
<b>Licences buses</b>	3 309	1 857	2 751	6 178	3 714	2 751	(1 452)	(559)	(2 464)
<b>Insurance</b>	16 157	1 110	-	16 157	2 220	-	(15 047)	(16 157)	(13 937)
<b>Legal expenses</b>	444	756	584	1 324	1 513	584	313	141	189
<b>Audit fees</b>	3 875	1 332	1 572	4 394	2 663	1 572	(2 543)	(2 303)	(1 730)
<b>Computer costs</b>	7 797	1 426	2 564	9 163	2 852	2 564	(6 372)	(5 233)	(6 312)
<b>Marketing</b>	3 408	2 894	1 784	6 088	5 787	1 784	(514)	(1 624)	(300)
<b>Telecommunications</b>	490	746	23	1 060	1 493	23	256	(467)	433
<b>Other costs</b>	<b>1 485</b>	<b>4 683</b>	<b>1 648</b>	<b>2 416</b>	<b>9 367</b>	<b>1 648</b>	<b>3 198</b>	<b>162</b>	<b>6 951</b>
<b>Operating result</b>	-54 366	11 750	-3 102	-47 850	23 501	-3 102	(66 116)	(51 264)	(71 350)
<b>Interest paid</b>	14 640	11 750	10 424	28 025	23 501	10 424	(2 890)	(4 217)	(4 524)
<b>Total Expenditure</b>	<b>234 838</b>	<b>164 373</b>	<b>178 429</b>	<b>407 835</b>	<b>328 745</b>	<b>178 429</b>	<b>(70 465)</b>	<b>(56 408)</b>	<b>(79 090)</b>
<b>Surplus / Deficit</b>	<b>-69 006</b>	<b>0</b>	<b>-13 526</b>	<b>-75 875</b>	<b>0</b>	<b>-13 526</b>	<b>(69 006)</b>	<b>(55 480)</b>	<b>(75 875)</b>

### **5.2.1 Overview**

The approved operating budget was based on the 2022/23 rebased budget and did not take into consideration the trend in actual expenditure in the previous year. Over the past three years, Metrobus has seen its budget being rebased downwards year by year. The cumulative reduction in the budget is causing serious negative implications on the operations.

Metrobus recorded a deficit of R 75, 9 million for the six months financial period ending 31 December 2023. Besides the efforts by management to contain the costs through effective costs controls, the operating expenditure budget was overspent by R 70, 5 million due to the reduced budget and increased operational costs resulting from inflation.

### **5.2.2 Fare Revenue**

The fare revenue recorded a shortfall of R 3, 7 million for the six months financial period ending midyear. The entity recorded R 31, 4 million against the target fare revenue of R 27, 7 million. The fare revenue was expected to improve in the following quarters due to the increased inspectorate services, new interim AFC and 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.

Negative factors contributing to the reduced revenue collections includes the following:

- Declining economic conditions which have 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 21, 3 million above budget. The 2023/24 diesel budget was approved by the City using an incorrect base resulting from the 2022/23 budget rebase. The trend in diesel expenditure shows that the diesel budget will be exhausted before the end of January 2024. Management intended to request a budget increase on diesel

during 2023/24 budget adjustment process but the city requested a budget cuts. 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. Management shall make presentations to the city during the 2023/24 budget adjustment period motivate for a budget increase.

#### **5.2.4 Repairs and maintenance**

Repairs and maintenance for the midyear financial period were R 14, 5 million above budget and this was caused by efforts made by management to reduce out of commission buses. The full repairs and maintenance budget was exhausted by 31 December 2023. The repairs and maintenance budget were affected by the budget rebase in the previous three years. The entity continues to make concerted efforts aimed at reducing 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, 7 million due to increased tyre expenses.

#### **5.2.6 Staff costs**

The actual staff costs for the midyear financial period were R 26, 3 million above budget. The staff budget was also affected by the budget rebase in the previous financial years. Management will try to negotiate for an increase in budget. Metrobus is in the process of filling some of the critical vacant positions.

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

Depreciation and amortization expense by midyear was R 9, 5 million below budget due to review of useful lives of the non-current assets.

#### **5.2.8 Audit Fees**

Audit fees recorded an R 1, 7 million overspending by midyear. The budget for audit fees is allocated evenly over the financial year and this will result in some timing differences as the external audit turn to concentrate on specific periods.

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

No buses were leased during the six months period as the service providers appointed failed to meet the specifications as per the tender advertisement.

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

Bus licenses for the six months were R 2, 4 million above budget, this was caused by renewal of licenses.

#### **5.2.11 Finance charges / Interest paid**

Finance charges were R 3, 4 million above budget for the period due to the increase on shareholder loan. Finance charges on loans are paid on a quarterly basis.

#### **5.2.12 Property Expenses**

Savings of R 9, 3 million were realized on property expenses due to savings on water, electricity, and rental charges by midyear.

#### **5.2.13 Security Charges**

Security charges for the period were overspent by R 9, 6 million. Efforts by management to increase the security expenditure budget was not approved by the City. Metrobus uses a hybrid model on security.

#### **5.2.14 Consultant charges**

Consultant charges for the period were overspent by R 3, 2 million, this resulted from taxation, assets and inventory consultation work that were carried out during the period.

### 5.2.15 Insurance charges

The insurance charges were overspent by R13, 9 million, this was caused by underbudgeting of the insurance internal charges by the city.

### 5.2.16 Computer Costs

The computer costs were overspent by R 6, 3 million resulting from the leasing of AFC system which did not have a budget.

### 5.2.17 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 6, 9 million below budget by midyear as less repairs and maintenance of buildings and equipment were made during the period.

## 5.2 Cash flow statement for the period ended 31 December 2023

**Table 29: Summary Cash Flow**

Cash flow Statement	DEC-23	JUN-23
	((R'000))	((R'000))
<b>Net Cash Flow from Operating Activities</b>	<b>(135 614)</b>	<b>38 196</b>
Grants & subsidies	299 788	570 927
Other income	32 173	66 289
<b>Cash received from grants and income</b>	<b>331 961</b>	<b>637 216</b>
Employee costs	(200 030)	(304 730)
Suppliers	(239 520)	(248 827)
Finance costs	(28 025)	(45 463)
<b>Cash paid to employees, suppliers and finance costs</b>	<b>(467 574)</b>	<b>(599 020)</b>
Cash employed in investment activities	(13 017)	(64 191)
Expanding of Capital Base	(6 997)	(28 847)
Purchase of intangible assets	(6 020)	(35 343)
<b>Cash from financing activities</b>	<b>148 166</b>	<b>26 248</b>
Other financial liabilities	(70 279)	(45 715)
Movement of sweeping account	208 241	61 759
Finance lease payments	10 204	10 204



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<b>Cash Flow From Activities</b>	(465)	253
<b>Net Increase / (Decrease) in Cash &amp; Bank Balances</b>	(465)	253
<b>Cash &amp; Bank Balances Beginning of the Year</b>	561	307
<b>Cash &amp; Bank Balances End of the Period</b>	<b>96</b>	<b>561</b>

### **Analysis of cash flow**

The entity has been experiencing serious cash flow challenges from mid previous financial year up to this current financial year. The cash flow challenges having been affecting payment of suppliers and normal running of the business. The City is responsible for managing the cash flow of the city and its entities. Any funds deposited into the bank by any entity is swept into the City's bank account on the same day. The city is supposed to avail funds to the entity based on entity's cash forecast. During the six months the City experienced some cash flow challenges resulting in less funds being allocated to Metrobus and this affected payment of some of the suppliers.

The entity reported a positive cash balance of R 96 000 influenced mainly by the net cash inflow of R 148, 2 million from financing activities. Actual cash spent on capital expenditure for the period was approximately R 13, 0 million excluding commitments.

## **5.3 Ratio Analysis**

**Table 30: Ratio Analysis**

<b>Description</b>	<b>30-Sep-23</b>	<b>30-Jun-23</b>	<b>Target</b>
<b>Solvency Ratio</b>	0.64:1	0.70:1	0.5
<b>Current ratio</b>	0.04:1	0.04:1	1.5:1
<b>Acid test</b>	0.02:1	0.01:1	01:01
<b>Gearing Ratio* (only considering shareholder loan)</b>	124%	106%	45%
<b>Gearing</b>	157%	299%	45%
<b>Cost coverage ratio</b>	8%	9%	50%
<b>Cost coverage ratio – excluding subsidy</b>	28.07	32.93	182.50
<b>Cost coverage ratio – including subsidy</b>	296.37	331.35	365.00
<b>Employee related costs to total expenditure</b>	49%	49%	40%

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Repairs to total expenditure	7%	7%	8%
Repairs to PPE	3%	4%	8%
Interest cover	-1.71	-0.38	1.50
Training spent against skills levy	119%	108%	1%
Total expenditure against budget	124%	111%	100%
Total capex against budget	18%	99%	100%

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

#### **5.3.17 Solvency:**

Solvency is a measure of a company's ability to service its debts. The net liability position of Metrobus has declined during the financial year. The net liability position worsened from R 250, 1 million (30 June 2023) to R 325, 9 million as at 31 December 2023. The entity's solvency ratio was calculated at -0.45: 1 (2022/23: -0.46: 1).

#### **5.3.18 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 686, 5 million (2022/23: R 642, 9 million). The overdraft was due to the accumulated losses over the years resulting from budget shortfalls, purchase of permanent assets with short term loans and increased operating costs.

### **5.4 Capital Projects & Expenditure**

The shareholder approved capital expenditure budget amounting to R 196, 1 million for various capital projects of which R 60 million was for purchase of buses. The entity managed to spend R 13, 0 million (13%) against the target of R 98, 1 million for the six months period. The spending on capital projects was delayed due to delays in user departments finalizing their procurement processes.

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**Table 31: Summary Capital Projects**

Project Name	Approved Budget (R 000's)	Quarter 1 Actual (R 000's)	Quarter 2 Budget 25%(R 000's)	Quarter 2 Actual (R 000's)	Midyear Actual (R 000's)	Commitments (R 000's)	YTD spent including commitment (R 000's)	Q2 budget spent (Excl Commitments)	YTD spent excluding commitments on mid year budget %	% Spent including commitments on total budget %	Project Status
<b>Overhaul Engine &amp; Gearboxes</b>	40 000	5 464	10 000	1 192	6 656	9 827	16 483	12%	33%	41%	Procurement is in progress
<b>Building improvements</b>	2 000	-	500	-	-	-	-	0%	0%	0%	Work is in progress through JPC
<b>Furniture &amp; Office Equipment</b>	1 000	341	250	(0)	341	-	341	0%	68%	34%	Procurement is in progress
<b>IT Equipment</b>	15 000	509	3 750	5 511	6 020	13 426	19 446	147%	80%	130%	Procurement is in progress
<b>Plant &amp; Machinery</b>	8 146	-	2 037	-	-	-	-	-	0%	0%	Procurement is in progress
<b>Bus refurbishment</b>	40 000	-	10 000	-	-	-	-	-	0%	0%	Procurement is in progress

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<b>Purchasing of New Buses</b>	60 000	-	15 000	-	-	-	-	0%	0%	0%	Procurement is in progress
<b>AFC</b>	30 000	-	7 500	-	-	-	-	0%	0%	0%	Procurement is through the Dept- of Transport and MTC
<b>Total Capital expenditure</b>	<b>196 146</b>	<b>6 314</b>	<b>49 037</b>	<b>6 703</b>	<b>13 017</b>	<b>23 253</b>	<b>36 270</b>	<b>14%</b>	<b>13%</b>	<b>18%</b>	

## 5.5 Supply Chain Management (SCM) & Compliance Matters)

### 5.5.1 Irregular, Fruitless and wasteful expenditure

There was no irregular expenditure recorded for the six months period of 2023/2024. There was no fruitless and wasteful expenditure; however, any irregular, unauthorized, fruitless and wasteful expenditure which might not have been reported will be disclosed immediately as and when discovered. Furthermore, there was amount of R76 865 482,00 that was written-off by the board/council.

**Table 32: Reconciliation of irregular expenditure**

RECON OF IRREGULAR EXPENDITURE	2023/24 (R) 000'	2022/23 (R) 000'
Opening Balance	100 024	334 485
Irregular Expenditure by Quarter		
Quarter 1:	0	
Quarter 2:	0	
Quarter 3:		
Quarter 4:		
Comparative: Prior year		5 365
Overspending of Approved Budget		76 865
Written Off	(76 865)	(317 692)
Closing balance	23 159	100 024

### 5.5.2 Awards where there were no three quotes

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

### 5.5.3 Deviations

There were (05) five deviations approved for the six months period (cumulative).

**Table 33: Deviations**

Company Name	Description	Applicable Regulation	Approved Amount (R) 000'
Margen Industrial	Procurement of Fire forensic investigators	Where it is impractical or impossible to follow the procurement process Regulation 36 (1) (a) (v)	R100
Onsoft	Procurement of BMC tacking Licence	Where such goods or services are produced or available from a single provider only.Regulation 36 (1) (a) (ii)	R122
Kubapay	Provision of maintenance and support services on the wayfarer machines, point of sales machines and supply of smart cards	Where it is impractical or impossible to follow the procurement process Regulation 36 (1) (a) (v)	1007
Kanana	Maintenance and repairs of the Server	Where it is impractical or impossible to follow the procurement process and in emergency Regulation 36 (1) (a) (i)(v)	42
Spanet	Payment for configuration and installation of hardware	Ratification of minor breach Regulation 36 (1) (b)	403
<b>Total</b>			<b>R1 674</b>

#### **5.5.4 Expenditure on BBBEE and SMME's**

During the quarter under review, procurement amounting to R161 178 402,12 was procured by the organization. The total BBBEE expenditure was R155 158 788,99 which was 96.0% of the total expenditure. A total number of 106 SMMEs has also been supported up to thus far with a total spend of R112 343 792,77 for the period under review.

**Table 34: BBBEE procurement breakdown**

Details		Spent
Total Procurement	(R' 000)	161 178
Actual BBBEE Spent	(R' 000)	155 159
% Actual BBBEE Spent	%	85,0%

**Table 35: SMMEs supported**

	Number of supplier supported	AMOUNT R'000
Total Procurement	119	161 178
BBBE Procurement	108	155 159
SMME Supported	106	112 343

### 5.5.5 Performance against procurement plan

**Table 36: Procurement Plan**

Departments	No. of tenders per Department	Not funded	Appointment	Specification	Audit Probity (BSC)	Advertising	Pre Evaluation	Evaluation	Audit probity (BEC)	Adjudication	Awarded
Finance	4		1	1	2						
TSD	17		8	3	2	1				3	
Corporate Services	10		6	3	1					1	
Operations	8		5	3							
ICT	1		1								
Office of the MD	4		4								

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Total	44		25	9	5	1				4	
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## 5.5.6 Contract Management

**Table 37: 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
Finance	2	0	0	2
IBO	26	3	3	20
Corporate Services	9	3	0	6
ICT	11	3	0	8
Office of the MD	1	0	0	1
<b>Total</b>	<b>49</b>	<b>9</b>	<b>3</b>	<b>37</b>

## 5.6 Payments

### 5.6.1 Payments within 30 days

**Table 38: Reconciliation of invoices outstanding for more than 30 days**

Description		Q1	Q2	Total
		(R000's)	(R000's)	(R000's)
Total payments made	A	1 166	1 333	2 499
Invoices paid within 30 days	B	1 134	1 179	2 313
Invoices not paid within 30 days due to invoice issues	C	32	154	186
Invoices paid outside 30 days with no valid reason	D	0	0	0
Compliance percentage	B/A	97.26%	88.45%	92.56%



### 5.7 Amounts Owed to Metrobus by CoJ and Entities (Intracompany)

Period	Department	Contact person	(R'000)	Comments
SEP-23	JDA	Thabiso Ngoepe	0	Settled
	<b>Total</b>		<b>0</b>	

### 5.8 Amounts Owed to Metrobus by CoJ Core Departments (Intercompany Liabilities)

Period	Department	Contact person	(R 000's)	Comments
DEC	MTC	Nonhlanhla Radebe	41 466	On going varying ICT services
DEC	JPC	Nselelo Nxasana	193	Buildings renovation management fees
DEC	JHB Theatre	Babalwa Mbodla	285	Hospitality & Catering
DEC	JHB City Parks & Zoo (NPC)	Sizwe Zwane	12	Conference Venue
	<b>Total</b>		<b>41 956</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 39: Staff establishment**

Name of Person	Position
Serame Mothupi	Chief Audit Executive ( Acting)
Lebogang Mokoena	Specialist: Risk and Compliance

### 6.3 Progress against the 2023/24 Internal Audit Plan

The table below summarizes the IAF's progress against the 2023/24 Internal Audit Plan.

**Table 40: IAF's Progress**

Name of Internal Audit Project	Performed By	Fieldwork Completed	Audit Report Issued	Audit Project Status
<b>Annual Performance Report</b>	Metrobus IAF	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		Reported at Special ARC and Board Meeting		
<b>AFS</b>		<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"/>	Waiting final input from GM: Corporate Services
SCM		To be completed in February 2024		
Stakeholder Management		Audit still in progress		
Fleet		To be completed in February 2024		
Q2 Performance Information		To be completed in January 2024		
Financial Discipline		To be completed in March 2024		
Revenue Management	Co-Sourced	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fuel Management	Co-Sourced	To be completed in February 2024		
IT General Controls	Co-Sourced	To be completed in March 2024		
HR Report	Metrobus IAF	To be completed in April 2024		
Q 3 Performance Information		To be completed in April 2024		
Q 4 Performance Information		To be Completed in August 2023		

#### 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 41: Progress against Approved Ad-Hoc Projects**

Name of Internal Audit Project	Performed By	Fieldwork Completed	Audit Report Issued	Audit Project Status
Review of Employee Salary Adjustments in terms of the Lesedi Agreement and Progression Agreement and investigation into alleged remuneration prejudice to certain employees	Co-Sourced	<input type="checkbox"/>	<input type="checkbox"/>	There has been a request for a scope extension, final report to be issued by end of January 2024.

Provision for the appointment of a suitable independent service provider/s for the supply and delivery of new single deck buses including full maintenance and service plan for a period of 36 months on as and required basis to metrobus	Co-Sourced	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Investigation of SAMWU and IMATU Allegations on Bus hire corruption.	Co-Sourced	The investigation is in progress and report will be issued by end of January 2024.		

## 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 42: 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 43: 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 2023/24

As at the date of this report, 34% of findings have been addressed.

Category	Total	Accepted	Addressed	YTD Achievement	Details of Not Achievement
<b>Fuel and Fleet Management</b>	6	0	3	50%	1. Budget of R60 million was approved and allocated to the procurement of new buses in 23/24 financial year. The recommendations from the BAC Committee for the appointment of service provider to supply and deliver new buses was finalised on 20 November 2023. Still waiting for the approval of the recommendation for the appointment of a service provider from the office of the Acting MD. 2. The appointment of the service provider for the supply and delivery of the new buses will temporarily assist in avoiding of over sweating of our buses. This will assist the workshop and timeously maintaining and repairing the old buses.
<b>HR</b>	4	0	1	25%	Some HR policies not updated and approved, Performance contracts and

					weakness in staff appointments.
<b>Revenue</b>	16	0	2	16,67%	1. Additional findings from revenue audit in Quarter 2. 2. CCTV cameras not working (Repeat finding)
<b>SCM</b>	1	0	0	0%	Not all suppliers are paid within 30 days due to inadequate allocation as a result of cashflow constraints.
<b>Financial Discipline</b>	3	0	2	66,6%	Inventory reconciliations not performed due to inventory subledger glitches on the sage system.
<b>IT</b>	4	2	2	100%	The risk of Qmerit system is still accepted. Metrobus has implemented a new AFC which has not fully went live and once this is done, the finding should be resolved.
<b>Stakeholder Management</b>	5	0	3	60%	Eye on the bus system has been implemented and management indicated that, there will be an automated customer database. This will be confirmed after finalization of stakeholder management audit currently underway.
<b>OHS</b>	6	0	1	16,67%	Housekeeping Issues Outstanding, incident management procedure, safety signs. Budgetary constraints. Management has committed to close the balance of these in 2023/24 Financial Year
<b>AOPO</b>	2	0	0	0	Limitation of scope.
<b>Total</b>	<b>47</b>	<b>2</b>	<b>14</b>	<b>34%</b>	

## 6.7 External Audit Findings

### 6.7.1 Progress on Resolution of External Audit Findings-2021/22 and 2022/23

The following is a summary of the findings that were issued by the AGSA in relation to the 2021/22 and 2022/23 Regularity Audit:

The findings are rated as follows:

	Matters that will be reported in the auditor's report and should be addressed urgently
	Matters that should be addressed to prevent material misstatements in the financial statements or material findings on the annual performance report and compliance with legislation in future; also includes matters that significantly affected auditee performance
	Matters that do not have a direct impact on the audit outcome or a significant impact on auditee performance, but were communicated to assist with improving processes and mitigating risks

Details	Total Findings			
Findings	48	7	41	0
Addressed	0%			

## 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 44: 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

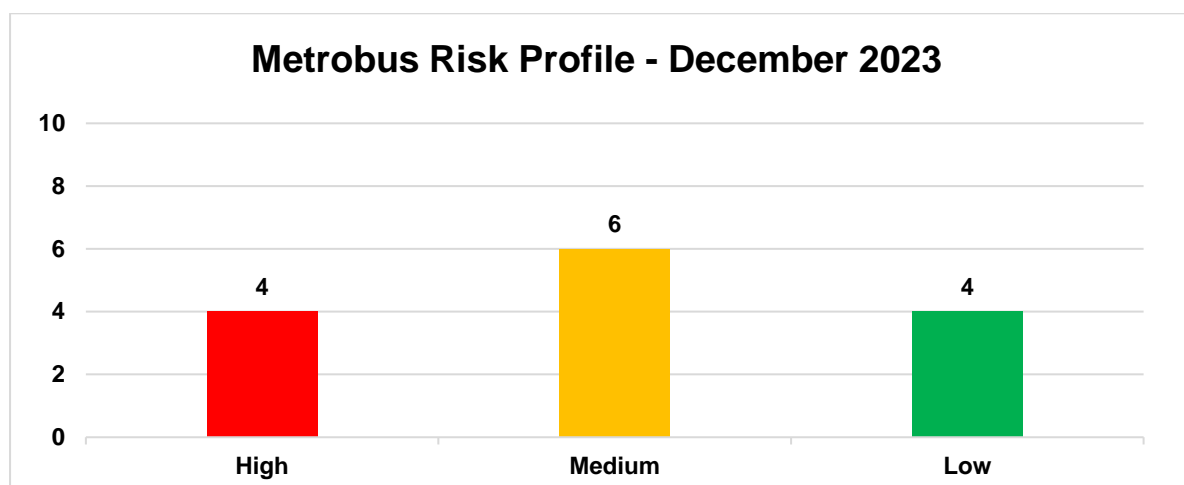
### 6.9.2 Strategic Risks

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 2023 Business Plan and inputs from Management. As at 31 July 2023 a total of 14 strategic risks were identified of which 4 were classified as residually high, 6 classified as residually medium and 8 as residually low as set out below.





The table below provides details of the strategic risks according to the predetermined strategic objectives as at 31 July 2023. There is a total of 29 interventions planned for the 2023/24 financial year, whereby 21 were due at the end of quarter 2 – 31 December 2023 and 14 of the interventions which represent 56% have been achieved.

**Table 45: Strategic Risks**

Division	Total	Due to Date	Risk Accepted	Addressed
Strategy	2	2	0	1
IBO	6	4	0	3
EMT	5	5	0	4
Internal Audit	4	4	0	2
Finance	5	4	0	2
Corporate Services	2	2	0	2
IT	1	0	0	0
	<b>25</b>	<b>21</b>	<b>0</b>	<b>14</b>
<b>% Overall Achievement: 56%</b>				
<b>Achievement - Planned to Date: 67%</b>				

### 6.9.3 Emerging Risks

Risk Description	Risk Rating	Controls
Loss of new system installed in buses e.g. AFC consoles, eye on the bus system		Asset numbers will be allocated on all the devices and a mechanics to secure all the newly installed assets on buses is currently underway

No certificate of compliance at Head Office and inadequate maintenance processes for all Metrobus buildings



Certificate of compliance for Head Office to be acquired.  
Development of year plan (maintenance schedules) for all Metrobus buildings

#### 6.9.4 Progress on Embedding Risks

Tracking and monitoring of departmental operational risks interventions is conducted on quarterly basis and progress is recorded of the risk registers accordingly.

#### 6.9.5 Insurance Incidents

Open Claims as at 30<sup>th</sup> November 2023 are 367 on Buses (See Table Below for a breakdown of its composition).

Total Claims Open	3rd Party Claim	Service Provider Advices Awaited	Litigation	Recovery in Progress	Insurer Advices Awaited	Assessment in Progress	Client Advices Awaited	Admin
367	4	36	6	4	11	5	297	4

## ANNEXURE A: IDP & SDBIP SCORECARD

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Priority: A City that gets the basic right									
KPI NO.	KEY PERFORMANCE INDICATOR	BASELINE 2022/23	2023/24 ANNUAL TARGET	2023/24 QUARTERLY TARGETS		2023/24 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	19 724 Metrobus passenger trips per working day	20 000 Average number of Metrobus passenger trips per working day	18 000	19 555	-	35 101		



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## ANNEXURE B: METROBUS SCORECARD

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

#	PIP	GDS2040	Key Performance Indicator	Baseline 2022/23	2023/24 Target	Q2 Target	Q1 Actual	Q2 Actual	Year to Date	Means of verification and Key Interventions
1	Sustainable Service Delivery	An inclusive, Job intensive, resilient, competitive and smart economy that harnesses the potential of citizens	% planned trips completed	90% planned trips completed	90% planned trips completed	90%	71%	76%	74%	Target not met
2	Sustainable Service Delivery	An inclusive, Job intensive, resilient, competitive and smart economy that harnesses the potential of citizens	Average number of Metrobus passenger trips per working day	19 724 Metrobus passenger trips per working day	20 000 Metrobus passenger trips per working day	18 000	22 378	19 555	20 977	Target met
3	Sustainable Service Delivery	An inclusive, Job intensive, resilient, competitive and smart economy that harnesses the potential of citizens	Blameworthy Accident Rate per 100 000 bus kilometers operated	Blameworthy Accident rate at 0.21 per 100 000 bus kilometers per month	Blameworthy Accident rate at <0.75 per 100 000 bus kilometers per month	<0.75	0.47	0.08	0.32	Target met
4	Sustainable Service Delivery	An inclusive, Job intensive, resilient, competitive and smart economy that harnesses the potential of citizens	% of service disruptions communicated	100% of service disruptions communicated	100% of service disruptions communicated	100%	100%	100%	100%	Target met

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5	Sustainable Service Delivery	An inclusive, Job intensive, resilient, competitive and smart economy that harnesses the potential of citizens	% complaints resolved within the timelines specified in the customer service charter	93% of complaints resolved within the timelines specified in the customer service charter	100% of complaints resolved within the timelines specified in the customer service charter	100%	83%	Not Assessed	83%	N/A
6	Sustainable Service Delivery	An inclusive, Job intensive, resilient, competitive and smart economy that harnesses the potential of citizens	% Customer satisfaction	73% Customer satisfaction	80% Customer satisfaction	N/A	Not Assessed (due in Q4)	Not Assessed (due in Q4)	N/A	N/A
7	Sustainable Service Delivery	An inclusive, Job intensive, resilient, competitive and smart economy that harnesses the potential of citizens	% Achievement of service standards	100% Achievement of service standards	100% Achievement of service standards	100%	80%	80%	80%	Target not met

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**Program 2: Innovation and Green Economy**

#	PI P	GDS 2040 Outcome	Key Performance Indicator	Baseline 2022/23	2023/24 Target	Q2 Target	Q1 Actual	Q2 Actual	Year to Date	Means of verification and Key Interventions
8	Smart City	Provide a resilient, liveable, sustainable, urban environment – underpinned by smart infrastructure supportive of a low carbon economy.	% Carbon emissions	Maintain hartridge units measurement at 17%	Maintain hartridge units measurement at 30%	30%	31%	3%	17%	Target met



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**Program 3 Enterprise Development and Job Creation**

#	PIP	GDS 2040 Outcome	Key Performance Indicator	Baseline 2022/23	2023/24 Target	Q2 Target	Q1 Actual	Q2 Actual	Year to Date	Means of verification and Key Interventions
9	Sustainable Economic Development	Accelerated and visible service delivery and re-introduction of co-production in the delivery of basic services	Total number of SMMEs supported	134 SMME's supported	140 SMME's supported	70	58	101	101	Target met
10	Sustainable Economic Development	An inclusive, job intensive, resilient, competitive and smart economy that harnesses the potential of citizens	% of total expenditure spent on BBBEE	93% Expenditure spent on BBBEE	30% expenditure spent on BBBEE	30%	88%	85%	87%	Target met
11	Sustainable Economic Development	An inclusive, job intensive, resilient, competitive and smart economy that harnesses the potential of citizens	Total number of EPWP jobs created	175 EPWP Jobs created	100 EPWP jobs created	50	194	174	174	Target met

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#### Program 4: Financial Management, Viability and Sustainability

	PIP	GDS 2040 Outcome	Key Performance Indicator	Baseline 2022/23	2023/24 Target	Q2 Target	Q1 Actual	Q2 Actual	Year to Date	Means of verification and Key Interventions
12	Accelerated and visible delivery and re-introduction of co-production in the delivery of basic services	An inclusive, job intensive, resilient, competitive and smart economy that harnesses the potential of citizens	% Spent on operating budget against approved operating budget	112% spent on operating budget against approved operating budget	100% spent on operating budget against approved operating budget	50% of total opex budget	26%	64%	64%	Target met
13	Accelerated and visible delivery and re-introduction of co-production in the delivery of basic services	An inclusive, job intensive, resilient, competitive and smart economy that harnesses the potential of citizens	% spent on capital budget against approved capital budget	99% spent on capital budget against approved capital budget	100% spent on capital budget against approved capital budget	50% of total capex budget	13%	13%	13%	Target not met
14	Accelerated and visible delivery and re-introduction of co-production in the delivery of basic services	An inclusive, job intensive, resilient, competitive and smart economy that harnesses the potential of citizens	% spent on repairs and maintenance to property, plant and equipment	10% spent on repairs and maintenance to property, plant and equipment	8% spent on repairs and maintenance to property, plant and equipment	4%	2%	6%	6%	Target met

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15	Accelerated and visible delivery and re-introduction of co-production in the delivery of basic services	An inclusive, job intensive, resilient, competitive and smart economy that harnesses the potential of citizens	% reduction in unauthorised irregular, fruitless and wasteful (UIFW) expenditure incurred citywide	0% reduction in unauthorised irregular, fruitless and wasteful (UIFW) expenditure incurred citywide	50% reduction in unauthorised irregular, fruitless and wasteful (UIFW) expenditure incurred citywide	30%	0	0	0	Target met6%
16	Accelerated and visible delivery and re-introduction of co-production in the delivery of basic services	An inclusive, job intensive, resilient, competitive and smart economy that harnesses the potential of citizens	% of valid invoices paid within 30 days	94,52% of valid invoices paid within 30 days	100% of valid invoices paid within 30 days	100%	99,19%	55,15%	72,39%	Target not met

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#### Program 5: Operational Excellence

	PIP	GDS 2040 Outcome	Key Performance Indicator	Baseline 2022/23	2023/24 Target	Q2 Target	Q1 Actual	Q2 Actual	Year to Date	Means of verification and Key Interventions
17	Improve and strengthen financial position	An inclusive, job intensive, resilient, competitive and smart economy that harnesses the potential of citizens	% resolution of Internal Audit Findings	32% resolution of Internal Audit Findings	95% resolution of Internal Audit Findings	30%	43%	34%	34%	Target met
18	Improve and strengthen financial position	An inclusive, job intensive, resilient, competitive and smart economy that harnesses the potential of citizens	% resolution of AGSA findings	82% resolution of AGSA findings	95% resolution of AGSA findings	95%	82%	0	82%	Target not met
19	Sustainable service delivery	An inclusive, job intensive, resilient, competitive and smart economy that harnesses the potential of citizens	% fleet availability to operate scheduled trips met	91% fleet availability to operate scheduled trips met	90% of quarterly fleet requirement	90% of quarterly fleet requirement	82%	86%	84%	Target not met
20	Improve and strengthen financial position	An inclusive, job intensive, resilient, competitive and smart economy that harnesses the potential of citizens	% implementation of the strategic risk management action plan findings resolved	83% implementation of the strategic risk management action plan findings resolved	85% implementation of the strategic risk management action plan findings resolved	85%	47%	67%	56%	Target not Met

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21	Sustainable service delivery	An inclusive, job intensive, resilient, competitive and smart economy that harnesses the potential of citizens	% of pre-determined objectives achieved	71% of pre-determined objectives achieved	85% achievement of pre-determined objectives achieved	85% achievement of pre-determined objectives achieved	60%	63%	62%	Target not met
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**Program 6: Technology and Business Enablement**

#	PIP	GDS 2040 Outcome	Key Performance Indicator	Baseline 2022/23	2023/24 Target	Q2Target	Q1 Actual	Q2 Actual	Year to date	Means of verification and Key Interventions
22	Smart City	An inclusive, job intensive, resilient, competitive and smart economy that harnesses the potential of citizens	% Intelligent Transport System Projects	100% Intelligent Transport System Projects	100% of Intelligent Transport Systems Projects	50%	40%	60%	60%	Target met



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## ANNEXURE B1: UNACHIEVED KPI's

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KPI	Unachieved Key Performance Indicator	Key Enablers	Key Interventions
1	% planned trips completed	<ul style="list-style-type: none"> <li>• Procurement Planning</li> </ul>	<ul style="list-style-type: none"> <li>• Pre-performance year completion of procurement processes</li> </ul>
7	% Achievement of service standards	<ul style="list-style-type: none"> <li>• Procurement Process</li> </ul>	<ul style="list-style-type: none"> <li>• Pre-performance year completion of procurement processes</li> </ul>
13	% 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>
16	% 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>
17	% resolution of AGSA Audit 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>



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19	% fleet availability to operate scheduled trips met	<ul style="list-style-type: none"><li>• Procurement Planning</li></ul>	<ul style="list-style-type: none"><li>• Pre-performance year completion of procurement processes</li></ul>
20	% 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>

## ANNEXURE C: SERVICE STANDARDS

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**Service Standards**

Core Service	Service Level Standard Target	Q1	Q2
% of scheduled public bus trip arriving on time	90% arrival times	94%	94%
Bus timetable	90-100% adherence to daily bus schedule (<5 min headway)	71%	76%
Safety of commuters	100% compliance to health and safety legislation (1) Zero security incidents on buses (2) Zero Fatalities	100%	100%
Safety of commuters	Enforcing of bus seating-standing in line with applicable regulations	100%	100%
Response time for walk in queries	All queries acknowledged within 1 hour	All queries acknowledged within 1 hour	All queries acknowledged within 1 hour

## ANNEXURE D: STRATEGIC RISK

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Key Performance Outcome	Key Performance Indicator	Risk Description	Residual Risk Exposure	Risk Owner	Interventions/ Actions to improve management of the risk	Time Scale	Number of Interventions	Progress to Date
<b>Programme 1:Customer Services, Stakeholder Engagement and Communication</b>								
An inclusive job intensive, job intensive, resilient, competitive and smart economy that harnesses the potential of its citizens	% Planned Trips Completed	Inability to Meet Scheduled Services and Collect Revenue	High	IBO	1.1 100% implementation of Bus Maintenance Plans per Quarter 1.2 Appointment of Inspectorate	1.1 Quarterly, 100% to be Reported by 30 June 2024 1.2 31 October 2023	2	1.1 Budget constraints in the 100% implementation of bus maintenance. There are still some buses that are OOC and still to be repaired. 1.2 Appointment of Inspectorate as from 1 October 2023.
	Average number of Metrobus passenger trips per working day							
	Blameworthy Accidents Rate per 100 000 bus kilometers operated	Inadequate Enforcement of good organisational culture by Management/Leadership	Medium	IBO	1.3 100% of all Drivers, who did not attend driver refresher training in the 2022/23 Financial Year attending a Refresher Training Course	1.3 30 September 2023	1	1.3 Some drivers have attended the refresher training. Mainly those who were on maternity leaves and also those who were involved in accidents – not yet fully implemented

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Key Performance Outcome	Key Performance Indicator	Risk Description	Residual Risk Exposure	Risk Owner	Interventions/ Actions to improve management of the risk	Time Scale	Number of Interventions	Progress to Date
	% Service Disruptions Communicated	Inadequate /Limited Effectiveness of Existing and Future Communication Channels	Medium	Strategy	1.4 All Complaints Recorded in Manual Complaints Register for follow up and resolution 1.5 100% of Complaints resolved within the timelines specified in the Customer Service Charter. Capacitate office responsible for handling of complaints	1.4 and 1.5 Daily 100% to be Reported by 30 June 2024	2	1.4 All complaints received are recorded on the complaints register and followed up accordingly 1.5 Complaints are resolved as per turnaround time the office not yet fully capacitated
	% Complaints resolved within the timelines specified in the Customer Services Charter							
	% Customer Satisfaction	Inadequate Enforcement of good organisational culture by Management/Leadership	Low	IBO	1.5 100 % implementation of eye on the bus and WIFI projects on the buses	1.5 31 December 2023	1	1.5 Wi-Fi on the buses project still in progress, not fully implemented
	% Achievement of Service Standards		High		1.6 See 1.4 Above	1.6 See 1.4 Above	None as already included	Same as 1.4 above

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Key Performance Outcome	Key Performance Indicator	Risk Description	Residual Risk Exposure	Risk Owner	Interventions/ Actions to improve management of the risk	Time Scale	Number of Interventions	Progress to Date
Programme 2: Innovation and Green Economy								
Provide a resilient liveable sustainable urban environment underpinned by smart infrastructure supportive of a low carbon economy	% Carbon Emissions	Inability to meet Carbon Emission Targets	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 2024 2.2 Quarterly, 100% to be Reported by 30 June 2024	2	2.1 In progress, currently the emission testing is be done through the RFQ system.  2.2 In progress  Still in the process of appointment of service provider for the injection and pump systems.
Accelerated and visible service delivery and re-introduction of co-production in the delivery of basic services	Total number of SMME's Supported	Inability to Attract Sufficient SMME's	Low	CFO	3.1 Allocation of Budget for SMME Development. 3.2 80% Spend Against Budget. 3.3 Supplier Awareness Communications Regarding Fronting and the Consequences Thereof Published	3.1 1 July 2023, 3.2 30 June 2024, 3.3 31 December 2023	3	3.1 The target of 50% allocation is currently met and Metrobus is now sitting at 90% 3.2 Not yet due 3.3 Initial action plan date is revised to 30 June 2024, due to SCM awaiting the completion of the AGSA audit outcome to have an indication whether there were any
An inclusive job intensive, job intensive, resilient, competitive and smart economy	% of Total Expenditure spent on BBBEE		Low					

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Key Performance Outcome	Key Performance Indicator	Risk Description	Residual Risk Exposure	Risk Owner	Interventions/ Actions to improve management of the risk	Time Scale	Number of Interventions	Progress to Date
that harnesses the potential of its citizens								suspicious fronting identified.
	Total Number of EPWP jobs Created	Inability to Provide/Supply Sufficient EPWP opportunity to Alleviate Poverty	Low	Corporate Services	3.4.1 Update Plan for EPWP personnel to ensure alignment with current budget and any COJ Prescripts	3.4 1 31 July 2023	2	3.4.1 All the 200 EPWP beneficiaries were appointed by October 2023, target achieved.
Programme 4: Financial Management, Viability and Sustainability								
Accelerated and visible service delivery and re-introduction of co-production in the delivery of basic services	% Spent against Approved Operating Expenditure Budget	Failing to meet set Targets Resulting in Non-Achievement of Performance Objectives resulting in the reduction of	Medium	CFO	4.1 Actual Spend against Budget Reported by Executive Quarterly and Performance Management implemented for Non-Performance	4.1 Quarterly: 30 September 2023, 31 December 2023, 31 March 2024 and 30 June 2024	1	4.1 In progress, monthly / quarterly performance reports are submitted to EMT, ARC and Board.



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Key Performance Outcome	Key Performance Indicator	Risk Description	Residual Risk Exposure	Risk Owner	Interventions/ Actions to improve management of the risk	Time Scale	Number of Interventions	Progress to Date
	% Spent against Approved Capital Expenditure Budget	Grant Funding from the Shareholder - Lack of alternative plans when budgets cuts are initiated by the Shareholder	High		4.2 100% of all Tenders per Procurement Plan advertised and awarded	4.2 30 June 2024	1	4.2 Not yet due
	% spent on repairs and maintenance to property, plant and equipment		Medium		4.3 Same as Above- 4.1	4.3 Same as Above- 4.1	None as already included	Same as 4.1 above
	% reduction in unauthorized irregular, fruitless and wasteful (UIFW) expenditure incurred citywide	Inability to comply with laws and regulations	Medium	EMT	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 2024	1	4.4 Each tender is subject to probity review by Internal Audit - In progress

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Key Performance Outcome	Key Performance Indicator	Risk Description	Residual Risk Exposure	Risk Owner	Interventions/ Actions to improve management of the risk	Time Scale	Number of Interventions	Progress to Date
	% of valid invoices paid within 30 days		Medium	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 2024	1	4.5 In progress, monthly / quarterly performance reports are submitted to EMT, ARC and Board
Programme 5: Operational Excellence								
Improve and Strengthen Financial Position	% Resolution of Internal Audit Findings	Inability to address all findings issued by both Internal and External Audit	Medium	EMT	5.1 Quarterly Review of Internal and External Audit Findings, Reported in the Quarter Metrobus Business Performance Reports	5.1 Quarterly: 30 September 2023, 31 December 2023, 31 March 2024 and 30 June 2024	4	5.1 In progress, audit findings are reported to the EMT, ARC / Board each quarter
	% AGSA Findings Resolved							
An inclusive job intensive, job intensive, resilient, competitive and smart economy that harnesses the	% Fleet Available to Operate Scheduled Trips Met	Inability to Meet Scheduled Services and Collect Revenue	High	IBO	5.2 See 1.1 Above, Provide additional funding for procurement of new fleet	5.2 31 March 2025	None as already included	5.2 Not yet due

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Key Performance Outcome	Key Performance Indicator	Risk Description	Residual Risk Exposure	Risk Owner	Interventions/ Actions to improve management of the risk	Time Scale	Number of Interventions	Progress to Date
potential of its citizens	% implementation of the strategic risk management action plan findings resolved	Inability to address all identified Risks	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 2023, 31 December 2023, 31 March 2024 and 30 June 2024	4	5.3 In progress, monitoring and reporting of risk management interventions on a quarterly Risk Management report
Programme 6: Technology and Business Enablement								

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Key Performance Outcome	Key Performance Indicator	Risk Description	Residual Risk Exposure	Risk Owner	Interventions/ Actions to improve management of the risk	Time Scale	Number of Interventions	Progress to Date
Smart City	% Intelligent Transport System Projects	Inability to continue with Operations within Metrobus	Medium	Acting CIO	6.1 Implementation of all deliverables for the ICT Strategy applicable to the 2023/24 Financial Year	6.1 30 June 2024	1	6.1 Not yet fully implemented – Projects are still in progress e.g. Eye on the bus, Wi-Fi installation on buses

## ANNEXURE E: CIRCULAR 88

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N o	National Treasury Proposed Indicators	Ref No	2020/21 Baseline	2023/24 Targets	Q2 Target	Q1 Actual	Q2 Actual	Target met or not
1	Number of weekday scheduled municipal bus passenger trips	TR3.11	3,4 million	5 million	1,25 million	1,4 million	968 913	Target not met
2	Percentage of municipal bus services 'on time'	TR4.21	93%	90%	90%	94%	94%	Target met
3	Number of scheduled public transport access points added	TR5.11	Zero	Zero	Zero	Zero	Zero	Target met
4	Percentage of scheduled municipal bus service stops that are universally accessible	TR5.31	100%	100%	100%	100%	100%	Target met
5	Staff vacancy rate	GG 1.21	20%	<30%	<30%	24%	24%	Target met

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6	Percentage of municipal skills development levy recovered	GG 1.1	100%	100%	100%	100%	100%	Target Met
7	Top Management Stability	GG 1.2	86%	82%	82%	71%	71%	Target not met
8	Percentage of vacant post filled within 3 months	GG 1.22	100%	100%	70%	10%	10%	Target not met
9	Audit opinion	GG3.1	Unqualified without material finding	Unqualified without material finding	Unqualified without material finding	N/A	Unqualified without material finding	Target Met
10	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	10	9	Target met



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## ANNEXURE F: COMPLIANCE CHECKLIST



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	Person /Department Responsible	Activity	Frequency	Due Date	Status
<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 2023 were submitted.
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 2022 were duly returned. Annual returns for the financial year ended 30 June 2023 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 1 March 2023
Auditor appointed	Company Secretary	Auditor consent to appointment and same to be lodged with CIPC	Annually	Annually	A new Board was appointed at the AGM on 01 March 2023 and upon receiving resolutions of AGM will the appointed Auditors be lodged with CIPC
Register of directors and Officials	Company Secretary	Register of directors and officials to be maintained	Annually	Annually	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 declarations of interest for the financial year ending 30 June 2023 were completed.
<b>Finance / Value Added/ Tax Law</b>					

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	<b>Person /Department Responsible</b>	<b>Activity</b>	<b>Frequency</b>	<b>Due Date</b>	<b>Status</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
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.

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	<b>Person /Department Responsible</b>	<b>Activity</b>	<b>Frequency</b>	<b>Due Date</b>	<b>Status</b>
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>					
Road Traffic Act	GM: Integrated Business 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	All Departments & Directors and Board Sub-Committees	Ensure that written declarations of interests are recorded	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>
Municipal Systems Act No 32 of 2000)					
Protection of Personal Information Act	CIO	Ensure all personal information (employees, bidders, contractors etc.) is treated with the necessary safeguards to ensure compliance with Act	Annually	Annually	Completed and ongoing
National Archives and Records Services of South Africa Act	GM: Corporate Services	Ensure there is a records management system and documents are stored in the manner, and for the required time frame, as per legislation	Annually	Annually	Completed and ongoing
National Road Traffic Act 93 of 1996 and chapter	GM: Operations	Transportation of dangerous goods as classified in terms	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>
VIII of National Road Traffic Regulations of 2000		of SABS code of practice (SANS 0228:2012);			
<b>Environment</b>					
Petroleum Products Act	GM Integrated Business Operations.	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>					

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	<b>Person /Department Responsible</b>	<b>Activity</b>	<b>Frequency</b>	<b>Due Date</b>	<b>Status</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
S 87	Board / CFO	Submit proposed Budget to City	150 days before start of FY	End Feb	Not yet due
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	22 January 2024	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

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	<b>Person /Department Responsible</b>	<b>Activity</b>	<b>Frequency</b>	<b>Due Date</b>	<b>Status</b>
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
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	5 December 2023	Submitted
S 126	CFO	Submit annual financial statements to AG for auditing	Annually	5 December 2023	Submitted

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	<b>Person /Department Responsible</b>	<b>Activity</b>	<b>Frequency</b>	<b>Due Date</b>	<b>Status</b>
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
<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