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**- JOHANNESBURG METROPOLITAN BUS SERVICES
(SOC)LIMITED**
Registration No: 2000/004704/07



2012/13 Annual Report

(In terms of Section 121 of the
Municipal Finance Management Act, 2003 and Section 46 of the Municipal Systems Act, 2000)

**JOHANNESBURG METROPOLITAN BUS SERVICES
(SOC)LIMITED**

COMPANY INFORMATION:

Registration number: 2000/004704/07

Registered Address: Transportation House
1 Raikes Road
Braamfontein

Postal Address: P O Box 1049
Johannesburg
2000

Telephone number : (011) 403-4300

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Website : www.metrobus.co.za

Bankers : ABSA Bank of SA Limited

Auditors : Auditor-General

Vision

To be the best provider of efficient conventional bus services.

Mission

To provide mobility in the corridors and neighbourhoods where a conventional bus service is an appropriate mode of public transport.

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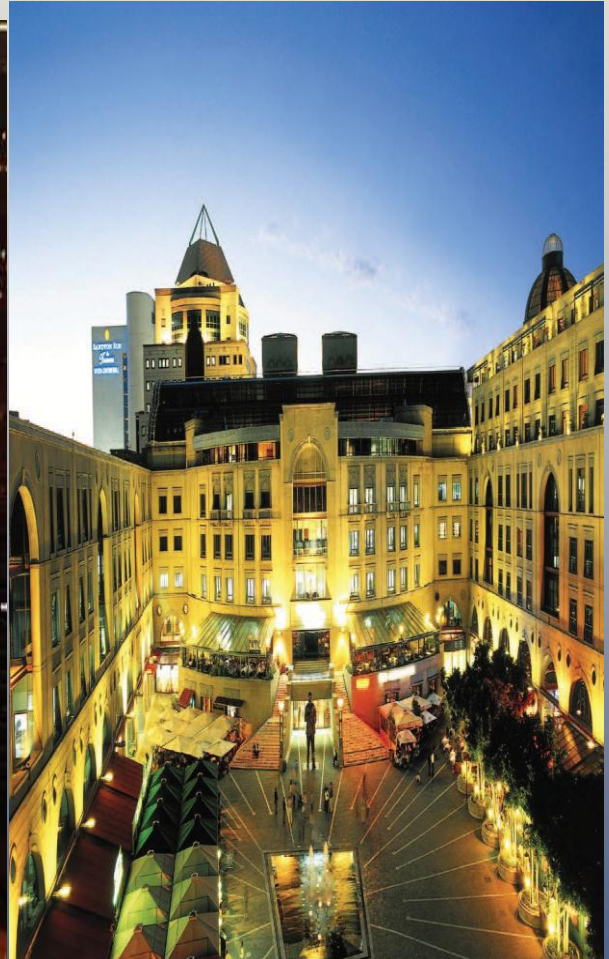
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CHAPTER ONE

LEADERSHIP & CORPORATE PROFILE

KEY ACHIEVEMENTS

- Stable and strengthened Board leadership
- Improved corporate image & market share



Section 1: Corporate Profile / Overview of the entity

Metrobus is a bus transportation company owned by the City of Johannesburg Metropolitan Municipality.

Under the leadership, guidance and governance of the CoJ, the Member of the Mayoral Committee (MMC) for Transportation, Councillor Christine Walters and the Entity's Board of Directors ("the Board"), Metrobus contributes to the provision of daily scheduled transport services to the citizenry of the Greater Johannesburg area.

The Company has a staff complement of eight hundred and ninety-two (892) permanent employees, nine (9) non-executive directors, four hundred and fifty (450) buses, three (3) main depots and three (3) satellite depots.

Through a Service Delivery Agreement (SDA) and an approved Business Plan, the CoJ regulates the service provided by Metrobus in respect of financial issues (such as tariffs and capital expenditure), matters in human resources (such as skills development), delivery targets and matters relating to customer care.

Section 2: Strategic Objectives

Metrobus' strategic direction is guided by its Board of Directors. The cornerstone of the strategy is the City's Integrated Development Plan ("IDP"), the Growth and Development Strategy ("GDS") as well as the Transportation Sector Plan.

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The priorities or strategic focus areas for Metrobus for the 2012/13 financial year are set out hereunder:

- Restructuring of Metrobus – As part of the restructuring process, the Entity conducted a route analysis exercise to evaluate the profitability of the various routes in which Metrobus operates. The introduction of a new ticketing system to protect revenue also formed part of the process. The investigations into the implementation design for the restructuring process are still underway and an action plan is envisaged to be presented to the Board in the first (1st) quarter of the 2013/14 financial year.
- Introduction of a high performance culture –Metrobus' performance management system aligns the employees' key performance indicators to the strategic objectives of the Company, as a whole. In addition, the performance management system links congruently with the business plans and business planning process of Metrobus. However, up until recently, there has been a challenge with the low work ethic of some of the employees at Metrobus. As a result, focus has been centred on the implementation of an on-going integrated performance management process with the aim to guide and manage the employees' efforts at work to achieve individual and corporate objectives.
- Assessment of route profitability – One of the most strategic and critical decision for any public transport system is the determination of the operating network itself, meaning an investigation into where the buses are in relation to where the passengers are going, when transporting takes place (timelines) and how often. With the limited number of buses available, management is analysing passenger numbers and revenue collected per bus with the aim of efficiently redeploying buses where there is high demand from passengers without undermining the mandate of Metrobus and its Service Delivery Agreement with the City.
- Increase number of buses –At the beginning of the financial year, the Company was looking into options of financing approximately thirty (30) to fifty (50) buses with the City's approval. This imperative was not realised by the end of the financial year. However, efforts to secure the thirty (30) to fifty (50) buses will carry on into the new financial year.
- Introduction of low sulphur diesel – At the beginning of the financial year and in line with the City's green agenda of reducing carbon emissions and the GDS principles, Metrobus had planned to introduce Euro 3 diesel at the Roodepoort depot. This would aid in extending the life of engines and parts as modern engines are engineered for low sulphur diesel. However, this focus area could not be considered with the old fleet of buses.

- Identification of sleeping grounds – Most buses return empty to depots and travel empty to collect commuters in the afternoon. Sleeping grounds will save dead kilometres and thereby reduce operating costs. The identification of sleeping grounds has now been consolidated into the broader restructuring operating and business plan that is anticipated to be presented to the Board in the first (1st quarter of the 2013/14 financial year).
- Aggressive marketing of private hires and corporate packages – This source of revenue has not been fully exploited in the past. There has been more focus on controls around hiring of buses to ensure this service operates on a self-funding basis.
- Research feasibility of consignment stock – It has been difficult to manage stock of spare parts in the past, resulting in material stock losses. Stock is now being supplied on a “just in time” basis and billing is taking place for parts that have been fitted only. This should release working capital tied in stock and also reduce the risk associated with managing stock on hand.
- Increase the number of outlets for selling coupons – Metrobus sells coupons through Computicket. At some point there were about fifteen (15) outlets but the number of Computicket outlets is currently down to five. The service from Computicket has also deteriorated over time, especially at month ends during peak periods. In accordance with the Company’s Supply Chain Management policy and legislation governing procurement processes, at least two or more companies will be added to the list of companies selling Metrobus coupons. This will increase commuter convenience and probably increase revenue.
- Resuscitation of Transportation values through a driver incentive scheme – The aim of the incentive scheme is to reinforce positive driver behaviour. Drivers are, on a quarterly basis being recognised for good performance.
- Mitigate power of suppliers – Management is reviewing supplier contracts and the suppliers’ performance regularly to identify areas where savings can be realised. Discretionary expenditure is also being reviewed with the aim of realising efficiencies, thereby doing more with less.
- Improve relations with labour –Union/Management meetings are being held on a monthly basis to find resolutions to any matters that will be affecting organised labour.
- Strengthen recruitment processes – Recruitment processes are continuously being strengthened. Behavioural competencies and technical competencies tests are being relied upon to attract candidates with a positive work ethic to reduce the cost of managing poor performance after appointments.

Section 3: Salient Features

Although the Entity’s overall performance was not satisfactory, some achievements were realised and these were:

- The attainment of an unqualified audit report for the seventh consecutive year.
- BBBEE/SMME spending against total procurement which was consistently higher than the targets.
- Increase of 5% in passenger numbers using coupons compared to previous year.
- Inventories were brought down to R11m due to efforts of minimising working capital.
- The target for implementation of audit findings was exceeded.
- The number of blameworthy accidents was less than anticipated.
- There were no on-board security incidents.
- A number of staff has attended HIV/AIDs training which was One hundred and seventy-three (173) staff members above the target.
- The driver incentive scheme was introduced in the current financial year and 238 drivers were recognised for good behaviour.

Section 4: Foreword by Member of the Mayoral Committee

The period between 1 July 2012 and 30 June 2013 has been one during which Metrobus, under the leadership of its Board and Management has had to continue to provide services in an uncertain environment, with a range of external issues, affecting performance. These included leadership changes, escalating prices of diesel and an ageing fleet.

An effort was made by Metrobus to continue to advocate and inculcate the Transport values of Accountability, Co-operation, Honesty, Respect and Ubuntu. The Company also worked towards a more outcome based service delivery model whereby targets were set on more quantifiable criteria.

I am pleased to report that Metrobus has continued to provide passenger services in line with its mandate and despite the on-going challenges of an ageing fleet it exceeded its target of transporting approximately 16 267 million passengers. Metrobus transported 16 460 million passengers during this financial year.

The team at Metrobus worked hard to maintain the buses and address issues that were affecting reliability of service. More stringent controls and policies were introduced in an effort to raise accountability in the organization.

The City is looking towards the implementation of a robust strategy in respect of the current challenges faced by the company bearing in mind the GDS goal of Eco-Mobility: making walking, cycling and public transport the modes of choice.

We must continuously strive to do more for the people we serve - providing mobility to the citizens of the city. Metrobus must be the service provider that places the needs of its passengers first.

I would like to thank the Metrobus Board led by Advocate Ghandi Badela and the Metrobus Management and Employees led by the Acting Managing Director Lawrence Maqekoane for their determination and hard work, perseverance and passion for serving commuters over the year under review.

Cllr Christine Walters

MMC: Transportation

Section 5: Chairperson's Foreword



I am pleased to join the Board at the beginning of a change process and to be part of a Board with such diverse skills and background. One other member joined the board at the Annual General Meeting, Barbara Lombard and she brings years of bus industry experience to the board.

The long awaited decision from the shareholder on the future of Metrobus removed the uncertainty that was making forward planning difficult both for the Board and Management. This decision paves way for the recapitalisation of the company, the modernisation of its operations and places the company as a significant player in the city's integrated public transport plans.

The Board established five task teams to support each of the functional areas. These task teams also served to provide members with an opportunity to familiarise themselves with details of the operations, identify issues that require urgent attention and inform the restructuring process accordingly. The review of existing routes and extension of services into new areas will bring the company closer to the residents' needs and reposition the company in the network.

The Board together with other oversight structures established by the Shareholder provided proper guidance and direction to Management and there were no material breaches of governance practices during the year under review.

I am looking forward to working with my fellow Board members, Management and staff in taking Metrobus forward.

Board Chairperson

Adv. Ghandi Badela

Section 6: Managing Director's Report



Lawrence Maqekoane (Acting Managing Director)

The Entity's performance is measured against the targets as set out in the Business plan for the 2012/13 financial year, which Business Plan was approved by the Board.

Future options

The Shareholder has been looking into options of restructuring the company into a viable entity and this year saw the approval of a turnaround strategy in June 2013, details of which were presented in the form of a business plan, mainly covering the following points:

- New business model which allows Metrobus to focus mainly on management of buses.
- Acquisition of about one hundred and fifty (150) buses which will use dual-fuel.
- Improved service for commuter convenience focusing on the corridors and economic nodes, based on a new operational plan which provides for optimized and integrated routes.
- New agreement between Metrobus and its shareholder, stipulating performance measures and monitoring mechanisms.
- New financial model based on a fee per kilometre to replace the current subsidy.

Performance against objectives

Of the 24 performance targets set for this year, 10 were achieved, which represents 42% overall achievement. 7 of the 24 were exceeded.

The highlights for the period under review are as follows:

- The attainment of an unqualified audit report for the seventh consecutive year.
- BBBEE/SMME spending against total procurement which was consistently higher than the targets.
- Increase of 5% in passenger numbers using coupons compared to previous year.
- Inventories were brought down to R11m due to efforts of minimising working capital.
- The target for implementation of audit findings was exceeded.
- The number of blameworthy accidents was less than anticipated.
- There were no on-board security incidents.
- A number of staff has attended HIV/AIDs training which was One hundred and seventy-three (173) staff members above the target.
- The driver incentive scheme was introduced in the current financial year and 238 drivers were recognised for good behaviour.

Most of the targets not achieved relate to customer service, primarily because of the aged fleet and cancelled trips due to breakdowns. Below is a summary of the objectives not achieved:

- 2% of planned trips were not achieved because of the high number of breakdowns.
- There were a high number of customer complaints because of trip cancellations, late arrivals and route changes due to route profitability. These challenges were also confirmed by a less satisfactory customer survey.
- The Employment Equity targets were not achieved but plans are underway to address this imbalance.

Financial results

A net loss of R28.4m was realised during the year. The loss is generally as a result of rising operating costs without a commensurate increase in passenger fares and the decline in the subsidy over a period of time.

Solvency

The company was technically insolvent to the tune of R8.7m after a revaluation gain of R28m and had an overdraft R130m at year end. This insolvency problem is an accumulation of underfunding over a period of time.

The Road Ahead

The ensuing financial year will be full of challenges and excitement as all stakeholders will be working on the details and the final implementation of the restructuring of the company towards a better service to commuters. The focal areas for management will be fuel consumption, maintenance, overtime, leave management and attendance.

Conclusion

I would like to thank the Shareholder, the Board of Directors, Management and staff of Metrobus for their support throughout the year. The approval of the re-fleeting plan has long been awaited and brings with it fresh impetus to drivers and the citizens of Joburg.

Acting Managing Director

Lawrence Maqekoane

Section 7: Chief Financial Officer's Report

The company realised a net loss of R28.4 million in the year under review. The company's underlying net loss of R28.7 million was down 46% compared to 2011/12, reflecting a strong operational performance and significantly improved trading environment. Whereas a relatively high loss was realized, total expenditure exceeded budget by R1.7 million.

The company is confronted with a challenge of shrinking fare revenue (15% below budget) and aging bus fleet which results in escalating direct operating costs mainly fuel and maintenance. Although there was an insignificant reduction of 1% in overall direct costs compared to prior year as a result of a 6% decrease in the number of kilometers travelled, a 17% negative variance was reported compared to the current year's budget. The company's target for the current year to reduce maintenance cost was not met maintenance being 35% above budget and 18% up compared to the prior year. Fuel was 9% above budget and 3% up compared to prior year.

While there is an increase in the number of bus breakdowns and some level of operational inefficiency which the company is dealing with, commodity prices and fluctuating exchange rates remain the largest financial risks faced by the company. As the company fails to make enough revenue to cover its expenditure, there is a rise in the finance costs due to increasing reliance on overdraft. Of the R13.8 million reported for finance costs, R8.7 million was incurred as a result of overdraft (sweeping account) which is 32% more than the previous year, primarily due to the increased net debt position of Metrobus.

The factors above impact either directly or indirectly the overall performance of the company and pose a serious threat to the reputation of the company and future income generation.

The company's balance sheet has significantly declined in the current year, primarily as a result of the significant accumulated losses. This is reflected in a R8.4 million decline in net asset value and a deterioration in the net borrowed position to R153 million (overdraft: R136 million) from R134 million (overdraft: R118 million) in the prior year. While this is clearly a challenge for Metrobus, the company does not currently envisage any risk in terms of going concern. However, in trying to address the issue of financial sustainability, the company together with the City of Johannesburg is working on a new funding model. Efforts are also being made to secure fifty more buses in the next financial year as this plan did not materialize in the year under review.

The company spent 96% of the allocated capital expenditure mostly on engine overhauls.

Measures taken to improve performance.

In the light of the shrinking revenue, management's focus is on containing expenditure. Management of cost base has been a constant theme for the company over the last two years and one is beginning to see signs of improvement. Nevertheless, with the margin pressure being felt, it remains a very high focus and the company is constantly looking for ways to further reduce the cost base without affecting the ability of the business to deliver. The following measures have been taken:

- A plan to increase the number of outlets selling coupons will be implemented in the 2013/14 financial period. This will increase commuter convenience and probably increase revenue.
- Introduction a new ticketing system which will minimize the use of cash. Fare revenue analysis shows that cash fare revenue is 33% below budget while coupon fare revenue is 6% above the budgeted amount.
- To strengthen the brand and regain company reputation, driver incentive scheme was introduced in the current year to reinforce positive driver behavior.
- Eliminate waste by the identifying sleeping grounds. This process has now been consolidated into the broader restructuring operating and business plan and it is meant to reduce the number of buses that do return trips with no passengers.
- With the limited number of buses available, management is analyzing passenger numbers and revenue collected per bus with the aim of efficiently redeploying buses where there is high demand from passengers without undermining the mandate of Metrobus and its Service Delivery Agreement with the City.
- The main focus areas for management will be fuel consumption, maintenance, overtime, leave management and attendance.

The table below shows the trend in the financial performance of Metrobus

Financial Performance					
R'000					
Details	Year – 1 (2011/12)	Year 0 (2012/13)	Year 1 2013/14	Year 0 (2012/2013)	
	Actual	Actual	Forecast	Budget	Variance to Budget
Revenue	401,762	432,649	483,159	459,606	26,957
Expenditure					
Employee costs	203,079	212,314	223,838	217,954	5,640
Repairs and Maintenance	53,716	53,947	53,063	46,280	(7,667)
Fuel (diesel) costs	77,528	79,909	89,507	73,400	(16,107)
Other	121,035	115,220	116,750.92	121,973	5,222
Total Operational Expenditure	455,357	461,390	483,159	459,606	(1,784)
Net loss for the year	(53,595)	(28,741)	-	-	28,741

Conclusion

It is disappointing to have to report on another challenging year from Metrobus, but the company is taking significant steps to address some of the big issues and we expect to see some tangible benefits flow through in the year ahead. That will help to generate some positive momentum.

Section 8: Statement of Responsibility

The Board of Directors ("Directors") are responsible for the preparation, integrity and fair presentation of the financial statements of the Entity. The financial statements as attached hereto have been prepared in accordance with Generally Recognised Accounting Practice (GRAP) and include amounts based on judgement and estimates made by Management.

The Directors are responsible for the preparation of the other information in the annual report and are responsible for both its accuracy and its consistency with the financial statements. The going concern basis has been adopted in preparing the financial statements.

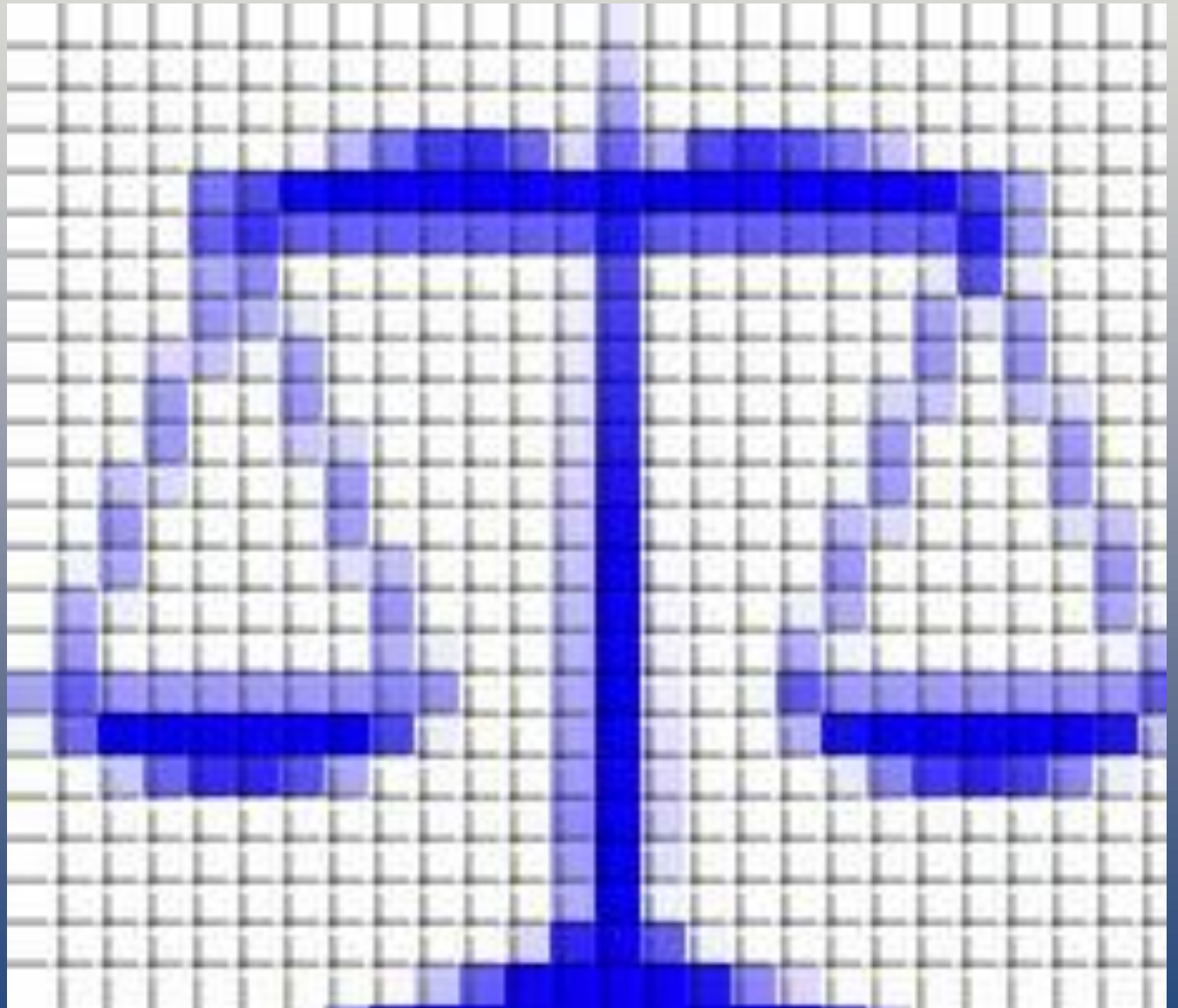
The Auditor-General, who was given unrestricted access to all financial records and related data, including minutes of all meetings of the Shareholder, the Board of Directors and committees of the Board, has audited the financial statements. The Directors believe that all representations made to the Auditor-General during their audit are valid and appropriate. The Auditor-General's report was presented to the Board on the 26th of November 2013. The financial statements were approved by the Board of Directors on the 26th of November 2013 and signed on its behalf by the Chairperson of the Board, Adv. Ghandi Badela.

CHAPTER TWO

GOVERNANCE

KEY ACHIEVEMENTS

- Stable and strengthened Board leadership
- Absence of material findings on governance matters.



Section 1: Corporate Governance Statement

The Directors, to the best of their knowledge and belief, are of the opinion that throughout the accounting period under review, the entity has complied with the principles set out in King III and with the specific requirements relating to corporate governance set out in the Companies' Act, the Local Government: Municipal Systems Act ("MFMA"), the Municipal Systems Act ("MSA") and the Municipal Structures Act ("MSA").

A Code of Ethics: Metrobus' Code of Ethics was adopted by the Board during 2011 and it sets out the conduct and manner in which employees are expected to conduct themselves. The Social and Ethics Strategy was developed in line with the principles set out in the Code of Ethics.

Breach of Governance Procedures

During the 2012/13 period, no governance procedures were breached. As such the Company Secretary in monitoring and recording such activities has reported that Metrobus has practiced good governance in accordance with the recommendations set out in the City's Governance Protocol as well as King III Reports on Corporate Governance.

However, it is worth-noting that the Companies Act requires that at least three (3) members of the Board should sit on the Audit Committee. Currently, only two (2) members of the Board sit on the Audit and Risk Committee and of Metrobus. Through engagement with the City's Group Governance Department which department represents the Shareholder and facilitates the appointment of Board Members and the Audit Committee Members, Metrobus is confident that at the next AGM, the matter will be resolved.

Conflict of Interest

In order to avoid any potential conflict of interest, directors and officials of the Company sign declarations of interest forms. The Company's Executive Management Team signs these declarations on an annual basis, whereas Non-Executive Members sign the forms at every Committee or Board meeting. In this declaration they are expected to disclose any interest that they, their spouses or members of their immediate family may have in the business of the Company. Beyond this annual declaration of interest, directors and officers are also expected to declare any interest they may have in the business that is to be transacted at each meeting they are attending. This is formally recorded in the minutes of such meeting.

Section 2: Board of Directors

Adv. Ghandi Badela (Chairperson)



Mr. Vincent Mntambo (Outgoing Chairperson)



Ms. Nomvuyiso Batyi



Mr. Mpho Moerane



Mrs. Danile Nyalunga Nyakale



Mr. Kenneth Setzin



Mr. Bongani Mbokazi



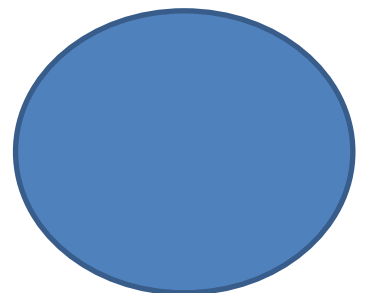
Ms Welekazi Dukuza



Ms. Maggie Mojapelo



Mrs. Barbara Lombard



The entity has a unitary board, which consist of an executive director, being the Managing Director and nine (9) non-executives directors. The Board is chaired by the non-executive director, Adv. Ghandi Badela. The Board meets regularly, at least quarterly and retain full control over the company. The Board remains accountable to City of Johannesburg Metropolitan Municipality ("City"), the sole shareholder and its stakeholders, the citizens of Johannesburg. A Service Delivery Agreement (SDA) concluded in accordance with the provisions of the MSA governs the entity' relationship with the City of Johannesburg. It is of significance to report that the SDA between Metrobus and the City is currently being reviewed to align it to the institutional arrangements that have been proposed and the change in business trends.

The Board provides Monthly, Quarterly, Bi-Annually and Annual Reports on its performance and service delivery to the parent municipality as prescribed in the SDA, the MFMA and the MSA.

Non-executive Directors contribute an independent view to matters under consideration and add to the depth of experience of the Board. The roles of Chairperson and Managing Director are separate, with responsibilities divided between them. The Chairperson has no executive functions. Members have unlimited access to the Company Secretary, who acts as an advisor to the Board and its committees on matters including compliance with Company Rules and Procedures, statutory regulations and best corporate practices.

The Board or any of its members may, in appropriate circumstances and at the expense of the company, obtain the advice of independent professionals. An annual director and peer review is undertaken, as well as a Board evaluation.

Attendance at meetings held during the year was as follows:

Name of Member	Board meeting (7)	Audit and Risk (6)	REMCO (7)	Social and Ethics (2)
Mr Vincent Mntambo	4	N/A	N/A	N/A
Adv. Ghandi Badela	2	N/A	N/A	N/A
Kenny Setzin	7	N/A	7	N/A
Welekazi Dukuza	7	N/A	5	N/A
Mpho Moerane	7	N/A	N/A	2
Barbara Lombard	2	N/A	N/A	N/A
Maggie Mojapelo	6	N/A	6	N/A
N. Batyi	6	N/A	N/A	2
B. Mbokazi	3	4	N/A	N/A
D. Nyalunga Nyakale	4	5	N/A	N/A
Independent Audit Committee Members				
Kumaran Naidoo	N/A	4	N/A	N/A
Kwanele Moyo	N/A	6	N/A	N/A
Rene Kenosi	N/A	4	N/A	N/A
Danile Nyalunga Nyakale	N/A	5	N/A	N/A
Bongani Mbokazi	N/A	4	N/A	N/A
Nokuthula Selamolela	N/A	1	N/A	N/A

The Board of Directors has adopted the Board Charter which encapsulates the City of Johannesburg Governance Protocol and includes matters of ethics, procedure and the conduct of committee members. Registers are kept and updated on the disclosure and declaration of interests of directors and senior management. The Board and Senior Management ensure that there is full material compliance to all relevant legislation.

Section 3: Board Committees

Following the AGM and the reconstitution of the Board, a Board workshop was held in April 2013 and the purpose of the workshop was for the Board to have an introductory session with the intention to interact with one another and to map a way forward in ensuring effective service delivery by Metrobus for the year that was ahead (as Board members are appointed for a period of one (1) year), with possible re-appointments at the AGM.

At this workshop, the Board resolved to, in addition to the Audit and Risk (“ARC”), Human Resources and Remuneration (“REMCO”) and the Social and Ethics Committees (“SEC”), establish Task Teams (“TTs”) which TTs report directly to the Board. The Board’s aim by introducing task teams was to coordinate the development of new capabilities in the organisation. These teams are active working groups focussing on specific areas in Metrobus requiring operational transformation.

To ensure the effective implementation of Board resolutions, the evaluation of strategies put in place and to be able to assess progress with regards to set goals, four task teams were established and these are:

- (a) Leadership Task team: The Leadership Task Team (LTT)’s competency is to investigate strategies that maintain the vision and mission of the entity relevant to the business and global trends.
- (b) Finance Task team: The Finance Task Team (“FTT”)’s area of competency is to ensure that the financial model of the organisation is adequate to meet the objectives of the organisation.
- (c) IT Task team: The IT Task Team (“ITTT”) directs IT governance in such a manner that it focuses on four key areas
 - (i) strategic alignment with the business;
 - (ii) value delivery (to increase the value of Information Technology (“IT”) in Metrobus) ;
 - (iii) risk management; and
 - (iv) Resource management (to establish appropriate processes for effective business performance measurement and management of resources).
- (d) Operations Task team: The purpose of the Operations task team is to inter alia:
 - (i) Evaluate the strategies implemented by Management in terms of the logistical support relied on in the running of the buses.
 - (ii) Determine if the organisation is adequately resourced in terms of the budget allocated to different Depots; and
 - (iii) Assist Management in identifying gaps within the Operations environment and recommending initiatives to bridge those gaps.

It is imperative to note that, all the four (4) task teams report back to the Board and make recommendations to the Board in respect to matters in their respective disciplines. As a result, the Board remains accountable for all decisions made pertaining to inter alia, the financial, human resources, IT and operations of the Organisation.

3.1 Audit and Risk Committee (“ARC”)

The Committee comprises of the following Members: Mrs Danile Nyalunga Nyakale (Acting Chairperson of the Committee and who is a Non-Executive Director), Mr Bongani Mbokazi (Non-Executive Director) and Independent Audit Committee Members Ms Nokuthula Selamolela and Mr K. Moyo appointed by the City in compliance with the MFMA.

The role of the audit committee is to assist the board by performing an objective and independent review of the functioning of the organisation’s finance and accounting control mechanisms. The audit committee exercises its functions through close liaison and communication with corporate management and the internal and external auditors. The committee met [insert] times during the year under review.

The Committee operates in accordance with a Charter authorised by the Board of Directors and which provides assistance in the following areas:

- Compliance with applicable legislation and the requirements of regulatory authorities;
- Matters relating to financial accounting, accounting policies, reporting and disclosures;
- Internal and external audit policy;

- Activities, scope, adequacy and effectiveness of the internal audit function and audit plans;
- Review/ approval of external audit plans, findings, problems, reports and fees;
- Monitoring of Risk issues identified by the Risk Sub-Committee;
- Compliance with the Performance Management System;
- Reviews and assessments of the integrity of the risk control system and is responsible for ensuring that the risk policies and strategies are effectively managed;
- Monitoring external developments relating to the practice of corporate accountability;
- Reporting to the Board on specifically associated risks, including emerging and prospective impact on the organisation.

The Committee exercised its responsibilities in accordance with the terms of the MFMA and its Charter during the year.

The Audit and Risk Committee considers the annual financial statements of the entity to be a fair presentation of its financial position as at 30 June 2013 and of the results of its operations, changes in equity and cash flow for the period ended then in accordance with GRAP and the Companies Act.

The Committee met six (6) times during the year.

3.2 Social and Ethics Committee

The Social and Ethics committee consists of the following non-executive directors:

- Vincent Mntambo (“Board Chairperson”)
- Nomvuyiso Batyi; and
- Mpho Moerane

Mr Mntambo resigned at the AGM. The Acting Managing Director is also a member of the SEC. All Executive Committee Members attend meetings of the Committee on invitation only.

During the financial year under review, the Committee recommended the Social and Ethics Committee Charter (“the Charter”) and the Strategy to the Board for approval. The Charter was adopted by the Board in January 2013 and the Strategy will be considered by the Board in the new financial year.

The Committee met twice during the period under review.

Section 43 (5) of the Companies Regulations, 2011 states that the Social and Ethics Committee has the following functions:

- (a) To monitor the company’s activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:
 - (i) Social and economic development, including the company’s standing in terms of the goals and purposes of:
 - (aa) the 10 principles set out in the United Nations Global Compact Principles; and
 - (bb) the OECD recommendations regarding corruption;
 - (cc) the Employment Equity Act; and
 - (dd) the Broad-Based Black Economic Empowerment Act;
 - (ii) Good corporate citizenship, including the company’s:
 - (aa) promotion of equality, prevention of unfair discrimination, and reduction of corruption;
 - (bb) contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and

(cc) record of sponsorship, donations and charitable giving;

(iii) the environment, health and public safety, including the impact of the company's activities and of its products or services;

3.3 Human Resources and Remuneration Committee ("REMCO")

In consultation with the full Board, the Committee determines the remuneration of the Managing Director and the Executive Officers, also in compliance with the Upper Limits determined by the City from time to time. The Committee is also responsible for evaluating and approving the human resources policies and procedures, the employment equity plan and the workplace skills plan.

The Committee comprises three Non-Executive Directors' namely, Mr Kenny Setzin ("Chairman of the Committee"), Ms Welekazi Dukuza and Mrs Maggie Mojapelo who serve as Members of the Committee.

The Human Resources and Remuneration Committee met on nine (9) occasions during the year

Section 4: Director's Remuneration

Name of Board or Committee Member	Total Number of Meetings Held for which Member was required	Total Number of Meetings Attended	Total Board Fees Received Including retainers for the year ended 30 June 2012
Adv. Ghandi Badela ("Chairperson")	10	10	R99 200.00
Mr. Vincent Mntambo	7	4	R145 824.00
Mr Kenneth Setzin	18	17	R125 984.00
Ms. Maggie Mojapelo	19	17	R82 350.00
Ms. Welekazi Dukuza	20	16	R72 430.00
Mr. Mpho Moerane	15	13	R64 484.00
Mr. Bongani Mbokazi	16	9	R60 512.00
Ms. Nomvuyiso Batyi	12	9	R41 644.00
Ms. Barbara Lombard	6	6	R29 760.00
Ms. Danile Nyalunga Nyakale	14	10	R98 210.00
Independent Audit Committee Members			
Mr Kumaran Naidoo	6	4	R54 560.00
Ms Rene Kenosi	7	5	R47 616.00
Mr Kwanele Moyo	7	7	R59 520.00
Ms Nokuthula Selamolela***	1	1	R4960.00

** The total number of meetings held will vary depending on the Committees and Task team to which a member is required.

Ms Nokuthula Selamolela*** was appointed as an Independent Audit Committee Member at the AGM of 11 March 2013. From the time of her appointment, only one Audit and Risk Committee meeting took place up to the end of June 2013, which she was required to attend and which she attended.

Dates and Description of Meetings Held

Meeting Description	Date of Meeting
City of Johannesburg-Induction	20 July 2012
Audit and Risk Committee Meeting	25 July 2012
IT Steering Committee Meeting	25 July 2012
Board Meeting	7 August 2012
Audit and Risk Committee Meeting	21 August 2012
IT Steering Committee Meeting	21 August 2012
Audit and Risk Committee Meeting	16 October 2012
Board	22 October 2012
Audit and Risk Committee Meeting	7 November 2012
Special Board	21 November 2012
Audit and Risk Committee Meeting	10 January 2013

Board	18 January 2013
Special Board meeting	7 February 2013
Annual General Meeting	11 March 2013
REMCO	12 March 2013
Interview for the Deputy Chief Financial Officer	26 March 2013
Human Resources and Remuneration Committee (REMCO)	18 September 2012
IT Steering Committee Meeting	3 October 2012
REMCO	12 October 2012
REMCO	11 January 2013
REMCO	14 January 2013
REMCO	11 April 2013
Board Meeting	07-May-13
Special Board Meeting Consideration of Business Plan	22-May-13
Human Resources and Remuneration Committee Meeting	11- Apr-13
Chairperson's Quarterly/Meeting with MMC	11 Apr-13 and 18-Apr-13
Special Human Resources and Remuneration Committee Meeting	22-May-13
Audit and Risk Committee Meeting	19-Apr-13
Board Workshop	22-Apr-13 and 11-May-13
Social & Ethics Committee Meeting	23-May-13
Task Team Meeting	08-May-13 (IT Task team);
Business Plan Presentation Session	16-Apr-13
Re-fleeting Meeting	10-June-13
IT Task team Meeting	26 June 2013

SENIOR MANAGEMENT REMUNERATION

The table below indicates salaries of senior management for the period under review:

Name	Designation					
		Basic Salary	Allow. + Contrib.	Bonus, 13 th cheque	Total	Upper limits determined by the City
L.L. Mapekoane	Acting Managing Director	1,154,869	261,751	-	1,416,620	R1 102 476.00
N.P Maduka	Company Secretary	570,112	100,751	-	670,863	R704 161.00
B Narain	GM Operations	1,160,516	209,643	-	1,370,159	
M. Tema	GM HR	120,062	110,757	-	230,819	R981 030.00
SB Makoele	Acting CFO	98,056	23,911	-	121,967	
E Manyawi	Acting CFO	146,339	69,998	16,439	232,776	
R. Mahlabana	GM HR	198,083	60,159	-	258,242	R981 030.00

Section 5: Company Secretarial Function

The Company Secretary is responsible for the following areas of Metrobus' business:

- Corporate Governance
- Legislative & Statutory Compliance
- Secretarial
- Legal Advice
- Contract Management and
- Risk Management.

The Company has complied, and is in compliance, with the Companies Act and all other applicable legislation. The Company also complies with the King III Report on Corporate Governance and the Local Government: Municipal Finance Management Act (MFMA) and the Local Government: Municipal Systems Amendments Act as amended.

In addition, the Company Secretary assists with the evaluation process of the Company's Board of Directors.

Section 6: Risk Management and internal controls

Effective risk management is integral to the company's objective of consistently adding value to the business. Management is continuously developing and enhancing its risk and control procedures to improve the mechanisms for identifying and monitoring risks.

Operating risk is the potential for loss to occur through a breakdown in control information, business processes and compliance systems. Key policies and procedures in place to manage operating risk involve segregation of duties, transaction authorisation, supervision, monitoring and financial and managerial reporting.

In order to meet its responsibility with respect to providing reliable financial information, the entity maintains financial and operational systems of internal controls. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management authority, that the assets are adequately protected against material loss or unauthorised acquisition, use or disposal and that transactions are properly authorised and recorded. The system includes a documented organisation structure and visions of responsibility, established policies and procedures, including a Code of Ethics to foster a strong ethical climate, which are communicated to the parent municipality. The entity also includes the careful selection, training and development of people.

Internal auditors monitor the operation of the internal control systems and report findings and recommendations to management and the board of directors. Corrective actions are taken to address control deficiencies and other opportunities for improving the system as they are defined. The board, operating through its audit committee, provides supervisions of the financial reporting process and internal control systems. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls.

Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation and the safeguarding of assets. Furthermore, the effectiveness of internal control systems can change with circumstances.

Section 7: Internal Audit Function

Metrobus' internal audit function is based on a co-sourced arrangement. For the period under review, the Entity engaged the services of Sizwe Ntsaluba Gobodo, a firm of auditors, to provide Metrobus with a resource under the heading Acting Internal Audit Manager. The Acting Internal Audit Manager's roles and responsibilities include:

- the evaluation and provision of reasonable assurance that risk management, control, and governance systems are functioning as intended and enable the organisation's objectives and goals to be met.

•reporting on risk management issues and internal controls deficiencies identified directly to the audit committee and provides recommendations for improving the organisation's operations, in terms of both efficient and effective performance.

The relationship between the Audit Committee and the internal audit function is clearly defined and addressed in the Audit Committee's charter. The purpose, authority, and responsibility of the internal audit activity are also defined in the Internal Audit charter.

The internal audit coverage plan is based on risk assessment performed at each operating unit. The coverage plan is updated annually, based on the risk assessment and results of the audit work performed. This ensures that the audit coverage is focused on and identifies areas of high risk.

Section 8: Corporate Ethics and Organisational Integrity

As already highlighted earlier on in this report, the code of ethics was approved by the Board in 2011. The Code of ethics was put in place to assist the employees in determining what is

Section 9: Sustainability Report

Metrobus realises the need to operate a fleet that contributes to a reduction in carbon emissions. In this regard, the technical department has as one of its key priorities, the reduction of carbon emissions by 50% hartridge.

The organisation's aim is the long-term integration of economic development, environmental quality and social equity into its business practices to continually improve service delivery.

Broad-based black economic empowerment (BBBEE) is regarded as integral to Metrobus' sustainability, and relates to both economic and social aspects. Metrobus' BBBEE initiatives are at present limited to recruitment and technical department processes. When recruiting for any position, the Company's human resources department takes cognisance of the need to create a balance in the employment equity targets without preferring or discriminating against any individual.

The organisation realises the need to ensure economic transformation and is in the process of identifying ways in which to improve the transfer of skills from big companies to small and medium-sized enterprises ("SMMEs").

Section 10: Corporate Social Responsibility Report

A total of nine (9) bus trips valued at R105,800 were donated in the quarter. YTD a total of thirty four (34) bus trips valued at R241, 800 were donated.

LIST OF BUSES DONATED - April 2013 to June 2013

Event	RANDS	SIZE BUS
CIVIC FUNERAL LATE COUNCILLOR NOISY SEBE	7,430	1 LUXURY + 1 SINGLE
FUNERAL	2,590	DOUBLE DECKER
CLEAN UP CAMPAIGN	3,620	DOUBLE DECKER
MAYORAL SPOUSE OFFICE - BURN VICTIMS	1,820	DOUBLE DECKER
ORANGE FARM YOUTH THEATRE FESTIVAL 2013	5,910	SINGLE DECK
STAFF FUNERALS	84,430	3 x SINGLE DECKS
	105,800	

Section 11: Anticorruption and Fraud

The Accounting Officer is responsible for ensuring that the Institution has and maintains effective, efficient and transparent system of financial and risk management and internal control.

However, like any other risks, fraud and corruption prevention, is the responsibility of everyone in Metrobus.

In accordance with the National Treasury guidelines, the Accounting Officer has delegated the ownership of fraud risk management to the Company Secretary. The day to day management of risks falls under the Risk Officer who reports to the Company Secretary.

Notwithstanding the above, the Accounting Officer still remains with the ultimate accountability.

Risk evaluation within Metrobus is done using a business process approach. This entails the identification of critical business processes, the identification of risks associated within each process and the development of effective, efficient and transparent controls to reduce exposure to identified risks.

A fraud prevention plan which was adopted by the Board in 2011 is the internal framework providing guidelines for the identification, detection as well as the prevention of fraud. On-going risk assessment and management also assists Management and the Board to strengthen internal controls whenever there is evidence of potential manipulation.

CHAPTER THREE

SERVICE DELIVERY PERFORMANCE

KEY ACHIEVEMENTS

- The driver incentive scheme was introduced in the current financial year and 238 drivers were recognised for good behaviour.



Section 1: Highlights and Achievements

The highlights and achievements for the year are contained in the Managing Director’s Report.

Section 2: Financial Performance

The financial performance of the entity has been discussed briefly by the Managing Director’s report and comprehensively by the Chief Financial Officer’s report. The actual financial performance against set targets appears from page 35 herein.

Stakeholder satisfaction

The Section 79: Transportation Portfolio Committee (“the Section 79 Committee”) noted, inter alia, the following reports:

- Update on breakdowns;
- Report on 50ppm diesel; and
- The 3rd Quarter Performance Assessment Report.

The Chairperson’s quarterly meetings with the Board Chairperson (representing the Board) and led by the MMC, to which the Executive Director: Transportation, CoJ’s Group Governance Department, the Management team of Metrobus are invited, is a forum at which the MMC engages with the Chairperson with regards to the operational performance of the Company. At these meetings, the MMC notes the Entity’s achievements for the quarter under review, failure to meet objectives for that same quarter and corrective actions put in place by Management and the Board to resolve identified challenges. The MMC convenes these meetings representing the CoJ’s political leadership.

% Travellers who are “satisfied” or “very satisfied” with the services provided-2011/12 Baseline: 59%

A customer satisfaction survey is conducted annually and for the period under review, the survey was conducted in the fourth quarter of the financial year. The survey was conducted for the purpose of looking into the mind-set, satisfaction and behaviour platforms of Metrobus’ commuters. In determining the average satisfaction level the customers were asked questions on, amongst other things, (1) how would they compare Metrobus service to other public transport providers, (2) in the time they have been using Metrobus has the service improved, stayed the same or declined, (3) What was their overall satisfaction with the Metrobus service, (4) would they recommend Metrobus to others, and (5) how would they rate the value of Metrobus’ service compared to the Company’s fares. The scores attained for the five (5) elements highlighted above were 56, 64, 56, 60 and 47% respectively resulting in an average of 56%.

Section 5: Assessment of Arrears on municipal taxes and service charges

5.1 Assessment of Municipal Taxes and Service Charges owed to the entity

Debtor Age analysis	Current	0-30 days	31-60 days	61-90 days	91-180 days	181 days & over	Total
	Income source: Bus services						
	2012/13 Financial Year:						
Q4 - Rand - % of total	0 %	743,401 100%	0 %	0 %	0 %	0 %	0 100%
Bad debts provision					235 560	395 629	631 189
Q3 - Rand - % of total	592,486 100%	0 %	0 %	0 0%	0 %	0 %	592 486 100%
Q2 - Rand	1,659,000	280,000	459,000	7,000	444,000	510,000	3,359

- % of total	49%	8%	14%	0%	13%	15%	100%
Q1 - Rand - % of total	0	24 288 0%	175 069 2%	10 091 308 93%	478 356 4%	120 170 1%	10 840 615 100%
2011/12 Financial Year:							
Q4 - Rand - % of total	0	10 120 367 89%	276 103 2%	12 320 0%	874 453 8%	140 293 1%	11 306 841 100%
Bad debts provision					235 560	395 629	631 189
Q3 - Rand - % of total	0	3 699 473 80%	555 149 12%	450 0%	235 560 5%	124 136 3%	4 614 768 100%
Q2 - Rand - % of total	0	1 664 516 62%	247 405 9%	262 160 10%	38 214 1%	482 326 18%	2 694 591 100%
Q1 - Rand - % of total	0	2 116 383 71%	246 182 8%	143 652 5%	235 819 8%	253 727 8%	2 995 763 100%

5.3. Assessment of Directors' and senior managers' municipal accounts

Name of Director/ Senior Manager	Designation	Name of Municipality	Municipal Account Number	Account Status	Comments
Adv. Ghandi Badela	Chairman	City of Johannesburg		Current	No arrears
V Z Mntambo	Former Chairman	City of Johannesburg	900072463	Current	-
K Setzin	NED	City of Johannesburg	202041345	Current	No arrears
W. Dukuza	NED	Nelson Mandela Bay	600051573009	Current	No arrears
D Nyalunga Nyakale	NED	City of Tshwane	2010366428	Current	No arrears
M Mojapelo	NED	City of Johannesburg	402988062	Current	No arrears
B Mbokazi	NED	City of Johannesburg	900061246	Current	No arrears
M Moerane	NED	City of Johannesburg	202862285	Current	No arrears
N Batyi	NED	City of Johannesburg	900889061	Current	No arrears
B. Lombard	NED	City of Johannesburg	900889061	Current	No arrears
L.L. Maqekoane	Acting Managing Director	City of Johannesburg	551587667	Current	No arrears
Senior Management					
Ranti Mahlabana	General Manager: Human Resources	Not registered as a rate payer			
B Narain**	GM: Operations	Nelson Mandela Bay Metropolitan Municipality	600 206 420 004	Current	Was not verified.
N. P. Maduka	Company Secretary	Not registered as a rate payer			

B Narain** Employee was on special leave and was subsequently dismissed.

Section 6: Statement on amounts owed by Government Departments and Public Entities

Customer	Amount	Current	30	60	90	180	360	360
City of Johannesburg	192	63	110	5	-	4	-	9
Dept. Public Transport	26	-	-	-	-	-	-	26
Office of the mayor	3	-	-	-	-	-	3	-
Metrorail	228	-	-	-	-	-	-	228
	449	63	110	5	-	4	3	263

Section 7: Recommendation and Plans for next financial year

Below are the key priorities and desired outcomes for the Entity for this current year and beyond for a period of four years:

Desired Outcomes/Key Priorities and IDP Programmes

City priorities/ flagships and IDP programmes	Desired outcomes: Short term = 1 year	Desired outcomes: Medium term = 2-4 years	Desired outcomes: Long term = 4 years
Financial resilience and sustainability	Restructuring of Metrobus – CoJ	Restructuring of Metrobus –CoJ	Restructuring of Metrobus –CoJ
Greenways and Mobility Financial resilience and sustainability Sustainable human settlements	<ul style="list-style-type: none"> ▪ Continuous assessment of route profitability ▪ Increase number of buses - 50 ▪ Introduction of low sulphur diesel Identify sleeping grounds at Pretoria ▪ Aggressive marketing of corporate packages – contingent on receiving new buses 	<ul style="list-style-type: none"> ▪ Increase number of buses and reduce fleet age ▪ Reduce dead kilometres travelled ▪ Reduce carbon emissions ▪ Improve revenue 	<ul style="list-style-type: none"> ▪ Increase number of buses and reduce fleet age ▪ Reduce carbon emissions ▪ Improve revenue
Financial resilience and sustainability	Implementation of the new cashless system	Improve revenue	Improve revenue
Financial resilience and sustainability Active engaged citizenry	<ul style="list-style-type: none"> ▪ Entrench high performance culture – ▪ Resuscitation of Transportation values ▪ Strengthening recruitment process and filling of critical vacancies ▪ Change management processes ▪ Improve attendance – reduce absenteeism 	<ul style="list-style-type: none"> ▪ Development and retention of technical staff in technical - training programme and technical staff ▪ Management development programmes and coaching 	<ul style="list-style-type: none"> ▪ Retention of technical staff
	Mitigate of power suppliers Reduce stock on hand	Reduce Stock on hand Insurance in re scarce or inferior spare parts – insurance from supplier that the parts are genuine	Reduce Stock on hand

CHAPTER FOUR

HUMAN RESOURCES & ORGANISATIONAL MANAGEMENT

KEY ACHIEVEMENTS

- Employees participated in 702 walk the talk to encourage physical wellness

Section 1: Human Resource Management

The entity's overall objective as set out in its employment policy is to ensure that the company's employment practices and remuneration policies motivate and retain talented employees and create an attractive environment for all employees. The employment policy is periodically reviewed to ensure that it remains relevant and practical for the changing needs of current and potential employees.

Our vision is to be the employer of choice in our field. Our vision is to be at the top end of compliance by including such requirements into our working practices.

Section 2: Employment Equity

The company has made substantial progress on the appointments of coloureds and women, although the target remains unattained. The target Indians, whites and people with disabilities remains a challenge for the company. There are a number of vacant positions in the company and these groups of employees have been targeted in filling these vacant positions.

Section 3: Skills Development and Training

There were no learner-ship programmes during this financial year. However, it should be noted that there was an intake of an apprenticeship that is fully funded by the Transport Education Training Authority (TETA).

This is a four year training programme, which is made up of three (3) classroom training and nine (9) month experimental training in the workplace. Twenty (20) apprentices participated in this programme. The participants are divided into two (2) equal groups, one for diesel mechanics and the other one for auto-electricians.

Section 4: Performance Management

Metrobus' Performance Management policy sets out management's commitment to creating a sustainable a high performance culture.

The performance management policy was reviewed and approved by the Board immediately after the 2012/13 financial year.

A majority of employees in the D and upper levels of management are on performance management contracts.

However, a number of organisational development enablers are not in place which are of paramount importance to the establishment of a performance management system. Chief among these is the establishment of comprehensive competency profiles per position which covers the entire competency spectrum from technical to personal and leadership skills. Such competency profiles would be beneficial not only to performance management but to the recruitment and selection as well as training and development processes within the organisation. The successful implementation of the performance management policy would result in an effective succession planning regime for Metrobus.

A pilot program is planned towards the end of the 2013/14 financial year, at which time; preparation will be made for the full implementation of the performance management program to levels below management.

Section 5: HIV/AIDS on the Workplace

Condoms are regularly distributed at all the depots to encourage employees to continue to practice safe sex. Peer Educators also known as wellness champions are also on a vigorous campaign of educating their peers on the importance of condom usage and also the risk of contracting Sexual Transmitted Infections (STI). For the year under review, this was done as an on-going awareness amongst programme for employees to continue using protection in order to reduce the level of HIV/AIDS infections.

Section 6: Employee Benefits

The Company is a participating employer in one or more of the various retirement benefit schemes through which the City of Johannesburg Metropolitan Municipality and its associated Utilities, Agencies and Companies (UACs) provide post-employment benefits to all their permanent employees.

Pension Fund

Pension Fund Scheme	No. of staff	%
E'Joburg Retirement Fund	654	74
Johannesburg First Pension Fund	22	2.5
Municipal Gratuity Fund	16	1.8
The Johannesburg Second Pension Fund	128	14.1
Non-members	69	7.6
Total	889	100

Medical Aid

Medical Aid Scheme	No. of staff	%
Bonitas	176	20.3
Key-health / Munimed	4	0.4
SAMWUMED	96	11
Hosmed	19	2
LA Health	214	24
Non-members	380	42.3
Total	889	100

Section 7: Supply Chain Management and Black Economic Empowerment

In terms of Supply Chain Management and Broad Based Black Economic Empowerment guidelines, the following is worth reporting:

- The evaluation of bids is based firstly on functionality, then price and BEE in accordance with National Treasury circulars.
- The adjudication process is applied as per the MFMA and as per the Supply Chain Management Policy, as approved by the Board of Directors in 2012.
- Declaration of independence certificates are required for all parties registering on the Metrobus Supplier Database.
- BBEE is calculated and based on information received from the suppliers, and verified by certificates confirming their BBEE status where possible.
- The latest Internal and External Audit Reports have identified areas for improvement which are being addressed.
- Estimated budget is allocated in terms of the draft specification of bids to be advertised.
- All procurement committees' members are duly appointed by the Accounting Officer (Managing Director) as required by the Supply Chain Management Policy.

Total BEE procurement for the three quarters in the current financial year has been:

- Quarter 1: 107%
- Quarter 2: 103%
- Quarter 3: 108%
- Quarter 4: 107%
- Average YTD: 106%

The Bid Adjudication Committee consists of the following senior managers

- The Chief Financial Officer (Chairperson)
- The General Manager: Operations
- The General Manager: Human Resources
- The Group Technical Manager; and
- The Company Secretary

All tenders with a value exceeding R8 million require approval by the Board of Directors

Awards to state employees

The Supply Chain Management National Treasury Regulation 44 prohibits awards to persons or to entities owned/ managed by them if they are in service of the auditee (i.e. employees and councillors) or if they are in service of any other state institution. The audit included the identification of such prohibited awards. Further testing was also performed to determine whether the legislated requirements with regard to declarations of interest were adhered to. The findings were as follows

Three officials of other state institutions with interest in suppliers of were identified. The value of the award amount to R224 604. The root cause for the finding is that, suppliers had falsely declared in the MBD4 forms.

The corrective action from Management is that, the Service Providers will be advised of the false declarations and afford them the right of response. Furthermore, it is of paramount importance to note that Metrobus is no longer engaging the services of the identified suppliers.

CHAPTER FIVE

FINANCIAL PERFORMANCE

The financial performance of the entity is contained on page 35 and 36 below.

CHAPTER SIX

AUDITOR-GENERAL AUDIT FINDINGS

Section 1: Auditor-General's Report for the Current Year

	2009/10	2010/11	2011/12	2012/13
Audit Opinion	Unqualified	Unqualified	Unqualified	Unqualified

Section 2: Historical Audit Findings and Remedial Action

ANALYSIS OF 2012/13 AUDIT FINDINGS

	NEW IN 2012/13	REPEAT FINDING	ACTIONS TO RESOLVE
Matters affecting Audit opinion	4		Internal Audit monitors the matters affecting the audit opinion and tracks them with a tracking register on a quarterly basis.
Important Matters			
Administrative Matters			

Section 3: Commitment by the Board of Directors

The Board and the Audit and Risk Committee monitors the progress made towards the implementation of all audit findings on a quarterly basis. With the recommendation from the ARC, the 2013/14 Business Plan target for the implementation of audit findings was amended from 90% implementation of the Auditor General of South Africa ("AGSA") findings to a target of 100% implementation of all audit findings (i.e. AGSA and internal audit findings).

In addition, the Board has put together a plan for Management to implement by March 2014. The plan includes, amongst other things, the filling of the following key vacancies:

- The Managing Director
- The General Manager: Technical
- The General Manager: Operations;
- The Chief Information Officer ("CIO"); and
- Internal Audit.

Through the filling of critical vacancies, the Board is confident that Management will be able to implement the action plans identified by the various task teams alluded to earlier on in this report.

APPENDIXES AND ANNEXURES

PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2013

BALANCED SCORECARD WITH KEY PERFORMANCE AREAS AND INDICATORS

Performance Information 2012/2013

Objective	KPI	Period	Q1	Q2	Q3	Q4	Annual	Comments	
	Value of Expenditure against approved Operating budget ('R000)	Target	112,600	110,651	114,339	122,341	459,604	The target was not met as a result of the increased costs in repairs and maintenance which led to over-expenditure. Source: Annual Financial Statements-Monthly/Quarterly Income Statements	
		Actual	109,342	115,377	115,377	124,703	464,698		
Financial	% CAPEX spent against approved budget	Target	50%	25%	20%	5%	100%	The CAPEX budget was increased by R3.86 million during the adjustment budget process. The 4% variance is mainly due to rescheduling of Oracle upgrade to the next financial year. This is a bigger project which costs more than the remaining budget. Source: Excel sheet prepared by procurement	
		Actual	32%	28%	-8%	44%	96%		
		Cumulative Actual	32%	60%	52%	96%	96%		
	% BBEE/ SMME spend against total procurement	Target	75%	75%	75%	75%	75%		This target was achieved. Source: Excel Spreadsheet-Formula (Each BEE level gets allocated a %. For instance, Level 4 will be neutral=100%, Level 3=110%, Level1+135%)
		Actual	107%	103%	108%	107%	106%		
	Reconciliation of Intra Company balances with other MOE's	Target	100%	100%	100%	100%	100%		The target was met because balances are confirmed on a monthly basis. Source: Reconciliations received from CoJ-they sign a letter with their balance and we sign ours and check if they agree.
		Actual	100%	100%	100%	100%	100%		
	Reconciliation of Inter Company Balances	Target	100%	100%	100%	100%	100%		The annual target was met because balances are confirmed on a monthly basis.
		Actual	80%	80%	89%	100%	100%		
	Progress made with the implementation of audit findings (Resolution of 40% of previous audit findings)	Target	10%	10%	10%	10%	40%		This target was exceedingly achieved because of the measures put in place to monitor implementation. Source: Excel Spreadsheet kept by Internal Audit Manager (used to do it with Control Specialist)
Actual		15%	32%	31%	1%	79%			
% Return on Asset	Target	15%	15%	15%	15%	15%	The target was achieved because of the diminishing value of tangible assets. Source: Monthly accounts sent to Group Audit-Caseware financials		
	Actual	19%	14%	17%	18%	17%			
Customer Perspective and Business	% Number of completed trips 2011/12 Baseline: 98.29	Target	99%	99%	99%	99%	99%	The target was missed by 3% as a result of trips that were cancelled due to unavailability of buses (96%) and/or	

Performance Information 2012/2013

Objective	KPI	Period	Q1	Q2	Q3	Q4	Annual	Comments
	Attainment of Budgeted Revenue (Fare Revenue 'R000)	Actual	98%	98%	97%	96%	97%	drivers (4%).
		Target	35,978	33,890	34,298	35,192	139,358	The fare revenue was not met due to a high number of trip cancellations. Furthermore, Metrobus has taken a strategic decision to focus on profitable routes and as a result, certain unprofitable routes were cancelled and this has resulted in the reduction of revenue and costs. Source: Annual Financial Statements-Monthly/Quarterly Income Statements
	Reduce maintenance costs per kilometer (CPK) by 10%	Actual	29,736	25,492	27,986	30,292	113,506	
		Target	R3,33 per km	R3,33 per km	R3,33 per km	R3,33 per km	R3,33 per km	The target was not met as the escalating cost of repairing the old fleet increasingly hinders management efforts to reduce repair cost per km. Source: Maintenance costs per income statements divided by kilometres (kilometres come from excel sheet prepared by Robert Bruce)
	Reduce value of stock on hand by 40% by June 2013-2011/2012 Baseline: R20m	Actual	R17.04m	R17.9m	R18,4m	R17,9m	R17,9m	The target was not met partly because of the increase in the unit cost of some spare parts which are now in stock. Source: Monthly accounts sent to CoJ Group Finance-prepared by Finance Manager
		Target	R18m	R16m	R14m	R12m	R12m	
	Reduce overtime hours by 50% 2011/12 Baseline: 132 500 hours	Actual	34,859	29,182	27,017	17,501	108 559	Overtime management is one of the key priorities for Management. Engagements with organized labour have been initiated with a view to educating all employees on the purpose of performing overtime. Source: hours from payroll
		Target	16,562	16,563	16,562	16,563	66,250	
	% Travellers who are "satisfied" or "very satisfied" with the services provided-2011/12 Baseline: 59%	Actual	-	-	-	56%	56%	The survey is conducted annually and it was conducted in the fourth quarter of the financial year. The survey was conducted for the purpose of looking into the mind-set, satisfaction and behaviour platforms of Metrobus' commuters. In determining the average satisfaction level the customers were asked questions on, amongst other things, (1) how would they compare Metrobus service to other public transport providers, (2) in the time they have been using Metrobus has the service improved,
		Target	Annual Target of 87%				87%	

Performance Information 2012/2013

Objective	KPI	Period	Q1	Q2	Q3	Q4	Annual	Comments	
	Formal customer complaints per 100 000 passengers carried— 2011-2012 Baseline 7.50	Target	7.00	7.00	7.00	7.00	7.00	<p>stayed the same or declined, (3) What was their overall satisfaction with the Metrobus service, (4) would they recommend Metrobus to others, and (5) how would they rate the value of Metrobus' service compared to the Company's fares. The scores attained for the five (5) elements highlighted above were 56, 64, 56, 60 and 47% respectively resulting in an average of 56%.</p> <p>Source: Questionnaire</p> <p>The target for this KPI was incorrectly captured in the Business Plan. The Business Plan contains a target value of 7.48. The target for the fourth quarter was not met due to complaints as a result of the shortage of busses and or drivers that led to none and/or late arrivals. Other reasons for complains were the failure of a driver/s to stop at bus stops, driver attitude, overloading, damaged and lost tags. A high number of breakdowns due to the ageing fleet were a contributory factor to the number of complaints received.</p>	
		Actual	15	11	17	15	15		
Safety and Security	Number of blameworthy accidents per 100 00-0 vehicle kilometers travelled. 2011/12 Baseline: 23.8	Target	15	15	15	15	15		
		Actual	3	2	3	3	3		
	Number of onboard security incidents reported to Metrobus drivers per 1 000 passenger trips. 2011/12 Base line = 0	Target	0	0	0	0	0	There were no incidents reported.	
		Actual	0	0	0	0	0		
	Conversion of permits to operating licences. – 2012/2013 Baseline 0	Target	Annual Target					485	485 is the annual target. No quarterly targets were set.
		Actual	-	-	-	-	205		
Service Quality	Buses 0-5 years old	Target	30,000	30,000	30,000	30,000	30,000	There are no buses in this category.	
		Actual	0	0	0	0	0		

Performance Information 2012/2013

Objective	KPI	Period	Q1	Q2	Q3	Q4	Annual	Comments
	Buses 6 to 10 years old	Target	7,000	7,000	7,000	7,000	7,000	This target was not met due to overheating problems encountered with some of the buses in the fleet.
		Actual	7,425	5,461	7,177	8,239	7,076	
	Buses 11 years and older	Target	2,500	2,500	2,500	2,500	2,500	The buses in this category exceeded the target for their age group because of frequent inspections and an increase in the service maintenance programmes.
		Actual	3,010	2,234	3,758	3,681	3,171	
Human Capital	Number of staff trained on HIV/AIDS	Target	40	40	40	40	40	A number of initiatives were undertaken on educating employees on HIV/AIDS. The initiatives included the use of various preventative measures (Abstinence, Being faithful and the use of Condoms). The company also engaged employees on the importance of male circumcision (a National Government Initiative) as a mechanism that reduces susceptibility to viral infection and ultimately minimizes the transmission of HIV/AIDS. Source:
		Actual	40	20	53	100	213	
	Number of Learnerships	Target	21	21	21	21	21	There were no learner-ship programmes during this financial year. However, it should be noted that there was an intake of an apprenticeship that is fully funded by the Transport Education Training Authority (TETA). This is a four year training programme, which is made up of three (3) classroom training and nine (9) month experimental training in the workplace. Twenty (20) apprentices participated in this programme. The participants are divided into two (2) equal groups, one for diesel mechanics and the other one for auto-electricians. Source: Training Records-Skills Development Facilitator
		Actual	0	0	0	0	0	
Human Capital	% Compliance with Employment Equity targets	Target	85%black, 6.5% coloureds, 1% Indians, 7.4%	85%black, 6.5% coloureds, 1% Indians, 7.4%	85%black, 6.5% coloureds, 1% Indians, 7.4%	85%black, 6.5% coloureds, 1% Indians, 7.4%	85%black, 6.5% coloureds, 1% Indians, 7.4%	The company has made substantial progress on the appointments of coloureds and women, although the target remains unattained. The target

Performance Information 2012/2013

Objective	KPI	Period	Q1	Q2	Q3	Q4	Annual	Comments
Other Targets (derived from the Business Plan)	Number of Bus Operators rewarded for good performance – 2011/2012 Baseline 0		whites, 17% women & 4% pwd.	whites, 17% women & 4% pwd.	whites, 17% women & 4% pwd.	whites, 17% women & 4% pwd.	whites, 17% women & 4% pwd.	Indians, whites and people with disabilities remains a challenge for the company. There are a number of vacant positions in the company and these groups of employees have been targeted in filling these vacant positions. Source: Targets are computed out of employee records-Oracle
		Actual	89%black, 5.5% coloureds,0.8% Indians, 4.8% whites, 15.4% women & 0.4% pwd	89%black, 5.3% coloureds, 0.8% Indians, 4.6% whites, 16.2% women & 0.4% pwd	89%black, 5.3% coloureds, 0.8% Indians, 4.6% whites, 16.2% women, & 0.4% pwd	89%black, 5.0%, coloureds, 0.7% Indians, 4.4% whites, 16.2% women & 0.4% pwd	88.5% black, 6.29% coloureds, 0.67% Indians, 4.49% whites, 16.95% women & 0.45% pwd	
		Target	30	30	30	30	120	
	Implement the preferred outcome of the future study of Metrobus	Actual	41	42	60	95	238	
		Target	Implementation of the preferred options on Metrobus study	Implementatio n of the preferred options on Metrobus study	Implementatio n of the preferred options on Metrobus study	Implementatio n of the preferred options on Metrobus study	Implementatio n of the preferred options on Metrobus study	
	Introduction of a new fare collection system (an on board driver monitoring system incorporated)	Actual	Testing buses as part of re-fleeting	Considering proposals for efficiencies and funding options without changing the institutional form.	Restructuring proposal approved by the Mayoral Committee.	Restructuring business plan approved by the Mayoral Committee	Implementatio n of preferred options study has just kick started.	
		Target	Participation in the final tender evaluation process	Implementatio n of the new integrated ticketing system (subject to funding by the National Department of	Monitoring of system	Monitoring of system	Replacement of existing ticketing system (subject to funding by NDOT)	

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Objective	KPI	Period	Q1	Q2	Q3	Q4	Annual	Comments
Other Targets (derived from the Business Plan)				Transport "NDOT")				
		Actual	Participated in developing the user requirement specification	The Service Provider to develop the specification has signed the Service level Agreement ("SLA") with the City.	The user requirement specifications have been finalised.	The tender for new AFC and APTMS systems is in the final stage and will be issued shortly.	NDOT will be engaged in the first (1 st) quarter of the next financial year.	

Submitted to the Auditor-General on 31 August 2013

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