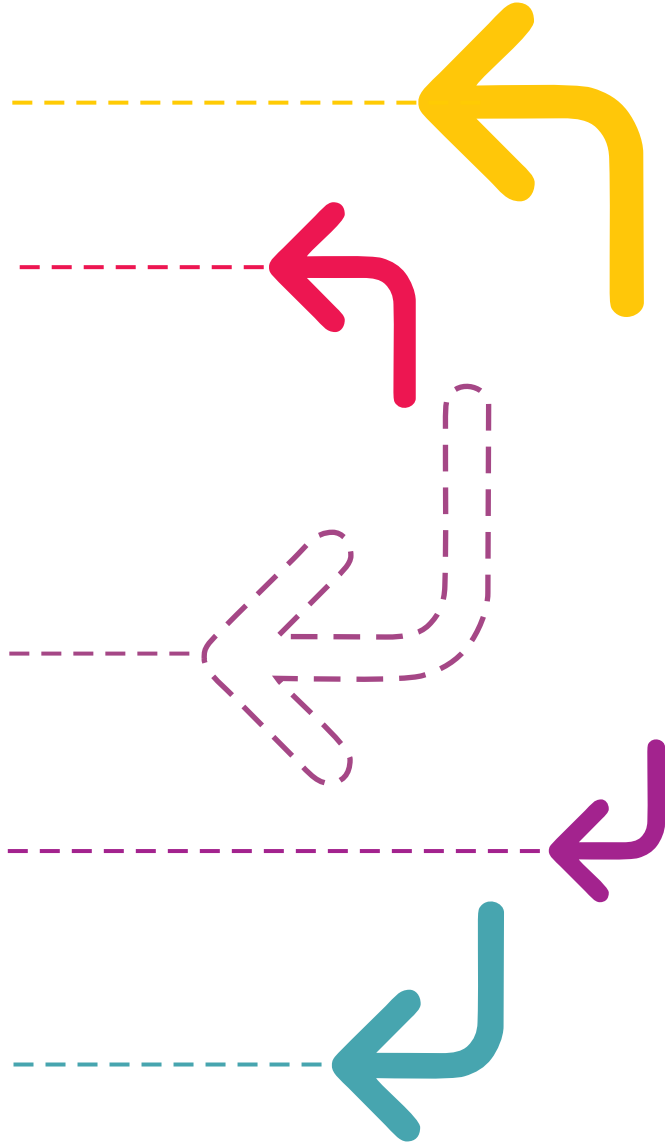


annual report

2016
2017



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MAYIBUYE TRANSPORT CORPORATION

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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
Bankers:		Standard Bank
Company Secretary (Acting):		Mr Simphiwe Mbabane
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 -	081 289 5008, 081 253 2350, 081 259 6411
	Fax Number -	043 745 2586
Alice Depot:	Physical Address	6 Thompson Road, Alice, Province of the Eastern Cape, 5700
	Telephone Numbers -	040 653 1371
	Fax Number -	040 653 0003
Queenstown Depot:	Physical Address	8 Faraday Road, Queendustria, Queenstown, Province of the Eastern Cape, 5320
	Telephone Numbers -	045 858 8826
	Fax Number -	045 858 8290
Reeston Depot:	Physical Address	Corner of Drummond and Mdantsane Access Roads, East London Province of the Eastern Cape, 5247
	Telephone Numbers -	043 745 2582
	Fax Number -	043 745 2152
Zwelitsha Depot:	Physical Address	Mount Coke Road, Zwelitsha, King William's Town Province of the Eastern Cape, 5608
	Telephone Numbers -	040 654 1351
	Fax Number -	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 and 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

PRESENTATION OF THE MAYIBUYE TRANSPORT CORPORATION

ANNUAL REPORT 2016/2017

In terms of the requirements of section 55(1) of the Public Finance Management Act, Act 1 of 1999, the Accounting Authority presents the Annual Report of the Mayibuye Transport Corporation (MTC), for the period 1 April 2016 to 31 March 2017, to the Executive Authority, the Eastern Cape

Department of Transport. We declare that the Annual Report fairly presents the state of affairs of the MTC, its business, financial results, performance against predetermined objectives and financial position as at the end of the financial period under review.



Ms F Ntlemenza
Board Chairperson



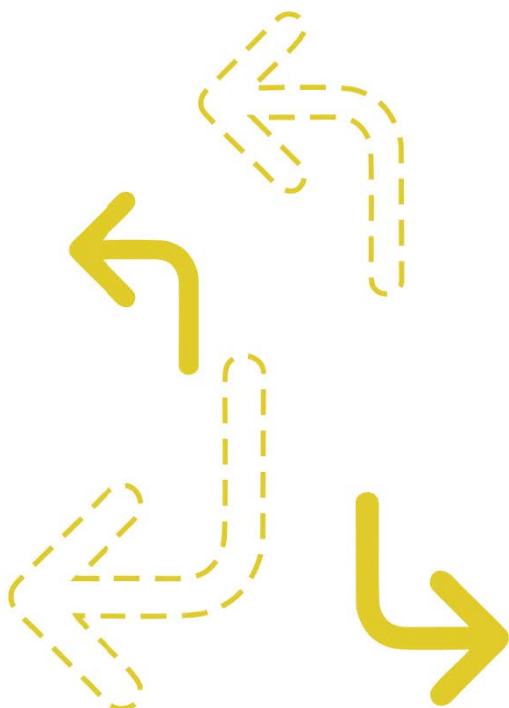
Mrs N Madyibi
Chief Executive Officer



Dr V Mkosana
Board Deputy-Chairperson



Mr S Galada
Chief Financial Officer





Adv M Sishuba
Board Member



Mr A De Vries
Board Member



Mrs T Godongwana
Board Member



Ms N Petela-Ngcanga
Board Member



Mr R Surajbali
Board Member



Dr B Ssamula
Board Member



Mr P Zitumane
Board Member



Mr S Mbabane
Acting Company Secretary

FOREWORD BY THE CHAIRPERSON



Welcome to the Mayibuye Transport Corporation 2016-2017 Annual Report. The report theme is “Pursue New Roads”, words that well describe the innovative and improved MTC. We are focused more than ever on expanding the desirability of the MTC and bringing more people in. Ultimately, our theme for this report reaffirms that the Corporation is a new organisation with a new way of thinking. It is an acknowledgement that the Eastern Cape is progressing and so is the MTC.

Guided by the MTC’s Strategic Plan, the entity has shown to make significant strides towards becoming an attractive investment space for all its stakeholders. Among the successes the MTC realised during 2016/17, we note that two of our depots in the Amathole and Chris Hani District Municipalities were revamped. In line with our goal to provide a safe and reliable service – no fatalities were reported.

Exceptional service delivery remains at the core of all we do. A Customer Satisfaction Survey was conducted on all active duties, the results of which indicate that 92% of customers are satisfied with the service they receive from the MTC. This is a fantastic 7% increase from the prior year. A Brand Awareness Survey was conducted with 523 randomly selected respondents, 73% of

whom indicated that they are aware of the MTC’s brand. A total of 63% of the respondents stated that they are likely to recommend the MTC as a public transport service provider, proving that we are well on our way to becoming a public transporter of choice.

It is evident that, despite the tough environment aggravated by limited economic growth, the MTC has begun to position itself to take advantage of every key opportunity that presents itself. In this regard the innovative Park and Ride service between Bhisho and East London, which uses semi-luxury buses to transport mainly employees of government, is operating at full capacity. A new Park and Ride service between Alice and Bhisho has also been established and is operating at full capacity. Similar projects are planned for Amalinda and Gonubie.

One of the strategic goals of the MTC has been to establish a highly effective and efficient operating model. This remains a key focus area which is continually subjected to refinement and improvement. The Board commissioned a complete organisation redesign supported by a comprehensive skills audit and suitable personnel placement programme. It is the expectation that this initiative will result in the MTC comprising of highly qualified, skilled and experienced professionals who have the passion, commitment and expertise to successfully manage and deliver projects across all service delivery areas. With its unique depth of local knowledge combined with continuously improving technical capability, the MTC is ideally positioned to respond to all our clients’ transport needs.

As the transport market evolves, challenges arise which require non-traditional approaches and innovative solutions. The MTC is embarking on an innovation drive to confront the long-standing challenge of the dichotomy of sustaining the MTC as a going concern while keeping the bulk of its clients as the poorest communities in the most remote areas of the Eastern Cape. Our expertise is increasingly coming to the forefront in providing the crucial links in public transport imperatives. It must be appreciated that unparalleled infrastructure is critical in terms of encouraging innovation and improving the competitiveness of our business functions. The foreseeable future demands significant capital investment to redress the MTC's fleet and structural inheritance. Such investment coupled with greater efficiency and sustainability in the movement of our passengers will provide the MTC with a competitive advantage in today's complex economy. The Corporation is committed to establishing itself as a leader in doing more with less and providing its shareholder with tangible returns on investment.



Ms Fezeka Ntlemeza
Chairperson of the Board
Mayibuye Transport Corporation
3 August 2017

We recognize that without the commitment of those who are in the employ of the MTC and its keen stakeholders, the MTC would not be where it is now. We thank the Honourable MEC for Transport for her selfless guidance and leadership. The Transport Portfolio Committee and Standing Committee on Public Accounts are hailed for their resoluteness in giving guidance on how good governance and accountability should always be upheld. The MTC has impressed with the speed and quality of the turn around strategy we have put in place which saw the MTC emerging from Disclaimer to the current unqualified audit opinion by the AG. All this has been realised thanks to the loyalty of the CEO and unwavering commitment of management and the entire staff of the MTC. Our gratitude goes to the Board for their strategic guidance given to the entity. We enter 2017/2018 with confidence that we have placed the MTC in a strong operating position.

Thank you for another successful year and for being part of our continued momentum in "Pursuing New Roads".

OVERVIEW BY THE CHIEF EXECUTIVE OFFICER



As we bid goodbye to 2016/2017 and welcome 2017/2018 with all its opportunities and challenges, we cannot blindly embrace the new financial year without reflecting on the trials and tribulations we have overcome. Therefore, I would like to start by acknowledging the efforts of the Shareholder, the Board, Management and Staff of the MTC. I recognise that we would not be where we are without the contributions, hard work and commitment made by each person. I humbly thank you.

As the MTC we must always remember that our hard work and commitment is fuelled by the need to serve the people of the Eastern Cape and this is in line with our mandate. The MTC is tasked with delivering affordable public transport, providing safe and reliable fleet, developing technical human capital and leveraging these to make a positive socio-economic impact. Over 1,8 million passengers chose the MTC this year resulting in an 8.3 percent increase compared to 2015/2016. Within the past 5-years, more than 10.2 million passengers have travelled with the MTC.

As such, the MTC continues to respond to the national priorities relating to improving the quality of life for all by providing community based transport and contributing to the overall competitiveness of the Eastern Cape.

As a provider of bus services, the MTC has and continues to provide mobility to millions of people who are dependent on public transport. However, we are being confronted with significant challenges in both our external operating environment, as well as the need for substantial transformation within our organisation. Financial year 2016/2017 has seen considerable strides being made in ensuring that the transition process that we have embarked on is a sustainable success. Along the road, we were confronted with several challenges, conflicts, successes and frustrations. In this regard, we have had many stakeholders commenting on the positive changes that they have experienced in dealing with us. The phrase “things are happening at the MTC” has become a common denominator in many of our interactions. In general, the MTC has improved its performance in relation to the completion of work packages. The setting of clear targets and the very robust process of auditing output and quality of products have resulted in a notable change in performance. With that said I do believe that we will continue to improve our performance, and tackle the new financial year wiser and stronger than ever.

From a strategic perspective, when one considers the performance and management data contained in this report, it is clear that in the very short history of the turnaround strategy, the MTC has made massive strides. We can state without fear of contradiction that the organisation has transitioned from a phase of contrasts into a stage of growth. The investments made in every area of the MTC machine, from upgrading the fleet to redesigning the entire support architecture, has culminated in an upward trajectory which is already evidenced by the six percent increase in own

revenue compared to the prior year. This is a tremendous feat considering that the MTC is but starting on operating within its new business framework. This continued improvement has taken us to a stage where customer satisfaction is at 92% which exceeded the planned 80%. As we continue to develop new operating procedures and improving existing processes, the MTC continues to successfully transform itself into the Public Transporter of Choice. Indeed, the systems, processes and procedures that we have been putting in place during the year are proving successful.

General financial review of the MTC

The total budget allocation to the Corporation by the Eastern Cape Department of Transport for the 2016/2017 financial year amounted to R115 127 000. The Corporation budgeted for own generated revenue an amount of R58 431 000. The total income was allocated as follows

Economic Classification	2016/17	%
Goods and Services	69 394 000	39,98%
Cost of Employment	81 837 000	47,15%
Capital	22 327 000	12,86%
Total	173 558 000	100,00%

Grant income for the 2016/17 annual financial year of R105 127 000 was allocated by the EC Department of Transport for operating activities and R10 000 000 for capital investment.

Budget Adjustment

The Corporation was requested by Provincial Treasury to surrender R36,610m at the end of the 2015/2016 financial year. This amount was utilised for the acquisition of buses. The request for the surrender was

due to administrative processes that were not adequately followed by the Department of Transport in transferring the funds to the Corporation and delays by the Corporation in rolling out the procurement process for buses.

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

Details	Amount
Main Appropriation	R115 127 000
Less: Adjustment	(R4 000 000)
Adjusted Appropriation	R111 127 000
Add: Additional Allocation	R2 674 000
Revised Appropriation	R113 801 000

The movement between the Main Appropriation and the Adjusted Appropriation is because of the adjustment passed in the Adjustment Estimate of 2016/2017. The Corporation made a 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. The Provincial Treasury through the Department of Transport transferred an amount of R2 674 000 to the Corporation.

Revenue Management

The revenue of the Corporation was received as follows:

Grant-in-Aid

Description	Amount
Current Receipts	103 801 000
Capital Receipts	10 000 000
Total	113 801 000

The total grant allocated for the 2016/17 financial year was received in total during the financial year.

Own Revenue

Economic Classification	Actual	Budget	Variance	%
Passenger Revenue	25 214 683	48 652 295	(23 437 612)	-48,17%
Private Hire Revenue	4 172 460	9 778 705	(5 606 245)	-57,33%
Other Income	5 225 617	0	5 225 617	100%
Total Income	34 612 760	58 431 000	(23 818 240)	40,76%

The Corporation collected less than expected for casual passenger revenue due to the following:

- The Passenger Revenue targets of the year under review were not met to the extent of 41,80 % (R24 858 240) due mainly to the number of routes that the Corporation operated (**72** by fourth quarter) compared to that which had been targeted (**87**). This was also

caused by the resistance from taxi operators to allow the Corporation to operate identified routes.

- The Private Hire figure has reduced by 17,62% from the total Private Hire Revenue of 2015/2016 of R4 705 305. This was further affected by the inadequate marketing of the services offered and this will be addressed in the 2017/2018 financial year.

The other income generated comprised R1 104 645 of interest income, R260 188 from insurance proceeds, R2 228 414 from the Transport Education and Training Authority (TETA) grant, and an amount of R710 500 being penalties for late delivery of buses by suppliers in addition to various other collections.

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	%
Total Revenue	138 413 760	163 558 000	(25 144 240)	(15,37%)
Goods and Services	77 548 493	69 394 000	(8 154 493)	(11,75%)
Cost of Employment	72 068 709	81 837 000	(9 768 291)	(11,94%)

Capital Expenditure Actual YTD Expenditure against Budget YTD	Actual YTD	Budget YTD	Variance	% Spent
Capital Expenditure*	15 601 651	18 327 000,00	2 752 349	14,87

Operating Expenditure

Economic Classification	Actual	Budget	Variance	% Variance
Operating Expenses	38 302 029	40 673 523	2 371 494	5,83%
Administration Expenses	39 246 464	30 947 224	(8 299 240)	(26,82%)
Total Goods and Services	77 548 493	71 620 747	(5 927 746)	(8,28%)

The Corporation has closely managed its expenditure budget which has resulted in the over-expenditure on the goods and services budget of the Corporation being limited to 8,28%.

Cost of Employment

Economic Classification	Actual	Budget	Variance	% Variance
Cost of Employment	70 629 672	80 337 000	9 707 328	12,08%
Performance Bonus	1 439 037	1 500 000	60 963	4,06%
Total Cost of Employment	72 068 709	81 837 000	9 768 291	11,94%

The Corporation was within budget in terms of the Cost of Employment estimate. It has been strictly maintained and controls have improved in the management of overtime expenditure which

was a challenge in the previous financial year. The underspending is because of positions that could not be filled as restructuring was still in progress.

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	5 000 000	5 000 000	-	100,0%
Workshop Equipment	33 080	1 000 000	966 920	3,4%
Computer Equipment	3 617 356	3 524 000	-93 356	102,6%
Buses (Leased)	6 951 215	8 803 000	1 851 785	63,8%
Total Amount	15 601 651	18 327 000	2 725 349	85,1%

Discontinued activities / activities to be discontinued

None of the MTC's business activities which were planned for the 2016/2017 financial year is set to be discontinued in the foreseeable future.

New or proposed activities

The MTC is moving towards digitising company processes and operating systems to keep up with and take advantage of the technology available in the market. We endeavour to improve our operating systems by investing in an integrated fleet management system. The fleet system is critical to our business as it will assist in saving money on fuel, optimizing on productivity through efficient time management, reducing maintenance costs through improved driver behaviour, improving customer service quality and in increasing employees' satisfaction.

The MTC has also invested in a new tyre management system which assists the Corporation by providing the following: Complete tyre lifecycle management (cradle to grave); Tyre tracking throughout all operations; Tyre projections and legacies; Stock control and maintenance;

Performance analysis; and Fully integrated data reporting.

The above systems are aimed at reducing the cost of doing business at the MTC, improving operational efficiencies and providing a safe and reliable transport service to passengers.

The Corporation continues to implement its Stakeholder Engagement Strategy by amongst other things, but not limited to, regularly meeting with the various Taxi Associations and engaging on service related matters such as opening new routes. This initiative has seen the MTC entering Memorandums of Understanding with several Taxi Associations in shared routes.

To realise its strategic goal of ensuring that it becomes accessible to a substantial number of people and thereby expanding its regional footprint, the MTC will be opening more routes in the following financial year. This expansion has been made possible by the additional buses it has acquired towards the end of 2015/2016. To ensure that the MTC continues to provide safe and reliable service to customers, a total of twenty-one buses (21) have been scrapped due to age and unreliability.

The MTC is in pursuit of expanding its ticket sale locations by partnering with various retail outlets and is exploring the concept of a cashless system suitable for rural passengers. Through engagements held

with communities the need was established for Park and Ride Services in Amalinda and King Williams's Town to East London. Services in these areas will start in Quarter 2 of the 2017/2018 financial year.

Requests for roll over of funds

The Corporation requested a roll-over of funds for the depot refurbishment projects, at the Alice and Queenstown Depots, and the installation of the Automated Fare

Collection and Fare Evasion System at a cost of R12 988 741. The total amount was

not approved by the Provincial Treasury. This was because commitments exceeded available cash after deduction of accruals. This then has resulted in the Corporation having to fund prior year commitments with the year under review funding to the extent of R6 948 696.

Roll-over application shortfall	
Total cash at year end	15 850 736
Less: Accruals	-9 810 691
Total cash available for roll-over	6 040 045
Total Commitments	12 988 741
Deficit	6 948 696

Table 3.2: Roll-over application

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.

There is currently inadequate human capital as a result of consequence management which in some cases led to dismissal.

Audit report matters

The Corporation has received an unqualified audit opinion in the current financial year. This is a 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 sixth consecutive financial year.

The findings on compliance relate to irregular expenditure compliance, material adjustments to financial statements, asset management controls and long outstanding debtors.

The Corporation incurred irregular expenditure in the current year on continuing contracts. These contracts have been terminated in the 2017/2018 financial year and the irregular expenditure will not continue to be incurred. The additional irregular expenditure incurred was as result of noncompliance with National Treasury Instruction Note 3 of 2016/2017 which required submission of requests for deviation to the Provincial Treasury and not the Chief Executive Officer as per the

Procurement Policy. The Procurement Policy has been amended to take this into account to prevent any further irregular expenditure.

The material adjustments that were made related to fixed asset adjustments that were necessitated by the recognition of the impairment of the assets that had been identified for disposal which was done after the submission of the annual financial statements.

The long outstanding debtors relate to disputed staff debts for the 2012/2013 financial year which will be recommended for write-off by the Accounting Authority.

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 the capacitation of the Financial Management Department. This will ensure that there are sound measures and controls in place enabling reliable and sustainable financial management practices.

2012/13	2013/14	2014/15	2015/16	2016/17
Disclaimer	Qualified	Qualified	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 statement	1. Revenue 2. Irregular Expenditure 3. IAS 1 Disclosure	1. Revenue (Prior year)		

Emphasis of Matter

Other than the before-mentioned irregular expenditure, the emphasis of matter pertaining to the Zwelitsha Depot Title Deed is receiving attention. The MTC is doing everything in its power to expedite the transfer by the Department of Roads and Public Works of the Zwelitsha Depot Title Deed to the MTC. Progress made includes securing a caretaker agreement which reflects the intention of the Department of Roads and Public Works to transfer the property to the MTC. This agreement authorised full use of the land by the MTC. This is a step forward even though the MTC does not yet hold a title deed for the site.

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 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 preparing a long-term funding strategy which will provide a framework for MTC funding decisions and to 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:

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

The Corporation adjusted the amounts recognised in the annual financial statements to reflect adjusting events after the reporting date once the event occurred. The Corporation has disclosed 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 based on the annual financial statements.

The issued share capital was increased by R7 million after year-end but before the reporting date. This is the capital grant received from the Eastern Cape Department of Transport as part of the 2017/2018 budget allocation.

Acknowledgement/s or Appreciation

I would like to take this opportunity to sincerely acknowledge the efforts of the Board, Management and Staff of the MTC. I recognise that we would not be where we are without the contributions, hard work and commitment made by each person. It must be noted that the voice of Corporation's customer base – the MTC Bus Passenger Transport Forum, has also proven to be an exceptional resource to the Corporation in enhancing service delivery to passengers. Furthermore, the fantastic support provided by the MEC for Transport, as well her Department led by the HoD, has proved invaluable in breathing life into the MTC of the future.

The MTC also extends its gratitude to the Eastern Cape Director General, and to the Eastern Cape Provincial Treasury, led by the HoD for their positive response to the MTC's Recapitalisation Plan. Support for the second and third tranches of the Recapitalisation Plan will further strengthen the MTC's operating position and in so doing increase own revenue generation capability - I humbly thank you all. As the MTC our hard work and commitment are fuelled by the need to serve the people of the Eastern Cape and this is in line with our mandate.

In Closing

We will continue to "Pursue New Roads" and to look at innovative ways to serve growth opportunities, enhance travelling exper-

iences and lift operating performance on all key priorities now and in the future. At the core of everything we do at the MTC and across our Eastern Cape Transport Portfolio, are our customers, the travellers – our community. Together, we will continue to keep the Eastern Cape moving by helping each one of our passengers to get to where they need to be as safely and efficiently as possible.

I am confident that we will exceed expectations and deal with challenges put before us with integrity, efficiency and effectiveness which is born out of our commitment towards establishing the Mayibuye Transport Corporation as the Eastern Cape's Public Transporter of Choice.



Mrs Ntombizine Madyibi
Chief Executive Officer
Mayibuye Transport Corporation
3 August 2017

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR 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 the 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 2017.

Yours faithfully



Mrs Ntombizine V Madyibi
Chief Executive Officer
3 August 2017



Ms Fezeka Ntlemeza
Chairperson of the Board
3 August 2017



MAYIBUYE TRANSPORT CORPORATION

SCANIA

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 the National Land Transport Act.

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 reasonable rates along designated routes and per set time tables. It is listed in the Public Finance Management Act (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 Public Finance Management Act, 1999 and the Protocol on Corporate Governance and/or the King Code IV 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 organisation 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”.

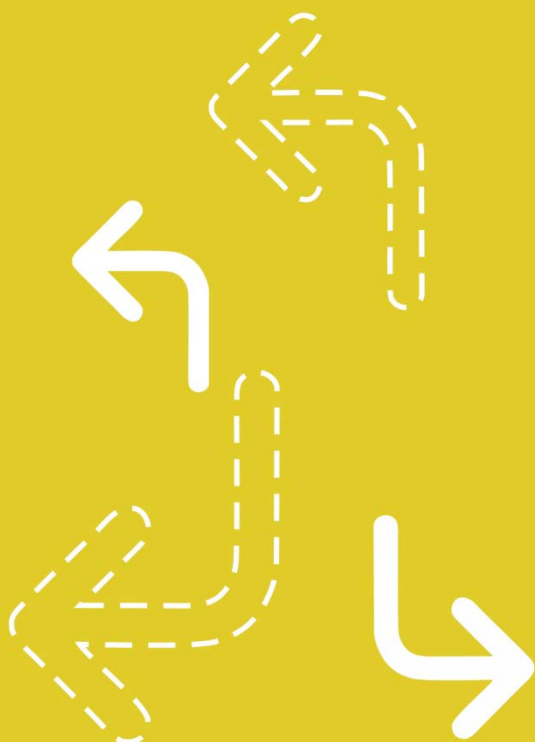
MISSION

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 organisation 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.
- **Innovative:** 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 registered as a Corporation in terms of the Corporations Transitional Provisions Act 12 of 1995 and a Schedule 3D organisation in terms of the Public Finance Management Act (PFMA). The MTC is considered a public entity and its shareholder is the Department of Transport in the Eastern Cape. The MTC's mandate is to render an effective and efficient public transport service primarily for workers to industries and other places of employment in the adjacent South African urban areas.

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

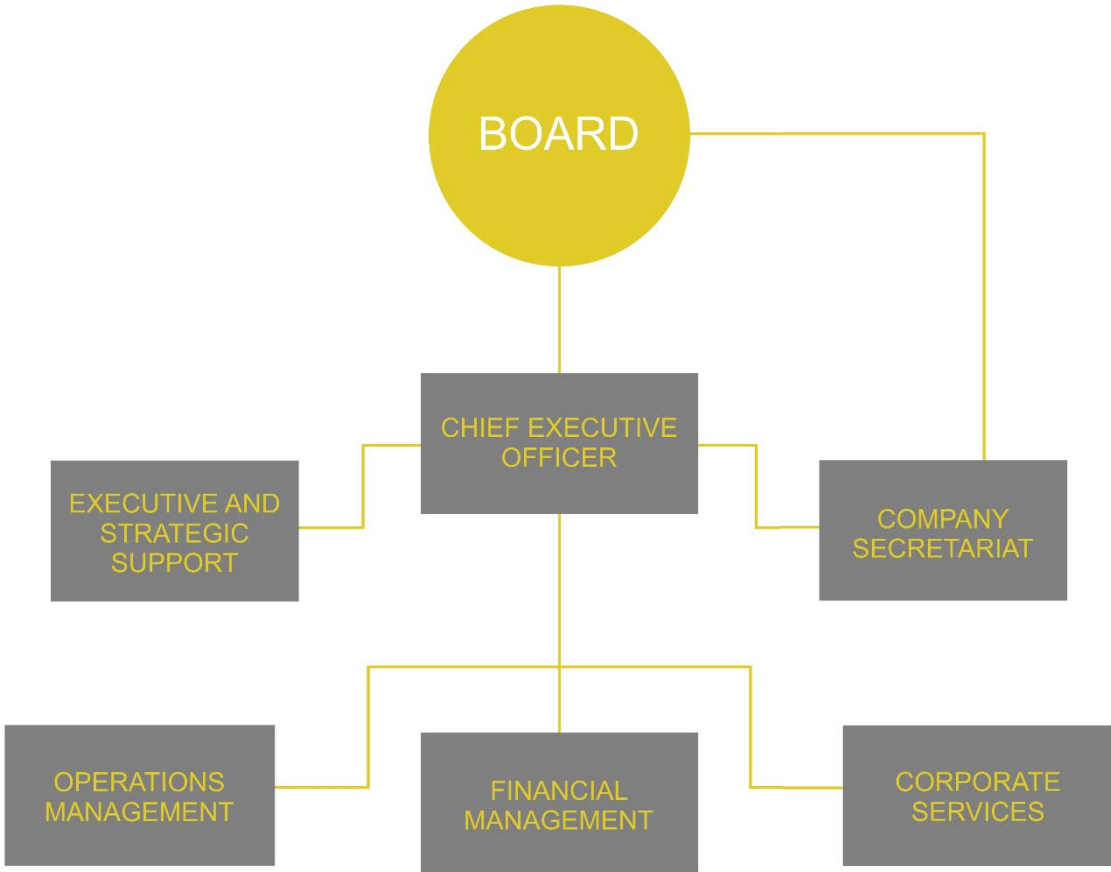
The principal purpose of the Mayibuye Transport Corporation is to provide safe, reliable and affordable public transport to predominantly rural areas of the Eastern Cape. This strategic intent is expanded by the necessity to be self-sustainable in accordance the National Land Transport Act.

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 and 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





**performance
information**



**OR
B
P**

AUDITOR'S REPORT:

PRE-DETERMINED OBJECTIVES

The AGSA currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. Refer to page 90 of the Report of the Auditor General to the Eastern Cape Provincial Legislature, published as Part E: Financial Information.

SITUATIONAL ANALYSIS

Service Delivery Environment

It has been 20 years since President Nelson Mandela promulgated the Constitution of the Democratic Republic of South Africa. A great deal has been achieved by the country since then. However, a great deal remains to be done before the true spirit of the Constitution may be enjoyed by all. The Constitution aims to improve the quality of life of all citizens and free the potential of each person. Public Transport is a key driver to this imperative with 70% of South Africa's population dependent on such a service. This speaks to a finding by Standard Bank that 62.3% of households fall within the poorest income bracket – below R86,000 per annum. Historical imbalances have resulted in great distances between human settlements and points of economic opportunity and levels of investment in transport infrastructure remains wanting. Furthermore, rural passengers earn half as much as urban workers and are finding it too expensive to travel to employment. This leads to rapid expansion of informal settlements in urban areas. Private companies are driving on tarred roads with lower maintenance costs, leaving the poor stranded. The MTC operates close to 90% of its routes in rural areas, often at great expense to fleet and fuel.

In contributing to the Eastern Cape's priorities, the MTC will play a key role in supporting and realigning transport user culture and providers' behaviour towards better use of public transport powered by sustainable transport solutions, in the public transport network. 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 72 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 resulted in the MTC not achieving its revenue target. Engagements with associations are ongoing but there are constant delays due to Association's cancelling or postponing meetings. In addition to the resistance against new routes, there were numerous municipal service delivery protests 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.

Certain requests from communities were also piloted but proved to be unfeasible as some communities could not provide the number of passengers they committed to.

Organisational Environment

The Mayibuye Transport 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 is guided periodically by the Eastern Cape Provincial Growth and Development Strategy. In November 2015, the Board approved an organisational redesign for the MTC that will ensure that, progressively, the entity will be well positioned to continue as the main mode of choice for conventional bus commuter transport within an integrated public transport strategy.

As at 31 March 2017, the entity had a staff complement of 280. During the 2016/2017 financial year, the MTC embarked on an organisational redesign project which was completed in December 2016. The project aimed to address the significant skills gaps and staff which were incorrectly placed

within the structure. The organisational redesign identifies the MTC as an important role player in the provision of community-based transport services which support economic growth and access to urban opportunities. This redesign is also intended to set the MTC management and workers on a new path so that they can begin to provide its passengers with a higher quality of service, greater reliability and frequency of bus transport. Within a very short period, the gains are evident. The MTC had 23 targets at a strategic level of which 17 were achieved. Inclusive of tactical targets as contained in the Annual Operational Plan, the MTC achieved a 76% performance level which is a 19% improvement on the prior year and the highest level recorded for the entity within the past 6 years.

With renewed energy, the MTC workforce has kept service delivery at the top of its agenda. This commitment has further been supported by the much-needed new fleet obtained in the 2015/2016 financial year. The investment in the MTC immediately shows commitment to the needs of the people of the Eastern Cape evidenced by the 92% customer satisfaction level recorded for the 2016/2017 financial year.

There remain however significant human capital challenges which continue to demand the attention of management. These issues include:

- Matters pertaining to employee wellness have proved specifically worrisome the past financial year. The MTC has faced a remarkably high mortality rate amongst its younger workforce (under 50 years of age);
- Staff morale negatively affected by the lack of succession planning;
- High bus driver turnover rate due to revenue pilferage;
- Low computer literacy levels among staff which impedes the speed by which the MTC can pursue digitalisation and related efficiency drivers;
- Critical vacancies which cannot be adequately addressed due to budget constraints;
- Insufficient administrative and report-writing skills;
- A two to three year waiting period for most candidates to pass the artisan course due to their low levels of tertiary education and study skills exposure;
- The inability to attract females to technical positions – the MTC has only

one female artisan employed as an auto electrician; and

- The MTC's inability to competitively remunerate artisans.

Suspension of drivers for various transgressions created a shortage of manpower within operations directly impacting the day to day services. Suspended drivers could not be replaced until the required hearings were finalised. To mitigate the impact of driver turnover on service delivery, the MTC has developed a database with skilled drivers, so that, as soon as drivers are dismissed, they are immediately replaced. The MTC will continue with a zero-tolerance approach to fraudulent activities to protect government resources.

Mechanical services within the Engineering division have improved on turnaround times for repairs and maintenance to fleet while external service providers still pose a challenge. Upgrading at least one of the MTC depots to be at a level where it can be accredited to maintain and service all its fleet internally will greatly assist the Corporation and reduce fleet downtime.

The MTC has scrapped its older, unsafe and unreliable buses resulting in the following fleet profile:

Number of Buses			
Older than 12 years	Older than 2 Years	Less than 2 years	Total
7	27	60	94

The renewed fleet profile has also positively impacted on average fuel consumption of 42 litres per 100 kilometres. This is well below the acceptable norm of 45 litres per 100 kilometres.

Though the budgeted revenue was not achieved there has been a six percent increase from the previous year's revenue and eight percent in passenger numbers. Month to month revenue and passenger figures are increasing showing that MTC is

moving in the right direction. The finalisation of the server virtualisation project in 2016/2017 has positioned the MTC to better leverage digitalisation which will improve the viability of the entity in the future. Completion of this project has resulted in state-of-the-art ICT infrastructure, significant improvement in general ICT controls (Patch management, testing environments and alike), innovations in several business processes, and ICT security.

Key policy developments and legislative changes

Two of the MTC's policies have been updated during the year under review, being the Risk Management Policy and the Employee Performance Management Policy.

The Board approved migration from the Task Job Grading System to the Patterson Job Grading System. Both the before mentioned policies take these factors into account. Furthermore, as part of the new

organisation structure, the post of Chief Risk Officer has been established which has been considered as part of the revised Risk Management Policy.

Several amended laws have been enacted during 2016. These laws will enhance government service delivery programmes and improve the work that has been done by departments and institutions who are custodians of these laws. None of these laws, however, have a direct bearing on the business functions of the MTC.

Strategic Outcome Oriented Goals

The strategic objectives that the MTC were in pursuit of for the 2016-17 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	Expand the MTC's area of operations from 66 Duties to 116 Duties by 31 March 2020
	1.2	Increase the ratio of buses to duties from 0,69:1 to 1,17:1 by 31 March 2020
	1.3	Increase the level of customer satisfaction from 78% to 85% by 31 March 2020
	1.4	Maintain a rate of zero fatal accidents caused by the MTC
2. To be a catalyst to the Eastern Cape Developmental Priorities through the provision of a viable public bus transport service	2.1	Reduce ratio of subsidy to own generated revenue from 80:20 to 50:50 by 31 March 2020
	2.2	Increase the level of Brand Awareness within all MTC operating areas by 31 March 2020
	2.3	Increase the number of scholars who benefit from the MTC transport services from 57 250 per annum to 88 698 per annum by 31 March 2020
	2.4	Increase the number of female bus drivers who benefit from the MTC Development Programmes from 20 to 40 by 31 March 2020
3. Develop the MTC into a fit-for-purpose public transport provider	3.1	Increase the level of King3 compliance from BB (Notable application) to AAA (Highest Application) by 31 March 2020
	3.2	Enhance MTC's capacity to attract and retain competent human capital that would contribute towards the achievement of its business goals by 31 March 2020
	3.3	Increase the efficiency and effectiveness of all MTC Business Processes by 31 March 2020
	3.4	Refurbish the Reeston, Zwelitsha, Alice and Queenstown Depots by 31 March 2020
	4.3	Increase the quality and availability of required human capital in order to achieve the business goals of the Corporation



orio

programme



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 Public Finance Management Act. The CEO 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 organisation.

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 orchestrate the connection between strategy and execution. It oversees alignment of all management processes with strategy and 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 organizational results. As such, the Strategy and Executive Support programme provides strategic leadership and management in accordance with legislation, policies and furthermore ensured support to the CEO, the Board and all programmes within the Corporation.

Programme Structure

- Board Secretarial Services
- Strategy and Planning
- Monitoring and Evaluation
- Quality Assurance
- Risk and Ethics Management
- Compliance Management and Legal Advisory Services

Overview of Departmental Performance

The Strategy and Executive Support Programme, through the cooperation and commitment of staff throughout the MTC, has achieved each of its assigned objectives for the 2016/17 financial year.

The Department has focused in the main on Corporate Governance, Compliance and Risk Management. Each of these components is of fundamental importance to the Corporation and is essential to each of

the MTC's three strategic goals which focus on its "Customers", "Viability" and "Organisational Architecture".

Corporate Governance is of paramount importance to the MTC and in this regard, the entity is proud to announce that it has achieved an "AA" King III application rating which is regarded as a high level of adherence to the King III principles. It must be noted that the MTC has adopted the King IV principles with effect from the new financial year in its pursuit of demonstrating efficient, responsible and accountable corporate governance. The high rating achieved is due to the effective leadership exercised by the Shareholder, the Board and the Accounting Officer. One of the key achievements being the organisational redesign project which has breathed innovation, fairness and collaboration into the Corporation.

Compliance monitoring is deemed an invaluable tool to the Corporation providing a wealth of information for the organisation to continuously improve itself. The MTC has identified 15 Acts which are applicable to the entity. The organisational redesign process, the depot revamp project and the renewed focus on internal controls, have all contributed to the Corporation achieving the required level of compliance with the identified laws. The MTC is committed to continuously improving its internal control

environment and inculcating a culture of ethics.

The MTC Risk Management target for 2016/2017 was to reduce at least one of the ten strategic risks to an acceptable level. Risk levels relating to Buses and ICT Governance were deemed to be at an acceptable level as at 31 March 2017. The risk relating to the MTC Buses was mitigated to an acceptable level with the support of the Department of Transport. The funding secured in the previous financial year has enabled the MTC to scrap a significant portion of its old fleet and as well as to secure 50 buses accompanied by maintenance contracts. The result is that there are an adequate number of buses available to cover the current operational demands. The ICT governance risk has been addressed with the completion of the Server Virtualisation Project. All staff have been migrated to the new system and are now subject to the strengthened ICT control environment.

There has been an overall improvement in the management of risk at a Strategic Level. However, due to the evolving nature of risk, the MTC's procedures and controls will require continuous refinement and timeous implementation of remedial actions. The MTC Management team will capitalise on this opportunity to pursue effective risk management activities going forward.

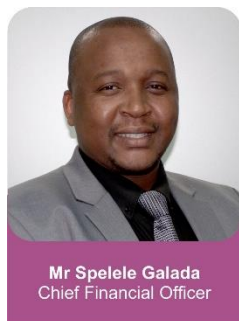
Changes to Planned Targets

There were no changes to planned targets

Strategic objectives, performance indicators planned targets and actual achievements

Strategic Goal: Develop the MTC into a fit-for-purpose public transport provider								
Strategic Objective	Measurable Objective	Performance Indicator	Actual Achievement 2015/2016	Target 2016/2017	Actual Achievement 2016/2017	Deviation from Target to Actual Achievement for 2016/2017	Challenges	Improvement Plan
3.1 Increase the level of King3 compliance from BB (Notable application) to AAA (Highest Application) by 31 March 2020	Demonstrate efficient, responsible and accountable corporate governance by gaining a level AA King 3 application rating by 31 March 2017.	King 3 Application Rating	AAA (Highest Application)	AA: High Application	AA: High Application	0	Not applicable. Target Achieved.	Not required
3.1 Increase the level of King3 compliance from BB (Notable application) to AAA (Highest Application) by 31 March 2020	Ensure full compliance with legislation applicable to the MTC by 31 March 2017 as defined in the 2016/17 Corporate Plan.	Number of Acts with which the MTC complies as listed in the 2016/17 Corporate Plan	11	15	15	0	Not applicable. Target Achieved.	Not required
3.1 Increase the level of King3 compliance from BB (Notable application) to AAA (Highest Application) by 31 March 2020	Reduce 1 of the 10 Strategic Risks to an acceptable level by 31 March 2017	Number of Strategic Risks reduced to an acceptable level	1	1	2	-1	The target was overachieved. The target was set using baseline data.	The target has been increased for the new financial year.
3.3 Increase the efficiency and effectiveness of all the MTC Business Processes by 31 March 2020	Establish a Business Process Catalogue for 1 of the 8 MTC business units' 31 March 2017	Number of Business Process Catalogues established	-	1	1	0	Not applicable. Target Achieved.	Not required

Sub-Programme 1.2: Finance



Mr Spelele Galada
Chief Financial Officer

Purpose

This programme ensures the provision of systematic financial management systems designed to co-ordinate the organisation'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 and to prevent overspending of the budget. Systematic financial management systems also entail the maintenance of a procurement system that is fair, equitable, transparent and cost-effective; and 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 Departmental Performance

This year was marked with improvement in the structural functioning of the Department. This was with a specific focus on the improvement of systems and controls to ensure improvement in the financial management. There has been a historic non-synchronisation of the support function due to various reasons but at the centre was the geographic location of the Finance Department, Operations and Human Resource Management.

There has been an improvement in the level of adherence to the Procurement Policy of the Corporation. There is an improvement in the financial administration evidence by the ability to produce financial statements on a quarterly basis.

The department is currently developing a cost structure for the Corporation to ensure that the cost of providing the services is costed. This will ensure that the 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 will also ensure that public transport is elevated as one of the key service delivery imperatives to reduce poverty in this country as it will ensure that the citizens of this country can afford to commute to places with economic activity.

Changes to Planned Targets

There were no changes to planned targets

Strategic objectives, performance indicators planned targets and actual achievements

Strategic Goal:							
Strategic Objective	Measurable Objective	Performance Indicator	Actual Achievement 2015/2016	Target 2016/2017	Actual Achievement 2016/2017	Deviation from Target to Actual Achievement for 2016/2017	Challenges
							Improvement Plan
2.1	Reduce the ratio of subsidy to own generated revenue from 80:20 to 50:50 by 31 March 2020	Grant vs Own Income Ratio	80:20	51.00:49.00	69.70:30.30	18.70	The target was not achieved. Fifteen of the 87 planned duties for the 2016/2017 financial year did not operate due to low passenger numbers in some areas as well as resistance from taxi operators in other areas. The result of this, therefore, hampered the MTC in the collection of its revenue targets.
							The MTC is committed to continuing its engagements with Taxi operators to resolve the route disputes. We will also conduct research on the areas that had low passenger numbers, to establish reasons why this is so, as in most of these areas communities requested MTC to provide them with a bus. We will also continue looking at the expansion of our trips to maximise our presence within the areas that we operate.
3.1	Increase the level of King3 compliance from BB (Notable application) to AAA (Highest Application) by 31 March 2020	Number of matters which negatively affect the audit opinion within the AG Report	3	0	0	0	Not applicable. Target Achieved.
							Not required

Sub-programme 1.3: Corporate Services



Ms T Ntoni
Senior Manager: HR

Division 1.3.1: Human Resource Management

Purpose

The HR Department provides an internal enabling function and support service to the other programmes regarding Human Resource Management. The Human Resource Management division 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 Departmental Performance

- Twenty-five female cleaners benefited from the bus driver development programme. Three of the female driver training programme participants were successful in obtaining their Code 14 Driver's License. Unlike other bus companies, the MTC enrolled cleaners in the programme that have never driven a vehicle nor did they have any formal education. Each of the participants attested to the massive impact the programme has

had on their self-esteem and quality of life. Such initiatives are mission-critical to the male dominated transport industry. It is imperative that females are equally represented. This can only be achieved by a commitment from all spheres of society and through continued funding of female development projects.

- As part of our continued drive to increase customer satisfaction, the MTC has strengthened its core function through recruitment and skills development. During the year under review, the Corporation increased the ratio of Core to Support Staff from 60:40 to 85,08:14,92;
- HR as a strategic business partner endeavoured to provide the right people to the Corporation at the right time. All vacancies were filled within an average of 21.2 days. The thoroughness and expedience of the new recruitment processes improved business continuity and sustainable performance within the departments;
- The MTC remains committed to ensuring the safety of its passengers. The key to this objective is ensuring that Bus Drivers are fit for duty. The MTC developed and implemented its first ever the Bus Driver Wellness Management Plan during the year under review. The plan focused MTC efforts on the physical, emotional and psychological well-being of the Corporation's bus-drivers so that they are in the best possible condition to safely transport passengers.

- The Corporation identified significant skills gaps in certain areas and established an HR Development Strategy to address the matter. The key to the HR Development Strategy has been the implementation of the Workplace Skills Plan (WSP). Through the CEO approved WSP, the MTC has completed 242 training initiatives during the year under review;
- The MTC subscribes to the mission of the National Skills Development Strategy which is to increase access to high quality and relevant education and training and skills development opportunities, including workplace learning and experience, to enable effective participation in the economy and society by all South Africans and reduce inequalities. The MTC supported this fervently and

increased the number of learners enrolled in the apprenticeship programme from 20 to 25. Mr L Ngqaqu, one of the apprentices, became a fully qualified artisan and was appointed to the position of Artisan Diesel Mechanic at the Queenstown Depot. The apprentice programme assists in growing our own capacity as qualified artisans are a scarce resource within the Eastern Cape labour market. The MTC apprenticeship programme is ensuring that the Corporation produces highly qualified youth. Furthermore, the MTC played a valuable role in training 40 youth from Technical and Vocational Education and Training (TVET) Colleges and in so doing contributed to curbing future unemployment in the Eastern Cape Province.

Changes to Planned Targets

There were no changes to planned targets

Strategic objectives, performance indicators planned targets and actual achievements

Strategic Goal:								
Strategic Objective	Measurable Objective	Performance Indicator	Actual Achievement 2015/2016	Target 2016/2017	Actual Achievement 2016/2017	Deviation from Target to Actual Achievement for 2016/2017	Challenges	Improvement Plan
2.4 Increase the number of female bus drivers who benefit from the MTC Development Programmes from 20 to 40 by 31 March 2020	Increase the number of female bus drivers from 20 to 25 who benefit from the MTC Development Programmes by 31 March 2017	Number of Females enrolled in the Bus Driver Development Programme	20	25	25	0	Not applicable. Target Achieved.	Not required
3.2 Enhance the MTC's capacity to attract and retain competent human capital that would contribute towards the achievement of its business goals by 31 March 2020	Increase the ratio of Core to Support Staff from 60:40 to 63:37 by 31 March 2017	Ratio of Core to Support Staff	60:40	63.00:37.00	85.08:14.92	-22.08	The target was overachieved. The priority of recruitment was placed on core business in order to improve the operations of the MTC.	In the new financial year, the focus will be on supporting the core business to balance the scale by prioritizing the recruitment of support services staff
3.2 Enhance the MTC's capacity to attract and retain competent human capital that would contribute towards the achievement of its business goals by 31 March 2020	Increase the number of training initiatives completed in accordance with the CEO approved workplace skills plan from 145 to 167 by 31 March 2017	Number of training initiatives completed in accordance with the CEO approved workplace skills plan	145	167	242	-75	The target was overachieved. Additional training was identified after the approval of the WSP to address the skills gaps which were identified during the skills audit that was conducted in the	The HRM division is committed to ensuring that training needs for all staff are attended to, thus improving the organisational performance.

Strategic Goal:								
Strategic Objective	Measurable Objective	Performance Indicator	Actual Achievement 2015/2016	Target 2016/2017	Actual Achievement 2016/2017	Deviation from Target to Actual Achievement for 2016/2017	Challenges	Improvement Plan
3.2 Enhance the MTC's capacity to attract and retain competent human capital that would contribute towards the achievement of its business goals by 31 March 2020	Increase the number of learners enrolled in the apprenticeship programme from 20 to 25 by 31 March 2017	Number of learners enrolled in the apprenticeship programme	20	25	25	0	2015/2016 financial year. Not applicable. Target Achieved.	Not required
3.2 Enhance the MTC's capacity to attract and retain competent human capital that would contribute towards the achievement of its business goals by 31 March 2020	Improve the average employee performance score from 2.97 to 3.00 by 31 March 2017	Employee average performance score for the organisation	2.97	3.00	0	3.00	The target was not achieved. The migration process was only finalised in December, which has resulted in delays of the cycle of PMDS.	The HRM division has put a plan in place to remedy the backlog which will be adhered to in accordance with the PMDS Policy timeframes.

Division 1.3.2: 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 organisation can meet its business goals.

Programme Structure

- ICT Governance
- Systems and Network Administration
- Technical Support

Overview of Departmental Performance

The MTC ICT division had three main objectives for the 2016/17 period:

Consciously Improve on Good Governance:

Through the continuous development of the Corporate Governance of ICT Policy and its subsidiary policies, framework, charter and procedures, the ICT division is strengthening its controls and improving on governance. This has ensured that the ICT division could meet all AOP Targets.

This year also saw the introduction of the ICT Disaster Recovery Policy and Operational plan. These were introduced to ensure business continuity

and minimise MTTR (Mean Time to Recovery). This formalised our Disaster Recovery site and procedures, ensuring that the MTC is always open for business.

Introduce Physical Infrastructure that will become the springboard for the digitalisation of manual processes of the Corporation:

The MTC is on a drive to remove slow, manual and outdated business practice and replace them with fast, cost effective, business-grade digital systems.

With this strategy in mind, the ICT Division, with the guidance and support from the Board and the MTC Executives, has completely overhauled the entire MTC ICT Infrastructure.

MTC has introduced Enterprise level infrastructure creating a platform from which it can fast-track its digitalisation objectives.

Ensure continuous availability of electronic resources by delivering, fast and reliable technical support to all division:

Providing technical support to the MTC is one of the core functions of the ICT Division. We understand that all other Divisions within the MTC rely on ICT to complete their day to day activities.

Hence, we have introduced many sets of practices for IT Service Management (ITSM) that focus on aligning IT Services with the needs of the business. The most front facing of these services is our Services Desk which deals with all IT related incidents and helps ensure a fast turnaround time. This ensures that a continuous uptime is maintained and IT users never experience extended downtime.

Sub-Programme 3.3: Marketing Management



Purpose

To develop and implement programmes aimed at growing revenue, increasing market share and contributing to Corporation's growth and profitability - further, 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 Departmental Performance

Human capital constraints remained one of the challenges that the Marketing division has faced and resulted in non-achievement of the brand awareness objective. The organisational redesign process which was completed in February 2017, seeks to address this issue by creating space for much needed capacity within the division. Despite these challenges, the division persevered and could complete several strategic initiatives. In support of the objective of strengthening relations with communities in our areas of operation, the MTC selected the Reeston area for its first initiative of building closer

relations with communities. It held that the shortest route to the hearts of the Reeston community would be through their children. The MTC then approached some of its suppliers to partner with the Corporation in this initiative and bought 100 pairs of shoes and socks with 1389 goody bags for all the children at Nkangeleko Primary School next to the MTC depot in Reeston. A Recognition Ceremony was held on 13 December 2016 in honour of employees who made a sterling contribution, during their up to 26 years with the Corporation. Some employees are still in the employ of the MTC, but some had already retired. A commemoration service was also rendered in memory of those employees who passed away during the past two (2) years.

A Customer Satisfaction Survey was conducted on all active routes, the results indicated that 92% of customers are satisfied with the service the MTC renders. A Brand Awareness Survey was conducted on 528 randomly selected respondents, 73% of whom indicated that they are aware of the MTC's brand. A total of 63% respondents stated that they are likely to recommend the MTC as a public transport service provider. In the year 2017/2018, the Marketing division will focus on strategically managing critical projects by appointing a Senior Manager: Corporate Communications, Marketing and Business Development. This will also assist in addressing the underperformance and the department exceeding its targets. The appointment of the Senior Manager will strengthen leadership within the department. In strengthening relations with communities, the department will continue to support Corporate Social Responsibility Projects within the MTC's areas of operation.

Changes to Planned Targets

There were no changes to planned targets

Strategic objectives, performance indicators planned targets and actual achievements

Strategic Goal:								
Strategic Objective	Measurable Objective	Performance Indicator	Actual Achievement 2015/2016	Target 2016/2017	Actual Achievement 2016/2017	Deviation from Target to Actual Achievement for 2016/2017	Challenges	Improvement Plan
2.2 Increase the level of Brand Awareness within all the MTC operating areas by 31 March 2020	Ensure that a minimum of 550 out of 1000 respondents are aware of the MTC brand	Number of respondents which are aware of the MTC Brand	928	550	385	165	The target was not achieved. Only 528 people were willing to complete the survey form.	To attract more people to participate in the survey, incentives such as branded pens will be given out to participants of future surveys.
2.2 Increase the level of Brand Awareness within all the MTC operating areas by 31 March 2020	Upgrade the MTC Ticket Sales Network by increasing the number of available sales channels from 3 to 4 by 31 March 2017	Number of additional Sales Channels established	3	1	0	1	The target was not achieved due to human capital constraints in the Marketing Division.	The Senior Manager: Marketing has been advertised. The appointment of this person will assist in managing of critical projects.
The under-expenditure is largely due to the non-filling of vacancies caused by under-collection of revenue.								
Linking performance with budgets								
Programme/activity /objective	2015/2016			2016/2017				
	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	46 059	45 917	(142)	55 542	48 724	6 818		

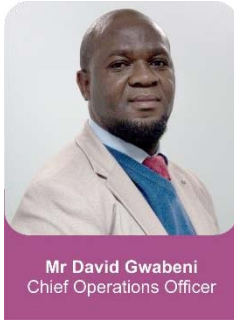


programme

2023



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 depots of the MTC. The Programme is responsible for all the Corporations' Operations related activities, fleet management, coordination of bus services on all routes, the enhancing 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 Departmental Performance

- The new ticketing system installation project was finalised and was launched in June 2016. Though there were teething problems, the system stabilised and was fully functional from August 2016. Since the introduction of the system there has been a significant reduction in the issuing of emergency tickets.

- The Fare evasion system was installed from October 2016 and finalised and handed over at the end of January 2017. Since the introduction of the cameras in the buses the MTC has witnessed a spike in revenue numbers which continue to improve monthly.
- The Park and Ride services between East London and Bhishe continues to rise in number of passengers utilising the services and is adding a positive contribution towards reducing the transport costs for the passengers. An additional park and ride service was introduced from King Williams Town to Beacon Bay from February 2017 and is still at growth phase. Additional new routes are being explored on an ongoing basis to expand the MTC's footprint and coverage.
- The MTC has introduced five new duties and three routes this financial year. Four of the duties were in King Williams Town area and one was in Queenstown. This continues to stimulate the social and economic connectivity between rural, peri-urban and urban areas.
- The new fleet, added towards the end of the 2015/2016 financial year, has greatly assisted the MTC in providing reliable services to the passengers across all areas of operation. This is further evidenced by the 92% customer satisfaction rating recorded for the 2016/2017 financial year – the highest rating in the history of the MTC.
- As part of continuous assessment of our fleet to ensure it is reliable and safe, twenty-one buses have been written off due to age and poor state of repair. The MTC is proud to report that

a record of zero fatal accidents has been maintained.

- The inability to attract and retain critical skills in the technical field remains a challenge to the Corporation.
- The MTC moved to its new offices in Beacon Bay Crossing in August 2016. This bigger office has ensured that all support services are housed under one roof to improve efficient service delivery and speed of execution.
- Two Depots have been revamped and completed in the financial year. This achievement has been proudly welcomed by the employees of those depots as it has improved the working conditions. The workshop equipment which could not be procured due to budget constraints is still a challenge. This increases the turnaround time for repairs in the workshop which in turn delays service delivery to the passengers.
- Three objectives that were not fully achieved relate to revenue, number of passengers, number of duties and buses accommodating elderly. The

non-achievement of these performance indicators was impacted by:

- Revenue and the passenger numbers budget was based on the number of duties that were planned to be operated informed by an increase in number of buses. This was impacted negatively by the resistance in the industry by the competitors and slow pace in negotiations with the relevant stakeholders. The other aspect that has been rectified was the number of buses that are available for operations which has been adjusted to take into consideration the buses that have been written off.

The Operations Department remains focussed on and committed to providing an excellent service to customers. Priority for the Department for the new financial year is to ensure that processes are streamlined and are more focused on the deliverables of the Corporation, intensifying and expanding the services in areas where MTC operates, improving revenue generation through new trips and tight controls, and improving return of investment by eliminating waste and using the available assets as much as possible.

Changes to Planned Targets

There were no changes to planned targets

Strategic objectives, performance indicators planned targets and actual achievements

Strategic Goal:								
Strategic Objective	Measurable Objective	Performance Indicator	Actual Achievement 2015/2016	Target 2016/2017	Actual Achievement 2016/2017	Deviation from Target to Actual Achievement for 2016/2017	Challenges	Improvement Plan
1 Ensure accessible, reliable, safe and affordable public bus transport services that satisfy the needs of our customers	Expand the MTC's area of operations from 66 Duties to 87 Duties by 31 March 2017	Number of duties operated	66	87	72	15	The target was not achieved. This is attributable to the following two main reasons: 1. Nine new duties were opened in the Reeston, Queenstown and Zwelitsha areas between the Q1 to Q4 reporting periods. These duties however had to be cancelled due to low passenger numbers (i.e. they were not viable to operate). 2. Six duties within the Alice and Zwelitsha areas could not be operated due to opposition from the VETA Taxi Association and the MDTA Taxi Association.	The MTC is committed in continuing its engagements with Taxi operators to resolve the route disputes. We will also conduct research on the areas that had low passenger numbers, to establish reasons why this is so, as in most of these areas communities requested MTC to provide them with a bus. We will also continue looking at the expansion of our trips to maximise our presence within the duties we operate.
1 Ensure accessible, reliable, safe and affordable public bus transport services that satisfy	Increase the ratio of Buses to Duties from 0,69:1 to	Ratio of Buses to Duties	0.70:1	0.99:1	1,13:1	-0.14	The ratio was slightly above the said target due to fewer duties being operated than initially planned due	The MTC is committed in continuing its engagements with Taxi operators to

Strategic Goal:							
Strategic Objective	Measurable Objective	Performance Indicator	Actual Achievement 2015/2016	Target 2016/2017	Actual Achievement 2016/2017	Deviation from Target to Actual Achievement for 2016/2017	Challenges
	the needs of our customers	0.99:1 by 31 March 2017					to low passenger numbers in some areas and resistance from the VETA and MDTA Taxi Associations within the Alice and Zwelitsha operating areas.
							resolve the route disputes. We will also conduct research on the areas that had low passenger numbers, to establish reasons why this is so, as in most of these areas communities requested MTC to provide them with a bus. We will also continue looking at the expansion of our trips to maximise our presence within the areas that we operate.
1	Ensure accessible, reliable, safe and affordable public bus transport services that satisfy the needs of our customers	Percentage of respondents which are neutral, somewhat satisfied or very satisfied with the MTC Bus service	85	80	92	-12	Target was overachieved. The passengers indicated that MTC services had improved in the current financial year, and this was mainly attributable to the increase in the number of buses operating.
1	Ensure accessible, reliable, safe and affordable public bus transport services that satisfy the needs of our customers	Number of integrated control room to	-	1	1	0	Not applicable. Target Achieved.
							The MTC will continue to strive in improving its services, to satisfy its customer needs.

Strategic Goal:								
Strategic Objective	Measurable Objective	Performance Indicator	Actual Achievement 2015/2016	Target 2016/2017	Actual Achievement 2016/2017	Deviation from Target to Actual Achievement for 2016/2017	Challenges	Improvement Plan
bus transport services that satisfy the needs of our customers	electronically manage fleet, bus trips, scheduling and communication	control rooms established						
1 Ensure accessible, reliable, safe and affordable public bus transport services that satisfy the needs of our customers	Increase the number of busses which accommodates elderly and visually impaired passengers from 20 to 70 by 31 March 2017	Number of buses accommodating elderly and visually impaired passengers	25	70	70	0	Not applicable. Target Achieved.	Not required
1 Ensure accessible, reliable, safe and affordable public bus transport services that satisfy the needs of our customers	Zero fatal accidents caused by the MTC	Number of fatal accidents caused by the MTC	0	0	0	0	Not applicable. Target Achieved.	Not required
1 Ensure accessible, reliable, safe and affordable public bus transport services that satisfy the needs of our customers	Reduce the risk of fatal accidents by conducting 11440 safety checks by 31 March 2017	Number of safety checks conducted	6021	11 440	11652	-212	The target was overachieved during the quarter two reporting period. This was because of the buses being re-allocated from one depot to another therefore affecting the safety check schedule	The target will not be adjusted as this is not a constant issue.

Strategic Goal:							
Strategic Objective	Measurable Objective	Performance Indicator	Actual Achievement 2015/2016	Target 2016/2017	Actual Achievement 2016/2017	Deviation from Target to Actual Achievement for 2016/2017	Challenges
							(e.g. Reeston buses moved to the Queenstown depot).
2 To be a catalyst to the Eastern Cape Developmental Priorities through the provision of a viable public bus transport service	Increase the number of people who use the MTC bus services from 1 751 497 p.a. to 2 668 065 p.a. by 31 March 2017	Number of passengers transported	1 735 049	2 668 065	1 879 333	788 732	The target was not achieved. Fifteen of the 87 planned duties for the 2016/2017 financial year did not operate due to low passenger numbers in some areas as well as resistance from taxi operators in other areas. The result of this therefore hampered the MTC for transporting the passengers within its planned areas of operation.
							The MTC is committed in continuing its engagements with Taxi operators to resolve the route disputes. We will also conduct research on the areas that had low passenger numbers, to establish reasons why this is so, as in most of these areas communities requested MTC to provide them with a bus. We will also continue looking at the expansion of our trips to maximise our presence within the areas that we operate.
2 To be a catalyst to the Eastern Cape Developmental Priorities through the provision of a viable public bus transport	Increase the number of scholars who benefit from the MTC transport	Number of scholars transported	52 434	66 215	86 608	-20 393	The target was overachieved. The MTC received numerous requests from communities, which resulted in more
							The MTC sees this as an opportunity to increase participation in the Scholar Transport Programme. The

Strategic Goal:								
Strategic Objective	Measurable Objective	Performance Indicator	Actual Achievement 2015/2016	Target 2016/2017	Actual Achievement 2016/2017	Deviation from Target to Actual Achievement for 2016/2017	Challenges	Improvement Plan
transport service	services from 57 250 per annum to 66 215 per annum by 31 March 2017						trips being undertaken than expected.	target will be adjusted in the new financial year.
3 Develop the MTC into a fit-for-purpose public transport provider	Increase the number of depots revamped from 0 to 2 by 31 March 2017	Number of Depot Revamps completed	-	2	2	0	Not applicable. Target Achieved.	Not required

Linking performance with budgets

Programme/activity /objective	2015/2016		2016/2017	
	Budget	Actual Expenditure	Budget	Actual Expenditure
	R'000	R'000	R'000	R'000
Operations	41,471	53,839	119 056	118 416
		(12,368)		640

The under-expenditure relates to Fleet Management. The contract for the fleet management system was cancelled during the year under review as the service provider did not address the needs of the Corporation.

REVENUE COLLECTION

Sources of revenue	2015/2016			2016/2017		
	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	32 508	22 841	(9 667)	48 652	25 215	(23 437)
Private Hire Revenue	5 786	4 705	(1 081)	9 778	4 172	(5 606)
Grant Income	98 990	98 990	-	101 127	103 801	2 674
Total	137 284	126 536	(10 748)	159 557	133 188	(26 369)

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. Passenger numbers and duties targeted were not met. These targets assumed that all buses are always available for operations, but this was not the case. An

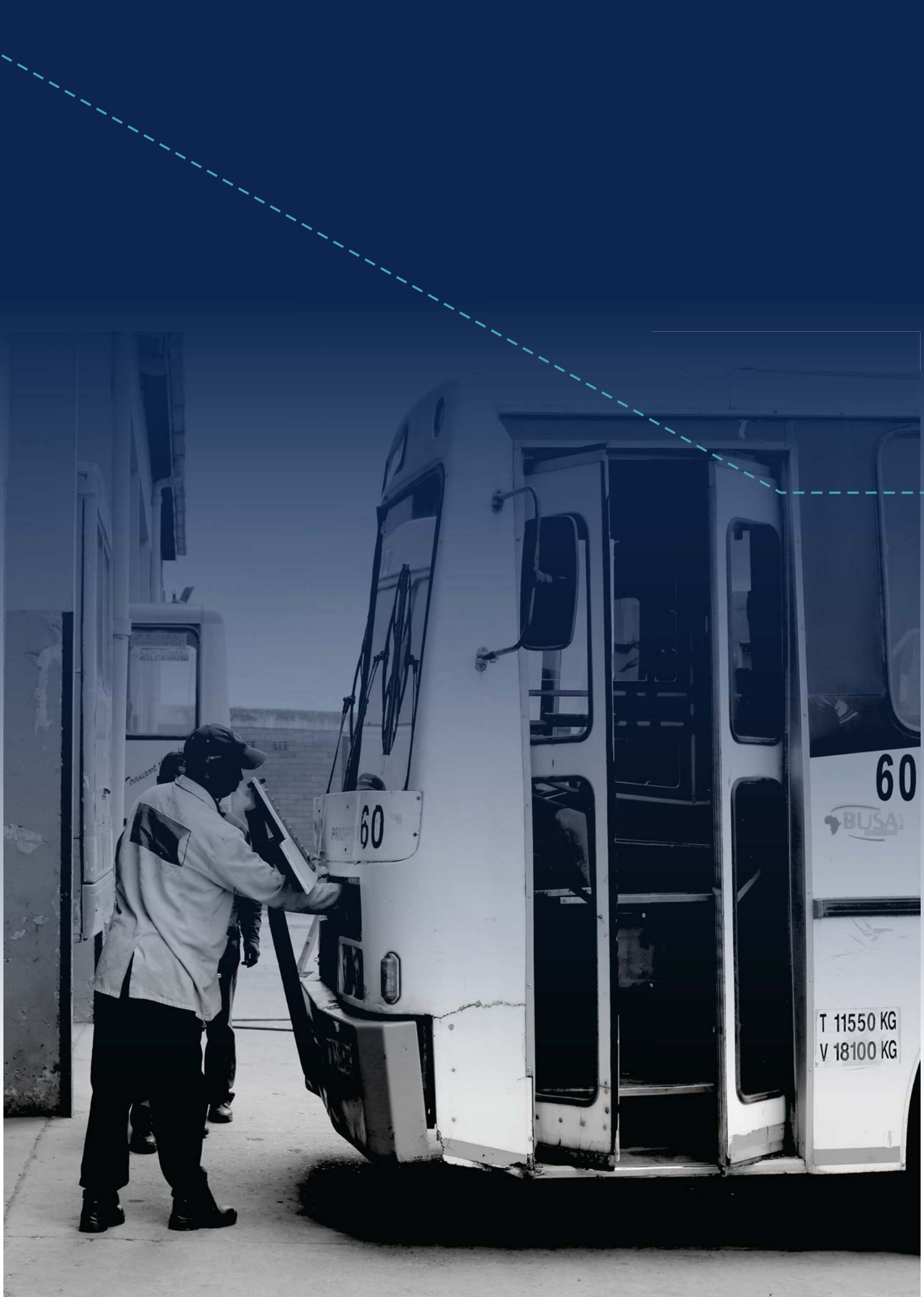
assessment was made on the fleet and 21 buses were written off as they were not economical to maintain and had exceeded its useful lives. Additional duties and trips were added but were far below the targeted numbers per the budget projections. The MTC continues to engage with the relevant stakeholders to resolve these issues and intensify services in all areas of operation.

CAPITAL INVESTMENT

The Corporation inherited buildings that were used by the Ciskei Transport Corporation. The buildings had not been revamped or upgraded since 1990. The Corporation could, through Recapitalisation funding provided by the Provincial Government, refurbish the Alice Depot and the Queenstown Depot. This has brought

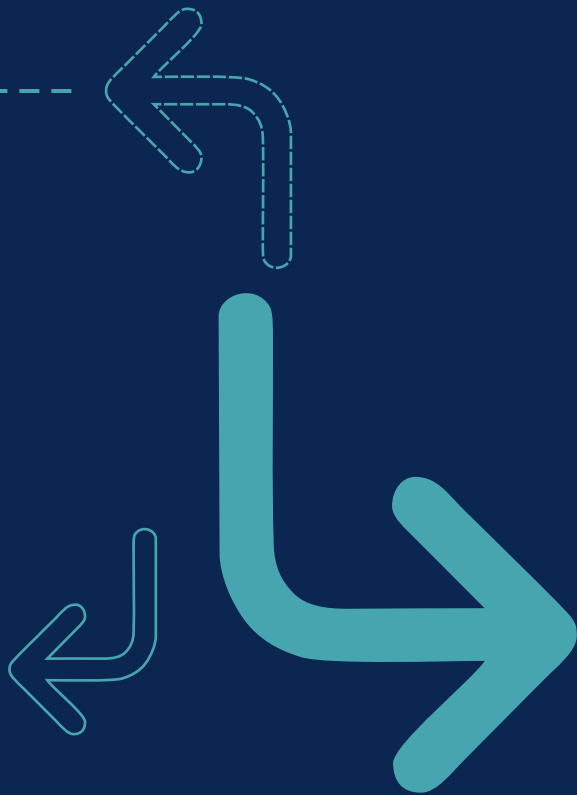
new life to these depots and has improved the working conditions of our employees, also ensuring that the environment is fit for use. The Alice Depot reached practical completion at the end of March 2017. The Queenstown Depot is also nearing completion and is already occupied by the Corporation.

Infrastructure projects	2015/2016			2016/2017		
	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	1 200	6 200	5 000	5 000	5 000	-



governance

corporate



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 Public Finance

Management Act (PFMA) and run in tandem with the principles contained in the King IV Report on Corporate Governance.

Parliament, 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 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 Public Finance Management Act (PFMA), Act No 1 of 1999, and the National Treasury Regulations, as amended.

The current Board assumed office on 1 February 2016. The Board comprises 9 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 directors as individuals. The Board Charter further serves to ensure that all Board members, 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 12 Non-Executive Directors. 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 director'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 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 for 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 Directors 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.

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 effective leadership based on 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 and 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;
 - Satisfying it 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 and 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 directors:
 - 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 Board 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, etc. Some of the members must take time from their own private practices to support 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 who 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	Board	Special Board and Other Meetings	Governance Committee	Audit and Risk Committee	Finance and Investment Committee	HR and Remuneration Committee	Operations and Engineering Committee	Board Fees (Rand)	Travel (Rand)	Total Remuneration (Rand)
Ms Fezeka Khuthazwa Pearl Ntlembeza (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 Agency, Council Member of the University of Fort Hare	7	29	4	-	-	6	-	409 891	52 201	462 092
Dr Vanguard 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	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	7	18	3	-	6	-	-	269 850	4 471	274 321

Name	Academic Qualifications	Area of Expertise	Other Boards Currently Serving on	Board	Special Board and Other Meetings	Governance Committee	Audit and Risk Committee	Finance and Investment Committee	HR and Remuneration Committee	Operations and Engineering Committee	Board Fees (Rand)	Travel (Rand)	Total Remuneration (Rand)
	Executive Management; Senior Executive Programme for Southern Africa Certificate.												
Mr André Joubert de Vries * (BOARD MEMBER) Appointed: 1 Feb 2016	BA (Public Admin)	Public Transport Specialist	None	3	7	-	-	-	-	3	0	0	0
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	6	8	4	10	9	-	-	180 375	0	180 375
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,	Leadership, Community Development, Education	None	6	13	-	-	-	5	4	188 250	5 333	193 583

Name	Area of Expertise		Other Boards Currently Serving on	Board	Special Board and Other Meetings	Governance Committee	Audit and Risk Committee	Finance and Investment Committee	HR and Remuneration Committee	Operations and Engineering Committee	Board Fees (Rand)	Travel (Rand)	Total Remuneration (Rand)
	Academic Qualifications	Area of Expertise											
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	Member of the panel of experts for the Gauteng Transport Commission, Board Member for ATNS, Chairperson of the Consulting Engineers South Africa (CESA)Transnet Liaison Committee	4	6	4	-	-	3	4	119 375	2 934	122 309
Mr Radhesh Ramsumer Surajbali * (BOARD MEMBER) Appointed: 1 Feb 2016	Master's Degree in Public Administration, and Post Graduate Diploma in Public Management and Administration, National Diploma in Public Administration, Post Graduate Certificate- Executive Development Programme	Supply Chain Management Policy, Norms Administration, and Compliance Monitoring	None	4	4	-	-	4	-	3	0	0	0

Name	Area of Expertise		Other Boards Currently Serving on	Board	Special Board and Other Meetings	Governance Committee	Audit and Risk Committee	Finance and Investment Committee	HR and Remuneration Committee	Operations and Engineering Committee	Board Fees (Rand)	Travel (Rand)	Total Remuneration (Rand)
	Academic Qualifications	Area of Expertise											
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 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	6	15	3	11	6	6	-	187 500	2 951	190 451
			Total	7	29	4	11	6	6	4	1 638 366	68 611	1 706 977

* Mr A J De Vries and Mr R Surajbali were not remunerated by the MTC as they were secondments from Provincial Departments within the Eastern Cape

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. Any cases of actual, suspected or alleged fraud were 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. The MTC had also appointed independent Auditors, Marais and Smith Chartered Accountants, who performed various audits of the entity throughout the year. Findings were reported to Management, the Audit and Risk Committee as well as the Board. No fraud related findings have been made. In addition, Deloitte was appointed to conduct a forensic investigation of the MTC Senior and Executive Management. Significant strides have been made by the MTC in dealing with the related findings. Several senior officials were subjected to disciplinary action following the outcome of the Deloitte Forensic Audit. Internal controls have continuously been strengthened. The greatest source of fraud detection remained reconciliations which have been performed at various management levels on a regular basis. Suspected fraud was then investigated and suitable disciplinary action implemented.

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 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 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 member 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 ask for 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 ethic. 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 director 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 directors and good governance;
- Making the directors aware of any laws relevant to or affecting the Corporation;
- Alert the Board to any failure to comply with any relevant laws and any other relevant prescripts;
- Reporting to the Corporation's board any failure on the part of the Corporation or a director to comply with the relevant laws and prescripts;
- 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 Act, to every person who is entitled to it;
- Ensuring Board and Committee Charters are kept up to date;
- Preparing and circulating board papers;
- Elicit responses, input, feedback for board and board committee meetings;
- Ensuring that minutes of all board and board committees meetings are recorded accordance with the Companies Act, 71 of 2008 and other relevant laws and prescripts;
- Ensuring preparation and circulation of minutes of Board and committee meetings;
- Assisting with evaluation of the board, committees and individual directors; and
- Assisting with director induction, training and education.

SOCIAL RESPONSIBILITY

The MTC selected the Reeston area for its first initiative of building closer relations with communities. The MTC, in partnership with some of its suppliers bought 100 pairs of shoes and socks with 1389 goody bags for all the children at Nkangeleko Primary School in Reeston.



The Board Members and the CEO handing over shoes and socks to Nkangeleko Pupils



AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2017.

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 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, Emerging Leaders Programme, Executive Development Programme, Leadership Development Programme	1 Feb 2016	10	10
Mrs T Godongwana	Master of Management in Investment and Finance (current), Bachelor of Science Degree, Business Management Diploma, HDE, BED	1 Feb 2016	10	8
Mrs T Cumming	CA (SA), BCom	1 Feb 2016	10	10
Mr N Adonis	Bachelor of Accounting Science, Senior Executive Programme, Certificate: Labour Law, Diploma: Management Development.	17 Oct 2016	5	5
Mr L Ntshinga	B. Com, Postgraduate Diploma in Business Management, Accredited Internal Quality Assessor/Validator, Registered Debt Counsellor, Member: Institute of Internal Auditors South Africa	17 Oct 2016	5	5

Risk Management

The Corporation has an approved risk management strategy in place which was fully implemented during the year under review.

In accordance with the requirements of the Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended, a risk assessment was conducted and approved by the Board. Effective risk management is integral to the organisation'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 cover is adequate. Claims of a general nature are adequately covered.

The Effectiveness of Internal Control

To meet its responsibility of providing reliable financial 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 of unauthorised acquisition, use or disposition, and 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 organisation, and the careful selection, training and development of staff. The MTC has appointed internal auditors who are guided by a Board approved. Internal Audit Plan. The auditors adopted a risk based audit approach to ensure that the process adds value to the organisation. Internal auditors monitor the operation of the internal control system and report findings and recommendations to the Audit and Risk

Committee and 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 financial statement preparation 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.

In respect of the internal control environment, based on our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the public entity. It revealed weaknesses, which were then raised with the entity.

Internal Audit

The Audit and Risk Committee notes that during the year under review, a reasonable amount of internal audit work was performed in the Corporation. An internal audit plan for 2016/2017 was carried out by the outsourced internal audit section.

Our 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 work was completed during the year under review:

- Revenue
- Payroll
- Procurement / supply chain management
- Follow up on the prior year internal audits (Payroll and Human Resources)
- Audit intervention plan and status review as well as status of the accounting records
- Corporate Governance review
- Review of Risk Management within the Entity
- Budget review process
- The following were areas of concern:
- Supply chain management
- Inadequate implementation of recommendations by Internal Audit
- Status of accounting records

The status of accounting records, payroll, revenue and asset management reviews performed by internal audit indicate that there are significant weaknesses within the entity's finance department. The strengthening of this department needs to be a focus for the year ahead.

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the public entity revealed certain weaknesses, which were then raised with the public entity.

In-Year Management and Monthly/Quarterly Report

The public entity has reported on a monthly and quarterly basis to the Provincial Treasury as is required by the PFMA. The quarterly reports were reviewed prior to submission to the Provincial Treasury by the Accounting Officer during the year under review.

Evaluation of Financial Statements and Performance Information

We have reviewed the unaudited annual financial statements prepared by MTC and have recommended to the Accounting Authority for their submission to the Auditor General for auditing.

We have reviewed the unaudited performance information prepared by MTC and have recommended to the Accounting Authority for its submission to the Auditor General for auditing.

Auditor's Report

The Committee congratulates the Corporation on the attainment of an unqualified audit outcome and concurs with the Auditor General's opinion. The Corporation, supported by the Audit Committee remains committed to ensuring that the audit outcome is improved in the ensuing financial years.

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.



PG Zitumane

Chairperson of the Audit and Risk Committee
Mayibuye Transport Corporation

Date: 3 August 2017



human resource
management



INTRODUCTION

The Corporation's vision is to be a public transporter of choice. The HR Division responds to and supports the vision of striving to be the Employer of Choice. Ensuring that this vision is kept alive and ongoing, it is crucial to focus on our most important assets being human capital.

Key Interventions

Several HR interventions were prioritised for the year under review and were deemed to positively impact the business. Amongst these, the MTC increased the number of female bus drivers from 20 to 25 who benefitted from the MTC Development Programmes. The transport industry is a male dominated industry. As part of changing that the focus, the entity undertook to draw from the pool of female cleaners and to train them to be bus drivers. The MTC is continuously striving towards achieving a workforce of at least 50% female representation.

The MTC continues to increase the ratio of its Core to Support Staff. The target to transform the 60:40 ratio to 63:37 by 31 March 2017 was exceeded. As at 31 March 2017 the MTC had a workforce profile of 85.08% core and 14.92% support staff. The focus has been on operations to ensure that at all times the core staff were fully capacitated to provide reliable service to the public.

Other initiatives undertaken during the year under review:

- Finalised recruitment within a reasonable time for those positions for which budget was available;
- Implemented the Bus Driver Wellness Management Plan;
- Increased the number of training initiatives completed in accordance with the CEO approved workplace skills plan from 145 to 242 by 31 March 2017. Additional training was identified after the approval of the WSP to address the skills gaps which were identified during the skills audit that was conducted in the 2015/2016 financial year. The HRM division is committed to ensuring that training needs for all staff are attended to, thus improving the organisational performance;
- Increased the number of learners enrolled in the apprenticeship programme from 20 to 25 by 31 March 2017. This is one of the initiatives we pride ourselves on as this is a scarce skill. We grow our own capacity by producing Artisans through this program;
- Workshopped employees on Employee Performance Management; and
- Implemented the CEO approved employee Wellness Management Plan.

Employee Performance Management

The Mayibuye Transport Corporation (MTC) is committed to managing performance in a consultative, supportive and non-discriminatory manner to enhance organizational 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 provides an enabling environment which includes among others coaching, mentoring, corrective action, assessing, training, rewards and as a last resort discipline.

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, Deliverables and Standards are formulated to align with delivery of the Organisational Objectives.

Employee Wellness Programme

There were four wellness programs that were developed after analysing the MTC environment. The programs addressed the problems that the employees have experienced in the past. The wellness component has taken a proactive approach to respond to the well-being of the employees. The four programmes are as follows:

- The HIV/AIDS/TB Management programme - This programme focuses on prevention of these chronic diseases for the employees that were not yet affected. Various awareness workshops and educational support sessions were held accordingly. Furthermore, support was provided for those employees on treatment.
- The Health and Productivity Programme – This programme looks at Chronic Diseases Management, supporting and assisting employees psychologically.
- The Occupational Health and Safety Programme – This programme considers the total work environment of the MTC workforce with due consideration for risk management.
- The Wellness Management Programme – This programme caters for the well-being of the employees.

Employee Wellness Programme

Programme 1 HIV/AIDS/ & TB Management	Programme 2 Health and Productivity Management	Programme 3 SHEQ Management	Programme 4 Wellness Management
Prevention	Disease Management and Chronic illnesses	Risk and Quality Assurance	Organisational Wellness
Treatment Care and Support	Mental Health /Psychosomatic illnesses	Environmental Management	Individual Wellness / Psychosocial
Human Rights and Access to Justice	Injury on duty & Incapacity due to ILL Health	Occupational Health and Safety Management	Individual Wellness Physical
Research ,Monitoring and Evaluation	Occupational Health Education and Promotion		Work life balance

Human Resource Management Highlights

The following results were deemed to be highlights relating to the human resources of the MTC:

- Implementation of the new organogram;
- Skills gaps were identified;
- Decrease in the number of misconduct cases;
- Appointment of the Chief Operations Officer;
- Appointment of the first female Electrical Artisan;
- Successful implementation of wellness programs;
- Workshops conducted by the Compensation Commissioner which resulted in the finalisation of old injury on duty cases;
- Drivers and receptionists were trained in sign language;
- The staff migration process was finalised;
- A successful World Aids Day function was held;
- The HR information system has been expanded and additional modules were implemented;
- One the MTC's apprentices passed the trade test and was subsequently employed by the entity as a Diesel Mechanic Artisan;
- The female driver programme produced a Code 14 female driver; and
- Retirees were honoured for their up to 26 years' service to the organisation.

HR challenges faced by the MTC

- Skills Gaps;
- Budget constraints;
- Significant number of employees with chronic illness;
- High turnover rate among bus drivers;
- Increased number of misconduct cases; and
- Resignation of two Executives.

The MTC's future HR plans /goals

The future goals of HR include driving paperless processes within our systems and increasing the training and development of all employees, interns and apprentices.

HUMAN RESOURCE OVERSIGHT STATISTICS

Personnel Cost by programme 1 April 2016 to 31 March 2017*

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	21 220	11 581	6,93%	8	1 448
2. Financial Management	19 602	10 904	6,53%	37	295
3. Corporate Services	7 870	5 814	3,48%	33	176
4. Operations	118 416	43 770	26,19%	270	162
Total	167 108	72 069	43,13%	348	207

*Includes 22 Interns (Code I03) and 11 Apprentices (Codes A07, A08, D05)

Personnel cost by salary band 1 April 2016 to 31 March 2017*

Level	Personnel Expenditure	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee (R'000)
Top Management	6 534	9,07%	4	1 634
Senior Management	9 834	13,65%	10	983
Professional qualified	5 923	8,22%	11	538
Skilled	16 627	23,07%	51	326
Semi-skilled	28 750	39,89%	182	158
Unskilled	4 401	6,11%	90	49
Total	72 069	100%	348	207

*Includes 22 Interns (Code I03) and 11 Apprentices (Codes A07, A08, D05)

Performance Rewards

Level	Performance rewards (R'000)	Personnel Expenditure	% of Performance Rewards to Personnel Expenditure
Top Management	68	6 534	1,04%
Senior Management	54	9 834	0,55%
Professional qualified	40	5 923	0,68%
Skilled	439	16 627	2,64%
Semi-skilled	821	28 750	2,86%
Unskilled	17	4 401	0,39%
Total	1 439	72 069	2,00%

Performance rewards paid in the 2016/2017 financial year relate to performance results obtained for the 2015/2016 financial year. No performance rewards for the 2016/2017 performance year have been paid.

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	11 581	11	0,09%	4	3
2. Financial Management	10 904	17	0,16%	5	3
3. Corporate Services	5 814	94	1,62%	13	7
4. Operations	43 770	766	1,75%	135	6
Total	72 069	888	1,23%	157	6

Employment and vacancies per Department

Programme	2015/2016 No. of Employees	2016/2017 Approved Posts	2016/2017 No. of Employees within the establishment*	2016/2017 Vacancies	% of vacancies	Employees additional to the establishment
1. Office of the CEO	6	10	5	5	50,00%	0
2. Financial Management	28	41	26	15	36,59%	2
3. Corporate Services	25	25	16	9	36,00%	7
4. Operations	180	224	158	66	29,46%	66
Total	239	300	205	95	31,67%	75

*Excludes 22 Interns (Code I03), 11 Apprentices (Codes A07, A08, D05) and 35 Terminations for the year under review
~Includes 32 Cleaners (Codes B03, C10), 17 Goods loaders (Code G01), 16 Inspection Unit Staff (Codes I02, C07), 1 Full Time Shopsteward (Code F04), 8 VSP Applicants and 1 Retiree which are linked to the organisational restructuring project

Employment and vacancies per Level

Programme	2015/2016 No. of Employees	2016/2017 Approved Posts	2016/2017 No. of Employees within the establishment*	2016/2017 Vacancies	% of vacancies	Employees additional to the establishment
Top Management	3	5	3	2	40,00%	0
Senior Management	9	10	7	3	30,00%	1
Professional qualified	8	14	8	6	42,86%	0
Skilled	48	71	40	31	43,66%	7
Semi-skilled	165	196	143	53	27,04%	18
Unskilled	6	4	4	0	0,00%	49
Total	239	300	205	95	31,67%	75

*Excludes 22 Interns (Code I03), 11 Apprentices (Codes A07, A08, D05) and 35 Terminations for the year under review
~Includes 32 Cleaners (Codes B03, C10), 17 Goods loaders (Code G01), 16 Inspection Unit Staff (Codes I02, C07), 1 Full Time Shopsteward (Code F04), 8 VSP Applicants and 1 Retiree which are linked to the organisational restructuring project

The vacancies are currently not filled due to financial constraints. The attraction of staff is due to programs and in terms of competitive packages. Retaining staff through employee development.

Employment changes

The MTC Staff turnover rate for 2016/17 was 14.6%. This rate is low compared to other organisations. The low turn-over rate is attributable to the MTC's market related remuneration structure and varied employment opportunities which cater for all levels of experience and education. Staff morale has been positively impacted by the organisational redesign project which allowed previously displaced employees to be matched to positions which better of suit their respective competencies. Advancement opportunities were also created for females and previously overlooked resources.

The MTC historically had an advanced age workforce profile with many employees being close to retirement age. The MTC terminations related in the main to retirement, deaths, dismissals due to consequence management.

Recruitment initiatives were heavily invested in core functions which resulted in a workforce profile of 85.08% core compared to 14.92% administrative. Furthermore, appointments below management level were prioritised not only due to budget constraints but also to strengthen capacity throughout the base of the organisation.

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	3	1	1	3
Senior Management	9	1	2	8
Professional qualified	8	3	3	8
Skilled	48	3	4	47
Semi-skilled	165	17	21	161
Unskilled	6	51	4	53
Total	239	76	35	280

**Excludes 22 Interns (Code I03) and 11 Apprentices (Codes A07, A08, D05)*

~Includes 32 Cleaners (Codes B03, C10), 17 Goods loaders (Code G01), 16 Inspection Unit Staff (Codes I02, C07), 1 Full Time Shopsteward (Code F04), 8 VSP Applicants and 1 Retiree which are linked to the organisational restructuring project.

Reasons for staff leaving

Reason	Number*	% of total no. of staff leaving
Death	17	48,57%
Resignation	10	28,57%
Dismissal	4	11,43%
Retirement	2	5,71%
Ill health	1	2,86%
Expiry of contract	1	2,86%
Other	0	0,00%
Total	35	100,00%

**Excludes Interns (Code I03) and Apprentices (Codes A07, A08, D05)*

The reasons for termination varied between retirement, death, resignations and dismissals. This mainly related to drivers. The HR division is recruiting drivers through a mass recruitment drive. A database has been developed and maintained to respond quickly to the demand.

Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	0
Written Warning	1
Final Written warning	17
Dismissal	4
Total	22

Equity Target and Employment Equity Status*

Our main target is 50% females in positions. The female driver training programme has been one of the MTC's key attempts to increase the number of females employed at the entity. Furthermore, females are given preference in 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	2	0	0	0	0	1	0
Professional qualified	3	2	1	0	0	0	0	1
Skilled	28	28	1	4	0	0	1	0
Semi-skilled	134	135	1	0	0	0	1	0
Unskilled	41	10	0	0	0	0	0	0
TOTAL	211	177	3	4	0	0	3	1

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	2	2	1	0	0	0	1	0
Professional qualified	4	10	0	2	0	2	0	0
Skilled	16	30	0	5	0	0	1	1
Semi-skilled	24	40	1	0	0	0	0	0
Unskilled	45	20	0	20	0	10	0	0
TOTAL	92	102	2	27	0	12	2	1

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

*Includes 22 Interns (Code I03), 11 Apprentices (Codes A07, A08, D05), a full-time Shopsteward (Code F04), and 34 Cleaners (Codes B03, C10), 17 Goods loaders (Code G01) and 20 Inspection Unit Staff (Codes I02, C07) which are linked to the ongoing organisational restructuring project

*Excludes 35 Terminations during the year under review



**financial
information**



REPORT OF THE EXTERNAL AUDITOR

REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE ON MAYIBUYE TRANSPORT CORPORATION

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Mayibuye Transport Corporation set out on pages 98 to 132, which comprise the statement of financial position as at 31 March 2017, the statement of profit or loss and other 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.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mayibuye Transport Corporation as at 31 March 2017 and its financial performance and cash flows for the year then ended in accordance with 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

3. 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 my report.
4. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) together with 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.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Material uncertainty related to going concern/financial sustainability

6. As disclosed in note 24 to the financial statements, the corporation had accumulated losses of R 120,3 million and the corporation's total assets exceed its liabilities by R121 million. This condition, along with other matters, indicates the existence of a material uncertainty which may cast significant doubt on the corporation's ability to continue as a going concern.
7. The ability of the corporation to continue to provide uninterrupted services is dependent on a number of factors. The most significant of these is that the entity is sufficiently funded by the government into the foreseeable future.

Emphasis of matters

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

Significant uncertainties

9. As disclosed in note 4 to the financial statements, the entity does not hold the title deed to the Zwelitsha Depot, which is situated on communal land. The corporation derives economic benefits from the use thereof and carries the risks that are incidental to ownership. A process for the acquisition of the title deed has been initiated with the Eastern Cape Department of Roads and Public Works, the outcome of which is uncertain at the date of this report.

Irregular expenditure

10. As disclosed in note 26 to the financial statements, irregular expenditure amounting to R42,9 million has accumulated over a number of years. This amount includes irregular expenditure of R11,5 million that was incurred by the entity during the year ended 31 March 2017 as a result of non-compliance with procurement requirements.

Responsibilities of accounting authority for the financial statements

11. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with SA Statements of GAAP and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (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.

12. 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

13. 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 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
14. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

Introduction and scope

15. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PM) 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.
16. 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

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.

17. 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 programmes presented in the annual performance report of the entity for the year ended 31 March 2017:

Programmes	Pages in the annual performance report
Programme: Strategic goal 1 - Customers	52 - 54

18. 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.
19. I did not identify any material findings on the usefulness and reliability of the reported performance information for Strategic Goal 1 – Customers.

Other matter

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

Achievement of planned targets

21. Refer to the annual performance report on page(s) 36 to 56 for information on the achievement of planned targets for the year and explanations provided for the under and overachievement of a significant number of targets.

Introduction and scope

22. 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.
23. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Annual financial statements, performance and annual reports

24. The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework and/or supported by full and proper records as required by section 55(1) (a) and (b) of the PFMA.
25. Material misstatements of non-current assets, current assets, and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected resulting in the financial statements receiving an unqualified audit opinion.

Procurement and contract management

26. Goods, works or services were not procured through a procurement process which is fair, equitable, transparent and competitive as required by the PFMA section 51(1)(a)(iii).

Expenditure management

27. Effective steps were not taken to prevent irregular expenditure, amounting to R11,5 million as disclosed in note 26 of the annual financial statement as required by section 51 (1)(b)(ii) of the PFMA.
28. Effective steps were not taken to prevent fruitless and wasteful expenditure, amounting to R176 682 as disclosed in note 27 of the annual financial statement, as required by section 51(1)(b)(ii) of the PFMA.

Asset management

29. Proper control systems to safeguard and maintain assets were not implemented, as required by sections 50(1)(a) and 51(1)(c) of the PFMA.

Revenue management

30. 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).

Other information

31. The Mayibuye Transport Corporation authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report thereon and those selected programme presented in the annual performance report that have been specifically reported on in the auditor's report.
32. 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.
33. 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. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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 thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for opinion and the findings on compliance with legislation included in this report.

- The entity has experienced stability in leadership in the current financial year, with a chief executive officer and a chief financial officer in place throughout the financial year. However, the extended suspension of senior management limited the ability of management and those charged with governance to exercise sufficient oversight over financial reporting and compliance with laws and regulations.
- Senior management has not created a specific and achievable action plan to improve the internal control deficiencies in order to resolve previously reported findings that I report again in this report. While there was a comprehensive action plan for financial reporting the plan did not yield the planned results as the internal control deficiencies of the entity did not improve.
- Accounting records and registers were still being updated during the preparation of the financial statements, whereas these records, registers and reconciliations should be kept up to date on a monthly basis at minimum.

- The entity's compliance monitoring process has not been effective in the implementation and monitoring of controls to ensure compliance with its laws and regulations. This contributed to the repeat non-compliance findings in the current year.
- The effectiveness of the audit committee and internal audit was impacted by management's slow response to recommendations that were made for improvements, as evidenced by the findings on the annual financial statements and non-compliance with applicable laws and regulations.

Auditor - General

East London
31 July 2017



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

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 the 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.

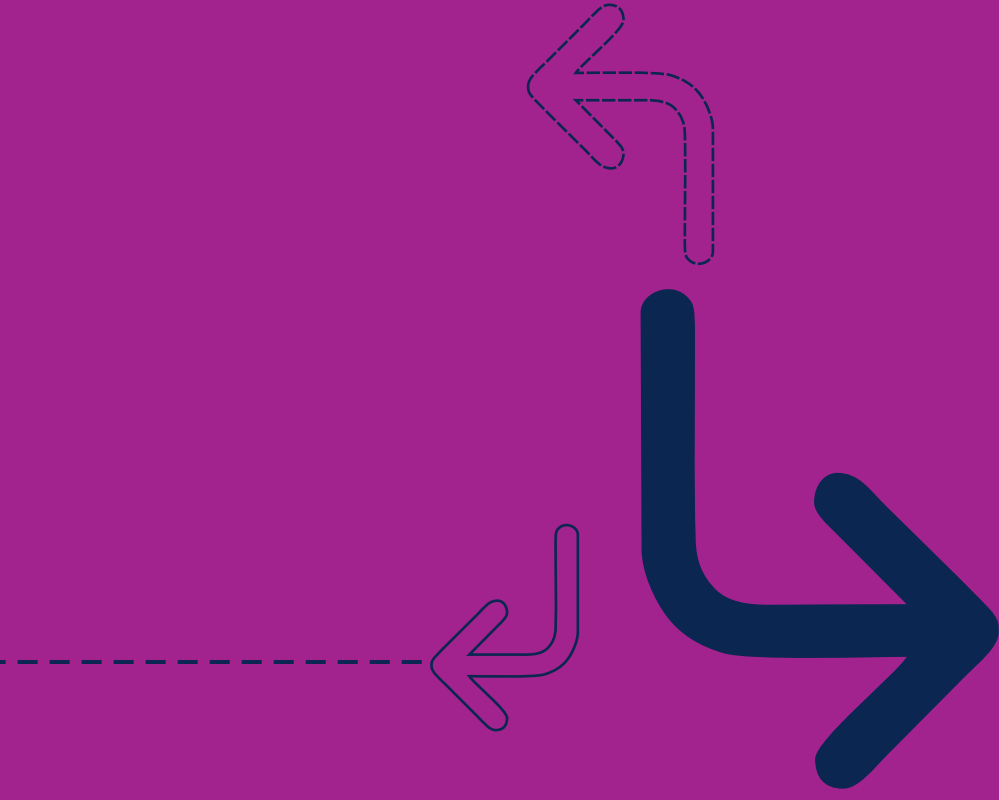
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority.
- conclude on the appropriateness of the board of directors, which constitutes the accounting authority's use of the going concern basis of accounting 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 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 the auditor's report. However, future events or conditions may cause an entity to cease to continue 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.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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 here applicable, related safeguards.





financial statements

ANNUAL FINANCIAL STATEMENTS

GENERAL INFORMATION

Country of incorporation and domicile	South Africa	
Nature of business and principal activities	Providing subsidised public transport, governed by the Public Finance Management Act 1 of 1999 as amended, Schedule 3D Provincial Government Business Enterprises Entity	
Board Members	Ms. FKP Ntlemeza (Board Chairperson)	Appointed 01 February 2016
	Dr. V Mkosana (Board Deputy Chairperson)	Appointed 01 February 2016
	Adv. MH Sishuba	Appointed 01 February 2016
	Mr. PG Zitumane	Appointed 01 February 2016
	Mrs. NM Petela-Ngcanga	Appointed 01 February 2016
	Mrs. T Godongwana	Appointed 01 February 2016
	Dr. B Ssamula	Appointed 01 February 2016
	Mr. AJ de Vries	Appointed 01 February 2016
	Mr. R Surajbali	Appointed 01 February 2016
Registered office	Reeston Depot Corner of Drummond and Mdantsane Access Road East London, Eastern Cape	
Postal address	PO Box 19596 Tecoma East London 5214	
Bankers	Standard Bank of South Africa Limited	
Abbreviations	Corporation Board Members GAAP SDL UIF MEC SARPBAC CEO IFRS GBE's ECDC	<ul style="list-style-type: none"> - Mayibuye Transport Corporation - Accounting Authority - South African Statements of Generally Accepted Accounting Practice - Skills Development Levy - Unemployment Insurance Fund - Member of the Executive Committee - South African Road Passenger Bargaining Council - Chief Executive Office - International Financial Reporting Standards - Government Business Enterprise - Eastern Cape Development Corporation

INDEX

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

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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 Generally Accepted Accounting Practice.

The annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements 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 set 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 31 March 2018 and, in light of this review and the current financial position, they are satisfied that the Corporation has access to adequate 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 and additional schedules set out on pages 6 to 34, which have been prepared on the going concern basis, were approved by the board members on 30 May 2017 and were signed on its behalf by:



Ms FKP Ntlemenza: Board Chairperson
30 May 2017



Mrs N Madyibi: Chief Executive Officer
30 May 2017

BOARD MEMBERS' REPORT

The board members submit their report for the year ended 31 March 2017.

1. Review of activities

Main business and operations

The Corporation is engaged in providing subsidised public transport, governed by the Public Finance Management Act 1 of 1999, schedule 3D provincial government business enterprises entity and operates in South Africa.

The operating results and state of affairs of the Corporation are set out in the attached annual financial statements.

Net loss of the Corporation was R 28 693 989 for the year (2016: R 2 395 669 loss).

Registered office: Reeston Depot

Corner of Drummond and Mdantsane Access Road, East London, Eastern Cape

2. Going concern

We draw attention to the fact that at 31 March 2017, the Corporation had accumulated losses of R 120 331 255, although the Corporation's total assets exceed its liabilities by R 121 024 820.

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 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.

3. 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 would affect the financial position at 31 March 2017.

The issued share capital was increased by R7 million after year end but before the reporting date. This is the capital grant received from the Eastern Cape Department of Transport as part of the 2017/18 budget allocation.

4. Board members' interest in contracts

No material contracts in which the board members have an interest were entered into in the current year.

5. Authorised and issued share capital

During the current financial year the issued share capital increased by R10.000 million to R241.356 million.

6. Board members

The board members of the Corporation during the year and to the date of this report are as follows:

Ms. FKP Ntlemeza (Board Chairperson)	Appointed 01 February 2016
Dr. V Mkosana (Deputy Chairperson)	Appointed 01 February 2016
Adv. MH Sishuba	Appointed 01 February 2016
Mr. PG Zitumane	Appointed 01 February 2016
Mrs. NB Petela-Ngcanga	Appointed 01 February 2016
Mrs. T Godongwana	Appointed 01 February 2016
Dr. B Ssamula	Appointed 01 February 2016
Mr. A De Vries	Appointed 01 February 2016
Mr. R Surajbali	Appointed 01 February 2016

7. Auditors

The auditors of the Corporation is Auditor-General of South Africa:

Business Address:	Auditor-General of South Africa
	69 Frere Road
	Vincent
	East London
	5247

8. Secretary

The acting Secretary of the Corporation is Simphiwe Mbabane.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	Notes	2017 R	2016 R
Assets			
Non-Current Assets			
Property, plant and equipment	4	174 849 246	138 840 192
Intangible assets	5	1 029 021	1 029 021
		175 878 267	139 869 213
Current Assets			
Inventories	6	6 418 084	5 187 251
Trade and other receivables	7	7 937 162	13 475 540
Cash and cash equivalents	8	2 896 692	15 844 216
		17 251 938	34 507 007
Non-current assets held for sale	31	2 602 580	1 148 740
Total Assets		195 732 785	175 524 960
Equity and Liabilities			
Share capital	9	241 356 075	231 356 075
Accumulated deficit		(120 331 255)	(91 637 266)
		121 024 820	139 718 809
Liabilities			
Non-Current Liabilities			
Finance lease liability	10	44 176 568	19 424 073
Current Liabilities			
Finance lease liability	10	11 821 439	6 571 387
Trade and other payables	11	18 709 958	9 810 691
		30 531 397	16 382 078
Total Liabilities		74 707 965	35 806 151
Total Equity and Liabilities		195 732 785	175 524 960

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2017 R	2016 R
Revenue	12	29 387 143	27 546 280
Other income	13	109 026 617	106 586 987
Operating expenses	14	(38 302 029)	(32 967 866)
Depreciation	4	(17 490 547)	(11 742 737)
Administration expenses	15	(39 246 464)	(29 513 842)
Employee costs	16	(72 068 709)	(62 304 491)
Profit (Loss) for the year	17	(28 693 989)	(2 395 669)

STATEMENT OF CHANGES IN EQUITY

	Share Capital R	Accumulated deficit R	Total equity R
Balance at 01 April 2015	<u>221 356 075</u>	<u>(89 241 597)</u>	<u>132 114 478</u>
Profit (Loss) for the year	<u>-</u>	<u>(2 395 669)</u>	<u>(2 395 669)</u>
Issue of shares	<u>10 000 000</u>	<u>-</u>	<u>10 000 000</u>
Total contributions by the shareholder to the corporation recognised directly in equity	<u>10 000 000</u>	<u>-</u>	<u>10 000 000</u>
Balance at 01 April 2016	<u>231 356 075</u>	<u>(91 637 266)</u>	<u>139 718 809</u>
Issue of shares	<u>10 000 000</u>		<u>10 000 000</u>
Profit/(Loss) for the year		<u>(28 693 989)</u>	<u>(28 693 989)</u>
Total contributions by the shareholder to the corporation recognised directly in equity	<u>10 000 000</u>	<u>(28 693 989)</u>	<u>(18 693 989)</u>
Balance at 31 March 2017	<u>241 356 075</u>	<u>(120 331 255)</u>	<u>121 024 820</u>

STATEMENT OF CASH FLOWS

		2017	2016
	Notes	R	R
Cash flows from operating activities			
Cash receipts from customers and government grant income		142 847 493	119 115 633
Cash paid to suppliers and employees		(133 866 122)	(119 155 603)
Cash generated from operations	19	8 981 371	(39 970)
Interest Income		1 104 645	2 516 484
Finance cost		(4 897 536)	(521 129)
Net cash flows from operating activities		5 188 480	1 955 385
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(59 291 950)	(84 336 012)
Proceeds from sale of property, plant and equipment	4	1 153 399	388 335
Purchase of intangible assets	5	-	(66 893)
Net cash used in investing activities		(58 138 551)	(84 014 570)
Cash flows from financing activities			
Proceeds on share issue	9	10 000 000	10 000 000
Movement in Finance lease		30 002 547	25 453 600
Net cash from/(used in) financing activities		40 002 547	35 453 600
Net cash increase/(decrease) in cash and cash equivalents for the year		(12 947 524)	(46 605 585)
Cash and cash equivalents at the beginning of the year		15 844 216	62 449 801
Total cash at end of the year	8	2 896 692	15 844 216

ACCOUNTING POLICIES

1. Basis of preparation

These financial statements are presented in South African Rand [R] since that is the functional currency in which the transactions are denominated.

Summary of significant accounting policies

The Annual Financial Statements are prepared under the historical cost convention, other than certain financial instruments, and incorporate the following principal accounting policies, which have been consistently applied in all material respect. The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The principal accounting policies adopted remained unchanged from the previous year.

1.1 Key management assumptions, estimates and judgements

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.

1.2 Property, plant and equipment

Buildings, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. All other repair and maintenance costs are recognised in profit or loss as incurred.

ACCOUNTING POLICIES

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

Items of property, plant and equipment are depreciated using the straight line basis at rates that will reduce the carrying values to estimated residual values over the anticipated useful lives of the assets concerned. The principal annual rates used for this purpose are:

Item	Depreciation method	Useful life (years)
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 Chassis, 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

1.2 Property, plant and equipment (continued)

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Surpluses or deficits on the disposal of assets are credited or charged to profit or loss. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset. Subsequent expenditure relating to property, plant and equipment is capitalised if the subsequent expenditure meets the definition of an asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment and shall be depreciated according to their different useful life. The

bus components are split into Body and Chasis components.

The gains and losses arising from the derecognition of property, plant and equipment (difference between carrying amount less any revaluation surpluses and net disposal proceeds) are included in surplus or deficit when the item is derecognized.

The residual value and the useful life of each asset are reviewed and adjusted at year end.

The depreciation charge for each year is recognized in surplus and deficit unless it is included in the carrying amount of another asset.

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

ACCOUNTING POLICIES

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

Assets classified as non-current in accordance with IAS 1 Presentation of Financial Statements shall not be reclassified as current assets until they meet the criteria to be classified as held for sale in accordance with this IFRS. Assets of a class that an entity would normally regard as non-current that are acquired exclusively with a view to resale shall not be classified as current unless they meet the criteria to be classified as held for sale in accordance with this IFRS.

1.3 Intangible assets

Intangible assets are initially recognised at cost.

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.

1.3 Intangible assets (continued)

Item	Useful life
Computer software, other	Indefinite

1.3 Financial instruments

Financial Assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The corporation determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

ACCOUNTING POLICIES

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence that the Corporation will not be able to collect all of the amounts due under the original terms of the invoice. The

carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognised in profit or loss.

1.4 Financial instruments (continued)

Derecognition of financial assets and liabilities Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Corporation retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Corporation has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

ACCOUNTING POLICIES

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Trade and other receivables

Trade and other 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 uncollectible, 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.

1.5 Income tax

Taxation

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

1.6 Leases

Finance leases – lessee

Finance leases are recognised as assets of the corporation 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 of on the remaining balance of the liability.

ACCOUNTING POLICIES

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 liability. This liability is not discounted.

1.7 Inventories

Inventories are stated 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, and the estimated costs necessary to make the sale.

Inventory cost includes the costs of purchase of inventories comprising the purchase price, levies, pressing and storage. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

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.

1.8 Impairment of non-financial assets

The corporation assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the corporation estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where

the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

For an asset that does not generate cash inflows that are largely independent of those from other assets the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised in profit or loss whenever the carrying amount of the cash-generating unit exceeds recoverable amount.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

1.9 Share capital

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

ACCOUNTING POLICIES

1.10 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.

1.11 Contingent liabilities

The corporation does not recognise contingent liabilities or contingent assets, 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 28.

1.12 Employee benefits Short-term employee benefits

The cost of short-term employee benefits, (those that are expected to be settled wholly before 12 months after the end of the annual

reporting period in which the employees render the related service), 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 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.

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.

1.13 Provisions

Provisions are recognised where the corporation has a present legal or constructive obligation as a result of a past event, a reliable estimate of the obligation can be made and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

ACCOUNTING POLICIES

1.14 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.

1.15 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 utilise 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.

1.16 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:

- (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.

1.17 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 entity's supply chain management 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 Comprehensive Income.

ACCOUNTING POLICIES

1.18 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.

1.19 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 financial performance.

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 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.

The gearing ratio at 2017, and 2016 respectively were as follows:

		2017 R	2016 R
Total borrowings			
Finance lease obligation	10	55 998 007	25 995 460
Less: Cash and cash equivalents	8	2 896 692	15 844 216
Net assets (debt)		53 101 315	10 151 244
Total equity		121 024 820	139 718 809
Total capital		174 126 135	149 870 053

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

3. Risk management (continued)

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:

At 31 March 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Finance lease obligation	12 067 293	26 171 154	18 005 414
Trade and other payables	18 709 959		
At 31 March 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Finance lease obligation	6 571 387	14 507 843	4 916 230
Trade and other payables	9 810 691	-	-
Interest rate risk			

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

3. Risk management (continued)

Price risk

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

4. Property, plant and equipment

	2017			2016		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	3 877 745	-	3 877 745	3 877 745	-	3 877 745
Buildings	16 033 661	(6 168 644)	9 865 017	16 033 661	(4 953 330)	11 080 331
WIP - Depot upgrade	10 418 568	-	10 418 568	802 348	-	802 348
Leased buses	81 894 351	(6 891 647)	75 002 704	42 828 660	(772 393)	42 056 267
Office equipment	5 929 427	(1 711 939)	4 217 488	2 222 988	(1 227 473)	995 515
Ancillary vehicles	6434 160	(2 229 928)	4 204 232	6 835 754	(1 839 028)	4 996 726
Workshop equipment	2 371 299	(1 368 914)	1 002 385	2 383 611	(981 642)	1 401 969
Office furniture	1 860 965	(664 993)	1 195 972	1 565 190	(548 486)	1 016 704
Property fencing	1 315 503	(737 403)	578 100	1 315 503	(674 275)	641 228
Leased office	968 187	(846 346)	121 841	968 187	(743 281)	224 906
Buses	77 404 540	(19 754 134)	57 650 406	92 083 973	(21 179 157)	70 904 816
Internal roads	1 577 575	(1 092 205)	485 370	1 577 575	(954 236)	623 339
Operating equipment	6588 189	(358 771)	6 229 418	555 356	(337 058)	218 298
Total	216 674 170	(41 824 924)	174 849 246	173 050 551	(34 210 359)	138 840 192

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Classified as held for sale	Scrapped Assets	Depreciation	Total
Land	3 877 745	-	-	-	-	-	3 877 745
Buildings	11 080 331	-	-	-	-	(1 215 314)	9 865 017
WIP - Depot	802 348	9 616 220	-	-	-	-	10 418 568
Leased buses	42 056 267	39 065 691	-	-	-	(6 119 254)	75 002 704
Office	995 515	3 747 581	(8 843)	-	-	(516 767)	4 217 488
Ancillary	4 996 726	-	-	(66 842)	(23 210)	(702 765)	4 204 232
Workshop	1 401 969	74 746	-	-	(10 998)	(463 332)	1 002 385
Office	1 016 704	357 336	-	-	(25 599)	(152 469)	1 195 972
Property	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	218 298	6 430 376	-	-	(143 625)	(275 631)	6 229 418
	138 840 192	59 291 950	(8 843)	(5 580 074)	(203 432)	(17 490 547)	174 849 246

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

4. Property, plant and equipment

Reconciliation of property, plant and equipment – 2016

	Opening balance	Additions	Disposals	Classified as held for sale	Impairment Loss	Depreciation	Total
Land	3 877 745						3 877 745
Buildings	12 297 843	-	-	-	-	(1 217 512)	11 080 331
WIP - Depot upgrade	-	802 348	-	-	-	-	802 348
Leased buses	-	42 828 660	-	-	-	(772 393)	42 056 267
Office equipment	856 265	515 170	(175)	-	-	(375 745)	995 515
Ancillary vehicles	2 928 998	3 260 499	(61 903)	(143 137)	(281 161)	(706 570)	4 996 726
Workshop equipment	769 445	1 134 518	(1 353)	-	-	(500 641)	1 401 969
Office furniture	1 143 342	54 371	(4 519)	-	-	(176 490)	1 016 704
Property fencing	334 043	342 373	-	-	-	(35 188)	641 228
Leased office equipment	451 566	-	-	-	-	(226 660)	224 906
Buses	51 603 191	35 236 060	(1 885 186)	(1 005 605)	(5 608 255)	(7 435 389)	70 904 816
Internal roads	814 748	-	-	-	-	(191 409)	623 339
Operating equipment	161 025	162 013	-	-	-	(104 740)	218 298
	75 238 211	84 336 012	(1 953 136)	(1 148 742)	(5 889 416)	(11 742 737)	138 840 192

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 note 10. The Corporation

entered into finance lease for the acquisition of buses. The lessor is holding titles as securities.

The Board Members approved the disposal of scrapped buses and ancillary vehicles in 2016/17 financial year, these buses have been removed from Property Plant and Equipment and now have been classified as assets held for sale.

5. Intangible assets

	2017			2016		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
Computer software	1 029 021	-	1 029 021	-	1 029 021	1 029 021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Reconciliation of intangible assets - 2017

	Opening Balance	Total
Computer software	1 029 021	1 029 021

Reconciliation of intangible assets - 2016

	Opening Balance	Additions	Total
Computer software	962 128	66 893	1 029 021

5. Intangible assets (continued)

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	6 418 084	5 187 251
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An inventory (Gain) loss of (R207 726) (2016:R270 864) was recognised by the corporation.

7. Trade and other receivables

Other receivables	5 462 528	4 475 037
	5 462 528	4 475 037
Prepayments	2 171 167	8 682 462
Staff loans	303 467	318 041
	7 937 162	13 475 540

8. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following statement of financial position amounts:

	2017 R	2016 R
Cash on hand	4 384	1 529
Bank balances	2 892 308	15 842 687
	2 896 692	15 844 216

The fair value of cash and short-term deposits is R2 896 692 (2016:R15 844 216).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R
9. Share Capital		
Authorised		
Ordinary shares of R1 each	250 000 000	250 000 000
Issued		
Ordinary shares of R1 each	241 356 075	231 356 075

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 entity has one class of ordinary shares which carry no right to fixed income. During the current year the issued

share capital was increased by R10 000 000 to R241 356 000. The authorised share capital was not increased during the current financial year.

The issued share capital was increased by R10 000 000 to R231 356 000 during the prior year.

10. Finance lease liability

Minimum lease payments due

- no later than one year	16 068 967 51	8 568 450 21
- later than one year and no later than five years	199 123	921 606
	67 268 089	30 490 056
less: future finance charges	(11 270 082)	(4 494 596)
Present value of minimum lease payments	55 998 007	25 995 460

Present value of minimum lease payments due

- no later than one year	11 821 439 44	6 571 387 19
- later than one year and no later than five years	176 568	424 073
	55 998 007	25 995 460

Non-current liabilities

Current liabilities	44 176 568 11	19 424 073 6
	821 439	571 387
	55 998 007	25 995 460

It is the corporation's policy to lease certain buses and computer equipment are held under finance leases. The average lease term for office equipment was 3 years and the average effective borrowing rate was 9% (2016: 9%).

The lease term for leased buses is five years and the effective borrowing rate was 9.25%. The security for the lease liability are the buses and computer equipment that are leased and are disclosed in note 4.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R
11. Trade and other payables		
Trade payables	5 212 580	2 956 305
Amounts received in advance	1 570 128	117 697
Accrued leave pay	6 022 172	3 567 200
Accrued bonuses	830 495	767 314
Accrued workmen's compensation	952 299	842 008
Other accrued expenses	4 122 284	1 560 167
	18 709 958	9 810 691
12. Revenue		
Passenger fares	25 214 683	22 840 975
Private hire	4 172 460	4 705 305
	29 235 645	27 546 280
<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 the sole service provider in South Africa to record bus fare information. Revenue that cannot be measured reliably is not recognised.</p>		
13. Other income		
Interest income	1 104 645	2 516 484
Discount received	32 133	32 062
Penalties Income	710 500	4 357 900
Gain on subsequent increase in fair value	526 867	-
Sundry income	362 870	89 786
Insurance Claims	260 188	186 700
Teta Grant Income	2 228 414	414 055
Government income	103 801 000	98 990 000
	109 026 617	106 586 987
14. Operating expenses		
Fuel	17 090 985	14 401 772
Tyres	1 253 582	1 881 905
Licences and permits	2 669 841	2 201 631
Fines and penalties	139 550	80 156
Spares, units, repairs and maintenance	14 531 172	9 730 794
Consumables (lubricants and grease)	801 851	1 046 442
Motor vehicle expenses	916 487	794 457
Inventory adjustments	-	270 864
Other operating expenses	898 561	2 559 845
	38 302 029	32 967 866

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R
15. Administration expenses		
Training costs	888 923	637 139
Subsistence and Travel	903 052	677 234
Telephone, cell phone and postage	1 393 683	1 249 471
Insurance	5 229 792	1 958 663
Audit Fees	3 594 205	3 894 468
Security expenses	2 222 248	1 530 194
Finance costs	4 888 248	521 129
Rental and leases	1 693 590	954 858
Water and Electricity	1 447 961	1 142 927
Internal Audit fees	786 919	917 339
Computer expenses	402 641	346 235
Consulting fees	2 335 258	2 941 404
Printing and Stationery	802 831	712 540
Recruitment costs	259 587	381 576
Board members fees and expenses	2 205 821	2 428 805
Other administrative expenses	4 013 397	2 943 310
Impairment Loss	3 504 361	5 889 416
Legal Expenses	2 673 947	387 134
	39 246 464	29 513 842

Board members fees include fees for audit committee meetings attended by members who are also form part of the Audit Committee.

16. Employee costs

Salaries and Wages	55 294 775	49 427 065
Overtime	1 032 425	1 223 641
Pension	5 782 837	5 437 600
Medical aid	3 764 555	3 384 537
Unemployment Insurance Fund	410 362	364 447
Skills Development Levy	592 132	558 538
Leave pay	3 118 120	(239 482)
Allowances	1 454 858	1 347 209
SARPBAC	42 645	35 475
Workman's Compensation	576 000	765 461
	72 068 709	62 304 491

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R
17. Profit/(Loss) for the year		
Profit/(Loss) for the year is stated after accounting for the following:		
Income		
Interest income	1 104 645	2 516 484
(Loss)/Profit on sale of property, plant and equipment	(207 615)	(1 564 803)
Audit committee emoluments	352 933	174 121
Depreciation	17 490 546	11 742 737
Finance costs	4 897 536	521 129
18. Income tax expense		
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.		
19. Cash generated from operations		
Profit/(Loss)	(28 693 989)	(2 395 669)
Adjustments for:		
Depreciation	17 490 546	11 742 737
Net loss on disposal of property, plant and equipment	207 615	1 564 803
Interest received	(1 104 645)	(2 516 484)
Finance costs	4 897 537	521 129
Impairment Loss	3 504 361	5 889 416
Gain on subsequent increase in fair value	(526 866)	-
Changes in working capital:		
Inventories	(1 230 833)	(1 147 870)
Trade and other receivables	5 538 378	(12 501 150)
Trade and other payables	8 899 267	(1 196 882)
	8 981 371	(39 970)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R
20. Related parties		
Relationships		
Shareholder	Eastern Cape Department of Transport	
Members of key management	Refer to note 22	
Board members	Refer to note 21	
ECDC	Refurbishment of Depots	
Lwando Phumlani Nkunjana	Bhejula Holdings - Director	
Zilindile Donald Leni	Curoguard - Director	
Nolufefe Patricia Funani	East London Women In Transport Primary Co-Operative Limited Fouding Member	
Lwando Phumlani Nkunjana	Optimul Solutions - Director	
Related party transactions		
Grant aid received		
Eastern Cape Department of Transport	103 801 000	98 990 000
Capital contribution - Increase in share capital		
Eastern Cape Department of Transport	10 000 000	10 000 000
Staff loans to senior management		
Mr ZD Leni - Cellphone expenses	3 678	3 679
Mr C Mtise - Cellphone expenses	5 653	5 653
Ms N Leni - Cellphone expenses	2 378	2 378
Ms N Leni - Study Loan	-	41 067
Mr N Van Wyk - Cellphone expenses	-	6 038
	11 709	58 815
ECDC		
Refurbishment of Alice and Queenstown Depots	5 000 000	4 300 000
Sale of Assets to senior management		
Tsholo J.	607	-
Van Wyk N.	8 963	-
	9 570	-

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 21 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 22 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

		2017 R	2016 R
21. Board members' emoluments			
2017	Meetings	Travel	Total
Ms. FK Pearl Ntlemeza (Board Chairperson)	409 891	52 201	462 092
Dr. V Mkosana (Deputy Board Chairperson)	269 850	4 471	274 321
ADV. M Sishuba	283 125	721	283 846
Mr. PG Zitumane	187 500	2 951	190 451
Ms. NM Petela	188 250	5 333	193 583
Mrs. T Godongwana	180 375	-	180 375
Dr. B Ssamula	119 375	2 934	122 309
	1 638 366	68 611	1 706 977
2016	Meetings	Travel	Total
Dr. V Mkosana (Board Chairperson) & Deputy Board Chairperson from 01 February 2016	362 035	5 728	367 763
Mrs. RN Luzuka (Board Deputy Chairperson)	238 622	2 690	241 312
ADV. M Sishuba	362 500	1 958	364 458
Rev. M Matya	295 000	31 941	326 941
Mr. M Mafani	90 500	1 400	91 900
Mr. PG Zitumane	418 500	4 868	423 368
Ms. NM Petela	265 594	7 470	273 064
Ms. FK Pearl Ntlemeza (Board Chairperson from 01 February 2016)	55 714	3 231	58 945
CLLR. M Vaaiboom	106 000	2 021	108 021
Mrs. T Godongwana	31 353	352	31 705
Dr. B Ssamula	20 380	558	20 938
	2 246 198	62 217	2 308 415

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

Mr D Qhali was a non remunerated board member as he represents the Eastern Cape Provincial Treasury until 31 January 2016.

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

22. Senior management

	CEO N Madyibi	CFO S Galada	HOD:OSM N Van Wyk	HOD:HR LC Mtise	HOD: OPS N Leni	HOD: ENG Z Leni	COO D Gwabeni
Basic	1 408 794	1 016 649	806 423	696 848	463 203	717 261	633 782
Backpay	11 383	6 970	9 048	6 580	7 528	6 078	-
Car	420 000	180 000	-	36 000	-	-	146 667
Cash allowance	210 358	221 620	-	315 676	222 925	294 355	173 182
Termination leave	-	-	88 653	-	-	-	-
Medical aid	-	-	-	-	100 132	41 069	-
Provident fund	149 500	-	-	112 889	10 838	107 293	102 673
Re-imbursement of KMS	72 491	2 314	455	-	75 039	-	19 186
UIF	1 785	1 785	744	1 785	19 788	1 785	1 190
SDL	19 650	13 892	7 483	9 956	1 041	10 127	8 768
Deduction in lieu of notice	-	-	(133 849)	-	7 699	-	-
Performance bonus	67 720	-	-	-	-	-	-
Other	-	-	-	-	-	-	126
	2 361 681	1 443 229	778 771	1 179 734	908 193	1 177 969	1 085 574

2016	CEO N Madyibi	CFO S Galada	ED:OSM N Van Wyk	EM:HR LC Mtise	EM:OPS N Leni	EM:ENG Z Leni	Compliance Officer J Tsholo
Basic	1 475 516	1 077 032	1 473 113	761 329	892 065	700 552	619 755
Backpay	21 071	18 867	24 493	16 453	20 379	16 453	14 786
Car	420 000	30 000	-	59 790	37 740	41 510	70 000
Housing allowance	-	-	-	14 635	-	-	-
Cellphone allowance	7 500	-	-	-	-	-	-
Cash allowance	-	27 679	-	48 960	59 785	45 230	42 782
Medical aid	-	-	-	-	17 208	30 657	-
Provident fund	-	-	-	132 143	154 875	121 588	100 400
Performance bonus	-	-	89 017	-	-	-	88 479
13th cheque	-	-	-	85 340	88 282	68 966	-
UIF	1 785	1 785	1 784	1 785	1 785	1 785	1 785
SDL	18 401	11 476	15 866	9 705	11 032	8 913	9 049
Re-imbursement of KMS	72 426	20 530	3 977	8 801	56 686	29 327	13 896
Acting Allowance	-	-	-	-	-	-	86 311
	2 016 699	1 187 369	1 608 250	1 138 941	1 339 837	1 064 981	1 047 243

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R	
23. Audit committee			
Fees for attending meetings			
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
2016	Meetings	Travel	Total
Mr J Mdeni - Chairperson	55 000	9 553	64 553
Mrs RN Luzuka	54 000	378	54 378
Mrs T Cumming	55 190	-	55 190
	164 190	9 931	174 121

24. Going concern

We draw attention to the fact that at 31 March 2017, the corporation had accumulated losses of R (120 331 255). This condition, along with other matters, indicate the existence of a material uncertainty which may cast significant doubt about the company'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 121 024 820.

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.

25. 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.

The issued share capital was increased by R7 million after year end but before the reporting date. This is the capital grant received from the Eastern Cape Department of Transport as part of the 2017/18 budget allocation.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R
26. Irregular expenditure		
Reconciliation of irregular expenditure		
Opening balance	31 289 693	29 225 097
Add: Movement in current year	11 501 599	2 164 596
	42 891 292	31 389 693

Details of irregular expenditure

Incident	2017	2016
Insufficient number of quotations	795	49 212
Continuous service with no contract	595 065	1 726 279
Insufficient supporting documentation	353 360	389 105
No procurement process followed	1 137 557	-
Deviation not sought from Provincial Treasury	9 118 207	-
Expired contracts	296 615	-
	11 501 599	2 164 596

Disciplinary steps taken/criminal proceedings

Disciplinary action has been instituted against responsible officials and the action is in progress with regards to the 2017, 2016 and 2015. The historical information is currently being investigated and will be dealt with in the 2018 financial year.

27. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure		
Opening balance	621 359	539 189
Add: Movement in current year	176 682	82 170
Closing balance	798 041	621 359
Incident	2017	2016
Penalties on late payment & cancellations	156 024	-
Interest on late payment	9 288	2 014
Other	-	-
Traffic fines	11 370	3 610
Penalty on late submission of WC declarations	-	76 546
	176 682	82 170

Disciplinary steps taken/criminal proceedings

An investigation is being undertaken into the instances of fruitless and wasteful expenditure and appropriate action will be taking in due course.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R
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28. Contingencies

During the reporting period, there were matters arising that gives rise to contingent liabilities:

There are Labour dispute cases due to Senior Management suspensions as at 31 March 2017 and there are currently no indication as to the probability of the success of these claims.

2017	Anticipated legal fees	Estimated claim	Nature	Referred to	Total contingent liability
Mbabane & Sokutu Inc.	500 000	500 000	Labour dispute	Labour court	1 000 000
2016	Anticipated legal fees	Estimated claim	Nature	Referred to	Total contingent liability
Mbabane & Sokutu Inc.	78 375	-	Labour dispute	Labour court	78 375

29. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Refurbishment of Depots - ECDC	2 758 024	7 549 206
• Automated Fare collection - Vix-Questek	2 245 357	5 439 535
• Standard Commuter buses - Siga Capital	-	38 749 740

Operating leases – as lessee (expense)

Minimum lease payments due

- within one year	2 058 970	1 579 755
- in second to fifth year inclusive	2 983 682	5 042 651
	5 042 652	6 622 406

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R
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30. Financial assets by category

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

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

2016	Loans and receivables	Fair value through profit or loss - designated	Total
Trade and other receivables	13 475 540	-	13 475 540
Cash and cash equivalents	-	15 844 216	15 844 216
	13 475 540	15 844 216	29 319 756

31. Non-current assets held for sale

The assets and liabilities related to the Corporation have been presented as held for sale following the approval of the Board Members on

10th of February 2017. The completion date of the transaction is expected by 30th June 2017.

Reconciliation

Non-current assets held for sale	5 580 074
Less impairment Loss	3 504 361
	2 602 580

Profit and loss

Assets and liabilities

Non-current assets held for sale

Property, plant and equipment	2 602 580	1 148 740
	2 602 580	1 148 740

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

32. Financial liabilities by category

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

2017	Fair value through profit or loss	Total
Trade and other payables	18 709 959	18 709 959
2016	Fair value through profit or loss	Total
Trade and other payables	9 810 691	9 810 691