



MAYIBUYE TRANSPORT CORPORATION
ANNUAL REPORT 2017
2018



MAYIBUYE TRANSPORT CORPORATION **2017**
ANNUAL REPORT **2018**

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GENERAL INFORMATION

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PUBLIC ENTITY'S GENERAL INFORMATION

Registered Name	Mayibuye Transport Corporation
Registration Number:	Not Applicable
PFMA Status:	Schedule 3 D Public Entity
Postal Address:	P.O. Box 19596, Tecoma, 5214
Email Address:	info@mtcec.co.za
Website Address:	www.mayibuyetransport.co.za
External Auditors:	Auditor General of South Africa
Banker:	Standard Bank
Company Secretary (Acting):	Ms Lunga Jekem

Head Office:	Physical Address -	Shop 15, Beacon Bay Crossing, Cnr N2 and Bonza Bay Road, Beacon Bay, East London, Province of the Eastern Cape, 5241
	Telephone Numbers - Fax Number -	081 289 5008, 081 253 2350, 081 259 6411 043 745 2586
Alice Depot:	Physical Address -	6 Thompson Road, Alice, Province of the Eastern Cape, 5700
	Telephone Number Fax Number -	040 653 1371 040 653 0003
Queenstown Depot:	Physical Address -	8 Faraday Road, Queendustria, Queenstown, Province of the Eastern Cape, 52415
	Telephone Number Fax Number -	045 858 8826 045 858 8290
Reeston Depot:	Physical Address -	Corner of Drummond and Mdantsane Access Roads, East London Province of the Eastern Cape, 5247
	Telephone Number Fax Number -	043 745 2582 043 745 2152
Zwelitsha Depot:	Physical Address -	Mount Coke Road, Zwelitsha, Province of the Eastern Cape, 5608
	Telephone Number Fax Number -	040 654 1351 040 655 1907

LIST OF ABBREVIATIONS/ACRONYMS

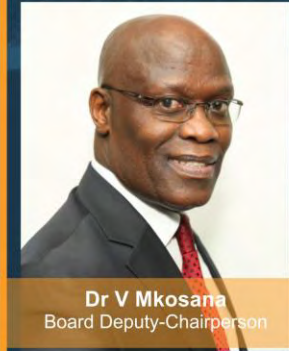
AFS	Annual Financial Statements
AGSA	Auditor-General of South Africa
AO	Accounting Officer
BBBEE	Broad-Based Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operations Officer
CSI	Corporate Social Investment
DoT	Department of Transport
DM	Divisional Manager
EM	Executive Manager
EWP	Employee Wellness Policy
FMS	Fleet Management System
GAAP	Generally Accepted Accounting Practices
GDP	Gross Domestic Product
HRD	Human Resource Development
HRM	Human Resource Management
IA	Internal Audit
IAS	International Accounting Standard
ICT	Information and Communication Technology
MEC	Member of the Executive Council
MTC	Mayibuye Transport Corporation
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NTR	National Treasury Regulations
OD	Organisational Development
OHSA	Occupational Health and Safety Act (No. 85 of 1993)
PFMA	Public Finance Management Act (No. 1 of 1999 as amended)
PGDP	Provincial Growth and Development Plan
PMDS	Performance Management Development System
SABEA	South African Bus Employer's Association
SABOA	South African Bus Operator's Association
SCM	Supply Chain Management
SCOPA	Standing Committee on Public Accounts
SLA	Service Level Agreement



Ms F.K.P Ntlemeza
Board Chairperson



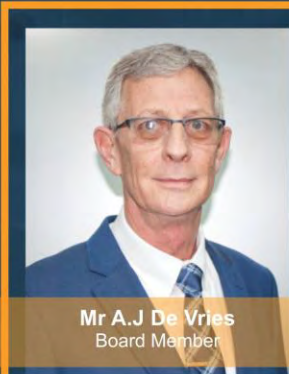
Mr D Gwabeni
Acting Chief Executive Officer



Dr V Mkosana
Board Deputy-Chairperson



Adv M.H Sishuba
Board Member



Mr A.J De Vries
Board Member

PRESENTATION OF THE MAYIBUYE TRANSPORT CORPORATION ANNUAL REPORT 2017/2018

In terms of Section 55 (1) of the Public Finance Management Act (PFMA), Act 1 of 1999, the Accounting Authority is required to present the Annual Report of the Mayibuye Transport Corporation (MTC) for the period 1 April 2017 to 31 March 2018 to the Executive Authority, the Eastern Cape Department of Transport. The Corporation affirms that the Annual Report presents fairly, the state of affairs of the MTC, its business, financial results, performance against predetermined objectives and its financial position as at the end of the period under review.



Mr S Galada
Chief Financial Officer



Mrs N.B Petela-Ngcanga
Board Member



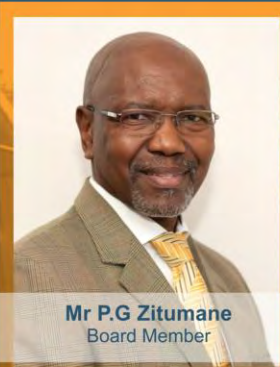
Mr R.R Surajbali
Board Member



Mrs T Godongwana
Board Member



Dr B Ssamula
Board Member



Mr P.G Zitumane
Board Member



Mrs L Jekem
Acting Company Secretary

FOREWORD BY THE CHAIRPERSON

I am pleased to present to the shareholder, the 2017/18 instalment of the Mayibuye Transport Corporation Annual Report. I am pleased because the report is an embodiment of the Corporation's collective commitment to drive robust and vibrant economic activity through the provision of reliable, safe and quality transport services. This is an enormous undertaking which requires clarity of thought, inspired and astute leadership acumen and human capital which possesses the requisite skills and technical capability to effect the desired socio-economic dividend.

Similarly, the MTC brand is an ever-present reminder to the Corporation's various publics of Government's resolute social compact to keep the wheels of the Eastern Cape economy turning. In response, daily, the MTC ensures that thousands of commuters reach their spaces of production safely and on time. I am therefore pleased to report that no fatalities were reported during the period under review. This is a significant contribution which ensures that businesses run efficiently and that the productive capacity of human capital is used optimally.



Sound Corporate Support Infrastructure

In addition, the Executive Authority impressed upon the Board the centrality of continued good corporate governance and the need to practice financial prudence in the mandate delivery process. I am therefore pleased that the Corporation has achieved its third consecutive unqualified audit opinion in 2017/18. This record improves public trust and it entrenches the MTC's position as a trusted steward of public assets.

Coupled with this continuously improving administrative and corporate finance support infrastructure is the MTC's considered engagement with innovative and inventive solutions aimed at expanding the extent, efficacy and reach of its services. In an increasingly competitive global business environment, the MTC has to pursue non-traditional problem-solving approaches in order remain in touch with the needs of its customers. These customer-centric solutions require a significant financial investment in order to respond to the demands of the fourth industrial revolution. Therefore, this requires state entities such as the MTC to do more with less in an environment characterised by significant budgetary constraints.

Resource Mobilisation

As such, the Corporation has to mobilise its limited financial resources to build superior infrastructure to encourage innovation and the competitiveness of its overall business offering.

The Board is engaged in considered conversations with the Executive Authority on the need for further capital investment to overhaul the MTC's fleet and structural inheritance. This investment should provide the MTC with a competitive edge by introducing improved efficiencies in the movement of our customers.

Responsive People Carrier

In 2017/18, the MTC took the first steps toward the attainment of this goal. The innovative Park and Ride service running between Bhishe and East London is operating at full capacity. The Park and Ride makes use of semi-luxury coaches to transport mainly government employees. Additional Park and Ride services between East London and King William's Town (transporting the Department of Education employees) and from King Williams Town to Beacon Bay were introduced during the review period. Similar projects are being mooted for Gonubie and other areas in the near future.

I am also pleased that the results of our work are a lived experience and not a theoretical postulate. A Customer Satisfaction Survey conducted on all active duties indicated that 79% of our customers are satisfied with the MTC services. The 13% drop in customer satisfaction was anticipated due to the challenges experienced by the Corporation in the period under review which impacted negatively on the reliability of service. Furthermore, a Brand Awareness Survey was conducted with 240 randomly selected respondents. A total of 75% of the respondents indicated that they are aware of the MTC's brand. A further 67% of the respondents stated that they are likely to recommend the MTC as a public transport service provider of choice.

Appreciation

Finally, I would like to extend my appreciation to the Honourable MEC of Transport for considered and honest leadership and deliberations in the exercise of her executive authority in order to ensure a responsive MTC. I extend further appreciation to the Portfolio Committee on Transport and the Standing Committee on Public Accounts for their resolute guidance and wise counsel in a quest for improved accountability and adherence to high levels of good corporate governance. The Board is also thankful to the Chief Executive Officer and the MTC staff who have laboured diligently in a challenging operating environment to produce a sound set of results. Lastly, the MTC remains eternally grateful to the thousands of loyal and patient commuters who place their lives in our hands on a daily basis. Their trust in the entity is a constant reminder of the MTC's abiding obligation to remain true to its stated mandate.



Ms Fezeka Ntlemeza

Chairperson of the Board

Mayibuye Transport Corporation

2 August 2018

OVERVIEW BY THE ACTING CHIEF EXECUTIVE OFFICER

Introduction

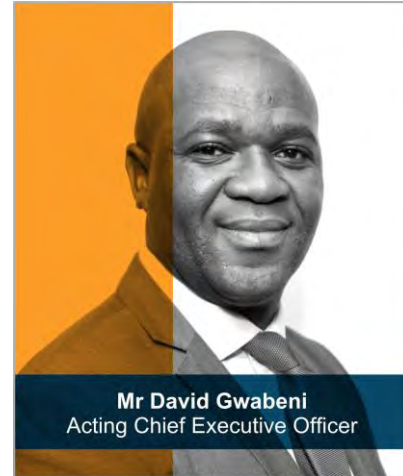
I am pleased to provide a considered appraisal of the MTC's organisational performance for the year ending 31 March 2018. Steering the mandate delivery wheel of the MTC is a daunting yet rewarding task and experience of commission and assignment which requires principled and considered leadership acumen. This is a significant enterprise because millions of customers place their lives in our hands each year, confident that they will arrive safely at their vocational spaces.

The culmination of the 2017/18 financial year therefore provides an opportune moment for strategic reflection and appraisal of organisational performance amid a myriad of challenges and opportunities in the socio-economic environment. As such, the Corporation is involved in a continuous process of critical self-assessment in its quest for a pronounced socio-economic development impact. In order to effect the desired socio-economic dividend, the MTC is concerned with the further development of its people, critical infrastructure and skills, necessary to compete favourably in an ever-changing global transportation network.

In this regard, I am pleased to report that the MTC and its people continue to demonstrate the required resolve necessary to effect the desired outcomes. This is evidenced by the Corporation's admirable record in delivering affordable public transport as well as a safe and reliable fleet. Over the last five years approximately 10 million commuters benefitted from the MTC service. Furthermore, more than 1,9 million customers used the MTC transport network in the period under review. This 5% increase is a marked improvement compared to the previous financial year.

These figures are indicative of the MTC's responsiveness to national priorities, particularly relating to the provision of an affordable and reliable community-based transport system which provides a further impetus to the competitiveness of the Eastern Cape. The MTC's customers continue to vote with their feet and affirm the MTC as the bus services provider of choice. A Customer Satisfaction Survey conducted during the year indicates that 79% of the Corporation's commuters are pleased with the entity's service offering.

I am also equally pleased that the Corporation was able to resolve the challenges it encountered in its external and internal operating environment during the review period. In particular, at the beginning of 2017/18 financial year the MTC had to contend with several challenges which included strikes, resistance from the taxi industry and financial constraints which impacted on its ability to achieve some of its stated performance deliverables.



Operational Efficacy

However, the Board, under the astute leadership of the Chairperson, Ms Fezeka Ntlemeza counselled management to ensure that the requisite infrastructure, systems and processes are further consolidated to reflect a bus services provider in tune with the needs of its customer base. As such, the MTC leadership is acutely aware of the levers it needs to pull to ensure that it entrenches its capability to provide mobility to millions of its customers who depend on public transport for their economic fortunes. Therefore, the efficient and effective delivery of a solid bus service offering requires a sound governance support infrastructure which builds public confidence. I am therefore pleased with the third consecutive unqualified audit opinion the MTC received in 2017/18. This audit outcome proves that operational and financial efficacy operates in tandem and they remain at the epicentre of an effective core business offering.

In general, the MTC has improved its performance in relation to the completion of work packages. The development of clear targets and the robust audit of output and quality of services have resulted in a notable improvement in performance.

Strategy is key to performance and subsequently the MTC has engineered a turnaround strategy intended to provide stability in the short-term and to effect growth and a turnaround in the long-term. The Corporation has already made significant strides in the achievement of the strategy outcomes transitioning from a phase of contrasts into a growth and development stage. The inspired investments made in every area of the MTC machinery from the upgrades of its fleet to the redesign of its entire support architecture has culminated in an upward growth trajectory which has resulted in a 10% increase in own revenue compared to the previous year. This is a considerable achievement considering that the MTC is at the infancy of its new business framework. As the entity continues to develop new operating procedures and improving existing processes and efficiencies, the MTC continues to successfully transform itself into a public transporter of choice.

General Financial Review of the MTC

A central pillar to the delivery of the MTC mandate is financial investment which is a critical enabler to performance. As such, a cursory financial review of the Corporation is outlined below. The total initial budget allocation to the Corporation by the Eastern Cape Department of Transport for the 2017/18 financial year was R107,704,000 which translated to a 5,35% decrease from the 2016/17 final appropriation of R113,801,000. This has decreased due a total amount of R10,870,000 that the Provincial Treasury devoted in the current financial year. The Corporation budgeted for own generated revenue to an amount of R35,999,000. The total budget of R143,703,000 was allocated as follows:

Economic Classification	2017/18	%
Goods and Services	66 386 334,00	46,20%
Cost of Employment	64 309 000,00	44,75%
Capital	13 007 666,00	9,05%
Total	143 703 000,00	100,00%

Budget Adjustment

The Corporation conducted various engagements with the Eastern Cape Department of Transport and the Provincial Treasury regarding the total amount that has been devoted from the budget of the Corporation and the effect that it currently has on the cash flow of the Corporation.

As a result of these engagements, the Corporation received an additional allocation from the Eastern Cape Department of Transport of R4,000,000. The Corporation further received an amount of R6,000,000 in the adjustment budget bringing the total additional receipts received to R10,000,000. These amounts were both received in the third quarter of the financial year.

The table below depicts the movement in the budget for the year under review:

Details	Amount (R'000)
Main Appropriation	107 704
Add: Additional Allocation	10 000
Revised Appropriation	117 704

The movement between the Main Appropriation and the Adjusted Appropriation is a result of the adjustment passed in the Adjustment Estimates of 2017/18. The Corporation made a further plea to the Department of Transport for allocation of additional funding to assist the Corporation's cash flows towards the end of the financial year. The request was made by the Department of Transport on behalf of the Corporation to the Provincial Treasury.

Revenue Management

The revenue of the Corporation was received as follows:

Grant-in-Aid

Description	Amount (R'000)
Current Receipts	110 704
Capital Receipts	7 000
Total	117 704

The total grant allocated for the 2017/18 financial year was received in full during the review period.

Own Revenue

Economic Classification	Actual	Budget	Variance	%
Passenger Revenue	27 133	30 757	(3 624)	(11.78%)
Private Hire Revenue	5 279	5 242	37	0.71%
Other Income	987	0	987	100%
Total Income	33 399	35 999	(2 600)	(7.22%)

The Corporation collected less than expected casual passenger revenue due to various factors.

- Three strikes in the first quarter of the financial year which included a nationwide bus strike which lasted for two days affected the MTC's operations. In addition, there were service delivery protests in the Mdantsane and Zwelitsha regions on May 29 and May 31 respectively which impacted on the MTC's ability to render services. There was also a scholar transport protest action in the Alice region on May 15, which affected operations. Unfavourable weather conditions experienced mid-May also significantly impacted some of the MTC operations which resulted in certain routes not being serviced due to poor road conditions. Disruptions caused by tensions with the taxi industry also resulted in a loss of R482,058 in planned revenue.
- As Provincial Treasury had devoted R10,870,000 of the MTC's funds, the MTC's operations were significantly affected as there were no funds to buy spare parts needed to repair buses that experienced breakdowns. This resulted in 2168 trips being cancelled due to the non-availability of buses. Furthermore, the financial position of the MTC meant that more planned trips had to be cancelled as the MTC was unable to buy diesel in order for the buses to operate. These factors also impacted on the MTC's ability to run its normal operations and carry its intended/ projected number of commuters.
- During the third and fourth quarters of the financial year, the MTC had to cancel six daily duties due to opposition from taxis which resulted in a total loss of R407,058 in revenue. In October, the Reeston depot did not operate for three days resulting in an average loss of R75,000 due to taxi opposition and intimidation.

The other income generated comprised R148,868 of interest income, R614,419 from the Transport Education and Training Authority (TETA) grant, and sundry income of R223,482.

The Corporation continues to work on the improvement of revenue collection and utilising all resources available to improve the control environment in the collection of Revenue from Casual Passengers.

The focus going forward will be the improvement of the service offering to attract and retain passengers.

Spending Trends of the MTC

The table hereunder presents the Corporation's expenditure against its budget for the year under review. The reasons for the material variances are provided in the sections of the report below which address the relevant Economic Classifications.

Actual Expenditure against Budget Expenditure	Actual	Budget	Variance	Variance
Goods and Services	68 999	68 130	(869)	(869)
Cost of Employment	75 409	69 163	(6 246)	(6 246)
Capital Expenditure	15 614	16 411	797	797
Total	160 022	153 704	(6 318)	(6 318)

Operating Expenditure

Economic Classification	Actual	Budget	Variance	% Variance
Operating Expenses	37 474	36 408	(1 066)	(2.93%)
Administration Expenses	26 840	26 780	(60)	(0.22%)
Interest	4 685	4 942	257	5.20%
Total Goods and Services	68 999	68 130	(869)	2.05%

Cost of Employment

Economic Classification	Actual	Budget	Variance	% Variance
Cost of Employment	68 765	63 289	(6 246)	(9.87%)
Performance Bonus	0	0	0	0.00%
Voluntary Severance Package	5 874	5 874	0	0.00%
Total Cost of Employment	74 639	69 163	(6 246)	(9.87%)

The Corporation exceeded the budget of the Cost of Employment estimate. This is as result of the budget pressures experienced by the Corporation from the start of the financial year. The Corporation also had to make provision for the restructuring cost of the Corporation to improve efficiencies resulting in the expenditure in the Voluntary Severance Packages totalling R5,874 million.

Capital Expenditure

The total capital allocation in the budget for the year under review was utilised as follows:

Classification	Actual	Budget	Balance	% Spent
Refurbishment of Depots	3 135	2 158	(977)	(45.27%)
Workshop Equipment	59	800	741	92.63%
Office Furniture	131	100	(31)	(31.00%)
Operating Equipment	470	2 245	1775	79.06%
Office Equipment	213	501	288	57.59%
Intangible Assets	0	210	210	100.00%
Buses (Leased)	11 606	10 397	(1 209)	(11.63%)
Total Amount	15 614	16 411	797	4.86%

Discontinued Activities/Activities to be Discontinued

None of the MTC's business activities which were planned for the 2017/18 financial year are set to be discontinued in the foreseeable future.

New or Proposed Activities

The MTC continues to move towards the digitalisation of its processes and operating systems to keep up and take advantage of the technology that is available in the market. The plan to invest in

the integrated fleet management system is at the advanced stages. This is a critical system to the Corporation's operations as it will assist in cost saving and monitoring of its processes to ensure optimal use of the MTC's resources and improve service delivery and offering to customers.

In an effort to contribute to the green economy and to saving water, the MTC has initiated a water harvesting project. This will see water tanks being installed at all the MTC depots. The water collected will be used for ablution facilities and washing of buses. This will reduce the municipal bill and contribute to water saving initiatives. Water remains one of the scarce commodities in the MTC's areas of operation and it therefore requires that as a responsible citizen it contributes towards saving water. The project has been implemented, and it is fully-functional at the Alice Depot as part of the recent depot revamp. The Reeston Depot was at 90% completion at year end and it has since been completed after year end. The focus will be on the two remaining depots during the 2018/19 financial year.

Requests for Rollover of Funds

The Corporation did not request for a roll-over of funds as the accounts payable and commitments of the Corporation exceeded the cash available at the end of the 2017/18 financial year. This can be demonstrated as follows:

Details	Amount (Audited)
Cash balance as at 31 March 2018	378 527
Less: Trade Payables	(18 441 120)
Add back: Accrued Leave Pay	3 305 883
Less: Commitments	-
Total	(14 756 710)
Add: Trade Receivables	1 027 383
Net cash position	(13 729 327)

Table: Net Cash position at 31 March 2018

The Corporation has to fund prior year commitments with the current year funding to the extent of R13,729,327. The Cash Commitments and creditors of the Corporation are R14,756,710 without the effect of collection of Trade Receivables.

Supply Chain Management

There were no unsolicited bids approved during the financial year under review and management has implemented mechanisms to prevent irregular transactions. Such mechanisms include checklists and procedures to identify requests prior to initiation of transactions.

Audit Report Matters

The Corporation received an unqualified audit opinion in the period under review. This is retention of the prior year audit outcome with findings on compliance. In terms of the usefulness and reliability of the reported performance information, the Auditor General did not have any material findings for the seventh consecutive financial year.

The findings on compliance relate to revenue management, expenditure management, consequence management and procurement and contract management.

The Corporation incurred irregular expenditure in the review period by continuing contracts that need Provincial Treasury approval for condonation. In 2017/18, the MTC decreased irregular expenditure by 47% in comparison to the previous financial year and it continues to implement controls to eliminate the incurrence of irregular expenditure.

Fruitless and wasteful expenditure incurred during the financial year related to traffic fines, late payment of suppliers and non-attendance of scheduled training by employees. The entity is still in the process of finalising the investigations and any resultant disciplinary actions will be instituted where employees are found to be responsible.

The Corporation has prepared a comprehensive Audit Improvement Plan that will be implemented to ensure that the compliance findings are eliminated. The plan does not only focus on the activities that need to be implemented but also on the capacitation of the Financial Management division. This will ensure that there are sound measures and controls in place that enable reliable and sustainable financial management practices.

The table below reflects the trend in audit outcomes for the past six years:

2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Disclaimer	Qualified	Qualified	Unqualified	Unqualified	Unqualified
1. Property, plant and equipment 2. Revenue 3. Expenditure 4. Irregular expenditure 5. Finance leases 6. Inventory 7. Share capital 8. Accrued leave pay 9. Cash flow	1. Revenue 2. Irregular Expenditure 3. IAS 1 Disclosure	1. Revenue (Prior year)			

Emphasis of Matter

Other than the above-mentioned compliance matters, an emphasis of matter was placed on the material inventory losses incurred during the financial year. These were as a result of obsolete inventory and fluctuations in the unit prices of inventory items. This has been taken into account in the Audit Improvement Plan

Outlook/ Plans for the future to address financial challenges

The Corporation continues to increase the number of routes and the number of trips within a route it operates as a means of expanding its revenue base. The MTC will further increase its interaction with other transport operators, including taxi associations and other bus operators within the province. In parallel, significant investment continues with the digitalisation of business processes to reduce operating costs and increase efficiency.

The Corporation is also preparing a long-term funding strategy, which will provide a framework for the MTC funding decisions and ensure the financial sustainability of the Corporation.

Events After the Reporting Date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the annual financial statements are authorised for issue. Two types of events can be identified:

- a) Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- b) Those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

No post adjustments to the Annual Financial Statements were made.

Future Outlook

Looking to the future, the Corporation is confident that it is at an upward growth trajectory and it is poised for sustainable long-term growth. Notwithstanding the progress made in the realisation of an effective bus services provider of choice status, the stabilisation process is still required to filter throughout the MTC's operations. There still remain several critical aspects that need to be resolved including internal change management processes. In addition, the MTC continues to foster a culture of organisational excellence and integrity in the face of budgetary constraints as well as resistance from taxi operators.

The MTC will continue to pursue new routes and to investigate innovative ways to serve growth opportunities, enhance travelling experiences and improve operating performance on all key priorities in the future.

I am confident that the Corporation has the necessary resolve to confront and to navigate through a challenging operating environment. It has the tools, instruments and the human resource pool to effect positive change with integrity, efficiency and effectiveness which are born out of its commitment towards establishing the Mayibuye Transport Corporation as the Eastern Cape's Public Transporter of Choice.

Appreciation

Finally, I extend my sincere gratitude to the Board for its wise counsel and considered leadership. On behalf of the Corporation, I would like to acknowledge the late Mr Lunga Ntshinga who served in the Board Audit and Risk Committee for his valuable contributions during his tenure at the MTC. He will be sorely missed. I also extend my appreciation to the management team and staff for their demonstrable commitment to the realisation of the MTC vision and in ensuring that the entity remains relevant within the Eastern Cape's socio-economic architecture. It must be noted that the voice of the Corporation's customer base, the MTC Bus Passenger Transport Forum, has proven to be an exceptional resource to the Corporation in enhancing service delivery to passengers.

Furthermore, the fantastic support provided by the Honourable MEC for Transport, as well as her Department led by the Head of Department, has proved invaluable in breathing life into the MTC of the future.

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the bottom.

Mr David Gwabeni
Acting Chief Executive Officer
Mayibuye Transport Corporation

2 August 2018

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF THE ANNUAL REPORT

To the best of our knowledge and belief, we confirm the following:

- All information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statements audited by the Auditor General;
- The Annual Report is complete, accurate and is free from any omissions;
- The Annual Report has been prepared in accordance with the guidelines on the Annual Report as issued by National Treasury;
- The Annual Financial Statements (Part E) have been prepared in accordance with the South African Generally Accepted Accounting Practice standards applicable to the public entity;
- The Accounting Authority is responsible for the preparation of the annual financial statements and for the judgements made in this information;
- The Accounting Authority is responsible for establishing, and implementing a system of internal control which has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements; and
- The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the Mayibuye Transport Corporation for the financial year ended 31 March 2018.

Yours faithfully



Mr David Gwabeni
Acting Chief Executive Officer
2 August 2018



Ms Fezeka Ntsemeza
Chairperson of the Board
2 August 2018

STRATEGIC OVERVIEW

The principal purpose of the Mayibuye Transport Corporation is to provide safe, reliable and affordable public transport to predominantly rural areas of the Eastern Cape. This strategic intent is expanded by the necessity to be self-sustainable in accordance with the National Land Transport Act, 2009.

The Corporation is governed by the Corporations Transitional Provisions (Eastern Cape) Act 12 of 1995 with the objective to plan and finance or to establish undertakings for the transportation of passengers at affordable rates along designated routes and per set timetables. It is listed in the Public Finance Management Act, 1999 (PFMA) as a Schedule 3D provincial public entity under the jurisdiction of the Department of Transport. The institutional environment of good governance is prescribed by the Constitution of South Africa, 1996; the PFMA and the Protocol on Corporate Governance and/or the King IV Report on Corporate Governance.

The MTC through its provision of public transportation assists in advancing the values of human dignity, equality and freedom, whilst ensuring the realization of the economic and social advancement of citizens by contributing to the overall economic growth of the province. The success of the MTC is deeply rooted in its human capital and the underpinning corporate strategy. The MTC has redesigned and strengthened its business model as a transport Corporation, whilst at the same time being compliant with the PFMA. Through its understanding of the importance of collaboration and partnerships, the corporation continues to deliver services in many marginalised and under-served rural communities of the Eastern Cape. These services transform lives and give hope to many people.

Beyond its transport operations, the MTC acts as an implementing agent in artisan development programmes, assisting Government to advance the achievement of the National Skills Development Strategy.



VISION

The vision of the MTC is "To be the Public Transporter of Choice".

MISSION

It is the mission of the MTC to "Provide a safe, reliable, affordable public bus transport service that is responsive to its environment".

VALUES

The MTC's values are the cornerstone of its organisational culture and its way of doing the business of public transport. The MTC is guided by and committed to the following values:

- **Batho-Pele (Sotho for "People First"):** Service orientated corporation which strives for excellence in service delivery and is committed to continuous service delivery improvement for the achievement of a better-life-for-all whilst including all citizens through services and programmes.
- **Integrity:** Work ethically, honestly and transparently.
- **Consultation:** Create an enabling environment for community and stakeholder participation.
- **Innovation:** Strive towards radical and revolutionary changes in thinking, services, processes or organisation.
- **Accountability:** Act honourably and take ownership of our actions and the outcomes thereof.

LEGISLATIVE AND OTHER MANDATES

The MTC is listed as a Corporation in terms of the Corporations Transitional Provisions Act 12 of 1995 and a Schedule 3D public entity in terms of the PFMA. The MTC is a public entity and its shareholder is the Department of Transport in the Eastern Cape.

At present, the MTC receives a subsidy in the form of a grant-in-aid to cover the operating expenses of the Corporation.

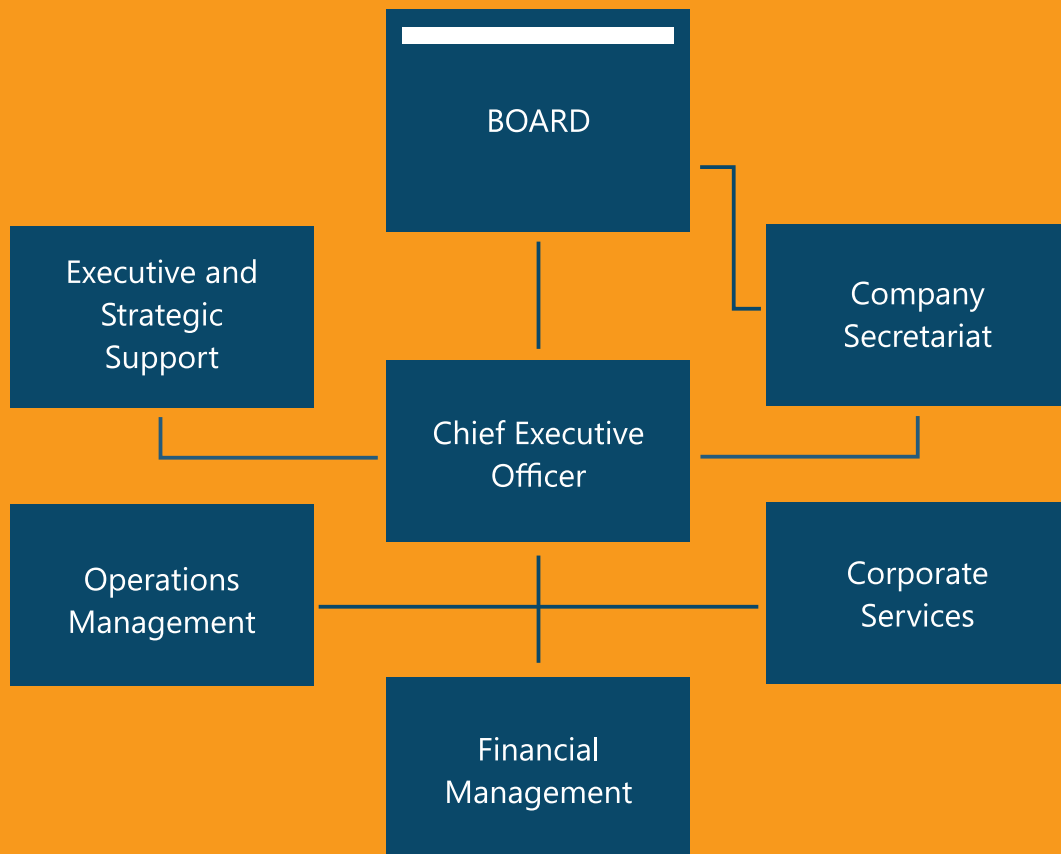
The principal purpose of the Mayibuye Transport Corporation is to provide safe, reliable and affordable public transport to predominantly rural areas of the Eastern Cape. This strategic intent is expanded by the necessity to be self-sustainable in accordance with the National Land Transport Act.

Government has approved a “Protocol on Corporate Governance in the Public Sector”, which is to be read in conjunction with the King IV Report. The protocol is applicable to all public entities listed in Schedule 2, 3B and D of the PFMA. It is intended to provide guidance on how to achieve the socio-politico-economic objectives of government; good governance in the public sector; freedom to manage and effective accountability of both financial and non-financial matters. The MTC regards good corporate governance as integral to good performance. It is critical for the MTC to fulfil its mandate in a manner that is consistent with best practices regarding accountability, transparency, fairness and responsibility. For this reason, the MTC subscribes to the principles of good governance as laid down by the King IV Report and the Protocol on Good Governance in the Public Sector. The MTC undertakes to maintain effective governance and the highest standard of ethical business operations.

The MTC executes its mandate in accordance with its constitutive documents and applicable legislation as reflected in the Corporate Plan. Its Board exercises its fiduciary duties in pursuance of strategic objectives as set out in the Corporate Plan. Furthermore, the Board ensures that targets are met, monitored and reported on a regular basis.



ORGANISATIONAL STRUCTURE







2

PERFORMANCE INFORMATION

ANNUAL REPORT 2017-2018

REPORT: PRE-DETERMINED OBJECTIVES

The AGSA currently performs the necessary audit procedures on the performance information to provide a reasonable assurance in the form of an audit conclusion. Refer to page 96 of this report which forms part of the Report of the Auditor General to the Eastern Cape Provincial Legislature, published as Part E: Financial Information.

SITUATIONAL ANALYSIS

Service Delivery Environment

Public transport continues to be an integral part of government's service delivery apparatus as the primary mode of transport to the majority of people in the country. Perhaps the most significant challenge for public transport globally is providing a safe, reliable and affordable service at all times. In South Africa, and throughout the developing world, public transport is a significant contributor to socio-economic development. In rural provinces, public transport is largely the only available resource for commuters to reach their destinations. In the Eastern Cape, the Corporation provides transportation and commuter services to mostly public servants, scholars and daily passengers to various destinations within its four areas of operation. The critical space occupied by the MTC remains a strategic thrust in the socio-economic development agenda of the country and the Eastern Cape Province in particular.

Passenger transportation is the MTC's core business which is in line with its mandate of rendering an effective and efficient public transport service primarily for workers to industries and other places of employment in the Eastern Cape. This mandate is also an integral part of various outcomes in the medium term strategy framework for public services. During the 2017/2018 financial year, the MTC faced challenges outside its control which impacted on its ability to fully achieve its objectives. These are unpacked under Section 3 of this report. Amidst these challenges, the MTC still strives to provide a safe, reliable and affordable public bus transport service to satisfy customer demands. This continued commitment is evident in the Corporation's record of zero fatal accidents caused by the MTC drivers.

The MTC plays a pivotal role in the provision of this service to the poorest people of the Eastern Cape. The majority of the MTC services are rendered to those who reside in the rural outskirts of the province. The MTC operates from four main depots, i.e. Reeston, Zwelitsha, Queenstown and Alice. The Corporation's head office is situated in Beacon Bay Crossing, East London. The Mayibuye fleet of 94 buses operates on 84 routes across the regions and surrounding rural areas of Bhisho, King William's Town, Buffalo City Metro Municipality, Raymond Mhlaba Municipality, Whittlesea, Sada and the Ntabethemba area of the Chris Hani District Municipality.

Increased resistance from taxi associations has directly impacted on the MTC's ability to achieve its weekly trips, passenger numbers and revenue targets. A task team has been formed which includes other industry role players to resolve this matter through continuous engagements with the taxi associations. Apart from the resistance, there were numerous protest actions on certain existing

routes which forced the MTC to cancel trips on these routes due to blocked roads and/or to protect its customers, employees and assets.

Operational environment

The Corporation is a public transport operator dedicated to providing scheduled bus services to the people of the Eastern Cape. The MTC operates in furtherance of the Department of Transport's legislative mandate, in the field of public transport and it is guided periodically by the Provincial Growth and Development Strategy. In November 2015, the Board approved an organisational redesign for the MTC which will ensure that, progressively, the entity will be adequately equipped to entrench itself as the main mode of choice for conventional bus commuter transport within an integrated public transport strategy.

Although the organisational redesign assisted the entity in ensuring that the Corporation was better shaped to achieve its vision of becoming the public transporter of choice, the MTC's financial situation tested the Corporation's ability to fill critical positions which would have greatly impacted on its ability to achieve some of its objectives.

With the service delivery strikes, a nationwide bus strike and a scholar protest strike having affected the MTC's operations at the start of the 2017/2018 financial year, the MTC was faced with additional challenges such as service ability to meet its targets for passengers, weekly trips and revenue. This situation was also further compounded by opposition from the taxi industry which resulted in the MTC having to cancel six of its daily trips.

During the 2017/2018 financial year, the MTC experienced considerable financial constraints which impacted on its operations. This was felt more acutely in the third and fourth quarters of the year. As a result of these financial constraints, a number of buses and support vehicles could not be available for operations due to mechanical defects. The long lead time to repair these buses was caused by the non-availability of spare parts. The financial constraints also affected the MTC's ability to purchase fuel which led to trips being cancelled. This also resulted in critical positions not being filled during the review period.

Notwithstanding these challenges, the Corporation is still determined to contribute to the governments' objectives of uplifting the youth. The Mayibuye Transport Corporation prides itself in the training of youth by enrolling interns in different fields within the MTC Internship Programme. The programme is designed to provide young people with a head start in entering the labour market. Students and graduates are recruited from Technical Vocational Education and Training (TVET) colleges as well as from universities that are based in the Eastern Cape. This is aimed at uplifting students who are mainly from rural areas. The Apprentice Programme is one of the key training programmes offered by the MTC to train apprentices through a three-year program in different specialised fields (i.e. electrical, diesel and mechanical) until they qualify as artisans. Artisans are regarded to be a scarce skill in South Africa.

Fully cognisant of its challenges, the MTC took the approach of doing more with less by reducing costs and man hours through digitalising some of its most manual and time consuming processes. Training was also provided to employees to ensure their continuous development and improvement in the execution of their tasks.

The Corporation recognises the increasing importance of contributing to Corporate Social Investment initiatives. During the period under review, the Corporation continued with its time tested tradition of ploughing back to the communities it serves. In partnership with a school in the

MTC's area of operation, the Corporation's team members donated goods to a destitute family from their own pockets.

The MTC's commitments in the area of social investment are in line with the definition on corporate social responsibility as espoused by the World Business Council for Sustainable Development that: "Corporate social responsibility is the commitment of business to contribute to sustainable development, working with employees, their families, the local community and society at large to improve their quality of life".

Key policy developments and legislative changes

No amendments in legislation, which are applicable to the Corporation, were identified during the 2017/18 financial year.

The MTC undertook to review its policies during the financial year, with the aim of ensuring that they adhere to legislation, best practice and good governance. The changes made included closing gaps that were identified to have potential loopholes, providing precise and clear meaning to the provisions of the policies, as well as synchronising the policies to ensure that they are interlinked with one another. The MTC Board also resolved that policies be reviewed every two years. In addition, ad-hoc amendments will be effected where necessary.

Strategic Outcome-Oriented Goals

The strategic objectives that the MTC were in pursuit of for the 2017-18 performance cycle are as follows:

Strategic Goal	#	Strategic Objective
1. Ensure accessible, reliable, safe and affordable public bus transport services that satisfy the needs of our customers	1.1	Increase the number of passengers transported from 1 735 049 per annum to 2 419 010 per annum by 31 March 2020
	1.2	Increase the customer satisfaction rating from 85% to 90% by 31 March 2020
2. To be a catalyst to the Eastern Cape Developmental Priorities through the provision of a viable public bus transport service	2.1	Reduce dependency on grant funding from 76% to 72% by 31 March 2020
3. Develop the MTC into a fit-for-purpose public transport provider	3.1	Increase the King IV application rating from AA to AAA by 31 March 2020

PERFORMANCE INFORMATION BY PROGRAMME

Programme 1: Administration

Sub-Programme 1.1: Strategy and Executive Support

Purpose

The Strategy and Executive Support Programme facilitates the coordination between the Board, shareholder, executives and stakeholders. The Board serves as the Accounting Authority for the MTC in terms of the PFMA. The Chief Executive Officer is responsible for the formulation of policy as an ex-officio member of the Board and is accountable for the implementation of policy and strategy as the most senior executive in the Corporation.



The Strategy and Executive Support Programme ensures that effective planning and reporting systems are established based on internal management cooperation and communications and that external partnership networks are developed and managed for the benefit of the stakeholders of the Mayibuye Transport Corporation. Furthermore, the Strategy and Executive Support Programme exists to facilitate the connection between strategy and execution. It oversees the alignment of all management processes with strategy and it is responsible for the coordination and preparation of the strategic plan, planning processes, reporting and organisational performance improvement. The MTC is engaged in an ongoing planning process designed to facilitate strategic conversations to improve organisational results. As such, the Strategy and Executive Support Programme provides strategic leadership and management in accordance with legislation and policies. Furthermore, it provides a support role to the Chief Executive Officer, the Board and to all programmes within the Corporation.

Programme Structure

- Strategy and Executive Support
 - Strategy and Planning
 - Monitoring and Evaluation
 - Quality Assurance
 - Risk and Ethics Management

- Compliance Management and Legal Advisory Services
 - Board Secretarial Services

Overview of Sub-Programme Performance

The programme has a primary focus on corporate governance, compliance and risk management. Each of these components is of fundamental importance to the Corporation and they are essential to each of the MTC's three strategic goals which focus on its "Customers", "Viability" and "Organisation Architecture".

Driving service delivery remains a key agenda item for the strategy and executive office. Although the year under review recorded a slight decrease in organisational performance against predetermined objectives when compared to the previous reporting period, due to reasons beyond the control of the entity, the Corporate Performance Management System of the Corporation has been well-established. It provides a clear platform for operational effectiveness and accountability.

The strategy and executive office has contributed significantly in providing an objective view of work undertaken by the organisation through the quarterly reviews of performance information. The support sessions hosted by the sub-programme serve as action planning sessions to guide other areas of the Corporation in ensuring they achieve their set targets.

The MTC's audit methodology for performance against predetermined objectives has proven successful which is evidenced by the Auditor General raising no findings for the seventh consecutive year on performance information. The manner in which the entity is able to account on performance against predetermined objectives continues to inspire stakeholder confidence.

Corporate governance is of vital importance to the MTC. However, during the financial year it was identified that the application rating used in the King IV assessment differed from the ratings that were used in the King III assessment. Nevertheless, the MTC performed the King IV assessment and obtained a satisfactory result. The rating is due to the effective leadership exercised by the shareholder, the Board and the Accounting Officer.

Compliance monitoring is deemed an invaluable tool to the Corporation which provides a wealth of information for the entity to continuously improve itself. The MTC has identified 15 Acts which are applicable to the entity. Unfortunately during the financial year, the MTC was unable to fully comply with all 15 Acts due to the Corporation's financial challenges. The MTC is however committed to continuously improving its internal control environment and to inculcate a culture of ethics.

The MTC risk management target for 2017/18 was to reduce two of the eleven strategic risks to an acceptable level. Due to financial and human capital constraints, the MTC was unfortunately unable to implement the ideal controls to mitigate the identified risks. The Corporation has however requested assistance from the Department of Transport to provide the required human capital to support the MTC's risk function.

Changes to Planned Targets

There were no changes to planned targets

Strategic objectives, performance indicators planned targets and actual achievements

To be a catalyst to the Eastern Cape Developmental Priorities through the provision of a viable public bus transport service									
Strategic Goal:	Strategic Objective	Measurable Objective	Performance Indicator	Actual Achievement 2016/2017	Target 2017/2018	Actual Achievement 2017/2018	Deviation from Target to Actual Achievement for 2017/2018	Challenges	Improvement Plan
2.1	Reduce dependency on grant from 76% to 72% by 31 March 2020	Increase the 10 MTC divisions which have an established Business Process Catalogue from 1 to 2 by 31 March 2018	Number of Business Process Catalogues established	1	1	1	0	Not applicable. Target Achieved.	Not required

Strategic Goal: Develop the MTC into a fit-for-purpose public transport provider								
Strategic Objective	Measurable Objective	Performance Indicator	Actual Achievement 2016/2017	Target 2017/2018	Actual Achievement 2017/2018	Deviation from Target to Actual Achievement for 2017/2018	Challenges	Improvement Plan
3.1	Increase the King IV application rating from AA to AAA by 31 March 2020	King IV Application Rating	AAA (Highest Application)	AA: High Application	0	AA: High Application	The target was not achieved. The King IV scoring rating differs from the King III scoring rating. The result of the completed assessment was satisfactory.	The MTC will adjust the King III scoring to align with the King IV rating scales.
3.1	Increase the King IV application rating from AA to AAA by 31 March 2020	Number of Strategic risks reduced to an acceptable level	1	2	0	2	The target was not achieved. The severe budget constraints have resulted in the MTC being unable to implement the ideal controls, including both physical and human resources.	The MTC's risk appetite has been reevaluated in light of the constraints and approved by the Board as part of the 2018/2019 Corporate Plan.

Sub-Programme 1.2: Finance

Purpose

This programme ensures the provision of systematic financial management systems designed to coordinate the Corporation's budget and resource requirements. Such activities include ensuring compliance with regulatory provisions required to facilitate the funding of the MTC as well as to take appropriate steps to ensure that expenditure occurs within the approved budget to prevent overspending. Systematic financial management systems also entail the maintenance of a procurement system that is fair, transparent, competitive and cost-effective. It ensures that effective and appropriate steps are taken to prevent unauthorised, irregular or fruitless and wasteful expenditure.



Programme Structure

- Income and Expenditure:
 - Revenue
 - Creditors Payment
 - Salary Administration
- Management and Cost Accounting:
 - Management Accounting
 - Budget Management
- Supply Chain Management:
 - Procurement
 - Logistics Management
 - Asset Management

Overview of Sub-Programme Performance

The 2017/18 financial year was characterised by an improvement in the structural functioning of the programme. This was achieved with a specific focus on the improvement of systems and controls to ensure an improvement in various areas, i.e. financial management, budget management and supply chain management. This was the first financial year that the budget unit was established and became functional yielding the required results.

The programme was capacitated in the area of supply chain management with the appointment of a Senior Manager: Supply Chain Management and with the appointment of a Manager: Demand and Acquisition. There has been an improvement in the level of adherence to the Procurement Policy of the Corporation. There has been as a result, a reduction in the incurrence of irregular expenditure. However, there are still some areas which require attention. The Supply Chain

Management unit has benefited from training arranged by the Eastern Cape Provincial Treasury especially in the area of strategic procurement.

There was also an improvement in financial administration evidenced by the ability of the Corporation to produce interim financial statements on a quarterly basis. The sub-programme has progressed in the development of a comprehensive cost structure for the Corporation to ensure that the cost of providing the services is costed. This will ensure that a long-term funding strategy is developed for the Corporation that will ensure sustainability and growth. This is a target that was not achieved in the current year. The long-term funding structure should also ensure that public transport is elevated as one of the key service delivery imperatives to reduce poverty as it will ensure that South African commuters benefit from affordable public transport which should translate into vibrant economic activity.

Changes to Planned Targets

There were no changes to planned targets

Strategic objectives, performance indicators planned targets and actual achievements

Strategic Goal: To be a catalyst to the Eastern Cape Developmental Priorities through the provision of a viable public bus transport service								
Strategic Objective	Measurable Objective	Performance Indicator	Actual Achievement 2016/2017	Target 2017/2018	Actual Achievement 2017/2018	Deviation from Target to Actual Achievement for 2017/2018	Challenges	Improvement Plan
2.1 Reduce dependency on grant from 76% to 72% by 31 March 2020	Develop a Long-Term Funding Strategy for the MTC by 31 March 2018	Number of Long Term Funding Strategies Approved	0	1	0	1	The target could not be achieved due to the complexity of the project that needs further collective engagements. The Corporation had budgeted for Consulting Services to support this deliverable, however due to financial constraints that could not be undertaken. Consulting fees was one of the areas where cost containment was applied.	The project is currently being performed internally and progress thereon has been reported to the Board Operations and Engineering Committee.

Strategic Goal: Develop the MTC into a fit-for-purpose public transport provider								
Strategic Objective	Measurable Objective	Performance Indicator	Actual Achievement 2016/2017	Target 2017/2018	Actual Achievement 2017/2018	Deviation from Target to Actual Achievement for 2017/2018	Challenges	Improvement Plan
3.1 Increase the King IV application rating from AA to AAA by 31 March 2020	Resolve all findings that affect the 16/17 audit outcome by 31 March 2018	Number of unresolved findings that affect the prior year audit outcome	-	0	8	8	The target was not achieved due to human capital constraints within the Finance department.	The unit appointed two managers in the SCM unit in August 2017. Although the target has not been met many findings have been resolved. The Finance department has strengthened its control environment through the development of standard operating procedures, workshops, trainings and checklists.
3.1 Increase the King IV application rating from AA to AAA by 31 March 2020	Improve internal audit's conclusion of the MTC control environment from "Weak" to a minimum of "Acceptable" by 31 March 2018	Number of internal audit reports concluded as "Acceptable" or better	-	3	1	2	The target was not achieved due to human capital constraints within the Finance department.	The unit appointed two managers in the SCM unit in August 2017. Although the target has not been met many findings have been resolved. The Finance department has strengthened its control environment through the development of standard operating procedures, workshops, trainings and checklists.

Sub-programme 1.3: Corporate Services

Division 1.3.1: Human Resource Management

Purpose

The human resource division provides an internal enabling function and support service to the other programmes regarding human resource management. The Human Resource Management division also provides guidance on how to strategically manage people as a business resource. This includes managing recruitment, coordinating employee benefits, labour relations and integrated employee wellness and human capital development.



Programme Structure

- Employment Relations
- Integrated Wellness
- HR Management Services
- Training and Development

Overview of Divisional Performance

The automation of the MTC's human resource systems has significantly contributed to the division's efficiencies, as well as in assisting to ensure that the MTC becomes a more paperless entity. Benefits such as employees being able to apply for their leave electronically, as well as having easy access to their monthly payslips, have been derived from this automation process.

Apart from the above, some of the division's highlights include:

- The recruitment process that was applied during the financial year proved successful as the MTC was able to fill vacant positions at an average of 39 days. This was mainly achieved through the use of the bus driver database as part of responding to the recruitment of bulk positions.
- One of the fundamental elements that human resource management is responsible for, is ensuring that employees receive training and continuous development to improve organisational performance. Through the MTC's partnership with TETA, the Corporation was able to train 123 employees during the year as per the Workplace Skills Plan.
- Six employees benefited from the MTC's Graduate Development Programme. They were awarded bursaries in order to continue with their studies. During the restructuring process, the Corporation had committed to assist employees with identified skills gaps. The employees

were able to register at accredited higher learning institutions, which will enable them to acquire formal qualifications.

- Through a partnership with TVET colleges and universities that are based in the Eastern Cape, the MTC was able to enrol 28 interns in the MTC Internship Programme during the period under review. This programme is designed to provide much needed experiential training to the youth in order to ease access into the job market. The MTC prides itself in being able to contribute to the country's socio-economic development by creating jobs for young people.
- Wellness is crucial to the MTC which is regarded as an "old" Corporation due to its aged staff profile. Employees are provided support and they respond well to the programs initiated by the Wellness Unit.

Changes to Planned Targets

There were no changes to planned targets

Strategic objectives, performance indicators planned targets and actual achievements

Develop the MTC into a fit-for-purpose public transport provider									
Strategic Goal:	Measurable Objective	Performance Indicator	Actual Achievement 2016/2017	Target 2017/2018	Actual Achievement 2017/2018	Deviation from Target to Actual Achievement for 2017/2018	Challenges	Improvement Plan	
3.1 Increase the King IV application rating from AA to AAA by 31 March 2020	Improve the average employee performance score from 3,46 to 3,50 by 31 March 2018	Employee average performance score for the corporation	3.00	3,50	0	3.50	The target was not achieved due to poor project management skills.	A project plan for this project will be developed and submitted to the CEO for approval. The progress on the status of the project plan will be presented as part of the HR biweekly divisional progress report at all executive management meetings.	
3.1 Increase the King IV application rating from AA to AAA by 31 March 2020	Develop a capable workforce by increasing the number of training initiatives completed in accordance with the CEO approved workplace skills plan	Number of training initiatives completed in accordance with the CEO approved workplace skills plan	242	115	122	-7	The target was overachieved; this was due to the availability of service providers and staff to implement the training requirements, as per the WSP.	The HR division will continue to build good relations with its stakeholders, to ensure that training needs for all staff are attended to, thus improving the organisation's performance.	

Develop the MTC into a fit-for-purpose public transport provider									
Strategic Goal:	Strategic Objective	Measurable Objective	Performance Indicator	Actual Achievement 2016/2017	Target 2017/2018	Actual Achievement 2017/2018	Deviation from Target to Actual Achievement for 2017/2018	Challenges	Improvement Plan
3.1	Increase the King IV application rating from AA to AAA by 31 March 2020	Maintain the number of interns enrolled in the Internship Programme at 25 by 31 March 2018	Number of Interns enrolled in the Internship Programme	20	25	28	-3	The target was overachieved. MTC was able to accommodate more learners into the Internship Programme.	The MTC will continue to support government's initiatives of developing the youth of our country.
3.1	Increase the King IV application rating from AA to AAA by 31 March 2020	Develop a capable workforce by promoting 20 learners from year 1 to year 2 of the 3-year apprenticeship programme by 31 March 2018	Number of learners enrolled in year 2 of the 3-year apprenticeship programme	20	20	20	0	Not applicable. Target Achieved.	Not applicable. Target Achieved.

Division 1.3.2: Information and Communication Technology (ICT) Management

Purpose

ICT Management describes the strategic approach for designing, delivering, managing and improving the way Information Technology (IT) is used within the Corporation. The goal of ICT Management is to ensure that the right policies, processes, people and technology are in place so that the Corporation can meet its business goals.

Programme Structure

- ICT Governance
- Systems and Network Administration
- Technical Support



Overview of Divisional Performance

The ICT division had six measurable objectives for the 2017/18 financial year. Two of these objectives were over-achieved and the remainder thereof were timeously completed within budget.

- ICT Continuity:

ICT continuity focuses not only on the likelihood and impact of disruptive incidents, but also on the ability of the Corporation to detect and respond to the occurrences of such incidents. This requires that the Corporation monitors its ICT services to ensure that:

 - a) They are resilient and recoverable at the appropriate level;
 - b) Any unexpected event within a service is detected, investigated and addressed in a timely manner;
 - c) Dependencies between ICT services and external factors are known and they are used in assessing risk and the impact of a change; and
 - d) Dependencies on the technical components are known and they are used in assessing risk and the impact of change.

The ICT Steering and Strategy Committees have ensured a continued system availability which was aligned with the various ICT policies and the ICT Divisional Risk Register.

- Digitalisation:

Business processes are the essence of any corporation. They drive the business and assure that everything works as required, providing accurate results, products and services. Applying digital technology to the Corporation's business processes is a step towards improving

efficiencies and reducing costs. During the 2017/18 financial year, the following digital systems were introduced:

- a) Tyre Management – tracks all transactions of a given tyre, usage, performance and cost per kilometre.
 - b) Employee Self Service – the system allows for the application and approval of employee leave electronically. It has the added benefit of granting users access to their payslips and IRP5 documents.
 - c) Biometric System – reduces administrative costs, establishes accountability and adds convenience.
- Technical Support

Providing fast, accurate and reliable technical support to the MTC is one of the core functions of the ICT division. The Corporation understands that all other programmes within the MTC rely on ICT to complete their day-to-day activities. As such, the MTC treats each programme as its only client. The ICT division endeavours to resolve all reported faults within 24 hours.

Changes to Planned Targets

There were no changes to planned targets.

Strategic objectives, performance indicators planned targets and actual achievements

Strategic Goal: To be a catalyst to the Eastern Cape Developmental Priorities through the provision of a viable public bus transport service								
Strategic Objective	Measurable Objective	Performance Indicator	Actual Achievement 2016/2017	Target 2017/2018	Actual Achievement 2017/2018	Deviation from Target to Actual Achievement for 2017/2018	Challenges	Improvement Plan
2.1 Reduce dependency on grant from 76% to 72% by 31 March 2020	Digitalise 2 MTC business process by implementing an ICT Master Systems Plan by 31 March 2018	Number of digital systems implemented based on the Master System's Plan	-	2	3	-1	The target was overachieved. During the Q2 reporting period ICT was able to digitalise 3 systems, within the budget allocated for the planned target.	The ICT division will continue to strive to provide technological efficiencies that will assist the entity.

Division 1.3.3: Marketing, Communication and Business Development

Purpose

To develop and implement programmes aimed at increasing revenue, expanding market share and contributing to the Corporation's growth and, profitability. Furthermore, the division acts to safeguard the shareholders, employees and the general public's perception of the Corporation.

Programme Structure

- Marketing Management
- Customer Care
- Public Relations and Corporate Communications
- Business Development
- Reception



Overview of Divisional Performance

The Marketing, Communication and Business Development division plays a significant role in the execution of various projects in the Mayibuye Transport Corporation by providing advertising, marketing, media liaison and publication development support. In addition, the division is responsible for, organising events as well as for internal and external communication.

Human capital constraints remained one of the challenges that the marketing division faced during the financial year which resulted in a non-achievement of its objectives. The organisational redesign process assisted the division with the placement of an employee in the Customer Care Officer position during the financial year. This assisted with the human capital constraint challenge faced by the division. Despite these challenges, the division was able to complete several planned initiatives.

As the MTC, we strongly believe in giving back to the communities in which we serve. Despite the stated financial challenges which impacted the ability of the Corporation to deliver on its stated mandate, the organisation remained resolute in effecting energised mandate delivery. The marketing division in collaboration with a local school identified a family that needed assistance. The division is pleased that the Corporation's employees opened their hearts and donated much-needed goods to the family from their own pockets. These goods were handed over to the family by the chief executive officer and by several of the Corporation's staff members at a special handover ceremony on 04 August 2017.

During the year, the division also undertook to perform two major surveys, namely the Brand Awareness Survey and the Customer Satisfaction Survey. Brand awareness is defined as the ability of the consumer to remember the brand with reference to the product or service when a consumer decides to make a purchase or conduct a transaction. The higher the brand awareness of a product

or service, the higher the sales will be. A Brand Awareness Survey was conducted on 240 randomly selected respondents; 75% of whom indicated that they are aware of the MTC's brand.

A Customer Satisfaction Survey was conducted on all active routes. The results indicated a 79% satisfaction rating was achieved. In the 2018/19 financial year, the MTC seeks to appoint an integrated marketing communication agency, or a specialist agency, to handle functions relating to its corporate brand.

Changes to Planned Targets

There were no changes to planned targets.

Linking performance with budgets

Programme /activity /objective	2016/2017			2017/2018		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	55 542	48 724	6 818	41 954	39 525	2 429

The under-expenditure is largely due to the non-filling of vacancies caused by the under-collection of revenue.

Programme 2: Operations Management

Purpose

The purpose of the Operations Programme is to ensure the efficient and effective provision of public transport services through a safe and reliable fleet at all the MTC depots. The programme is responsible for the entire Corporation's operations related activities, fleet management, coordination of bus services on all routes, the enhancement of revenue streams, the management of inventory as well as facilities and infrastructure management.

Programme Structure

- Fleet Management and Maintenance
- Accident Management
- Body Repairs
- Bus Refurbishment
- Tyre Management
- Bus Cleaning Services
- Facilities and Building Maintenance.
- Security and Environmental Management.
- Operations Management
- Traffic Management

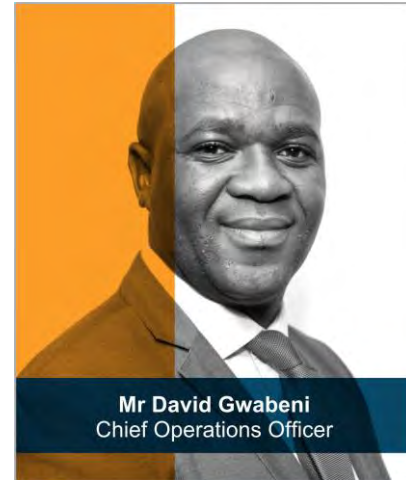
Overview of Programme Performance

To ensure that all buses are readily available for operations, additional Fare Evasion and Fare Collection Equipment was procured and installed in the 19 buses which were still outstanding from the first batch. This significantly assisted during the period when there was a shortage of buses due to breakdowns.

The Park-and-Ride services between Bhisho and East London continue to rise in passenger numbers and demand, with some buses being filled to capacity on certain days of the week. These two additional services were introduced during the financial year, one being the King Williams Town to Beacon Bay route and the other being the East London to Zwelitsha-Department of Education route. There is a concerted effort to increase this service offering.

The MTC introduced nine routes during the year - four in the King Williams Town area, four in the East London area and one in the Queenstown area. This is in line with the MTC's continued endeavour to increase its service offering. This was however met with resistance and intimidation from the taxi industry and it resulted in six of the routes being temporarily cancelled while the negotiations by the task team are on-going.

This has been a very challenging year for the operations programme and for the MTC in general. The year commenced with a wage strike that resulted in the cancellation of long distance Easter



break trips which had a significant impact on the MTC and its customers. However, through continuous engagement, persuasion and by providing excellent services on other trips during the year, the MTC managed to retain those customers for the 2018 Easter break.

From the beginning of October 2017 the Corporation experienced challenges relating to the industry, whereby the MTC's buses were blocked and passengers offloaded. In certain instances some buses were being high-jacked which resulted in loss of revenue due to disruptions to the MTC's operations. Robust negotiations ensued with the taxi operators in which the Department of Transport played an important mediation role. These negotiations are still on-going through the task team which is chaired by the Department of Transport representatives.

Even though the Corporation experienced a high number of breakdowns and buses not being available for operations, the MTC is proud to have maintained its record of zero fatal incidents during the financial year. This is as a result of the dedicated team in the operations technical workshop as well as the quality of bus drivers at the Corporation's employ.

The inability to attract and retain technical skills in the technical component of the programme continues to be a challenge for the MTC. This is attributable to the scarcity and high demand of the required skills.

A Water Harvesting Project was initiated during the financial year in the Reeston Depot and it was completed after year end. The project, which will address the water supply issues experienced at the depot and reduce municipal services costs will be expanded to the two other depots which are located in Zwelitsha and Queenstown.

The following performance objectives were not met during the period under review: passenger revenue, number of passengers transported, number of trips operated and depot revamp. There were two main contributing factors to the non-attainment of the targets:

- Opposition from the taxi industry is hindering the expansion of the MTC operations in areas where there is demand for the Corporation's services.
- The shortage of funds during the review period had a substantial impact on operations which negatively impacted on service delivery. This meant the Corporation could not continue with depot revamps.
- The breakdowns took longer to be fixed due to shortage of spare parts. These challenges resulted in some trips being cancelled as there were no buses available to operate on those routes.

The operations programme remains committed to delivering a safe, reliable and cost-effective service to its customers.

In the new financial year, the programme's priority will be reducing the cost of doing business by streamlining its process and reducing wastage.

Changes to Planned Targets

There were no changes to planned targets

Strategic objectives, performance indicators planned targets and actual achievements

Strategic Goal: Ensure accessible, reliable, safe and affordable public bus transport services that satisfy the needs of our customers								
Strategic Objective	Measurable Objective	Performance Indicator	Actual Achievement 2016/2017	Target 2017/2018	Actual Achievement 2017/2018	Deviation from Target to Actual Achievement for 2017/2018	Challenges	Improvement Plan
1.1	Increase the number of passengers transported from 1 735 049 per annum to 2 419 010 per annum by 31 March 2020	Number of passengers transported	1 879 333	2 036 204	1 976 040	60 164	<p>The target was not achieved. This was mainly attributable to the following reasons:</p> <ol style="list-style-type: none"> In quarter one of the financial year there were three strikes which affected the MTC's operations (i.e. a nationwide bus strike which lasted for two days; a service delivery protest action in the Mdantsane region on 29 May as well as in the Zwelitsha region on 31 May. There was scholar protest action in the Alice region on 15 May). Lastly, the rainy weather conditions experienced during mid-May significantly affected the MTC as there were certain routes that could not be operated due to the road conditions. In the third and fourth quarter the MTC had to cancel 6 daily duties due to opposition from taxis. The average number of 	<p>The MTC has been continually lobbying the Department of Transport (DOT) to try and resolve the taxi issue which has resulted in cancelled trips, so that the MTC is able to operate these trips again and service its customers. In the matter, the MTC is also part of a task team consisting of DOT, Taxi industry, South African Police Services - Cluster Commanders, Buffalo City Municipality and Amatole Region Municipality. The MTC will also continue lobbying the Department of Transport and Provincial Treasury for returning the devoted funds that were taken from the</p>

Strategic Goal: Ensure accessible, reliable, safe and affordable public bus transport services that satisfy the needs of our customers								
Strategic Objective	Measurable Objective	Performance Indicator	Actual Achievement 2016/2017	Target 2017/2018	Actual Achievement 2017/2018	Deviation from Target to Actual Achievement for 2017/2018	Challenges	Improvement Plan
							<p>passengers that was being conveyed on a monthly basis was 6 239. In the month of October, the Reeston depot did not operate for three days resulting in a projected number of 4 200 passengers not being carried, due to taxi opposition.</p> <p>The effect of this taxi rivalry resulted in MTC losing a total number of 41 634 passengers. 3. Furthermore, 2168 trips were cancelled due to buses being stuck in the workshop and the MTC being unable to repair these buses as there were no funds to buy the spare parts required. Other planned trips also had to be cancelled as the MTC was unable to buy diesel in order for the buses to operate as devoted funds were surrendered back to Provincial Treasury.</p>	MTC's budget.
1.1	Increase the number of passengers	Expand the MTC's area of operations from	Number of trips operated per week	-	1 374	1 003	371	<p>The target was not achieved. This was mainly attributable to the following reasons:</p> <p>The MTC has been continually lobbying the Department of Transport (DOT) to try and resolve</p>

Strategic Goal: Ensure accessible, reliable, safe and affordable public bus transport services that satisfy the needs of our customers								
Strategic Objective	Measurable Objective	Performance Indicator	Actual Achievement 2016/2017	Target 2017/2018	Actual Achievement 2017/2018	Deviation from Target to Actual Achievement for 2017/2018	Challenges	Improvement Plan
transported from 1 735 049 per annum to 419 010 per annum by 31 March 2020	1274 trips per week to 1374 trips per week by 31 March 2018						<p>1. In quarter one of the financial year there were three strikes which affected the MTC's operations (i.e. a nationwide bus strike which lasted for two days; a service delivery protest action in the Mdantsane region on 29 May as well as in the Zwelitsha region on 31 May. There was scholar protest action in the Alice region on 15 May). Lastly, the rainy weather conditions experienced during mid-May significantly affected the MTC as there were certain routes that could not be operated due to the road conditions.</p> <p>2. In the third and fourth quarter the MTC had to cancel six daily duties/ trips due to opposition from taxis, resulting in a total of 756 trips not operating. In the month of October, the Reeston depot did not operate for three days resulting in 168 trips not operating due to taxi</p>	<p>the taxi issue which has resulted in cancelled trips, so that the MTC is able to operate these trips again and service its customers. In the attempts to resolve the matter, the MTC is also part of a task team consisting of DOT, Taxi industry, South African Police Services - Cluster Commanders, Buffalo City Municipality and Amatole MTC will also continue lobbying the Department of Transport and Provincial Treasury for returning the devoted funds that were taken from the MTC's budget.</p>

Strategic Goal: Ensure accessible, reliable, safe and affordable public bus transport services that satisfy the needs of our customers								
Strategic Objective	Measurable Objective	Performance Indicator	Actual Achievement 2016/2017	Target 2017/2018	Actual Achievement 2017/2018	Deviation from Target to Actual Achievement for 2017/2018	Challenges	Improvement Plan
1.1	Increase the number of passengers transported from 1 735 049 per annum to 2 419 010 per annum by 31 March 2020	Maintain a rate of zero fatal accidents caused by the MTC	0	0	0	0	<p>opposition.</p> <p>The effect of this taxi rivalry resulted in MTC losing a total number of 924 trips that were planned.</p> <p>3. Furthermore, 2168 trips were cancelled due to buses being stuck in the workshop and MTC being unable to repair these buses as there were no funds to buy the spare parts required. Other planned trips also had to be cancelled as the MTC was unable to buy diesel in order for the buses to operate as devoted funds were surrendered back to Provincial Treasury."</p>	Not applicable. Target Achieved.
		Number of fatal accidents caused by the MTC	0	0	0	0	Not applicable. Target Achieved.	Not applicable. Target Achieved.

Strategic Goal: Ensure accessible, reliable, safe and affordable public bus transport services that satisfy the needs of our customers									
Strategic Objective	Measurable Objective	Performance Indicator	Actual Achievement 2016/2017	Target 2017/2018	Actual Achievement 2017/2018	Deviation from Target to Actual Achievement for 2017/2018	Challenges	Improvement Plan	
1.1	Increase the number of passengers transported from 1 735 049 per annum to 2 419 010 per annum by 31 March 2020	Ensure that no trips are cancelled due to non-availability of buses	Number of trips cancelled due to non-availability of buses	-	0	2174	2174	The target was not achieved. This was mainly attributable to buses being stuck in the workshop and the MTC being unable to repair these buses as there were no funds to buy the spare parts required. Other planned trips also had to be cancelled as the MTC was unable to buy diesel in order for the buses to operate as devoted funds were surrendered back to Provincial Treasury.	The MTC will also continue lobbying the Department of Transport and Provincial Treasury for returning the devoted funds that were taken from the MTC's budget.
1.1	Increase the customer satisfaction rating from 85% to 90% by 31 March 2020	Increase the level of customer satisfaction from 85% to 86,5% by 31 March 2018	Percentage of respondents which are neutral, somewhat satisfied or very satisfied with the MTC Bus Service	92	86,50	79,43	7,07	The target was not achieved. This was mainly attributable to the high volume of cancelled trips due to the ongoing financial constraints the MTC is faced with.	The MTC continues to lobby the Department of Transport and Provincial Treasury for funds, so that the MTC can continue to maintain its operational standards.

Strategic Goal: To be a catalyst to the Eastern Cape Developmental Priorities through the provision of a viable public bus transport service						
Strategic Objective	Measurable Objective	Performance Indicator	Actual Achievement 2016/2017	Target 2017/2018	Actual Achievement 2017/2018	Deviation from Target to Actual Achievement for 2017/2018
2.1 Reduce dependency on grant from 76% to 72% by 31 March 2020	Reduce reliance ratio of subsidy to own generated income from 76:24 to 75:25 by 31 March 2018	Grant versus Own Income Ratio	-	75:25	77.85:22.15	2,85
						<p>"The target was not achieved. This was mainly attributable to the following reasons:</p> <ol style="list-style-type: none"> 1. In quarter one of the financial year there were three strikes which affected the MTC's operations (i.e. a nationwide bus strike which lasted for two days; a service delivery protest action in the Mdantsane region on 29 May as well as in the Zwelitsha region on 31 May. There was scholar protest action in the Alice region on 15 May). Lastly, the rainy weather conditions experienced during mid-May significantly affected the MTC as there were certain routes that could not be operated due to the road conditions. 2. In quarter three, six trips were cancelled due to taxi opposition, and due to the
						<p>The MTC will continue to lobby the Department of Transport to try and resolve the taxi issue in order to open the cancelled trips again. The Corporation will also lobby the department and Provincial Treasury for additional funding.</p>

Strategic Goal: To be a catalyst to the Eastern Cape Developmental Priorities through the provision of a viable public bus transport service						
Strategic Objective	Measurable Objective	Performance Indicator	Actual Achievement 2016/2017	Target 2017/2018	Actual Achievement 2017/2018	Deviation from Target to Actual Achievement for 2017/2018
						Improvement Plan
2.1	Reduce dependency on grant from 76% to 72% by 31 March 2020	Increase the number of depots revamped from 2 to 3 by 31 March 2018	2	1	0	1
		Number of depot revamps completed				
<p>financial constraints that the MTC had found itself in, 514 trips had to be cancelled due to buses being in the workshop. Other planned trips also had to be cancelled due to the diesel shortages.</p> <p>3. In quarter four the MTC still experienced resistance from the taxi industry and it was unable to operate its planned trips. The Corporation also faced significant budgetary constraints which resulted in some trips being cancelled due to diesel shortages or buses being stuck at workshops.</p> <p>The target was not achieved. The Corporation had to reprioritise the budgeted funds due to the devoted funds that had to be surrendered back to Provincial Treasury.</p> <p>The MTC will also continue lobbying the Department of Transport and Provincial Treasury for returning the devoted funds that were taken from the MTC's budget.</p>						

Linking performance with budgets

Programme/activity/objective	2016/2017			2017/2018		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Operations	119 056	118 416	640	111 750	118 605	(6 855)

The over-expenditure relates to the over-spending of various critical items such as fuel, licences and permits, as well as the write-off of obsolete stock.

REVENUE COLLECTION

Sources of revenue	2016/17			2017/2018		
	Estimate	Actual Amount Collected	(Over)/Under Collection	Estimate	Actual Amount Collected	(Over)/Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Passenger Revenue	48 652	25 215	(23 437)	30 757	27 133	(3 624)
Private Hire Revenue	9 778	4 172	(5 606)	5 242	5 279	37
Grant Income	101 127	103 801	2 674	117 704	117 704	0
Total	159 557	133 188	(26 369)	153 703	150 116	(3 587)

Even though the budgeted revenue was not achieved, there has been an increase from the previous year's revenue and passenger figures. Month-to-month revenue and passenger figures are also increasing which indicate that the MTC is moving in the right direction. The targeted passenger numbers, weekly trips and cancelled trips were not achieved due to the unavailability of the entity's full complement of buses. These targets were based on the assumption that all 94 buses would be readily available for operations. However, in reality this was not the case.

Financial constraints negatively affected the entity's ability to purchase the required spare parts for the repair of buses that had breakdowns which resulted in buses being off the road for longer than normal periods. These financial difficulties also impacted the MTC's ability to purchase fuel resulting in trips being cancelled as the buses could not operate. Apart from the above internal challenges, the situation was exacerbated by the strikes that took place during the first quarter of the year as well as the taxi rivalry that resulted in six of the MTC's daily trips being cancelled from the second quarter of the financial year until the end of the year. The MTC however continues to engage with the relevant stakeholders to resolve these issues and intensify services in all areas of operation.



CAPITAL INVESTMENT

The entity had envisaged to revamp/ upgrade one of its depots during the 2017/18 financial year. However, due to the dire financial situation of the entity, no major projects were executed during the year. Available capital funds were utilised for the procurement of essential Fare Evasion and Fare Collection Operating Equipment for the buses which were not included in the first batch of the project's installation.

The MTC initiated a Water Harvesting Project in an effort to contribute to the green economy and to save water. As water remains one of the scarce commodities in the MTC's areas of operations, it therefore requires that as a responsible citizen it contribute towards water saving activities. The project has been implemented and it is fully-functional at the Alice Depot as part of the recent depot revamp. The Reeston Depot was at 90% completion at year end and it has since been completed after year end. The goal is to have water tanks installed at all MTC depots. The water collected will be used for ablution facilities and the cleaning of the MTC's buses which will reduce the municipal bill and contribute to the water saving initiatives. The focus will be on the two remaining depots during the 2018/19 financial year.

Infrastructure projects	2016/2017			2017/2018		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Refurbishment of Depots	5 000	5 000	-	2 158	3 134	(976)





MAYIB



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GOVERNANCE

ANNUAL REPORT 2017-2018

INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, and the Companies Act, corporate governance regarding public entities is applied through the precepts of the PFMA and run in tandem with the principles contained in the King IV Report on Corporate Governance.

Provincial Legislature, the Executive and the Accounting Authority of the public entity are responsible for corporate governance.

THE ACCOUNTING AUTHORITY / BOARD

The Board Members of the Mayibuye Transport Corporation represent the Corporation's system of corporate governance and it is ultimately accountable and responsible for the performance and affairs of the Corporation. Good corporate governance is regarded as critical to the success of the business of the Corporation. The Board is unreservedly committed to applying the fundamental principles of good governance – transparency, integrity, accountability and responsibility – in all dealings by, in respect and on behalf of, the Corporation. The Board embraces the principles of good governance as set out in the King Code of Governance for South Africa and the King Code of Governance Principles (known collectively as "King IV"), and seeks to comply with the PFMA, and the National Treasury Regulations, as amended.

The current Board assumed office on 1 February 2016. The Board comprises nine Board Members who are appointed by the MEC responsible for Transport.

Board Charter

The MTC's Board Charter defines the governance parameters within which the Board exists, sets out specific responsibilities to be discharged by the Board collectively, as well as certain roles and responsibilities incumbent upon Board Members as individuals. The Board Charter further serves to ensure that all Board Members, the staff of the Board and other Stakeholders are aware of the duties and responsibilities of the Board as well as the basis upon which it interacts with management to give effect to its obligations.

Composition of the Board

The Board is appointed by the Executive Authority and shall comprise of a maximum number of twelve (12) Non-Executive Board Members. In determining the optimum composition of the Board, the Executive Authority sought to ensure that it collectively contains the skills, experience and mix of personalities appropriate to the strategic direction of the Corporation and necessary to secure its sound performance.

The Board is led by an independent non-executive Chairperson who, inter alia, presides over meetings of the Board and is responsible for ensuring the integrity and effectiveness of the Board governance process. The role of the Chairperson is regarded as critical to good governance as defined in the Board Charter.

The Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) are ex officio members of the Board.

Irrespective of a Board Member's special expertise or knowledge, all members of the Board recognise that they are collectively responsible to the Executive Authority for the performance of the Corporation. The Board Charter sets out the broad governance principles and parameters within which the Board operates and it constitutes an integral part of setting out the composition and meeting procedures for the Board.

Committees

The effectiveness of the Board is assured by the work of five (5) duly constituted Board Committees which assist the Board with its performance of tasks to comply with the principles of good governance.

Governance Committee

The Governance Committee provides leadership, guidance, advice, coordination and integration to the Board Committees and management, in the execution of their tasks of developing policies, strategies, and plans. The Governance Committee of the Board, in line with its terms of reference, makes appropriate recommendations to the Board on strategic transversal issues. It scrutinises items on the Board agenda. It also identifies Board Development Opportunities.

Furthermore, the purpose of the Governance Committee is to carry out the responsibilities delegated by the Board of the Mayibuye Transport Corporation and shall act on urgent issues between Board Meetings.

Audit and Risk Management Committee

This committee assists the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control processes and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards. The committee provides a forum for discussing business risks and control issues for developing relevant recommendations for consideration by the Board and approval or final decision.

Finance and Investment Committee

The Finance and Investment Committee provides leadership in the development of the MTC finance and investment policies, strategies and plans. The Finance and Investment Committee also provides

governance direction and advice to management on finance and investment opportunities for the MTC. This committee also considers all significant tenders and makes recommendations to the Board for approval and award.

Operations and Engineering Committee

The Operations and Engineering Committee provides leadership in the development of the MTC operations and engineering strategies and plans. The Operations and Engineering Committee provides governance direction, guidance and advice to management on industry operations and engineering norms, standards and new technological innovations. The committee also monitors progress in the achievement of the core operations and health and safety aspects of the entity.

Human Resources and Remuneration Committee

The committee considers human resource and labour related matters in respect of personnel and corporate services issues including communication, administration and marketing.

The committee is also charged with recommending the remuneration of the Chief Executive Officer, the review of the remuneration of members of the Executive Management, and the non-executive board members' fees and/or honoraria.

Responsibilities

The Corporation's philosophy of leadership is based on the principle of providing an effective leadership based on an ethical foundation. In this regard, it has two focus areas; firstly it is responsible for determining the Corporation's strategic direction and consequently its ultimate performance. Secondly, it is responsible for the control of the Corporation. The Board requires management to execute strategic decisions effectively as per laws and the legitimate expectations of the stakeholders. The Board maintains that it had done everything necessary to fulfil its role set out in its charter. The Board had specifically:

- Acted as the focal point for, and custodian of, corporate governance by managing its relationships with management and other stakeholders of the Corporation along sound corporate governance principles.
- Appreciated that strategy, risk, performance and sustainability are inseparable and gave effect to this by:
 - Contributing to and approving the 2018/2020 Corporate Plan;
 - Ensuring that the strategy and operational plans do not give rise to risks that have not been thoroughly assessed by management;
 - Identifying key performance and risk areas, and monitoring the Corporation's performance against agreed objectives (including the assessment of the evaluation of the performance of Executive Management in terms of defined objectives and applicable public service and public transport industry standards) ensuring that the strategy will result in sustainable outcomes;
 - Providing effective leadership on an ethical foundation;
 - Ensuring that the Corporation's ethics are managed effectively;

- Retaining full and effective control over the Corporation, and monitoring management's implementation of the strategic plans and financial objectives as defined by the Board;
- Defining levels of delegation of authority to Board Sub-Committees and management and continually monitoring the exercise of delegated powers;
- Ensuring that a comprehensive system of policies and procedures is in place and that appropriate governance structures exist to ensure the smooth, efficient and prudent stewardship of the Corporation;
- Ensuring compliance by the Corporation with all relevant laws and regulations, audit and accounting principles, the Corporation's Code of Conduct, and such other principles as may have been established by the Board from time to time;
- Ensuring that the Corporation has an effective and independent Audit and Risk Committee;
- Ensuring that there is an effective risk-based internal audit;
- Being responsible for Information Communication Technology (ICT) governance;
- Being responsible for the governance of risk, regularly reviewing and evaluating risks to the Corporation and ensuring the existence of comprehensive, appropriate internal controls to mitigate against such risks;
- Acting in the best interests of the Corporation by ensuring that individual Board Members:
 - o Adhere to legal standards of conduct;
 - o Are permitted to take independent advice about their duties following an agreed procedure; and
 - o Disclose real or perceived conflicts to the Board and dealing with them accordingly;
- Exercising objective judgement on the business affairs of the Corporation, independent from management, but with sufficient management information to enable a proper and informed assessment to be made;
- Ensuring that the Corporation is and is seen to be a responsible corporate citizen by having regard to not only the financial aspects of the business of the Corporation but also the impact that the business operations have on the environment and the society within which it operates;
- Identifying and monitoring non-financial aspects relevant to the business of the Corporation;
- Ensuring the integrity of the Corporation's Annual Report;
- Evaluating the performance of the Chief Executive Officer;
- Together with the CEO, evaluating the performance of the Company Secretary; and
- Reviewing and evaluating the adequacy of the Board Charter.

In terms of the Board's oversight function, the Board Chairperson and the Chief Executive Officer held bilateral meetings at least once each month.

Remuneration of Board Members

The composition of the Board reflects a variety of skills and experience that are required to govern the Corporation and provides the much-needed strategic direction to take the entity to the next level. Amongst these skills are: Transport Economics, Accounting, Financial Management, Legal, Corporate Services (Inclusive of Human Resource Management), Leadership and Management, Strategic Planning, Performance Management, Risk Management, Engineering; etcetera. Some of the Board Members must take time from their own private practices to support the government and its agencies and this comes at a cost that cannot easily be matched at times. Failure to recognise this fact through narrowing the gap between revenue streams might compromise the quality of Board Members that the Corporation can attract. The Board comprises of highly committed members that can engage meaningfully with the activities of the Corporation at a strategic level and provide the necessary guidance to management.

Composition and Remuneration of the Board

Name	Academic Qualifications	Area of Expertise	Other Boards Currently Serving on	Scheduled Board Meetings	Special Board and Other Meetings	Scheduled Governance Committee Meetings	Scheduled Audit and Risk Committee Meetings	Scheduled Finance and Investment Committee Meetings	Scheduled HR and Remuneration Committee Meetings	Scheduled Operations and Engineering Committee Meetings	Board Fees (Rand)	Travel (Rand)	Total Remuneration (Rand)
Ms Fezeka Khuthazwa Pearl Ntlemeza (CHAIRPERSON) Appointed: 1 Feb 2016	Baccalaureus Juris, Law Certificate; Legislative Drafting, Post-Graduate Diploma in Labour Law, Master of Business Administration Degree	Strategic Management, Public Administration, Governance, Human Resource Management	Audit Committee Member at Joe Gqabi District Municipality and its Agency, Council Member of the University of Fort Hare	4	8	4	0	0	4	3	525 563	141 015	666 578
Dr Vangquard Mkosana (DEPUTY CHAIRPERSON) Appointed: 1 Feb 2016	Doctorate in Journalism, Masters in Journalism, Diploma in HR Management, Diploma in Gender Equity, Employment Promotion & Poverty Alleviation; Certificate in Corporate Coaching; Certificate in Public Management & Development, Certificate in Applied IT for Executive Management; Senior Executive Programme for Southern Africa Certificate.	Leadership Development, Strategy development & implementation, Executive Coaching & Mentoring, Negotiations, Conflict resolution, Governance (Ethics based leadership), Social facilitation	Executive Director of Phokophela Investment Holdings (Pty) Ltd, Chairman of the Eastern Cape Rural Development Agency	4	8	4	0	4	0	1	264 554	9 279	273 833
Mr André Joubert de Vries * (BOARD)		Public Transport Specialist	None	4	7	4	0	0	2	2	0	0	0

Name	Academic Qualifications	Area of Expertise	Other Boards Currently Serving on	Scheduled Board Meetings	Special Board and Other Meetings	Scheduled Governance Committee Meetings	Scheduled Finance and Investment Committee Meetings	Scheduled Audit and Risk Committee Meetings	Scheduled HR and Remuneration Committee Meetings	Operations and Engineering Committee Meetings	Board Fees (Rand)	Travel (Rand)	Total Remuneration (Rand)
MEMBER) Appointed: 1 Feb 2016													
Mrs Thandiwe Godongwana (BOARD MEMBER) Appointed: 1 Feb 2016	Master of Management in Investment and Finance (current), Bachelor of Science Degree, Business Management Diploma, HDE, BED	Leadership, Negotiation, Facilitation, Business Development	OR Tambo Premier Hotel, South African National Biodiversity Institute, Pazoware (Pty)Ltd	4	7	4	4	4	0	0	198 258	0	198 258
Mrs Nomalungela Beula Petela-Ngcanga (BOARD MEMBER) Appointed: 1 Feb 2016	Teachers Diploma, Diploma in Educational Management, Public Speaking and Speed Reading (NQF Level 5) Certificate, Certificate in Advanced Governance and Public Leadership, Governance and Leadership Certificate	Leadership, Community Development, Education	None	4	6	4	0	3	3	3	197 104	7 331	204 435
Adv Mathobela Harold Sishuba (BOARD MEMBER) Appointed: 1 Feb 2016	Baccalaureus Juris, LLB Degree, Certificate in Management Practice	Law	National Executive Committee Member of Advocates for Transformation (AFT) National, Executive Committee Member of the General Council of the Bar of South Africa (GCB), National Executive	4	8	4	4	0	3	0	283 599	1 476	285 075

Name	Academic Qualifications	Area of Expertise	Other Boards Currently Serving on	Scheduled Board Meetings	Special Board and Other Meetings	Scheduled Governance Committee Meetings	Scheduled Audit and Risk Committee Meetings	Scheduled Finance and Investment Committee Meetings	Scheduled HR and Remuneration Committee Meetings	Scheduled Operations and Engineering Committee Meetings	Board Fees (Rand)	Travel (Rand)	Total Remuneration (Rand)
Dr Bridget Ssamula (BOARD MEMBER) Appointed: 1 Feb 2016	PhD in Transportation Engineering, MBA in Aviation Management	Strategic Planning, Transportation Network Design, Costing and Optimisation, Transport Operations Planning and Modelling	Managing Director for AECOM Uganda, Market Sector Director for Aviation in Africa, Advisory Board for the Gauteng Transport Commission, on the Advisory Board for the University of Pretoria in the Department of Civil Engineering. Was a member of the panel of experts for the Gauteng Transport Commission, Chairperson of the	4	7	4	0	0	2	2	137 900	2 092	139 992

Name	Academic Qualifications	Area of Expertise	Other Boards Currently Serving on	Scheduled Board Meetings	Special Board and Other Meetings	Scheduled Governance Committee	Scheduled Audit and Risk Committee Meetings	Scheduled Finance and Investment Committee Meetings	Scheduled HR and Remuneration Committee Meetings	Scheduled Operations and Engineering Committee Meetings	Board Fees (Rand)	Travel (Rand)	Total Remuneration (Rand)
Mr Radhesh Ramsumer Surajbali * (BOARD MEMBER) Appointed: 1 Feb 2016	Master's Degree in Public Administration, Post Graduate Diploma in Public Management and Administration, National Diploma in Public Administration, Post Graduate Certificate- Executive Development Programme	Supply Chain Management, Policy, Norms and Compliance Monitoring	Consulting Engineers South Africa (CESA) Transnet Liaison Committee and Non-Executive Director for Air Traffic Navigation Services	4	4	4	0	4	0	3	0	0	0
Mr Phumzile Goodwin Zitumane (BOARD MEMBER) Appointed: 1 Feb 2016	B. Com, Master of Business Leadership, Emerging Leaders Programme, Executive Development Programme, Leadership Development Programme	Financial Management, Governance, Strategic Leadership, Organisational Development	Member of the Amathole District Municipality Performance Audit Committee and the Audit and Risk Committee, Member of the Eastern Cape Department of Local Government & Traditional Affairs Audit Committee, Member of the Eastern Cape	4	12	4	4	4	0	0	222 738	6 315	229 053

Name	Academic Qualifications	Area of Expertise	Other Boards Currently Serving on	Scheduled Board Meetings	Special Board and Other Meetings	Scheduled Governance Committee Meetings	Scheduled Audit and Risk Committee Meetings	Scheduled Finance and Investment Committee Meetings	Scheduled HR and Remuneration Committee Meetings	Board Fees (Rand)	Travel (Rand)	Total Remuneration (Rand)
Department of Sports, Arts and Culture Audit Committee, Chairperson of the Risk and Management Committee for the Department of Sport, Arts and Culture Member of the Eastern Cape Office of the Premier Audit Committee				4	12	4	4	4	4	1 829 716	167 508	1 997 224
Total				4	12	4	4	4	4	1 829 716	167 508	1 997 224

* Mr A.J De Vries and Mr R.R Surajbali were not remunerated by the MTC as they were secondments from Provincial Departments within the Eastern Cape (i.e. Department of Transport and Provincial Treasury respectively).

FRAUD AND CORRUPTION

The MTC considers fraud risk and controls as an objective of internal control activities. Fraud is perceived to be potential internal control failures. The Corporation deems fraud risk monitoring as positive cost due to the benefit of protecting revenue and/or recouping losses. The MTC is committed to mitigating the risk of fraud and has an Anti-Fraud Policy approved by the Board which guides its fraud risk management initiatives. The concepts incorporated in the Anti-Fraud Policy were developed to detect and prevent fraud and to implement effectively and homogeneously the policies and objectives set by management. The policy conveys the expectations of the Board and Executive Management regarding fraud risk and control.

An independent firm, Deloitte, administered the Whistleblowing Hotline on behalf of the MTC. Cases of actual, suspected or alleged fraud are reported by Deloitte to the Chief Risk Officer (for staff up to Management Level), the CEO for senior management and the Audit and Risk Committee and Board for cases involving the CEO. During the financial year the MTC's independent auditors, Marais and Smith Chartered Accountants, performed various audits of the entity for the first two quarters of the year in accordance with the approved Internal Audit Plan. Subsequent to expiry of Marais and Smith's contract at the end of the second quarter, the MTC appointed new auditors, Rakoma and Associates during the third quarter of the financial year. The new internal audit team finalised the audits encompassed in the 2017/18 Internal Audit Plan as approved by the Audit and Risk Committee. All findings raised were reported to management, the Audit and Risk Committee as well as the Board. No fraud or corruption related findings were made.

CODE OF CONDUCT

The MTC's Code of Conduct is designed to communicate the expected standards of business conduct to Management and other employees, who are required to comply with applicable laws and regulations wherever the MTC operates. The code specifically prohibits any illegal acts or violation of the law as well as any unethical business dealings. Contravention of the code is subject to disciplinary action, including dismissal wherever employees have been informed of such code of business and, wherever appropriate, criminal prosecution. The process followed for the breach of the Code of Conduct is as follows:

- Where violation or contravention of the provisions of the code occurs, it must be brought to the attention of the Management and the Board and disciplinary action will be taken irrespective of the extent of the matter concerned;
- A preliminary investigation is conducted to obtain sufficient evidence for the alleged offender to be dealt with in terms of our Disciplinary Procedures or to refer the matter to an appropriate court of law in the case of an outsider;
- No employee may participate, incite or further any strike action unless such action has followed laid down dispute resolution guidelines and is carried out lawfully and within the ambit of Labour Relations Act No. 66 of 1995; and
- Serious breaches of the Code of Conduct and malpractices may lead to the termination of any Board Members appointment or employee's contract of service or appointment. In the event of conviction by the court, the information regarding the matter concerned will be kept in the

Corporation's records and will be conveyed to future potential employers who request a reference on any Board Member or employee concerned.

HEALTH, SAFETY AND THE ENVIRONMENT

The MTC believes that responsible management of health, safety and environment concerns is an integral part of its business ethos. Through the strategic management of health, safety and environment, commitment to the MTC mission, vision and values, and by a culture of health, safety and environmental awareness and responsibility, the Corporation is committed to:

- Applying sound health, safety and environmental management principles and operating practices;
- Protecting the environment, and promoting the health and safety of personnel, customers and the communities in which the MTC operates;
- Being alert to customer needs, technological advancements, and socio-economic priorities;
- Lessening the hazards and potential hazards in the Corporation's business;
- Minimising any detrimental impact the MTC business might have on society;
- Providing a safe and healthy working environment for the wellbeing of MTC employees and their families, through staff participation and ownership of health, safety and environmental responsibilities;
- Ensuring that the health, safety and environment of the public and neighbouring communities are not compromised by MTC operations;
- Meeting corporate requirements by complying with health, safety and environmental laws and regulations, conducting business per recognised standards within the Public Transport industry, and committing the necessary resources.

COMPANY SECRETARY

The Company Secretary has an arms-length relationship with the Board and is not a Board Member of the Corporation. The Company Secretary duties include, but are not restricted to:

- Providing guidance to the Board on the duties, responsibilities and powers of the Board Members and good governance;
- Making the Board Members aware of any laws relevant to or affecting the Corporation;
- Alerting the Board to any failure to comply with any relevant laws and any other relevant prescripts;

- Reporting any failure on the part of the Corporation or a Board Member to comply with the relevant laws and prescripts to the Corporation's Board;
- Certifying in the Annual Financial Statements, whether the company has filed the required returns and notices in terms of the Companies Act, 71 of 2008 (where applicable) and any other relevant laws and prescripts;
- Ensuring that a copy of the Corporation's Annual Financial Statements is sent, in accordance with the Companies Act, 71 of 2008 to every person who is entitled to it;
- Ensuring Board and Committee Charters are kept up to date;
- Preparing and circulating Board papers;
- Eliciting responses, input and feedback for Board and Board Committee Meetings;
- Ensuring that minutes of all Board and Board Committee Meetings are recorded in accordance with the Companies Act, 71 of 2008 and other relevant laws and prescripts;
- Ensuring the preparation and circulation of minutes of Board and Board Committee Meetings;
- Assisting with the evaluation of the Board and Board Committee and individual Board Members; and
- Assisting with the Board Member's induction, training and education.

SOCIAL RESPONSIBILITY

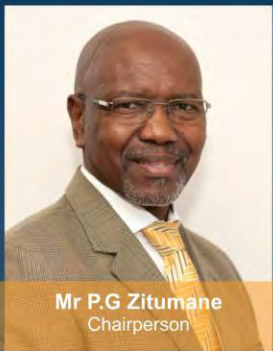
Giving back to the communities that we serve is at the centre of the MTC's existence. It is within this view that the Corporation continued to plough back into its area of operation. The MTC opened its doors and created a platform for work exposure to a total of 28 interns, some of which are still students requiring in-service training in order to complete their qualifications. This project is being done in collaboration with TVET Colleges (i.e. Ikhala FET and Buffalo City College) and university graduates sponsored by Ulwazi Youth Development and Little Pigs Computer College. The interns have been placed in different areas of operation within MTC i.e. Human Resource Management, ICT, Finance, Strategy, Legal and Operations. It is the MTC's endeavour to continue in this trajectory to ensure that it contributes to national youth development.

The MTC also endeavoured to make a difference in the life of the communities it serves. This resulted in the entity lobbying its employees to contribute food parcels, clothing items and toiletries to a family of five (5) residing in the Reeston area. The handover was done on 04 August 2017 by the CEO and some of the MTC's staff members.



AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2018.



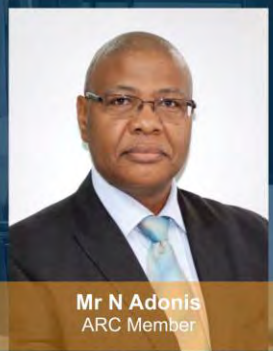
Mr P.G. Zitumane
Chairperson



Mrs T. Godongwana
ARC Member



Mrs T. Cumming
ARC Member



Mr N. Adonis
ARC Member



Late Mr L. Ntshinga
ARC Member



Mrs N. Mnconywa
ARC Member

Audit and Risk Committee Responsibility

The Audit and Risk Committee reports that it has complied with its responsibilities arising from Section 51 (1)(a)(ii) of the Public Finance Management Act No.1 of 1999 and Treasury Regulation 27.1. The Audit and Risk Committee also reports that it has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

Audit and Risk Committee Members and Attendance

The meetings attended by the Audit and Risk Committee members for the year were as follows: -

Name	Qualifications	Date appointed	Scheduled Meetings	*No. of Meetings attended
Mr P G Zitumane	B. Com; Master of Business Leadership	1 Feb 2016	4	8
Mrs T Godongwana	Bachelor of Science Degree; Business Management Diploma; HDE; BED; Quantitative Finance	1 Feb 2016	4	5
Mrs T Cumming	CA (SA), BCom	1 Oct 2012	4	8
Mr N Adonis	Bachelor of Accounting Science; Senior Executive Programme; Certificate: Labour Law; Diploma: Management Development.	17 Oct 2016	4	8
Late Mr L Ntshinga	B.Com; Postgraduate Diploma in Business Management; member: Institute of Internal Auditors South Africa	17 Oct 2016	4	7
Mrs N Mnconywa	B.Com, HDE, B.Com Honours, CA(SA), M.Com in Accounting Sciences Proff Affiliated with: SAICA and IRBA	12 Feb 2018	#0	0

**This figure includes both scheduled and special meetings attended.*

#The first meeting after her appointment was in the new financial year.

Risk Management

The Corporation has an approved risk management strategy in place which was implemented during the year under review although the function was adversely affected by human resource issues which have since been addressed.

In accordance with the requirements of the Public Finance Management Act (PFMA), No. 1 of 1999, as amended, a risk assessment was conducted by management. Effective risk management is integral to the Corporation'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. The MTC has an approved Risk Management Framework and Fraud Prevention Plan.

The Fraud Prevention and Risk Management policies adopted by the MTC are aimed at obtaining sufficient cover to protect its asset base, earning capacity and legal obligations against possible losses.

Risks of a possible catastrophic nature (e.g. bus accidents) are identified and insured. These risks are reviewed on an annual basis to ensure that claims of a general nature are adequately covered.

The Effectiveness of Internal Control

In order to meet its responsibility of providing reliable financial and other information, the MTC maintains financial and operational systems of internal control. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management's authority, that the assets are adequately protected against material loss or unauthorised acquisition, use or disposition, and that the transactions are properly authorised and recorded.

The system includes a documented organisational structure and division of responsibility, established policies and procedures which are communicated throughout the corporation, and the careful selection, training and development of staff.

The MTC has appointed internal auditors who are guided by an Audit and Risk Committee approved Internal Audit Plan. The auditors adopt a risk based audit approach to ensure that the process adds value to the corporation. Internal auditors monitor the operation of the internal control system and report findings and recommendations to the Audit and Risk Committee and to Executive Management. Corrective actions are taken to address control deficiencies and other opportunities for improving the systems as they are identified. The Board, operating through its Audit and Risk Committee, provides oversight of the financial reporting process and internal control system.

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 the preparation of financial statements and the safeguarding of assets.

During the financial year, the Audit and Risk Committee met with management on a regular basis to track their progress in resolving outstanding internal control issues previously raised by the Auditor-General and Internal Audit.

Internal Audit

The Audit and Risk Committee notes that during the year under review, a reasonable amount of internal audit work was performed at the Corporation. An Internal Audit Plan for 2017/2018 was carried out by the outsourced Internal Audit Section.

The Audit and Risk Committee's review of the findings of the Internal Audit work, which was based on the risks assessments conducted by the MTC, revealed certain weaknesses which were then raised with management.

The following internal audit assignments were completed during the year under review:

- Corporate Governance
- Performance Management Specific Procedures
- Performance Management
- Risk Management
- Supply Chain Management
- Asset Management
- Audit Intervention Plan
- Compliance
- Follow-up on Prior Year Internal Audit Reports

The following were areas of concern:

- Supply Chain Management
- Performance Management

The Supply Chain Management review performed by Internal Audit indicates that there are significant weaknesses within the entity's Supply Chain Management Division. The strengthening of this division needs to be a key focus area henceforth. The Performance Management review performed also indicated that there were weaknesses within the entity as some of the performance agreements were not signed within the required time.

Weaknesses that were identified during the committee's review of the Internal Audit findings, which was based on the risk assessments conducted by the entity, revealed certain weaknesses which were subsequently raised with the entity.

In-Year Management Reporting

The public entity provided monthly and quarterly reports to the Audit and Risk Committee, Board, Eastern Cape Department of Transport and Provincial Treasury, as is required by the PFMA. The Audit and Risk Committee reviewed the quarterly financial reports submitted by the Accounting Officer prior to its submission to the Board and Provincial Treasury during the year under review. The committee raised concerns with management in respect of amongst other things, the quality and completeness of the quarterly reports submitted for review.

During the In-Year Monitoring Management Reporting period, the Audit and Risk Committee constantly raised its concern regarding the financial health status of the Corporation, which appeared to be deteriorating. The Board was accordingly advised to develop a financial turn-around plan to rescue the situation. Management was also advised to conduct a Going Concern Assessment for the next 12 months for presentation to the committee and the Board.

Evaluation of Financial Statements and Performance Information

The Audit and Risk Committee has reviewed and discussed the audited Annual Financial Statements for the financial year 2017/18 with management. This process included a review of audit comments and the management report.

The Audit and Risk Committee also reviewed and discussed the audited Annual Performance Report and the related audit comments with management.

Compliance with Legal and Regulatory provisions

The Audit and Risk Committee continued to discuss the Corporation's non-compliance with the legal and regulatory provisions throughout the financial year under review, drawing the attention of management and the Board to the irregular expenditure that the Corporation continued to incur. Management and the Board have also been advised of the implications of the non-payment of creditors within 30 days.

Auditor's Report

The Audit and Risk Committee concurs with the conclusions of the Auditor General on the Annual Financial Statements and is of the opinion that the audited financial statements be accepted and read together with the report of the Auditor General. The Audit and Risk Committee also concurs that the adoption of the going concern premise is appropriate in preparing the Annual Financial Statements.

Appreciation

The Audit and Risk Committee expresses its sincere appreciation to the Board of the Corporation, management, Internal Audit and AGSA for their support and co-operation during the year under review. This appreciation is also extended posthumously to the late Mr Lunga Ntshinga who was a member of the Committee at the time of his passing. May his soul rest in eternal peace.



PG Zitumane

Chairperson of the Audit and Risk Committee

Mayibuye Transport Corporation

Date: 02 August 2018

98 MAYIBUYE TRANSPORT CORPORATION





MAYIBUYE TRANSPORT CORP

TOTAL



MAYIBUYE
TRANSPORT CORPORATION

4

HUMAN RESOURCE
MANAGEMENT

ANNUAL REPORT 2017-2018

INTRODUCTION

The mission of the MTC Human Resource Division is to provide a comprehensive, effective and efficient human resource function to the entire Corporation. In support of the entity's vision to be a public transporter of choice, the division needs to ensure that the MTC is the employer of choice. We understand that employees are one of any corporation's greatest assets, and continually investing in one's staff should yield positive results.

Key Interventions

Several HR interventions were prioritised for the year under review and were deemed to positively impact the business. Amongst these, the MTC sought to digitalise some of its manual processes to improve efficiencies within the HR processes. This was done by the introduction of the Employee Self-Service System (ESS) which enables employees to apply electronically for leave and to access their payslips and IRP forms. Continuous training is a key priority in developing employees within their areas of expertise. To address some of the skills gaps identified during the restructuring process, employees were trained both formally and informally and supported by their line supervisors and Skills Development Facilitator. Employees were also encouraged to further their studies. The Corporation endeavoured to assist them by providing study loans as well as awarding six employees with bursaries through its partnership with TETA.

Other initiatives undertaken during the year under review:

- Finalised recruitment within a reasonable time for budgeted positions;
- Increased the number of training initiatives completed in accordance with the CEO approved Workplace Skills Plan from 87 to 122 by 31 March 2018. The HRM Division is committed to ensuring that training needs for all staff are attended to, thus improving organisational performance;
- The number of learners enrolled in the Apprenticeship Programme was maintained at 20 learners for the year ended 31 March 2018. This is one of the initiatives the division prides itself on as this is a scarce skill. The Corporation's own capacity is increased by producing artisans through this program;
- Enrolled 28 interns in the MTC Internship Programme; and
- Implemented the CEO approved Employee Wellness Management Plan.

Employee Performance Management

The MTC seeks to manage the performance of its employees towards the achievement of its organisational objectives. The organisational objectives are clearly defined within the approved Corporate Plan and Annual Operational Plan. The Departmental and Individual Key Performance Areas and Standards are formulated to align with delivery of the organisational objectives.

The Mayibuye Transport Corporation (MTC) is committed to managing performance in a consultative, supportive and non-discriminatory manner to enhance organisational efficiency, effectiveness and accountability in support of the Corporation's strategic goals and objectives.

The Performance Management and Development System (PMDS) involves a performance plan and agreement, performance monitoring, developing and control, performance assessments and managing the outcomes of assessments.

The PMDS is a continuous process between divisions, managers, supervisors and employees, and it provides an enabling environment which includes among others coaching, mentoring, corrective action, assessing, training, rewards and as a last resort, discipline.

Employee Wellness Programme

The optimal health and safety of our workforce remains a fundamental principle underlying the MTC's Corporate Strategy. This is catered for within the Wellness Management Plan for which there are four identified pillars in its implementation, as unpacked below:

1. HIV, Aids and TB Management:

This programme focuses on prevention of these chronic diseases for the employees that are not affected. Various awareness workshops and educational support sessions were held accordingly. Furthermore, support was provided for those employees on treatment. Interventions conducted included the following:

- Prevention encompassing Health education and provision of condoms, screening for TB and HIV;
- Treatment, Care and Support;
- Referral to local clinics for continuity of care and referral to private practitioners for employees to tap on chronic care;
- Human rights and access to justice;
- Monitoring and evaluation; and
- Health education on human rights to prevent discrimination in the workplace on the grounds of positive status.

2. Health and Productivity Management:

The focus of this programme is on Chronic Diseases Management as well as supporting and assisting employees psychologically. Interventions include:

- Disease management and chronic care management;
- Mental health and psychometric illness assessment and support;
- Injury on duty and incapacity due to ill health management; and
- Occupational health education and promotion.

3. Safety, Health, Environment, Risk and Quality Management:

This programme considers the total work environment of the MTC workforce with due consideration for risk management. Interventions include:

- Risk and quality assurance;
- Environmental management; and
- Occupational health and safety management.

4. Wellness Management:

This programme caters for the well-being of the employees. Interventions include:

- Workforce balance;
- Organisational wellness;
- Individual wellness psychosocial;
- Individual wellness physical; and
- Prevention encompassing health.

Human Resource Management Highlights

The following results were deemed to be highlights relating to the Human Resource division of the MTC:

- The MTC had targeted to train 115 employees in accordance with the CEO approved Workplace Skills Plan. Through our partnership with TETA, the division trained 123 employees which resulted in an overachievement of 7%.
- The MTC forged partnerships with organisations and educational institutions to enrol graduates in the MTC Internship Programme in order to gain experiential training. The target was to enrol 25 interns, but due to the need the division managed to accommodate an additional three graduates in the programme.
- It is with pride to announce that two apprentices who were enrolled in the MTC Apprenticeship Programme obtained their qualifications as artisans. This was achieved through the vigorous training process that the apprentices underwent guided by the MTC's professional mechanics.
- During the financial year, the HRM division in consultation with staff and labour, reviewed its policies to ensure that they adhere to best practice, good governance and legislation. As a result of the review, a total of 18 policies were approved by the Board.
- The MTC offered bursaries to its staff members and six qualifying candidates were awarded these bursaries to further their studies during the financial year.
- In partnership with the Ward Councillor, Mdantsane FM and FAMSA, the MTC hosted a World Aids Day event at its Reeston depot. The surrounding community were invited to form part of this day and benefit from the awareness messages that were shared through music, dance and role playing

HR challenges faced by the MTC

The main challenge experienced by the MTC HRM division during the financial year was not being able to fill approved positions in the organogram. Employees were requested to take on additional tasks to try and close the gaps that would have been filled with appointments of vacant positions. This was as a result of the financial constraints experienced by the entity which also impacted on the implementation of projects such as training interventions outside the WSP and scheduled wellness interventions.

The MTC's future HR plans /goals

The future goals of HR include increasing training and development of all employees, interns and apprentices.



HUMAN RESOURCE OVERSIGHT STATISTICS

2.1 Personnel Cost by programme 1 April 2017 to 31 March 2018*

Programme	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
1. Office of the CEO	8 343	7 117	85.31%	7	1 017
2. Financial Management	20 598	13 134	63.76%	39	337
3. Corporate Services	9 891	6 896	69.72%	29	238
4. Operations	111 737	48 262	43.19%	239	202
Total	153 704	75 409	49.06%	314	240

*Includes Interns and Apprentices

2.2 Personnel cost by salary band 1 April 2017 to 31 March 2018*

Level	Personnel Expenditure	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee (R'000)
Top Management	6 337	8.40%	3	2 112
Senior Management	7 896	10.47%	8	987
Professional qualified	10 041	13.32%	17	591
Skilled	12 886	17.09%	49	263
Semi-skilled	32 823	43.53%	170	193
Unskilled	5 427	7.20%	67	81
Total	75 409	100.00%	314	240

*Includes Interns and Apprentices

2.3 Performance Rewards

No performance rewards for the 2017/18 performance year have been paid.

2.4 Training Costs

Programme/activity/objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Expenditure	No. of employees trained	Ave training cost per employee (R'000)
1. Office of the CEO	7 117	16	0.22%	4	4
2. Financial Management	13 134	85	0.65%	11	8
3. Corporate Services	6 896	141	2.04%	14	10
4. Operations	48 262	590	1.22%	94	6
Total	75 409	838	1.11%	123	7

2.5 Employment and vacancies per Department

Programme	2016/2017 No. of Employees	2017/2018 Approved Posts	2017/2018 No. of Employees within the establishment*	2017/2018 Vacancies	% of vacancies	Employees additional to the establishment~
1. Office of the CEO	5	10	5	5	50%	0
2. Financial Management	26	41	25	13	31.70%	0
3. Corporate Services	16	25	18	10	40%	0
4. Operations	158	224	215	45	20.08 %	40
Total	205	300	263	73	24.33%	40

2.6 Employment and vacancies per Level

Programme	2016/2017 No. of Employees	2017/2018 Approved Posts	2017/2018 No. of Employees within the establishment*	2017/2018 Vacancies	% of vacancies	Employees additional to the establishment~
Top Management	3	5	3	2	40%	0
Senior Management	7	10	8	2	20%	0
Professional qualified	8	14	8	6	42.86%	0
Skilled	40	71	124	30	42.25%	0
Semi-skilled	143	173	80	32	18.49%	0
Unskilled	4	27	40	1	3.70%	40
Total	205	300	263	73	24.33 %	40

Due to the financial situation of the Corporation, the Board declared a moratorium on the filling of positions which were deemed non-critical. Focus of recruitment was in the main, filling of positions in the operations programme as well as the finance sub-programme.

2.7 Employment changes

Salary Band	Employment at beginning of period*	Appointments	Terminations	Employment at end of the period~
Top Management	3	0	0	3
Senior Management	8	1	2	7
Professional qualified	8	1	1	8
Skilled	47	8	14	41
Semi-skilled	161	24	19	166
Unskilled	53	0	6	47
Total	280	34	42	272

2.8 Reasons for staff leaving

Reason	Number*	% of total no. of staff leaving
Dismissal	9	21.43%
Resignation	9	21.43%
Death	6	14.29%
Expiry of contract	0	0%
Retirement	7	16.67%
Ill health	0	0%
Other	11	26.20%

The employees exited the MTC for several reasons, mainly due to employees who had opted to accept the Voluntary Severance Packages (VSP's) subsequent to the restructuring process that took place during the 2016/2017 financial year.

2.9 Labour Relations: Misconduct and disciplinary action

Nature of Disciplinary Action	Number
Verbal Warning	0
Written Warning	6
Final Written warning	3
Dismissal	9
Total	18

Dismissal was mainly due to drivers failing to issue tickets for money received. This is due to the improvement in the control environment of the entity which was attributable to the installation of the camera system on buses.

2.10 Equity Target and Employment Equity Status

These targets are based on the Eastern Cape and Transport Industry which is male-dominated. The MTC's main target is 50% females in positions. Furthermore, females are given preference on all vacant posts.

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	0	0	0	0	0	0	0
Senior Management	3	0	0	0	0	0	1	0
Professional qualified	2	0	0	0	0	0	1	0
Skilled	13	0	0	0	0	0	0	0
Semi-skilled	140	0	1	0	1	0	1	0
Unskilled	29	0	0	0	0	0	0	0
TOTAL	189	0	1	0	1	0	3	0

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	0	0	0	0	0	0	0
Senior Management	3	1	1	1	0	0	1	0
Professional qualified	3	1	0	0	0	1	0	0
Skilled	2	0	0	0	0	0	1	0
Semi-skilled	28	0	1	0	0	0	0	0
Unskilled	38	0	0	0	0	0	0	0
TOTAL	75	2	2	1	0	1	2	0

Levels	DISABLED			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	1	0	0	1
Professional qualified	0	1	0	0
Skilled	2	0	0	0
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
TOTAL	3	1	0	1





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FINANCIAL INFORMATION

ANNUAL REPORT 2017-2018

Report of the Auditor-General to the Eastern Cape Provincial Legislature on Mayibuye Transport Corporation

Report on the audit of the financial statements

Opinion

I have audited the financial statements of the Mayibuye Transport Corporation set out on pages 104 to 144, which comprise the statement of financial position as at 31 March 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mayibuye Transport Corporation as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with the South African Statements of Generally Accepted Accounting Principles (SA Statements of GAAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.

I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Material uncertainty relating to going concern

I draw attention to the matter below. My opinion is not modified in respect of this matter.

Going concern

I draw attention to note 30 to the financial statements, which indicates that the entity incurred accumulated losses of R140,3 million for the year ended 31 March 2018. As stated in note 30, this condition, along with other matters as set forth in note 30, indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern.

Emphasis of matters

8. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Material losses

9. As disclosed in note 6 to the financial statements, material inventory losses of R2,1 million were incurred as a result of obsolete inventory and fluctuations in the unit prices of the inventory items.

Irregular expenditure

10. As disclosed in note 33 to the financial statements, irregular expenditure of R18,3 million incurred in the current and previous years was still under investigation. Irregular expenditure of R6 million incurred during the current year is included in the amount disclosed.

Fruitless and wasteful expenditure

11. As disclosed in note 34 to the financial statements, fruitless and wasteful expenditure of R944 035 incurred in the current and previous years was still under investigation. Fruitless and wasteful expenditure of R145 994 incurred during the current year is included in the amount disclosed.

Responsibilities of the accounting authority for the financial statements

12. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Statements of GAAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
13. In preparing the financial statements, the accounting authority is responsible for assessing the Mayibuye Transport Corporation's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

14. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

15. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

16. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
17. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators / measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
18. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the annual performance report of the entity for the year ended 31 March 2018:

Programmes	Pages in the Annual Performance Report
Strategic goal 1 -Customers	50-56

19. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
20. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following programme:
- Strategic goal 1 – Customers

Other matter

21. I draw attention to the matter below.

Achievement of planned targets

22. Refer to the annual performance report on pages ... to ... for information on the achievement of planned targets for the year and explanations provided for the under- or overachievement of a significant number of targets.

Report on the audit of compliance with legislation

Introduction and scope

23. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

24. The material findings on compliance with specific matters in key legislation are as follows:

Revenue management

25. Effective and appropriate steps were not taken to collect all money due, as required by section 51(1)(b)(i) of the PFMA and/or treasury regulation 31.1.2(a) and (e).

Expenditure management

26. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R6 million, as disclosed in note 33 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA.

27. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R145 994, as disclosed in note 34 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA.

Consequence management

28. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure, as required by section 51(1)(e)(iii) of the PFMA. This was due to the entity not maintaining proper and complete records as evidence to support the investigations into irregular expenditure.

Procurement and contract management

29. Some goods, works or services were not procured through a procurement process that is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA. Similar non-compliance was also reported in the prior year.

Other information

30. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate. The other information does not include the financial statements, the auditor's report and the selected programme presented in the annual performance report that has been specifically reported in this auditor's report.
31. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
32. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
33. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

34. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.
 - Management have set the correct tone at the top and management understand their roles and responsibilities. However, consequence management had not been fully implemented, as the entity had not investigated all instances of irregular and fruitless and wasteful expenditure identified in the current and prior years.
 - Although the entity had a comprehensive audit action plan in place, this action plan was not adequate to address the root causes of the control deficiencies reported previously, resulting in repeat audit findings in the current year. The overall control environment of the entity did also not improve.
 - The entity was highly reliant on manual record keeping, which was inefficient in an organisation of its nature. This is prone to human errors, which may not be detected due to the control weaknesses identified.

- Non-compliance with legislation could have been prevented had compliance been properly reviewed and monitored. The entity's monitoring of internal controls to prevent and detect errors where non-compliance had been reported, had not improved in the current year.

Auditor-General

East London
31 July 2018



Annexure - Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on the entity's compliance with respect to the selected subject matters.

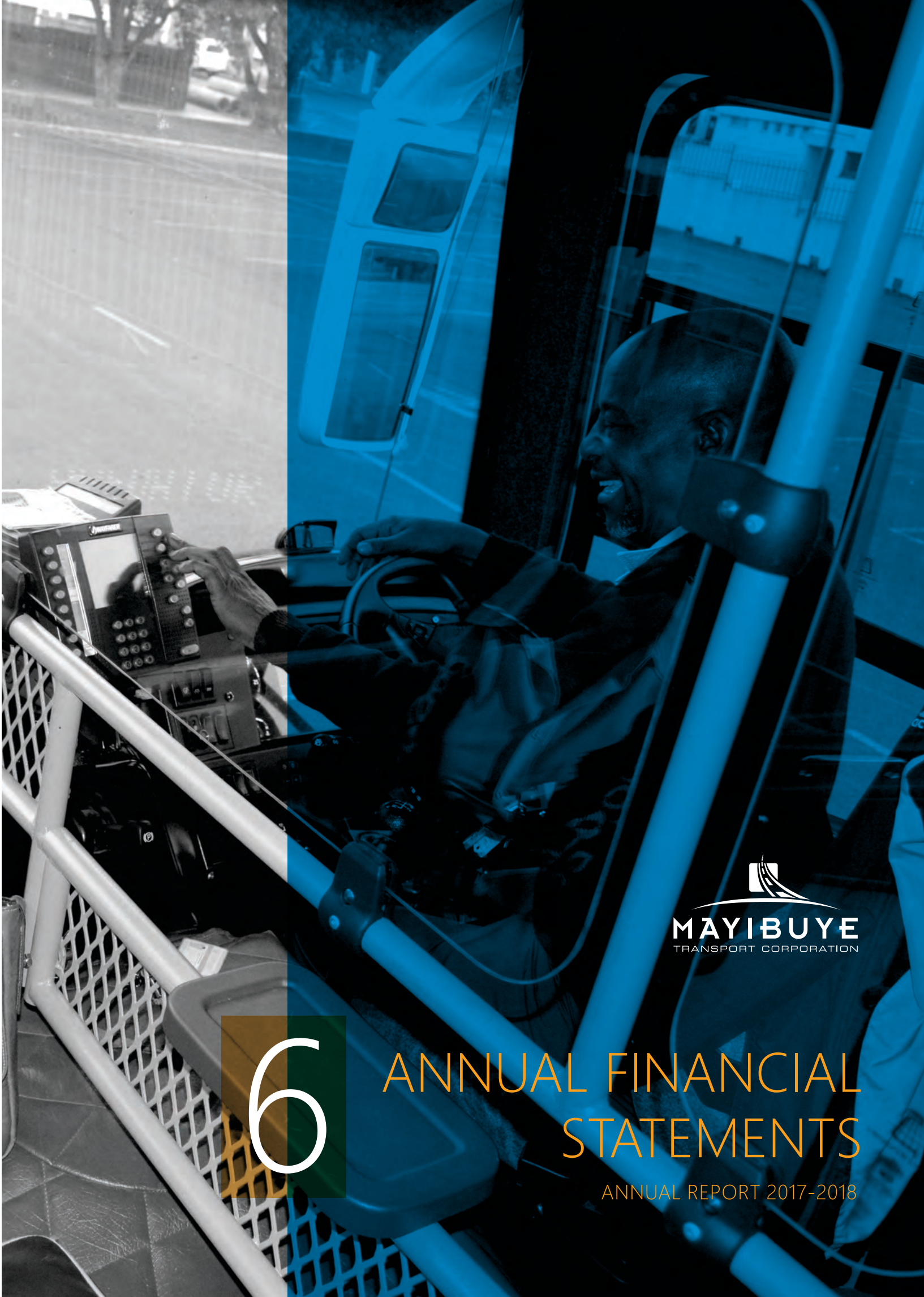
Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority
 - conclude on the appropriateness of the use of the going concern basis of accounting by the board of directors, which constitutes the accounting authority, in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Mayibuye Transport Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause an entity to cease continuing as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.





MAYIBUYE
TRANSPORT CORPORATION

6

ANNUAL FINANCIAL STATEMENTS

ANNUAL REPORT 2017-2018

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Mayibuye Transport Corporation is Schedule 3D Provincial Government Business Enterprise providing subsidised public transport, governed by the Public Finance Management Act 1 of 1999 as amended.
Directors	<p>Ms. FKP Ntlemeza (Board Chairperson) Dr. V Mkosana (Deputy Chairperson) Adv. MH Sithuba Mr. PG Zitumane Mrs. NB Petela-Ngcanga Mrs. T Godongwana Dr. B Ssamula Mr. A De Vries Mr. R Surajbali Mrs. N Madyibi (Chief Executive Officer (ex-officio) Mr. S Galada (Chief Financial Officer (ex-officio)</p>
Registered office	<p>Reeston Depot Corner of Drummond and Mdantsane Access Road East London Eastern Cape</p>
Bankers	Standard Bank of South Africa Limited
Secretary	Mbabane and Sokutu Inc
Abbreviations	<p>Corporation - Mayibuye Transport Corporation Board Members - Accounting Authority GAAP - South African Statements of Generally Accepted Accounting Practice SDL - Skills Development Levy UIF- Unemployment Insurance Fund MEC - Member of Executive Committee SARPAC - South African Road Passenger Bargaining Council CEO - Chief Executive Officer IFRS - International Financial Reporting Standards GBE's - Government Business Enterprise ECDC- Eastern Cape Development Corporation</p>

Index

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

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Statement of Comprehensive Income	111
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Statement of Cash Flows	113
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Board Members' Responsibilities and Approval

The board members are required in terms of the Public Finance Management Act No.1 of 1999 as amended to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the corporation as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with South African Statements of General Accepted Accounting Practice.

The annual financial statements are prepared in accordance with South African Statements of General Accepted Accounting Practice and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The board members acknowledge that they are ultimately responsible for the system of internal financial control established by the corporation and place considerable importance on maintaining a strong control environment. To enable the board members to meet these responsibilities, the board members sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the corporation and all employees are required to maintain the highest ethical standards in ensuring the corporation's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the corporation is on identifying, assessing, managing and monitoring all known forms of risk across the corporation. While operating risk cannot be fully eliminated, the corporation endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The board members have reviewed the corporation's cash flow forecast for the year to March 31, 2019 and, in light of this review and the current financial position, they are satisfied that the corporation has access to resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the corporation's annual financial statements.

The annual financial statements set out on pages 6 to 35, which have been prepared on the going concern basis, were approved by the board members on 30 May 2018 and were signed on their behalf by:

Approval of financial statements



Ms. FKP Ntlemenza (Board Chairperson)



Mr David Gwabeni (Acting Chief Executive Officer)

Board Members' Report

The board members have pleasure in submitting their report on the annual financial statements of Mayibuye Transport Corporation for the year ended March 31, 2018.

1. Nature of business

Mayibuye Transport Corporation is Schedule 3D Provincial Government Business Enterprise providing subsidized public transport, governed by the Public Finance Management Act 1 of 1999 as amended and operates in South Africa.

There have been no material changes to the nature of the company's business from the prior year.

2. Review of financial results and activities

The annual financial statements have been prepared in accordance with South African Statement of Generally Accepted Accounting Practice and the requirements of the Public Finance Management Act 1 of 1999 as amended. The accounting policies have been applied consistently compared to the prior year.

The corporation recorded a net loss for the year ended March 31, 2018 of R (20,293,805) compared to net loss of the prior year of R(28,693,987).

Corporation revenue increased from R29,387,143 in the prior year to R32,411,941 for the year ended March 31, 2018.

Corporation cash flows from operating activities increased from R6,331,581 in the prior year to R11,766,962 for the year ended March 31, 2018.

Board Members' Report

3. Share capital

Authorised	2018	2017
Ordinary shares		Number of shares
	250,000,000	250,000,000

Authorised	2018	2017	2018	2017
Ordinary shares	R	R	Number of shares	
	248,356,075	241,356,075	248,356,000	241,356,075

Refer to note 10 of the annual financial statements for detail of the movement in authorised and issued share capital.

4. Board members

The board members in office at the date of this report are as follows:

Directors

Ms. FKP Ntlemeza (Board Chairperson)
Dr. V Mkosana (Deputy Chairperson)
Adv. MH Sishuba
Mr. PG Zitumane
Mrs. NB Petela-Ngcanga
Mrs. T Godongwana
Dr. B Ssamula
Mr. A De Vries
Mr. R Surajbali
Mrs. N Madyibi (Chief Executive Officer (ex-officio))
Mr. S Galada (Chief Financial Officer (ex-officio))

There have been no changes to the directorate for the year under review.

5. Board members' interests in contracts

During the financial year, no material contracts were entered into with board members or officers of the corporation who had an interest and which significantly affected the business of the corporation.

Board Members' Report

6. Going concern

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

The ability of the corporation to continue as a going concern is dependent on a number of factors. The most significant of these is that the entity is funded by the government into the foreseeable future.

7. Events after the reporting period

The board members are not aware of any material event which occurred after the reporting date and up to the date of this report.

8. Auditors

Auditor-General South Africa continued in office as auditors for the corporation for 2018.
Business address: Auditor-General of South Africa, 69 Frere Road, Vincent, East London, 5247

9. Secretary

The acting company secretary is Mr Mbabane and Sokutu Inc.

Statement of Financial Position as at March 31, 2018

	<i>Notes</i>	2018 R	2017 R
Assets			Assets
Non-Current Assets			
Property, plant and equipment	4	164,065,375	174,849,246
Intangible assets	5	1,665,734	1,029,021
		<u>165,731,109</u>	<u>175,878,267</u>
Current Assets			
Inventories	6	3,426,940	6,418,084
Trade and other receivables	7	1,027,383	7,937,162
Cash and cash equivalents	8	378,527	2,896,692
		<u>4,832,850</u>	<u>17,251,938</u>
on-current assets held for sale	9	-	2,602,580
Total Assets		<u>170,563,959</u>	<u>195,732,785</u>
Equity and Liabilities			
Equity			
Share capital	10	248,356,075	241,356,075
Accumulated loss		(140,625,056)	(120,331,251)
		<u>107,731,019</u>	<u>121,024,824</u>
Liabilities			
Non-Current Liabilities			
Finance lease liabilities	11	31,596,685	44,176,568
Current Liabilities			
Trade and other payables	12	18,441,120	18,709,954
Finance lease liabilities	11	12,795,135	11,821,439
		<u>31,236,255</u>	<u>30,531,393</u>
Total Liabilities		<u>62,832,940</u>	<u>74,707,961</u>
Total Equity and Liabilities		<u>170,563,959</u>	<u>195,732,785</u>

Statement of Comprehensive Income

	<i>Notes</i>	2018 R	2017 R
Revenue	13	32,411,941	29,387,143
Other operating income	14	111,690,769	108,994,484
Loss on disposal of assets	15	(232,886)	(207,615)
Employee costs	16	(75,408,538)	(72,070,309)
Depreciation	4	(19,755,937)	(17,490,545)
Impairment of assets	9	-	(3,504,361)
Operating expenses	17	(37,473,652)	(37,985,012)
Administration expenses	18	(26,840,214)	(30,929,524)
Operating loss	19	(15,608,517)	(23,805,739)
Finance costs	20	(4,685,288)	(4,888,248)
Loss for the year		(20,293,805)	(28,693,987)

Statement of Changes in Equity

	Share capital R	Accumulated loss R	Total equity R
Balance at April 1, 2016	231,356,075	(91,637,264)	139,718,811
Loss for the year	-	(28,693,987)	(28,693,987)
Issue of shares	10,000,000	-	10,000,000
Total contributions by and distributions to owners of company recognised directly in equity	10,000,000	-	10,000,000
Balance at April 1, 2017	241,356,075	(120,331,251)	121,024,824
Loss for the year	-	(20,293,805)	(20,293,805)
Issue of shares	7,000,000	-	7,000,000
Total contributions by and distributions to owners of company recognised directly in equity	7,000,000	-	7,000,000
Balance at March 31, 2018	248,356,075	(140,625,056)	107,731,019

Statement of Cash Flows

	Note	2018 R	2017 R
Cash flows from operating activities			
Cash receipts from customers		150,928,300	142,847,493
Cash paid to suppliers and employees		<u>(137,064,773)</u>	<u>(133,875,414)</u>
Cash generated from operations	22	13,863,527	8,972,079
Interest income		148,868	1,104,646
Finance costs		(4,685,288)	(4,888,248)
Cash flows of assets held for sale		<u>2,439,855</u>	<u>1,143,104</u>
Net cash from operating activities		<u>11,766,962</u>	<u>6,331,581</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(9,833,620)	(59,291,950)
Sale of property, plant and equipment	4	791,393	10,298
Purchase of other intangible assets	5	<u>(636,713)</u>	<u>-</u>
Net cash used in investing activities		<u>(9,678,940)</u>	<u>(59,281,652)</u>
Cash flows from financing activities			
Proceeds on share issue	10	7,000,000	10,000,000
Movement in finance lease		<u>(11,606,187)</u>	<u>30,002,547</u>
Net cash (used in)/from financing activities		<u>(4,606,187)</u>	<u>40,002,547</u>
Total cash movement for the year		<u>(2,518,165)</u>	<u>(12,947,524)</u>
Cash at the beginning of the year		<u>2,896,692</u>	<u>15,844,216</u>
Total cash at end of the year	8	<u>378,527</u>	<u>2,896,692</u>

Accounting Policies

1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparation

The annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in South African Rands, which is the company's functional currency.

The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice.

These accounting policies are consistent with the previous period.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed.

The key assumptions, estimates and judgements concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities within the next financial year are discussed below.

The residual values and estimated useful lives of property, plant and equipment were assessed and found to be reasonable. Residual values of property, plant and equipment are determined with reference to market related prices of property, plant and equipment in a similar condition.

1.3 Property, plant and equipment

Property, plant and equipment are tangible assets which the corporation holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the corporation, and the cost of the item can be measured reliably. Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

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

Accounting Policies

1.3 Property, plant and equipment (continued)

Land is not depreciated as it is deemed to have an indefinite useful life

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the corporation. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

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

Item	Depreciation method	Average useful life
Buildings	Straight line	5 to 25
Internal Roads	Straight line	5 to 30
Workshop Equipment	Straight line	3 to 8
Furniture and fixtures	Straight line	3 to 12
Ancillary vehicles	Straight line	3 to 10
Office equipment	Straight line	3 to 12
Operating equipment	Straight line	5 to 10
Leased Equipment	Straight line	3 to 8
Leased buses	Straight line	Useful life of buses - Body, Buses Chasis; Engine etc
Buses - Body	Straight line	7 to 12
Buses - Chassis, Engine etc	Straight line	7 to 15
Property fencing	Straight line	5 to 25

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

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

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

Accounting Policies

1.3 Property, plant and equipment (continued)

Items of Property Plant and Equipment are classified as held for sale once the classification criteria as per IFRS 5 has been met. IFRS 5 requires:

- (a) assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell, and depreciation on such assets to cease; and:
- (b) assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of comprehensive income.

1.4 Intangible assets

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

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

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

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

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

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

Item	Useful life
Computer software, other	Indefinite

Accounting Policies

1.5 Financial instruments

Classification

The corporation classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through profit or loss - designated
- Loans and receivables
- Financial liabilities at fair value through profit or loss – designated

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Cash in the statement of financial position comprises cash at bank and on hand and short-term deposits held by the Corporation. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Accounting Policies

1.6 Tax

Tax expenses

No provision has been made for taxation as the corporation is a tax exempt institution in terms of section 10 (1) (a) of the Income Tax Act No. 58 of 1962.

1.7 Leases

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

Finance leases – lessee

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

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

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

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

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

1.8 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventory gains/losses might arise as a result of fluctuations in the unit prices of the inventory costs. When they arise they will be recognised as either income/expense in the Statement of Comprehensive Income.

Accounting Policies

1.9 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets are not depreciated while classified as held for sale.

1.10 Impairment of assets

The corporation assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the corporation estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the corporation also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognized immediately in profit or loss.

The corporation assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss.

1.11 Share capital and equity

Share Capital is a contribution by the executive authority of capital. This is authorised for issue in the Government gazette.

Accounting Policies

1.12 Related parties

The corporation operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the provincial sphere of government are considered to be related parties.

Key management are those persons responsible for planning, directing and controlling the activities of the corporation, including those charged with the governance of the corporation in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the corporation. All transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.13 Contingent liabilities

The corporation does not recognise contingent liabilities but discloses them.

A contingent liability is a possible outflow of resources embodying economic benefits or service potential that is subject to a future event.

Contingencies are disclosed in note 27.

1.14 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

The cost of defined contribution plans is the contribution payable by the employer for that accounting period. Contribution to a defined contribution plan, in respect of service in a particular period, are recognised as an expense in that period.

Accounting Policies

1.15 Provisions and contingencies

Provisions are recognised when:

- the corporation has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

1.16 Government grants

Government grants are recognised when there is reasonable assurance that:

- the corporation will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

1.17 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period.

Revenue from the bus tickets and bus hiring is recognised when the passengers utilises services with corporation.

Interest income is accrued on a timely basis, by reference to the principal outstanding and at the interest applicable, except for interest earned on capital funding which is disclosed separately.

1.18 Events after reporting period

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the annual financial statements are authorised for issue. Two types of events can be identified.

Accounting Policies

1.18 Events after reporting period (continued)

- (a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- (b) those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date)

The corporation will adjust the amounts recognised in the annual financial statements to reflect adjusting events after the reporting date once the event occurred.

The corporation will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the annual financial statements.

1.19 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Public Finance Management Act (Act No.1 of 1999) as amended, or is in contravention of the economic corporation procurement policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Comprehensive Income and where recovered, it is subsequently accounted for as revenue in the Statement of Comprehensive Income.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of comprehensive income in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Comprehensive Income.

1.21 Commitments

Items are classified as commitments where the corporation has committed itself to future transactions. Capital commitments as disclosed as required in terms of IAS 16 Property, plant and equipment.

Notes to the Annual Financial Statements

2. New Standards and Interpretations

Future standards

The Accounting Standards Board (the Board) approved the Directive on The Selection of an Appropriate Reporting Framework by Public Entities (Directive 12) in July 2015.

Since the withdrawal of Statements of GAAP in 2012, the Board has been deliberating on what the most appropriate reporting framework should be for entities that applied Statements of GAAP. During this time, the Board agreed as an interim measure, after consultation with its constituents, that Government Business Enterprises (GBE) should retain the status quo regarding the reporting frameworks applied in preparing their financial statements. This meant that those GBE that applied Statements of GAAP in previous reporting periods would continue to do so, while those that applied IFRS in previous reporting periods, would continue to apply IFRS.

The Board's deliberations on this matter gave way to three consultations which resulted in the development of two Exposure Drafts on the Application of Standards of GRAP by Government Business Enterprises (Schedule 3B and 3D) (ED 124), and The Selection of an Appropriate Reporting Framework by Public Entities (ED 130), issued for comment in May 2014 and February 2015 respectively.

The Directive is effective for financial years commencing on or after 1 April 2018 so as to provide entities sufficient time to prepare for any change in reporting framework, with earlier application permitted. Therefore the initial application is 1 April 2018, or earlier. The Directive is applied subsequently where entities believe that a significant change has occurred that leads them to conclude that they meet, or no longer meet, the criteria in the Directive.

3. Risk management

Capital risk management

The primary objective of the corporation's capital management is to ensure that it continues to provide a safe and reliable public transport service and to maximise internal revenue collection. In addition the corporation manages its capital to ensure that the entity will continue as a going concern. Budgets and financial forecasts are prepared and reviewed by the accounting authority and disclosed to the Eastern Cape Department of Transport and the Eastern Cape Provincial Planning and Treasury for funding purposes.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Notes to the Annual Financial Statements

	<i>Note</i>	2018 R	2017 R
3. Risk management (continued)			
The gearing ratio at 2018 and 2017 respectively were as follows:			
Total borrowings			
Finance lease obligation	11	44,391,820	55,998,007
Less: Cash and cash equivalents	8	378,527	2,896,692
Net debt		<u>44,013,293</u>	<u>53,101,315</u>
Total equity		107,731,019	121,024,824
Total capital		<u>152,744,312</u>	<u>174,126,139</u>
Gearing ratio		29 %	30 %

Financial risk management

The corporation's principal financial liabilities comprise of trade and other payables. The main purpose of these financial liabilities is to recognise amounts payable by the corporation. The corporation has various financial assets such as trade and other receivables and cash and short-term deposits, which arise directly from its operations.

The main risks arising from the corporation's financial instruments are cash flow interest rate risk, liquidity risk and credit risk. The Board Members reviews and agrees policies for managing each of these risks which are summarised below.

Liquidity risk

The corporation monitors its risk to a shortage of funds by considering the maturity of both its financial assets and projected cash flows from operations. The corporation's objective is to maintain a balance between continuity of funding and flexibility through use of the grant-in-aid funding.

The table below analyses the corporation's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Notes to the Annual Financial Statements

3. Risk management (continued)

At March 31, 2018	Less than 1 year	Between 1 and 2 years	Between 1 and 2 years
Trade and other payables	18,075,943	-	-
Finance lease obligation	12,795,134	31,596,686	-

At March 31, 2017	Less than 1 year	Between 1 and 2 years	Between 1 and 2 years
Trade and other payables	18,709,954	-	-
Finance lease obligation	12,067,293	26,171,154	18,005,414

Interest rate risk

As the corporation has no significant interest-bearing assets, the corporation's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

The corporation trades only with recognised, creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the corporation's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in Note 7. There are no significant concentrations of credit risk within the corporation.

With respect to credit risk arising from the other financial assets of the corporation, which comprise of cash and short-term deposits, the corporation's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Foreign exchange risk

The corporation is not exposed to foreign currency risk

Price risk

The corporation has no equity investments which are publicly traded and therefore is not exposed to price risk.

Notes to the Annual Financial Statements

4. Property, plant and equipment

	2018			2017		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land	3,877,745	-	3,877,745	3,877,745	-	3,877,745
Buildings	29,110,499	(7,863,442)	21,247,057	16,033,661	(6,168,644)	9,865,017
WIP - Upgrade	98,000	-	98,000	10,418,568	-	10,418,568
Lease buses	81,894,351	(14,006,684)	67,887,667	81,894,351	(6,891,647)	75,002,704
Office equipment	6,142,870	(2,460,187)	3,682,683	5,929,427	(1,711,939)	4,217,488
Ancillary vehicles	5,928,036	(2,726,186)	3,201,850	6,434,160	(2,229,928)	4,204,232
Workshop equipment	2,429,991	(1,855,534)	574,457	2,371,299	(1,368,914)	1,002,385
Office furniture	1,991,946	(860,759)	1,131,187	1,860,965	(664,993)	1,195,972
Property Fencing	1,315,503	(800,532)	514,971	1,315,503	(737,403)	578,100
Lease Office Equipment	-	-	-	968,187	(846,346)	121,841
Buses	78,567,882	(25,716,768)	52,851,114	77,404,540	(19,754,134)	57,650,406
Internal roads	1,577,575	(1,230,173)	347,402	1,577,575	(1,092,205)	485,370
Operating equipment	11,172,787	(2,521,545)	8,651,242	6,588,189	(358,771)	6,229,418
Total	224,107,185	(60,041,810)	164,065,375	216,674,170	(41,824,924)	174,849,246

Notes to the Annual Financial Statements

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	3,877,745	-	-	-	-	3,877,745
Buildings	9,865,017	-	-	13,076,838	(1,694,798)	21,247,057
WIP -Depot upgrade	10,418,568	2,756,270	-	(13,076,838)	-	98,000
Lease buses	75,002,704	-	-	-	(7,115,037)	67,887,667
Office Equipment	4,217,488	213,443	-	-	(748,248)	3,682,683
Ancillary vehicles	4,204,232	-	(352,443)	-	(649,939)	3,201,850
Workshop equipment	1,002,385	58,693	-	-	(486,621)	574,457
Office Furniture	1,195,972	130,981	-	-	(195,766)	1,131,187
Property Fencing	578,100	-	-	-	(63,129)	514,971
Leased Office Equipment	121,841	-	-	-	(121,841)	-
Buses	57,650,406	2,039,460	(461,933)	-	(6,376,819)	52,851,114
Internal Roads	485,370	-	-	-	(137,968)	347,402
Operating Equipment	6,229,418	4,634,773	(47,178)	-	(2,165,771)	8,651,242
	174,849,246	9,833,620	(861,554)	-	(19,755,937)	164,065,375

Notes to the Annual Financial Statements

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – 2017

	Opening balance	Additions	Disposals	Classified as held for sale	Depreciation	Total
Land	3,877,745	-	-	-	-	3,877,745
Buildings	11,080,331	-	-	-	(1,215,314)	9,865,017
WIP -Depot upgrade	802,348	9,616,220	-	-	-	10,418,568
Leased buses	42,056,267	39,065,691	-	-	(6,119,254)	75,002,704
Office Equipment	995,515	3,747,581	(8,843)	-	(516,765)	4,217,488
Ancillary vehicles	4,996,726	-	(23,210)	(66,842)	(702,442)	4,204,232
Workshop equipment	1,401,969	74,746	(10,998)	-	(463,332)	1,002,385
Office Furniture	1,016,704	357,336	(25,599)	-	(152,469)	1,195,972
Property Fencing	641,228	-	-	-	(63,128)	578,100
Leased Office Equipment	224,906	-	-	-	(103,065)	121,841
Buses	70,904,816	-	-	(5,513,232)	(7,741,178)	57,650,406
Internal Roads	623,339	-	-	-	(137,969)	485,370
Operating Equipment	218,298	6,430,376	(143,627)	-	(275,629)	6,229,418
	138,840,192	59,291,950	(212,277)	(5,580,074)	(17,490,545)	174,849,246

Zone 8 Zwelitsha - the entity has been given the right to use the property indefinitely. A process for the acquisition of the title deed has been initiated with the Eastern Cape Department of Roads and Public Works. Improvement to property are capitalised.

Lease office equipment assets are held as security for the finance lease liabilities which are disclosed in 11. The Corporation entered into finance lease for the acquisition of buses. The lessor is holding titles as securities.

Notes to the Annual Financial Statements

	2018 R			2017 R		
5. Intangible assets						
	2018			2017		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	1,665,734	-	1,665,734	1,029,021	-	1,029,021

Reconciliation of intangible assets – 2018

	Opening balance	Additions	Total
Computer software, other	1,029,021	636,713	1,665,734

Reconciliation of intangible assets - 2017

	Opening balance	Total
Computer software, other	1,029,021	1,029,021

Other information

Intangible assets have been determined to have indefinite useful lives as the software programmes are utilized until such time as a decision is taken to replace the system. Annual licence fees are paid to keep the programmes updated. Intangible assets will be fully impaired when a decision is taken to no longer use the system, a new system is implemented and the old system is no longer used.

6. Inventories

Inventories	3,426,940	6,418,084
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Inventory gains/(losses) might arise as a result of fluctuations in the unit prices of the inventory costs. When they arise they will be recognised as either income/expense in the Statement of Comprehensive Income.

Inventory adjustments recognised by the Corporation

Obsolete Inventory	1,200,000	-
Inventory gain adjustment	-	245,483
Inventory loss adjustment	946,751	-
	2,146,751	245,483

Inventory movement reconciliation

Opening balance	6,418,084	5,187,251
Additions	19,808,737	20,131,768
Consumption	(20,653,130)	(19,146,418)
Inventory adjustment	(2,146,751)	245,483
	3,426,940	6,418,084

Notes to the Annual Financial Statements

	2018 R	2017 R
7. Trade and other receivables		
Trade receivables	843,546	5,462,528
Prepayments	63,163	2,171,167
Staff loans	120,674	303,467
	<u>1,027,383</u>	<u>7,937,162</u>

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	35	4,384
Bank balances	378,492	2,892,308
	<u>378,527</u>	<u>2,896,692</u>

For cash and short-term deposits fair value refer to financial instruments note.

9. Non-current assets held for sale

The corporation had decided to dispose certain class of its property plant and equipment.

The decision was made by the board to dispose these assets as they had reached their economic useful lives.

The non-current assets held for sale have been be sold piecemeal.

Reconciliation

Opening balance	2,602,580	1,148,742
Transfer from PPE	-	5,580,074
Impairment loss Non Current Asset Held for Sale	-	(3,504,361)
Gain on increase in fair value	-	526,867
Disposals	(2,602,580)	(1,148,742)
Closing balance	<u>-</u>	<u>2,602,580</u>

Notes to the Annual Financial Statements

	2018 R	2017 R
10. Share Capital		
Authorised		
Ordinary shares of R1 each	250,000,000	250,000,000
Issued		
Ordinary shares	248,356,075	241,356,075
<p>100% of the shares are held by the Eastern Cape Department of Transport and the corporation has one class of ordinary shares which carry no right to the Provincial Administration. The corporation has one class of ordinary shares which carry no right to fixed income. During the current year the issued share capital was increased by R7 000 000 to R248 356 075. The authorised share capital was not increased during the current financial year.</p> <p>The issued share capital was increased by R10 000 000 to R241 356 000 during the prior year.</p>		
11. Finance lease liabilities		
Minimum lease payments due		
- within one year	16,055,405	16,068,966
- in second to fifth year inclusive	35,027,464	51,199,123
	51,082,869	67,268,089
less: future finance charges	(6,691,049)	(11,270,082)
Present value of minimum lease payments	44,391,820	55,998,007
Present value of minimum lease payments due		
- within one year	12,795,134	11,821,439
- in second to fifth year inclusive	31,596,686	44,176,568
	44,391,820	55,998,007
Non-current liabilities	31,596,685	44,176,568
Current liabilities	12,795,135	11,821,439
	44,391,820	55,998,007

It is corporation policy to lease certain buses and equipment under finance leases.

The average lease term for office equipment was 3 years and the average effective borrowing rate was 9% (2017: 9%)

The corporation's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 4.

The lease term for leased buses is five years and the effective borrowing fixed rate was 9.25%

Notes to the Annual Financial Statements

	2018 R	2017 R
12. Trade and other payables		
Trade payables	10,246,379	5,212,576
Amounts received in advance	738,849	1,570,128
Accrued leave pay	3,305,883	6,022,172
Accrued bonus	892,372	830,495
Accrued workmen's compensation	1,000,000	952,299
Other accrued expenses	2,257,637	4,122,284
	18,441,120	18,709,954
13. Revenue		
Passenger Fares	27,133,378	25,214,683
Private hire	5,278,563	4,172,460
	32,411,941	29,387,143
<p>A major portion of the Corporation's revenue comprises cash sales to passengers. It should be recognised that controls are designed to provide reasonable, but not absolute assurance that errors and irregularities will not occur, and that procedures are performed in accordance with management's intentions. There are inherent limitations that should be recognised in considering the potential effectiveness of any system of internal controls. The Corporation utilises reputable and experienced service provider in South Africa to record bus fare information. Revenue that cannot be measured reliably is not recognised.</p>		
14. Other operating income		
Interest income	148,868	1,104,645
Penalties income	-	710,500
Gain on subsequent increase in fair value	-	526,867
Sundry Income	223,482	362,870
Insurance claims	-	260,188
Teta grant income	614,419	2,228,414
Government grants	110,704,000	103,801,000
	111,690,769	108,994,484
15. Loss on disposal of assets		
Losses on disposals and scrapping		
Property, plant and equipment	(70,161)	(201,979)
Non-current assets held for sale	(162,725)	(5,636)
	(232,886)	(207,615)

Notes to the Annual Financial Statements

	2018 R	2017 R
16. Employee costs		
Salaries and wages	63,160,946	55,294,775
Overtime	1,098,887	1,032,425
Pension	6,529,872	5,782,837
Medical aid	4,017,608	3,764,555
Unemployment Insurance Fund	413,403	410,362
Skills Development Levy	596,226	592,132
Leave pay	(2,180,814)	3,118,120
Allowances	1,668,280	1,456,458
SARPBAC	56,429	42,645
Wokman's Compensation	47,701	576,000
	<u>75,408,538</u>	<u>72,070,309</u>

Leave pay expense

During the current year under review the leave accrual expense ended up sitting in credit due to a reduction in the leave accrual at year end, refer to note 12, due to terminations of employment, most of the employees utilised their annual leave and there are employees that forfeited their leave when it lapsed. This resulted for the opening leave provision raised in the prior year end to be reversed and that resulted in the credit in the leave pay expense.

17. Operating expenses

Fuel	17,902,335	17,090,985
Tyres	2,162,814	1,253,582
Licences and permits	2,354,271	2,669,841
Fines and penalties	78,490	139,550
Repairs and maintenance	10,666,110	14,531,172
Consumables (lubricants and grease)	587,981	801,851
Motor vehicle expenses	310,375	916,487
Obsolete Inventory	1,200,000	-
Inventory loss adjustment	946,751	-
Other operating expenses	1,264,525	581,544
	<u>37,473,652</u>	<u>37,985,012</u>

Notes to the Annual Financial Statements

	2018 R	2017 R
18. Administration expenses		
Training costs	838,953	888,923
Subsistence, travel and accomodation	1,352,353	1,505,149
Telephone, cellphone and postage	1,427,021	1,403,696
Insurance	4,568,127	5,229,792
External audit fees	3,306,662	3,594,205
Security expenses	2,399,195	2,222,248
Lease rentals on operating lease	2,642,124	1,693,590
Water and Electricity	1,835,133	1,447,961
Audit fees - internal audit	659,790	786,919
Computer expenses	319,002	402,641
Consulting and professional fees	1,771,865	2,335,258
Printing and stationery	583,328	802,831
Recruitment costs	34,591	259,587
Board members fees and expenses	2,691,855	2,682,926
Legal expenses	144,975	2,673,947
Other administrative expenses	2,265,240	2,999,851
	<u>26,840,214</u>	<u>30,929,524</u>

Notes to the Annual Financial Statements

	2018 R	2017 R
19. Operating profit / (loss)		
Operating loss for the year is stated after accounting for the following:		
Auditor's remuneration - external		
Audit fees	3,306,662	3,594,205
Auditor's remuneration - internal		
	659,790	786,919
Remuneration, other than to employees		
Consulting and professional services	1,916,840	5,009,205
Depreciation and amortisation		
Depreciation of property, plant and equipment	19,755,937	17,490,545
Impairment losses		
Impairment loss	-	3,504,361
Other		
Loss on disposal of assets	15 (232,886)	(207,615)
Other operating income		
Interest income	148,868	1,104,645
20. Finance costs		
Finance leases	4,685,288	4,888,248

No provision has been made for taxation as the corporation is a tax exempt institution in terms of section 10(1)(a) of the Income Tax Act No. 58 of 1962.

Notes to the Annual Financial Statements

	2018 R	2017 R
22. Cash generated from operations		
Loss before taxation	(20,293,805)	(28,693,987)
Adjustments for:		
Depreciation and amortisation	19,755,937	17,490,545
Losses on disposals, scrapings and settlements of assets and liabilities	232,886	207,615
Interest income	(148,868)	(1,104,646)
Finance costs	4,685,288	4,888,248
Impairment losses and reversals	-	3,504,361
Gain on subsequent increase in fair value	-	(526,867)
Changes in working capital:		
Inventories	2,991,144	(1,230,833)
Trade and other receivables	6,909,779	5,538,378
Trade and other payables	(268,834)	8,899,265
	13,863,527	8,972,079
23. Cash flows of assets held for sale		
Cash flows of held for sale - Buses	2,439,855	1,057,104
Cash flows of held for sale - Vehicles	-	86,000
	2,439,855	1,143,104

24. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2018

	Loans and receivables	Fair value through profit or loss - designated	Total
Trade and other receivables	1,027,383	-	1,027,383
Cash and cash equivalents	-	378,527	378,527
	1,027,383	378,527	1,405,910

2017

	Loans and receivables	Fair value through profit or loss - designated	Total
Trade and other receivables	7,937,162	-	7,937,162
Cash and cash equivalents	-	2,896,692	2,896,692
	7,937,162	2,896,692	10,833,854

Notes to the Annual Financial Statements

	2018 R	2017 R
25. Financial liabilities by category		
The accounting policies for financial instruments have been applied to the line items below:		
2018		
	Fair value through profit or loss - designated	Total
Trade and other payables	18,075,943	18,075,943
2017		
	Fair value through profit or loss - designated	Total
Trade and other payables	18,709,959	18,709,959

26. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Refurbishment of Depots - ECDC	-	2,758,024
• Automated Fare collection	-	2,245,357

This committed expenditure (2016/17) relates to property which is still work in progress and will be financed by existing cash resources.

Operating leases – as lessee (expense)

Minimum lease payments due

- within one year	2,257,384	2,058,970
- in second to fifth year inclusive	574,996	2,983,682
	2,832,380	5,042,652

Operating lease payments represent rentals payable by the corporation for certain of its office properties. No contingent rent is payable.

27. Contingencies

During the reporting period, there were matters arising due to labour matter pending with CCMA and breach of contract by the service provider.

Notes to the Annual Financial Statements

27. Contingencies (continued)

From previous year there were labour dispute cases due to Senior Management suspensions as at 31 March 2017 and the labour disputes were resolved in the current year and no claims were paid out.

2018	Anticipated legal fees	Estimated claim	Nature	Referred to	Total contingent liabilities
Estimates by Mbabane & Sokutu inc. Noel Van Wyk Labour dispute	-	500,000	Labour dispute	Labour court	500,000
Estimates by Mbabane & Sokutu inc. Business Connexion breach of contract	-	300,000			300,000
	-	800,000			800,000
2017	Anticipated legal fees	Estimated claim	Nature	Referred to	Total Contingent liabilities
Estimates by Mbabane & Sokutu inc.	500,000	500,000	Labour dispute	Labour court	1,000,000

28. Related parties

Relationships	
Shareholder	Eastern Cape Department of Transport
Members of key management	Refer to note 29
Board Members	Refer to note 29
ECDC	Refurbishment of Depots

Notes to the Annual Financial Statements

	2018 R	2017 R
28. Related parties (continued)		
Grant aid received		
Eastern Cape Department of Transport	110,704,000	103,801,000
Staff loans to senior management		
Mr ZD Leni	-	3,678
Mr C Mtise	-	5,653
Ms N Leni	-	2,378
	<u>-</u>	<u>11,709</u>
Capital contribution - Increase in share capital		
Eastern Cape Department of Transport	7,000,000	10,000,000
ECDC		
Refurbishment of Alice and Queenstown Depots	3,640,000	5,000,000
Sale of Assets to senior management		
Tsholo J.	-	607
Van Wyk N.	-	8,963
	<u>-</u>	<u>9,570</u>

Eastern Cape Department of Transport - The Department is the sole shareholder of the Corporation and the Corporation acts as the service delivery arm of the Department. The Department provides the grant-in-aid and the Corporation report on its activities.

Board members - Refer to note 29 for details of transactions with board members. The Board is appointed by the Executive Authority and fulfils a governance and oversight role.

Key management personnel - Refer to note 29 for detail of transactions with key personnel. Management is responsible for the day-to-day operations of the Corporation.

Notes to the Annual Financial Statements

29. Director's emoluments

Board members

2018

	Other benefits*	Directors' fees	Total
Ms. FKP Ntlemeza (Board Chairperson)	141,015	525,563	666,578
Dr. V Mkosana (Deputy Chairperson)	9,279	264,554	273,833
Adv. MH Sishuba	1,476	283,599	285,075
Mr. PG Zitumane	6,315	222,738	229,053
Mrs. NB Petela-Ngcanga	7,331	197,104	204,435
Mrs. T Godongwana	-	198,258	198,258
Dr. B Ssamula	2,092	137,900	139,992
	167,508	1,829,716	1,997,224

2017

	Other benefits*	Directors' fees	Total
Ms. FKP Ntlemeza (Board Chairperson)	52,201	409,891	462,092
Dr. V Mkosana (Deputy Chairperson)	4,471	269,850	274,321
Adv. MH Sishuba	721	283,125	283,846
Mr. PG Zitumane	2,951	187,500	190,451
Mrs. NB Petela-Ngcanga	5,333	188,250	193,583
Mrs. T Godongwana	-	180,375	180,375
Dr. B Ssamula	2,934	119,375	122,309
	68,611	1,638,366	1,706,977

* Other benefits comprise travel allowance and subsistence.

Mr A De Vries is a non remunerated board member as he represents the Eastern Cape Department of Transport.

Mr Radhesh Surajbali is a non remunerated board member as he represents the Eastern Cape Provincial Treasury starting from 01 February 2016.

Notes to the Annual Financial Statements

Figures in Rand

29. Director's emoluments (continued)

Senior management

2017

	CEO N Madyibi	CFO S Galada	COO D Gwabeni	HOD:OS M N Van Wyk	HOD:HR LC Mtise	HOD:ENG N Leni	HOD:ENG Z Leni
Basic	1,408,794	1,016,649	633,782	806,423	696,848	463,203	717,261
Backpay	11,383	6,970	-	9,048	6,580	7,528	6,078
Car	420,000	180,000	146,667	-	36,000	-	-
Cash allowance	210,358	221,620	173,182	-	315,676	222,925	294,355
Re-imbursment of KMS	72,491	2,314	19,186	455	-	19,788	-
UIF	1,785	1,785	1,190	744	1,785	1,041	1,785
SDL	19,650	13,892	8,768	7,483	9,956	7,699	10,127
Performance bonus	67,720	-	-	-	-	-	-
Medical aid	-	-	-	-	-	10,838	41,069
Provident fund	149,500	-	102,673	-	112,889	75,039	107,293
Termination leave	-	-	-	86,653	-	100,132	-
Deduction in lieu of notice	-	-	-	(133,849)	-	-	-
Other	-	-	126	-	-	-	-
Total	2,361,681	1,443,230	1,085,574	776,957	1,179,734	908,193	1,177,968

2018

	CEO N Madyibi	CFO S Galada	COO D Gwabeni	HOD:HR LC Mtise	HOD:ENG Z Leni
Basic	1,585,355	1,131,348	1,037,901	369,375	426,842
Backpay	13,114	34,152	156,529	6,327	6,439
Car	420,000	180,000	220,000	18,000	-
Cash allowance	383,698	304,864	303,652	168,413	210,217
Re-imbursment of KMS	63,165	7,153	14,353	-	-
UIF	1,785	1,785	1,785	892	744
SDL	22,178	16,169	15,967	5,308	5,287
Performance bonus	-	-	-	-	-
Medical aid	-	-	-	-	27,185
Provident fund	253,205	-	168,140	59,839	69,148
Termination leave	-	-	-	-	94,374
13th Cheque	-	-	-	-	-
Acting allowance	-	-	-	-	-
Voluntary Severance Package	-	-	-	-	1,842,420
Other	-	354	413	-	-
Total	2,742,500	1,675,825	1,918,740	628,154	2,682,656

Notes to the Annual Financial Statements

30. Going concern

We draw attention to the fact that at March 31, 2018, the corporation had accumulated losses of R(140,625,056). This condition, along with other matters, indicate the existence of a material uncertainty which may cast significant doubt about the corporation's ability to continue as a going concern.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The corporation's total assets exceed its liabilities by R 107,731,019.

The ability of the Corporation to continue as a going concern is dependent on a number of factors. The most significant of these is that the entity is funded by the government into the foreseeable future.

31. Events after the reporting period

The board members are not aware of any matter or circumstance arising since the end of the financial year that have not been taken into account in this set of financial statements.

32. Audit committee

Fees for attending meetings

Mr L Ntshinga term as an Audit and Risk Committee ended in August 2017 due to death.

2017	Meetings	Travel	Total
Mr PG Zitumane - Chairperson	103,750	-	103,750
Mr L Ntshinga	33,750	9,797	43,547
Mrs T Godongwana	54,000	-	54,000
Mr N Adonis	38,250	1,500	39,750
Mrs T Cumming	111,886	-	111,886
	341,636	11,297	352,933

2018	Meeting	Travel	Total
Mr PG Zitumane - Chairperson	130,712	6,315	137,027
Mr L Ntshinga	40,477	8,204	48,681
Mrs T Godongwana	39,494	-	39,494
Mr N Adonis	69,365	-	69,365
Mrs T Cumming	61,694	-	61,694
	341,742	14,519	356,261

Notes to the Annual Financial Statements

	2018 R	2017 R
33. Irregular expenditure		
Reconciliation of irregular expenditure		
Restated Opening balance	38,712,321	27,210,722
Add: Movement in the current year	6,199,845	11,501,599
Less: Condonement	(26,069,097)	-
	18,843,069	38,712,321
Details of irregular expenditure		
Incident		
Insufficient number of quotations	369,448	795
Continuous service with no contract	673,937	595,065
Insufficient supporting documentation	-	353,360
No procurement process followed	147,370	1,137,557
Deviation not sought from Provincial Treasury	4,721,163	9,118,207
Expired contracts	287,927	296,615
	6,199,845	11,501,599

Disciplinary steps taken/criminal proceedings

Disciplinary action has been instituted against responsible officials and the action is in progress with regards to the 2018, 2017 and 2016. The historical information is currently being investigated and will be dealt with in the 2019 financial year.

During the current year under review the board of directors approved a condonement of irregular expenditure amounting to R26 069 097, the irregular expenditure incurred came as a result of contracts that were irregularly entered into in the previous years.

An amount of R4 178 971 was condoned by the board on 08 June 2013 which was never effected as at the 31 March 2014 financial year. Refer to the prior period error note under note 35.

Notes to the Annual Financial Statements

	2018 R	2017 R
34. Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance	798,041	621,359
Add: Movement in the current year	145,994	176,682
	944,035	798,041
Incident		
Penalties on late payment & cancellations	7,797	156,024
Interest on late payments	65,698	9,288
Traffic fines	16,427	11,370
Trainings non-attendance	45,467	-
Other	10,605	-
	145,994	176,682

35. Prior period errors

An Irregular Expenditure amount of R4 178 971 was condoned by the board on 08 June 2013 which was never effected as at 31 March 2014 financial year. This resulted to a prior period error which will be done retrospectively, the error resulted for the opening balance for 2016/17 and 2017/18 financial year to be restated in the current financial year under review. The prior year (2016/17) irregular expenditure opening balance and closing balance will decrease by R4 178 971 and that will result in a decrease in the current year (2017/18) opening balance by the same amount.

The correction of the error results in adjustment as follows:

2016/17 financial year Irregular Expenditure Opening balance will decrease by an amount of R4 178 971 from R31 389 693 to R27 210 722.

2017/18 financial year Irregular Expenditure will decrease by an amount of R4 178 971 from R42 891 292 to R38 712 321.



HEAD OFFICE

Shop 15, Beacon Bay Crossing,
Beacon Bay, East London,
Province of the Eastern Cape, 5247
T: 081 289 5008 /
081 253 2350 / 081 259 6411
F: 043 745 2586

ALICE DEPOT

6 Thompson Road, Alice,
Province of the Eastern Cape, 5700
T: 040 653 1371
F: 040 653 0003

QUEENSTOWN DEPOT

8 Faraday Road, Queendustria, Queenstown,
Province of the Eastern Cape, 52415
T: 045 858 8826
F: 045 858 8290

REESTON DEPOT

Corner of Drummond and
Mdantsane, Access Roads,
East London, Province of the
Eastern Cape, 5247
T: 043 745 2582
F: 043 745 2152

ZWELITSHA DEPOT

Mount Coke Road, Zwelitsha,
King William's Town,
Province of the Eastern Cape, 5608
T: 040 654 1351
F: 040 655 1907

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