

# Metropolitan Trading Company

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2019/2020

Annual Integrated Report



# BRIDGING THE DIGITAL DIVIDE FOR AN INCLUSIVE AND CONNECTED JOHANNESBURG

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THE METROPOLITAN TRADING COMPANY (PTY) LTD (SOC) LIMITED

/ NON-PROFIT COMPANY

COMPANY INFORMATION

Registration number: 1999/011422/07  
Registered Address: 1st Floor, Forum IV, Braampark, Johannesburg  
Postal Address: P.O. Box 1049, Johannesburg, South Africa, 2000  
Telephone number: (011) 032 0250  
Fax number: None  
Website: [mtc.joburg.org.za](http://mtc.joburg.org.za)  
Bankers: Standard Bank South Africa  
Auditors: Auditor-General

**VISION**  
"Bridging the digital divide for an inclusive and connected Johannesburg"

**MISSION**

- Reduce the cost of telecommunications;
- Enable service delivery, through connectivity for Pro-poor development;
- Improve Economic competitiveness and ease of doing business in Johannesburg;
- Contribute to safer communities and social upliftment; and
- Achieve financial and operational sustainability.

**VALUES**

- Customer Centric
- Reputable
- Innovative
- Professional
- Sustainable

Approval:

Rajen Chetty

Signature \_\_\_\_\_

Chief Financial Officer

Date of approval: \_\_\_\_\_

Thedi Moropa

Signature \_\_\_\_\_

Chief Executive Officer

Date of approval: \_\_\_\_\_

Tshikani Colleen Makhubele

Signature \_\_\_\_\_

Chairperson of the Board

Date of approval: \_\_\_\_\_

MMC: Cllr Lawrence Khoza

Signature \_\_\_\_\_

Member of the Mayoral Committee: Finance

Date of approval: \_\_\_\_\_

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## ACRONYMS AND ABBREVIATION

|          |  |
|----------|--|
| ACEO     | Acting Chief Executive Officer                         |
| ACFO     | Acting Chief Financial Officer                         |
| AGSA     | Auditor-General South Africa                           |
| AGM      | Annual General Meeting                                 |
| BBBEE    | Broad-Based Black Economic Empowerment                 |
| BSS      | Business Support System                                |
| CCTV     | Closed-Circuit Television                              |
| CLLR     | Councillor   |
| CoJ      | City of Joburg   |
| DPSA     | Department of Public Service Administration            |
| EBM      | Enhance Business Model                                 |
| EPWP     | Extend Public Work Program                             |
| ETOM     | Enhanced Telecom Operations Map                        |
| FRM      | Fraud Risk Management Policy                           |
| GDS      | Growth Development Strategy                            |
| GDS 2040 | Growth and Development Strategy 2040                   |
| GICT     | Group Information Communications Technology            |
| IAC      | Independent Audit Committee                            |
| ICT      | Information Communications Technology                  |
| IM       | Information Management                                 |
| IOC      | Integrated Operations Centre                           |
| ISP      | Internet Service Providers                             |
| IT       | Information Technology                                 |
| ITIL     | Information Technology Infrastructure Library          |
| KPA      | Key Performance Area                                   |
| KPI      | Key Performance Indicator                              |
| ME       | Municipal Entity                                       |
| MFMA     | Municipal Finance Management Act                       |
| MOI      | Memorandum of Incorporation                            |
| MTC      | Metropolitan Trading Company                           |
| MTTR     | Mean Time to Restore                                   |
| NED      | Non-Executive Director                                 |
| NOC      | Network Operation Centre                               |
| NT       | National Treasury                                      |
| OECD     | Organization for Economic Co-operation and Development |
| OHSA     | Occupational Health and Safety Act                     |
| OSS      | Operations Support System                              |
| SA       | Shareholder Agreement                                  |
| SALGA    | South African Local Government Agency                  |
| SDA      | Service Delivery Agreement                             |
| SLA      | Service Level Agreement                                |
| SMME     | Small Medium Micro Enterprise                          |
| SWOT     | Strength, Weakness Opportunities, Threats.             |
| VOIP     | Voice Over Internet Protocol                           |
| WIFI     | Wireless   |



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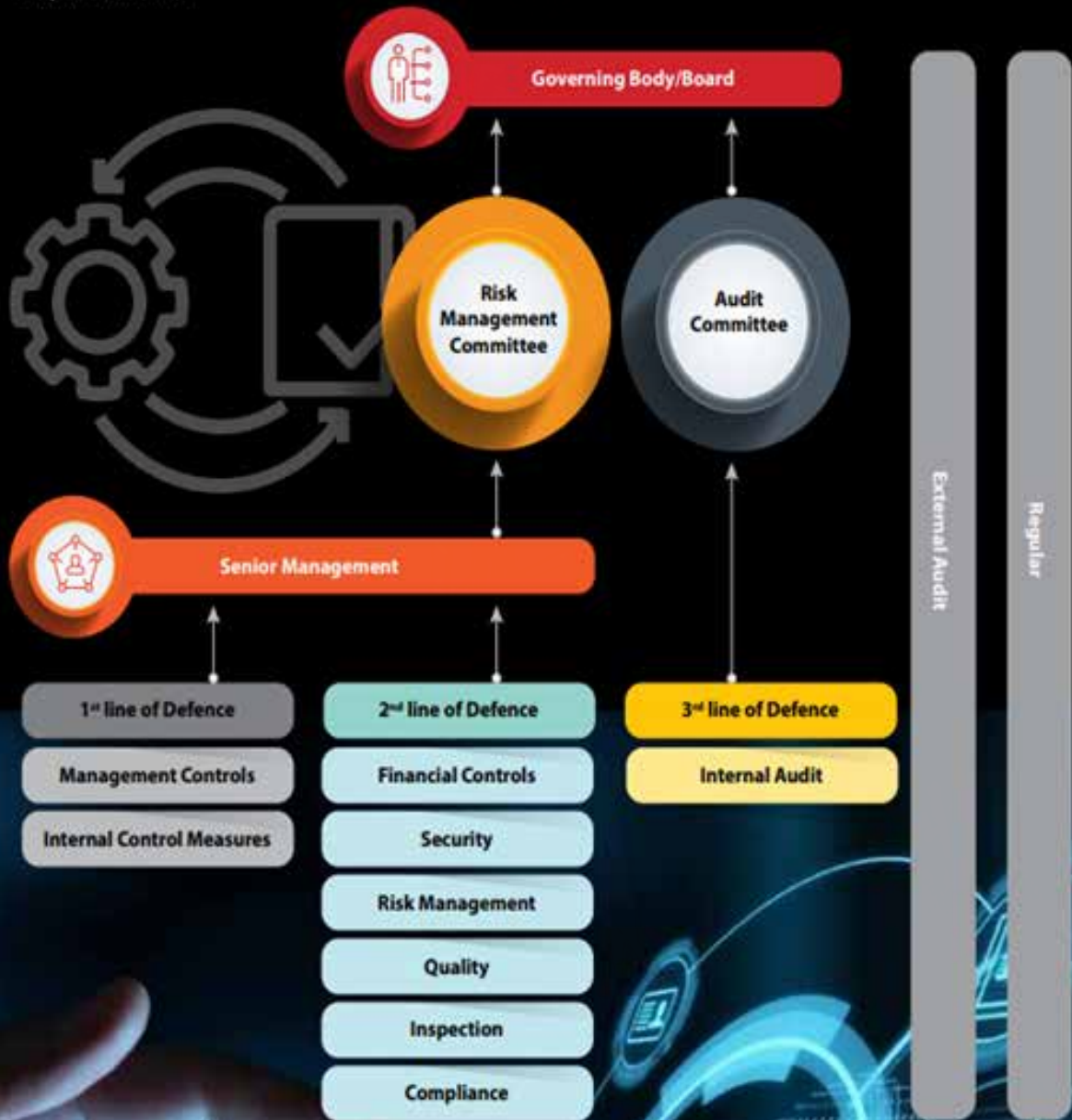
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# ABOUT THE REPORT

The entity will continue to refine its approach in future integrated reports to further align with international reporting standards and to promote consistency and accountability with respect to its role in creating and sustaining value for all citizens of Johannesburg.

Graphic 1: Structure



# ABOUT THE REPORT

Summary of the significant framework and legislation used to prepare the report The Metropolitan Trading Company (MTC) an independent municipality entity, wholly owned by the City of Johannesburg Metropolitan Municipality (CoJ), is pleased to present its Annual Integrated Report for the period 1 July 2019 to 30 June 2020. MTC is responsible for many of the Smart City Programmes of the City as well as rendering the full spectrum of Information and Communications Technology Services to the City and many of its Municipal Entities. MTC began operating as such as on 4 September 2015. The mandate of MTC is to provide capacity on the Johannesburg Broadband Network to the City and to ICASA licensed operators and the public at a cost-effective price while being profitable. MTC is further mandated to provide services to the City to manage the delivery of the City's Smart City objective and ICT operations. This report aligns with best practice in integrated reporting. It includes the principles of integrated reporting contained in the International Integrated Reporting Council Framework, published by the International Integrated Reporting Council (IIRC) in December 2013, and is guided by various codes and standards including the King IV Report on Corporate Governance for South Africa, and the accompanying Code on Corporate Governance for South Africa. MTC has applied circular 63 of the Municipal Finance Management Act No. 56 of 2003 (MFMA), issued by the National Treasury in the preparation of the Integrated report. The circular prescribes the content municipalities should cover in their annual reports. The 2018/19 integrated report provides all the required data and tables. To comply with local and international sustainable reporting best practice guidelines, the 2018/19 integrated report also considers financial, social and economic factors in reporting on MTC's operations. The guidelines applied include:

- Reporting requirements as per the Municipal Finance Management Act No. 56 of 2003, Circular 63
- The South African Statements of Generally Recognised Accounting Practice (GRAP)
- Section 46(1) of the Municipal Systems Act of 2000
- International Integrated Reporting Council's Integrated Report Framework (IIRC IRF)
- King IV Report on Corporate Governance for South Africa
- National Treasury Guidelines and Regulations MTC 's outcomes are aligned with those set out in the City of Johannesburg's 2016/17-2020/21 Integrated Development Plan and the Joburg 2040 Growth and Development Strategy (GDS), the collective and shared vision for the future of Johannesburg.

MTC 's outcomes are aligned with those set out in the City of Johannesburg's 2016/17-2020/21 Integrated Development Plan and the Joburg 2040 Growth and Development Strategy (GDS), the collective and shared vision for the future of Johannesburg.

## Basis of preparation and presentation

The integrated report reflects a holistic account of all relevant and material financial and non-financial information, to enable stakeholders to evaluate the performance and impact of MTC operations in implementing its mandate. To present a complete view of our company's strategy and performance, taking into account both qualitative and quantitative matters that are material to our operations and strategic objectives, which may influence the decision making by the entity and its stakeholders. The Board of Directors supported by the City of Johannesburg Metropolitan Municipality as the sole shareholder provides oversight over the activities of the entity. Matters important to stakeholders are determined through extensive consultation with consideration of the concerns raised and feedback from stakeholders, taking account of the company's strategic objectives, assessment of risk and the way in which our value chain operates. Material matters are those that are both of high concern to stakeholders and which could have a significant impact on our ability to create value. MTC continues to consider best reporting practices in the preparation of its integrated report, including the principles, set out in the International Integrated Reporting Council's Framework and the guidelines of the Global Reporting Initiative (GRI). Integrated reporting remains a cornerstone of our commitment to entrench global best practices in all operations. This report also complies with the disclosure requirements of the Generally Recognised Accounting Standards (GRAP), the King IV Report on corporate governance for South Africa (King IV).

## Summary of the organisation's materiality determination process

MTC applies the principle of materiality, in pertinent content and disclosure, to determine the nature, timing, and extent of the disclosures in its integrated report. A matter is material if it is of such relevance and importance that it could substantially influence an assessment of the report and the entity's ability to create value in the short, medium and long term. Material issues are embedded into the company's processes in at least the following four ways that ensure efficiency and impact:

- **Strategy:** To feed into ongoing strategy development by highlighting rapidly emerging issues and enabling them to be factored into strategy development and possibly addressed as business opportunities, rather than ignored until they become business risks.
- **Performance:** To promote an internal understanding of the link between environmental, social, and governance issues and business performance. The materiality determination provides a link between issue experts and strategic and operational managers.
- **Stakeholder engagement:** To provide a framework to design stakeholder engagement strategies and a powerful tool to help identify opportunities for dialogue and collaboration.
- **Reporting:** To determine the scope of reporting and other communications so that they are more strategically aligned and useful to external stakeholders. The main areas covered in this report in terms of both current and future issues are based on what the stakeholders said they need to know, the business focus areas, priorities and the actively managed risks confronted by the company.



MTC's approach to determining and prioritising the report content is an ongoing process throughout the year that considers internal and external factors which have and/or could have a substantive impact on the organization's value creation activities and interaction.

The following internal and external criteria were used to identify material issues as outlined in the table below:

| TABLE 1  |  |
|--|--|
| <p>Organisation's materiality determination process</p> <p>Financial Reporting</p>   | <p>Non-Financial Reporting</p>   |
| <p>This report includes reports of the Independent Auditors; the Audit and Risk Committee; the annual financial statements and the Corporate governance reports.</p>   | <p>The boundary of the report extends beyond financial reporting and includes non-financial performance, opportunities, risks and outcomes attributable to or associated with key stakeholders that have a significant influence on the company's ability to create value.</p> |
| <p>The following frameworks adopted and applied include:</p> <ul style="list-style-type: none"> <li>• The Standard of Generally Recognised Accounting Practice</li> <li>• The King IV Report on Corporate Governance for South Africa</li> <li>• The Companies Act No 71 of 2008 as amended (Companies Act)</li> <li>• The Municipal Finance Management Act No.56 of 2000</li> </ul> | <p>This report is intended to address the information requirements of long-term investors (the shareholder). It also presents information relevant to other key stakeholders, including employees, clients, patrons, regulators, and communities.</p>                          |

### Summary of the significant frameworks and legislation used to prepare the report

The integrated report for the period 1 July 2018 to 30 June 2019 is an integrated financial, social and economic report. MTC aligns to the local and international sustainability best reporting practices including the:

- The Constitution of the Republic of South Africa (108 of 1996)
- Municipal Finance Management Act (56 of 2003)
- Standards of Generally Recognised Accounting Practice
- King IV Report on Corporate Governance for South Africa
- Discussion papers issued by the South African Integrated Reporting Committee and the International Integrated Reporting Council
- Global Reporting Initiative Framework
- Millennium Development Goals
- Joburg 2040 Growth and Development Strategy

The City of Johannesburg's Integrated Development Plan • Municipal Finance Management Act (56 of 2003) • Municipal Structures Act (117 of 1998) • Municipal Systems Act (32 of 2000) • Preferential Procurement Policy Framework Act (5 of 2000) and related regulations 2017 • Broad-Based Black Economic Empowerment Act (53 of 2003) • Promotion of Access to Information Act (2 of 2000) • Promotion of Administrative Justice Act (3 of 2000)

### **Protected Disclosures Act (26 of 2000)**

- Prevention and Combating of Corrupt Activities Act (12 of 2004)
- Companies Act (71 of 2008)
- Competition Act (89 of 1998)
- Labour Relations Act (66 of 1995)
- Basic Conditions of Employment Act (75 of 1997)
- Employment Equity Act (55 of 1998)
- Skills Development Act (97 of 1998)
- Skills Development Levy Act (9 of 1999)
- Unemployment Insurance Act (63 of 2001)
- Unemployment insurance Contributions Act (4 of 2002)
- Occupational Health and Safety Act (85 of 1993)
- The Compensation for Occupational Injuries and Diseases Act (130 of 1993)
- National Health Act (61 of 2003)
- Income Tax Act (58 of 1962)
- Value Added Tax (89 of 1991)
- The report considers economic, environmental, social and
- Technical performance and is also available online on the
- Entity's corporate website ([mtc.joburg.org.za](http://mtc.joburg.org.za))

### **Codes and protocols**

MTC applies the governance principles contained in King IV and continues to further entrench and strengthen recommended practices in its governance structures, systems, Table 2: Reporting boundary Financial Reporting Non-Financial Reporting This report includes reports of the Independent Auditors; the Audit and Risk Committee; the annual financial statements and the corporate governance reports.

The boundary of the report extends beyond financial reporting and includes non-financial performance, opportunities, risks and outcomes attributable to or associated with key stakeholders that have a significant influence on the company's ability to create value.

- The following frameworks adopted and applied include:
- The Standard of Generally Recognised Accounting Practice
- The King IV Report on Corporate Governance for South Africa
- The Companies Act No 71 of 2008 as amended (Companies Act)

## **The Municipal Finance Management Act No.56 of 2000**

This report is intended to address the information requirements of long-term investors (the shareholder). It also presents information relevant to other key stakeholders, including employees, clients, patrons, regulators, and communities.

## **INTEGRATED ANNUAL REPORT 2019/20 processes, and procedures.**

The directors and executives recognise that compliance is a source of rights and protection in accordance with King IV. Accordingly, the directors ensure continual monitoring of the regulatory environment in order to respond appropriately in the event of developments calling for MTC's response. Through this process, stakeholders can derive assurance that the entity is being ethically managed according to prudently determined risk parameters and in compliance with generally accepted corporate practices. Monitoring the entity's compliance with King IV forms part of the mandate of the Audit and Risk Committee. The entity has complied with King IV in all material respects during the year under review. The Board has incorporated CoJ's Corporate Governance Protocol in its Board Charter, which inter alia regulates its relationship with CoJ as its sole shareholder and parent municipality in the interest of good corporate governance and good ethics. The Protocol is premised on the principles enunciated in King IV. MTC consolidated its position in respect of adherence to King IV. The entity practices are, in material instances, in line with the principles set out in King IV. Ongoing steps are however taken to align practices with the report's recommendations and the Board continually reviews progress to ensure that the entity continues to improve its corporate governance.

## **Assurance process for the integrated report**

A combined framework integrates and coordinates all assurance activities, identifies all related providers, and ensures that actual assurance takes place and is reported within the entity's governance structures. MTC's combined assurance model recognises three lines of defence, namely review by management, supplemented by internal and external assurance in order to optimise governance oversight, risk management and control. The Audit and Risk Committee and the Board rely on combined assurance informing their view of the adequacy of the entity's risk management and internal controls. The entity has applied a combined assurance approach in the preparation of this report.

The entity's Integrated Report for the 2019/20 financial year was assessed and rated to ascertain whether minimum disclosure requirements were adhered to in terms of the following:

**Table 2: Integrated reporting framework**

| Integrated Reporting Framework  | MFMA: Circular 63 Annual reporting requirements   |
|---|---|
| Ethical Leadership and Corporate Citizenship  | Member of the Mayoral Committee’s Foreword Statement and Executive Summary Report   |
| Boards and Directors:<br>Board Independence.<br>Board reporting.<br>Board’s performance.<br>Board Committees; and | Governance structures.<br>Intergovernmental relations.<br>Public Accountability Participation.<br>Supply Chain Management, By-laws, oversight committees; and<br>Risk management; |
| Audit and Risk Committees<br>Finance Competence   | Service delivery performance  |
| The Governance of Risk  | Organisational Development performance  |
| Compliance with Laws, Codes, Rules and Standards  | Financial Performance   |
| Internal Audit<br>Internal Audit Function;  | Auditor-General findings  |
| Governing Stakeholders Relationships  | Appendices; Annual Financial Statements   |
| Integrated Reporting<br>Disclosure Financial Disclosure.<br>Sustainability Disclosure;                            |   |
| Philosophy  |   |



the following table represents a summary of the combined assurance roles lines across:

**Table 3: The combined assurance roles**

| The first line of defence  | The second line of defence  | The third line of defence  |
|--|---|--|
| Management of Risk (Risk Owner)  | Risk Management   | Independent assurance  |
| <p>Nature of assurance:</p> <p>Line management is accountable and responsible for the management of risk through the implementation of internal controls. A key element of activity is the extent of management reviews and actions that follow. Management can establish a system of self-assessments/ audits to inform them about the adequacy of risk management activities.</p>  | <p>Nature of assurance:</p> <p>Risk and Compliance management function facilitate risk assessment in the entity both at strategic and operational levels. The entity incorporates the top down and bottom-up models in the assessment of risk. Risk and compliance monitoring are conducted quarterly and reported to EXCO, Board, GRAS, GAC, and GRGC. Corporate functions provide support to line management in executing their duties these include functions such as Human Resources, Finance, ICT, Governance, and Compliance.</p> | <p>Nature of assurance:</p> <p>Internal audit reports, regulatory reviews, external Audit, External surveys, Insurance</p>   |
| <p>Reporting lines:</p> <p>Executive Management<br/>Committee and Operational<br/>Committee providing direction<br/>Guidance and<br/>Oversight over the focus areas.</p>   | <p>Reporting Lines:</p> <p>The executive committee (EXCO), GRGC, GAC Regulatory Forums, Board oversight committee.</p>  | <p>Reporting Lines:</p> <p>Shareholders, Regulators Exco, Board, and Board oversight committee</p>   |
| <p>Assurance Provided:</p> <p>Management assurance as evidenced through the management review meetings and forums Reporting on the results of self-assessments.</p> <p>Special projects that assess the operating effectiveness/efficiencies- that can be internally sourced. The assurance is reported to line management.</p> <p>Assurance around controls policies processes.</p> | <p>Assurance Lines:</p> <p>Reports and actions to Exco and Board oversight committee's reports and actions regulations and external agencies. Risk profiles/reports with action plans due to dates linked to KPI's.</p>   | <p>Assurance Provided:</p> <p>Reports to Exco, Board, and Board oversight committees and shareholders.</p> <p>Special project reports with action plans and due dates that assess the operating effectiveness.</p> |



## Board responsibility and approval

The board assisted by the Audit and Risk Committee and the Human, Social and Ethics committee is ultimately responsible for the integrity and completeness of the integrated report and any supplementary information. The Board has applied its collective mind to the preparation and presentation of the integrated report and has concluded that it is presented in accordance with the international framework. It approved the 2019/20 integrated report, together with the annual financial statements and supplementary information taking into consideration the completeness of the material items it deals with and the reliability of information presented, in line with the combined assurance process followed.

## Combined Assurance Structure and Reporting Lines

The table above provides a graphical representation of the combined assurance structure and reporting lines within MTC.

### Board

The Board is responsible for publishing an assessment of the state of risk management and internal controls on the recommendations of the Audit Committee.

### Audit Committee

The Audit Committee is responsible for providing oversight with regards to combined assurance and will provide the Board with a written assessment on the state of risk management. The statement will be prepared by the Director: Risk Assurance and Compliance. The Audit Committee will provide approval for the Combined Assurance scope and coverage plan, as well as monitor the assurance provided.

## Risk Champion

The Risk Champion will be supported by a Combined Assurance Forum. The purpose of the Combined Assurance Forum is to implement and embed the Combined Assurance Framework principles as approved by the Audit Committee. The Combined Assurance Forum will have the following objectives:

To provide support to the Chief Financial Officer in discharging his duties and responsibilities with regards to implementing and embedding the Combined Assurance Framework principles operationally as approved by the Audit Committee.

- Determine the desired level of assurance required by the Board through the Audit Committee and monitor the implementation of controls in each risk area;
- Optimise the assurance coverage obtained from management internal assurance providers and external assurance providers on the risk areas affecting the organisation;
- Highlight and review the current areas of concern (emerging and/or existing risk) for management;
- Operationally manage challenges that the assurance activities may face during the implementation of their activities.
- Ensure coordination, reporting, and communication to stakeholders; and
- Develop a common view of the business risk themes throughout the entity

## Materiality

MTC defines materiality as issues that have a potentially substantial effect on the Company's ability to create and sustain value over the short, medium and long term to the citizens of the City of Johannesburg. This is in line with the City of Johannesburg's value chain. Material issues determination process: The determination of the Company's material issues is informed by the CoJ GDS 2040, IDP and the MTC annual Business Plan.

## Board responsibility and approval

The Board, assisted by the Audit and Risk Committee and the Remuneration, Social and Ethics Committee, is ultimately responsible for the integrity and completeness of the integrated report and any supplementary, information. The Board has applied its collective mind to the preparation and presentation of the integrated report.

Approval

Audit and Risk Committee (Chairperson)

Ronnel Williams

Human, Social and Ethics Committee (Chairperson)

Nothando Maseko

# LEADERSHIP AND CORPORATE PROFILE

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## CHAPTER 1





## Section 1: MMC's Foreword

Mr. Lawrence Khoza

MMC Economic Development

The shareholder has positively responded to the company's request to engage with the citizen of Joburg through public participation for the transfer of the asset which is part of the implementation of the Enhanced Business Model as the turnaround strategy to sustain MTC. We are currently in the process of soliciting public inputs into the service level agreement with the service provider. We anticipate completing this process before the end of 2020/21.

The Integrated Development Plan (IDP) is our five-year strategic plan required in terms of the Municipal Systems Act, Act 32 of 2000, guiding the City of Johannesburg in executing its constitutional mandate. The IDP is a five-year plan, reviewed on an annual basis.

The 2019/20 IDP Review marks the third iteration of the IDP driven by the government of local unity, elected by the residents of Johannesburg in the 2016 Local Government Elections. As the foundation for this strategic direction, the City adopted five outcomes for its administration to address the challenges it is facing. MTC was launched to ensure the delivery of the City's Growth and Development Strategy 2040 (GDS 2040) Smart City drive. The company is responsible for providing affordable, efficient and inclusive connectivity and maintaining broadband distribution across the city.

In fulfilling our mandate of advancing the Smart City's initiative and community digitalization, we have completed the development of the SMME reseller portal - its launch will see an improved transactional relationship between MTC and the SMME, as well as improve database access which the Economic Development Department will also house in their opportunity centres.

Towards the end of the 2019/2020 Financial Year, we reviewed our operational method to introduce a leaner yet efficient model of providing our services to citizens of Johannesburg. This will be delivered during the 2020/2021 financial year in sync with the Mayoral priorities.

## Section 2: Board Chairperson's Report



Tshikani Colleen Makhubele

Board Chair: The Metropolitan Trading Company

MTC is positioned to serve the City and its Citizens by fulfilling its mandate and leading the ICT and Smart City agenda within the City. Technology provides us with the capability to use less and achieve more. The Board expressed its appreciation for the contribution of the former management team and Chairperson. The Board takes comfort in the dedication of the current management team but registers its concern regarding the conditions under which the management and staff of MTC operate.

I have great pleasure and excitement in writing my overview for the 2019/20 Annual Integrated Report, as the entity, "The Metropolitan Trading Company" remains committed to the mandate of the City of Joburg. This report, which serves as the Board's tool of accountability to the shareholder and the citizens of Joburg, has been prepared by management and approved by the Board, in accordance with Circular 63 of the Municipal Finance Management Act (MFMA) (2003).

The Board expressed its appreciation for the contribution of the management team and the previous Board with special recognition to the Chairperson's leadership. On behalf of the current board, we look forward to accelerated service delivery that will come with the implementation of the Enhanced Business Model (EBM) as the turnaround strategy to sustain MTC and delivery of high-quality service to our customers. This model will be introduced during a challenging tenure within the ICT industry due to the Fourth Industrial Revolution (4IR).

We acknowledge the achievement of the revenue target as a positive indicator that the business is continuing to grow. The completion of the development of the SMME reseller portal was one of the significant achievements and looking forward to its full rollout as an indicator of MTC's commitment to implementing Smart City enablers and the advancement of the fourth industrial revolution.

Management continues to be committed to ensuring that the company has sound internal controls, enforces a culture of compliance with internal controls and places considerable importance on a strong control environment.

One of the most notable achievements of the current board is the appointment of the four senior executive team (Chief Executive Officer, Chief Technology Officer, Chief Financial Officer and the company secretary with two general managers for Technology and Business Development. MTC is still operating with a lean and mean staff composition and the vacancy rate though it has increased as compared to the previous year the company still has more recruitment still underway for all vacant positions including one senior executive (Chief Internal Auditor).

The recruitment of senior executives and other key vacancies to build the core competency of the company will enable MTC management to drive the company objectives and culture of improved service delivery, encourage innovation and efficiency through the Smart City Program so that it can attract investment towards achieving 5% economic growth and reduce unemployment. The 2019/20 outstanding work continues to encourage the current board in ensuring that there is guaranteed continuity.



## Section 3: CEO's Report

Mr. Thedi Moropa

Chief Executive Officer

The future of Smart Cities is highly dependent on its technological advancement which is underpinned by the advanced deployment of sophisticated communications networks such broadband and high-speed radio-based network.

### Functions and Powers

The mandate of MTC is to enable smart city programmes through digitalization and to realize the benefits thereof. The citizens and residents of Johannesburg are digitally empowered and require service providers that are up to date if not advanced with technology and digital communications.

### MTC Overview

2019/20 financial year came with a major highlight for MTC whereby we were able to get approval from council to go ahead with the public participation for the transfer of the asset which is part of the implementation of the Enhanced Business Model as the turnaround strategy to sustain MTC and deliver high-quality service to our customer. MTC is accelerating second round of public participation process which involves the service level agreement with service provider.

### Audit Opinion

In the 2018/19 financial year, MTC received an unqualified audit opinion with findings from the Auditor-General. It is with great pleasure to note that MTC has resolved 74% of related audit findings during the 2019/20 financial year audit as per Auditor-General outcome.

### Financial Performance

A full report on the financial statements as at 30 June 2020 financial year is included in Chapter 5 which includes the audited annual financial statements.

### Business Development.

MTC can leverage the existing industry capability, by using the service of the established panel of suppliers. MTC has been leading the establishment of the Centre of Excellence to support ICT of the COJ group to provide an innovative way of capacitating the City while fusing and advancing the institutional review. This will enable the City to register quick wins including the activation of institutional review for ICT while assisting with the professional support of ICT within the City not limited to the broadband network. We can, therefore, leverage technology, license and the required governance of ICT throughout the City. This will strengthen the MTC's ability to service the private sector customers to the standard and quality envisaged.

### Service Delivery Performance

We have registered an increase in revenue, reduction in cost and optimization of service delivery in areas that were previously lacking within the City.

MTC observed an increase in the number of internal and external customers who wanted to use the MTC services. We have seen the major rollout of Public Safety - Analog Camera Upgrade, Public Safety - Camera viewing licenses, Renewed Department of Transport contract from April 2020 until September 2020, Track and Trace for GICT&IM, Windows compatibility for GICT&IM and the Avaya Licenses and Handsets for GICT&IM. MTC SMME Reseller Portal could not be launched due to stringent COVID19 regulation, plan are in place to deliver this milestone in the 2021 financial year end.

## Human Capital Management

MTC has seen an increase in staff employment in the 2019/20 with vacancy rate sitting at 54%. MTC continues to be supported by secondment from the City of Johannesburg Employees to fill some of the critical vacancies in MTC. Additionally, MTC continues to utilize short term contracts to support the daily operations of the company. More efforts were focused on staff training through subsidies education program for the year and improved staff morale through employee-based activities.

## Risk Management

In driving the strategy, MTC remained attentive and committed to managing the fundamental risks the company is exposed to. Our overall performance with regards to the implementation of mitigation strategies was reasonable despite the financial constraints and other external factors. We will, however, continue to seek and exploit new risk mitigation plans that will yield operational efficiencies, creation of value to all our stakeholders, ultimately resulting in the attainment of our strategic objectives.

## Governance

The Board of Directors assumes ultimate responsibility and accountability for the performance and affairs of MTC and in so doing effectively represents and promotes the legitimate interests of the Company. The Board as a collective played a critical role in the management and monitoring of corporate governance in the Organization in collaboration with the Executive Management led by the Chief Executive Officer. The Board provided ethical and effective leadership characterized by high standards of integrity, responsibility, accountability, transparency, and fairness. The Board through its leadership ensured the achievement of governance outcomes inclusive of a sound corporate ethical culture, good corporate performance, effective control, and legitimacy. In exercising its oversight, the Board ensured that the Company delivered on its strategic objectives as outlined in the Business Plan.

I would like to thank the Board for their unwavering support and sound leadership in ensuring that MTC maintains its high standards of corporate governance and service delivery. The KING IV report has placed great emphasis on an Organization underpinned by a sound ethical culture. To this end, I have ensured that MTC conducts its business in a manner that is aligned to the values and standards of behavior as espoused in the Company's Code of Ethics and Code of Conduct. Further, MTC ensures compliance with all material and relevant legislation and non-binding rules, codes and standards.

The MTC management welcomes the new Board and looks forward to a rewarding and progressive business relationship that will advance MTC, the City of Johannesburg and its stakeholders to greater heights.

## Stakeholder Engagements

In line with the Service Delivery Agreement, MTC accounts to shareholder representatives quarterly where each quarterly performance is presented for assessments. This is done to ensure to accountability through council processes and managed by the City Managers office. Further to this, during this financial year the entity approved a Stakeholder engagement policy aimed at accelerating the improved communication with all relevant stakeholders. The introduction of the new MTC business model, the entity embarked on a public participation process to solicit inputs from the public. This further strengthen these relations and improve stakeholder participation.



## Section 4:

### Chief Financial Officer's Report



Mr. Rajen Chetty

Chief Financial Officer

## OVERVIEW OF THE ENTITY'S FINANCIAL STATUS

The key strategic financial priorities for the entity during the period under review related to Revenue Generation and Cash Collection as detailed under Chapter 3. MTC recorded a significant decrease in revenue from exchange transactions from R337m in 2019 to R203m in 2020. This is as a result of the application of the agency vs principal rule in accordance with GRAP 109, whereby MTC was an agent for transactions in respect of capital projects that MTC implemented on behalf of COJ and other Municipal Entities. This also had the effect of reducing overall expenditure by R87m from 2019.

Total revenue for the year amounted to R443m of which R240m was a subsidy from COJ. Revenue from services rendered amounted to R 168,3m and interest income of R34,9m.

The major contributors to expenditure was depreciation, interest on the shareholder loan and the costs incurred to render services.

The entity realized profit after tax of R51.8 million which is a decrease of 47% in comparison to the prior year. This is as a result on the application of the GRAP 109 standard which resulted in a significant decrease in revenue.

The entity is currently in a good liquidity position (liquidity ratio of 1.92) due to the high bank balance and high debtors balance. The solvency ratio (0.83) is below the norm of 2 due to the Long-term Shareholder Loan balance that is increasing whilst the Property, Plant and Equipment balance is decreasing due to depreciation. The Net debtors' days ratio remains poor due to long outstanding debt from the Parent Municipality which represents more than 80 % of the debtor's balance in MTC's books. The Earnings before Interest, tax, depreciation and amortization ratio remains positive, which is a good indicator that the entity is in a positive cash position and able to manage the day to day operations of the entity. (See chapter 5 or more detail)

The entity was not allocated any capital expenditure budget for the period under review, thus severely hampering service delivery, tools of trade for employees, on- boarding of new clients and replacement of core switches that have reached the end of their useful lives.

The annual audit commenced in November 2020 and concluded in February 2021. MTC received an unqualified audit opinion for the year under review. This was positive, however more focus is required regarding contract management, SCM processes, tightening internal controls and addressing key risks. These key focus areas will assist MTC in achieving a clean audit which is a strategic goal for the entity.

The COVID-19 pandemic presented MTC with challenges which had not been experienced before, however, the entity was able to continue its focus on service delivery. In these constrained times, the entity had to adapt to unexpected changes by finding new ways of executing duties whilst leveraging off various technologies. Many valuable lessons were learnt this year, which will be applied and refined in future financials years.

## Section 5: Corporate Profile and Overview of the entity

MTC is a Municipal Owned Entity which is 100% owned by the Metropolitan Municipality of the City of Johannesburg. During 2013, the City of Johannesburg decided to transfer the business of the previous MTC to other business units within the City of Johannesburg.

On 28 February 2015, the City of Johannesburg Council approved the establishment of a Broadband Network Municipal Entity (“ME”) in terms of section 76(b) of the Local Government: Municipal Systems Act No.32 of 2000 to receive the network asset and associated business. The effective date of transfer of the Business and associated Broadband Network was as at 3 September 2015. After the transfer, the City Manager decided to revive the Metropolitan Trading Company (Pty) Ltd (“MTC”) to be the Municipal Entity (ME) to receive the network asset and associated business.

The entity was launched to ensure the delivery of the City’s Growth and Development Strategy 2040 (GDS 2040) Smart City drive. MTC is responsible for providing affordable, efficient and inclusive connectivity and maintaining broadband distribution across the city.

Post 3 August 2016 Local Government elections, a new political administration was elected through various coalition agreements, a new Mayoral Committee was appointed. MTC is under the leadership of MMC Economic Development and still reports to section 79 for Finance as per terms of reference.

The City has presented the Service Delivery Agreement (SDA) to the entity and MTC has successfully concluded the agreement to fulfil the legislative requirements as envisaged in the Local Government: Municipal Systems Act 32 of 2000.

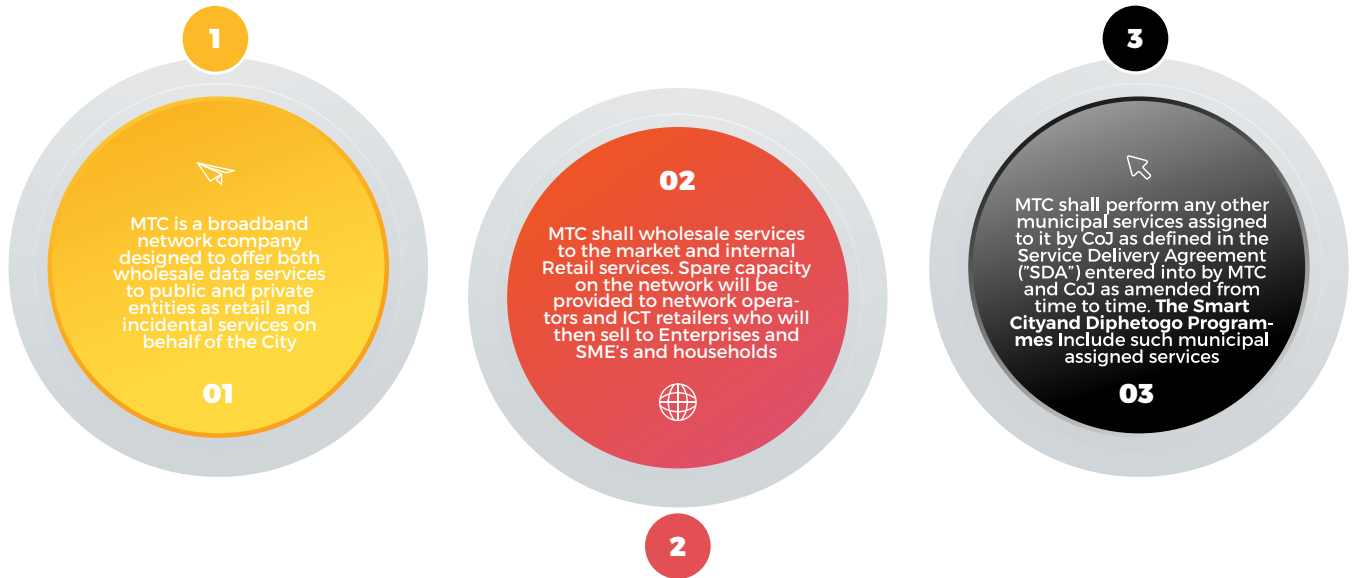




## Section 6: Strategic Objectives

The Service Delivery Agreement referred to in paragraph 5 of section 1 was concluded with the City after the approval of the Board, on 18 May 2018.

### CORE MANDATE

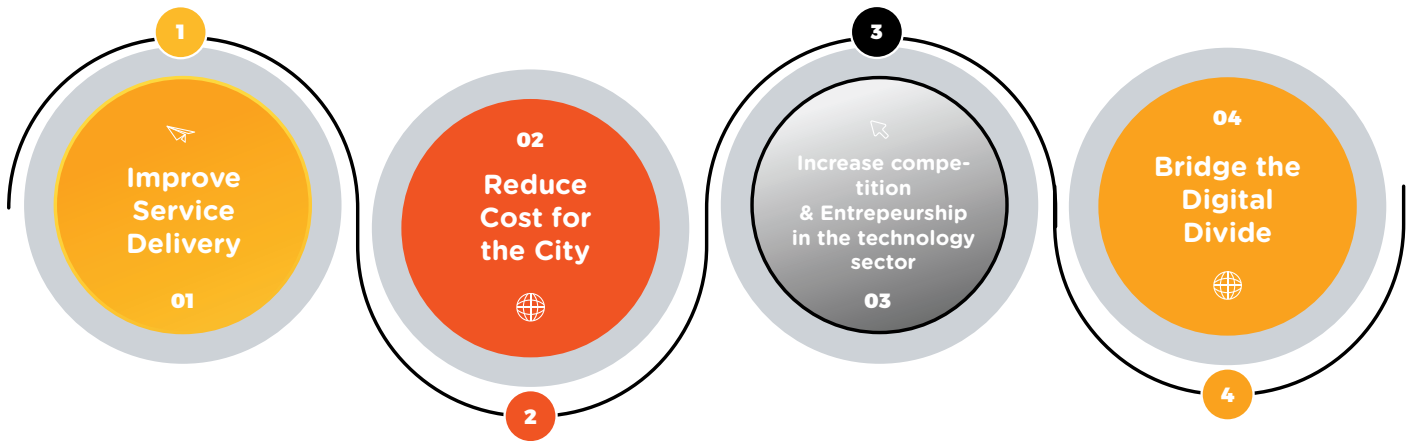


### STRATEGIC OBJECTIVES

As an entity of the CoJ, MTC must align to the City's strategic position which is captured in the Growth and Development Strategy (GDS) and the Integrated Development Plan (IDP), highlighted below:



## Strategic Alignment to Joburg GDS 2040 Strategy



Enhance  
Service  
Delivery

Reduce  
Communication Costs

Reduce  
Communication  
Costs

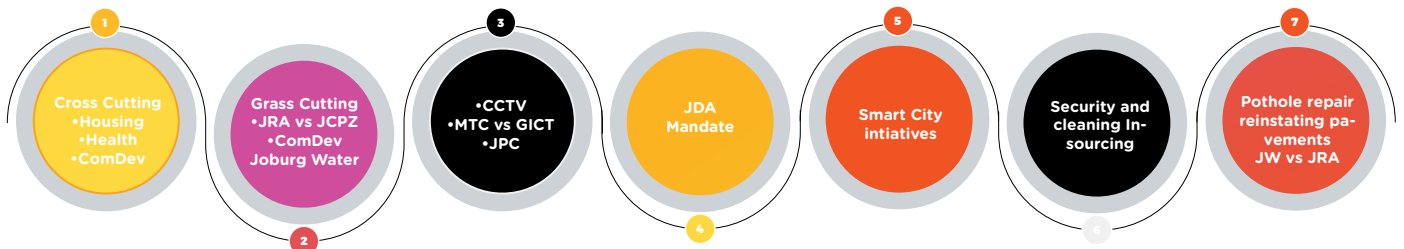
Improve Access and speed  
to communication and  
broadband connectivity

The entity was launched to ensure the delivery of the City's Growth and Development Strategy 2040 (GDS 2040) Smart City Initiatives are achieved.

Proposed Integration Model into City of Joburg Areas of common service delivery is:

grass cutting on open areas, CCTV, security, pothole repair/re-instating pavements, clinics, etc.

## CoJ Department Entities



MTC responds to three mayoral priorities which ensure tangible outcomes within the City listed below: Priority 9: Encourage innovation and efficiency through the Smart City Programme. Priority 7: Enhance our financial sustainability. Priority 1: Achieve 5% Economic Growth The relationship between MTC and CoJ is governed through the Service Delivery Agreement (SDA), in which the following terms and conditions are expressed for the period 2017 leading to 2021.

- Provide spare capacity on the JBN to ICASA licensed operators
- Manage and coordinate access to and use of telecommunications assets in partnership with the Department/MOE responsible
- Manage the delivery of the City's Smart City objectives
- Manage the City's ICT operations
- Ensure compliance with relevant City policies and Bylaws related to the City's telecommunications assets

The relationship between MTC and CoJ is governed through the Service Delivery Agreement (SDA), in which the following terms and conditions are expressed for the period 2017 leading to 2021.

### **Service Delivery Agreement Terms**

- MTC shall establish a User Forum consisting of End Users and stakeholders in the sector within which MTC operates
- MTC shall prepare and submit to the City a Customer Charter
- MTC shall render the Services in compliance with all applicable legislation (including, without limitation), all environmental and health and safety
- MTC shall in each Business Plan submitted for approval prepare and submit to the City for approval, a Socioeconomic Development Plan

Include proposals regarding appropriate Service Levels for the poor and disadvantaged sections of the Local Community unable to afford the Services.

### **ICT services as detailed in the SDA**

- Voice over Internet Protocol (VoIP): This service allows users to make cheaper calls to landline and mobile numbers using the City's broadband infrastructure.
- Internet: The network will give City users the ability to connect to the Internet and use applications based on the Internet.
- Website hosting: The service will provide server space for City businesses' websites to be hosted on the network for availability on the World Wide Web.
- Email: The network provides the ability for City users to use email communication between each other, clients, and other stakeholders.

### **Network Services as detailed in the SDA**

- Dark fibre leasing: This involves the lease of inactive fibre optic cables for clients to use for their broadband connectivity at cost-related pricing to drive down the cost of telecommunications
- Lit fibre leasing: MTC leases activated fibre optic infrastructure to allow retail clients and their customers to connect to the network at cost-related pricing to drive down the cost of telecommunications.
- Duct leasing: The construction of the network allowed for extra capacity for additional fibre cables to be laid on the network's ducts.
- Maintain a city-wide database of telecommunications assets for MTC and other operators.
- Manage the contractual relationship, royalties from, and performance of the operator business.

Regularly inspect and maintain telecommunication assets to ensure that they are in a good state of repair

Public WIFI as detailed in the SDA.

WIFI will be available for free to users but with a cap of 250 megabytes per day from 1000 access points which include:

- Educational institutions
- Health facilities
- City and government departments
- Selected meeting public areas
- Public transport nodes

- Travel and tourist sites MTC shall manage the provision of broadband access to under-served areas.

The Vision of CoJ is “If Johannesburg works then South Africa works” and MTC is one of the key contributors to ensuring the realization of this vision by providing affordable and effective ICT services to the departments within the City and ME’s. Also, MTC has a role to play in making broadband more accessible and affordable for citizens of the City. MTC is responsible for providing affordable, efficient, and inclusive connectivity and maintaining broadband distribution across the city.

**Graphic 5: MTC IOT Service Map**

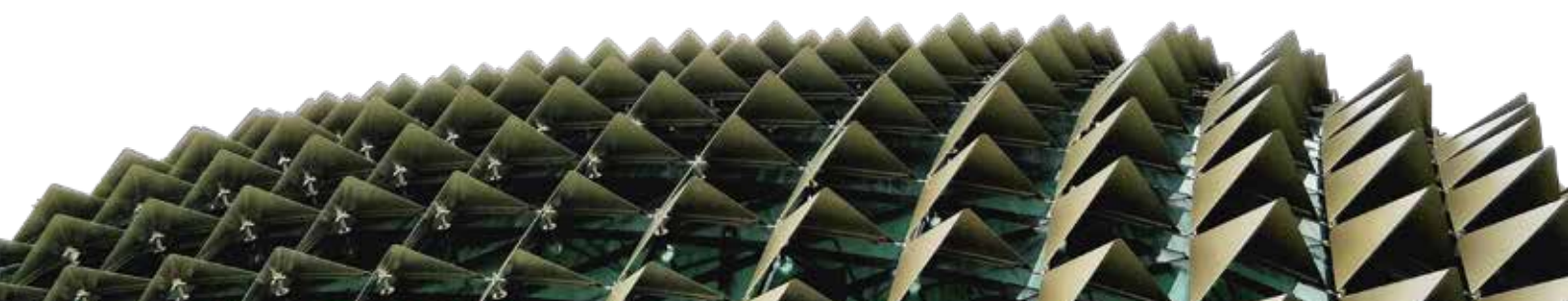


### **Political Governance and Accountability**

MTC is accountable to the Member of the Mayoral Committee for Finance, who exercises political oversight and to whom MTC submits compliance reports in respect of its performance scorecard. MTC relies on the Member of the Mayoral Committee for its political mandate and oversight. The Group Governance unit provides corporate governance and related support, including financial sustainability and compliance reporting and review.

### **Strategic Objectives**

As part of the Governance Cluster and located under Member of the Mayoral Committee for Finance as Executive Authority, MTC is primarily tasked to support all the GDS Outcomes, aimed at a future that presents significantly improved smart city initiatives. The legislated five-year IDP process assists in translating the Growth and Development Strategy’s - Joburg 2040 - long-term impacts and outcomes into measurable and achievable targets. In the CoJ’s case, these are framed within the context of the Mayoral Flagship Programmes, located within five-year IDPs that contain duster-specific priorities and plans.



The company's strategic objectives and outcomes include:

| Goals   | Objectives   | Activities   | Activities  |
|---|--|--|---|
| Good governance and organisational enablement               | Implementation of SDA  | Mandate approval and enforcement   | Increased shareholder confidence  |
|   | Redefine operating model   | Agree and approve on choice operating models e.g. (BOT, Development, entity, combination, etc                                | Clarification of purpose, roles, and reduction of uncertainty   |
|   | Improve organisational environment                                   | Corporate the structure of MTC.  | Improvement in staff morale and capacity  |
| Attain and maintain the financial sustainability of the MTC | Leverage the true value of an asset (commercialisation of the asset) | Asset verification<br>Financial Operational  | Clean audit, the actual value of the asset;<br>Accurate depreciation notes, better liquidity ratio;<br>efficient operations of the network  |
|   | Increase customer acquisition  | Incentives customers for paying rates on time<br>Access city SMME D8 for resellers<br>Provide employee benefits for the city | Enhanced revenue generation   |
|   | Increase revenue from external markets                               | Focus on external markets.<br>Increase external revenue<br>Use profits to fund CAPEX   | Increased recurring revenue from network asset<br>Improved CoJ goodwill from the data service experience<br>Up to date network with high-speed performance. Viable sustainable business |



|   |  |   |  |
|---|--|---|--|
| Deliver cost-effective services that bridge the connectivity divide | Smart city enabler                                       | Public rate card CoJ<br>Enforce MTC mandate<br>Standardise on boarding process for CoJ<br>Create a knowledge management framework/ repository | IoT enabled network safe city, eHealth, eLearning and<br><br>revenue generation Consolidated<br><br>network expanding the network coverage and saving capacity   |
|   | Enable a safer city through connectivity                 | Build and maintain a comprehensive CCTV network   | Increased convictions<br><br>Reduction in crime  |
|   | Social upliftment (Relevance)                            | Sign MOU for the WIFI<br>Expand WIFI in clinic areas  | WIFI for adverts programme to<br><br>increase free WIFI hotspots (bridging digital divide) and increase operating hours for clinics by extending network support hours<br><br>Increase online trading for economic advancement (jobs/business) |
| Deliver cost effective services that bridge the connectivity divide | Improved perception MTC in the market                    | Influence key decision-makers in the latest innovations   | Up to date   |
| Contribute towards socio-economic development                       | Contribute to the economic growth of 5% and job creation | Register access network<br>White label network<br>Register SMMEs Resell white-labelled MTC Data messages on CoJ bills                         | Expand MTC to cover the last mile and fibre to the home Revenue targets realised by SMME resellers. Increased public customer engagement   |



**Graphic 6: Deliver cost-effective services that bridge the technology divide**

This must be delivered within the strategic horizon, as highlighted.



**Strategic horizon**

MTC is to deliver the above service delivery and achieve the required set goals and objectives. They impact the below-listed value chain proposition.



## Value Creation Process

MTC's value creation is entrenched in the core business section to achieve its short, medium- and long-term objectives. The support structures are Governance and Corporate Support which are the main drivers of the value creation within the company to assist in aligning all resources towards the achievement of current and future goals.



The Board and EXCO craft, approve and monitor the implementation of the strategy and business plan; set objectives, review key risks, evaluate performance (targets and outcomes of planned interventions) every quarter through the quarterly reports, annually through the integrated report and against the five- year IOP. This is linked to the term of office through the term of office report.

Based on judgment and estimates made by management, the directors are responsible for the preparation of other information in the integrated report and are responsible for both its accuracy and its consistency with the annual financial statements. The going concern basis has been adopted in preparing the financial statements. The directors believe that the entity will continue operating as a going concern in the foreseeable future based on the forecast and available cash resources. The appropriateness of the going concern assumption is further confirmed in the Director's report of the annual financial statements.

### Company Secretary's Certification

In terms of Section 88 (2) (e) of the Companies Act. 71 of 2008 as amended, the Company Secretary certifies that, to the best of her knowledge and belief, the company has still to lodge and/or file, for the financial year ended 30 June 2019, all such returns and notices as required by law.

The Auditor-General has been given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board of Directors, and committees of the Board.

### Statement of Responsibility

The directors are responsible for the preparation, integrity, and fair presentation of the annual financial statements of the entity. The annual financial statements presented in Volume II were prepared by the statements of Generally Recognised Accounting Practice (GRAP) and include amounts.

The Directors believe that all representations made to the Auditor-General during their audit are valid and appropriate. The Auditor-General's report is presented on page 131. The annual financial statements were approved and signed by the Board of Directors on 29 November 2020 by the Chairperson, Chinelle Stevens. (pending audit outcome).

# GOVERNANCE

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## CHAPTER 2



## COMPOSITION, KEY ACTIVITIES AND REMUNERATION OF BOARD OF DIRECTORS

The entity has a unitary Board, which consists of executive and non-executive directors. The Board is chaired by a non-executive director, Ms Chinelle Stevens.

The Board meets regularly, at least quarterly, and retains full control over the company. The Board remains accountable to the City of Johannesburg Metropolitan Municipality the sole member and its stakeholders, the citizens of Johannesburg. A Service Delivery Agreement concluded in accordance with the provisions of the Municipal Systems Act (MSA) governs the entity's relationship with the City of Johannesburg. The Board provides monthly, quarterly, bi-annual and annual reports on its performance and service delivery to the parent municipality, as prescribed in the SDA, the Municipal Finance

Management Act (MFMA), and the MSA.

The Chairperson has no executive functions. Board members have unlimited access to the Company Secretary, who acts as an advisor to the Board and its committees on matters, including compliance with Company Rules and Procedures, statutory regulations and best corporate practices.

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

Non-executive Directors contribute an independent view to matters under consideration and add to the depth of experience of the Board. The roles of the Chairperson and the Chief Executive Officer are separate, with responsibilities.

The term of office of the non-executive directors is subject to review at the Annual General Meeting. Performance evaluation of the Board is conducted at the end of the financial year. Any shortcomings are addressed, and areas of strength consolidated. The performance of board committees is evaluated against the respective terms of reference.

### Board Composition

**Table 7: List of Directors**

Section 1: Composition, Key Activities & Remuneration of the Board of Directors

| NAME   | APPOINTMENT TYPE   | QUALIFICATIONS   | OTHER BOARD & PROFESSIONAL POSITIONS HELD |                     |
|--|--------------------|--|---|---------------------|
| Tom Tshitangano<br>Retained as IAC at AGM on 11 March 2020                       | IAC                | B Sc Information Systems<br>MCom Development Finance   | 1.Itmzanzi                                | 2.Vhumatshelo Group |
| Shamila Singh<br>(Appointed 17 April 2019)<br>Retained at AGM on 11th March 2020 | NED                | Doctorate in Business Leadership<br>Master of Business Leadership<br>BA Honours in Industrial Psychology<br>BA general | N/A                                       | N/A                 |
| Chinelle Stevens<br>(Appointed at AGM on 11th March 2020)                        | Chairperson<br>NED | Matric,<br>Bachelor's in Education   |   |                     |



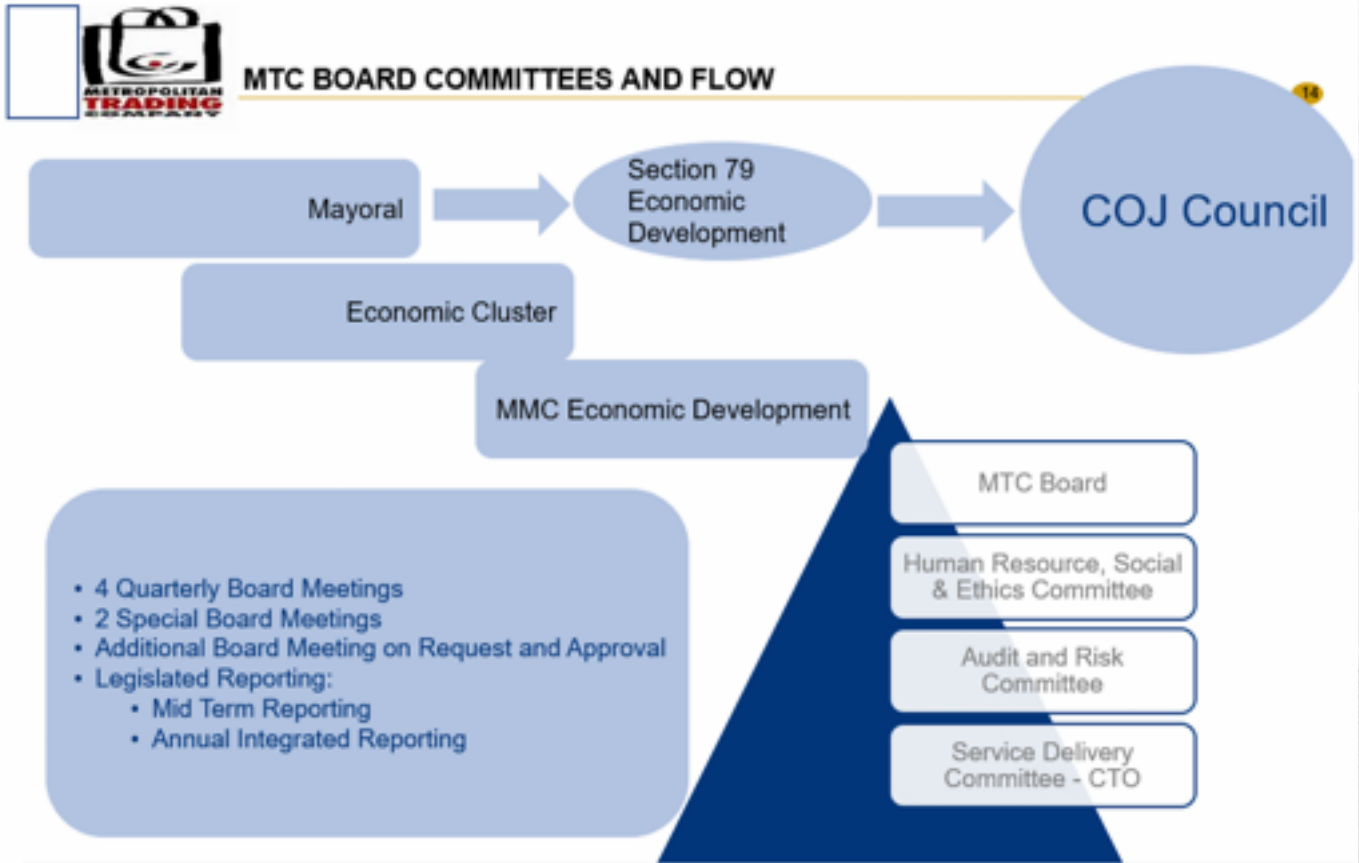
|   |     |   |     |     |
|---|-----|---|-----|-----|
| Nothando Maseko<br>(Appointed at AGM on 11th March 2020)  | NED | 1.Matric;<br>2. Diploma in Journalism;<br>3. Certificate in Newsroom Management   |     |     |
| Clyde Ramalaine<br>(Appointed at AGM on 11th March 2020)  | NED | B.Th. (Hons-Status) Theology (UWC) MA Theology (Cum Laude) (NWU) Current Studies: D.Litt. et Phil (Political Sciences) (UJ) |     |     |
| Gary van Niekerk<br>(Appointed at AGM on 11th March 2020) | NED | B. JURIS, Bookkeeping Diploma   |     |     |
| Ronell Williams<br>(Appointed at AGM on 11th March 2020)  | NED | Senior Certificate  |     |     |
| Mlamli Magigaba<br>(Appointed at AGM on 11th March 2020)  | NED | B. Juris; LLB   |     |     |
| Thedi Moropa  | CEO | BCOM(Economics)   | N/A | N/A |
| Rajen Chetty  | CFO | BCompt<br>BCom (Hon)<br>CA(SA)  | N/A | N/A |

### Assurance process

The Board is responsible for ensuring that there are effective leadership and decision-making mechanisms regarding the preparation and presentation of the integrated report, including the identification and oversight of the employees actively involved in the process.

### Governance

The Board assumes ultimate responsibility and accountability for the performance and affairs of MTC and in so doing effectively represents and promotes the interests of the Company. The Board as a collective plays a critical role in the management and monitoring of corporate governance in the organization, in collaboration with the Executive Management led by the CEO. The Board has continued to provide ethical and effective leadership characterized by a high standard of integrity, responsibility, accountability, transparency, and fairness. The Board through its leadership ensured that there was an achievement of governance outcomes which include ethical culture, good corporate performance, effective control and legitimacy. In exercising its oversight, the Board ensured that the Company delivered on its strategic objectives as outlined in the Business Plan. Management would like to thank the Board for its unwavering support and sound leadership in ensuring that MTC maintains its high standard of corporate governance and service delivery.



**Figure 2: MTC Board Committees and Flow**

The KING IV report has placed great emphasis on good governance in an organization underpinned by a sound ethical culture. MTC conducts its business in a manner that is aligned to the values and standards of behaviour as espoused in the Company's Code of Ethics and Code of Conduct.

The appointment of the non-executive directors was done at the Annual General Meeting on the 11th of March 2020. Eight (8) new Board Members and two (2) IAC Members were appointed. From the previous Board, the Shareholder retained one (1) Member and one (1) IAC Member. Two (2) Board Members have resigned and one (1) IAC Member cannot be traced. The Shareholder was informed and a request to fill in the vacant positions was made.

Attendance at meetings held during the past quarter one, two, three, and four was as follows:



| Number (Meeting Attended) | Q1 | Q2 | Q3 | Q4 | YTD |
|---------------------------|----|----|----|----|-----|
| Mpho Mosweu               | 1  | 2  | 2  | 0  | 4   |
| Ulandi Exner              | 1  | 1  | 2  | 0  | 4   |
| Sylvia Bopape             | 0  | 2  | 2  | 0  | 4   |
| Ruth Mthabine             | 0  | 1  | 2  | 0  | 3   |
| Daisy Lebepe              | 1  | 2  | 2  | 0  | 5   |
| Rhouder Mongalo           | 1  | 1  | 0  | 0  | 2   |
| Tshepo Letsie             | 0  | 2  | 1  | 0  | 3   |
| Shamila Singh             | 1  | 2  | 2  | 0  | 5   |
| Tom Tshitangano           | 1  | 2  | 1  | 1  | 5   |
| Karen Parirenyatwa        | 1  | 1  | 1  | 0  | 3   |
| Keabetswe Onuoka          | 1  | 2  | 1  | 0  | 4   |
| Chinelle Stevens          | 0  | 0  | 2  | 5  | 7   |
| Sydney James              | 0  | 0  | 2  | 6  | 8   |
| Nothando Maseko           | 0  | 0  | 2  | 6  | 8   |
| Clyde Ramalaine           | 0  | 0  | 2  | 6  | 8   |
| Mlamli Magigaba           | 0  | 0  | 2  | 5  | 7   |
| Ronell Williams           | 0  | 0  | 2  | 8  | 10  |
| Professor Shamila Singh   | 2  | 3  | 4  | 6  | 15  |
| Eldred Mtaner             | 0  | 0  | 2  | 2  | 4   |
| Gary van Niekerk          | 0  | 0  | 2  | 6  | 8   |

### Table 3: Board committees attendance register

The following committees have been operational, each of which is chaired by a non-executive director.

- Service Delivery Committee (SDC)
- Audit and Risk Committee (ARC)
- HR and Social & Ethics Committee (HSEC)

### Audit and Risk Committee

| Old                              | New  |
|----------------------------------|--|
| Ulandi Exner (NED)               | Sydney James (NED - Chairperson)<br>(Resigned on 17 June 2020) |
| Daisy Lebepe (NED - Chairperson) | Ronell Williams (NED)  |

The Audit and Risk Committee consists of the following non-executive directors:

| Old                      | New                                |
|--------------------------|------------------------------------|
| Tom Tshitangano (IAC)    | Retained (IAC)                     |
| Keabetswe Onuoka (IAC)   | Kgaugelo Mhlaba (IAC)              |
| Karen Parirenyatwa (IAC) | Waldo Hattingh (IAC) (Can't trace) |

The role of ARC is to assist the Board by performing an objective and independent review of the functioning of the organization's finance and accounting control functions. ARC exercises its functions through close liaison and communication with corporate management and the internal and external auditors. Currently, MTC has no Internal Auditor.

ARC operates by the "Terms of Reference" approved by the Board and helps the Board regarding:

- Ensuring compliance with applicable legislation and the requirements of regulatory authorities;
- Matters relating to financial accounting, accounting policies, reporting, and disclosures;
- Internal and external audit policy;
- Activities, scope, adequacy, and effectiveness of the internal audit function and audit plans;
- Review/approval of external audit plans, findings, problems, reports, and fees;
- Compliance with the Code of Corporate Practices and Conduct; and
- Compliance with the code of ethics.

ARC discharged its responsibilities adequately in terms of its Terms of Reference which were reviewed and approved during the period under review.

#### Assessment of the financial function

ARC has satisfied itself that the finance team has the required skills and experience to execute its functions. Despite the levels of vacancies within the finance function, interventions were implemented by management to ensure the efficient operation of the unit.

#### HR and Social & Ethics Committee

The HSEC consists of the following non-executive directors:

| Old                         | New                           |
|-----------------------------|-------------------------------|
| Ruth Mthabine               | Nothando Maseko (Chairperson) |
| Shamila Singh (Chairperson) | Retained                      |
| Sylvia Bopape               | Ronell Williams               |

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

“(a) To monitor the company’s activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regards to matters relating to -

(i) social and economic development, including the company’s standing in terms of the goals and purposes of-

(aa) the 10 principles set out in the United Nations Global Compact Principles; and

(bb) the OECD recommendations regarding corruption;

(cc) the Employment Equity Act; and

(dd) the Broad-Based Black Economic Empowerment Act.

(ii) good corporate citizenship, including the company’s-

(aa) promotion of equality, prevention of unfair discrimination, and reduction of corruption.

(bb) contribution to the development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and

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

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

(iv) consumer relations, including the company’s advertising, public relations and compliance with consumer protection laws; and

(v) labour and employment, including-

(aa) the company’s standing in terms of the International Labor Organization Protocol on decent work and working conditions; and

(bb) the company’s employment relationships, and its contribution toward the educational development of its employees”

## Service Delivery Committee

MTC has requested the Shareholder to allow the organization to have a stand-alone Service Delivery Committee to focus on service delivery issues. The Shareholder approved the request and the Service Delivery Committee was established during the second quarter

The Service Delivery Committee consists of the following non-executive directors:

| Old                         | New                           |
|-----------------------------|-------------------------------|
| Tshepo Letsie (Chairperson) | Clyde Ramalaine (Chairperson) |
| Rhouder Mongalo             | Mlamli Magigaba               |
| Sylvia Bopape               | Gary van Niekerk              |
| Mpho Mosweu                 |                               |

## Responsibilities

- The Committee's convention is motivated by the need for stakeholder engagement, education and awareness, monitoring and providing strategic direction to achieve MTC's objectives and goals on behalf of the Board concerning MTC's delivery and development of municipal services, as mapped out in MTC's strategic framework.
- The City of Johannesburg Metropolitan Municipality's (COJ) Growth and Development Strategy 2040 and its 5-yearly Integrated Development Plan(s);
- The COJ's Broadband Policy Framework, 2009 (as amended or replaced from time to time). MTC's annual Service Delivery Budget Implementation Plan (SDBIP) as the annual, practicable iteration of the IDP and the priorities and flagship programs set by the COJ and linked to a balanced budget; and
- The Service Delivery Agreement entered between MTC and the COJ in terms of the Municipal Systems Act, 2000, and the concomitant Shareholder Compact of Service level standards entered annually between the Board of MTC and the COJ.

### **The Committee shall provide strategic guidance, oversight, and stakeholder engagement. education and awareness concerning the following:**

- The operational methodologies and related technical aspects of MTC's business operations and assist CoJ to, amongst others:
- Enjoy the benefits of a leading-edge technology fibre optic telecommunications network;
- Reduce the City's telecommunications costs;
- Increase competition in the telecommunications landscape by reducing
- Telecommunications costs for its citizens;
- Deploy telecommunications infrastructure to all areas serviced by
- CoJ which are underserved by telecommunications infrastructure;
- Stimulate economic growth for Johannesburg.
- MTC's business operations and compliance with all legislation, regulations, and directives in the ICT and/or broadband services environment;
- MTC's stakeholder engagement;
- Capital expenditure planning and oversight; and

- The effective deployment of technology infrastructure to optimise the performance and sustainability objectives of MTC whilst ensuring the availability of relevant, timely, and accurate business information together with the necessary technical support to the business.
- The principal aim with the foregoing shall be to:
- Ensure there is alignment between those functional areas and the stated
- Objectives of MTC as it obtains from its strategic framework.
- Inform the formulation of the strategic framework as it relates to MTC's business and the impact on the communities in which MTC delivers municipal services.
- Ensure that the inherent and emerging risks consequent upon the formulation and implementation of the strategies are appropriately managed and any
- Opportunities that may present are optimally used to enhance MTC's performance.
- The Committee shall give effect to its role in a manner which ensures that:
- Equality of MTC's services and the trust and confidence of MTC's stakeholders are prioritized;
- MTC's stakeholder engagement takes account of internal and external
- Stakeholders' expectations in an inclusive manner which balances the legitimate political, commercial and community interests;
- The customer service charter is developed and implemented;
- Promotes the sustainability of the broadband services rendered by MTC as a
- Company but with due regard its nature as a municipal-owned entity of the COJ.

### **MTC's remuneration policy**

MTC remunerates the non-executive directors and independent audit committee members by the policy and remuneration determined from time to time by the CoJ Group Policy on the Shareholder Governance of the Board of Municipal Entities. At the AGM on 11 March 2020, a resolution was passed that NED and IAC members be remunerated in line with the amended CoJ Group Policy on the Governance of Group Advisory Committees, Municipal Entities' Boards of Directors and Independent Audit Committees.

The non-executive directors and independent audit committee members are paid per meeting as per the CoJ Group Shareholder Policy and as per the amended policy (CoJ Group Policy on the Governance of the Group Advisory Committees, Municipal Entities' Boards of Directors and Independent Audit Committees). Prescribed officers are employees of MTC or COJ and do not receive any additional remuneration because of their office.

### **Senior management remuneration**

MTC started a process of recruitment of Executives and Senior Managers in March 2020. The Chief Technology Officer (CTO) position has been filled and the employee commenced his duties on the 1st June 2020. The Company Secretary also commenced her duties on the 8th of June 2020. The recruitment of the Chief Executive Officer and the Chief Financial Officer was concluded on 2 July 2020.

The Board approved an interim Organisational Structure and appointed an Acting Chief Operating Officer (COO).

From all senior management seconded, only the former Acting CEO, who is the current Acting COO's salary is funded through MTC's budget.

MTC did not allow the below payments in line with the policy:

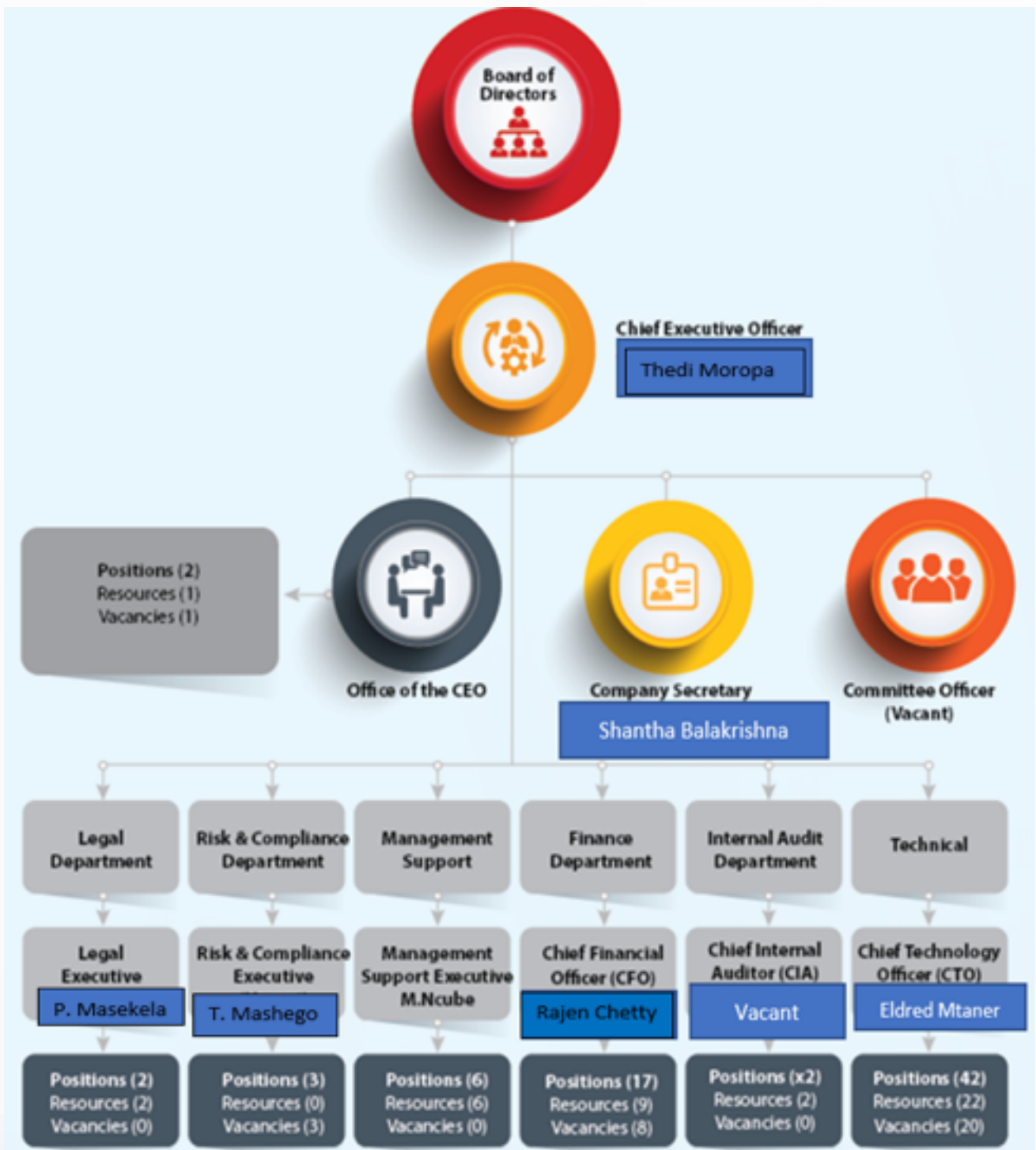
- Termination of Employment and/or Office
- Sign-on, retention and restraint payments
- Commissions and Allowances over and above as prescribed in the City's
- Remuneration Policy
- Pre-vesting forfeiture and post-vesting forfeiture of remuneration

## **Section 2: High-level Organisational Structure**

High-Level Organisational Structure

The Approved Organisation structure per line department is outlined below.

Organizational Structure



### MTC Approved Structure

It must be noted that, although there is an organisational structure in place, much of it has not been resourced with permanent employees/incumbents.

### Company Secretarial Function

The primary function of the company secretary is to act as the link between the Board and management and to facilitate good relationships with the shareholder. The company secretary is responsible for the general administration, more specifically to ensure compliance with good corporate governance practices and to provide guidance to the directors on corporate governance principles and applicable legislation.

**EXECUTIVE**



**MANAGEMENT**



## Company Secretarial Function

The primary function of the company secretary is to act as the link between the Board and management and to facilitate good relationships with the shareholder. The company secretary is responsible for the general administration, more specifically to ensure compliance with good corporate governance practices and to provide guidance to the directors on corporate governance principles and applicable legislation.

|  |
|--|
| <b>Chief Executive Officer:</b> - Thedi Moropa   |
| The details of the management team that report directly to the Chief Executive Officer |
| Shantha Balakrishna: Company Secretary   |
| <b>Management Support Executive:</b> Maria Nonhlanhla Ncube                            |
| <b>Chief Financial Officer:</b> Rajen Chetty   |
| <b>Chief Technology Officer:</b> Eldred Mtaner   |



## Evaluation of Chief Financial Officer and Finance Function

Table 9: Executive members

|  |
|--|
| Chief Executive Officer: - Thedi Moropa  |
| The details of the management team that report directly to the Chief Executive Officer |
| Shantha Balakrishna: Company Secretary   |
| Management Support Executive: Maria Nonhlanhla Ncube                                   |
| Chief Financial Officer: Rajen Chetty  |
| Chief Technology Officer: Eldred Mtaner  |

### Risk Management

The sections 62(1) (c) (in) and 95(c) (i) of the Municipal Finance Management Act (MFMA) mandates the Accounting Officer to ensure that the municipality and municipal entities have and maintain effective, efficient and transparent systems of risk management. This function has been delegated to Head Risk and Compliance Department. The department develops and implements an effective and efficient system of risk management that is adopted across the organization to deal with the many risks that affect the service delivery.

The Risk Management function plays a critical role in ensuring the organisation achieves its objectives and furthermore it assists management in its decision making, the risk management function is the standing item in the Executive Committee meeting and also is the standing item in the Audit and Risk Committee this has assisted the Entity in factoring risks when making decision or embarking on projects.

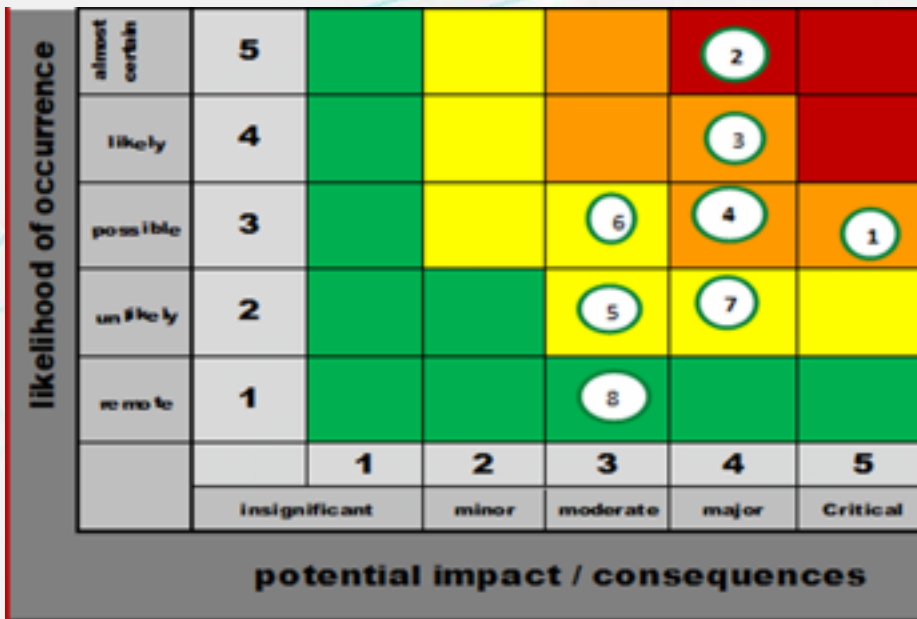
### Risk Governance Responsibilities

The Audit and Risk Committee perform the oversight role in ensuring that the risks that face the Entity are managed properly. On quarterly basis the committee provides advise and recommendation on the management of risks more specifically the strategic risks within the Entity, furthermore the Entity reports to the City on quarterly basis on the status of Strategic, Operational and Project risks.

### Section 3: Risk Management (Progress on the Management of Strategic Risks)

During the financial year under review the Entity has facilitated the development of the Entity's Strategic Risk Register which consists of 8 risks. The Risk Register is aligned to the Mayoral priorities that fall within the Entity's Business plan for 2019/20 Financial year. The risks are monitored on quarterly basis to determine the risk exposure at the given period. Below is the risk exposure as at the end of the financial year.

Figure 4: MTC Strategic Risks Register Heat Map



**MTC STRATEGIC RISKS**

- 1.Poor cash collection
- 2.Insufficient budget allocation
- 3.Insufficient external sales revenue generation
- 4.Unplanned network outages
- 5.Unclean Audit
- 6.Fraud, theft, and corruption
- 7.Poor contract management
- 8.Political risk



## Risk descriptions and mitigation actions

| Ranking | Priority Programme       | Risk Description               | Inherent Risk at assessment (Beginning of Financial year 2019/20) | Residual risk at the end of Q4 | Actions to improve management of the risk  | Time scale  | Management comments on the implementation of actions to improve management of the risk  |
|---------|--------------------------|--------------------------------|---|--------------------------------|--|---|---|
| 1       | Financial Sustainability | Poor cash collection           | Very High   | High                           | <ol style="list-style-type: none"> <li>1. Outstanding amount from the shareholder (GCSS) to be transferred to the outstanding shareholder liability to increase cash collection;</li> <li>2. Conclude negotiations with major external service providers (Link Africa) to settle;</li> <li>3. Seek approval for the debtor's policy; and</li> <li>4. Implementation of the debtor's policy.</li> </ol> | <ol style="list-style-type: none"> <li>1. 31 August 2019<br/>Short Term</li> <li>2. 30 June 2019<br/>Short Term</li> <li>3. 30 April 2019<br/>Short Term</li> <li>4. 31 July 2019<br/>Short Term</li> </ol> | <ol style="list-style-type: none"> <li>1. Negotiations are in progress between the Shareholder and MTC.</li> <li>2. Implemented, Link Africa has been settled.</li> <li>3. Debtors policy has been approved by MTC EXCO; and</li> <li>4. Debtors' policy is being implemented.</li> </ol> |
| 2       | Financial Sustainability | Insufficient budget allocation | Very High   | Very High                      | The new business model to classify the entity as an agent and realign the SDA  | <ol style="list-style-type: none"> <li>30 September 2019<br/>Short Term</li> </ol>  | <ol style="list-style-type: none"> <li>1. The historical issue, the biggest challenge was that GICT was moved from GCSS so currently there is no accountability</li> </ol>  |

## Risk descriptions and mitigation actions

| Ranking | Priority Programme       | Risk Description                               | Inherent Risk at assessment (Beginning of Financial year 2019/20) | Residual risk at the end of Q4 | Actions to improve management of the risk   | Time scale   | Management comments on the implementation of actions to improve management of the risk  |
|---------|--------------------------|--|---|--------------------------------|---|--|---|
| 3       | Financial Sustainability | Insufficient external sales revenue generation | Very High   | High                           | <ol style="list-style-type: none"> <li>1. Set up performance targets for the Sales Department;</li> <li>2. Appoint GM: Business Development;</li> <li>3. Implement SMME development programme to augment capacity within the Business Development Unit;</li> <li>4. Develop and implement a Rebranding Strategy for MTC;</li> <li>5. MTC engaging in Enhanced Business Model, this includes the sale of network, engagement in an SLA that has an upgrade of the network and operating model; and</li> <li>6. Benchmark rate card to market.</li> </ol> | <p>1.30 June 2019<br/>Short Term</p> <p>2.30 August 2019<br/>Short Term</p> <p>3.30 September 2019<br/>Short Term</p> <p>4.Approval of the rebranding strategy - 31 October 2019<br/>Short Term</p> <p>5.30 September 2019<br/>Short Term</p> <p>6.30 September 2019</p> | <p>1.Targets are not set for the Sales Department for the current financial year. Revenue KPI not linked to operations;</p> <p>2.The Post of GM: Business Development will be advertised in the Phase as per the Board resolution.</p> <p>3.SMME Portal has already been developed and it is on the MTC site and the next step is for it to be launched.</p> <p>4.To be carried out in the next financial year.</p> <p>5.To be carried out in the next financial year.</p> <p>6.The rate card has been benchmarked to the market.</p> |

## Risk descriptions and mitigation actions

| Ranking | Priority Programme       | Ris k Description         | Inherent Risk at assessment (Beginning of Financial year 2019/20) | Residual risk at the end of Q4 | Actions to improve management of the risk   | Time scale  | Management comments on the implementation of actions to improve management of the risk   |
|---------|--------------------------|---------------------------|---|--------------------------------|---|---|--|
| 4       | Financial Sustainability | Unplanned network outages | Very High   | High                           | <p>1.Proactive maintenance and rehabilitation of network implement repairs and maintenance plan;</p> <p>2.Increased investment in network redundancy. through the Enhanced Business Model to address network outages;</p> <p>3.Relocation of the primary network through engagement with the customers to address the quality of data centres/ facilities;</p> <p>4.Consider other forms of network technology, e.g. radio access networks and aerial fibre;</p> <p>5.Conduct awareness campaigns to educate communities on the impact of theft and vandalism;.</p> | <p>1. Ongoing<br/>Long Term</p> <p>2. Ongoing<br/>Long Term</p> <p>3. 31 December 2019<br/>Medium Term</p> <p>4. Ongoing<br/>Long Term</p> <p>5. Ongoing<br/>Long Term</p> <p>6. Ongoing<br/>Long Term</p> <p>7. 30 September 2019<br/>Short Term</p> | <p>1.A maintenance plan to be presented to EXCO for approval.</p> <p>2.EBM process currently on hold.</p> <p>3.Budget constraints.</p> <p>4.Dependant on customer requirements. MTC currently does not have a budget;</p> <p>5.Budget constraints;</p> <p>6.Dependant on customer requirements. MTC currently does not have a budget; and</p> <p>7.SMME Portal has already been developed, awaiting formal launch.</p> |

## Risk descriptions and mitigation actions

| Ranking | Priority Programme       | Risk Description          | Inherent Risk at assessment (Beginning of Financial year 2019/20) | Residual risk at the end of Q4 | Actions to improve management of the risk  | Time scale   | Management comments on the implementation of actions to improve management of the risk  |
|---------|--------------------------|---------------------------|---|--------------------------------|--|--|---|
| 4       | Financial Sustainability | Unplanned network outages | Very High   | High                           | <p>6. Engage JMPD to install CCTV Surveillance of core network switches; and</p> <p>7. Implement an SMME development programme to augment capacity within the Business Development Unit.</p>   |  |   |
| 5       | Good Governance          | Unclean Audit             | High  | Moderate                       | <p>1. Recruitment and capacitation of critical positions;</p> <p>2. Scorecards for each employee and unit head to be developed and commissioned to address accountability issues;</p> <p>3. Executives to develop an OPCA committee which will report monthly to EXCO.</p> | <p>1. 31 December 2019<br/>Medium Term</p> <p>2. 30 June 2019<br/>Short Term</p> <p>3. 30 June 2019<br/>Short Term</p> | <p>1. The Risk and Assurance Manager post has been filled with effect from 01 March 2020, the CTO and Company Secretary Posts have been filled. The interviews have been conducted for the posts of CFO and CEO.</p> <p>2. Scorecards have been finalized and 80% of homebodies have been submitted for the current financial year.</p> <p>3. OPCA was developed in January 2020.</p> |

## Risk descriptions and mitigation actions

| Ranking | Priority Programme | Risk Description             | Inherent Risk at assessment (Beginning of Financial year 2019/20) | Residual risk at the end of Q4 | Actions to improve management of the risk  | Time scale  | Management comments on the implementation of actions to improve management of the risk   |
|---------|--------------------|------------------------------|---|--------------------------------|--|---|--|
| 6       | Good Governance    | Fraud, theft, and corruption | Very High   | Moderate                       | <p>1.Implementing Fraud Risk Policies/ Awareness Campaigns and developing a culture of fraud-free environment, top-down approach;</p> <p>2.Vetting of service providers during procurement and before the appointment;</p> <p>3.Screen employees as part of recruitment requirements (Background checks and employee vetting).</p> | <p>1.Ongoing Long Term</p> <p>2.Ongoing Long Term</p> <p>3. Ongoing Long Term</p> | <p>1.The draft Fraud Prevention Plan has been developed it will be presented to EXCO.</p> <p>2.SCM checks the National Treasury list to verify if the service provider is not blacklisted; and</p> <p>3.Screening and background are conducted on all new employees.</p> |

## Risk descriptions and mitigation actions

| Ranking | Priority Programme | Risk Description         | Inherent Risk at assessment (Beginning of Financial year 2019/20) | Residual risk at the end of Q4 | Actions to improve management of the risk   | Time scale   | Management comments on the implementation of actions to improve management of the risk   |
|---------|--------------------|--------------------------|---|--------------------------------|---|--|--|
| 7       | Good Governance    | Poor contract management | Very High   | High                           | <p>1.Implement effective contract performance management for both customers and service providers; and</p> <p>2.Monthly reports to EXCO regarding service providers performance</p> | <p>1.Ongoing Long Term</p> <p>2.Monthly Short Term</p>   | <p>1.Contract Management Committee has been developed and it is functionally, and a meeting was held in February 2020</p> <p>2.Reports are being done; however, they have not been presented to EXCO yet.</p>  |
| 8       | Service Delivery   | Political risk           | High  | Very High                      | <p>1.Re-branding MTC</p> <p>2.Review the communication plan; and</p> <p>3.Implement a communication strategy aligned with Smart City communication objectives.</p>                  | <p>1.31 October 2019 Short Term</p> <p>2.September 2019 Short Term</p> <p>3.30 October 2019 Short Term</p> | <p>1.To be carried out in the next financial year.</p> <p>2.The communication plan has been drafted, currently with MTC EXCO for input and approval; and</p> <p>3.The communication plan has been drafted, currently with MTC EXCO for input and approval.</p> |

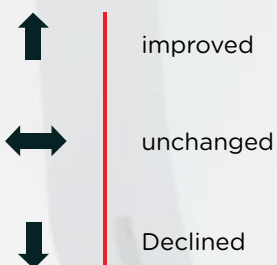
## Risk monitoring and reporting

MTC monitors and reviews risks every quarter. A Quarterly Strategic risk monitoring report is presented to the EXCO, Audit and Risk Committee, and GRAS. The movement in the risk profile for 2019-20 as reported is denoted in the table below.

### Summary of risk monitoring

| Risk No | Mayoral priorities       | Risk description                               | Inherent risk at assessment (Beginning of Financial year 2019/20) | Residual risk at assessment | Residual Risk at end of Q1 | Residual Risk at end of Q2 | Residual Risk at end of Q3 | Residual Risk at end of Q4 | Change in residual risk rating |
|---------|--------------------------|--|---|-----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|--------------------------------|
| 1       | Financial Sustainability | Poor cash collection                           | Very High   | Very High                   | High                       | High                       | High                       | High                       | ↔                              |
| 2       | Financial Sustainability | Insufficient budget allocation                 | Very High   | Very High                   | Very High                  | Very High                  | Very High                  | Very High                  | ↔                              |
| 3       | Financial Sustainability | Insufficient external sales revenue generation | Very High   | High                        | High                       | High                       | High                       | High                       | ↔                              |
| 4       | Financial Sustainability | Unplanned network outages                      | Very High   | High                        | High                       | High                       | High                       | High                       | ↔                              |
| 5       | Good Governance          | Unclean Audit                                  | High  | Moderate                    | Moderate                   | Moderate                   | Moderate                   | Moderate                   | ↔                              |
| 6       | Good Governance          | Fraud, theft, and corruption                   | Very High   | Moderate                    | Moderate                   | Moderate                   | Moderate                   | Moderate                   | ↔                              |
| 7       | Good Governance          | Poor contract management                       | Very High   | Moderate                    | Moderate                   | Moderate                   | Moderate                   | Moderate                   | ↔                              |
| 8       | Service Delivery         | Political risk                                 | High  | Low                         | Low                        | Low                        | Low                        | Very high                  | ↓                              |

Figure 4: Risk Monitoring Dashboard:



## MTC RISK PROFILE COVID-19

The Entity embarked on Covid 19 risk assessment and the following risk were identified and managed.

| Exposure Rating | Assessment              | Action Required   |
|-----------------|-------------------------|---|
| Very High 20-25 | Unacceptable            | Requires immediate attention from management on implementation of corrective measures |
| High 12-19      | Unacceptable            | Implementation of improvement opportunities and validation of current controls        |
| Medium 6-11     | Acceptance with caution | Evaluation and improvement of controls  |
| Low 1-5         | Acceptable              | Validation and optimization of controls   |

Table 6 (a): MTC Risk Profile

| No | Component         | Risk   | Impact    |
|----|-------------------|--|-----------|
| 1  | Health and Safety | Officials working without protective gear          | High      |
| 2  | Health and Safety | Infections among employees (Internal)              | Very High |
| 3  | Health and Safety | Infections by the visitors or outsiders (External) | Very High |
| 4  | Health and Safety | Uncertainty and uneasiness of working staff        | High      |
| 5  | Health and Safety | Unrestricted access to the work premises           | Very High |

## MTC RISK PROFILE COVID-19

Table: 6 (b) MTC Risk and Mitigation Covid-19

| No | Risk                                      | Impact                          | IR        | RR   | Risk Mitigating Strategy   |
|----|---|---------------------------------|-----------|------|--|
| 1  | Officials working without protective gear | Sickness<br>Increase Litigation | Very High | High | <ul style="list-style-type: none"> <li>•all the officials to wear protective gear while doing work or rendering services (i.e. field workers)</li> <li>•MTC has prepared its employees to work remotely if necessary and has instructed them on correct hygiene practices to combat the spread of the coronavirus</li> <li>•MTC is reinforcing preventative measures with our employees regarding hand washing, contact, and guidance on internal and external events - including the option of virtual attendance of field service staff</li> </ul> |

|   |  |   |           |           |  |
|---|--|---|-----------|-----------|--|
| 2 | Infections among employees (Internal)              | Sickness<br><br>Loss of life<br><br>Closure of the Offices/ workplace | Very High | Very High | <ul style="list-style-type: none"> <li>•Social distancing at the workplace</li> <li>•Rotation of employees and working from home for those who can</li> <li>•Regular cleaning of the working environment surfaces.</li> <li>•Sanitizers placed at the strategic positions within the working environment,</li> <li>•Wearing of face masks compulsory in the working environment proximity</li> <li>•Isolation of the officials with signs of COVID 19 symptoms.</li> <li>•Compulsory screening and testing for the essential workers at the Metro Centre.</li> </ul> |
| 3 | Infections by the visitors or outsiders (External) | Sickness<br><br>Loss of life<br><br>Closure of the Offices/ workplace | Very High | Very High | <ul style="list-style-type: none"> <li>•Risk management has been instituted for all visitors, clients, customers to our offices via electronic communication and those that visit MTC offices must fill the register, and in the event, the visitor is deemed a health risk, any planned meeting will not proceed and they will be asked to seek medical assessment.</li> <li>•Wearing of face masks compulsory in the working environment proximity</li> <li>•Sanitizers placed at the strategic place of the working environment,</li> </ul>                       |
| 4 | Uncertainty and uneasiness of working staff        | Loss of productivity<br><br>Customer service impact                   | Very High | High      | <ul style="list-style-type: none"> <li>•Officials with underlining conditions are encouraged to work from home.</li> <li>•Regular communication and sharing of the COVID 19 information to all staff as it comes available.</li> </ul>   |
| 5 | Unrestricted access to the work premises           | Staff infections  | Very High | Very High | <ul style="list-style-type: none"> <li>•Officials are encouraged to limit the access of visitors in the office facilities by making use of virtual meetings with the stakeholders.</li> </ul>  |

## Fraud Risk Management

Fraud represents a significant potential risk to MTC's assets, service delivery efficiency, IP, and reputation. FRM is a continuous process that MTC has adopted to provide the entity with the wherewithal to manage fraud risk to levels that are aligned to both legislation and regulatory requirements, and MTC's strategy. To that end, MTC has developed a draft FRM Policy that will embrace the Municipal Finance Management Act provisions. The purpose of the FRM Policy is to articulate MTC's comprehensive approach to the management of fraud risk. Risk Management has started with the Fraud risk identification process for the financial year 2020-21.

## Enterprise Risk Management

MTC has established and maintains a system of risk and compliance management by the provisions of the MFMA, the King IV report on Corporate Governance and risk management standards as applicable. MTC has developed a Risk Monitoring plan for the next financial year which will be approved by the Audit and Risk Committee.

### Section 4: Anticorruption and fraud Investigations (including forensic investigations)

In line with the current Group Fraud Prevention Plan from the City, the objectives that MTC adheres to are summarised as follows:

- Encouraging a culture where all employees and other stakeholders continuously behave ethically in their dealings with, or on behalf of MTC;
- Improving accountability, efficiency and effective administration within MTC;
- Improving the application of systems, policies, procedures, and regulations;
- Changing aspects of MTC that facilitate fraud and corruption and not allow it to go unnoticed or unreported;
- Encourage all employees and other stakeholders to strive towards the promotion of integrity, the prevention, and detection of unethical conduct; and
- Encourage all employees of MTC and the stakeholders to report incidents and allegations of fraud and corruption that have or may have a potential negative impact on MTC.

In Quarter four, MTC did not have any forensic investigations commissioned or in progress. The draft fraud prevention Plan has been developed and will be presented to the EXCO for recommendation to the board approval.

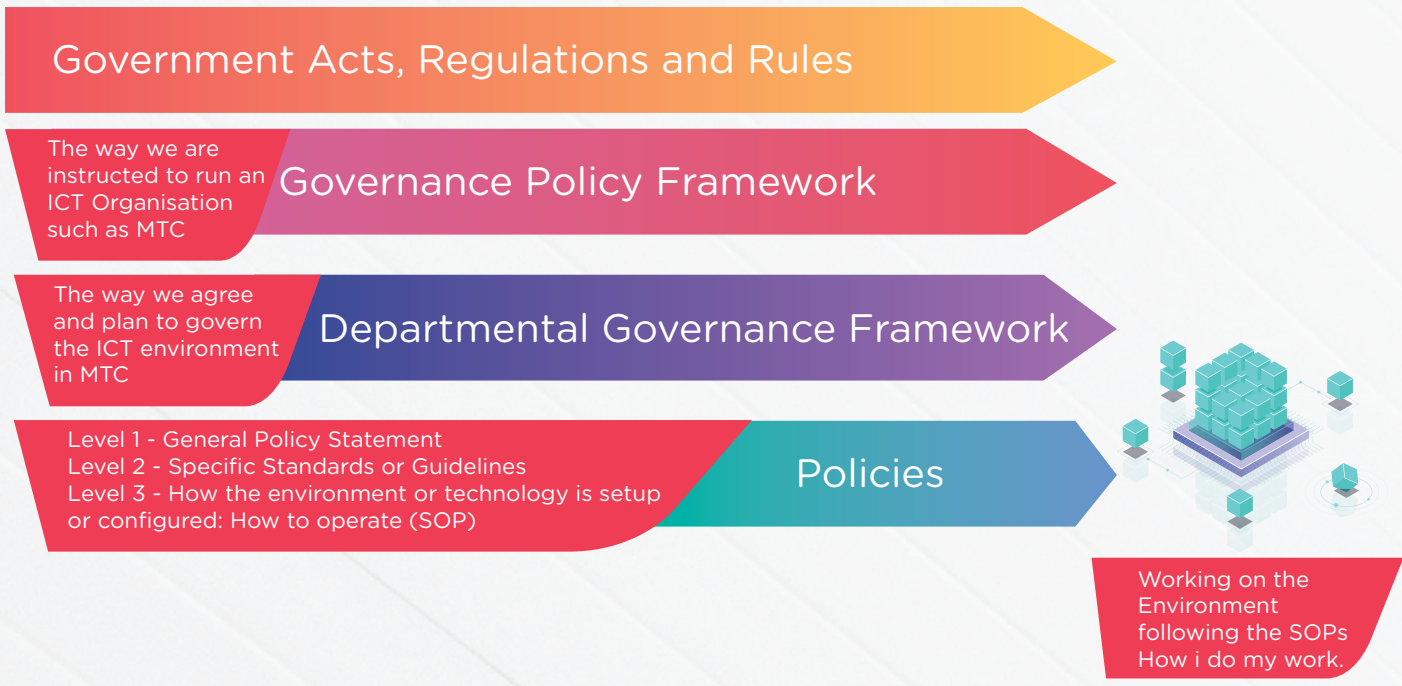
### Section 5: ICT Governance

The ICT environment of MTC has improved from the previous quarter. There has been a strong emphasis on the governance of ICT, high availability, ICT continuity, and Cybersecurity. To institutionalize this direction, MTC has developed relevant policies, standards, and procedures. Department of Public Service Administration (DPSA) has developed the ICT corporate governance policy framework which has been adopted by the South African Local Government Agency (SALGA) and Group Information Communications Technology (GICT). MTC has also adopted this framework.

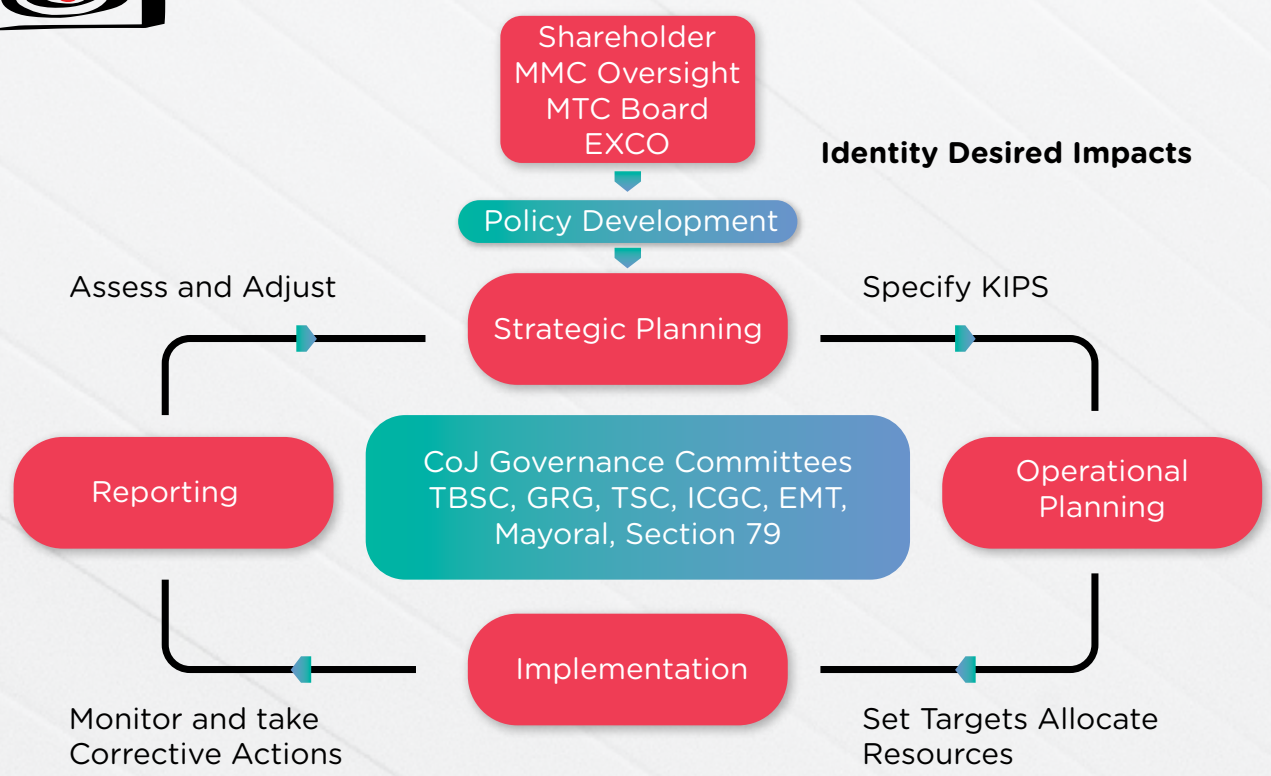
The implementation of the framework requires MTC to establish the ICT Governance framework which defines the roadmap for the development and institutionalization of the ICT policies, standards, strategy, structures, plans, and processes.

ICT governance framework aims to align ICT with its strategic vision and mission, whilst meeting the requirements of good ICT governance as contemplated in King IV.

A policy is a set of principles, rules, and guidelines formulated or adopted by an organization to reach its long-term goals and typically published in a booklet or other widely accessible form. A policy framework is a document that sets out a set of rules defining how the policy will be structured, authorised and institutionalized by an organization to reach its long-term goals. A policy universe is a document



**Policy Oversight Framework**



**Figure 6: MTC Policy Oversight Flow**

MTC ICT policies were compiled in respect of their alignment to ICT governance and impact on ICT capability maturity. Where the need for comprehensive policy review changes will be identified then changes or amendments applied.

A summary of the policies are as follows:

| Business Area  | Governing Act / Regulation  | Government Framework  | Strategy & Business Plan                               | Policy Level1   | Policy Level2           | Policy Level3                       |
|--|---|---|--|---|-------------------------|-------------------------------------|
| Office of CEO  | MFMA MSCOA<br>BCE<br>Company Act<br>ICASA<br>POPI<br>PAJA<br>ICASA<br>ECT<br>CyberSec | SCM Framework   | CuJ IDP SDBP BP<br>MTC SDBP BP                         | Shareholder Policy  | Natalie to provide      | Natalie to provide                  |
| COO (Core Business Ops, Projects)                          |   | CGICTFF   | CGICTFF MTC ICTGF<br>ICTStrat InfoSecPlan<br>ICTCMPlan | Policies for DM<br>PMO AU InfoSec<br>ITSM M CM<br>ICTCM Cloud | ITIL COBIT<br>PMI TOGAF | Nesani to provide                   |
| Management Support (HR, Internal IT, Facilities, Security) |   | ManSuppStrat<br>FacilitiesPlan<br>PhysicalSecPlan                 |  | HRPolicies<br>Natalie to provide                              | ICTSLA                  | CoC<br>HRForms<br>BSSOP             |
| Legal (Contracts)  |   |   |  | LegalPolicy   | Contract<br>Templates   | Contracts                           |
| Finance (Fin, Asset, SCM)                                  |   | MFMA  | FinStrat<br>AssetPlan                                  | SCMPolicy<br>AssetPolicy                                      | SCMValueCha<br>in       | SCMForms<br>SCMSOPs<br>SCMTemplates |
| Governance Risk & Compliance                               |   | ERM Framework<br>PolicyFramework<br>PolicyUniverse<br>ReportingFW | RiskStrat<br>RiskPlan                                  | RiskPolicy  |                         |                                     |
| Audit  |   | MFMA  | AuditStrat<br>Audit Plan                               | AuditPolicy   |                         | Roy to provide                      |

Table 7: MTC ICT policies

| MTC ICT Policy                     | Policy Brief  |
|------------------------------------|---|
| • MTC ICT Governance Framework     | The governance framework aligned with the Department of Public Services Administration for corporate governance of ICT  |
| • MTC Acceptable Use Policy        | A policy that governs the use of ICT tools of trade covering the hardware, software and data assets   |
| • MTC IT Service Management Policy | A policy that governs the management of the service to customers of MTC. The policy aligned with the Information Technology Information Library for ICT service |
| • MTC Change Control Policy        | A policy that governs how the changes in the ICT environment should be managed to reduce the impact on the network and customer business                        |
| • MTC Incident Management Policy   | A policy that governs how the incidents that occur on the network, resulting in outages or service degradation, should be handled to improve turnaround times   |
| • MTC Information Policy           | A policy that governs how the digital (ICT) data asset should be managed to ensure proper classification, security, and access by authorized people or agencies |
| • MTC IT Service Continuity Policy | A policy that governs how MTC should ensure that the ICT environment supporting both internal and external customers can continue functioning during a disaster |

|                       |   |
|-----------------------|---|
| • MTC Security Policy | The policy that governs the protection of ICT assets including hardware, software, and data                     |
| • MTC Cloud Policy    | The policy that governs the implementation of the different forms of cloud solutions and the management thereof |

With the implementation of the policies above, MTC will be able to strengthen its ICT control thereby improving the service delivery, customer experience resulting in revenue generation.

## Section 6: Compliance with Laws & Regulations

(compliance with laws, impact thereof & mitigating actions on non-compliance areas)

The Board exercises overall oversight over the MTC and is responsible for ensuring that the MTC complies with all applicable laws and regulations, and considers adhering to non-binding rules, codes and standards. The Company Secretary is tasked to ensure that all statutory requirements have been submitted to the Registrar of Companies.

Compliance with the requirements of the Companies Act and the MFMA has been maintained at favorable levels. The records of the Company are maintained in compliance with the relevant legislative and statutory frameworks.

MTC, like Joburg ZOO, was one of the Entities that the City kept as a shelf company after organizational restructuring around 2011. Most of the functions that the old MTC performed were transferred to JPC, as a result, JPC Board was appointed as MTC Board for winding up MTC. Members of JPC were registered at CIPC as MTC Directors. In 2015 MTC was revived and a new Board was appointed. The old JPC was never removed from CIPC and in 2019 the Acting Company Secretary started the process of appointing the MTC Board that was appointed at the AGM on the 17th April 2019. The process was only concluded in January 2020 due to the challenge of tracing old JPC Board Members.

On the 15th of January 2020, an amendment of Directors was approved by CIPC. The Acting Financial Manager was appointed as the Public Officer and SARS was notified of the appointment.

MTC has quite a few historic issues with SARS. An example is that upon inquiry, MTC owes VAT in 2012, however, MTC was not in operation at that time. This is what is holding back on the tax clearance, mainly historic issues. The board needs to consider the possibility of obtaining the services of a tax expert to clean up the historic data with SARS. To date, MTC does not have a tax clearance certificate.

### Environmental issues

No environmental issues have been identified however MTC does site rehabilitation in place as part of its activities.

### Health and safety

MTC is sensitive to the health and safety risks for both employees and contractors and has developed a Health and Safety Policy that will ensure site work complies with legislation and critical statutory and regulatory compliance requirements. As part of implementing the SHEQ compliance, a risk register has been developed that provides a gap analysis, notably in the implementation phase of civil works projects in the infrastructure build programme. With the network bypassing residential developments and communities, it has become essential to be vigilant in the contractor vetting process to pre-empt risks of SHEQ non-compliance. Quality Assurance has stepped up site supervision activities, to build a culture of compliance amongst contractors, and enforce corrective or remedial measures. During the fourth quarter the country and the world experienced a corona pandemic which forced the organization to put measures in place to ensure the safeguarding of the employees, MTC management held a meeting on the 17 March 2020, which outlined the immediate steps to be undertaken to ensure health safety of the employees amongst them being:

- The procurement of protective working gear for the officials
- The screening of all employees
- Procurement of sanitizers and other safety commodities
- The biometric scanner will be disabled, keeping all doors open

MTC will also be reviewing and building internal capacity to ensure Contractor Compliance with Occupational Health and Safety Act (OHSA) and relevant Construction Regulations, OHSAS 18001/2007, and ISO 14001/2004 standards. Further synergies will be created with other Municipal entities to ensure a seamless sharing of knowledge, better coordination of wayleaves, and infrastructure rollout.

MTC has concluded (21/06/2019) an Occupational Health and Safety Act questionnaire as per Act no 85 of 1993 Amended by Act no 181 of 1993 (OS ACT) conducted by the building owner at Braampark, Forum 4 where their offices are based. As part of the inspection, the following part of the Act was examined to test compliance with the regulations:

- Functions of health and safety representatives
- Health and safety committees' functions
- Report to the Inspector regarding certain incidents
- Acts or omissions by employees or mandataries
- Asbestos regulations
- Driven machinery regulations
- Electrical installation regulation
- Electrical machinery regulations

## Corporate Social Responsibility Report

Corporate Social Responsibility plan was developed during the period under review. MTC's mandate is geared towards empowerment and enablement in the telecommunications and ICT sector and the business plan and strategic thrust of MTC for the years to come are structured as such.

### Social responsibility - Activities

Enhanced Stakeholder engagements

Corporate Social Responsibility plan was developed during the period under review. MTC's mandate is geared towards empowerment and enablement in the telecommunications and ICT sector and the business plan and strategic thrust of MTC for the years to come are structured as such.

MTC social responsibility activities for the 1st Quarter

1st Quarter social activities: July to September 2019.

University of Johannesburg: Human resources employee work experience survey

MTC has volunteered (as a social responsibility) to participate in an employee work experience survey, that was conducted by the University of Johannesburg.



Employees Filled in the survey in assistance for the students to collect data for their research.



Picture 1: University of Johannesburg: Human resources employee work experience survey



## Picture 2: MTC Public engagement

MTC hosted public meetings in all 7 COJ regions from the 13 August to the 17 August 2019 from 18:00 to Engagement with the public and stakeholders is an indispensable way to reduce negative effects associated with extractive projects and is a key dimension in corporate social responsibility (CSR).

MTC aims to unlock the commercial value of its broadband network through the sale of its broadband network. This will enable the city to:

- Optimize its function and empower the municipality to manage its network and resources efficiently.
- Enable the growth and development of small, medium and micro enterprises (SMMEs) within the ICT industry, through the development of SMME portal.
- Stimulate socio-economic activity by increasing SMME's participation through a broader catalogue of ICT products and services it will offer for reselling.
- Unlock and support the Smart City initiatives that seek to improve service delivery and the experiences of the residents in the City of Johannesburg.

MTC management split region responsibilities since there were two/ three meetings happening in one day.

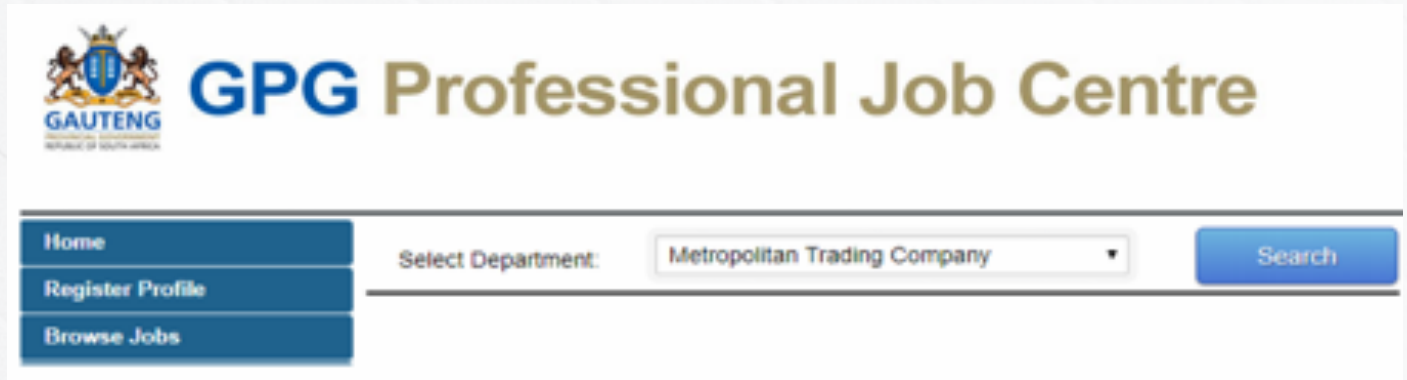
MTC Employees in support against women avbuse in the country

MTC employees joined in the national initiative to take a stand against women abuse, employees were in their black clothing on Friday to support the initiative of saying NO to women abuse.



2nd Quarter social activities: October to December 2019.

## 1. Pioneering smart city innovations through technology applications



The Metropolitan Trading Company is pleased to announce the online publishing of MTC vacancies on the Gauteng Provincial government Professional jobcentre portal, “MTC is now live on the GPG professional job-centre, Job seekers may be on the lookout for more job opportunities through GPG professional job centre portal” Said Nomsa Ntezo, the MTC Human Resources Manager.

All applicants will need to register a profile in order to apply for MTC available vacancies on the Gauteng Provincial Gauteng (GPG) professional job-centre, search for vacancies they are interested in. Applicants will be required to scan certified copies of qualifications and ID and upload them to make an application. Late applications will not be accepted on the system, applicants will also need to ensure they qualify and meet the requirements before applying for a job.

MTC HR team took job application to a digital platform for all job seekers as the Fourth Industrial Revolution is creating a greater demand for technology and for people to work together effectively, MTC is joining in by pioneering smart city innovations through technology applications.

<http://professionaljobcentre.gpg.gov.za/Public/VacancyList.aspx?Value=Metropolitan%20Trading%20Company>

## 2. World Aids day

Management support took a responsibility to address and spread awareness of HIV/Aids with MTC internal employees by sending out a message during the first week of December 2019 for world aids day, to the MTC employees around a social issue of HIV/Aids, to honour the past, address the present.

The message was shared through the MTC personalia Platform.




**Graphic 6: MTC personalia**


**MTC change management strategy**

On The 12- 13 December, MTC had a change strategy to engage with employees around the change concerning the Enhanced business model, Celani Mathenjwa has facilitated the session and introduced Angela who workshoped colleagues about the change management.

The CEO, Mr. Aubrey Mochela also engaged with colleagues about the EBM and addressed some uncertainties hanging around employees about the EBM, Uncertainty such as why is MTC selling assets, what is going to happen to the current employees as a results EBM.

Graphic 6: MTC personalia 2

  
**FESTIVE SEASON**



The festive season is almost upon us again, and it is a time to be merry in the company of loved ones and friends. An entire year has come and gone, and it seems as if it was only a short while ago that the festive season of 2018 had been with us.

As we prepare to unwind, relax and celebrate, it is important to pause for a moment and reflect on the months that has passed. This moment of reflection will help us gauge how far we have come and what still needs to be done in order to accomplish the objectives we had set for 2019. To face the future with confidence, we need to draw from lessons of the past.

Enjoy your holidays.

CEO- Aubrey Mocheta



# SERVICE DELIVERY

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## CHAPTER 3



## Section 1: Highlights and Achievements

MTC requires an innovative approach to improving the state of the network to be Telco grade. The current network has limited Network Service Aggregation and Telco Management (e-TOM) capabilities just enough to keep the data flowing with limited growth and ability to generate new

revenue. The Telco grade network requires additional investment of between R300 to R400 million over the next three years to enable MTC to realise its projected revenue.

**Provide counsel to CoJ:**

- Best provider and thought leader of network
- Research and development
- Proactive offerings and diagnosis

**Incubation and dissemination of excellence**

- Centre of excellence of CoJ and entities
- Innovate and out innovate current trends in the City, eg. update bus timetables, tracking bins, etc

**Ahead of time thinking:**

- Early adopters of technology
- Just in time responses

**Enabler of Smart City initiatives:**

- Convergence of smart initiatives

The following are notable achievements and non-achievement for Quarter 1 and 2

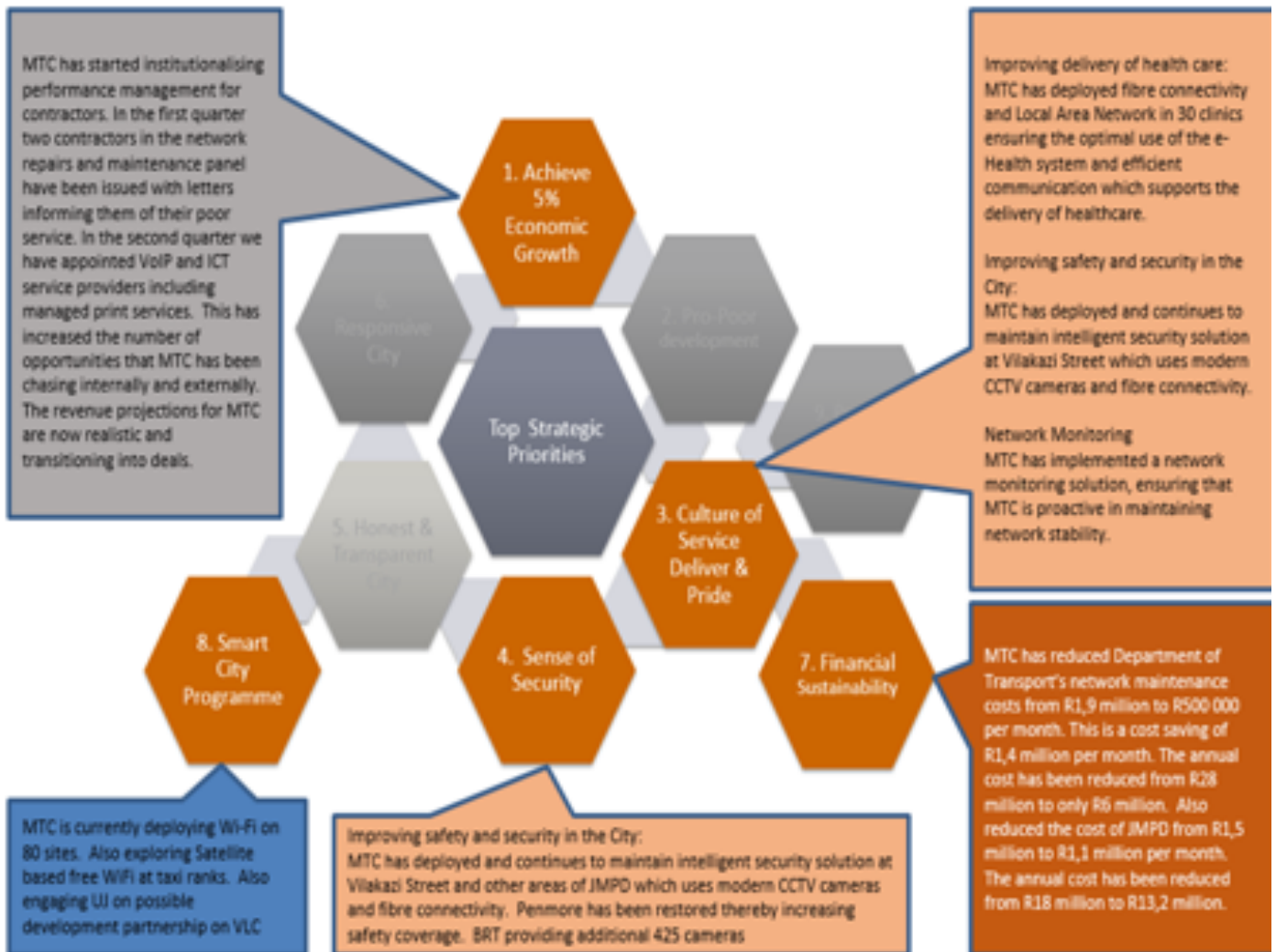
| Quarter 1  | Quarter 2   |
|--|---|
| <ul style="list-style-type: none"> <li>• Progress on the Enhanced Business Model Implementation process</li> <li>• Completion of the EBM Strategy now awaiting the final sign off from MTC Leadership.</li> <li>• Draft plans for Public Participation Process (SLA Inputs)</li> <li>• In progress Bid Evaluation process and clarification 1 and 2</li> <li>• Progress of the SMME reseller portal</li> </ul> | <ul style="list-style-type: none"> <li>• Progress on the Enhancement Business Model</li> <li>• Implementation of the Public Participation Program</li> <li>• Draft plans for Public Participation Process (SLA Inputs)</li> </ul> |
| <ul style="list-style-type: none"> <li>• Continued support and maintenance of the CoJ Call Centre</li> </ul>   | <ul style="list-style-type: none"> <li>• Continued support and maintenance of the CoJ Call Centre (Upgraded the call centre to the latest version with security hardening)</li> </ul>   |
| <ul style="list-style-type: none"> <li>• Completion of the fibre installation for the clinics and libraries on behalf of GICT</li> </ul>   | <ul style="list-style-type: none"> <li>• Implementation security solution for COJ to assist with security bridge mitigation</li> </ul>  |
|  | <ul style="list-style-type: none"> <li>• GICT: The platform for the SAP 4 HANA infrastructure has been developed. The project for the Joburg Wifi-Mesh has been awarded to the service provider.</li> </ul>                       |

Table 10: Achievements 2019/20

### Quarter 3 Highlights and achievements

MTC continued to improve the service it offers to the City and commercial customers. Communication infrastructure has become critically important in the provisioning of service delivery. The highlights for the quarter in terms of the mandate of the entity are outlined below. MTC has started using the service management and the monitoring tools. For the first quarter, the calls were logged using spreadsheets and there was no dedicated MTC monitoring. In the second quarter, MTC was able to implement the monitoring and service management tools that enable us to have auditable service delivery performance data. In this third quarter, we are enhancing our service management and SLA's and availability monitoring of the network and customer environments. Even though the information was extracted from two different systems, the data has been consolidated to present one mid-year view of the performance. The image below outlines the highlights and achievements while demonstrating the alignment.





The Fourth quarter review indicates that MTC has focused on the service delivery performance taking it to accelerated heights and all existing customers were retained with huge potential for additional customers to be achieved.

The following are notable achievements and non-achievement for Quarter 4:



**Table 8: Achievements and Non-achievement 2019/20**

| Achievements  | Non-achievement  |
|---|--|
| <ul style="list-style-type: none"> <li>Revenue Generation Key performance indicator</li> </ul> <p>Actual performance R717 ml against year to date budget of R655 ml</p>   | <ul style="list-style-type: none"> <li>Achieved 6 of 13 (46%) Key performance indicators. Its 15% improvement from the previous quarter of 31% (Year to date 46% achievement compared to 42% for the previous year)</li> </ul>   |
| <p>Unauthorized, fruitless and wasteful expenditure as at 30 June 2020</p> <ul style="list-style-type: none"> <li>No fruitless and wasteful expenditure incurred to date</li> <li>No irregular expenditure incurred to date</li> </ul>  | <ul style="list-style-type: none"> <li>Resolution of Audit findings</li> <li>Internal Audit Findings resolution rate @ 9.67%</li> <li>External Audit Findings resolution @ 77%</li> </ul> <p>Note: The Chief Internal Auditor position vacant.</p> <p>Chapter 6 submission based on Q3 work - awaiting finalisation of internal finding raised, management response, and review by GRAS.</p> |
| <p>Public Safety - Analog Camera Upgrade R3 011 241,00</p> <p>Public Safety - Camera viewing licenses R3 684 503,00</p> <p>Renewed Department of Transport contract from April 2020 until September 2020. The renewed contract value is R3 116 500, 00 per month.</p> <p>The total contract value is R18 699 000,00</p> | <ul style="list-style-type: none"> <li>Payment of service provider @ less than 100% for April 2020,97% for May 2020 and Still outstanding for June 2020</li> </ul>   |
| <p>Track and Trace for GICT&amp;IM - R19 860 500,00</p> <p>Windows compatibility for GICT&amp;IM - R19 550 000,00</p> <p>Avaya Licenses and Handsets for GICT&amp;IM - R19 912 365,00</p> <p>WIFI equipment delivery for GICT&amp;IM - R49 795 000,00</p>   |  |

|  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• MTC senior management capacitation</li> <li>• Chief Technology Officer - 01/06/2020</li> <li>• Company Secretary - 08/06/2020</li> <li>• The recruitment of Chief Executive Officer and Chief Financial Officer has been finalized and candidates start 02/07/2020.</li> <li>• Secondment of Chief Operating Officer - 01/06/2020.</li> </ul> | <ul style="list-style-type: none"> <li>• Loss of skilled employees</li> <li>• Chief Internal Auditor -end February 2020. The position is currently vacant the MTC is being assisted by GRAS to perform the function.</li> </ul>                                  |
| <p>Enhance Business Model approval by MMC Economic Development and process currently at the bid adjudication stage. A presentation was tabled at Mayoral with the 2020/21 Business Plan for approval.</p>  | <ul style="list-style-type: none"> <li>• Network availability target not achieved due power outages</li> <li>• Target achieved 94,83% for the quarter</li> <li>• And 78,77% for the quarter for the year to date</li> <li>• % against a target of 98%</li> </ul> |



## Section 2: Service Delivery Challenges

MTC continues to face some challenges while delivering services to customers emanating from the following:

| Quarter 1   | Quarter 2   | Quarter 3  | Quarter 4   |
|---|---|--|---|
| <p>Achieved 2 KPI out of 12 (17 %) delayed activation of the planned initiatives and lack of performance management tool to quantify progress to date.</p> <ul style="list-style-type: none"> <li>Timely maintenance and response to customer queries made on the website;</li> <li>The high rate of network vandalism that results in downtime;</li> <li>Power outages affecting MTC services;</li> <li>Network availability target not achieved due to the number of incidences restore time due to procurement complexities (91.14% against 98% network availability) See chapter 3 for more information</li> <li>30 Days suppliers paid within 30 days -target not achieved due to stringent measures in SCM (91% against 100% suppliers paid within 30 days) See chapter 5 for more information</li> </ul> | <ul style="list-style-type: none"> <li>Timely maintenance and response to customer queries made on the website</li> <li>The high rate of network vandalism that results in downtime</li> <li>Power outages affecting MTC services</li> <li>Network availability target not achieved due power outages</li> <li>30 Days suppliers paid within 30 days -target not achieved due to stringent measures in SCM (99% against 100% suppliers paid within 30 days) See chapter 5 for more information</li> </ul> | <ul style="list-style-type: none"> <li>A permanent solution has been implemented at Sheridan Smith. The biggest challenge for MTC in implementing permanent solutions has been delays in wayleave approvals by JRA.</li> <li>End of life/support Equipment (Ericsson equipment installed in 2010/2011 has now reached end of useful life).</li> <li>The contract with Ericsson is under investigation, and as such delivery and deployment of equipment has been put on hold. MTC is continuing the engagement with Ericsson to ensure that there is continued support for the existing network equipment.</li> <li>Investigation of the City contracts has resulted in MTC free WiFi projects being severely affected.</li> <li>Critical staff shortage.</li> <li>Underperformance of Service Providers require a bigger pool of suppliers to address business continuity.</li> </ul> | <ul style="list-style-type: none"> <li>Timely maintenance and response to customer queries</li> <li>The high rate of network vandalism that results in downtime</li> <li>Aged and dilapidated equipment resulting in network downtimes.</li> <li>Power outages affecting MTC services resulting in network availability targets not achieved</li> <li>No Capital budget allocation to MTC leading to the inability to maintain the network and equipment as well as having the ability to grow/expand the network.</li> </ul> |

## Mitigation to Service Delivery Challenges

- 1.Capital requirements submitted to Group Finance
- 2.Implementation of the Enable Business Model

## Section 3: Response to Strategic Direction

Alignment to the New Strategic Agenda 2016 - 2021

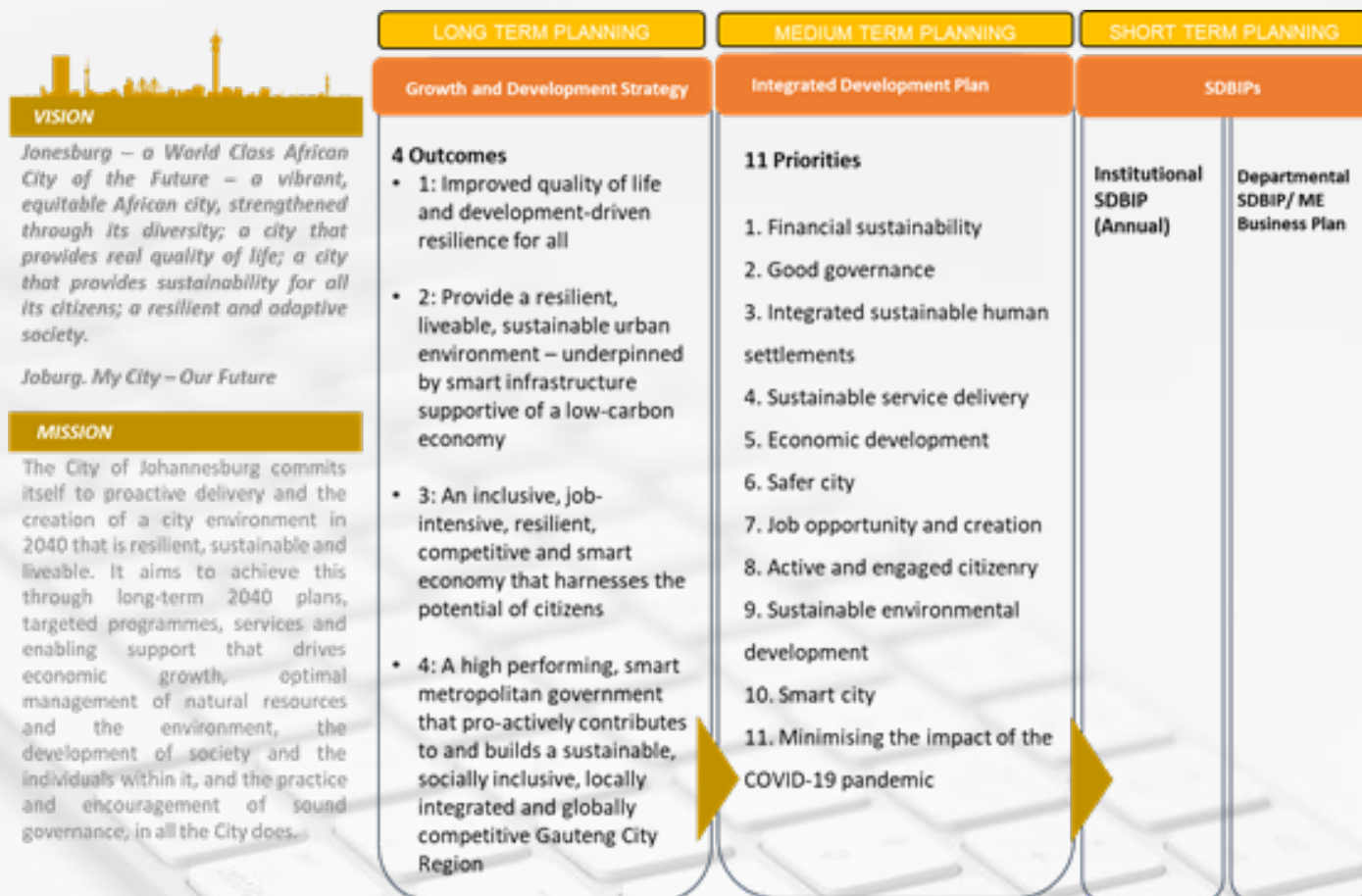


Figure 8: COJ’s Strategic Overview

MTC contributes to the following priorities as its strategic thrust as illustrated below:

- Safer City and Smart City
- Sustainable economic growth
- Sustainable service delivery
- Financial Sustainability

**GDS Outcomes and Output**

| GDS OUTCOMES  | GDS OUTPUTS  |
|---|--|
| 3. An inclusive, job-intensive, resilient, competitive and smart economy that harnesses the potential of citizens | 1. Job-intensive economic growth<br>• Promotion and support to small businesses<br>• Increased competitiveness of the economy<br>• A 'smart' City of Johannesburg, that can deliver quality services to citizens in an efficient and reliable manner<br>Re-industrialization |



| Multi Sectoral Outputs   | Government of Local Unit Strategic Priorities | Priority programmes           |
|--|---|-------------------------------|
| Reducing Poverty and dependency  | Good governance                               |                               |
| Reducing Economic, Spatial and Gender inequalities                     | Financial sustainability                      | Service delivery acceleration |
| Building cooperative and intergovernmental partnerships                | Integrated human settlements                  | Hostels and flats development |
| Smart approaches to reducing consumption and improved service delivery | Sustainable service delivery                  | Joburg 10+                    |
|  | Job opportunity and creation                  | Job opportunity               |
|  | Safer city                                    | SMME development              |
|  | Active and engage citizenry                   | Mayoral imbizos               |
|  | Economic development                          | Displaced communities         |
|  | Green-Blue economy                            | Drugs                         |
|  | Smart city                                    |                               |

MTC is responsible for the enablement of the many Smart City Programmes of the City as well as rendering the full spectrum of Networking services and other incidental services to the City and many of its Municipal Entities.

**Strategic choices**

The strategic choices are derived from the feasibility study recommendations and the build and transfer option being preferred. To align the strategic choice to the Government of Local Unity strategic direction, the option of selling has been removed whereby the City would retain the asset but still require the services of a service provider to manage the asset and still deliver the outcomes that were envisaged.

Picture 6: MTC Strategic choices



**Table 9: The Enhanced Business Model and roles and responsibilities**

| DETAILS   | EBM  |
|---|--|
| • MTC Function  | Retained   |
| • Asset   | Retained until further notice  |
| • Commercialisation Model                               | MTC becomes a principal to the City and negotiates a discount with the service provider and earns profit from MTC clients. |
| • Operational / Technical Risks*                        | Transferred to SLA Service Provider until the end of the managed service contract  |
| • Product and Services (especially Smart City Services) | MTC has Control through SLA with a service provider  |
| • Time-To-develop and Time-To-Market                    | 6 Months   |
| • Influencers   | Internal Only  |

**Progress of the Enhance Business Model implementation**

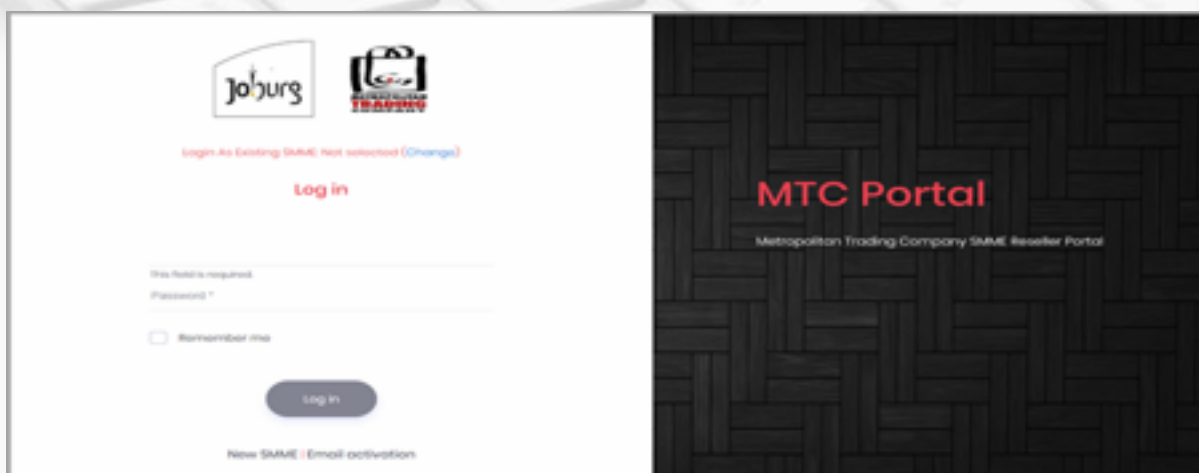
1. The Enhance Business Model presentation was a table at the Mayoral Committee at the end of June 2020.
2. A meeting to be scheduled with the MMC office to establish an action point for the implementation of the EBM project.

**Progress of the SMME reseller portal**

Details of some of the projects that are prominent in MTC:

MTC SMME Reseller Programme - Revenue Generation & Economic Development; and Reseller portal technical launch (loading the system on the CoJ Azure Platform).

**Picture 7: MTC SMME reseller portal**



For MTC to increase the coverage of the network using the traditional approach, it would have to invest significant capital over a long time to reach the last mile. MTC would have to also take a strategic view of alternative connectivity technologies to address this last-mile network to connect the residents and visitors of Johannesburg. The strategic approach that was adopted was to partner with other SMME ISPs of different sizes with the point of presence, access network, and/or last-mile networks in different areas based on their SMME profiles and service capabilities. The network is then extended to the MTC network and white-labelled as End-to-End MTC network service. The service is then sold using the SMME resellers.

The expanded network will increase the redundancy of the network and improve network availability for MTC internal and external customers. The SMME Reseller portal development has been completed, MTC currently awaits the snag assessment which will be conducted during the second quarter of the financial year. The implementation of the portal is currently awaiting the Licencing.

The diagram below illustrates the access and last-mile SMME partner network connecting to the MTC distribution and core network with internet breakout.

**Figure 9: MTC Network Core**

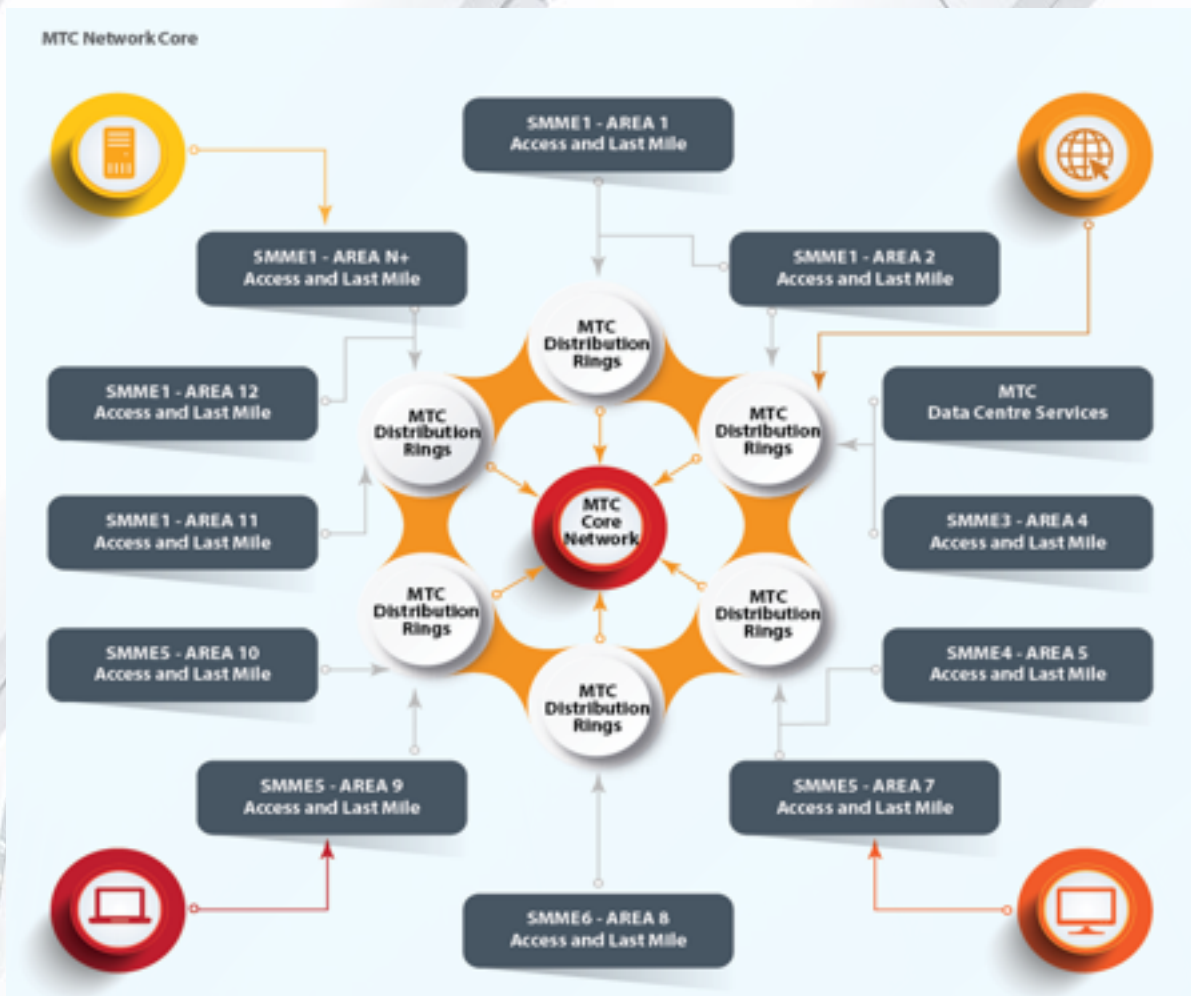


Figure 10: SMME Tapping into Coj Customer base

## SMME Tapping into Coj Customer base



- Coj has an intangible asset of at least 1 million customers
- There are 250 Key Customers with potential business for Link and Cloud Services
- There are more than 24 000 LPU / SBU Customers with potential business for Connectivity and Incidental services
- From more than 450 000 Domestic Customers we have a potential business for WiFi, Content and Advertising business
- More than 5 million Public users for data services

This approach will deliver increased SMME empowerment, localization, job creation and contribution to economic growth. The approach is to initially secure 100 SMMEs to kickstart the revenue generation. The plan is to increase this to 500 SMMEs over the next four years. The SMMEs will sell the service as MTC agents. This will rapidly increase the number of MTC customers, network usage and required revenue. The increase in network usage will enable MTC to increase the socio economic investment such as free WiFi and skills development in ICT

Figure 11: DED Drives SMME Development with Coj Department and Entities

## Model

### DED Drives SMME Development with Coj Departments and Entities

Planning & Registration Reseller

Cleaning Services Reseller

Alternative Energy Reseller

ICT Services Reseller

Events Management Reseller

Coj Land and Rights Services

Coj Refuse Removal Services

Coj Gas & Solar Services

Coj Broad-Band Services

Tourism, Parks and Zoo Services

## MTC Game Changer for 2019/20 linked to the Key Priority Programmes

Table 10: MTC Game Changer

| Game Changers                        | Mayoral Priority/<br>Moral Impact     | Business plan<br>linkage                | Impact   | Progress  |
|--------------------------------------|---------------------------------------|---|--|---|
| Re-grading and salary parity project | Culture of service delivery and pride | Business Plan key Performance Functions | MTC is currently running on skeleton staff comprised of junior staff acting in higher positions and adding value. MTC HR has embarked on a project to review the job descriptions to be regraded and aligned to the salary benchmarking results. The exercise would also align to morale while attracting high calibre candidates to significantly increase the MTC offering and service delivery. | <p>The Job grading for 14 Positions in MTC has been concluded and recruitment for 20 positions carried forward between Dec 2018 and March 2019.</p> <p>The salary analysis for all MTC staff has been concluded and presented to the executive management team for implementation.</p> <p>There are two types of salary alignment to be actioned:</p> <ol style="list-style-type: none"> <li>1. Staff earning less than the minimum grade for that position - to be moved to minimum of the grade.</li> <li>2. Staff whose position has been re-graded, and the results are at a higher level than the previous one.</li> <li>3. Positions at the same level but doesn't carry same grading result - position to be analysed and job description aligned and sent for grading then adjustment if needed.</li> </ol> |

|                               |  |   |   |   |
|-------------------------------|--|---|---|---|
| Network Condition Maintenance | 5% Economic Growth with job creation (EPWP)  | Availability of the network                       | MTC has initiated a project to improve the condition of network facilities. The project will be focused on network housekeeping including cleaning of manholes and covering of exposed ducts among others to secure the network and improve availability.   | The project was unable to progress as a result of the National Lockdown. MTC to revisit the project delivery in a post-COVID 19 environment.                                    |
| Integrated call centre        | Encourage Innovation and Efficiency through the smart city programme<br><br>Revenue Generation | Cost Saving and Efficiency Improvement            | The implementation of a consolidated and integrated city-wide call centre to support all entities and existing department call centres such as JMPD, EMS, RCCS, IT, CP Call Centres, BRT Call Centre, Metrobus Call Centres among others  | COJ technical contact centres (Joburg Water and City Power) and well as the substance abuse contact centre was successfully migrated to the integrated contact centre platform. |
| Office 365 Rollout for one    | Encourage Innovation and Efficiency through the smart city programme<br><br>Revenue Generation | Smart City Cost Saving and Efficiency Improvement | MTC is driving the rollout of a federated city-wide Microsoft platform to enable a seamless integration of ICT services between all COJ departments and its entities. This will enable collaboration and activation of advanced smart city e-services solutions such as video conferencing, consolidated CoJ contact list, integrated SharePoint, and Power BI for analytics. | Office 365 and Teams are now widely used in the City of Johannesburg as a communications and collaborations tool.   |
| Joburg.org.za domain          |  |   |   |   |

## Section 4: Performance against Service Standards

MTC is a Broadband Network Company designed to offer both wholesale data services to public and private entities as well as retail services and provide incidental services on behalf of the City. MTC shall offer Wholesale services to the market and Internal Retail services. Spare capacity on the network will be provided to Network Operators and to ICT Resellers who will then sell directly to Enterprises, SMMEs, and households. In addition, the Company shall perform any other municipal services assigned to it by CoJ as defined in the SDA entered between MTC and CoJ, as amended from time to time.

MTC is responsible for the enablement of the many Smart City Programmes of the City as well as rendering the full spectrum of networking services and other incidental services to the City and many of its ME's. MTC began operating as such as on the 4th of September 2015 through its memorandum of incorporation.

MTC has been engaging with businesses to ensure that the service delivery is aligned with the requirements of the citizens and the provision of the IDP as aligned to GDS2040. We have also looked at the industry practice against the MTC capability matrix to determine what is possible and what is a must-do.

We believe that the KPIs that are currently used are still relevant to address the business requirements and citizen service delivery fulfilment as detailed in the SDA. With all this said, we still acknowledge the outcomes of the AG AOPO assessment which resulted in a disclaimer opinion due to non-alignment between the KPI and the means of verification. AG also indicated that the KPI was not SMART and required improvement.

It is in this regard that we have proposed and recommend that the KPIs description and means of verification be aligned to this effect. Considering the Government of Local Unity, we have also identified the need to consolidate the Smart City and Safer City KPIs.

Consolidation of Smart City and Safer City KPIs and Day-to-Day – MTC is consolidating several new and existing managed services and referring them to maintained services and removing the new installations from the KPIs. The new installations will be transitioned to the maintenance as new installations are achieved by the client (using MTC as an agent for implementation) and migrated to MTC for maintenance and support (using MTC as the principle for support and maintenance).

MTC is not able to drive new installations as it is dependent on the client requirements and therefore cannot set a KPI for such. The respective business units can set the KPIs on several new installations that need to advance. For example, JMPD will be responsible for the rollout of new CCTV cameras, but MTC will be responsible for the support and maintenance of such solutions; GICT will be responsible for the rollout of new WiFi hotspots, but MTC will be responsible for maintenance of the hotspots. MTC will then maintain such installations and this KPI will address that as well as addressing the citizen service delivery. This will also address the issue of the principal vs agency model.

The KPI alignment and KPI description correction with associated means of verification will be across the following areas:

1. Number of Links Maintained (including the Fibre Links, CCTV Links, and WiFi Links)
2. CCTV Maintained (including JMPD and all other Entities and City's departments managed by MTC)
3. VoIP Connected Users (for all Entities and City's departments managed by MTC. This will be all users that are on the VoIP system as verified by the VoIP management system report and the contract with the client)

MTC is also implementing a high impact solution that will increase the community engagement, business activation and job creation through Smart City approach which incorporated the use of free WIFI in designated areas to connect to the SMME Reseller portal that will assist the communities to build new businesses under the CoJ umbrella and generate additional revenue for both the communities and the City at the same time improving service delivery.

The KPI to be added:

1. Number of SMME Resellers loaded into the SMME reseller portal

MTC 2019/2020 business performance KPIs are divided as follows:

Table 11 MTC 2019/2020 business performance KPIs

| Approved 2019/20   | Request for Deviation 2019/20  |
|--|--|
| <p>Financial Sustainability</p> <p>Revenue Generation and Cash Collection</p> <p>Amount of revenue achieved in millions of Rands</p> <p>Percentage of total sales revenue collection achieved</p>  | <p>No Deviation requested</p>  |
| <p>Smart City, Diphetogo and Safer City</p> <p>Smart City, Diphetogo and Safer City</p> <p>The number of new and existing fiber links connected (COJ Sites, WIFI Sites, and CCTV Sites)</p> <p>The number of new and existing VoIP users and E-services connected.</p> <p>Number of CCTV installation</p> <p>Number of CCTV feeds to IIOC.</p> | <p>1.Consolidation</p> <p>Smart City and Safer City KPIs and Day-to-Day</p> <p>2.Renaming</p> <p>Old language -</p> <p>Smart City, Diphetogo and Safer City to Smart City,</p> <p>New Language - Government of Local Unity</p> <p>Service Delivery Acceleration and Safer Cities (technology enablement)</p> <p>Number of Links (Fibre, CCTV, WIFI) Maintained</p> <p>Network Link Availability</p> <p>CCTV Device Availability</p> <p>WiFi Device Availability</p>  |
| <p>Economic Development</p> <p>Socio-Economic Development Initiatives</p> <ul style="list-style-type: none"> <li>• The number of active MOU's.</li> <li>• The number of EPWP employees</li> <li>• The number of SMME's doing business with MTC. (SMME Reseller Portal Users Loaded)</li> </ul>   | <p>Remain (Adding)</p> <ul style="list-style-type: none"> <li>• The number of potential SMMEs and SMME Resellers loaded into the SMME reseller portal.</li> </ul>  |
| <p>Good Governance</p> <p>Day-to-day</p> <ul style="list-style-type: none"> <li>• Percentage of Network Availability / Uptime</li> <li>• Number of fiber networks maintained in kilometres</li> <li>• Unqualified external audit opinion achieved</li> </ul>   | <p>Governance</p> <p>Day-to-day</p> <ul style="list-style-type: none"> <li>• Percentage of Network Availability / Uptime (refined and moved to Smart City, Safer City, and Service Delivery Acceleration)</li> <li>• Number of fiber networks maintained in kilometres (refined and moved to Smart City, Safer City, and Service Delivery Acceleration); It is also consolidated into Links Maintained and Network Link Availability</li> <li>• Unqualified external audit opinion achieved (without material findings)</li> </ul> |

## SDA Terms

- MTC shall establish a User Forum consisting of End Users and stakeholders in the sector within which MTC operates
- MTC shall prepare and submit to the City a Customer Charter
- MTC shall render the Services in compliance with all applicable legislation (including, without limitation), all environmental and health and safety
- MTC shall in each Business Plan submitted for approval prepare and submit to the City for approval, a Socio-economic Development Plan
- Include proposals regarding appropriate Service Levels for the poor and disadvantaged sections of the Local Community unable to afford the Services

## MTC Service delivery Standards

Table 12: Annexure A - SDA - Outward-facing Performance measures deliverables for 2019/20

| Service Delivery                     | Target as per the Service Delivery Agreement | Actual 30 June | Performance  |
|--------------------------------------|--|----------------|--|
| Network availability                 | 98%  | 96,29%         | Not Achieved.  |
| Uptime of CCTV Network (Percentage)  | 95%  | N/A            | Consolidated into a single KPI above. The deviation report to effect the change was approved by Council on the 01 February 2019. |
| Uptime of WIFI Hotspots (Percentage) | 95%  | N/A            | Transferred to GICT. The deviation report to effect the change was approved by Council on the 01 February 2019.                  |

The availability of the network is impacted by the incidents that occur to its network infrastructure; it is for that reason that MTC monitors all incidents for a speedy resolution to accelerate service delivery.

MTC operates within industry standards, the process of dealing with service outages is aligned to ITIL business practices. ITIL (Information Technology Infrastructure Library) prescribes detailed best practices for IT service management.

Policies to enable and guide MTC to adherence to industry standards have been presented to and reviewed by EXCO for Board approval.

The following Incident-related items will be discussed as part of the service level standard:

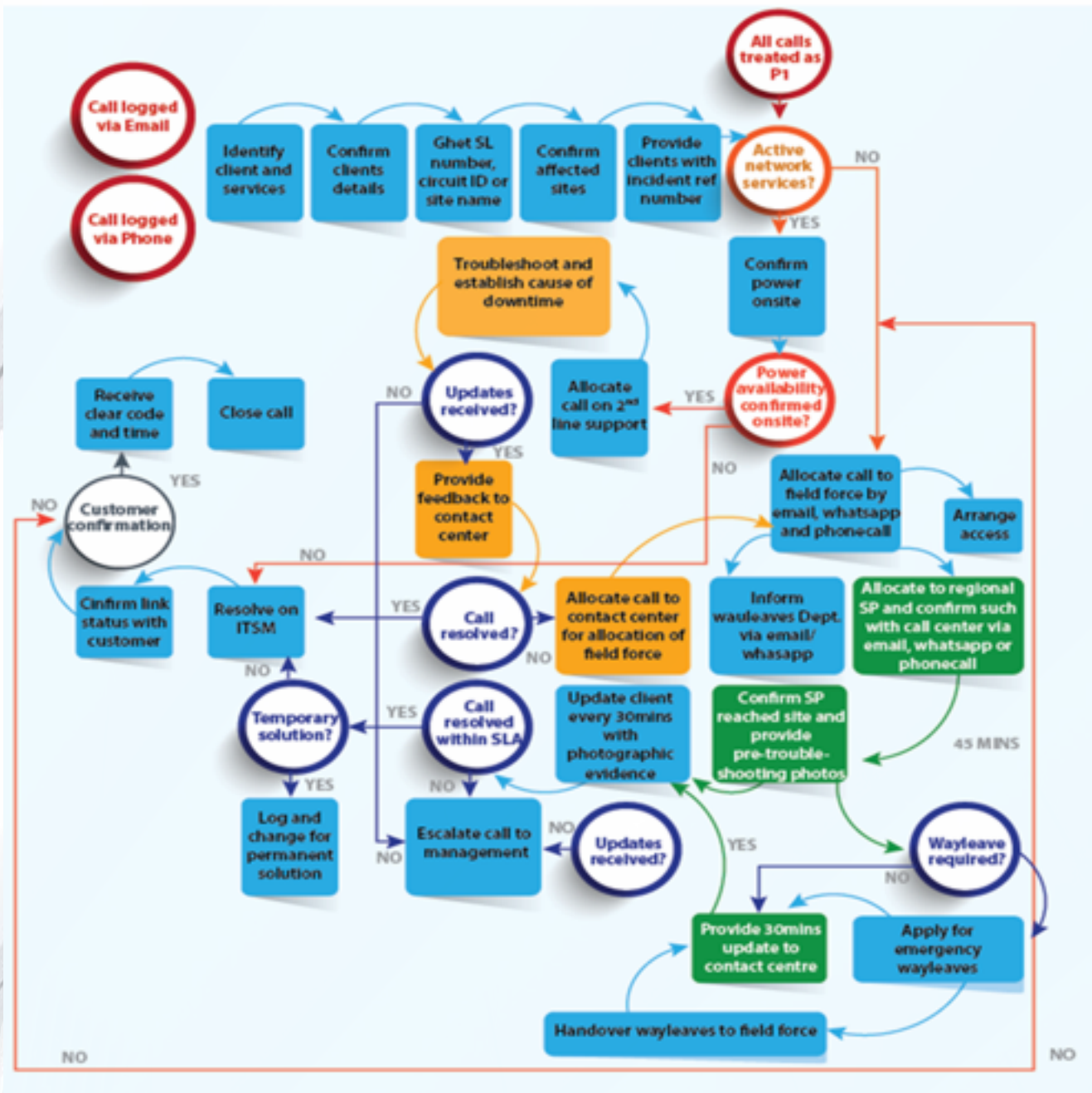
1. Total number of Incidents Logged
2. Number of Incidents resolved
3. % of incidents resolved
4. Number of Incidents not resolved
5. % of incidents unresolved



Figure 12: Incidents resolution process

### Incident Management tool

Below is the process followed by MTC Operations team to resolve network incidents logged by customers Network incidents resolution process



#### The contact centre performance is measured in terms of:

1. The time is taken to attend to an incident as defined by the KPI's agreed upon within the terms of the SLA with the customer or SDA.
2. The time is taken to assign an incident to a service provider or resolver group.
3. The number of incidents logged on the service desk system.
4. The number of incidents resolved.
5. The number of incidents unresolved.

The service provider and internal resolver groups are measured in terms of:

- The time is taken to resolve incidents logged.

- The Mean Time to Repair (MTTR) incidents are logged against each of the customers and each of the service providers.
- Trends are analysed, and targets have been set together with action plans to meet the performance targets.

The graphs and trend report below present the performance of MTC in respect of the Service Delivery Agreements signed between MTC and its customers:

#### Quarters: One (1) and two (2)

|                                  | Jul '19 | Aug '19 | Sept '19 | Oct '19 | Nov '19 | Dec '19 |
|----------------------------------|---------|---------|----------|---------|---------|---------|
| Total number of Incidents Logged | 87      | 176     | 228      | 251     | 278     | 131     |
| Number of Incidents resolved     | 60      | 132     | 164      | 208     | 238     | 108     |
| Percentage Incidents resolved    | 69%     | 75%     | 72%      | 83%     | 86%     | 82%     |
| Number of Incidents unresolved   | 27      | 44      | 64       | 43      | 40      | 23      |
| Percentage Incidents unresolved  | 31%     | 25%     | 28%      | 17%     | 14%     | 18%     |
| Overall Network Availability     | 88.33%  | 93.72%  | 91.37%   | 39,24%  | 40,54%  | 28.63%  |
| The target of 98% as per the SDA |         |         |          |         |         |         |

#### Quarters: One (3) and two (4)

|                                  | Jan '20 | Feb '20 | Mar '20 | April '20 | May '20 | Jun '20 |
|----------------------------------|---------|---------|---------|-----------|---------|---------|
| Total number of Incidents Logged | 187     | 150     | 167     | 88        | 141     | 126     |
| Number of Incidents resolved     | 184     | 118     | 137     | 81        | 128     | 78      |
| Percentage Incidents resolved    | 98%     | 79%     | 82%     | 92%       | 91%     | 62%     |
| Number of Incidents unresolved   | 3       | 32      | 30      | 7         | 13      | 48      |
| Percentage Incidents unresolved  | 2%      | 21%     | 18%     | 8%        | 9%      | 38%     |
| Overall Network Availability     | 93,50%  | 90,30%  | 95.07%  | 93,74%    | 94,46%  | 96.29%  |
| The target of 98% as per the SDA |         |         |         |           |         |         |

#### Tables 13: Network incidents resolution process

Target achieved 94,83% for the quarter and 78,77% for the quarter for the year to date % against a target of 98%

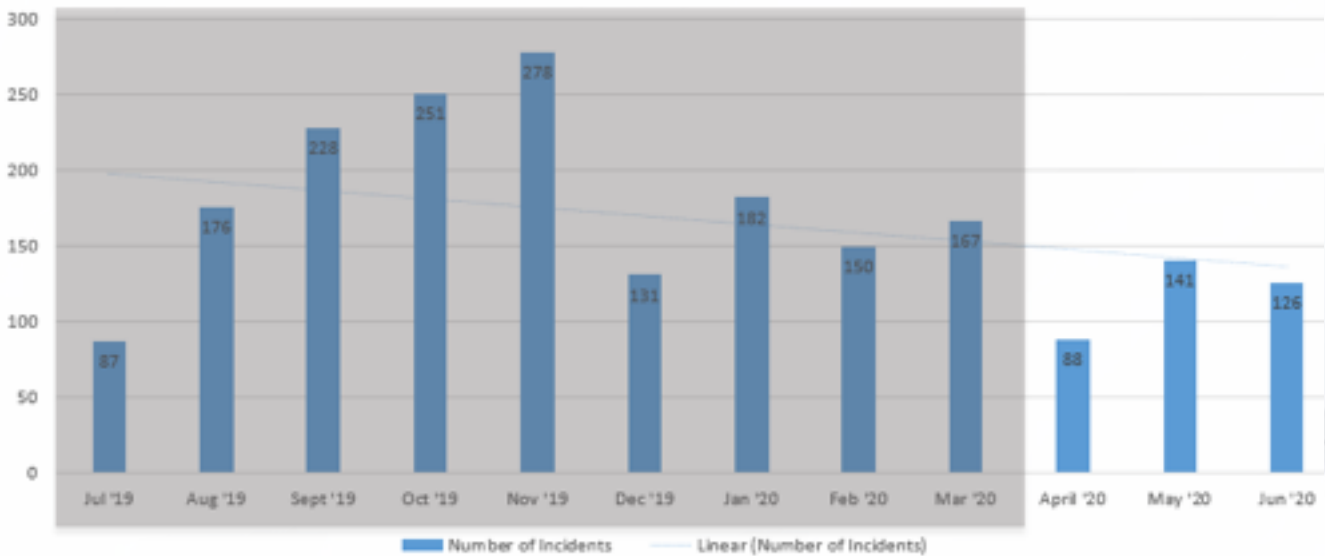
The above-tabulated reports show the performance figures for the quarter's one (1), two (2), three (3) and four (4) of the 2019/ 2020 financial year. The total number of incidents logged, is the number of failures/ disruptions to the service for each month, as per the above. Each of the incidents is reported to the MTC contact centre and the MTC Contact Centre manages the incidents respectively from beginning to the end. The Incident is reported to the MTC contact centre by one of two methods:

- the first is MTC clients directly contacting the MTC contact centre by either Telephone call, email or both channels and
- the other method is via the Integrated Service Desk and Network Monitoring System which is programmed to automatically detect failures on the network and thereafter automatically logs incidents.

Incidents are logged categorically as per the client affected e.g. MTN, Internet Solutions, COJ, etc. and as per the service affected e.g. Dark Fibre, WIFI, VOIP, etc. The incidents are grouped per severity from high to low severity; the severity level has its own Mean Time to Repair (MTTR) associated.

The below Graphs are trend analysis of the quarters one (1), two (2), three (3) and four (4) of the 2019 / 2020 financial year:

**A) Trend analysis graph of the number of incidents logged for the period**

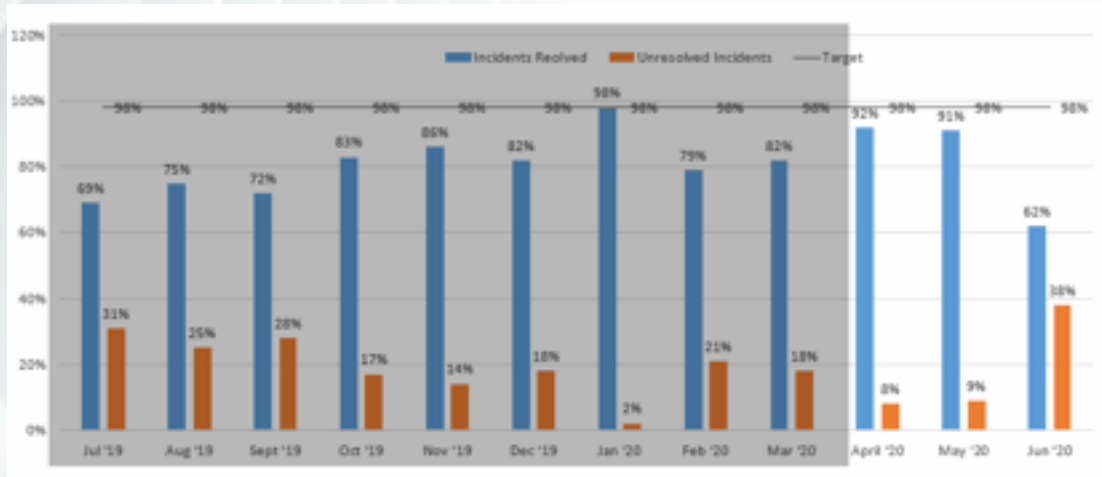


The above graph shows the trend of the number of incidents logged for the quarters one (1), two (2), three (3) and four (4) of the 2019/ 20 financial year, the trend analysis shows an improvement. An improvement for the above results is determined as follows: an incident is created as a result of a disruption to a service rendered. This means that MTC aims for the lowest possible amount of disruptions to the services being rendered to our clients.

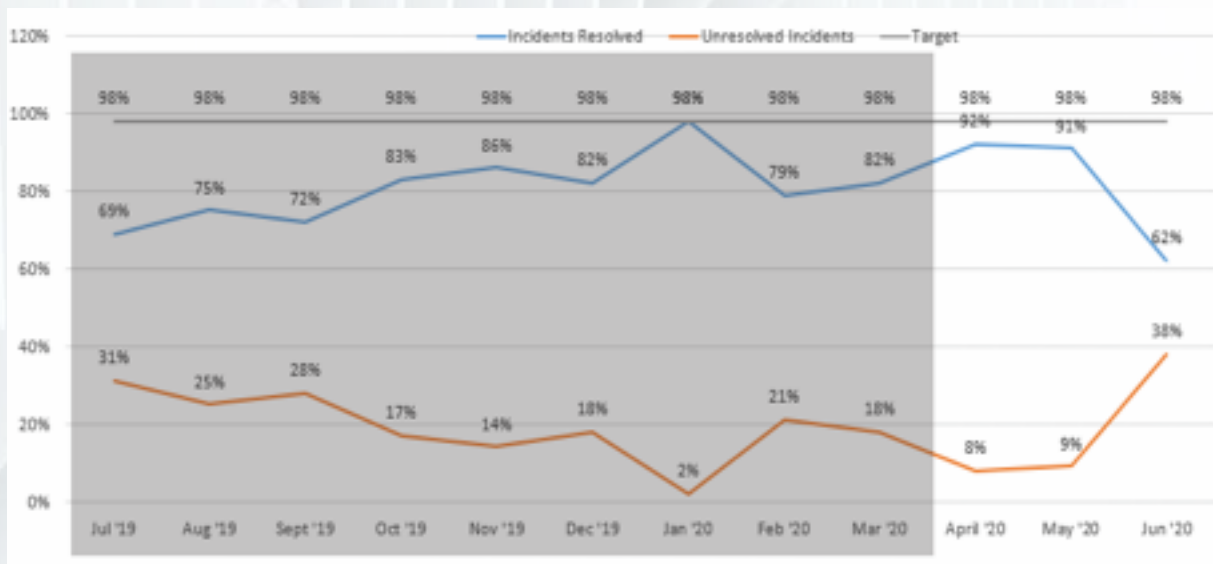
A low number of incidents being logged means a low amount of pressure on the MTC internal resolver group(s)/ team(s) and third-party service provider(s) responsible for the maintenance of MTC services.

Customer experience is further improved and the customer's confidence and sense of reliability in MTC services are improved. This creates what in ITIL terms is referred to as Value creation for the customer.

**B) Trend analysis graph of Incidents resolved vs Incidents unresolved for the period**



**C) Trend analysis Chart**



The above trend-charts shows the number of incidents resolved. The charts show that MTC met the targeted achievement for January 2020, the performance followed to descend below the target line this informs us that the target is achievable and that methods to improve the incident resolving rate needs to be developed and implemented.

One of the major reasons for MTC failing to meet the target is due to the network infrastructure being incomplete, the MTC network rings currently have no redundancy/ failover, several key MTC sites lack the adequate UPS/ Back-up power systems and the access to these sites is limited.

Based on the current trends MTC needs to investigate implementing the following measures but not limited to these options,

- to complete the network build: this will establish full network redundancy,
- MTC also needs to upgrade the network infrastructure, i.e. networking equipment, firmware, software, and security,

MTC needs to re-establish the planned maintenance and network rehabilitation programmes – this will improve the condition and quality of the network going forward.

## Business Development Pipeline

### Business Development Pipeline Quarter three

The following are business opportunities for MTC which have been concluded in the third Quarter except for the following; CoJ- Joburg Market, CoJ-Group Finance and CoJ- Park and Zoo

| <b>MTC Broadband Annuity income</b> |                              |                       |                        |                   |
|-------------------------------------|------------------------------|-----------------------|------------------------|-------------------|
| <b>44%</b>                          |                              |                       |                        |                   |
| Revenue Stream                      | External Client              | Existsing revenue p/m | Additional Revenue p/m | Annual Revenue    |
| Internal CoJ Business               | CoJ-GCSS Clinics & Libraries | R4 052 318            | R856 861               | R58 910 148       |
|                                     | CoJ-Metrobus                 | R19 710               | R650 000               | R8 036 520        |
|                                     | CoJ-Transport                | R110 000              |                        | R1 320 000        |
|                                     | CoJ-Joburg Market            | R9 150                | R40 000                | R589 800          |
|                                     | CoJ-Public Safety1           | R84 276               |                        | R1 011 312        |
|                                     | CoJ-Public Safety2           | R350 000              | R650 000               | R12 000 000       |
|                                     | CoJ-Ombudsman                | R200 000              | R199 000               | R2 388 000        |
|                                     | CoJ-Joburg Market            | R120 000              | R3 000 000             | R9 240 000        |
|                                     | CoJ-Group Finance            |                       | R280 000               | R36 000 000       |
|                                     | CoJ-Parks and Zoo            |                       |                        | R3 360 000        |
|                                     | CoJ-DED                      |                       | R20 520                |                   |
|                                     | <b>TOTAL</b>                 |                       | <b>R4 945 454</b>      | <b>R5 696 381</b> |



| <b>MTC Broadband Annuity income</b> |                         |                          |                           |                    |                        |
|-------------------------------------|-------------------------|--------------------------|---------------------------|--------------------|------------------------|
| <b>56%</b>                          |                         |                          |                           |                    |                        |
| Revenue Stream                      | External Client         | Existsing<br>revenue p/m | Additional<br>Revenue p/m | Annual<br>Revenue  |                        |
| External<br>client                  | Cool Ideas              | R5 495. 15               |                           | R65 941. 68        |                        |
|                                     | Internet Solutions      | R556 282.30              |                           | R6 675 375.60      |                        |
|                                     | Jasco Data Fusion       | R10 260.00               |                           | R123 120.00        |                        |
|                                     | Link Africa             | R559 714.44              |                           | R6 716 573.60      |                        |
|                                     | Metro Fibre             | R41 838. 00              |                           | R502 056.00        |                        |
|                                     | MTN                     | R1 912 044.39            |                           | R22 944 532.68     |                        |
|                                     | Vodacom                 | R43 804. 50              |                           | R525 654.00        |                        |
|                                     | 50 Key Customers        |                          | R1 200 000                | R14 400 000        |                        |
|                                     | 200 Large Power User    |                          | R700 000                  | R8 400 000         |                        |
|                                     | 200 Small Business User |                          | R2 400 000                | R28 80 000         |                        |
|                                     | 200 Domestic User       |                          | R7 000 000                | R84 000 000        |                        |
|                                     | Smart Intergrated       |                          | R402 120                  |                    |                        |
|                                     | <b>TOTAL</b>            |                          | <b>R3 129 437.77</b>      | <b>R11 702 120</b> | <b>R173 978 693.21</b> |



## Business Development Pipeline Fourth Quarter

Table 14: Business development pipeline

| Revenue Stream        | Client               | Opportunity                         | Once Off                            | Recurring Monthly | Annual Revenue | Total Estimated Revenue |             |
|-----------------------|----------------------|-------------------------------------|-------------------------------------|-------------------|----------------|-------------------------|-------------|
| Internal CoJ Business | Joburg Market        | CCTV services management            |                                     |                   |                |                         |             |
|                       | JOSHCO               | CCTV installation                   | R10 000                             |                   |                | R10 000                 |             |
|                       | Soweto Country Club  | CCTV<br>Website development<br>VoIP |                                     |                   |                |                         |             |
|                       | JCPZ                 | Fibre                               |                                     |                   |                |                         |             |
|                       | Public Safety - EMS  | CCTV<br>LAN                         | R1 296 130                          | R15 000           | R540 000       | R1 836 130              |             |
|                       | Public Safety - JMPD |                                     | Viewing Licences                    | R3 203 916        |                |                         | R3 203 916  |
|                       |                      |                                     | CCTV installation                   | R2 618 470        |                |                         | R2 618 470  |
|                       | Metrobus             |                                     | VoIP                                | R81 500           | R25 000        | R900 000                | R981 500    |
|                       |                      |                                     | Redundancy                          | R568 500          | R999           | R35 964                 | R604 464    |
|                       | Group ICT - Health   |                                     | Wi-Fi Fibre access                  | R166 000          | R 6 100        | R61 000                 | R224 500    |
|                       | JOSHCO               |                                     | Fibre connectivity, biometric, CCTV | R1 500 000        | R 8000         | R72 000                 | R1 572 000  |
|                       | Public Safety        |                                     | CCTV                                | R17 000 000       | R 32 000       | R320 000                | R17 320 000 |
|                       | Ombudsman            |                                     | Case Management                     | R200 000          |                |                         | R200 000    |
|                       |                      |                                     |                                     |                   |                | R 91 389 428            |             |

## Section 5: Performance against Predetermined Objectives

The Vision of CoJ is “Becoming the World African City” and MTC is one of the key contributors to ensuring the realisation of this vision by providing affordable and effective ICT services to the departments within the City and ME’s. Also, MTC has a role to play in making broadband more accessible and affordable for citizens of the City. To achieve these goals the three operational areas that have been identified as the key drivers are:

Performance against Predetermined Objectives for MTC from Quarter 1, 2 and 3 (July 2019 to March 2020),

Table 15 Performance against Predetermined Objectives for MTC from Quarter 1, 2,3 and 4 (July 2019 to June 2020),

| Q1                       | Q2  | Q3  | Q4  | YEAR TO DATE |
|--------------------------|-----|-----|-----|--------------|
| Total No                 | 12  | 12  | 13  | 13           |
| Achieved KPI's           | 2   | 4   | 4   | 6            |
| Non Achieved KPI's       | 10  | 8   | 10  | 7            |
| Partially Achieved KPI's | 0   | 0   | 0   | 0            |
| %Achievement             | 17% | 33% | 46% | 46%          |

### Performance against Predetermined Objectives

The Metropolitan Trading Company (MTC) is one of the key contributors of ensuring the realization of this vision by providing affordable and effective ICT services to the departments within the City and Municipal owned entities. In addition, MTC has a role to play in making broadband more accessible and affordable for citizens of the City.

MTC reported performance against predetermined objectives are aligned to the approved deviation report. Actual performance reinstated for the entire year.

### Performance Outcome

Strategic Key performance indicators comparisons

### 2019/20 Performance of Predetermined Objectives

| 2018/2019          |     |
|--------------------|-----|
| Total no of KPIs   | 12  |
| Achieved KPIs      | 5   |
| None Achieved KPIs | 7   |
| % Achievement      | 42% |

| 2019/2020          |     |
|--------------------|-----|
| Total no of KPIs   | 13  |
| Achieved KPIs      | 5   |
| None Achieved KPIs | 8   |
| % Achievement      | 46% |

### Performance against planned targets in 2019/20

This following section of the MTC Annual Performance Report reports on the actual performance against the planned targets. 2019/2020 SDBIP

**OUTCOME 3: AN INCLUSIVE, JOB-INTENSIVE, RESILIENT, COMPETITIVE AND SMART ECONOMY THAT HARNESSSES THE POTENTIAL OF CITIZEN**

**Key Priority Programme: Promote economic development and attract investment towards achieving 5% of economic growth that reduces unemployment by 2021.**

|   |  |   |       |       |      |                                      |
|---|--|---|-------|-------|------|--------------------------------------|
| 1 | Enhance our financial sustainability   | Amount of revenue achieved in millions of Rands                     | R 352 | R 538 | R655 | R443<br>Target not achieved          |
| 2 |  | Percentage of total sales revenue collection achieved               | 99%   | 99%   | 70%  | 79 %<br>Target achieved and exceeded |
| 3 | Encourage innovation and efficiency through the Smart City programmes  | Number of links (Fibre, CCTV and Wifi maintained.                   | 524   | 536   | 950  | 158<br>Target not achieved           |
| 4 |  | Network Link Availability   | 1000  | 5000  | 754  | 754<br>Target not achieved           |
| 5 |  | CCTV Device Availability  | 0     | 2000  | 2000 | 890<br>Target not achieved           |
| 6 |  | WIFI device availability  | 312   | 250   | 250  | 105<br>Target not Achieved           |
| 7 |  | Percentage of Network Availability / Uptime (Network WIFI and CCTV) | 90.7  | 98%   | 98%  | 79%<br>Target not achieved           |
| 8 | Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment growth by 2021. | Number of active MOUs   | 3     | 3     | 3    | 2<br>Target not achieved             |
| 9 |  | Number of EPWP employees  | 215   | 200   | 200  | 1<br>Target not achieved             |

|    |                       |   |             |             |                 |   |
|----|-----------------------|---|-------------|-------------|-----------------|---|
| 10 |                       | Number of SMME's doing business with MTC. (Transacting with SCM | 33          | 30          | 30              | 38<br>Target achieved and exceeded  |
| 11 |                       | Developing and launching the SMME Resellers portal.             | New         | New         | 100% Completion | 100% Developing and Technical launching the SMME Resellers portal<br>Target achieved and exceeded |
| 12 | Day to day operations | Number of fibre network maintained per kilometres               | 13.14       | 100km       | 100Km           | 145.62km<br>Target achieved and exceeded  |
| 13 |                       | Unqualified external audit opinion achieved                     | Unqualified | Unqualified | Unqualified     | Unqualified<br>Target achieved and exceeded   |



# HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT

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## CHAPTER 4



To remain competitive, the Metropolitan Trading Company is using technology and analytics to enhance and transform its business model. As the right people in the right place can play a significant positive role in the organization by making the organization to maximize the purpose for which it was created, wrong people in wrong positions can deliver a less than perfect performance within the organization. It becomes essentially important for the MTC HR department to get the right people in the right places. One of the most positive signs of developments at MTC is the increase in importance given to the Human Resource department. People are valuable to the organizations because they offer a lot of perspectives, values, and attributes to the life of the organizations and when tie people are managed effectively, the distinguished quality belonging to the people can be of considerable benefit to the organization. MTC strives to create an environment in which the entity's most talented people can perform at their best. Accordingly, the company acknowledges that there are factors that may either push or pull employees towards optimal performance. It is acknowledged that there are necessary material conditions that must be met to enable employees to thrive, these include but are not limited to; certainty on the future of the company, consistent and fair people management practices, a better reputation with the customer, shareholder, and labour market, enhanced employer/employee engagement to maximize performance, determined recruitment pipeline and improved employee morale.

MTC has gone through an era of being under staff, structured and capacitated, the new board of directors together with the MMC of Economic Development has started and tucked these challenges head-on. The under capacitation of staff impacted negatively on both Service delivery output and overburdens the people that are doing work as they end up filling the gaps of vacant positions. This era has come and gone with the appointment of senior management staff which will in turn kick start the recruitment of all positions vacant in their respective sections.

In the new financial year 2020/21, the board is looking forward to re-aligning MTC structure to the all surrounding business models e, g SAP implementation, and the Enhance Business Model to forge the company to greater heights.

## Section 1: Employee Remuneration (Total Costs including Executives)

The employee cost as of March 2020 is below budget due upgrade no remuneration break down available for April, May, and June 2020.

This is expected to increase and align with the budget when recruitment is finalized.

Below is the employee cost breakdown for the period of July 2019 to March 2020

Note: Due upgrade no remuneration breaks down available year to date to be updated on the annual integrated report

| Employee Cost Line Item       | Amount            |
|-------------------------------|-------------------|
| Basic Salaries                | 15 984 192        |
| Service and Performance Bonus | 966 668           |
| Overtime                      | 215 094           |
| Acting Allowance              | 286 515           |
| Staff Leave                   | 937 871           |
| Housing Subsidy               | 34 440            |
| Permanent Locomotion          | 934 686           |
| Pension Fund                  | 2 210 084         |
| Medical Aid                   | 846 572           |
| Other: Social Contributions   | 329 791           |
| <b>Total</b>                  | <b>22 745 913</b> |

|  |                      |
|--|----------------------|
| <b>Salaries - Basic</b>                    | <b>21,628,967.83</b> |
| Salaries - Overtime                        | 269,132.00           |
| Salaries - Bargaining Council - ER portion | 4,492.68             |
| Salaries - Pension Fund - ER portion       | 3,107,603.54         |
| Salaries - UIF - ER portion                | 80,253.28            |
| Salaries - Skills Development Levy         | 253,363.37           |
| Salaries - Medical Aid - ER portion        | 1,214,766.20         |
| Salaries - Housing Subsidy                 | 104,946.00           |
| Salaries - Leave Pay                       | 1,012,084.52         |
| Salaries - 13th Cheques                    | 1,144,665.00         |
| Salaries - Other Costs                     | 160,893.44           |
| <b>Salaries - Locomotion Allowance</b>     | <b>1,308,255.67</b>  |
| <b>Salaries- Acting allowance</b>          | <b>410,653.00</b>    |
|  |                      |
| <b>Total</b>                               | <b>30,700,076.53</b> |

Table 17: Employee cost breakdown for the period under review

## Section 2: Key Vacancies

MTC conducted a workforce planning analysis in developing an effective talent acquisition strategy in line with the 2019/20 Business Planning and budgetary allocations.

### MTC recruitment as at end - June 2020

MTC has vacant critical positions at an executive and senior level; these vacant posts are critical to achieving the MTC service delivery mandate as set by the City of Joburg.

| Critical Vacancies       | Acting Incumbent  | When did the position become vacant?  | Why has it not been filled?  |
|--------------------------|---|---|--|
| Chief Executive Officer  | Eldred Mtaner and Shantha Balakrina                     | From MTC inception.<br><br>On 28 February 2015, the City of Johannesburg Council approved the establishment of a Broadband Network Municipal Entity ("ME") in terms of section 76(b) of the Local Government: Municipal Systems Act No.32 of 2000 to receive the network asset and associated business. | -The moratorium imposed by the Previous Mayor (Herman Mashaba)<br><br>- Changes in political leadership. The moratorium imposed by the Previous Mayor (Herman Mashaba) |
| Chief Financial Officer  | Luyanda Gidini  |   |  |
| Company Secretary        | Phakedi Masekela  |   |  |
| Chief Internal Auditor   | Vacant  |   |  |
| Chief Technology Officer | Eldred Mtaner<br><br>New appointment from 1st June 2020 |   |  |

**Table 18: MTC recruitment as at end-March 2020**

### **Background on MTC Recruitment**

The Government of Local Unity (GLU) took office in December 2019, and a new board of directors was appointed.

The board of directors' resolution instructed MTC to start the process of filling the executive positions with immediate effect, Management commenced with the appointment of the executives and communicated to staff. This process has been concluded by the board in consultation with the Shareholder's office (MMC) and Group Governance as detailed by the legislation.

The status quo as of date is as follows:

Two executive appointments were done in June 2020.

- Chief Technology Officer
- Company Secretary

The following positions were approved by the Mayoral Committee of the 28th June 2020

- Chief Executive Officer
- Chief Financial Officer

One position still (Chief Internal Auditor) under recruitment, a process hampered by the COVID 19 working from home and social distancing.

**Below is MTC Structure occupancy statistics.**

MTC has 81 positions on its approved structure, 42 positions have been filled resulting in a vacancy rate of 52% (57% if considering the 1 short term contract, 2 secondments, and 1 intern).

| <b>MTC CAPACITATION PLAN 2019/20 as at June 2020</b> |                            |                                  |                            |                                |                                  |
|--|----------------------------|----------------------------------|----------------------------|--------------------------------|----------------------------------|
| <b>Total number of positions 81</b>                  |                            |                                  |                            |                                |                                  |
| <b>28</b>  |                            |                                  |                            |                                |                                  |
| <b>Recruitment in Progress 12</b>                    |                            |                                  |                            |                                |                                  |
| <b>Filled 42</b>                                     |                            |                                  |                            |                                |                                  |
| <b>Office of the CEO</b>                             | <b>Head Legal</b>          | <b>Head -Risk and Compliance</b> | <b>Management Support</b>  | <b>Chief Financial officer</b> | <b>Chief Technology Officer</b>  |
| 13   | 2                          | 2                                | 6                          | 17                             | 40                               |
| Company Secretary                                    | Legal Advisor              | Risk and Assurance manager       | Management Support Manager | Financial Manager              | GM: Business Development Manager |
| Chief Internal Auditor                               | Legal Contract Specialists | Quality Assurance Specialist     | HR Manager                 | Asset Manager                  | GM: Network Operations           |

|                              |  |                |   |                                    |                                   |
|------------------------------|--|----------------|---|------------------------------------|-----------------------------------|
| Committee Officer            |  | SHE Specialist | HR Administrator                        | SCM Manager                        | Account Manager                   |
| Assistant to the CEO         |  |                | Assistant Human Resources Administrator | Facilities Manager                 | Account Manager                   |
| Executive Assistant          |  |                | Performance Management Officer          | IT Manager                         | Account Manager                   |
| Internal Auditor             |  |                | Knowledge Management Officer            | Debtors and Revenue Specialist     | Service Manager                   |
| Internal Auditor             |  |                |   | Senior Accountant                  | Service Management Agent Internal |
| Chief Executive Officer      |  |                |   | Application Support Engineer       | Service Management Agent External |
| Head Legal                   |  |                |   | Finance /Billing App Administrator | CRM/OM APP Administrator          |
| Head-Risk and Compliance     |  |                |   | Operations Procurement Specialist  | IT OPS Manager                    |
| Management Support Executive |  |                |   | Contracts Manager                  | Network Performance Engineer      |
| Chief Technology Officer     |  |                |   | Receptionist                       | Monitoring and Control Tech       |
| Chief Financial Officer      |  |                |   | Housekeeper                        | Data Centre Host Engineer         |
|                              |  |                |   | Driver and Fleet Manager           | Network Performance Engineer      |
|                              |  |                |   | Desktop Support Administrator      | System Engineer                   |
|                              |  |                |   | Cleaner                            | Database Administrator            |
|                              |  |                |   | Cleaner                            | System Administrator              |
|                              |  |                |   |                                    | NOC Manager                       |
|                              |  |                |   |                                    | Head Security                     |
|                              |  |                |   |                                    | Project Manager                   |
|                              |  |                |   |                                    | Project Manager                   |
|                              |  |                |   |                                    | Solution Architecture             |
|                              |  |                |   |                                    | Cyber Security Architecture       |

|  |  |  |  |  |                           |
|--|--|--|--|--|---------------------------|
|  |  |  |  |  | Contact Centre Supervisor |
|  |  |  |  |  | Field Supervisor          |
|  |  |  |  |  | NOC Support               |
|  |  |  |  |  | NOC Support               |
|  |  |  |  |  | NOC Support               |
|  |  |  |  |  | CYBER Security Specialist |
|  |  |  |  |  | Contact Centre Agents     |
|  |  |  |  |  | Contact Centre Agents     |
|  |  |  |  |  | Contact Centre Agents     |
|  |  |  |  |  | Contact Centre Agents     |
|  |  |  |  |  | Field Technician          |
|  |  |  |  |  | Fault Tech                |
|  |  |  |  |  | Fault Tech                |
|  |  |  |  |  | Tech Support              |
|  |  |  |  |  | Tech Support              |
|  |  |  |  |  | ICT Chief architecture    |
|  |  |  |  |  | Tech Support              |

**Below is MTC Structure occupancy statistics.**

MTC has 81 positions on its approved structure, 42 positions have been filled resulting in a vacancy rate of 52% (57% if considering the 1 short term contract, 2 secondments, and 1 intern).

| THE METROPOLITAN TRADING COMPANY Pty Ltd |                               |           |          |                   |          |           |                |                             |
|--|-------------------------------|-----------|----------|-------------------|----------|-----------|----------------|-----------------------------|
| 4th Quarter Report (April-June 2020)     |                               |           |          |                   |          |           |                |                             |
| Business Area                            | number of positions structure | filled    | STC      | Acting Secondment | Interns  | Vacant    | Filled Vacancy | Filled Vacancies STC Acting |
| Office of The Executive                  | 11                            | 4         | 0        | 2                 | 0        | 8         | 36%            | 55%                         |
| Internal Auditor                         | 2                             | 2         | 0        | 0                 | 0        | 0         | 100%           | 100%                        |
| Risk and Compliance                      | 3                             | 1         | 0        | 0                 | 0        | 2         | 33%            | 33%                         |
| Office of the COO/CTO                    | 2                             | 0         | 0        | 0                 | 0        | 2         | 0%             | 0%                          |
| Business Development                     | 7                             | 3         | 0        | 0                 | 0        | 4         | 43%            | 43%                         |
| Network Operations                       | 31                            | 17        | 0        | 0                 | 0        | 14        | 45%            | 45%                         |
| Financial Services                       | 17                            | 8         | 1        | 0                 | 1        | 9         | 47%            | 59%                         |
| Management Support                       | 6                             | 6         | 0        | 0                 | 0        | 0         | 100%           | 100%                        |
| Legal Services                           | 2                             | 1         | 0        | 0                 | 0        | 1         | 50%            | 50%                         |
| <b>Total</b>                             | <b>81</b>                     | <b>42</b> | <b>1</b> | <b>2</b>          | <b>1</b> | <b>40</b> | <b>52%</b>     | <b>57%</b>                  |

### Section 3: Employment Equity

**Table 19: MTC Employee Vacancy Rates**

The capacitation approach of the MTC staff compliment has been focused on efficient operations of the network and of revenue generation. The nature of the MTC business also requires proper accounting and asset management therefore the capacitation of the administration function and the management layer becomes imperative to address. Major progress has been achieved with the recruitment of technicians and the management layer. The capacitation model of MTC for the advancement of its business will be driven through reseller agreements whereby account managers from the private sector will be engaged to sell MTC services with a revenue-sharing approach.

Metropolitan Trading Company, in line with other Municipal Owned Entities, has decided to use the Economically Active Population Demographics (EAP) profile of Gauteng Province as a basis for its numerical targets to achieve employment equity in the business unit. MTC believes that Employment Equity (EE) goes beyond just legal compliance but rather the Employment Equity Act that provides an outstanding opportunity to enhance service delivery by ensuring that the skills profile of the business unit employees is optically developed. MTC fully commits itself to ensure that EE is a strategic priority and that the requirements of the Employment Equity Act are adhered to.

Statistics for the equitable representation, (Section 54 EE Act) as at June 2020

| OCCUPATIONAL LEVELS   |                 | MALES |      |      |     | FEMALE |      |      |     | FOREIGN NATIONALS |        | Total |
|---|-----------------|-------|------|------|-----|--------|------|------|-----|-------------------|--------|-------|
|   |                 | A     | C    | I    | W   | A      | C    | I    | W   | Male              | Female |       |
| <b>MANAGEMENT</b>   | ACTUAL          | 0     | 0    | 1    | 0   | 1      | 0    | 1    | 0   | 0                 | 0      | 3     |
|   | TARGET SUBTOTAL | 0     | 0    | 1    | 0   | 1      | 0    | 1    | 0   | 0                 | 0      | 3     |
|   | ACTUAL %        | 0%    | 0%   | 0%   | 0%  | 100%   | 0%   | 0%   | 0%  | 0%                | 0%     | 3     |
|   | TARGET %        | 39%   | 1,5% | 1,5% | 8%  | 39%    | 1,5% | 1,5% | 8%  | 0%                | 0%     |       |
|   | GAP %           | -39%  | -2%  | -2%  | -8% | 61%    | -2%  | -2%  | -8% | -0%               | -0%    |       |
|   | GAP             | 0     | 0    | 0    | 0   | 1      | 0    | 0    | 0   | 0                 | 0      |       |
| <b>SENIOR MANAGEMENT (Director &amp; Deputy Director)</b>   | ACTUAL          | 4     | 0    | 0    | 0   | 4      | 0    | 0    | 0   | 0                 | 0      | 8     |
|   | TARGET SUBTOTAL | 0     | 0    | 0    | 0   | 0      | 0    | 0    | 0   | 0                 | 0      | 18    |
|   | ACTUAL %        | 50%   | 0%   | 0%   | 0%  | 50%    | 0%   | 0%   | 0%  | 0%                | 0%     |       |
|   | TARGET %        | 39%   | 1,5% | 1,5% | 8%  | 1%     | 9%   | 9%   | -8% | 0%                | 0%     |       |
|   | GAP %           | 11%   | -2%  | -2%  | -8% | 1%     | 9%   | 9%   | -8% | 0%                | 0%     |       |
|   | GAP             | 0     | 0    | 0    | 0   | 0      | 0    | 0    | 0   | 0                 | 0      |       |
| <b>PROFESSIONAL QUALIFIED (Assistant Director &amp; Manager)</b>  | ACTUAL          | 3     | 1    | 0    | 0   | 4      | 1    | 1    | 0   | 0                 | 0      | 10    |
|   | TARGET SUBTOTAL | 0     | 0    | 0    | 0   | 0      | 0    | 0    | 0   | 0                 | 0      | 16    |
|   | ACTUAL %        | 30%   | 10%  | 0%   | 0%  | 40%    | 10%  | 10%  | 0%  | 0%                | 0%     |       |
|   | GAP %           | -9%   | 9%   | -2%  | -8% | 1%     | 9%   | 9%   | -8% | 0%                | 0%     |       |
|   | GAP             | 3     | 1    | 0    | 0   | 4      | 1    | 1    | 0   | 0                 | 0      |       |
| <b>SKILLED TECHNICAL AND ACADEMICALLY QUALIFIED (Ops Manager, Officer, Executive Secretary, Specialist)</b> | ACTUAL          | 11    | 0    | 0    | 0   | 5      | 1    | 1    | 2   | 0                 | 0      | 19    |
|   | TARGET SUBTOTAL | 16    | 1    | 1    | 3   | 16     | 1    | 1    | 3   | 0                 | 0      | 41    |
|   | ACTUAL %        | 53%   | 0%   | 0%   | 0%  | 26%    | 5%   | 5%   | 11% | 0%                | 0%     |       |
|   | TARGET %        | 39%   | 1,5% | 1,5% | 8%  | 39%    | 1,5% | 1,5% | 8%  | 0%                | 0%     |       |
|   | GAP %           | 14    | -2%  | -2%  | -8% | -13%   | 4%   | 4%   | 3%  | 0%                | 0%     |       |
|   | GAP             | -6    | -1   | -1   | -3  | -11    | 0    | 0    | -1  | 0                 | 0      |       |
| <b>SEMI-SKILLED (Secretary, Admin Assistant, Cashiers, Ambassador, Driver)</b>                              | ACTUAL          | 1     | 0    | 0    | 0   | 0      | 0    | 0    | 0   | 0                 | 0      | 1     |
|   | TARGET SUBTOTAL | 0     | 0    | 0    | 0   | 0      | 0    | 0    | 0   | 0                 | 0      | 1     |
|   | ACTUAL %        | 100%  | 0%   | 0%   | 0%  | 0%     | 0%   | 0%   | 0%  | 0%                | 0%     |       |
|   | TARGET          | 39%   | 1,5% | 1,5% | 8%  | 39%    | 1,5% | 1,5% | 8%  | 0%                | 0%     |       |
|   | GAP %           | 61%   | -2%  | -2%  | -8% | -39%   | -2%  | -2%  | -2% | -8%               | 0%     |       |
|   | GAP             | 1     | 0    | 0    | 0   | 0      | 0    | 0    | 0   | 0                 | 0      |       |
| <b>UNSKILLED (General Worker, Office Ass, Marshal)</b>  | ACTUAL          | 0     | 0    | 0    | 0   | 1      | 0    | 0    | 0   | 0                 | 0      | 1     |
|   | TARGET SUBTOTAL | 1     | 0    | 0    | 0   | 0      | 0    | 0    | 0   | 0                 | 0      | 3     |
|   | ACTUAL %        | 0%    | 0%   | 0%   | 0%  | 100%   | 0%   | 0%   | 0%  | 0%                | 0%     |       |
|   | TARGET          | 39%   | 1,5% | 1,5% | 8%  | 39%    | 1,5% | 1,5% | 8%  | 0%                | 0%     |       |
|   | GAP %           | -39%  | -2%  | -2%  | -8% | 61%    | -2%  | -2%  | -8% | 0%                | 0%     |       |
|   | GAP             | 1     | 0    | 0    | 0   | 0      | 0    | 0    | 0   | 0                 | 0      |       |

Table 14: Statistics for equitable representation

## Section 4: Skills Development and Training

The internally driven assessment has yielded deficiencies in skills set at MTC although not negating requisite experience. Owing to the transitional nature and work contracts of employees at MTC, employees have not enjoyed the fullest benefit of training. Short term contracts and seconded employees are restricted training offerings due to the tenure of contracts.

Organisational Capacitation within MTC will be used to advance the skills of employees from designated groups to prepare them to occupy senior positions as and when such vacancies arise.

Permanent employees, through the Individual Learning Plans, a well thought out plan provides MTC employees with opportunities and clear direction on how to increase their skills and advance their careers. With a more expanded set of skills, MTC employees are destined to have more tools to help the organization business forge ahead.

MTC through Organizational Capacitation Department used the Sub-Ed process to fund the pre and post qualification.

The following process is followed to activate this process:

The employee needs to apply for a degree or post-graduation course aligned to the position.

The employee obtains the Proforma Invoice from the institution.

Finance prepares the purchase requisition and signs the Sub-ed contract.

Subject to available funds, Finance makes direct payment to the institution

Skills Development and Training are important to assess employee potential and employee readiness. MTC has provided financial assistance in respect of development and training needs identified for nine employees.

## Section 5: Performance Management and Succession Planning

All employees of MTC are required to have performance scorecards in line with the MTC performance management policy. During this quarter, all the CEO direct reports scorecards have been drafted and coaching sessions signed. The company follows the subjoined simplest form of performance tracking, and performance is being pursued in the spirit of recording actual performance, as what you can't measure, may not be done.

Status Update on MTC performance management plan for 2019/2020

TOTAL NUMBER OF EMPLOYEES = 49

PERMANENT = 42

SECONDMENT = 1

STC = 0

OUTSOURCED = 2

ACTING = 7

Draft Scorecards = 2 = 4%

No Scorecards = 6 = 12,5 % (CALCULATIONS BASED ON FILLED VACANCIES)

Signed Scorecards = 40 = 83%% (CALCULATIONS BASED ON FILLED VACANCIES)

The methodology for the MTC Succession Planning is through establishing Competency Models by talent pool considering the positions that will be fed by the talent pool, which serves as a clear narrative description of the knowledge, skills, attitudes, and other abilities that lead to exemplary performance. The reason for this is to create the Competency Models that provide blueprints of the talent to build at present and in the future. Individuals/employees can be rated against ethics, values, and codes of conduct as they provide a basis by which to assess individuals against a dimension that goes beyond what it takes to get good results on the job.

Through this Succession Planning process, MTC conducts individualized MultiRatter full-circle assessment. The idea is to assess individuals/employees against the competencies required for success within MTC as this will indicate gaps between the competencies an individual/employee currently possesses, and the competencies individual/employee should possess to be successful.

## Section 6: Disciplinary Matters and Outcomes

There were no disciplinary matters for the fourth quarter.

## Section 7: Leave & Productivity Management

There is general adherence to leave management. However, due to under capacitation some employees are unable to take leave. Most employees are maximally engaged and almost bordering on exhaustion. MTC does not have a scientific baseline for productivity management, therefore there is a lack of measure to discern effective from efficient productivity. It is anticipated that once the company stabilises, it will institutionalise productivity management. The workshop to sensitize all staff members regarding Leave Management was conducted in September 2019.

## Section 8: Employee Wellness

1. Increasing awareness - MTC Shared the information and created awareness around the issue of COVID-19 with internal employees and the public.

The MTC Board of Directors and Management endeavours to implement and communicate all the necessary measures that are aimed at advancing health and safety measures. Furthermore, the staff is encouraged not to panic but exercise caution as we collectively combat the spread of this virus.

Immediate preventative Measures that MTC has been put in place:

- Allow staff to work from home (Upon approval of the Line Manager)
- Employees to go for screening tests
- The biometric scanner will be disabled, keep all doors open
- Employees and visitors entering the work premises will have sanitizers sprayed on their hands
- Request the service providers to work on our premises to submit their preventative plans.

MTC has also encouraged employees to practice good hygiene to protect themselves against the virus, MTC has bought gloves and sanitizers for employees who are in the office daily. Everyone must practice good hygiene to protect against infection and prevent the virus from spreading, everyone uses the sanitizer before they enter the office, including the clients who come in for meetings.

## Section 9: Employee Benefits

Employee benefits of MTC almost mirror those of the City of Johannesburg. The table below gives a snapshot of employee benefits.

| NAME OF BENEFIT                   | QUALIFICATION   | RELATED AMOUNT/RANGES |
|-----------------------------------|---|-----------------------|
| Housing Subsidy                   | Permanent   | R907                  |
| Ad hoc Loco                       | The employee using his/her car to do Entities job   | Determine by KM       |
| Travelling (locomotion allowance) | Permanent employees - Employees are required to submit their log sheets at six months intervals | R3500 - R7400         |

## Medical Aid

Medical aid contributions for permanent employees are 60% Employer contribution and 40% employee contribution. Employees are offered membership of the approved schemes.

## Pension Fund Benefits E-Joburg Pension Fund

MTC employees are under E Joburg Pension Function wherein the employer contributes 18% and employees contributes 7.5%.

## Section 10: Occupational Health & Safety Programmes

Health and safety programmes are a definite plan of action designed to prevent accidents and occupational diseases. Some form of a program is required under occupational health and safety legislation. A health and safety program must include the elements required by the health and safety legislation as a minimum.

Metropolitan Trading Company is committed to maintaining the health and welfare of all employees as well as providing a safe and hygienic working environment.

The health and safety of our MTC employees is our priority while continuing to deliver services and support to our customers. The South African government declared the COVID -19 a national disaster-with an increasing rate of confirmed cases of people infected with the virus in our country, more of these cases were recorded in Gauteng. The authorities have further warned that this number is expected to rise in the coming days and weeks. President Cyril Ramaphosa has announced stringent measures that the government is imposing to reduce the rapid spread of the COVID-19 virus and these measures impact all the workforce including MTC.

MTC continues to closely monitor the latest guidance from WHO, the President State of the Nation address. MTC has resolved to apply the following measures:

- MTC has prepared its employees to work remotely if necessary and has instructed them on correct hygiene practices to combat the spread of the coronavirus.
- MTC is reinforcing preventative measures with our employees regarding handwashing, contact, and guidance on internal and external events – including the option of virtual attendance of field service staff.
- MTC has increased to work remotely without disruption and has a dedicated team working to maintain the level of service our customers and clients expect from us.
- All our common working areas like Reception, Toilets, Kitchens will be regularly disinfected as well.
- MTC has established a task team that has been formed specifically to manage risk, monitor, formulate appropriate communication to employees and external stakeholders, devise and implement preventative measures, and report on the spread of the disease.
- Guidelines to be crafted to guide the MTC response relating to sick leave and restrictions and business rules. Along with that, the company is at work reviewing the 'Work from Home' capability for staff members who can work remotely.
- Risk management has been instituted for all visitors, clients, customers to our offices via electronic communication and those that visit MTC offices must fill the assessment questionnaire, and in the event, the visitor is deemed a health risk, any planned meeting will not proceed and they will be asked to seek medical assessment.

Metropolitan Trading Company should ensure that the choice of furniture does not have a detrimental effect on the physical health of the staff. Desks have a suitable height so that employees can work comfortably. Also, chairs have good back support and are adjustable.

## MTC risk and mitigation for COVID-19

| No | Risk   | Risk Mitigating Strategies  |
|----|--|---|
| 1  | Officials working without protective gear          | <ul style="list-style-type: none"> <li>• all the officials to wear protective gear while doing work or rendering services (i.e. field workers)</li> <li>• MTC has prepared its employees to work remotely if necessary and has instructed them on correct hygiene practices to combat the spread of the coronavirus</li> <li>• MTC is reinforcing preventative measures with our employees regarding hand washing, contact, and guidance on internal and external events – including the option of virtual attendance of field service staff</li> </ul>                     |
| 2  | Infections among employees (Internal)              | <ul style="list-style-type: none"> <li>• Social distancing at the workplace</li> <li>• Rotation of employees and working from home for those who can</li> <li>• Regular cleaning of the working environment surfaces.</li> <li>• Sanitizers placed at the strategic positions within the working environment,</li> <li>• Wearing of face masks compulsory in the working environment proximity</li> <li>• Isolation of the officials with signs of COVID 19 symptoms.</li> <li>• Compulsory screening and testing for the essential workers at the Metro centre.</li> </ul> |
| 3  | Infections by the visitors or outsiders (External) | <ul style="list-style-type: none"> <li>• Risk management has been instituted for all visitors, clients, customers to our offices via electronic communication and those that visit MTC offices must fill the register, and in the event, the visitor is deemed a health risk, any planned meeting will not proceed and they will be asked to seek medical assessment.</li> <li>• Wearing of face masks compulsory in the working environment proximity</li> <li>• Sanitizers placed at the strategic place of the working environment,</li> </ul>                           |
| 4  | Uncertainty and uneasiness of working staff        | <ul style="list-style-type: none"> <li>• Officials with underlining conditions encouraged to work from home.</li> <li>• Regular communication and sharing of the COVID 19 information to all staff as it comes available.</li> </ul>  |
| 5  | Unrestricted access to the work premises           | <ul style="list-style-type: none"> <li>• Officials are encouraged to limit the access of visitors in the office facilities by making use of virtual meetings with the stakeholders.</li> </ul>  |

The Entity has embarked on robust mitigation measures to combat COVID 19, some of the measures include the procurement of the following items which is still in progress

- 500 ml Bottle of Sanitizers
- Hand washing soaps
- Face masks
- Temperature screening devices
- Hand gloves for cleaners
- Paper towels
- Face shields

**The fumigation of the working environment has been allocated to the Johannesburg Property company**

### **COVID 19 work-plan**

The Entity has drafted a work plan arrangement for the COVID 19 on how the employees will be faced while ensuring the safety of employees, the work-plan includes the vulnerable employees such as employees with underlying conditions and the employees above 60 years old.

### **Business Continuity amid COVID 19**

In the midst of the pandemic MTC has been able to continue rendering the services to the clients and stakeholders at large, The Entity has drafted a business continuity plan specifically for COVID 19 which includes among other measures such as the rotation of employees and also allocating of tools of the trade to the Network Operation Centre staff with critical function. The entity is also in the process of allocating tools of the trade to all Officials to enable them to work from home.

Health and safety programmes are a definite plan of action designed to prevent accidents and occupational diseases. Some form of a program is required under occupational health and safety legislation. A health and safety program must include the elements required by the health and safety legislation as a minimum.

Metropolitan Trading Company is committed to maintaining the health and welfare of all employees as well as providing a safe and hygienic working environment.

The health and safety of our MTC employees is our priority while continuing to deliver services and support to our customers. The South African government declared the COVID -19 a national disaster-with an increasing rate of confirmed cases of people infected with the virus in our country, more of these cases were recorded in Gauteng. The authorities have further warned that this number is expected to rise in the coming days and weeks. President Cyril Ramaphosa has announced stringent measures that the government is imposing to reduce the rapid spread of the COVID-19 virus and these measures impact all the workforce including MTC.

MTC continues to closely monitor the latest guidance from WHO, the President State of the Nation address. MTC has resolved to apply the following measures:

- MTC has prepared its employees to work remotely if necessary and has instructed them on correct hygiene practices to combat the spread of the coronavirus.
- MTC is reinforcing preventative measures with our employees regarding hand washing, contact, and guidance on internal and external events - including the option of virtual attendance of field service staff.
- MTC has increased to work remotely without disruption and has a dedicated team working to maintain the level of service our customers and clients expect from us.
- All our common working areas like Reception, Toilets, Kitchens will be regularly disinfected as well.
- MTC has established a task team that has been formed specifically to manage risk, monitor, formulate appropriate communication to employees and external stakeholders, devise and implement preventative measures, and report on the spread of the disease.
- Guidelines to be crafted to guide the MTC response relating to sick leave and restrictions and business rules. Along with that, the company is at work reviewing the 'Work from Home' capability for staff members who can work remotely.

- Risk management has been instituted for all visitors, clients, customers to our offices via electronic communication and those that visit MTC offices must fill the assessment questionnaire, and in the event, the visitor is deemed a health risk, any planned meeting will not proceed and they will be asked to seek medical assessment.

Metropolitan Trading Company should ensure that the choice of furniture does not have a detrimental effect on the physical health of the staff. Desks have a suitable height so that employees can work comfortably. Also, chairs have good back support and are adjustable.



## MTC risk and mitigation for COVID-19

| Risk  | Impact  | Risk Mitigating Strategies   |
|---|---|--|
| Officials working without protective gear   | Sickness<br>Increase Litigation   | Protective gear to be procured for all the officials<br><br>MTC has prepared its employees to work remotely if necessary and has instructed them on correct hygiene practices to combat the spread of the coronavirus<br><br>MTC is reinforcing preventative measures with our employees regarding hand washing, contact, and guidance on internal and external events - including the option of virtual attendance of field service staff |
| Unavailability of spares and consumables to carry out required maintenance and upgrades.    | Failure to maintain network infrastructure which will lead network outages                            | The service providers to ensure that systems are in place to continue rendering services   |
| Failure to deliver on key strategic initiatives.  | Revenue loss  | Day to day monitoring of the organizational strategic initiative and action plans to be drafted as and when needed.  |
| Inability to source professional services from affected regions due to travel restrictions. | Business disruption due to no or slower maintenance and /or support by international shared services. | The service providers to ensure that systems are in place to continue rendering services   |
| Non-payment of Suppliers  | Disruption of services  | MTC has prepared its employees to work remotely if necessary and has instructed them on correct hygiene practices to combat the spread of the coronavirus  |

# FINANCIAL PERFORMANCE AND EXPOSURE

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## CHAPTER 5



Table 22: Statement of Financial Position

| ITEM DESCRIPTION                     | NOTE REF | 30 JUNE 2020(UNAUDITED) | 30 JUNE 2019     |
|--------------------------------------|----------|-------------------------|------------------|
| <b>CURRENT ASSETS</b>                |          | <b>1,248,918</b>        | <b>865,655</b>   |
| Receivable from exchange transaction | 1        | 526,004                 | 330,674          |
| Inventory                            |          | 3,074                   | 3,076            |
| SARS                                 |          | 6,088                   | 3,976            |
| Cash and Equivalent                  |          |                         |                  |
| Loan to Shareholder                  | 2        | 713,516                 | 527,929          |
| Other current asset                  |          | 236                     |                  |
| <b>NON-CURRENT ASSETS</b>            |          | <b>494,431</b>          | <b>540,353</b>   |
| Property, Plant and Equipment        | 3        | 483,609                 | 520,553          |
| Intangible Assets                    | 3        | 10,488                  | 19,800           |
| Deferred Tax Asset                   |          | 334                     |                  |
| <b>TOTAL ASSETS</b>                  |          | <b>1,743,349</b>        | <b>1,406,008</b> |
| <b>EQUITY &amp; LIABILITIES</b>      |          |                         |                  |
| <b>CURRENT LIABILITIES</b>           |          | <b>650,756</b>          | <b>316,314</b>   |
| Payables from exchange transactions  | 4        | 192,036                 | 90,457           |
| Operating lease liability            |          | -                       | 89               |
| SARS                                 |          | 51,818                  | 30,760           |
| VAT payables                         | 4        | 2,293                   | 6,133            |
| Current portion of long term loan    |          | 401,667                 | 185,834          |
| Other liabilities                    |          | 333                     | 864              |
| Provisions                           |          | 2,609                   | 2,177            |
| <b>NON-CURRENT LIABILITIES</b>       |          | <b>1,459,685</b>        | <b>1,508,507</b> |
| Shareholder Loan                     | 6        | 1,458,759               | 1,508,174        |
| Income received in advance           |          | -                       | 333              |
| Deferred tax liability               |          | 926                     | -                |
| <b>TOTAL LIABILITIES</b>             |          | <b>2,110,441</b>        | <b>1,824,821</b> |
| <b>CAPITAL AND RESERVES</b>          |          | <b>367,093</b>          | <b>418,813</b>   |
| Share Capital                        |          |                         |                  |
| Share Premiums                       |          | 163,897                 | 163,897          |
| Accumulated Loss                     |          | 530,990                 | 582,710          |
| <b>TOTAL EQUITY AND LIABILITY</b>    |          | <b>1,743,348</b>        | <b>1,406,008</b> |

## Balance Sheet variance analysis:

1.Receivables from exchange transaction-The increase in trade receivables are because of several internal high -value CoJ projects that were only finalized at the end of June 2020 and invoiced. A significant portion relates to old COJ debt for services rendered which are still not paid from the Parent Municipality.

2.Loan to shareholder-This is a sweeping account that is held and managed at CoJ Treasury. The increase is due to cash payments made by customers and monthly subsidy received into the MTC account which in turn swept into the sweeping account.

3.The property, Plant, and Equipment (PPE) and Intangible assets decreased due to depreciation. No additions were acquired during the year due to nil capital budget allocated to the entity.

4.Payables from exchange transactions increased significantly in comparison to the prior year due to creditors that were recognised as at 30 June 2020 due to the projects that they implemented on behalf of MTC.

5.VAT payables relate to the VAT net output for June 2020 that will be paid in July 2020.

6.Shareholder loan has increased because of monthly interest charged on the outstanding capital amount and non-payment of the capital portion of the loan

## Section 2: Statement of Financial Performance and high-level notes

Table 23: Statement of Financial Performance and high-level notes

|                               | 30 JUNE 2020<br>(UNAUDITED) | 30 JUNE 2020   | BUDGET<br>VS<br>VARIANCE | REASONS FOR VARIANCE   |
|-------------------------------|-----------------------------|----------------|--------------------------|--|
|                               | ACTUAL '000                 | BUDGET '000    |                          |  |
| <b>REVENUE</b>                |                             |                |                          |  |
| NON-EXCHANGE REVENUE          | 239 990                     | 239 990        |                          |  |
| SUBSIDY FROM CoJ              | 239 990                     | 239 990        |                          | This is inline with budget   |
| EXCHANGE REVENUE              | 203 434                     | 226 275        |                          |  |
| SALES OF SERVICES             | 168 491                     | 223 490        | 54 999                   | This is lower than the budget due to the application of the effective GRAP standard, GRAP 109 agency principal   |
| INTEREST RECEIVED             | 34 942                      | 2 785          | 32 157                   | The interest income is above budget due to high balance  |
| TENDER PURCHASE FEES          | 1                           |                | 1                        |  |
| <b>TOTAL REVENUE</b>          | <b>443 424</b>              | <b>466 265</b> | <b>22 841</b>            |  |
| <b>EXPENDITURE</b>            |                             |                |                          |  |
| EMPLOYEE RELATED COSTS        | 30 700                      | 32 102         | 1 402                    | This is below budget due to recruitment that only took place in June 2020  |
| DEPRECIATION AND AMORTISATION | 45 850                      | 156 436        | 110 586                  | The overall YTD depreciation due to network assets being revised at 2017/18 year end in terms of GRAP 105 which resulted in a lower depreciation rate than budgeted for. Due to the nil Capital investment on the network infrastructure CAPEX there is still less depreciation incurred than budgeted |
| FINANCE COST                  | 166 419                     | 151 759        | 14 660                   |  |
| REPAIRS AND MAINTENANCE       | 14 997                      | 13 301         | 1 696                    | This is above budget due to more amintenance and repairs done on the network   |
| CONTRACTED SERVICES           | 27 612                      | 14 204         | 13 408                   | The transaction advisory services continued in 2019/2020 from the previous financial year resulting in over-spending   |
| OTHER EXPENDITURE             | 84 379                      | 98 463         | 14 084                   |  |
| <b>TOTAL EXPENSES</b>         | <b>369 957</b>              | <b>466 265</b> | <b>96 308</b>            |  |
| <b>PROFIT BEFORE TAX</b>      | <b>73 467</b>               |                |                          |  |

|                               |        |   |        |  |
|-------------------------------|--------|---|--------|--|
| TAXATION                      | 2 1650 | - | 21 650 |  |
| OPERATING SURPLUS/<br>DEFICIT | 51 817 |   | 51 817 |  |

### Section 3: Cash Flow Statement

| STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2020 UNAUDITED |         |
|---|---------|
| <b>CASHFLOW FROM OPERATING ACTIVITIES</b>                       |         |
| RECEIPTS  | 667 609 |
| SUBSIDY FROM CoJ  | 239 990 |
| CASH RECEIVED FROM CUSTOMERS                                    | 392 973 |
| INTEREST INCOME   | 34 942  |
| PAYMENTS  | 482 318 |
| SUPPLIERS   | 482 318 |
| FINANCE COSTS   | -       |
| NET CASH INFLOW FROM OPERATING ACTIVITIES                       | 185 587 |
| <b>CASHFLOW FROM INVESTING ACTIVITIES</b>                       | 185 587 |
| PURCHASE OF PPE'S   |         |
| NET LOAN TO SHAREHOLDERS  |         |
| <b>CASHFLOWS FROM FINANCING ACTIVITIES</b>                      |         |
| NET INCREASE (DECREASE) in cash and cash equivalent             | -       |
| CASH AT THE BEGINNING OF THE YEAR                               | -       |
| CASH AND CASH EQUIVALENT AT THE END OF 30 JUNE 2020             | -       |

Table 24: Cash Flow Statement

### Section 4: Capital Projects & Expenditure

Nil- MTC was allocated a nil capital budget for 2019/20

## Section 5: Ratio Analysis (minimum: liquidity, solvency, cost coverage)

| Brief description  | Value      | Norm  | Explanation  |
|--|------------|---|--|
| The higher the current Ratio, the more capable the Entity will be to pay its current or short-term obligations and provide for a risk cover to enable it to continue operations at desired levels. A financial ratio under 1 suggests that the Municipality or Municipal Entity would be unable to pay all its current or short-term obligations if they fall due at any specific point. If current liabilities exceed current assets, it highlights serious financial challenges and likely liquidity problems i.e. insufficient cash to meet short-term financial obligations. | 1.92       | 1.5 to 2 :1                                 | The ratio exceeds the norm indicating that the entity is in a good liquidity position and is able to settle short term debt. The main contributor to the positive ratio is the high bank balance. This is due to the subsidy received and regular customers that pays MTC.   |
| Measures the entity's total assets against total liabilities. This is an indicator as to whether the entity has sufficient long term assets to meet long term obligations  | 0.83       | 2   | The ratio is below the norm. The entity is also technically insolvent since the total liabilities exceed the total assets. The main reason is due to the Shareholder Loan that is increasing in value whilst the PPE is decreasing in value due to depreciation  |
| EBITDA stands for Earnings Before Interest, Taxes, Depreciation, and Amortization and is a metric used to evaluate a company's operating performance. Essentially, it's a way to evaluate a company's performance without having to factor in financing decisions, accounting decisions or tax environments.   | 264,086.11 | None  | The entity has a positive EBITDA indicating that the entity is in a good cash position   |
| The Ratio measures the level of repairs and maintenance to ensure adequate maintenance to prevent breakdowns and interruptions to service delivery. Repairs and maintenance of municipal assets is required to ensure the continued provision of services.   | 3%         | 8%  | The entity is currently below the norm. This is due to the entity unable to perform pro-active maintenance of the active portion of the Network Asset due to historic disputes with a supplier. The entity is also constrained by budget. Currently the budget is not aligned to 8% of the PPE value.  |
| This ratio reflects the collection period. Net Debtor Days refers to the average number of days required for a Municipality or Municipal Entity to receive payment from its Consumers for bills/invoices issued to them for services.  | 1,139.48   | 30 days                                     | This ratio is well above the general norm due to outstanding debt from the shareholder that is more than a year outstanding. The shareholder continues to receive services with no payments made to MTC.   |
| The Ratio indicates Entity's ability to meet at least its monthly fixed operating commitments from cash and short-term investment without collecting any additional revenue, during that month.  | 119.57     | The norm range between 1 month to 3 months. | The ratio indicates that the entity has cash for 120 days to cover fixed monthly operational costs, and is within the norm   |
| The Ratio indicates the cost required to service the borrowing. It assesses the Borrowing or Payment obligation expressed as a percentage of Total Operating Expenditure   | 45%        | 6% to 8%                                    | The ratio is above the norm, indicating that interest cost is one of contributors to expenditure and that the entity has a high borrowing cost. This is due to the increase in value of the Shareholder Loan as a result of the non-payment of the capital portion of the loan   |
| The Ratio indicates the extent of Total Borrowings in relation to Total Operating Revenue. It indicates short and long term debt financing relative to operating revenue of the municipality. The purpose of the Ratio is to provide assurance that sufficient Revenue will be generated to repay Liabilities. Alternatively stated, the Ratio indicates the affordability of the Total Borrowings.  | >100%      | 45%   | The ratio is well above the norm indicating that the long and short term borrowings is high in comparison to the revenue generated by the entity. This is due to the high value of the Shareholder loan which is increasing as well. It therefore displays that the entity is not generating sufficient revenue to repay the debt. It is also an indicator that the entity is reliant on the subsidy to be able to repay the debt. |
| The Ratio assesses the extent to which the entity generates Operating Surpluses  | 12%        | The norm is equal to or greater than 0%     | The ratio is positive and above the norm indicating that the entity is generating sufficient operating surpluses   |
| The ratio measures the extent of Remuneration to Total Operating Expenditure   | 8%         | The norm range between 25% and 40%          | The ratio is below the norm. However the entity is not a cost centre entity, which means much of the entity's expenditure is focused to implement projects to generate revenue.  |
| This ratio measures the extent to which the entity's resources are committed towards contracted services to perform entity's related functions.  | 7%         | The norm range between 2% and 5%            | The ratio is within the norm   |
| This Ratio measures the overall revenue growth. In addition, this ratio will assist in determining if the increase in Expenditure will be funded by an increase in Revenue base or by some other means.  | -77%       | 1.80%                                       | The entity showed a decline in revenue growth from the previous quarter. This is due to a major project that was implemented and billed for in Q2 which was a once-off project. The entity is still well above the budgeted sales target   |

## Section 6: Supply Chain Management and BBEEE

(deviations, payments within 30 days, report on Irregular, Unauthorised, Fruitless and Wasteful Expenditure and Due Processes)

The companies spend on 50% of Black Owned companies amounted to R125m which is 96% of the total operational and capital expenditure of R130m for the quarter.

Procurement spent on 30% Black Women Owned companies amounted to R72.8m which equates to 56% of the total operational and capital expenditure of R130m for the quarter

### EXPENDITURE TABLE

| B-BBEE Score | Number of Suppliers | Total Spend     |
|--------------|---------------------|-----------------|
| Level 1      | 13                  | R 123m          |
| Level 2      | 2                   | R 2.2m          |
| Level 3      | 2                   | R 442k          |
| Level 4      | 2                   | R 3.3m          |
| <b>TOTAL</b> |                     | <b>R 129.2m</b> |

The above information is based on the expenditure report.

|   | 50% Black Owned | 30% of Black Women Owned |
|---|-----------------|--------------------------|
| Spend   | R 125m          | R 72.8m                  |
| As percentage to total Capex & Opex expenditure | 96.18%          | 55.98%                   |

The table depicts the entities spend on BBEEE Compliant Companies for the 4th quarter.

## Section 7: Pending Litigations and Possible Liabilities

Litigation was instituted against the City and the litigant later joined MTC as the 8th defendant in the matter because MTC is mandated to roll-out WIFI on behalf of the City. The City is handling the litigation.

### Section 8: Insurance Claims against/to MOE

None to be reported on.

CoJ group owe MTC 468 million for services rendered. Approximately 90% of this debt is from 2015 to June 2020 and about 51% of this debt is more than 180 days old.

# INTERNAL & EXTERNAL AUDIT FINDINGS

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## CHAPTER 6



## Section 1: Progress on Internal Audit Plan

The table below reflects the progress to date against the approved Internal Audit Plan for the 2019 / 2020 financial year. The following legends are used to reflect the progress made to date.

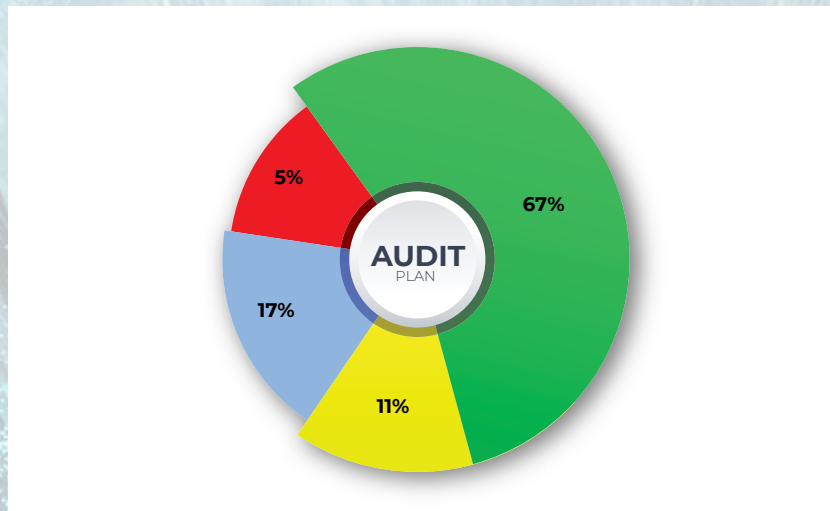
Completed ■ In progress ■ Not started ■ Moved to 2020 / 21 ■

| No | Approved Plan Project                    | Planning and Scoping | Fieldwork | Final report | Comments   | Comments Projected Reporting Date |
|----|--|----------------------|-----------|--------------|--|-----------------------------------|
| 1  | Human Resources Administration           |                      |           |              | The audit has been completed   | January 2020                      |
| 2  | Contract management                      |                      |           |              | The audit has been completed   | January 2020                      |
| 3  | Capital budgeting/ spend/ commitments    |                      |           |              | MTC did not receive a CAPEX budget for the financial year 2019/20, therefore an audit cannot be conducted.   | Not Applicable                    |
| 4  | Performance Information (AOPO) Q4        |                      |           |              | The audit has been completed   | July 2019                         |
| 5  | Performance Information (AOPO) Q1        |                      |           |              | The draft report has been sent to the responsible personnel, awaiting management comments, and action plans. | July 2020                         |
| 6  | Performance Information (AOPO) Q2        |                      |           |              | The draft report has been sent to the responsible personnel, awaiting management comments, and action plans. | July 2020                         |
| 7  | Performance Information (AOPO) Q3        |                      |           |              | The draft report has been sent to the responsible personnel, awaiting management comments, and action plans  | July 2020                         |
| 8  | Sales and Marketing                      |                      |           |              | Reporting is currently in progress.  | July 2020                         |
| 9  | Stakeholder and Communication Management |                      |           |              | The audit has been completed   | February 2020                     |
| 10 | Project Management                       |                      |           |              | The audit has been completed   | February 2020                     |

|    |   |  |  |  |  |             |
|----|---|--|--|--|--|-------------|
| 11 | Network Operations  |  |  |  | Audit currently on the planning phase,   | July 2020   |
| 12 | Supply Chain Management   |  |  |  | The audit is currently in the execution phase.   | July 2020   |
| 13 | Asset Management  |  |  |  | The audit has been completed   | June 2020   |
| 14 | Compliance review   |  |  |  | The audit is currently in the execution phase.   | July 2020   |
| 15 | Financial Discipline Review   |  |  |  | On schedule as per plan  | July 2020   |
| 16 | Fraud Risk Management   |  |  |  | The audit has been completed   | July 2020   |
| 17 | Probity Reviews on High-Value Tenders (Dependent on Acquisition plan) |  |  |  | Ongoing  | Adhoc       |
| 18 | Follow up on AG Findings  |  |  |  | The audit has been completed   | Monthly     |
| 19 | Consulting - AG Readiness Assessment                                  |  |  |  | The audit has been completed   | August 2019 |
| 20 | Applications control review   |  |  |  | Audit currently on the Execution phase, there have been delays in obtaining the requested information. | July 2020   |
| 21 | Applications control review   |  |  |  | Audit currently on the Execution phase, there have been delays in obtaining the requested information. | July 2020   |

The graph below indicates the overall progress in percentage on the 2019/2020 Internal Audit Plan

Progress on the Internal Audit Plan



Completed ■ In progress ■ Not started ■ Moved to 2020 / 21 ■

## Section 2: Progress on Resolution of Internal Audit Findings

| Current Year: 2019/20 Internal Audit Findings |                |          |            |
|---|----------------|----------|------------|
|   | Finding Raised | Resolved | % Resolved |
| Opening Balance                               | 17             |          |            |
| Quarter 1                                     | 2              | 1        |            |
| Quarter 2                                     | 0              | 2        |            |
| Quarter 3                                     | 11             | 0        |            |
| Quarter 4                                     | 7              | 1        |            |
| <b>Total</b>                                  | <b>37</b>      | <b>4</b> |            |

## Action Plans to Address Current and Prior Year Internal Audit Issues

### Internal Audit Findings

| # | Finding  | Management Comments/<br>Action Plans   | Person to<br>Secure Action   | Implementation<br>Date | Progress           | Revised<br>Management<br>Comments   | Revised<br>Implementation<br>Date | Aging of<br>findings<br>(DAYS) | Internal Audit<br>Follow Up<br>Comments   |
|---|--|--|------------------------------|------------------------|--------------------|---|-----------------------------------|--------------------------------|---|
| 1 | There is no formal demand management process in place within MTC (Repeat Finding)              | Management aims to work around staff shortage by getting service providers to supply highly qualified staff which will alleviate the problem. Furthermore, we aim to provide both formal and on the job training for our existing staff to mitigate this risk. | Chief Financial Officer      | 31 May 2017            | Partially Resolved | A procurement plan has been drafted; we are currently waiting for Operations to provide a monthly breakdown of the expenses.<br><br>Monthly breakdown still not provided by Operations.                             | 31 July 2020                      | 1208                           | The finding is long overdue and needs to be actioned.<br><br>Management has provided the revised implementation date, to be followed up after the set date. |
| 2 | Inadequate or no supporting source documentation for the reported performance (Repeat Finding) | A performance information steering committee has been set up to address all issues of non-compliance with quarterly performance reporting.   | Management Support Executive | 31 May 2018            | Unresolved         | User departments still have a challenge in terms of providing tangible evidence in terms of the queried indicators. A lot has improved in the third quarter. Management to keep providing guidance.                 | 31 July 2020                      | 790                            | Management has provided the revised implementation date, to be verified during quarter four (4) AOPO review.  |
| 3 | No corrective action for underperformance (Repeat Finding)                                     | The performance report was amended to include the column for KPI owners to write comments/ action plans for underperformance and non-performance. Quarter one (1) performance report still does not have action plans.   | Management Support Executive | 31 August 2018         | Unresolved         | Management has engaged all employees, there has been an improvement in scorecards crafting by employees, at least 80% have signed scorecards.<br><br>The performance plan has been halted in its tracks by COVID 19 | Ongoing                           | 790                            | Management has provided the revised implementation date, to be followed up after the set date.  |

Completed ■ In progress ■ Not started ■ Moved to 2020 / 21 ■

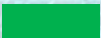


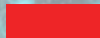
| # | Finding  | Management Comments/<br>Action Plans   | Person to<br>Secure Action | Implementation<br>Date | Progress           | Revised<br>Management<br>Comments  | Revised<br>Implementation<br>Date | Aging of<br>findings<br>(DAYS) | Internal Audit<br>Follow Up<br>Comments  |
|---|--|--|----------------------------|------------------------|--------------------|--|-----------------------------------|--------------------------------|--|
| 4 | Network Operations Policies and Procedures not in place (repeat finding) | The Project Management Office will be asked to assist in the development and implementation of policies and procedures.  | NOC Manager/<br>CTO        | 31 August 2018         | Partially Resolved | The network policy was incorporated into the Acceptable Use and Change Management policies – the two policies will be sent through MTC approval processes. | 31 July 2020                      | 759                            | Management has provided the revised implementation date, to be followed up after the set date.   |
| 5 | Stakeholder and Communication policies and procedures not in place       | The function of stakeholder communication will be assigned to a senior executive who will champion the development and implementation of relevant policies and standard operating procedures | Chief Executive Officer    | 31 August 2018         | Partially Resolved | The Stakeholder and Communication Policy and Strategy was drafted and approved by EXCO   | 31 July 2020                      | 776                            | The approved documents have not yet been submitted to Internal Audit as evidence that the documents were approved. An internal audit has requested the approved documents. |

Completed ■ In progress ■ Not started ■ Moved to 2020 / 21 ■


| # | Finding   | Management Comments/<br>Action Plans   | Person to<br>Secure Action | Implementation<br>Date | Progress           | Revised<br>Management<br>Comments  | Revised<br>Implementation<br>Date | Aging of<br>findings<br>(DAYS) | Internal Audit<br>Follow Up<br>Comments  |
|---|---|--|----------------------------|------------------------|--------------------|--|-----------------------------------|--------------------------------|--|
| 6 | Project deliverables have not always kept on SharePoint | Documents will be uploaded to SharePoint.<br><br>Project charter to be submitted for approval to the sponsors. | Project Manager/CTO        | 31 March 2019          | Partially Resolved | Almost all of the project, documents have been uploaded on SharePoint. The Project Management team will meet with management support to seek assistance to ensure that the documents are in sequential order.  | 31 July 2020                      | 496                            | Management has provided the revised implementation date, to be followed up after the set date. |
| 7 | Network maintenance plan not implemented                | Management is in the process of drafting and implementing a proactive maintenance plan for the network.        | NOC Manager/CTO            | 30 June 2019           | Partially Resolved | The asset maintenance plan covers the core routes (Passive Network). The active network was supposed to be maintained by the Ericsson purchase order, which was canceled. This will not be addressed by the Enhanced Business Model (EBM).<br><br>EMB project timelines are aimed at council approval of January 2020. | 31 July 2020                      | 418                            | To be followed up after the proposed revised implementation date.                              |

Completed ■ In progress ■ Not started ■ Moved to 2020 / 21 ■

| # | Finding   | Management Comments/<br>Action Plans   | Person to<br>Secure Action         | Implementation<br>Date | Progress   | Revised<br>Management<br>Comments  | Revised<br>Implementation<br>Date | Aging of<br>findings<br>(DAYS) | Internal Audit<br>Follow Up<br>Comments   |
|---|---|--|------------------------------------|------------------------|------------|--|-----------------------------------|--------------------------------|---|
| 8 | There is no evidence that critical network sites are safeguarded. | This will be addressed by the new enhanced business model that the entity is currently undertaking.                                  | NOC Manager/<br>CTO                | 31 December<br>2019    | Unresolved | Operations to engage GICT on how they can jointly look at securing access to the sites as all the sites belong to GICT.<br><br>This is dependent on Capex and the implementation of the MTC strategy | 30 September<br>2020              | 418                            | Management has provided the revised implementation date, to be followed up after the set date.                |
| 9 | Means of verification not consistent.                             | Management Support will ensure that all user departments submit all their means of verification when submitting performance reports. | Management<br>Support<br>Executive | 30 June 2019           | Unresolved | There have been constant engagements with user departments regarding means of verification. User departments to be workshopped.  | 31 July 2020                      | 396                            | Management has provided the revised implementation date, to be verified during quarter four (4) APOPO review. |

Completed  In progress  Not started  Moved to 2020 / 21 

| #  | Finding  | Management Comments/Action Plans   | Person to Secure Action  | Implementation Date                             | Progress           | Revised Management Comments   | Revised Implementation Date                       | Aging of findings (DAYS) | Internal Audit Follow Up Comments  |
|----|--|--|--|---|--------------------|---|---|--------------------------|--|
| 10 | MTC does not have a compliance management policy, standard operating procedures, compliance risk management plan, and compliance monitoring plan | <p>The risk and compliance function will be capacitated.</p> <p>The required documents will be developed and submitted to EXCO for approval.</p> | <p>Human Resources Manager</p> <p>Risk and Assurance Manager</p> | <p>30 September 2019</p> <p>31 October 2019</p> | Partially Resolved | <p>The Compliance Policy, Framework, and Standard operating procedure have been developed and submitted to EXCO for consideration and recommendation for approval by the Board.</p> <p>The List of the prioritized obligations for 20-21 financial year has been sent to the Group Compliance and from the prioritized list the CRMP and the Monitoring plan will be developed in the upcoming financial year</p> | <p>30 September 2020</p> <p>30 September 2020</p> | 388                      | Management has provided the revised implementation date, to be followed up after the set date. |
| 11 | Compliance risk assessment is not conducted  | The compliance assessment will be conducted.   | Risk and Assurance Manager                                       | 30 September 2019                               | Unresolved         | The Compliance risk assessment will be conducted on the prioritized list for the 20-21 financial year.  | 30 September 2020                                 | 388                      | Management has provided the revised implementation date, to be followed up after the set date. |

Completed  In progress  Not started  Moved to 2020 / 21 

| #  | Finding   | Management Comments/Action Plans  | Person to Secure Action | Implementation Date | Progress   | Revised Management Comments   | Revised Implementation Date | Aging of findings (DAYS) | Internal Audit Follow Up Comments   |
|----|---|---|-------------------------|---------------------|------------|---|-----------------------------|--------------------------|---|
| 12 | Compliance training not conducted                     | Management agrees with the finding; the risk and compliance function require a resource that is fully responsible for the function to adequately implement the compliance processes.<br><br>The risk and compliance function will be capacitated. | Human Resources Manager | 30 September 2019   | Unresolved | The compliance workshop (based on the policy and framework) will be conducted once the enabling documents have been approved. | 30 September 2020           | 388                      | Management has provided the revised implementation date, to be followed up after the set date.  |
| 13 | Inadequate filing and safekeeping of source documents | All supporting documentation will be filed properly and will be kept electronically.  | Supply Chain Manager    | 31 July 2019        | Unresolved | Partially resolved. SCM has started filing documents in filing cabinets but not all documents have been filed                 | 30 September 2020           | 389                      | SCM should liaise with facilities management regarding this matter to ensure it is resolved as soon as possible.<br><br>SCM needs to implement a proper archiving and document management system. |

| #  | Finding  | Management Comments/Action Plans   | Person to Secure Action                         | Implementation Date | Progress           | Revised Management Comments  | Revised Implementation Date | Aging of findings (DAYS) | Internal Audit Follow Up Comments  |
|----|--|--|---|---------------------|--------------------|--|-----------------------------|--------------------------|--|
| 14 | SCM supplier database not updated and monitored  | Prospective service providers will be invited to apply for evaluation and listing as accredited prospective providers on MTC's supplier database. The SCM database will be monitored annually. | Supply Chain Manager                            | 31 July 2019        | Partially Resolved | A report has been drafted to request the Chief Financial Officer to recommend to the Chief Executive Officer to approve for the public invitation of suppliers to register on the MTC database.<br><br>The database is currently being monitored by the Acting Procurement Specialist<br><br>Report still not approved | 31 July 2020                | 389                      | Management has provided the revised implementation date, to be followed up after the set date. |
| 15 | Policies and Procedures for Contract Management Not in Place<br><br>No Evidence of Policies Approval | The contract management framework has been developed and presented to EXCO. It is scheduled to be presented to the Audit and Risk Committee for input/ noting                                  | SCM Manager, Legal Advisor, and Project Manager | 31 July 2020        | Partially Resolved |  |                             | 4                        |  |
| 16 | No Evidence of Policies Approval   | All entities including MTC are submitting their policies to the Shareholder (The City of Johannesburg) as it is embarking on a new Group model with all its entities.                          | Human Resource Manager                          | 30 September 2020   | Unresolved         |  |                             | 4                        |  |

| #  | Finding   | Management Comments/Action Plans  | Person to Secure Action | Implementation Date | Progress   | Revised Management Comments | Revised Implementation Date | Aging of findings (DAYS) | Internal Audit Follow Up Comments |
|----|---|---|-------------------------|---------------------|------------|-----------------------------|-----------------------------|--------------------------|-----------------------------------|
| 17 | Non-adherence to the MTC Talent Acquisition Policy in recruitment processes | HR has drafted a new policy that is in line with the processes that are currently done at MTC. The new policies will be implemented with the SAP system                                       | Human Resource Manager  | 30 September 2020   | Unresolved |                             |                             | 4                        |                                   |
| 18 | Lack of formal documented processes for some HR Functions                   | Management will implement the leave form book to ensure that all leave submitted by employees is captured timely at the Transactional services.   | Human Resource Manager  | 31 July 2020        | Unresolved |                             |                             | 4                        |                                   |
| 19 | Skills audit database not maintained  | The entity is currently in the process of capacitating vacant positions, which will enable the HR Department to comply with the Skills Development Act and all other regulations on training. | Human Resource Manager  | 31 July 2020        | Unresolved |                             |                             | 4                        |                                   |
| 20 | Gaps in the maintenance of personnel information                            | HR will implement proper filling processes. The HR Manager conduct quality reviews of the filling every month   | Human Resource Manager  | 31 July 2020        | Unresolved |                             |                             | 4                        |                                   |
| 21 | Inconsistencies in the induction programme                                  | Revise the Induction agenda<br>Source speakers for each item<br>Arrange the logistics   | Human Resource Manager  | 31 July 2020        | Unresolved |                             |                             |                          |                                   |

| #  | Finding  | Management Comments/Action Plans   | Person to Secure Action | Implementation Date | Progress   | Revised Management Comments   | Revised Implementation Date | Aging of findings (DAYS) | Internal Audit Follow Up Comments |
|----|--|--|-------------------------|---------------------|------------|---|-----------------------------|--------------------------|-----------------------------------|
| 22 | Non-adherence to the approved project management policies and procedures | The standard operating procedures will be reviewed to align it with current operations.                                  | Project Manager         | 30 June 2020        | Unresolved | Operations to engage GICT on how they can jointly look at securing access to the sites as all the sites belong to GICT. |                             | 4                        |                                   |
| 23 | Project plan not updated   | The project plan will be updated.  | Project Manager         | 30 June 2020        | Unresolved |   |                             | 4                        |                                   |
| 24 | Project Costs are Not Monitored  | A cost management spreadsheet has been developed and that will be used to manage each cost of the project going forward. | Project Manager         | 30 June 2020        | Unresolved |   |                             | 4                        |                                   |

| #  | Finding   | Management Comments/Action Plans   | Person to Secure Action | Implementation Date | Progress   | Revised Management Comments  | Revised Implementation Date | Aging of findings (DAYS) | Internal Audit Follow Up Comments |
|----|---|--|-------------------------|---------------------|------------|--|-----------------------------|--------------------------|-----------------------------------|
| 25 | Asset management policy is inadequate                         | The asset management policy will be updated to include the finance administrator and duties will be segregated.  | Asset Manager           | 30 June 2020        | Unresolved | The finding only relates to the segregation of duties. The MTC structure only accommodates an Asset Manager and no warm body reporting to the Asset Manager, however, the policy will be updated to accommodate a Finance Administrator. It must be noted that the finance administrator does not report to the Asset Manager. The approval of the policy will depend on the availability of EXCO. | 31 August 2020              | 4                        |                                   |
| 26 | Updated asset management policy was not communicated to staff | The asset management policy will be emailed to staff and uploaded on SharePoint and asset form amended accordingly.  | Asset Manager           | 30 June 2020        | Resolved   | The policy and SOP were sent to all employees on 25th June 2020  | Not Applicable              | Not Applicable           | Not Applicable                    |
| 27 | Asset management documents are not backed up                  | The asset management policy and procedures will be amended and supporting documentation uploaded onto SharePoint. The asset manager will engage HR to get an asset management intern or administrator. | Asset Manager           | 30 September 2020   | Unresolved |  |                             | 4                        |                                   |

| #  | Finding  | Management Comments/Action Plans  | Person to Secure Action    | Implementation Date | Progress   | Revised Management Comments | Revised Implementation Date | Aging of findings (DAYS) | Internal Audit Follow Up Comments |
|----|--|---|----------------------------|---------------------|------------|-----------------------------|-----------------------------|--------------------------|-----------------------------------|
| 28 | Assets register not accurate and complete                                  | The asset manager and finance administrator will clean up the asset register.<br><br>Upon appointment of the CFO, the asset register will be sent for review                        | Asset Manager              | 31 July 2020        | Unresolved |                             |                             | 4                        |                                   |
| 29 | Limitation of scope  | Management will ensure proper filing and all supporting documents will be uploaded on SharePoint so that they can be easily available when requested.                               | Asset Manager              | 31 July 2020        | Unresolved |                             |                             | 4                        |                                   |
| 30 | Assets not located and verified for existence                              | Management will investigate and identify the user in which these are assets are allocated to. Once found, the asset register will update with the correct information of the users. | Asset Manager              | 31 July 2020        | Unresolved |                             |                             | 4                        |                                   |
| 31 | MTC Does Not have a Fraud Risk Management Policy and Fraud Prevention Plan | The fraud risk management policy and fraud prevention plan are currently on draft and will be presented to EXCO for approval.   | Risk and Assurance Manager | 30 September 2020   | Unresolved |                             |                             |                          |                                   |

### Section 3: Progress on Resolution of External Audit Findings

(categorise between findings affecting and not affecting the audit opinion)

|                          | Raised YTD | Resolved YTD | Unresolved YTD | Resolved YTD % |
|--------------------------|------------|--------------|----------------|----------------|
| Auditor General Findings | 86         | 17           | 16             | 81%            |

- Of the eighty-six (86) findings raised to date, twenty-four (24) relate to the 2015/16 financial year, twenty (20) relate to the 2016/17 financial year, eighteen (18) relate to 2017/18 financial year and twenty-four (24) relate to 2018/19 financial period.

The tables below show the nature of findings and progress in implementing management action plans

| Number | Finding  | Status     | Year Raised | Matters affecting auditors report | Other Important matters | Administrative matters |
|--------|--|------------|-------------|-----------------------------------|-------------------------|------------------------|
| 1      | Performance indicators not well defined  | Resolved   | 2018/2019   | X                                 |                         |                        |
| 2      | Reported plan target not consistent with planned target per the business plan                          | Unresolved | 2018/2019   | x                                 |                         |                        |
| 3      | Reported performance information not reliable  | Unresolved | 2018/2019   | x                                 |                         |                        |
| 4      | Reported performance information is not reliable   | Unresolved | 2018/2019   | x                                 |                         |                        |
| 5      | Differences noted between the maintenance register and Optical Time Domain Reflectometer (OTDR) report | Resolved   | 2018/2019   | x                                 |                         |                        |
| 6      | Limitation on testing completeness of reported performance information                                 | Unresolved | 2018/2019   | x                                 |                         |                        |

|    |  |            |           |   |   |  |
|----|--|------------|-----------|---|---|--|
| 7  | Consistency: Planned strategic objective not reported in the annual performance report   | Unresolved | 2018/2019 | x |   |  |
| 8  | Limitation of scope: Proof of monitoring performance of contractors not provided   | Unresolved | 2018/2019 | x |   |  |
| 9  | Irregular expenditure not prevented  | Unresolved | 2018/2019 | x |   |  |
| 10 | Receivables from exchange transactions - understatement of corresponding figures   | Resolved   | 2018/2019 | x |   |  |
| 11 | The loan from shareholders - Difference identified between a current and non-current portion of the loan   | Resolved   | 2018/2019 | x |   |  |
| 12 | Prior years irregular and fruitless & wasteful expenditure not investigated  | Unresolved | 2018/2019 |   |   |  |
| 13 | Limitation of scope: Evidence of approval of internal audit charter not submitted for audit  | Resolved   | 2018/2019 |   | x |  |
| 14 | Late preparation of mid-year assessment report   | Resolved   | 2018/2019 |   | x |  |
| 15 | Employee costs - The entity has a high vacancy rate  | Unresolved | 2018/2019 |   | x |  |
| 16 | New appointments - No verification checks for new appointments   | Unresolved | 2018/2019 |   | x |  |
| 17 | Understatement of prior year payables from exchange transactions   | Resolved   | 2018/2019 |   | x |  |
| 18 | Intangible assets - Incorrect capitalization of an expense   | Resolved   | 2018/2019 |   | x |  |
| 19 | Deviation from the quotation process not reported in the next board meeting and not disclosed in the notes to the Annual Financial Statements. (AFS) | Unresolved | 2018/2019 |   | x |  |
| 20 | Expenditure - Payments not made within 30 days   | Resolved   | 2018/2019 |   | x |  |

|  |   |            |           |   |   |   |
|--|---|------------|-----------|---|---|---|
| 21   | CAATs - Awards to persons in the service of the state   | Resolved   | 2018/2019 |   | x |   |
| 22   | Limitation of scope: Signed contracts not provided for audit purpose                            | Unresolved | 2018/2019 |   | x |   |
| 23   | Limitation of scope: Written quotations obtained from suppliers not provided for audit purpose  | Unresolved | 2018/2019 |   | x |   |
| 24   | Fruitless and wasteful expenditure not prevented  | Unresolved | 2018/2019 |   | x |   |
| 25   | Inadequate patch management processes   | Unresolved | 2015/2016 |   | x |   |
| 26   | Internal vulnerability assessment: Inadequate configuration setting on the switch's environment | Unresolved | 2015/2016 |   | x |   |
| <b>Outstanding findings per classification</b> |   |            |           | 8 | 8 | 0 |

AG Findings 2015/2016

| # | Finding  | Management Comments/<br>Action Plans  | Person to Secure Action | Implementation Date                                   | Progress   | Revised Management<br>Comments   | Revised Implementation<br>Date   | Internal<br>Audit<br>Follow Up<br>Comments            |
|---|--|---|-------------------------|---|------------|--|--|---|
| 1 | Inadequate patch management processes  | a) The Ericsson contract has been suspended. Management will not be able to implement this in the absence of Ericsson.<br>b) The Ericsson contract has been suspended. Management will not be able to implement this in the absence of Ericsson<br>c) MTC will go out on tender for Network Monitoring. | NOC Manager/CTO         | Date cannot be confirmed due to pending investigation | Unresolved | This is dependent on the implementation of the MTC strategy (EBM). If the EBM is not implemented, then Capex funding for the upgrade of the network is required. MTC currently does not have the Capex required to fulfill this. | Dependent on the implementation of the enhanced business model/ Availability of Capex. | The finding is long overdue and needs to be actioned. |
| 2 | Internal vulnerability assessment:<br>Inadequate configuration setting on the switch's environment | Ericsson contract has been suspended. Management will not be able to implement this in the absence of Ericsson  | NOC Manager/CTO         | Date cannot be confirmed due to pending investigation | Unresolved | This is dependent on the implementation of the MTC strategy (EBM). If the EBM is not implemented, then Capex funding for the upgrade of the network is required. MTC currently does not have the Capex required to fulfill this. | Dependent on the implementation of the enhanced business model/ Availability of Capex. | The finding is long overdue and needs to be actioned. |

## AG Findings 2018/19

| # | Finding   | Management Comments/Action Plans  | Person to Secure Action      | Implementation Date | Progress   | Revised Management Comments   | Revised Implementation Date | Internal Audit Follow Up Comments   |
|---|---|---|------------------------------|---------------------|------------|---|-----------------------------|---|
| 1 | Performance indicators not well defined                                       | Management agrees with the finding and the framework will be taken into account when preparing the business plan.<br>Remedial action:<br>The business plan will be adequately reviewed taking into account the framework for performance indicators.  | Management Executive Support | 31 March 2020       | Resolved   | User departments were engaged, a deviation report was done and submitted to relevant committees to rephrase the four identified indicators that are not well defined                              | Not Applicable              | Not Applicable.   |
| 2 | Reported plan target not consistent with planned target per the business plan | Management agrees with the finding<br>Remedial action:<br>Management will ensure that all performance indicators are in line with the SDA and Business Plan   | Management Executive Support | 30 November 2019    | Unresolved | The user department has been further engaged, business plan targets and APR targets to be aligned accordingly   | 30 June 2020                | Management has provided the revised implementation date, to be followed after the set date.   |
| 3 | Reported performance information not reliable                                 | Management agrees with the finding for number 1 to number 3 in the table indicated above: New and existing VOIP and e-services users- Management incorrectly reported the number of users instead of the connection. The 736 connections are the correct actual performance.<br>-New and existing fibre links connected- Management incorrectly calculated the maintained links and omitted the existing fibre that was connected.<br>-A number of fibre network maintained per km- Management incorrectly calculated the KM's maintained resulting in the understating of the actual deliverable.<br>Management disagrees with the finding for the number of CCTV feeds:<br>-A number of CCTV Feeds- The number of cameras reported are those that are connected. There are 490 cameras connected, the 2 cameras were not reported as they are currently not active, therefore not connected.<br>Remedial action:<br>Management will ensure that key performance indicators that are reported are supported by evidence. | Management Support Executive | 10 November 2019    | Unresolved | All user departments have been engaged and complied to uploading evidence on SharePoint, however, there is still a challenge in articulating evidence and synchronizing it to the actual evidence | 30 June 2020                | Management has provided the revised implementation date; internal audit will verify the reliability of performance information during quarter three (3) AOP review. |

|   |  |   |                              |               |            |   |   |   |
|---|--|---|------------------------------|---------------|------------|---|---|---|
| 4 | Reported performance information is not reliable   | The evidence was provided to the AG based on the Standard Operating Procedures and technical indicators.<br>Remedial action:<br>Implementation of the SAP performance information management tool. Management has also engaged all user departments to ensure synergy between key performance indicators and means of verification. Management support has also requested user departments to input performance information directly on SharePoint and signed off by the relevant head of department.   | Management Support Executive | 31 March 2020 | Unresolved | The scheduled training on collation and reporting of performance information could not be conducted due to COVID 19 disruptions, training was scheduled for the 12-13 March, planned coaching for April could not happen as well. | As soon as It is feasible                                   | To be followed up after implementation date   |
| 5 | Differences noted between the maintenance register and Optical Time Domain Reflectometer (OTDR) report | MTC Operations Team uses the call logging information as evidence for planning work that needs to be done. This information is also used for performance information. When logging a call, they base their information on a KMZ file which has the distance for the link in question-based on the physical environment including obstacles on the path. The team later uses the OTDR report after the work has been completed to illustrate that work has been completed and the link is working. The evidence which is then submitted to performance management is based on both the KMZ file and the OTDR report<br>MTC will use OTDR reports with the correct range for performance information. | Operations team              | 31 March 2020 | Resolved   | This issue has been addressed. OTDR reports are verified against the system report to validate the kilometers maintained. This has been developed into an SOP.  | Not Applicable  | Not Applicable  |
| 6 | Limitation on testing completeness of reported performance information                                 | The evidence was provided to the AG based on the Standard Operating Procedures and technical indicators.<br>Remedial action:<br>Management will improve on the SOPs and means of verification. Management will file on Share-point and source systems.  | Management Support           | Immediately   | Unresolved | Performance information has been uploaded on SharePoint, Management to enforce regular reviews<br>Coaching sessions planned for April have been canceled due to COVID 19  | As soon as it Feasible, All quarters Be done in One session | Management has provided the revised implementation date, to be followed after the set date. |
| 7 | Consistency: Planned strategic objective not reported in the annual performance report                 | Management agrees with the finding<br>Remedial action:<br>Management will ensure that the strategic objective will be reported in the performance report.   | Management Support           | Immediately   | Unresolved | Management Support together with the Units completed the Mid-Year Deviation Report to adjust the inconsistencies.   | 30 June 2020  | Management has provided the revised implementation date, to be followed after the set date. |

|   |  |  |                        |               |            |   |                |  |
|---|--|--|------------------------|---------------|------------|---|----------------|--|
| 8 | Limitation of scope: Proof of monitoring performance of contractors not provided | A performance monitoring system will be introduced in the last two quarters of the financial year.   | Management Support     | 30 April 2020 | Unresolved | User departments dealing with contractors have been engaged and a process plan was agreed on to monitor contractors. A presentation was also conducted by one of the shareholder departments on the information needed to monitor contractors | 30 June 2020   | To be followed up after implementation date  |
| 9 | Irregular expenditure not prevented  | <p>Management disagrees that the Accounting Officer did not take reasonable steps to prevent irregular expenditure</p> <p>Remedial action:</p> <p>Irregular expenditure- The Accounting Officer will continue to engage with the Budget Office during the Adjustment Budget process to motivate for additional funding to avoid such irregular expenditure. The entity is also in the process of the finalizing and Enhanced Business Model which will assist with the funding requirements that the entity is currently lacking. The City has also engaged with MTC regarding a revised funding structure that may assist with the cost of sales expenditure.</p> <p>The Accounting Officer will continue to monitor compliance with relevant laws and regulations</p> <p>Fruitless and Wasteful expenditure- Controls have been implemented to ensure that reasonable steps are taken to avoid any such expenditure.</p> | The Accounting Officer | 31 March 2020 | Unresolved | Not Applicable  | Not Applicable | To be followed up after the implementation date has been established and management has come up with actions to resolve the finding. |

|    |   |  |                         |               |                    |   |              |  |
|----|---|--|-------------------------|---------------|--------------------|---|--------------|--|
| 10 | Prior years irregular and fruitless & wasteful expenditure not investigated | <p>Prior year irregular expenditure and fruitless &amp; wasteful expenditure was reported to the Board. There was a Shareholder resolution that stated that all investigations for irregular, fruitless and wasteful expenditure should be centralized and done by Group Forensic Investigations Service (GFIS) and not by the entity's respective Internal Audit departments. As a result of that resolution, it was the role of MPAC to determine which transactions get investigated by GFIS.</p> <p>Remedial action:<br/>Management will engage with the City to request permission for the entity's respective Internal Audit to conduct investigations on the irregular, fruitless and wasteful expenditure.</p>   | Chief Executive Officer | 31 March 2020 | Partially Resolved | In the process of investigating and resolving with Internal Audit   | 31 July 2020 | To be followed up after the implementation date has been established and management has come up with actions to resolve the finding. |
| 11 | Employee costs - The entity has a high vacancy rate                         | <p>Management agrees with the finding; however, it must be noted:<br/>The 7 executive vacant positions are filled by short-term contracts and secondments from COJ, therefore there are warm bodies that are fulfilling those relevant duties. The entity currently has in place an Acting Chief Executive Officer, Acting Chief Financial Officer, Acting Company Secretary, Management Support Executive, Chief Technology Officer, Chief Audit Executive</p> <p>MTC has also improved from the previous year. In the year under review, the entity embarked on a recruitment drive and recruited approximately 15 new employees. After the year-end, more employees were also recruited. The entity is currently also embarking on recruitment for 10 more employees.</p> <p>Remedial action: Recruitment that is currently taking place.</p> | Human Resources Manager | Not Stated    | Partially Resolved | Human resources in the process of filling sixteen (16) vacant positions, of which one (1) is being finalized. | 30 June 2020 | To be followed up after Implementation date  |

|    |  |   |                         |               |                    |   |                |  |
|----|--|---|-------------------------|---------------|--------------------|---|----------------|--|
| 12 | New appointments - No verification checks for new appointments   | <p>Metropolitan Trading Company has adopted the City of Johannesburg's Talent Acquisition Policy as is including the ethical standards expected</p> <p>MTC does not have a detailed category classification for the vetting of positions.</p> <p>Thus, only the CEO and his/her direct report are subjected to a security screening process by authorized security structures prior to any offer being considered or made.</p> <p>In accordance with the Talent Acquisition policy read as follows:</p> <p>Other forms of integrity checking such as identity, credit, criminal, qualification, and security clearance checks may be conducted for any position at MTC should the requirements of the job deem this necessary.</p> <ol style="list-style-type: none"> <li>1. Certain positions in certain categories of posts within Finance require security vetting/screening.</li> <li>2. The CEO and his/her direct reports must be subjected to a security screening process by authorized security structures prior to any offer being considered or made.</li> </ol> <p>Therefore, based on the above, it was not necessary to perform verification checks on the above appointments.</p> <p>Remedial action: MTC - HR will consider the recommendation made with regards to the MFMA provision when reviewing the Talent acquisition Policy by Procuring Services of the qualified service provider to conduct the vetting through Supply Chain Management Process.</p> | Human Resources Manager | 31 March 2020 | Unresolved         | Not Applicable  | Not Applicable | To be followed up after the implementation date has been established and management has come up with actions to resolve the finding. |
| 13 | Deviation from quotation process not reported in the next board meeting and not disclosed in the notes to the Annual Financial Statements. (AFS) | <p>Deviation from the quotation process will be reported in the next board meeting, however, we are of an opinion that in instances where one quotation was received, no deviation is required as the SCM process was followed.</p> <p>Deviations will be reported to the board in batches, the first batch will be reported in the next board meeting.</p>   | Finance Manager         | 31 March 2020 | Partially Resolved | Management is in the process of preparing the deviation register and the relevant information will be submitted to the Board for noting | 31 July 2020   | Management has provided the revised implementation date, to be followed after the set date.  |

|    |  |   |                        |             |            |   |                |   |
|----|--|---|------------------------|-------------|------------|---|----------------|---|
| 14 | Expenditure - Payments not made within 30 days                       | <p>Management notes the following discrepancies for the number of days taken to pay as indicated in the table below:</p> <p>MTC ensures that all supporting documentation is provided by suppliers before payment is made which results in delays in the payment process. The entity also ensures that MTC's customers are fully satisfied with the work performed by service providers before payment is made to the service provider. Management is aware that the invoices require to be paid within 30 days however ensuring relevant and adequate supporting documentation is provided is a critical control that management has in place to ensure that payments are not made for work not done or incomplete.</p> <p>MTC is also able to illustrate that in some instances payments were made well below 30 days, indicating that management does implement proper budgeting and monitors compliance to 30 days and also indicating that if an invoice is submitted with adequate, complete and satisfactory supporting documentation, payment is indeed made within the prescribed time-frame.</p> <p>Remedial action: Management will continue to monitor the 30 days' payment period. Invoices with inadequate and incomplete supporting documentation will not be paid to minimize risk.</p> | The Accounting Officer | Immediately | Resolved   | The invoicing system has been changed. The Finance team will now receive the Invoices from suppliers. Operations have been engaged and training has been provided to the Operations team.   | 31 July 2020   | Management has provided the revised implementation date, to be followed after the set date. |
| 15 | CAATs - Awards to persons in the service of the state                | Management will investigate the suppliers mentioned   | Accounting Officer     | Immediately | Resolved   | The National Treasury provided guidance and advice that MTC follows the instruction of the AG. MTC has therefore taken a decision not to award any more work to Ndzalamo and Sizwe IT Group | Not Applicable | Not Applicable  |
| 16 | Limitation of scope: Signed contracts not provided for audit purpose | <p>Management will ensure that there is an adequate record-keeping management system</p> <p>Remedial action:<br/>The contract will be finalized</p>   | Legal Department       | Immediately | Unresolved |   |                |   |

|    |  |   |     |             |            |                                     |           |   |
|----|--|---|-----|-------------|------------|-------------------------------------|-----------|---|
| 17 | Limitation of scope: Written quotations obtained from suppliers not provided for audit purpose | Management will ensure that there is adequate record-keeping management system so that information can be easily retrieved when requested | All | Immediately | Unresolved | The pack has not been recovered yet | Uncertain | <p>SCM should ensure an adequate record-keeping management system so that information can be easily retrieved when requested.</p> <p>A register should be maintained to records all SCM documents requested by other departments.</p> |
|----|--|---|-----|-------------|------------|-------------------------------------|-----------|---|

|    |  |   |                        |               |            |  |         |   |
|----|--|---|------------------------|---------------|------------|--|---------|---|
| 18 | Fruitless and wasteful expenditure not prevented | <p>Management disagrees with the finding</p> <p>The majority of the expenditure (R6.3 million) relates to the interest charged on the non-payment of the Shareholder Loan. This interest could not be avoided as the entity plans to settle the loan once the Enhanced Business Model is implemented. During the 2018/19 financial period, the entity engaged extensively with the City on how best to settle the loan. Approval for the appointment of technical advisors to provide a recommendation on a sustainable business model was only provided during the 2018/19 mid-year adjustment process. The process is expected to be finalized during the current financial period once Council approval is provided.</p> <p>The Accounting Officer was also able to settle a long outstanding dispute with a service provider which resulted in the interest charged (recognized as a fruitless and wasteful expenditure in 2017/18 financial year) of R2.8 million being written off by the provider.</p> <p>Remedial action:</p> <p>Irregular expenditure- The Accounting Officer will continue to engage with the Budget Office during the Adjustment Budget process to motivate for additional funding to avoid such irregular expenditure. The entity is also in the process of the finalizing and Enhanced Business Model which will assist with the funding requirements that the entity is currently lacking. The City has also engaged with MTC regarding a revised funding structure that may assist with the cost of sales expenditure.</p> <p>The Accounting Officer will continue to monitor compliance with relevant laws and regulations</p> <p>Fruitless and Wasteful expenditure- Controls have been implemented to ensure that reasonable steps are taken to avoid any such expenditure.</p> <p>The Accounting Officer will continue to monitor compliance with relevant laws and regulations</p> <p>Fruitless and Wasteful expenditure- Controls have been implemented to ensure that reasonable steps are taken to avoid any such expenditure.</p> | The Accounting Officer | 31 March 2020 | Unresolved | The fruitless and wasteful is currently being investigated by the Internal Audit department. No fruitless and wasteful expenditure incurred for the new financial year | Ongoing | Management has provided the revised implementation date, to be followed after the set date. |
|----|--|---|------------------------|---------------|------------|--|---------|---|

## Section 4: Overall State of Internal Controls (adequacy and effectiveness)

The findings raised in the concluded audits revealed internal control weaknesses requiring management actions. The current internal controls are in our opinion adequate but ineffective. Internal audit has tracked management progress in addressing the raised internal control weaknesses and is satisfied that management is continually implementing action plans. Marked improvement incapacitation of business units such as performance information and supply chain management has been noted and is set to improve the internal control environment.




The background of the page is a blurred image of a financial market display. It features a candlestick chart with blue and yellow bars, overlaid with a yellow trend line. In the upper left, there are data tables with columns for 'ASK', 'BID', and 'LAST' prices. The overall scene is dimly lit, suggesting a trading floor or a computer monitor in a dark environment.

# ANNUAL FINANCIAL STATEMENTS

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## CHAPTER 7



Metropolitan Trading Company SOC Ltd  
(Registration number 1999/011422/07)  
Trading as The Metropolitan Trading Company (SOC) Ltd  
Annual Financial Statements  
for the year ended June 30, 2020

## General Information

|   |   |
|---|---|
| Country of incorporation and domicile       | South Africa  |
| Business address                            | 33 Hoofd Street<br>Braampark<br>Forum 4<br>2001   |
| Postal address                              | P O Box 1049<br>Johannesburg<br>2000  |
| Controlling entity                          | City of Johannesburg Metropolitan Municipality  |
| Bankers                                     | Standard Bank South Africa  |
| Auditors                                    | The Auditor-General of South Africa<br>Registered Auditors  |
| Company registration number                 | 1999/011422/07  |
| Preparer                                    | The annual financial statements were internally compiled by:<br>Ms Merusha Naidoo under the supervision of Mr Luyanda Gidini  |
| Nature of business and principal activities | Broadband Network Services and ICT Services   |
| Executive and Non- Executive Directors      | Ms C Stevens- Board Chairperson<br>Mrs N Maseko<br>Mr C Ramalaine<br>Mr G Van Niekerk<br>Ms R Williams<br>Mr M Magigaba<br>Prof S Singh<br>Mr T Moropa-CEO<br>Mr L Gidini- Acting CFO<br>Mr R Chetty- CFO<br>Mr A Mochela- Acting CEO |

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

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## Abbreviations

|          |  |
|----------|--|
| ASB      | Accounting Standards Board                         |
| COJ/City | The City of Johannesburg Metropolitan Municipality |
| CEO      | Chief Executive Officer                            |
| CFO      | Chief Financial Officer                            |
| GRAP     | Generally Recognised Accounting Practice           |
| MFMA     | Municipal Finance Management Act                   |
| MTC      | The Metropolitan Trading Company                   |
| PAYE     | Pay As You Earn                                    |
| SARS     | South African Revenue Services                     |
| SDL      | Skills Development Levy                            |
| VOIP     | Voice Over Internet Protocol                       |

## Board of Directors' Responsibilities and Approval

The directors are required by the Municipal Finance Management Act (Act 56 of 2003) and Companies Act, 71 of 2008 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 the responsibility of the Directors to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period ended. The external auditors are engaged to express an independent opinion on the annual financial statements and will be given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or deficit 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 company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

Given the company's inability to employ due to the previous moratorium placed on the entity, which was recently lifted, there has been a high vacancy rate which has contributed to constraints on our internal controls. However management has implemented compensating controls by secondment of key personnel in acting capacities to ensure that roles and responsibilities are fulfilled during the year under review. Subsequently the entity recruited the majority of executives in a permanent capacity. Therefore the Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable and not absolute assurance against material misstatement.

The entity is a wholly-owned subsidiary of COJ. The annual financial statements are prepared on the basis that the entity is a going concern and that the COJ has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

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

The annual financial statements set out on pages 7 to 64, which have been prepared on the going concern basis, were approved by the Board of Directors on 30 October 2020 and were signed on its behalf by:

Director

Ms C Stevens : Chairperson of the Board

Director

Mr T Moropa : Chief Executive Officer

## **Audit and Risk Committee Report**

We are pleased to present our report for the financial year ended 30 June 2020. This Audit and Risk Committee report is presented as recommended by the King Code on Corporate Governance and Regulation 3.1 of the Treasury Regulations. The Audit and Risk Committee performs its functions in accordance with section 94(7) of the Companies Act and section 166 of the Municipal Finance Management Act (MFMA). The Audit and Risk Committee Charter, has regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein. The Board has assigned oversight of the risk management function to the committee, which has an oversight role with respect to financial risks arising from internal financial controls, fraud and IT risks.

### **Audit committee members and attendance**

The Audit committee consist of 3 members ( 1 non-executive directors and 2 independent members). The committee met 4 times during the financial year. The committee members posses a diverse set of skills which contributes to the effective functioning of the committee.

The CEO, CFO, Financial Manager and Internal Audit: Compliance are required to attend meetings of the committee by invitation. The external auditors together with other COJ shareholder representatives attend the meetings by invitation.

### **Committee Meetings**

The Committee is required to meet a minimum of four times per annum as per the provisions of the Municipal Finance Management Act (MFMA). Four ordinary meetings were held during the financial year under review.

### **Audit committee responsibility**

The audit committee reports that it has complied with its responsibilities arising from section 166 of the MFMA and Treasury Regulation 3.1, which require audit committees to comment on the effectiveness of internal controls and quality of management reports. The audit committee has noted that various control deficiencies will be addressed by the Enhanced Business Model, expected to be implemented by 2020/21 financial year

The audit committee also reports that it has adopted appropriate formal terms of reference in its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

### **The effectiveness of internal control**

The monthly management accounts and quarterly reports are submitted in terms of the MFMA and the Division of Revenue Act. The audit committee has reviewed the work of internal audit to satisfy itself that management continuously ensures a strong control environment.

### **Evaluation of annual financial statements**

The Audit and Risk Committee has evaluated the annual financial statements for the year ended 30 June 2020 and considers that it complies, in all material aspects, with the requirements of the MFMA and the Public Audit Act, no 25 of 2004. The Audit and Risk Committee has therefore recommended for the adoption of the Annual Financial

### **Statements by the Board of Directors.**

The Audit and Risk Committee has evaluated the draft Integrated Annual Report for the year ended 30 June 2020 and considers that it complies, in all material respects, with the requirements of the Companies Act, 71 of 2008 and the Municipal Finance Management Act, 56 of 2003. The Audit and Risk Committee has therefore recommended for the adoption of the draft Integrated Report by the Board of Directors.

### **Internal audit**

-Considered the effectiveness of Internal Audit, which included approving the one year operational and three-year strategic internal audit plans and monitored Internal Audit's adherence to its annual programme;

-Received and reviewed reports from internal auditors concerning the effectiveness of the company's internal control environment, systems and processes;

-Reviewed the adequacy and appropriateness of management's corrective action plans a consequence of audit findings; and

-Made appropriate recommendations regarding the corrective actions to be taken as a consequence of the audit findings

## **Risk management**

The board has assigned oversight of the company's risk management function to this Committee. The Committee fulfills an oversight role regarding enterprise wide risk management, which includes financial reporting risk, internal financial controls, fraud risk as it relates to financial reporting and information technology risks as it relates to financial reporting.

-Oversee the adoption of the risk management policy, risk management framework and risk management process, along with the development of a risk management plan.

- Monitor the implementation of the risk management policy, framework and processes -Oversee the risk assessment are performed on a continuous basis -Oversee that management considers and implements appropriate risk control measures -Oversee that continuous risk monitoring by management takes place

-Make recommendations to the Board concerning the risk appetite and risk tolerance matrix in line with City of Joburg Framework

-Express the committees formal opinion to the Board on the effectiveness of risk management,

Reviewed the report concerning the risk management that is to be included in the annual report, ensuring that it is timely, comprehensive and relevant.

-Oversee the risk management in relation to Covid 19

## **General**

-Reviewed the accounting practices adopted by the company and found those to be appropriate

-Monitored the company's compliance with the applicable legislation and regulations including, without limitation, the MFMA, the Treasury Regulations and the Companies Act; and

-Reported on items of fruitless and wasteful and irregular expenditure in terms of the MFMA.

-Finalized high risk matters in the year under review

Assessment of Internal Audit

The Audit and Risk Committee is satisfied that the internal audit function is operating effectively.

## **Internal Control Environment**

The internal control environment has been a focus area for management in ensuring operating effectiveness of financial controls. The system of internal control was effective for the year under review.

The Audit and Risk Committee is satisfied with the content and quality of quarterly and yearly management reports prepared and issued by the Accounting Officer of the company during the year under review in terms of the MFMA.

## **Going concern**

The committee considered the going concern premise of the company before recommending to the board that the company will be a going concern in the foreseeable future.

## **Auditor-General South Africa**

The Audit and Risk Committee has met with the Auditor-General South Africa to ensure that there are no unresolved issues

Assessment of the Financial Function and Competency of the Chief Financial Officer

A permanent CFO was employed at the entity commencing on 01 July 2020

As required by King Code, the Audit and Risk Committee is required to assess the company's financial function as well as the competency of the Chief Financial Officer. The audit and risk has performed this assessment and accordingly the Audit and Risk Committee is satisfied with:

The expertise and adequacy of the resources within the financial function of the company;

The experience of the senior members of management responsible for the financial function; and

Chairperson of the Audit Committee: Ms R Williams

Date:

That the expertise and experience of the Chief Financial Officer is appropriate to meet the responsibilities commensurate with the position.

## Directors' Report

The directors submit their report for the year ended 30 June 2020. All figures are presented in Rand thousands.

### 1. Incorporation

The entity was incorporated on 01 March 1999, and remained dormant until 01 September 2015. Thereafter the entity was mandated to manage and operate the broadband business of the City.

### 2. Review of activities Main business and operations

MTC is a municipal entity that offers Broadband Network services and ICT that includes wholesale data services to public, private entities as well as retail. The entity also provides incidental services and implements capital projects on behalf of the City.

During the year there were no major changes in the activities of the business.

The entity generated revenue of R203m from exchange and R240m from non-exchange revenue transactions for the year. ( 2019: Exchange revenue: R337m and non-exchange revenue: R227m)

Net surplus after tax of the entity was R 51m (2019: surplus R 76m) .

### 3. Going concern

We draw attention to the fact that at 30 June 2020, the entity had an accumulated deficit of R (531)m and that the entity's total liabilities exceed its assets by R (367)m. In 2019, the entity had an accumulated deficit of R583m, and the entity's total liabilities exceeded its assets by R419m. The entity is technically insolvent as indicated on The Statement of Financial Position as at 30 June 2020, however the entity is addressing the solvency issue.

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 entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the entity and re-negotiate the terms and conditions of the conduit loan that was used to fund the acquisition of the broadband network business. This will address the solvency of MTC. MTC is in the process of obtaining the comfort letter from COJ.

A significant amount of trade receivables from exchange transactions relates to amounts owed by COJ and other Municipal Entities. MTC management is in the process of engagement with COJ for the amounts to be settled in the 2020/21 financial year. MTC has implemented controls to reduce amounts owed by COJ and its entities by ensuring that budget is committed before services are rendered.

The 2019 Novel Coronavirus (Coronavirus) or 'COVID 19' outbreak impacted negatively on the global economy. The resulting impact on financial reporting globally will be significant however, MTC's performance for the year under review was not negatively affected as the entity generated a surplus in the year under review.

The Directors have satisfied themselves that the entity will be solvent after taking into account that the City will provide the letter of comfort and the Directors believe that the entity will have access to sufficient cash resources to meet its obligations.

### 4. Subsequent events

The directors are not aware of any matter or circumstance arising since the end of the financial year to date of this report, not otherwise dealt with in the annual financial statements and the directors report, which is significantly affect the financial position of the entity or the results of its operations that would require adjustments to or disclosure in the financial statements.

### 5. Directors' interest in contracts

All of the directors have declared that they do not have any personal financial interests in any contracts entered into by the entity..

## 6. Accounting policies

The annual financial statements are prepared in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board and Municipal Finance Management Act..

There were no changes in accounting policies during the year.

## 7. Share capital / contributed capital

There were no changes in the authorised or issued share capital of the entity during the year under review.

The shareholding of the entity is held by The City of Johannesburg Metropolitan Municipality.

Unissued ordinary shares are under the control of The City of Johannesburg Metropolitan Municipality.

## 8. Borrowing limitations

In terms of the sales of business agreement , The Metropolitan Trading Company SOC Limited does not have the authority to borrow on its own behalf. All external funding is managed under the auspices of the City of Johannesburg Asset and Liability Committee and Treasury Department.

## 9. Non-current assets

There were no major changes in the physical nature of non-current assets of the entity during the year however MTC reviewed an Enhanced Business Model (EBM) in 2018/19 financial year which continued in 2019/20 financial year and is estimated to be completed by the 2020/21 financial year subject to Board and Council approval. The EBM comprises of mainly two major parts of the transaction namely; the outright sale of the network asset to the market and entering into a long term service level agreement with the successful bidder.

MTC was unable to purchase capital assets due to nil capital budget allocated to the entity for the period under review.

## 10. Dividends

No dividends were declared or paid to the shareholder during the year.

## 11. Executive and Non-executive directors

The executive and non- executive directors of the entity during the year and to the date of this report are as follows:

| Name  | Nationality   | Changes   |
|---|---------------|---|
| 1. *Ms C Stevens - current Board Chairperson  | South African | Appointed on 11 March 2020                                      |
| 2. *Mr S James                                | South African | Appointed on 11 March 2020 and resigned on 17 June 2020         |
| 3. *Mrs N Maseko                              | South African | Appointed on 11 March 2020                                      |
| 4. *Mr C Ramalaine                            | South African | Appointed on 11 March 2020                                      |
| 5. *Mr Van Niekerk                            | South African | Appointed on 11 March 2020                                      |
| 6. *Ms R Williams                             | South African | Appointed on 11 March 2020                                      |
| 7. *Mr E Mtaner                               | South African | Appointed on 11 March 2020 and resigned on 11 May 2020          |
| 8. *Mr M Magigaba                             | South African | Appointed on 11 March 2020                                      |
| 9. *Prof S Singh                              | South African | Retained 11 March 2020  |
| 10. *Mrs M Mosweu- previous Board Chairperson | South African | Retired on 11 March 2020  |
| 11. * Ms D Lebepe                             | South African | Retired on 11 March 2020  |
| 12. * Ms S Bopape                             | South African | Retired on 11 March 2020  |
| 13. *Ms M Mongalo                             | South African | Retired on 11 March 2020  |
| 14. **Mr T Moropa- CEO                        | South African | Appointed 01 July 2020  |
| 15. ** Mr A Mochela- Acting CEO               | South African | Appointed 01 September 2017 and secondment ended on 31 May 2020 |
| 16. ** Mr R Chetty                            | South African | Appointed 01 July 2020  |
| 17. **Mr L Gidini- Acting CFO                 | South African | Appointed 17 April 2019   |

## **The Board consisted of 7 non-executive directors and 2 executive directors as at 30 June 2020.**

The chairperson of the Board Mrs M Mosweu was retired on 11 March 2020. Ms C Stevens was subsequently appointed as chairperson of the Board on 11 March 2020.

\* Non- Executive Directors

\*\* Executive Directors

### **12. Secretary**

The Acting secretary of the entity was Mr P Masekela for the period 01 July 2019 to 31 May 2020. As at 01 June 2020, Ms S Balakrishna was appointed as the company secretary.

### **13. Corporate governance General**

The directors are committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the directors support the highest standards of corporate governance and the ongoing development of new practice.

The Board of directors have endeavoured to comply with the requirements of the King Code including integrated and sustainability reporting, which has been adopted using the City of Johannesburg Municipality's recommended template.

The salient features of the entity's adoption of the Code are outlined below:

#### **Board of Directors**

##### **The Board:**

- retains full control over the entity, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- is of a unitary structure comprising:

7 non-executive Directors, all of whom are independent Directors as defined in the Code.

- 2 executive Directors.

##### **Chairperson and Chief Executive Officer**

The Chairperson is a non-executive and independent director (as defined by the Code).

The roles of Chairperson and Chief Executive Officer are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

##### **Remuneration**

The remuneration of the Chief Executive Officer and employees is determined by the Board of Directors within the parameters set by the City of Johannesburg Municipality as provided for in section 89 of the MFMA. The entity has been operating under an interim management structure for the period under review. Interim management has been seconded from the COJ to assist the entity. The remuneration of interim executive management is based on the respective substantive positions and an acting allowance based on MTC's Human Resource Policy.

##### **Board of Director meetings**

The directors are scheduled to meet at least 4 times per annum. Some of the members were only appointed on 11 March 2020, therefore fewer meetings were attended as opposed to other members.

Non-executive Directors have access to all members of management of the entity. The board is also expected to meet with the shareholder on a quarterly basis.

| Name  | Board | Audit     | Human             | Group Audit |
|---|-------|-----------|-------------------|-------------|
|   |       | committee | social and ethics | Committee   |
| Ms C Stevens-<br>Current Board<br>Chairperson   | 6     |           |                   |             |
| Ms R Williams                                   | 3     |           |                   |             |
| Prof S Singh                                    | 9     |           | 1                 |             |
| Mr E Mtaner                                     | 3     |           |                   |             |
| Mr G Van Niekerk                                | 3     |           |                   |             |
| Mr M Magigaba                                   | 3     |           |                   |             |
| Mr S James                                      | 3     |           |                   |             |
| Mrs N Maseko                                    | 3     |           |                   |             |
| Mr C Ramalaine                                  | 4     |           |                   |             |
| Mrs M Mosweu -<br>Previous Board<br>Chairperson | 6     |           |                   |             |
| Ms R Mongalo                                    | 4     |           |                   |             |
| Ms S Bopape                                     | 4     |           | 1                 |             |
| Mr E Letsie                                     | 5     |           |                   |             |
| Mr D Lebepe                                     | 6     | 4         |                   | 1           |
| Ms R Mthabine                                   | 4     |           | 1                 |             |
| Mrs U Exner                                     | 3     | 4         |                   |             |
| Mr T Tshitangano                                |       | 4         |                   |             |
| Ms K Onuoka                                     |       | 4         |                   |             |
| Ms K Parirenyatwa                               |       | 3         |                   |             |

## Audit committee

As at 30 June 2020, the Audit committee consisted of 1 non-executive directors and 2 independent members. The Chairperson was appointed on 11 March 2020 but later resigned on 17 June 2020, and the previous Chairperson is no longer a member of the Audit Committee. The committee met 4 times during the 2019/2020 financial year to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act no 56 of 2003 (MFMA), City of Johannesburg Municipality, as a parent municipality, must appoint members of the audit committee. Notwithstanding that non-executive directors appointed by the parent municipality constituted the entity's audit committee, National Treasury policy requires that parent municipalities should appoint further members of the entity's audit committees who are not directors of the entity onto the audit committee. All independent audit committee members were appointed on 11 March 2020. The members are:

1. Mr Sydney James (Chairperson) (Resigned on 17 June 2020)- Non- Executive Director
2. Ms Ronell Williams- Non- Executive Director
3. Mr Tom Tshitangano- Independent Audit Committee Member
4. Mr Kgaugelo Mhlaba- Independent Audit Committee Member
5. Mrs Daisy Lebepe- (Previous Chairperson)(Retired on 11 March 2020)- Non-Executive Director
6. Ms Ulandi Exner- (Retired on 11 March 2020)- Independent Audit Committee Member
7. Ms Karen Parirenyatwa- (Retired on 11 March 2020)- Independent Audit Committee Member
8. Ms Keabetswe Onouka- ( Retired on 11 March 2020)- Independent Audit Committee Member

### Internal audit

The Chief Audit Executive was appointed in March 2019 on a contract basis. This contract ended in February 2020 This is in compliance with the Municipal Finance Management Act, 2003.

#### **14. Controlling entity**

The entity is controlled by City of Johannesburg Metropolitan Municipality.

#### **15. Special resolutions**

There were no special resolutions taken for the year under review.

#### **16. Bankers**

##### **Standard Bank Limited of South Africa.**

The management of the treasury function is under the auspices of The City of Johannesburg Metropolitan Municipality's Assets and Liabilities Committee and Treasury Directorate

#### **17. Auditors**

The Auditor-General: South Africa will continue in office in accordance with the Public Audit Act No 25, section 90 of the Municipal Finance Management Act No 56 of 2003 and section 90 of the Companies Act of 2008..

#### **18. Current Investigations**

Investigation on irregular, fruitless and wasteful expenditure were performed during the financial year by the internal audit department in relation to prior years.

#### **Company Secretary's Certification**

Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that the company has not lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act.

The entity's CIPC documents are not up date and the entity is in a process of updating these records.

**Ms S Balakrishna Company Secretary**

**Statement of Financial Position as at June 30, 2020**

| Figures in Rand Thousands                  | Note(s) | 2020             | 2019             |
|--|---------|------------------|------------------|
| Restated*                                  |         |                  |                  |
| <b>Assets</b>                              |         |                  |                  |
| <b>Current Assets</b>                      |         |                  |                  |
| Inventories                                | 7       | 3,074            | 3,076            |
| Loans to shareholders                      | 5       | 713,516          | 527,929          |
| Receivables from exchange transactions     | 8       | 526,003          | 330,674          |
| Receivables from non-exchange transactions | 9       | 6,088            | 3,976            |
| Prepayments                                |         | 236              | -                |
|  |         | <b>1,248,917</b> | <b>865,655</b>   |
| <b>Non-Current Assets</b>                  |         |                  |                  |
| Property, plant and equipment              | 3       | 483,609          | 520,549          |
| Intangible assets                          | 4       | 10,488           | 19,706           |
| Deferred tax                               | 6       | 334              | -                |
|  |         | <b>494,431</b>   | <b>540,255</b>   |
| <b>Total Assets</b>                        |         | <b>1,743,348</b> | <b>1,405,910</b> |
| <b>Liabilities</b>                         |         |                  |                  |
| <b>Current Liabilities</b>                 |         |                  |                  |
| Current tax payable                        |         | 52,189           | 30,760           |
| Operating lease liability                  |         | -                | 89               |
| Payables from exchange transactions        | 14      | 192,036          | 90,458           |
| VAT payable                                |         | 2,293            | 6,133            |
| Provisions                                 | 13      | 2,609            | 2,177            |
| Current Portion of Shareholder Loan        |         | 401,667          | 185,834          |
| Income Received in Advance                 |         | 333              | 864              |
|  |         | <b>651,127</b>   | <b>316,315</b>   |
| <b>Non-Current Liabilities</b>             |         |                  |                  |
| Loans from shareholders                    | 5       | 1,458,759        | 1,508,174        |
| Income received in Advance                 | 12      | -                | 333              |
| Deferred tax                               | 6       | 926              | -                |
|  |         | <b>1,459,685</b> | <b>1,508,507</b> |
| <b>Total Liabilities</b>                   |         | <b>2,110,812</b> | <b>1,824,822</b> |
| <b>Net Liabilities</b>                     |         | <b>(367,464)</b> | <b>(418,912)</b> |
| Share capital / contributed capital        | 11      | 163,897          | 163,897          |
| Accumulated loss                           |         | (531,361)        | (582,809)        |
| <b>Total Net Liabilities</b>               |         | <b>(367,464)</b> | <b>(418,912)</b> |

## Statement of Financial Performance

| Figures in Rand Thousands                | Note(s) | 2020      | 2019      |
|--|---------|-----------|-----------|
| Restated*                                |         |           |           |
| Revenue                                  |         |           |           |
| Revenue from exchange transactions       |         |           |           |
| Rendering of services                    |         | 153,118   | 313,858   |
| Agency services                          | 16      | 15,373    | -         |
| Other income                             |         | 1         | 23        |
| Interest received - investment           | 19      | 34,942    | 23,548    |
| Total revenue from exchange transactions |         | 236       | -         |
| Revenue from non-exchange transactions   |         | 203,434   | 337,429   |
| Transfer revenue                         |         |           |           |
| Subsidies                                | 20      | 239,990   | 226,855   |
| Total revenue                            | 15      | 443,424   | 564,284   |
| Expenditure                              | 6       | 334       | -         |
| Employee related costs                   | 21      | (30,700)  | (22,849)  |
| Depreciation and amortisation            | 22      | (45,850)  | (69,357)  |
| Finance costs                            | 23      | (166,419) | (140,728) |
| Lease rentals on operating lease         |         | (1,863)   | (1,684)   |
| Bad debts written off                    |         | -         | (6,259)   |
| Loss on disposal of assets               |         | (308)     | (17)      |
| General Expenses                         | 24      | (124,816) | (216,434) |
| Total expenditure                        |         | (369,956) | (457,328) |
| Surplus before taxation                  |         | 73,468    | 106,956   |
| Taxation                                 | 25      | 22,021    | 30,760    |
| Surplus/(deficit) for the year           |         | 51,447    | 76,196    |

**Statement of Changes in Net Assets for the year ended 30 June 2020**

| Figures in Rand Thousands                      | Share premium Accumulated surplus | Total net assets | 2019      |
|--|-----------------------------------|------------------|-----------|
| Opening balance as previously reported         | 163,897                           | (659,005)        | (495,108) |
| Balance at July 1, 2018 as restated*           | 163,897                           | (659,005)        | (495,108) |
| Changes in net assets                          |                                   |                  |           |
| Surplus for the year                           | -                                 | 76,196           | 76,196    |
| Total changes                                  | -                                 | 76,196           | 76,196    |
| Opening balance as previously reported         | 163,897                           | (582,808)        | (418,911) |
| Restated* Balance at July 1, 2019 as restated* | 163,897                           | (582,808)        | (418,911) |
| Changes in net assets                          |                                   |                  |           |
| Surplus for the year                           | -                                 | 51,447           | 51,447    |
| Total changes                                  | -                                 | 51,447           | 51,447    |
| Balance at June 30, 2020                       | 163,897                           | (531,361)        | (367,464) |
| Note(s)  | 11                                |                  |           |

## Cash Flow Statement for the year ended 30 June 2020

| Figures in Rand Thousands                              |    | Note(s) 2020 | 2019      |
|--|----|--------------|-----------|
| Cash flows from operating activities                   |    |              |           |
| Receipts   |    |              |           |
| Cash received from customers                           |    | 392,973      | 263,627   |
| Cash received from subsidy                             |    | 239,990      | 260,883   |
| Interest income  |    | 34,942       | 23,548    |
|  |    | 667,905      | 548,058   |
| Payments   |    |              |           |
| Cash paid to suppliers and employees                   |    | (482,318)    | (287,177) |
| Finance costs  |    | -            | (17)      |
|  |    | (482,318)    | (287,194) |
| Net cash flows from operating activities               | 26 | 185,587      | 260,864   |
| Cash flows from investing activities                   |    |              |           |
| Purchase of Capital Assets                             |    |              | (9,368)   |
| Net Loan to Shareholder                                |    | (185,587)    | (251,496) |
| Net cash flows from investing activities               |    | (185,587)    | (260,864) |
| Net increase/(decrease) in cash and cash equivalents   |    | -            | -         |
| Cash and cash equivalents at the beginning of the year |    | -            | -         |
| Effect of exchange rate movement on cash balances      |    | -            | -         |
| Cash and cash equivalents at the end of the year       |    | 10 -         | -         |

## Statement of Comparison of Budget and Actual Amounts

| Budget on Cash Basis  |                 |             |              |                                    |   |           |
|---|-----------------|-------------|--------------|------------------------------------|---|-----------|
|   | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Deference between final budget and actual | Reference |
| Figures in Rand Thousands   |                 |             |              |                                    |   |           |
| Statement of Financial Performance  |                 |             |              |                                    |   |           |
| Revenue   |                 |             |              |                                    |   |           |
| Revenue from exchange transactions  |                 |             |              |                                    |   |           |
| Rendering of services   | 223,490         | -           | 223,490      | 153,118                            | (70,372)                                  | 1         |
| Agency services   | -               | -           | -            | 15,373                             | 15,373                                    | 2         |
| Other income  | -               | -           | -            | 1                                  | 1   |           |
| Interest received - investment  | 2,785           | -           | 2,785        | 34,942                             | 32,157                                    | 3         |
| Total revenue from exchange transactions  | 226,275         | -           | 226,275      | 203,434                            | (22,841)                                  |           |
| Revenue from non-exchange transactions  |                 |             |              |                                    |   |           |
| Transfer revenue  |                 |             |              |                                    |   |           |
| Government grants & subsidies   | 240,661         | (671)       | 239,990      | 239,990                            | -   |           |
| Total revenue   | 466,936         | (671)       | 466,265      | 443,424                            | (22,841)                                  |           |
| Expenditure   | -               | -           |              |                                    |   |           |
| Employee Related Costs  | (32,146)        | 44          | (32,102)     | (30,700)                           | 1,402                                     | 4         |
| Depreciation and amortisation   | (156,436)       | -           | (156,436)    | (45,850)                           | 110,586                                   | 5         |
| Finance costs   | (151,759)       | -           | (151,759)    | (166,419)                          | (14,660)                                  |           |
| General Expenses  | (126,595)       | 627         | (125,968)    | (126,679)                          | (711)                                     |           |
| Total expenditure   | (466,936)       | 671         | (466,265)    | (369,648)                          | 96,617                                    |           |
| Operating surplus   | -               | -           | -            | 73,776                             | 73,776                                    |           |
| Loss on disposal of assets  | -               | -           | -            | (308)                              | (308)                                     |           |
| Surplus before taxation   | -               | -           | -            | 73,468                             | 73,468                                    |           |
| Taxation  | -               | -           | -            | 22,021                             | 22,021                                    |           |
| Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement | -               | -           | -            | 51,447                             | 51,447                                    |           |

See Note 37 for variance explanations

## 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Comparative information.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated where material. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly where material. Where the error is immaterial, the full effect is accounted for in the current year. Where there has been a change in accounting policy or reclassification in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Assets, liabilities, revenues and expenses were not offset, except where offsetting was required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, is disclosed below.

These accounting policies are consistent with the previous period.

### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity. All figures are to the nearest Rand thousand.

### 1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months. The entity has the ability to finance its operations, service the conduit loan and short term creditors within the next 12 months. This is demonstrated by a positive liquidity ratio, revenue growth, net cash generated from operations and cash position.

### 1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

### 1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements in conformity with GRAP, management is required to use professional judgments, estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Future actual results could differ from these estimates which may be material to the Annual Financial Statements. These estimates and underlying assumptions are reviewed on an ongoing basis. Effect of changes in estimates are accounted for on a prospective basis in the statement of financial performance.

### 1.3.1 Trade receivables / and/or loans and receivables- impairment

The entity assesses its trade receivables and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

### 1.3.2 Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value- in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of intangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors such as exchange rates, inflation and interest.

### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

Management's judgment is required when recognising and measuring provisions, contingent liabilities and contingent assets. Provision are raised based on current information available to management.

A provision is recognised when the municipality has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and the amount of the obligation can be reliably estimated.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

### Taxation

The entity recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the entity to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction.

To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the entity to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

### 1.3.3 Useful lives of assets

The entity's management determines the estimated useful lives and related depreciation charges for assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives. 1.4 Significant judgements and sources of estimation uncertainty (continued)

### 1.3.4 Allowance for doubtful debts

On debtors, an impairment loss is recognised impaired. The impairment is measured as the estimated future cash flows discounted at the

Agency and Principal

Management used significant judgment when that took place in the year under review.

Budget Information

Management makes a judgment as to which variances are regarded as material. Management considers a variance of 10% or more as material and all material variances are explained in the notes to the annual financial statements.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- It is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- The cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components 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.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Assets below the threshold of R2 500 (Rand amount) are expensed in the year purchased.

Property, plant and equipment is depreciated on the straight line basis over its expected useful life to its estimated residual value.

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

### 1.5 Property, plant and equipment

| Item                   | Depreciation method | Average useful life |
|------------------------|---------------------|---------------------|
| Network Infrastructure | Straight line       | 25 years            |
| Network equipment      | Straight line       | 3 - 15 years        |
| Furniture and Fittings | Straight line       | 3 - 7 years         |
| Office equipment       | Straight line       | 5 years             |
| IT equipment           | Straight line       | 3 - 10 years        |
| Leasehold improvements | Straight line       | 3 years             |
| Tools of Trade         | Straight line       | 3 - 5 years         |

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 3 and note 23).

## 1.6 Intangible assets

### An asset is identifiable if it either:

- Is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- Arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- It is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- The cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

### 1.6 Intangible assets (continued)

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

All 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 at each reporting date.

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

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets. However the entity recognised customer lists as intangible assets as it was acquired through a transfer of function.

**Internally generated goodwill is not recognised as an intangible asset.**

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

Item

**Customer List Computer Software Operating systems**

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

**1.7 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
- receive cash or another financial asset from another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

**Financial assets consist of cash and cash equivalents and receivables.**

The classification of financial assets depends on their nature and purpose, and is determined at the time of initial recognition (trade date).

**Cash and cash equivalent**

**1.7 Financial instruments (continued)**

Cash and cash equivalents comprise of cash on hand which is classified as loan to shareholder in the Statement of Financial Position due to the sweeping arrangement between the entity and City. This is initially and subsequently recorded at fair value.

**Receivables from exchange transactions**

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 the statement of financial position when there is objective evidence that the asset is impaired.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount the deficit is recognised in the statement of financial performance under operating expenses. When receivables are uncollectible, it is written off against the allowance account for receivables

All receivables are on an accrual basis except for VAT which on an invoice basis.

## **Impairment of Financial Assets measured at amortised cost:**

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

## **Financial Liabilities**

**A financial liability is any liability that is a contractual obligation to:**

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Financial liabilities consist of interest-bearing borrowings, trade and other payables, and bank overdrafts.

Financial liabilities are initially recognised at fair value and subsequently measure at amortised cost, using the effective interest rate method, except for financial liabilities at fair value through profit and loss, which are measure at fair value.

Finance costs on financial liabilities at amortised costs are expensed in the statement of financial performance in the period in which they are incurred using the effective interest rate method.

Gains and losses on financial liabilities at fair value through profit or loss arises from fair value movements and related transaction costs on these liabilities. These gains and losses are recognised in the statement of financial performance in the period in which they are incurred.

## **Loan from Shareholder**

Loan from shareholder is classified as a financial liability which is initially recognised at fair value and subsequently measured at amortised cost.

## **Payables from exchange transactions**

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

## **Offsetting of financial assets and liabilities**

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when and only when , the municipality has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

## **1.7 Financial instruments (continued)**

### **Initial recognition**

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

## 1.8 Tax

### Current tax assets and liabilities

Current tax for current and prior periods is to the extent unpaid, recognised as a liability. If the amount already paid in respect of the current period and prior periods exceeds the amounts due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

### Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable surplus will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

### Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

## 1.9 Leases

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

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Income for leases is disclosed under revenue in statement of financial performance.

### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

## 1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### **1.11 Impairment of cash-generating assets**

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

### **1.11 Impairment of cash-generating assets (continued)**

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use. Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

#### **Identification**

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually

by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

## Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

## Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

### 1.11 Impairment of cash-generating assets (continued)

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Cash-generating units

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

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

### **1.11 Impairment of cash-generating assets (continued)**

#### **Reversal of impairment loss**

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

### **1.12 Share capital / contributed capital**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the entity are classified according to the substance of the contractual arrangements entered into.

Equity instruments issued by the entity are recorded at the proceeds received, net of direct issue costs.

### **1.13 Provisions**

#### **Provisions are recognised when:**

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

### 1.13 Provisions (continued)

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficit.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

### 1.14 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity - therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives or provides services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### 1.15 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### Rendering of services

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 reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

### Interest

#### Revenue arising from interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.
- Interest is recognised, in surplus or deficit, using the effective interest rate method

#### 1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Subsidy:

Subsidy is recognised as revenue when:

#### 1.16 Revenue from non-exchange transactions (continued)

1. It is probable that the economic benefits or service potential associated with the transaction will flow to the entity,

2. The amount of the revenue can be measured reliably and
3. To the extent that there has been compliance with any restrictions associated with the grant.

Revenue from these grants is only recognised when it is probable that economic benefits or service potential associated with the transaction will flow to the entity.

## **Receivables from Non- Exchange**

### **Initial Recognition**

An inflow of resources from non- exchange transaction is recognised as an asset when , and only when:

1. It is probable that future economic benefits or service potential associated with the asset will flow to the entity and,
2. The fair value of the asset can be reliably measured.

### **Subsequent Measurement;**

The entity measures the non-exchange receivables after initial recognition using the cost method.

### **Derecognition**

The entity derecognises the non-exchange receivables when the right to the cash flows are settled, expired or are waived.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

### **1.17 Cost relating to rendering of services**

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

#### **Contract costs comprise:**

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract on a systematic and rational basis; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

### **1.18 Interest Income**

Investment income is recognised on a time-proportion basis using the effective interest method.

### **1.19 Borrowing costs**

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### **1.20 Accounting by principals and agents Identification**

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

#### **1.20 Accounting by principals and agents (continued)**

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the entity is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an entity is a principal or an agent requires the entity to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

### **Binding arrangement**

The entity assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

### **Assessing which entity benefits from the transactions with third parties**

When the entity in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the entity concludes that it is not the agent, then it is the principal in the transactions.

The entity is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the entity has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The entity applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the entity is an agent.

### **Recognition**

The entity, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP. These relate to services rendered such as metro ethernet, fibre access, hosting, internet breakout, VOIP, biometrics, core switch management, maintenance of CCTV cameras, fibre maintenance, LAN and WAN services.

The entity, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP. These relate to goods and services procured on behalf of COJ and ME's and are mainly capital projects for the City.

The entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

#### **1.21 Comparative figures**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as it is practical, and the prior year comparatives are restated accordingly where material year.

#### **1.22 Unauthorised expenditure**

**Unauthorised expenditure means:**

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance 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.

#### **1.23 Fruitless and wasteful expenditure**

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

Fruitless and wasteful expenditure which was incurred and identified during the financial year is disclosed in the notes to annual financial statements. However, fruitless and wasteful expenditure which was incurred and identified during the financial year but failed to be written off by the council is initially recognised as expenditure based on its nature and after further investigations classified to receivables and income. Where it is not possible to recover the revenue recognised from fruitless and wasteful, the receivable is written-off following proper write off processes in terms of the MFMA.

#### **1.24 Irregular expenditure**

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. In instances where budget has been exceeded, it is classified as irregular expenditure. Unauthorised expenditure is not applied to Municipal entities but only to Municipalities. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.25 Budget information**

Entity are typically subject to budgetary limits in the form of appropriations or budget authorisation's (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

#### **1.25 Budget information (continued)**

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2019-07-01 to 2020-06-30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

#### **1.26 Related parties**

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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

Management is considered a related party, and comprises of the Board of Directors, Chief Financial Officer, Chief Operating Officer and Executives.

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 entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

### **1.27 Events after reporting date**

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the 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 entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

### **1.27 Events after reporting date (continued)**

The entity 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 financial statements.

### **1.28 Value-added tax ( VAT)**

The entity is registered with the South African Revenue Services ( SARS) for VAT on the invoice basis, in accordance with 15(2) of the VAT Act No.89 of 1991. The entity applied 15% VAT rate for transactions.

## **2. New standards and interpretations**

### **2.1 Standards and interpretations effective and adopted in the current year**

The municipality applied the principles established in the Standard of GRAP 109 which has been issued and effective on 1 April 2019. The effect of the standard has a material impact on the financial statements.

### **2.2 Standards approved and effective**

The ASB has issued the following GRAP standards with effective dates. These were effective from 1 April 2019.

1. GRAP 108- Statutory receivable- minimal effects on the financial statements
2. GRAP 109- Accounting by principals and agents- material effects on the statements

3. GRAP 20- Related Parties- minimal effects on the financial statements

4. GRAP 32- Service Concession Arrangements : Grantor- minimal effects on the financial statements

### 2.3 Standards and interpretations not yet effective or relevant

At the date of authorisation of these Annual Financial Statements, the following standards of GRAP were in issue but not yet effective or adopted during the period under review. The effect of the below standards will have no material impact on the financial statements.

Standard/ Interpretation:

|   |                   |
|---|-------------------|
| GRAP 34 - Separate financial statements   | Effective date    |
| GRAP 35 - Consolidated financial statements   | Not yet effective |
| GRAP 36 - Joint arrangements  | Not yet effective |
| GRAP 37 - Joint arrangements  | Not yet effective |
| GRAP 38 - Disclosure of interest in other entities  | Not yet effective |
| GRAP 110 - Living and non-living resources  | Not yet effective |
| GRAP 18 - Segment reporting   | Not yet effective |
| IGRAP 17 - Service concession arrangements where a grantor controls a significant residual interest in an asset | Not yet effective |
| IGRAP 19 - Liabilities to pay levies  | Not yet effective |

## Notes to the Annual Financial Statements

Figures in Rand Thousands

### 3. Property, plant and equipment

|                        | 2020            |   |                | 2019           |   |                |
|------------------------|-----------------|---|----------------|----------------|---|----------------|
|                        | Cost evaluation | Accumulated depreciation and accumulated impairment | Carrying value | Cost/Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Furniture and fixtures | 2,116           | (1,421)   | 695            | 1,209          | (341)   | 868            |
| Office equipment       | 133             | (71)  | 62             | 133            | (45)  | 88             |
| IT equipment           | 3,550           | (2,369)   | 1,181          | 3,564          | (1,389)   | 2,175          |
| Leasehold improvements | -               | -   | -              | 907            | (682)   | 225            |
| Network Infrastructure | 599,149         | (124,616)   | 474,533        | 599,149        | (98,021)  | 501,128        |
| Network Equipment      | 69,618          | (62,772)  | 6,846          | 70,055         | (54,509)  | 15,546         |
| Tools and loose gear   | 940             | (648)   | 292            | 940            | (421)   | 519            |
| <b>Total</b>           | <b>675,506</b>  | <b>(191,897)</b>                                    | <b>483,609</b> | <b>675,957</b> | <b>(155,408)</b>                                    | <b>520,549</b> |

## Notes to the Annual Financial Statements

Figures in Rand Thousands

### 3. Property, plant and equipment (continued) Reconciliation of property, plant and equipment - 2020

|                        | Opening Balance | Disposals | Depreciation | Total   |
|------------------------|-----------------|-----------|--------------|---------|
| Furniture and fixtures | 868             | -         | (173)        | 695     |
| Office equipment       | 88              | -         | (26)         | 62      |
| IT equipment           | 2,175           | (10)      | (984)        | 1,181   |
| Leasehold improvements | 225             | -         | (225)        | -       |
| Network Infrastructure | 501,128         | -         | (26,595)     | 474,533 |
| Network Equipment      | 15,546          | (299)     | (8,401)      | 6,846   |
| Tools and loose gear   | 519             | -         | (227)        | 292     |
|                        | 520,549         | (309)     | (36,631)     | 483,609 |

## Notes to the Annual Financial Statements

Figures in Rand Thousands

### 3. Property, plant and equipment (continued) Reconciliation of property, plant and equipment - 2019

|                        | Opening Balance | Additions | Disposals | Assets Expensed | Depreciation | Total   |
|------------------------|-----------------|-----------|-----------|-----------------|--------------|---------|
| Furniture and fixtures | 968             | 73        | -         | (8)             | (165)        | 868     |
| Office equipment       | 83              | 27        | -         | -               | (22)         | 88      |
| IT equipment           | 2,169           | 896       | (17)      | (1)             | (872)        | 2,175   |
| Leasehold improvements | 559             | -         | -         | -               | (334)        | 225     |
| Network Infrastructure | 526,744         | 940       | -         | -               | (26,556)     | 501,128 |
| Network Equipment      | 28,749          | 1,494     | -         | (2)             | (14,695)     | 15,546  |
| Tools and loose gear   | 746             | -         | -         | -               | (227)        | 519     |
|                        | 560,018         | 3,430     | (17)      | (11)            | (42,871)     | 520,549 |

Pledged as security

No property, plant and equipment was pledged as security

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

### 3. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

|                     |        |       |
|---------------------|--------|-------|
| Contracted services | 14,997 | 8,693 |
|---------------------|--------|-------|

**Refer to note 23 for disclosure of contracted service**

#### **Intention to sell:**

MTC reviewed an Enhanced Business Model (EBM) which began in 2018/19 financial year and continued in 2019/20 financial year and is estimated to be completed by the 2020/21 financial year subject to Board and Council Approval. The EBM comprises of mainly of two major parts of the transaction namely: the outright sale of the network asset to the market and entering into a long term service level agreement with the successful bidder.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

## Notes to the Annual Financial Statements

Figures in Rand Thousands

### 4. Intangible assets

|  | 2020             |   |                | 2019           |   |                |
|--|------------------|---|----------------|----------------|---|----------------|
|  | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost/Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Customer list                              | 85,156           | (85,156)  | -              | 85,156         | (81,615)  | 3,541          |
| Computer software                          | 31,508           | (21,020)  | 10,488         | 31,507         | (15,342)  | 16,165         |
| Total                                      | 116,664          | (106,176)   | 10,488         | 116,663        | (96,957)  | 19,706         |
| Reconciliation of intangible assets - 2020 |                  |   |                | Opening        |   |                |
| balance                                    | Amortisation     | Total   |                |                |   |                |
| Customer list                              |                  |   |                | 3,541          | (3,541)   | -              |
| Computer software                          |                  |   |                | 16,165         | (5,677)   | 10,488         |
|  |                  |   |                | 19,706         | (9,218)   | 10,488         |
| Reconciliation of intangible assets - 2019 |                  |   | Opening        |                |   |                |
| balance                                    |                  |   | Total          |                |   |                |
| Customer lists                             |                  |   | 24,830         | -              | (21,289)  | 3,541          |
| Computer software                          |                  |   | 20,500         | 864            | (5,199)   | 16,165         |
|  |                  |   | 45,330         | 864            | (26,488)  | 19,706         |

## 5. Loans to (from) shareholders

|                      |             |             |
|----------------------|-------------|-------------|
| Sweeping account     | 713,516     | 527,929     |
| Terms and conditions |             |             |
| Subordinated loans   | (1,458,759) | (1,508,174) |
| Terms and conditions |             |             |
|                      | (745,243)   | (980,245)   |

Sweeping Account - COJ has an arrangement with all its municipal owned entities, that the bank accounts will be swept over night to the primary bank account of the COJ, and the required amounts by the MOE's will be swept back to their bank accounts when requested. The account bears interest at a rate determined by COJ Treasury which is compounded daily.

Subordinated Loan - The loan from COJ is subordinated in favour of creditors until such time that the assets of the entity exceeds the liabilities. The loan bears an effective interest rate of 8.81% per annum and quarterly repayment terms. The period of the shareholder loan is 20 years. The first capital repayment was due to COJ by December 2018. No repayment were done in the prior and current year.

The shareholder loan disclosed above is the non-current portion of Shareholder loan.

|  |             |             |
|--|-------------|-------------|
| Current assets Non-current liabilities | 745,243     | 980,245     |
|  | (1,458,759) | (1,508,174) |
|  | 745,243     | 980,245     |

### Credit quality of loans to shareholders

The credit quality of loans to shareholders that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

### Subordinate loans

|                                |           |           |
|--------------------------------|-----------|-----------|
| Loans at beginning of the year | 1,694,008 | 1,550,510 |
| Repayments                     | 166,418   | 143,498   |
| Interest                       | 1,860,426 | 1,694,008 |

Loan balance at end of year

|                             |            |                     |
|-----------------------------|------------|---------------------|
| Non-current portion of loan | R1 458 759 | ( 2019: R1 508 174) |
| Current portion of loan     | R401 667   | (2019: R185 834)    |
| Total balance of loan       | R1 860 426 | ( 2019: 1 694 008)  |

## 6. Deferred tax

### Deferred tax liability

|                                  |         |         |
|----------------------------------|---------|---------|
| Property, plant and equipment    | (1,883) | (6,120) |
| Intangible asset                 | 957     | (3,360) |
| Total deferred tax liability     | (926)   | (9,480) |
| Deferred tax asset               |         |         |
| Accrued Leave                    | 344     | 314     |
| Provision for doubtful debts     | -       | 257     |
| Operating lease liability        | (25)    | 25      |
| Accrued Bonus                    | 15      | 141     |
| Deferred Tax Utilised Tax loss   | -       | 8,743   |
| Total deferred tax asset         | 334     | 9,480   |
| Deferred tax liability           | (926)   | (9,480) |
| Deferred tax asset               | 334     | 9,480   |
| Total net deferred tax liability | (592)   | -       |

### Recognition of deferred tax asset

It is probable that there will be sufficient taxable profit in the foreseeable future against which the deferred tax asset will be utilised.

## 7. Inventories

|                   |       |       |
|-------------------|-------|-------|
| Consumable stores | 3,074 | 3,076 |
|-------------------|-------|-------|

### 7.1 Reconciliation of inventory movement for the period

|                  |       |       |
|------------------|-------|-------|
| Opening balance  | 3,076 | 3,154 |
| Stock dispatched | (2)   | (78)  |
|                  | 3,074 | 3,076 |

The inventory is mainly used for items replaced in the maintenance of the network. There was no inventory purchased in the current year.

## Notes to the Annual Financial Statements

| Figures in Rand Thousands                 | 2020    | 2019    |
|---|---------|---------|
| 8. Receivables from exchange transactions |         |         |
| Account receivable: Related Parties       | 4,157   | 7,035   |
|   | 521,846 | 323,639 |
|   | 526,003 | 330,674 |

### 8. Receivables from exchange transactions (continued)

#### As At 30 June 2020

|                                      | Gross Balance | Provision for impairment | Net balance |
|--------------------------------------|---------------|--------------------------|-------------|
| Trade debtor                         | 5 380         | (1 223)                  | 4 157       |
| Accounts receivables:related parties | 521 846       | -                        | 521 846     |
| Total                                | 527 226       | (1 223)                  | 526 003     |

#### As At 30 June 2019

|                                      | Gross Balance | Provision for impairment | Net balance |
|--------------------------------------|---------------|--------------------------|-------------|
| Trade debtor                         | 8 258         | (1 223)                  | 7 035       |
| Accounts receivables:related parties | 323 639       | -                        | 323 639     |
| Total                                | 331 897       | (1 223)                  | 330 674     |

The entity did not pledge any of its receivables as security for borrowing purposes Ageing of receivables from exchange transactions are as follows

#### As at 30 June 2020

|                                | Current   |     | Past Due |         |            | Total   |
|--------------------------------|-----------|-----|----------|---------|------------|---------|
|                                | 0-30 days | +30 | 60 days  | 90 days | + 120 days |         |
| Trade debtors                  |           |     |          |         |            |         |
| Gross balances                 | 2 597     | 44  | 24       | 24      | 2 691      | 5 380   |
| Less: provision for impairment | -         | -   | -        |         | (1 223)    | (1 223) |
| Net balance                    | 2 597     | 44  | 24       | 24      | 1 468      | 4 157   |

Trade debtors past due for over 90 days were not impaired due to settlement received after year-end. As at year end management was of the opinion that the debtor will settle the outstanding debt based on historic trends.

### 8. Receivables from exchange transactions (continued) \* Accounts receivables: Related parties

|                                |         |        |       |        |         |         |
|--------------------------------|---------|--------|-------|--------|---------|---------|
| Gross balance                  | 149 671 | 10 226 | 7 226 | 20 704 | 334 019 | 521 846 |
| Less: provision for impairment | -       | -      | -     | -      | -       | -       |
| Net balance                    | 149 671 | 10 266 | 7 226 | 20 704 | 334 019 | 521 846 |

Related party receivables relates to amounts owed by COJ and MOE's for sales revenue and services rendered..

Receivables which are less than 3 months are not considered for impairment. As at 30 June 2020 the receivables of R334 019 relating to related party debtors were past due for more than 120 days but not impaired in accordance with the debt impairment policy.

#### As at 30 June 2019

|                                | Current   |          | Past due |         |            |         |
|--------------------------------|-----------|----------|----------|---------|------------|---------|
|                                | 0-30 days | +30 days | 60 days  | 90 days | + 120 days | Total   |
| Trade debtors                  |           |          |          |         |            |         |
| Gross balances                 | 4 934     | 2 008    | 12       | 16      | 1 228      | 8 258   |
| Less: provision for impairment | -         | -        | -        | -       | (1 223)    | (1 223) |
| Net balance                    | 4 934     | 2 008    | 12       | 16      | 65         | 7 035   |

#### Accounts receivables: Related parties

|                                |         |       |       |       |         |         |
|--------------------------------|---------|-------|-------|-------|---------|---------|
| Gross balance                  | 109 733 | 7 441 | 6 212 | 6 061 | 194 192 | 323 639 |
| Less: provision for impairment | -       | -     | -     | -     | -       | -       |
| Net balance                    | 109 733 | 7 441 | 6 212 | 6 061 | 194 192 | 323 639 |

Receivables which are less than 3 months are not considered for impairment assessment. As at 30 June 2020 the receivables of R 194 192 relating to related party debtors were past due but not impaired

|                                | 0-30 days | +30 days | 60 days | 90 days | 120 days | Total   |
|--------------------------------|-----------|----------|---------|---------|----------|---------|
| All receivables                |           |          |         |         |          |         |
| Gross balance                  | 152 268   | 10 270   | 7 250   | 20 728  | 336 710  | 527 226 |
| Less: provision for impairment | -         | -        | -       | -       | (1 223)  | (1 223) |
| Net balance                    | 152 268   | 10 270   | 7 250   | 20 728  | 335 487  | 526 003 |

#### Reconciliation of the provision for impairment

|  |       |         |
|--|-------|---------|
| Balance at the Beginning of the period | 1 223 | 18 490  |
| Impairment losses recognise            |       |         |
| Impairment losses reversed             | -     |         |
| Amounts written off as uncollected     | -     | -17 267 |
| Balance at the end of the year         | 1 223 | 1 223   |

#### Ageing of impaired receivables from exchange transactions

|            |       |       |
|------------|-------|-------|
| Current    | -     | -     |
| 0-30 days  | -     | -     |
| Past due   | -     | -     |
| + 30 days  | -     | -     |
| 60 days    | -     | -     |
| 90 days    | -     | -     |
| + 120 days | 1 223 | 1 223 |

#### 9. Receivables from non-exchange transactions

|                                |       |       |
|--------------------------------|-------|-------|
| South African Revenue Services | 6,088 | 3,976 |
|--------------------------------|-------|-------|

## Receivables from non-exchange transactions

### Receivables from non-exchange transactions

| As at June 2020 | Gross Balance | Provision for impairment | Net balance  |
|-----------------|---------------|--------------------------|--------------|
| SARS            | 6 088         | -                        | 6 088        |
|                 |               |                          |              |
| <b>Total</b>    | <b>6 088</b>  | <b>-</b>                 | <b>6 088</b> |

| As at June 2019 | Gross Balance | Provision for impairment | Net balance  |
|-----------------|---------------|--------------------------|--------------|
| SARS            | 3 976         | -                        | 3 976        |
|                 |               |                          |              |
| <b>Total</b>    | <b>3 976</b>  | <b>-</b>                 | <b>3 976</b> |

## Ageing of Receivables from Non-exchange transactions

### 30 June 2020

|                                | Current   |          | Past Due |          |             |             |
|--------------------------------|-----------|----------|----------|----------|-------------|-------------|
| Trade debtors                  | 0-30 days | +30      | 60 days  | 90 days  | + 120 days  | Total       |
| Gross balances                 | -         | -        | -        | -        | 6088        | 6088        |
| Less: provision for impairment | -         | -        | -        | -        | -           |             |
| <b>Net balance</b>             | <b>-</b>  | <b>-</b> | <b>-</b> | <b>-</b> | <b>6088</b> | <b>6088</b> |

## Receivable which are less than 3 months are not considered for impairment assessment

### 30 June 2019

|                                | Current   |          | Past Due |          |             |             |
|--------------------------------|-----------|----------|----------|----------|-------------|-------------|
| Trade debtors                  | 0-30 days | +30      | 60 days  | 90 days  | + 120 days  | Total       |
| Gross balances                 | -         | -        | -        | -        | 3976        | 3976        |
| Less: provision for impairment | -         | -        | -        | -        | -           |             |
| <b>Net balance</b>             | <b>-</b>  | <b>-</b> | <b>-</b> | <b>-</b> | <b>3976</b> | <b>3976</b> |

## 10. Cash and cash equivalents

The entity currently has only one bank account. The details are as follows:

Name of bank: Standard Bank: Standard Bank Branch name and number: Johannesburg-000205

COJ has arrangement with all its municipal owned entities, that the bank accounts will be swept over night to the primary bank account of the City of Johannesburg, and the required amounts by the municipal owned entities will be swept back to their bank accounts when requested. The accounts bears interest at the rate prescribed by COJ Treasury, compounded daily.

## 11. Share capital / contributed capital

|                |                |         |
|----------------|----------------|---------|
| Issued         |                |         |
| Ordinary       | -              | -       |
| Share premium  | 163,897        | 163,897 |
| <b>163,897</b> | <b>163,897</b> |         |

## 12. Income Received in Advance At amortised cost

|                            |   |     |
|----------------------------|---|-----|
| Income Received in Advance | - | 333 |
| Terms and conditions       |   |     |

The entity assumed the liability of an advance payment amounting to R5 million as a result of the transfer of function that took place in 2015/16 financial year. The agreement states that annual fees billed by MTC shall be deducted against the advance payment. The details are as follows:

### 2019/20 (R'000):

|                        |              |
|------------------------|--------------|
| Non- current portion : | R0           |
| Current portion :      | R333         |
| <b>Total balance</b>   | <b>:R333</b> |

### 2018/19 (R'000):

|                        |               |
|------------------------|---------------|
| Non-current portion:   | R333          |
| Current portion :      | R864          |
| <b>Total balance :</b> | <b>R1 100</b> |

|                                |   |     |
|--------------------------------|---|-----|
| <b>Non-current liabilities</b> |   |     |
| At amortised cost              | - | 333 |
| <b>Current liabilities</b>     |   |     |
| At amortised cost              |   |     |

### 13. Provisions

| Reconciliation of provisions - 2020  |         |           |            |         |
|--|---------|-----------|------------|---------|
|  | Opening | Additions | Utilised   | Total   |
|  | Balance |           | during the |         |
|  |         |           | year       |         |
| Bonus provision  | 503     | 1,198     | (1,145)    | 556     |
| Leave Pay Provision  | 1,674   | 4,195     | (3,816)    | 2,053   |
| Reconciliation of provisions - 2019  |         |           |            |         |
|  | Opening | Additions | Utilised   | Total   |
|  | Balance |           | during the |         |
|  |         |           | year       |         |
| Bonus provision  | 313     | 776       | (586)      | 503     |
| Leave Pay provision  | 747     | 1,184     | (257)      | 1,674   |
|  | 1,060   | 1,960     | (843)      | 2,177   |
| 14. Payables from exchange transactions  |         |           |            |         |
| Trade payables   |         |           | 155,117    | 73,957  |
| Board fees and remuneration  |         |           | 1,122      | 1,187   |
| Icasa licence accrual  |         |           | 3,261      | 2,572   |
| Related party payables   |         |           | 32,536     | 12,742  |
|  |         |           | 192,036    | 90,458  |
| The terms and conditions of trade and other payables were not renegotiated.                |         |           |            |         |
| 15. Revenue  |         |           |            |         |
| Rendering of services  |         |           | 153,118    | 313,858 |
| Agency services  |         |           | 15,373     | -       |
| Sundry revenue   |         |           | 1          | 23      |
| Interest received  |         |           | 34,942     | 23,548  |
| Government grants & subsidies  |         |           | 239,990    | 226,855 |
|  |         |           | 443,424    | 564,284 |
| The amount included in revenue arising from exchanges of goods or services are as follows: |         |           |            |         |
| Rendering of services  |         |           | 153,118    | 313,858 |
| Agency services  |         |           | 15,373     | -       |
| Sundry revenue   |         |           | 1          | 23      |
| Interest received - investment   |         |           | 34,942     | 23,548  |
|  |         |           | 203,434    | 337,429 |
| The amount included in revenue arising from non-exchange transactions is as follows:       |         |           |            |         |
| Taxation revenue   |         |           |            |         |
| Transfer revenue   |         |           |            |         |
| Government grants & subsidies  |         |           | 239,990    | 226,855 |

## 15. Revenue (continued)

### Rendering of services

The following services are rendered by the entity whereby MTC acts as principal:

1. Metro Ethernet and Dark Fiber
2. Internet break-out and installations
3. Wireless and fiber acces
4. VOIP and biometrics services
5. Core Switch management
6. Mainteance of CCTV cameras and Biometrics
7. Fiber maintenance
8. Wide Area Newtwork and Local Area Network services
9. Information Technology Support Services

### 16. Agency services

Agency Income in relation to capital projects 15,373

The entity has the following principal agent relationships with COJ and other entites:

1. City of Johannesburg-MTC plays an agency role by fulfilling capital projects relating to telecommunications, licenses and

#### information systems on behalf of COJ. This are ad hoc projects.

2. Pikitup- MTC plays an agency role by implementing CCTV cameras which are capital in nature on behalf of Pikitup.
3. Jourg Market- The entity plays an agency role in providing cellular deviceest

#### 17. Operating lease - as a lessor

Operating lease relates to non-cancelable contacts between the entity and its customersthat does not transfer the

significant risk and rewards associated with operations. The lease terms are between 5- 15 years, with no escalation.

| Minimum lease payment receivable  |                |                |
|-----------------------------------|----------------|----------------|
| Within one year                   | 26,040         | 26,019         |
| in second to fifth year inclusive | 103,411        | 104,074        |
| Later than five years             | 95,886         | 69,862         |
|                                   | <b>225,337</b> | <b>199,955</b> |

#### 18. Other income

|             |   |    |
|-------------|---|----|
| Tender fees | 1 | 23 |
|-------------|---|----|

Tender fees relate to the administration levies charged to prospective suppliers to access tender bid documentation.

## Notes to the Annual Financial Statements

| Figures in Rand Thousands   | 2020    | 2019    |
|---|---------|---------|
| <b>19. Investment revenue</b>   |         |         |
| Interest revenue  |         |         |
| Interest earned: Bank   | 34,942  | 23,548  |
| Total interest earned is interest on the sweeping account, calculated using interest rate prescribed by the COJ Treasury. |         |         |
| <b>20. Government grants and subsidies</b>  |         |         |
| Operating grants  |         |         |
| Subsidy - City of Johannesburg  | 239,990 | 226,855 |
| <b>21. Employee related costs</b>   |         |         |
| Basic   | 21,629  | 15,823  |
| Medical aid - company contributions   | 1,215   | 835     |
| Unemployment Insurance Fund   | 80      | 66      |
| Skills Deveopment Levies  | 253     | 185     |
| Leave pay provision charge  | 1,012   | 1,136   |
| Bargaining Council  | 4       | 3       |
| Other short term costs  | 161     | 112     |
| Defined contribution plans  | 3,108   | 2,099   |
| Overtime payments   | 269     | 261     |
| 13th Cheques  | 1,145   | 776     |
| Acting allowances   | 411     | 378     |
| Housing benefits and allowances   | 105     | 13      |
| Locomotion allowances   | 1,308   | 1,162   |
|   | 30,700  | 22,849  |
| <b>22. Depreciation and amortisation</b>  |         |         |
| Property, plant and equipment   | 36,632  | 42,870  |
| Intangible assets   | 9,218   | 26,487  |
|   | 45,850  | 69,357  |
| <b>23. Finance costs</b>  |         |         |
| Interest on shareholder loan  | 166,418 | 143,498 |
| Other Interest paid   | 1       | (2,770) |
|   | 166,419 | 140,728 |

Other interest paid comprises of interest incurred on late payments in relation to interconnection links and VOIP services.

### **This amounts to R15 781 (Actual amounts)**

In the current year, the entity received credit notes for interest levied in the prior year amounting to R14 598 (actual amounts). The net of these amounts are reflected in the other interest paid above

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| Figures in Rand Thousands                          | 2020    | 2019    |
|--|---------|---------|
| 24. General expenses                               |         |         |
| Advertising  | 346     | 35      |
| Auditors remuneration                              | 1,288   | 1,263   |
| Bank charges                                       | 8       | 8       |
| Cleaning   | 20      | 151     |
| Contracted Services                                | 38,541  | 35,059  |
| Consumables  | 25      | 72      |
| Entertainment                                      | 36      | 5       |
| Fines and penalties                                | -       | 1       |
| Insurance  | 547     | 592     |
| Conferences and seminars                           | 243     | 297     |
| Information technology expense                     | 5,614   | 7,544   |
| Fleet  | 568     | 845     |
| Printing and stationery                            | 376     | 167     |
| License fees                                       | 1,188   | 1,567   |
| Professional fees                                  | 19      | 26      |
| Telephone expense                                  | 304     | 258     |
| Training   | 268     | 341     |
| Assets expensed                                    | -       | 10      |
| Water and Electricity                              | 551     | 540     |
| Municipal rates                                    | 76      | 26      |
| Wayleaves  | 894     | 1,973   |
| Office Supplies and Parking                        | 117     | 115     |
| Cost incurred in relation to rendering of services | 73,545  | 165,539 |
| Storage charges                                    | 242     | -       |
|  | 124,816 | 216,434 |

## 25. Taxation

### Major components of the tax expense

#### Current

|  |           |          |
|--|-----------|----------|
| Local income tax - current period  | 21,428    | 30,760   |
| Deferred   |           |          |
| Originating and reversing temporary differences                                      | 592       | 377      |
| Arising from previously unrecognised tax deficit / tax credit / temporary difference | -         | -        |
| Deferred tax asset arising from temporary differences                                | -         | -        |
| Deferred tax asset unrecognised  | -         | (377)    |
| Prior year deferred tax utilised   | -         | -        |
|  | 592       | -        |
| Reconciliation of the tax rate   | 22,020    | 30,760   |
| Reconciliation between accounting surplus and tax expense.                           |           |          |
| Accounting surplus   | 73,468    | 106,956  |
| Tax at the applicable tax rate of 28% (2019: 28%)                                    | 20,571    | 29,335   |
| Tax effect of adjustments on taxable income  |           |          |
| Non deductible expenditure- amortization for customer lists                          | 1,079     | 5,961    |
| Non deductible expenditure- Provisions and Lease smoothing                           | 370       | -        |
| Tax loss utilised  | -         | (4,536)  |
| The effective tax rate is 29% (2019: 29%)  | 22,020    | 30,760   |
| 26. Net cash flows from operating activities   |           |          |
| Surplus  |           |          |
| Adjustments for:   | 73,468    | 100,790  |
| Depreciation and amortisation  | 45,850    | 69,258   |
| Loss on sale of assets and liabilities   | 308       | 17       |
| Finance costs  | 166,419   | -        |
| Bad debts written off  | -         | 6,259    |
| Movements in operating lease assets and accruals                                     | (89)      | (42)     |
| VAT input adjustments  | -         | (28,145) |
| Movements in provisions  |           |          |
| Changes in working capital:  | 432       | 1,117    |
| Inventories  | 2         | 78       |
| Receivables from exchange transactions   | (195,329) | (89,568) |
| Other receivables from non-exchange transactions                                     | (2,112)   | -        |
| Statutory receivables  | -         | -        |
| Prepayments  | (236)     | -        |
| Movement in Shareholder loan   | -         | 174,759  |
| Payables from exchange transactions  | 101,578   | 24,542   |
| Movement in VAT Payable  | (3,840)   | 1,799    |
| Income Received in Advance   | (864)     | -        |
|  | 185,587   | 260,864  |

## 27. Financial instruments disclosure Categories of financial instruments 2020

### Categories of financial instruments 2020

|  |                   |                   |           |
|--|-------------------|-------------------|-----------|
| <b>Loans to economic entities</b>                      |                   |                   |           |
| Loans to shareholders                                  |                   |                   |           |
| Trade and other receivables from exchange transactions |                   |                   |           |
| Other receivables from non-exchange transactions       | At fair value     |                   |           |
| 713,516  | At amortised cost |                   |           |
| 526,003  |                   |                   |           |
| 6,008  | Total             |                   |           |
| 713,516  |                   |                   |           |
| 526,003  |                   |                   |           |
| 6,008  |                   |                   |           |
|  | 713,516           | 532,011           | 1,245,527 |
| <b>Financial liabilities</b>                           |                   |                   |           |
| Loans from shareholders                                |                   |                   |           |
| Trade and other payables from exchange transactions    |                   | At amortised cost |           |
| 1,860,426  |                   |                   |           |
| 192,036  | Total             |                   |           |
| 1,860,426  |                   |                   |           |
| 192,036  |                   |                   |           |
|  |                   | 2,052,462         | 2,052,462 |
| 2019   |                   |                   |           |
| <b>Financial assets</b>                                |                   |                   |           |
| Loans to shareholders                                  |                   |                   |           |
| Trade and other receivables from exchange transactions |                   |                   |           |
| Other receivables from non-exchange transactions       | At fair value     |                   |           |
| 527,929  | At amortised cost |                   |           |
| 330,674  |                   |                   |           |
| 3,976  | Total             |                   |           |
| 527,929  |                   |                   |           |
| 330,674  |                   |                   |           |
| 3,976  |                   |                   |           |
|  | 527,929           | 334,650           | 862,579   |
| <b>Financial liabilities</b>                           |                   |                   |           |
| Loans from shareholders                                |                   |                   |           |
| Trade and other payables from exchange transactions    |                   |                   |           |
| Operating Lease Liability                              |                   | At amortised cost |           |
| 1,694,008  |                   |                   |           |
| 90,457   |                   |                   |           |
| 89   | Total             |                   |           |
| 1,694,008  |                   |                   |           |
| 90,457   |                   |                   |           |
| 89   |                   |                   |           |
|  |                   | 1,784,554         | 1,784,554 |
|  |                   |                   |           |

## 28. Commitments Total commitments

The entity had no commitments to plant and equipment due to no capital budget allocated to the entity during the period under review.

## 28. Commitments Total commitments

The entity had no commitments to plant and equipment due to no capital budget allocated to the entity during the period under review.

| Minimum Lease payments due        | Operating lease - as lessee (expense) |
|-----------------------------------|---------------------------------------|
| - within one year                 | 1,211                                 |
| in second to fifth year inclusive |                                       |
| later than five years             | 1,211                                 |

This represents the total of future minimum lease payments under non-cancelable operating leases. The operating lease relates to premises utilised for office space. The lease expired on 29 February 2020, with an average escalation of 7.8%. . The entity is currently is on a month to month rental agreement therefore there is no commitment as at 30 June 2020

## 29. Related parties Relationships

### Metropolitan Municipality

Controlling entity City of Johannesburg Metropolitan Municipality. Other Members of the group (100% owned by City of Johannesburg City Power Johannesburg (SOC) Ltd.

Johannesburg Water (SOC) Ltd Johannesburg Property Company (SOC) Ltd Johannesburg City Parks NPC Johannesburg Road Agency (SOC) Ltd Johannesburg Metropolitan Bus Services (SOC) Ltd Pikitup Johannesburg (SOC) Ltd Johannesburg Civic Theatre (SOC) Ltd Johannesburg Social Housing Company (SOC) Ltd Joburg Market (SOC) Ltd.

| Related parties assets balances                     |          |           |
|---|----------|-----------|
| City of Johannesburg Metropolitan Municipality      | 1,232,52 | 845,949   |
| Johannesburg Metropolitan Bus Services (SOC) Ltd    | 88       | 317       |
| Johannesburg Roads Agency (SOC) Ltd                 | 824      | 882       |
| Johannesburg Fresh Produce Market (SOC) Ltd         |          |           |
| Johannesburg Social Housing Company (SOC) Ltd       | 833      | 4,423     |
| Pikitup Johannesburg (SOC) Ltd                      | 14       | -         |
|   | 1,075    |           |
|   |          |           |
| Related parties Liability balances                  |          |           |
| City of Johannesburg Metropolitan Municipality City | 1,891.51 | 1,706,680 |
| Johannesburg Property Company (SOC) Ltd City        | 46       | 36        |
| Power Johannesburg (SOC) Ltd Johannesburg           | 1,379    | 12        |
| Civic Theatre (SOC) Ltd                             | 27       | -         |

| Related parties revenue transactions in totality  |          |           |
|---|----------|-----------|
| City of Johannesburg Metropolitan Municipality  | 1,232,52 | 845,949   |
| Johannesburg Metropolitan Bus Services (SOC) Ltd  | 88       | 317       |
| Johannesburg Roads Agency (SOC) Ltd   | 824      | 882       |
| Johannesburg Roads Agency (SOC) Ltd   |          |           |
| Johannesburg Social Housing Company (SOC) Ltd   | 833      | 4,423     |
| Pikitup Johannesburg (SOC) Ltd Johannesburg   | 14       | -         |
| Fresh Produce Market (SOC) Ltd  | 1,075    |           |
|   |          |           |
| Related parties operating expenditure transactions                                      |          |           |
| City of Johannesburg Metropolitan Municipality City                                     | 1,891.51 | 1,706,680 |
| City of Johannesburg Property Company (SOC) Ltd Johannesburg<br>Civic Theatre (SOC) Ltd | 46       | 36        |

| Figures in Rand Thousands   |              |               | 2020                    | 2019         |
|---|--------------|---------------|-------------------------|--------------|
| 29. Related parties (continued)                                       |              |               |                         |              |
| Management class: Executive management                                |              |               |                         |              |
| 2020  |              |               |                         |              |
|   | Basic salary | Car Allowanc  | Other benefits received |              |
| <b>Name</b>   |              |               |                         |              |
| Acting Chief Executive Officer ( 01 July 2019 - 31 May 2020)          |              |               |                         |              |
|   | 1,429        | 146           | 529                     | 2,104        |
| Acting Chief Executive Officer (09 June 2020 - 30 June 2020)          |              |               |                         |              |
|   | 74           | -             | 9                       | 83           |
| Acting Chief Operation Officer (01 June 2020 - 30 June 2020)          |              |               |                         |              |
|   | 130          | 13            | 92                      | 235          |
| Management Executive Support ( 01 July 2019- 30 June 2020)            |              |               |                         |              |
|   | 1,035        | 180           | 191                     | 1,406        |
| *Chief Technology Officer-Contract basis (01 July 2019-31 March 2020) |              |               |                         |              |
|   | 954          | -             | 11                      | 965          |
| Chief Technology Officer (01 June 2020- 30 June 2020)                 |              |               |                         |              |
|   | 116          |               | 22                      | 138          |
| **Acting Company Secretary (01 July 2019-30 June 2020)                |              |               |                         |              |
|   | 915          | 95            | 187                     | 1,197        |
| ***Chief Audit Executive ( 01 July 2019- 28 February 2020)            |              |               |                         |              |
|   | 796          | -             | 9                       | 805          |
|   | <b>5,449</b> | <b>434</b>    | <b>1,050</b>            | <b>6,933</b> |
| <b>2019</b>   |              |               |                         |              |
|   | Basic salary | Car Allowance | Other benefits received | Total        |
| <b>Name</b>   |              |               |                         |              |
| Acting Chief Executive Officer ( 01 July 2018 - 30 June 2019)         |              |               |                         |              |
|   | 1,457        | 160           | 749                     | 2,366        |
| Management Executive Support ( 01 August 2018 - 30 June 2019)         |              |               |                         |              |
|   | 881          | 165           | 222                     | 1,268        |
| Company Secretary ( 01 November 2018 - 30 June 2019)                  |              |               |                         |              |
|   | 573          | 64            | 94                      | 731          |
| Chief Technology Officer (01 April 2019 - 30 June 2019)               |              |               |                         |              |
|   | 318          | -             | 90                      | 408          |
| Chief Audit Executive (01 March 2019 - 30 June 2019)                  |              |               |                         |              |
|   | 398          | -             | 5                       | 403          |
|   | <b>3,627</b> | <b>389</b>    | <b>1,160</b>            | <b>5,176</b> |

The Chief Technology Officer was appointed on a contract basis for the period under review which ended on 31 March 2020. On 01 June 2020 a permanent Chief Technology Officer was appointed.

The Company Secretary was in an acting position for the period 01 July 2019 to 30 June 2020 . As at 01 June 2020, a permanent Company Secretary was appointed.

The Chief Audit Executive was appointed on a contract basis for the period under review which ended on 28 February 2020.

## Notes to the Annual Financial Statements

### Figures in Rand Thousands

#### 30. Directors and Independent Members emoluments

The acting Chief Executive Officer was seconded from City Power for the period 01 July 2019 to 31 May 2020, and emoluments are funded from MTC. The acting Chief Financial Officer was seconded from COJ for the period 01 July 2019 to 31 May 2020 and not funded by MTC, therefore no directors emoluments are disclosed.

| Non - Executive Directors and Independent Members |                 |       |
|---|-----------------|-------|
| 2020  |                 |       |
|   | Directors' fees | Total |
| Ms D Lebepe                                       | 115             | 115   |
| Ms M Mosweu- Previous Chairperson                 | 115             | 115   |
| Ms R Mthabine                                     | 73              | 73    |
| Prof S Singh                                      | 132             | 132   |
| Ms S Bopape                                       | 63              | 63    |
| Mr E Letsie                                       | 56              | 56    |
| Mrs U Exner                                       | 42              | 42    |
| Mr R Mongalo                                      | 37              | 37    |
| Mrs N Maseko                                      | 127             | 127   |
| Mr T Tshitangano                                  | 26              | 26    |
| Ms K Parirenyatwa                                 | 16              | 16    |
| Mr S James  | 123             | 123   |
| Mr E Mtaner                                       | 42              | 42    |
| Ms C Stevens                                      | 145             | 145   |
| Ms R Williams                                     | 89              | 89    |
| Mr M Magigaba                                     | 68              | 68    |
| Mr G Van Niekerk                                  | 78              | 78    |
| Mr N Ramalaine                                    | 127             | 127   |
| Mr C Aigbavboa                                    | 52              | 52    |
| Ms K Onuoka                                       | 21              | 21    |
|   | 1,547           | 1,547 |

## Notes to the Annual Financial Statements

Figures in Rand Thousands

| 2019                                 |                 |       |
|--------------------------------------|-----------------|-------|
|                                      | Directors' fees | Total |
| Mr L Brenner                         | 5               | 5     |
| Mr L Nage                            | 22              | 22    |
| Ms D Lebepe                          | 32              | 32    |
| Ms M Mosweu- Current Chairperson     | 113             | 113   |
| Dr L Marwala                         | 24              | 24    |
| Ms R Mthabine                        | 48              | 48    |
| Prof S Singh                         | 24              | 24    |
| Ms S Bopape                          | 12              | 12    |
| Mr E Letsie                          | 42              | 42    |
| Mr R Mongalo                         | 12              | 12    |
| Prof F Nelwamondo                    | 60              | 60    |
| Prof S Sinha                         | 19              | 19    |
| Mrs U Exner                          | 87              | 87    |
| Mr M Mthombeni- previous Chairperson | 101             | 101   |
| Ms M Motjope                         | 5               | 5     |
| Mr T Tshitangano                     | 26              | 26    |
| 31. Prior period errors              |                 |       |
| 1.Amortization:                      | 632             | 632   |
|                                      |                 |       |

### 31. Prior period errors

#### 1. Amortization:

The entity erroneously calculated amortization for Intangible assets in the prior year.

#### 2. Accumulated Amortization:

The entity erroneously calculated amortization for Intangible assets in the prior year.

Disclosure:

#### 3. Statement of Financial Performance

The entity incorrectly disclosed profit after tax on the face of the Statement of Financial Performance. The profit after tax was disclosed as R70m instead of R76m. This was due to the general expenditure that reflected incorrectly on the face of the Statement of Financial Performance due to a technical error on the reporting system.

The correction of the error resulted in adjustments as follows

|                                    |    |
|------------------------------------|----|
| Statement of financial position    |    |
| Accumulated Amortization:          | 95 |
| Statement of financial performance |    |
| Amortization                       | 95 |
| General expenses                   | 6  |
| Tax                                | 27 |

### 32. Risk management Financial risk management

The treasury function of the municipal entities is centrally managed by the parent municipality City of Johannesburg Municipality.

This includes the management of all financial risks and liquidity risk which the entity might be exposed to, such as maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, central treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

## Risk management (continued) Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

| 30 June 2020  | Less than 1 year | Between 1 and 2 years | Between 3 and 5 years | Over 5 years |
|---|------------------|-----------------------|-----------------------|--------------|
| Loan from shareholder                               | 179,344          | 179,344               | 538,031               | 1,838,273    |
| Trade and other payables from exchange transactions | 192,036          | -                     | -                     | -            |
| Current Tax payable                                 | 52,819           | -                     | -                     | -            |
|   | 424,199          | 179,344               | 538,031               | 1,838,273    |

| 30 June 2020  | Less than 1 year | Between 1 and 2 years | Between 3 and 5 years | Over 5 years |
|---|------------------|-----------------------|-----------------------|--------------|
| Loan from shareholder                               | 179,344          | 179,344               | 179,344               | 2,376,305    |
| Trade and other payables from exchange transactions | 90,457           | -                     | -                     | -            |
| VAT Payable   | 6,133            | -                     | -                     | -            |
| Current Tax Payable                                 | 30,760           | -                     | -                     | -            |
|   | 306,694          | 179,344               | 179,344               | 2,376,305    |

## Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The maximum exposure to credit risk is limited to the values disclosed in note 8.

|   |        |         |
|---|--------|---------|
| Opening balance as previously reported            | 9,114  | 5,547   |
| Opening balance as restated                       | 9,114  | 5,547   |
| Fruitless and Wasteful expenditure - current year | 32,410 | 6,354   |
| *Reversal of interest                             | (15)   | (2,787) |
| Closing balance                                   | 41,509 | 9,114   |
|   |        |         |

\* The entity received credit notes in the current year amounting to R14 598 ( actual amount) in the current year that was previously classified as fruitless and wasteful. In the prior year, the service provider reversed interest amounting to R2.8m

## Notes to the Annual Financial Statements

Figures in Rand Thousands

### 33. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

|   | Disciplinary steps taken/criminal proceedings     | 16     |
|---|---|--------|
| Interest on overdue accounts                | The matter has been recommended for investigation | 32,394 |
| Interest on non-payment of shareholder loan | The matter has been recommended for investigation | 32,410 |

| 34. Irregular expenditure   |        |        |
|---|--------|--------|
| Opening balance as previously reported  | 32,230 |        |
| Opening balance   |        | 18,185 |
| Opening balance as restated   | 32,230 | 18,185 |
| Add: Irregular Expenditure - current year   | 1,989  | 14,045 |
| Closing balance   | 34,219 | 32,230 |
|   |        |        |
| Details of irregular expenditure - current year   |        |        |
| Transaction were identified during the year whereby SCM processes were not followed. The matter has been referred for investigation to Internal Audit | 1,989  | 806    |
| The overall expenditure budget was exceeded as a result of costs incurred to generate revenue. The matter has been referred for investigation         |        | 13,239 |
|   | 1,989  | 14,045 |
|   |        |        |

### 35. In-kind donations and assistance

No In-kind donations have been received in the 2019/20 financial year.

### 36. Additional disclosure in terms of Municipal Finance Management Act

|                                    |         |         |
|------------------------------------|---------|---------|
| Current year subscription / fee    | 1,288   | 1,263   |
| Amount paid - current year         | (1,288) | (1,263) |
|                                    | -       | -       |
| PAYE , UIF and SDL                 |         |         |
| Current year subscription / fee    | 5,488   | 4,110   |
| Amount paid - current year         | (5,488) | (4,110) |
|                                    | -       | -       |
| Pension and Medical Aid Deductions |         |         |
| Current year subscription / fee    | 4,322   | 2,935   |
| Amount paid - current year         | (4,322) | (2,935) |
|                                    | -       | -       |
| <b>VAT</b>                         |         |         |
| VAT payable                        | 2,293   | 6,133   |

All VAT returns have been submitted by the due date throughout the year.

#### Deviations from Supply chain management regulations

Regulation 36 of SCM regulation states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the directors and includes a note to the financial statements

|  |              |              |
|--|--------------|--------------|
| <b>Incident</b>  |              |              |
| Deviations were as a result of service providers being sole suppliers for the required goods or services as per regulation 36 (1) (b) of the supply chain management regulations | 6,414        | 5,915        |
|  |              |              |
| Deviation and ratification from the normal procurement processes in terms of regulation 36 (1)(a)(v) and (b) of the municipal supply chain management regulations                | 711          | 11           |
| Impractical procurement  | 347          | -            |
| Emergency  | 50           | -            |
|  | <b>7,522</b> | <b>5,926</b> |

### 37. Budget differences

Material differences between budget and actual amounts

The material variances are as follows:

#### 37. Budget differences (continued)

1. Rendering of services :This is due to the application of the effective standard for principal and agency
2. Agency Income- This is due to the application of the effective standard for principal and agency
3. Interest received: This is due to the high bank balance generated and reinvested during the financial year.
4. Employee cost :This is below budget due to recruitment that took place later in the year.
5. Depreciation: The depreciation is under budget mainly due to the fact that the opening balance of non current asset was re-stated to factor changes to the provisional amount previously reported. This has resulted in a lower depreciation rate in the current financial year.

38. Accounting by principals and agents

#### The entity is a party to a principal-agent arrangement(s).

Details of the arrangement(s) is|are as follows:

MTC entered into contracts with COJ and other municipal entities whereby MTC implements capital projects on behalf of its principals. These are ICT related projects. The capital budget is allocated to the City and the respective entities, therefore in substance MTC becomes an implementing agent.

Refer to accounting policies for significant judgments applied in making this assessment.

The City and respective entities enter into contracts with MTC whereby MTC is appointed as an independent contractor to implement the capital projects. MTC in turn appoints service providers in order to fulfil this. MTC is unable to determine the significant terms and conditions of this transaction as it is based on the needs of the client. MTC does not receive significant benefits from the transactions, as the principal primarily utilises the capital asset and receives the economic benefits. MTC also does not face inventory risk as goods/services are delivered directly to the principal.

#### 38. Accounting by principals and agents (continued)

##### MTC as an agent Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R15m (2019: R-).

##### Additional information

Revenue and expenses that relate to transactions with third parties undertaken in terms of the principal-agent arrangement

|   |         |   |
|---|---------|---|
| <b>Amount of revenue received from the principals during the reporting period</b>         |         |   |
| Sales- Installations  | 41,101  | - |
| Sales- IT Support and Servicesv   | 329,404 | - |
| Sales-Hosting   | 6,000   | - |
| Sales- VOIP   | 17,390  | - |
| Sales- Other  | 43,637  | - |
|   | 437,532 | - |
| <b>Amount of expenses incurred on behalf of the principal during the reporting period</b> |         |   |
| Cost of sales- Installations  | 239,744 | - |
| Cost of sales- IT support and services  | 162,961 | - |
| Cost of sales-Other   | 12,463  | - |
| Cost of sales- VOIP   | 6,990   | - |
|   | 422,158 | - |

# ANNUAL PERFORMANCE REPORT

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## CHAPTER 8

This Annual Performance Report is drafted in terms of Section 46 of the Municipal Systems Act, 32 of 2000. The Annual Performance Report 2019/20 is based on reported performance information only and is unaudited. The report is subject to change during and after the audit by the Auditor General of South Africa

## Introduction

According to the Municipal Systems Act (MSA), 32 of 2000, section 46(2), as well as the MFMA Circular 63 on annual reporting, the Municipality have to prepare an Annual Performance Report. The content of the report covers the four quarterly performance reports of the municipality and the monthly MFMA Section 71 and 72 financial reports must culminate in an Annual Performance report.

It is required by the above legislations that the elements of this report covers the performance information from 01 July 2019 to 30 June 2020 and focuses on the implementation of the Service Delivery Budget and Implementation Plan (SDBIP), in relation to the objectives as encapsulated in the Municipality's Integrated Development and Plan (IDP). The report is based on the four quarterly performance reports for the 2019/20 financial year and will form part of Chapter three of the Integrated Annual Report.

This Report reflects actual performance of the MTC as measured against the performance indicators and targets in its Integrated Development Plan (IDP) and Service Delivery and Budget Implementation Plan (SDBIP) for 2019/20. The format of the report reflects the Municipality's Key Performance Indicators (KPI) per Integrated Development Plan Priority deliberately designed by the City of Johannesburg Municipality to focus its development initiatives in a more coherent and organised manner.

This report demonstrates the MTC 's performance in terms of the priorities the City set for the 2019/20 financial year. This report is prepared to communicate organisational performance as at the end of the fourth quarter. It seeks to indicate areas of satisfactory progress, areas where intended targets where missed, the reasons for missing these targets as well as measures to be implemented to improve the performance. This report will be incorporated into the MTC 's Integrated Annual Report (Chapter 3) to be submitted to Council in January 2021 after audit processes have been completed.

### The City's strategic direction

The City has developed aligned strategic plans that respond to its outcomes and vision in addressing its challenges. These are;

- A long-term plan in the form of the Growth and Development Strategy (GDS);
- medium-term plan i.e. the City's five-year Integrated Development Plan (IDP); and,
- Short-terms plans which are contained in the annual Service Delivery and Budget Implementation Plan (SDBIP) and in the annual business plans of departments and municipal entities.

### The long-term strategy identifies four key outcomes for the City;

- Outcome 1: Improved quality of life and development-driven resilience for all
- Outcome 2: Provide a resilient, liveable, sustainable urban environment – underpinned by smart infrastructure supportive of a low-carbon economy
- Outcome 3: An inclusive, job-intensive, resilient, competitive and smart economy that harnesses the potential of citizens
- Outcome 4: A high performing, smart metropolitan government that pro-actively contributes to and builds a sustainable, socially inclusive, locally integrated and globally competitive Gauteng City Region

Towards the end of the second quarter of this financial year, the City had a change in political administration from the Democratic Alliance lead coalition government to the Government of Local Unity. The below therefore outlines the priorities of the two administrations.



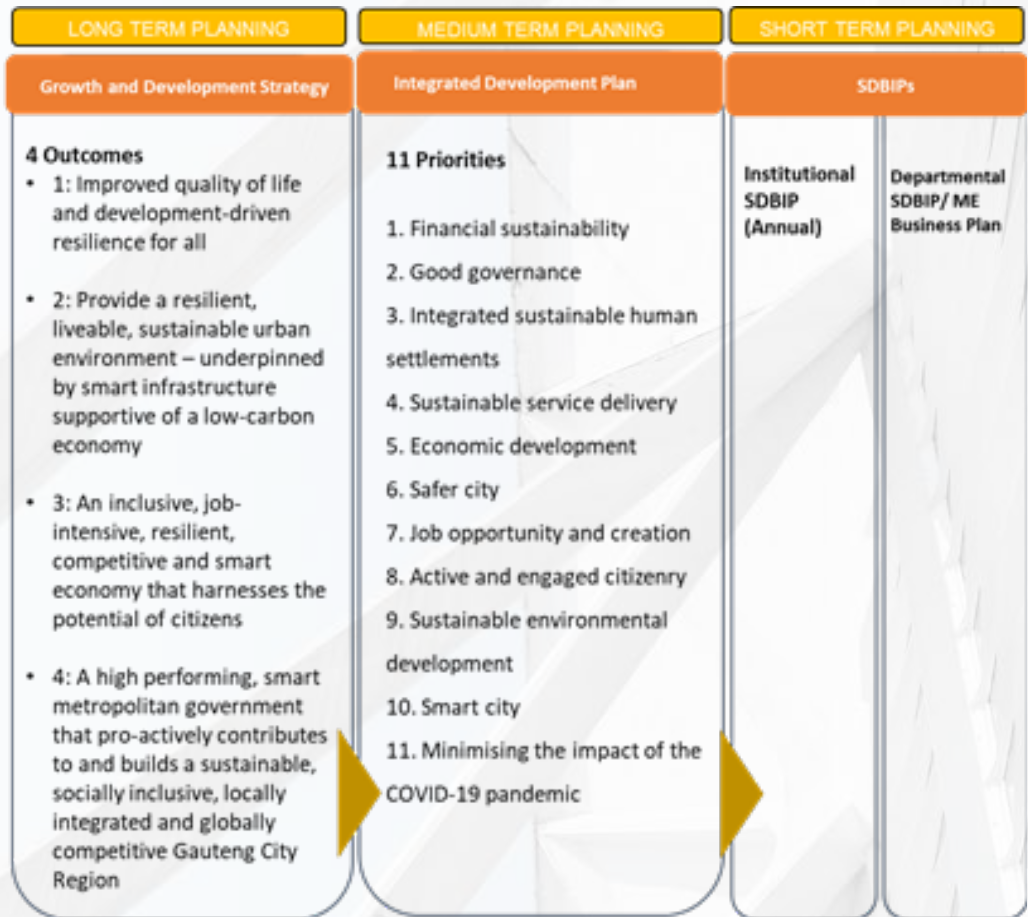
**VISION**

*Jonesburg – a World Class African City of the Future – a vibrant, equitable African city, strengthened through its diversity; a city that provides real quality of life; a city that provides sustainability for all its citizens; a resilient and adaptive society.*

*Joburg. My City – Our Future*

**MISSION**

The City of Johannesburg commits itself to proactive delivery and the creation of a city environment in 2040 that is resilient, sustainable and liveable. It aims to achieve this through long-term 2040 plans, targeted programmes, services and enabling support that drives economic growth, optimal management of natural resources and the environment, the development of society and the individuals within it, and the practice and encouragement of sound governance, in all the City does.



**Figure 1: CoJ aligned strategic planning**

**BACKGROUND**

MTC is a Municipal Owned Entity which is 100% owned by the Metropolitan Municipality of the City of Johannesburg. During 2013, the City of Johannesburg decided to transfer the business of the previous MTC to other business units within the City of Johannesburg.

On 28 February 2015, the City of Johannesburg Council approved the establishment of a Broadband Network Municipal Entity (“ME”) in terms of section 76(b) of the Local Government: Municipal Systems Act No.32 of 2000 to receive the network asset and associated business. The effective date of transfer of the Business and associated Broadband Network was as at the 3rd of September 2015. After the transfer, the City Manager decided to revive the Metropolitan Trading Company (Pty) Ltd (“MTC”) to be the Municipal Entity (ME) to receive the network asset and associated business.

The entity was launched to ensure the delivery of the City’s Growth and Development Strategy 2040 (GDS 2040) Smart City drive. MTC is responsible for providing affordable, efficient and inclusive connectivity and maintaining broadband distribution across the city.

**GDS Outcomes and Output**


| GDS OUTCOMES  | GDS OUTPUTS  |  |  |
|---|--|--|--|
| 3. An inclusive, job-intensive, resilient, competitive and smart economy that harnesses the potential of citizens | 1. Job-intensive economic growth<br>• Promotion and support to small businesses<br>• Increased competitiveness of the economy<br>• A 'smart' City of Johannesburg, that can deliver quality services to citizens in an efficient and reliable manner<br>Re-industrialization |  |  |
|                                   | <b>Multi Sectoral Outputs</b><br>Reducing Poverty and dependency<br>Reducing Economic, Spatial and Gender inequalities<br>Building cooperative and intergovernmental partnerships<br>Smart approaches to reducing consumption and improved service delivery                  | <b>Government of Local Unit Strategic Priorities</b><br>Good governance<br>Financial sustainability<br>Integrated human settlements<br>Sustainable service delivery<br>Job opportunity and creation<br>Safer city<br>Active and engage citizenry<br>Economic development<br>Green-Blue economy<br>Smart city | <b>Priority programmes</b><br>Service delivery acceleration<br>Hostels and flats development<br>Joburg 10+<br>Job opportunity<br>SMME development<br>Mayoral imbizos<br>Displaced communities<br>Drugs |

Figure 2: MTC aligned strategic planning

**STRATEGIC THRUST**

- Priority 1

Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment growth by 2021

- Priority 8

Encourage innovation and efficiency through the Smart City programmes

- Priority 7

**Enhance our financial sustainability**

**DISCUSSION**

This report should be read together with the following council approved reports

1. Approved Business Plan for the period 2019/20 – Annexure A
2. Approved Business Plan - Deviation on key performance objectives report the period 2019/20 – Annexure B
3. 2019/20 Performance of Predetermined Objectives Spreadsheet period 2019/20 – Annexure C

**Performance against Predetermined Objectives**

The Metropolitan Trading Company (MTC) is one of the key contributors of ensuring the realization of this vision by providing affordable and effective ICT services to the departments within the City and Municipal owned entities. In addition, MTC has a role to play in making broadband more accessible and affordable for citizens of the City.

MTC reported performance against predetermined objectives are aligned to the approved deviation report. Actual performance reinstated for the entire year.

## Performance Outcome

### Strategic Key performance indicators comparisons

#### 2019/20 Performance of Predetermined Objectives

| 2018/19            |     |
|--------------------|-----|
| Total no of KPIs   | 12  |
| Achieved KPIs      | 5   |
| None Achieved KPIs | 7   |
| % Achievement      | 42% |

| 2019/20            |     |
|--------------------|-----|
| Total no of KPIs   | 13  |
| Achieved KPIs      | 6   |
| None Achieved KPIs | 7   |
| % Achievement      | 46% |

## MTC Performance against planned targets in 2019/20

This following section of the MTC Annual Performance Report reports on the actual performance against the planned targets.

2019/2020 SDBIP

### OUTCOME 3: AN INCLUSIVE, JOB-INTENSIVE, RESILIENT, COMPETITIVE AND SMART ECONOMY THAT HARNESSSES THE POTENTIAL OF CITIZEN

| KPI NO.  | STRATEGIC PRIORITY                   | KEY PERFORMANCE INDICATOR                             | 2017/18 BASELINE | 2018/19 AUDITED PERFORMANCE | 2019/20 TARGET | Annual Performance                   |
|--|--------------------------------------|---|------------------|-----------------------------|----------------|--------------------------------------|
| Key Priority Programme: Promote economic development and attract investment towards achieving 5% of economic growth that reduces unemployment by 2021. |                                      |   |                  |                             |                |                                      |
| 1.   | Enhance our financial sustainability | Amount of revenue achieved in millions of Rands       | R 352            | R 538                       | R655           | R443<br>Target not achieved          |
| 2.   |                                      | Percentage of total sales revenue collection achieved | 99%              | 99%                         | 70%            | 79 %<br>Target achieved and exceeded |

| KPI NO. | STRATEGIC PRIORITY  | KEY PERFORMANCE INDICATOR   | 2017/18 BASELINE | 2018/19 AUDITED PERFORMANCE | 2019/20 TARGET | Annual Performance         |
|---------|---|---|------------------|-----------------------------|----------------|----------------------------|
| 3.      | Encourage innovation and efficiency through the Smart City programmes | Number of links (Fibre, CCTV and Wifi maintained).                  | 524              | 536                         | 950            | 158<br>Target not achieved |
| 4.      |   | Network Link Availability   | 1000             | 5000                        | 5000           | 788<br>Target not achieved |
| 5.      |   | CCTV Device Availability  | 0                | 2000                        | 250            | 403<br>Target achieved     |
| 6.      |   | WIFI device availability  | 312              | 250                         | 2000           | 46<br>Target not Achieved  |
| 7.      |   | Percentage of Network Availability / Uptime (Network Wifi and CCTV) | 90.7             | 98%                         | 99%            | 79%<br>Target not achieved |

| KPI NO. | STRATEGIC PRIORITY   | KEY PERFORMANCE INDICATOR  | 2017/18 BASELINE | 2018/19 AUDITED PERFORMANCE | 2019/20 TARGET  | Annual Performance  |
|---------|--|--|------------------|-----------------------------|-----------------|---|
| 8.      | Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment growth by 2021. | Number of active MOUs  | 3                | 3                           | 3               | 2<br>Target not achieved  |
| 9.      |  | Number of EPWP employees   | 215              | 200                         | 200             | 1<br>Target not achieved  |
| 10.     |  | Number of SMME's doing business with MTC. (Transacting with SCM) | 33               | 30                          | 30              | 38<br>Target achieved and exceeded                                |
| 11.     |  | Developing and launching the SMME Resellers portal.              | New              | New                         | 100% Completion | 100% Developing and Technical launching the SMME Resellers portal |
| 12.     | Day to day operations  | Number of fibre network maintained per kilometres                | 13.14            | 100km                       | 100Km           | 145.62km<br>Target achieved and exceeded                          |
| 13.     |  | Unqualified external audit opinion achieved                      | Unqualified      | Unqualified                 | Unqualified     | Unqualified<br>Target achieved and exceeded                       |

#### 1. POLICY IMPLICATIONS

None

#### 2. MFMA

Circular 88 of the Municipal Finance Management Act of 2000

#### 3. LEGAL AND CONSTITUTIONAL IMPLICATIONS

None

#### 4. FINANCIAL IMPLICATIONS

None

#### 5. RECOMMENDATIONS

- That the MTC performance against the predetermined performance indicators for the 2019/20 financial year be noted by the Audit and Risk Committee
- That the MTC performance against the predetermined performance indicators for the 2019/20 financial year be approved by the board.

**Author**

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Metropolitan Trading Company

**Approved /Not Approved**

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Thedi Moropa  
Chief Executive Officer  
Metropolitan Trading Company