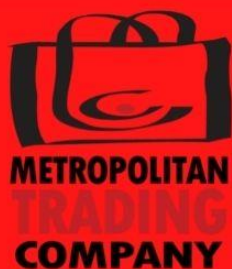


Metropolitan Trading Company

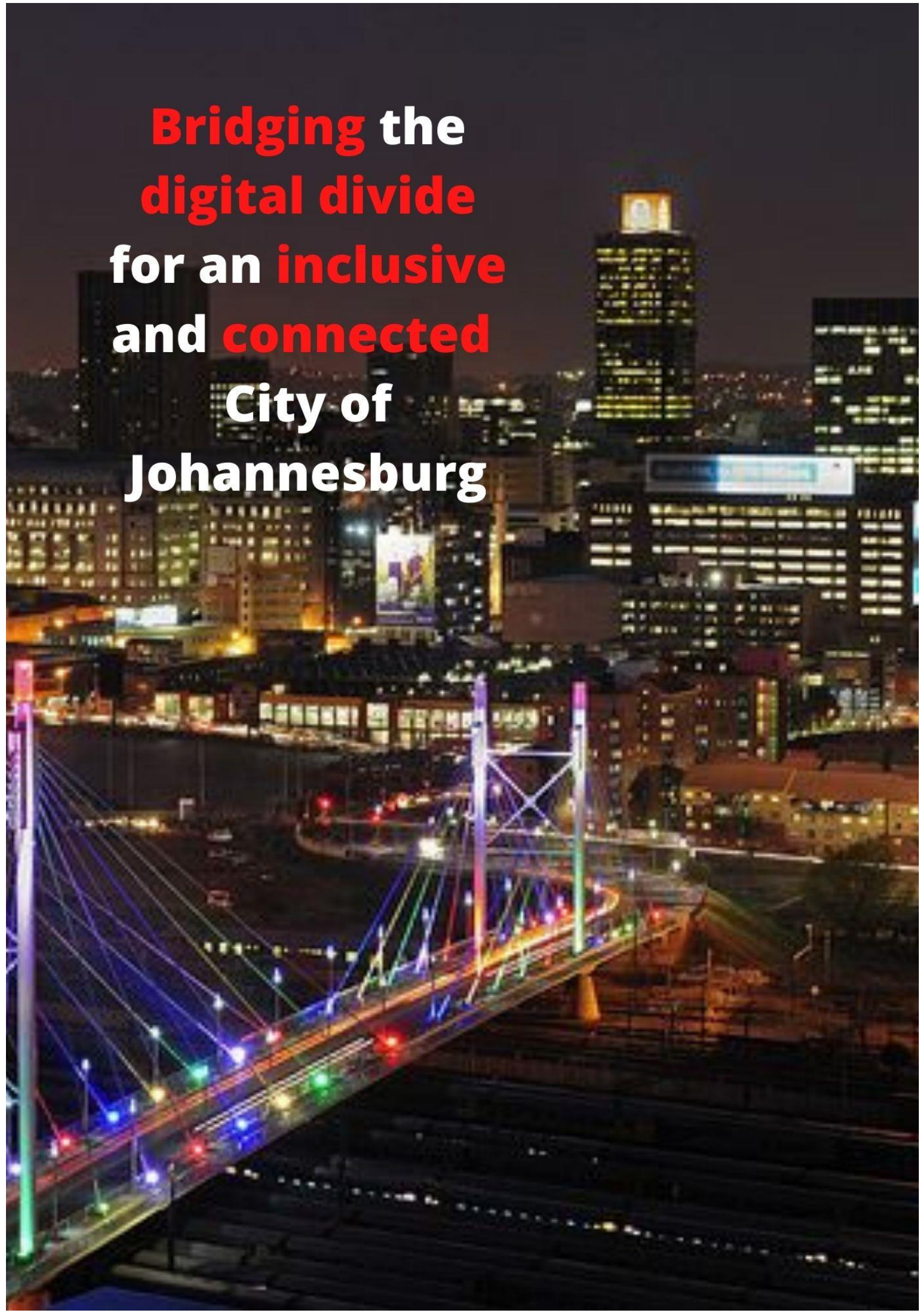
INTEGRATED ANNUAL REPORT 2020/21



a world class African city



**Bridging the
digital divide
for an inclusive
and connected
City of
Johannesburg**



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

Bankers: Standard Bank South Africa

Auditors: Auditor-General



Vision

“Enabling an innovative and inclusive digitally connected City – empowering city’s people and the City that serves them”

Mission

To improve access to affordable quality connectivity to all who live, work in and visit Johannesburg, while also enabling service delivery by the City of Johannesburg through: leveraging partnerships with communities, SMME’s and sector role – players, building on existing platforms; growing opportunities for innovation; and targeting operational excellence and financial sustainability.

Values

- Customer-Centrism
- Reputability
- Innovation
- Sustainability
- Professionalism

Approval:


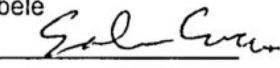
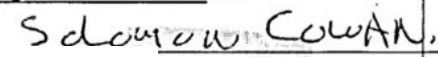
<p>Rajen Chetty Signature  Chief Financial Officer </p>	<p>Date of approval: 20 December 2021</p>
<p>Thedi Moropa Signature  Chief Executive Officer</p>	<p>Date of approval: 20 December 2021</p>
<p>Tshikani Colleen Makhubele Signature  Chairperson of the Board </p>	<p>Date of approval: <u>20 DECEMBER 2021</u></p>
<p>MMC: Councillor Nkululeko Mbundu Signature  Member of the Mayoral Committee. <i>Economic Development Portfolio</i></p>	<p>Date of approval: _____</p>



TABLE OF CONTENTS



CHAPTER ONE: LEADERSHIP AND CORPORATE PROFILE	10
Section 1: Member of the Mayoral Committee’s Foreword	11
Section 2: Chairman’s Foreword	13
Section 3: Managing Director’s Report	17
Section 4: Financial Director’s Report	21
Section 5: Corporate Profile and Overview of the Entity	25
Section 6: Strategic Objectives and Goals	29
CHAPTERTWO: GOVERNANCE	39
Section 1: Composition, Key Activities and Remuneration of the Board	40
Section 2: High-level Organisational Structure	58
Section 3: Governance of Stakeholder Relationships	62
Section 4: Risk Management	64
Section 5: Anti-corruption and Fraud Investigations	68
Section 6: ICT Governance and Performance	70
Section 7: Compliance with Laws and Regulations	74
Section 8: Corporate Governance Statement	81
CHAPTER THREE SERVICE DELIVERY PERFORMANCE	83
Section 1: Highlights and Achievements	84
Section 2: Service Delivery Challenges	88
Section 3: Response to Strategic Direction	94
Section 4: Performance against Service Standards	96
Section 5: Performance against Predetermined Objectives	100
Section 6: Public Satisfaction in Municipal Services	107
Section 7: Recommendations and Plans for the next Financial Year	108

CHAPTER FOUR: ORGANISATIONAL DEVELOPMENT PERFORMANCE 111

Section 1: Employee Remuneration (Total Costs Including Executives)	112
Section 2: Key Vacancies	114
Section 3: Employment Equity	114
Section 4: Skills Development and Training	116
Section 5: Performance Management	118
Section 6: Disciplinary Matters and Outcomes	120
Section 8: Employee Benefits	121
Section 9: Occupational Health and Safety Programmes	123
Section 10: Corporate Social Responsibility	124



CHAPTER FIVE: FINANCIAL PERFORMANCE AND EXPOSURE 127

Section 1: Statement of Financial Position and High-Level Notes	128
Section 2: Statement of Financial Performance and High-Level Notes	129
Section 3: Cash Flow Statement	130
Section 4: Capital Projects and Expenditure	130
Section 5: Ratio Analysis	146
Section 6: Supply Chain Management and B-BBEE	148
Section 7: Pending Litigations and Possible Liabilities	156
Section 8: Insurance Claims.	157
Section 9: Statement on Amounts owed by and to Government Departments and Public Entities	158

CHAPTER SIX INTERNAL AND EXTERNAL AUDIT FINDINGS 161

Section 1: Progress on Internal Audit Plan	162
Section 2: Progress on Resolution of Internal Audit Findings	163
Section 3: Progress on Resolution of AGSA Audit Findings	166
Section 4: Overall State of Internal Controls	170

ACRONYMS AND ABBREVIATION



CEO	Chief Executive Officer
CFO	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
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

GRAPHICS

Graphic 1	Chairperson	8
Graphic 2	MTC CEO	10
Graphic 3.1. a	Core Nodes	13
Graphic 4.1. b	Zones within the regions	13
Graphic 5	MTC Board Committee and Flow	17
Graphic 6	MTC Approved Structure	25
Graphic 7	MTC executives	26-27
Graphic 8	MTC Strategic Risk Heat Map	36
Graphic 9	MTC ICT Policy Compliance structure	47
Graphic 10	MTC Policy Oversight Flow	48
Graphic 11	CoJ's Strategic Overview	52
Graphic 12	GDS Outcomes	53
Graphic 11	MTC Strategic choices	54
Graphic 11	MTC SMME reseller portal	54
Graphic 12	MTC Network Core	56
Graphic 13	SMME Tapping into CoJ Customer base	56
Graphic 14	DED Drives SMME Development with CoJ Department and Entities	57
Graphic 15	Incident's resolution process	60
Graphic 16	Service Delivery Agreements signed between MTC and its customers:	61
Graphic 17	MTC new appointments	66
Graphic 18	Distribution of the Sanitizers	72
Graphic 19:	Track and trace machine	73
Graphic 20:	WIFI launch	75
Graphic 21:	Free WIFI	76
Graphic 22:	Statement of Financial Position and high-level notes	77
Graphic 23:	Expenditure	81
Graphic 24:	Income	81
Graphic 25:	Summary of revenue	82
Graphic 26:	Quarter 2020-21 performance	88
Graphic 27	Progress on 2020/21 Internal Audit Plan	89

TABLES

Table 1:	Composition of the Board of Directors	15-16
Table 2:	Board's attendance	18
Table 3:	Committee Tables	19
Table 4:	Social and Ethics Committee	20
Table 5:	Service Delivery Committee	21
Table 6:	Senior management remuneration	23-24
Table 7:	Risk descriptions and mitigation actions	29-41
Table 8:	Summary of risk monitoring	42
Table 9:	MTC risk profile COVID -19 and ratings	43
Table 10:	MTC Risk and Mitigation Covid-19	44-45
Table 11:	Detailed Operations Projects	51
Table 12:	The Enhanced Business Model and roles and responsibilities	54
Table 13:	MTC Game Changer	57
Table 14:	MTC Service Delivery Standards	58
Table 15:	MTC Key performance indicator achievement at High-level	62
Table 16:	MTC Key performance indicator achievement breakdown	63
Table 17:	The employee cost	64
Table 18:	MTC recruitment as at March 2020	65
Table 19:	MTC Structure occupancy statistics	66
Table 20:	Vacancy areas and Employee Numbers	67
Table 21:	MTC Capacitation Plan	68
Table 22:	Statistics for the equitable representation	71
Table 23:	Employees Benefits	73
Table 24:	Statement of Financial Position and high-level notes	78
Table 25:	Statement of Financial Position and high-level notes	80
Table 26:	Expenditure	81
Table 27:	Cash Flow Statement	82
Table 28:	Budget allocation	83
Table 29:	Ratio Analysis	84
Table 30:	Payment in 30 days	85
Table 31:	Progress on the Internal Audit Plan	86-88
Table 32:	Progress on Resolution of Internal Audit Findings	89
Table 33:	AG Findings	90-97
Table 34:	Internal Audit Findings	98-112



CHAPTER ONE

LEADERSHIP & CORPORATE PROFILE



SECTION 1: MEMBER OF THE MAYORAL COMMITTEE'S FOREWORD

It's an honour to present the Metropolitan Trading Company (MTC) 2020/21 Integrated Annual Report for the period 1 July 2020 to 30 June 2021. This report presents fairly, despite the global constraints to economic activity associated with the pandemic and the resultant lockdowns.

MTC drew closer to the implementation of its strategic program of implementing the Enhanced Business Model (EBM) which will see the company selling its broadband asset to a service provider and delivering ICT and IT services to the City of Johannesburg, Commercial

customers, and the Citizens.

The report deals with ICT aspects of service delivery in the CoJ including adherence to service standards; expenditure against the capital budget; stakeholder engagement; responsiveness to infrastructure failures; achievement of the Entity's predetermined objectives and financial performance.

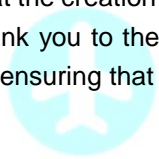
The report is reflective of its broader alignment to the NDP 2030, the GDS 2040, CoJ's approved 2016/21 IDP, CoJ Priorities 2020/21, and the SDBIP. During the year under review, I have been provided with quarterly reports dealing with compliance to service standards, assessment of pre-determined objectives, resolution of audit findings, payment levels, and the impact that the COVID-19 pandemic has had on the business.

This has provided an additional layer of oversight and in-depth insight into the situation of the entity, and I am pleased that the entity has managed to respond with the agility required in addressing these and other issues under the prevailing circumstances. I am indebted to the Board and management in this regard.

For the financial year under review, the company has spent 97% of its capital budget against a target of 95%. This achievement presents fairly and demonstrates the company's unwavering commitment to ensuring delivering on its mandate given the prevailing operating conditions where the country was placed under numerous lockdowns imposed by the National Government to contain the spread of the COVID-19 pandemic. Collection of debtors from other CoJ entities remains a challenge, however, MTC was able to collect R78m for April 2021 which contributed to the total improvement to the financial year resulting in the 81% collection of its revenue.

During we have embarked on multiple public participation programmes in line with section 33 of the MFMA. This process gave an opportunity to our stakeholders to have an input on the sale of the MTC broadband asset. The stakeholders overall gave a positive opinion on how MTC should proceed with the sale of the asset.

I express sincere gratitude to the outgoing members of the Board who have served the Company with distinction and welcome new members appointed at the Special General Meeting on 10 February 2021. I have full confidence that the newly appointed members and those members that were reappointed will continue to serve the residents of the CoJ with humility, dedication, and trust, and that the creation of real value will be realised for the residents of the CoJ who are entitled to nothing less. A special thank you to the management team and all employees of Metropolitan Trading Company who rose to the occasion in ensuring that the company delivers on its mandate.



Councillor Nkululeko Mbundu

Member of the Mayoral Committee (MMC)

Economic Development Portfolio



SECTION 2: CHAIRPERSON'S FOREWORD



Tshikani Colleen Makhubele
Board Chair

The current board took over the baton from the previous board who had laid a solid foundation in ensuring that the organisation performs within its standard whilst welcoming the new strategic direction. It gives me pleasure to present the Annual Integrated Report of MTC as the chairperson of the board of directors who assumed their functions at the beginning of the second quarter of the financial year.

In continuation with the adoption of the Enhanced Business Model, MTC submitted to Maycom a report aimed at advising Maycom on the processes followed by the ME in selling the asset within the confines of the MFMA and other treasury prescripts. I am pleased to announce that towards the end of the final quarter, CoJ Council approved the EBM for implementation. This ushers the beginning of process which will include the signing of the SLA

with the preferred service and the entity finally providing services to Commercial Customers, CoJ clients and the citizens of the city.

During this financial year, MTC continued to play a pivotal role in bridging the digital divide for the City of Johannesburg. This is made more glaring by the continued rollout of Wifi hotspots in communities as commissioned by the GICT department. This has been done whilst driving a strong revenue base that has been generated with CoJ departments and entities spanning over R230 million. The value of these transactions displays the high level of trust in the competency of MTC by its clients.

The board had also focused on improving the quality of internal controls in order to improve the image of the organization. This has been displayed by the continuous improvement in the collection of revenue which improves the balance sheet. We continue to engage the shareholder to resolve the Shareholder loan challenge which is aimed to improve the solvency ratio. Having engaged the City's treasury department, the board is looking forward to the final resolution of this challenge.

At the beginning of the second quarter, MTC submitted a deviation in some of the key performance indicators to improve the quality of our reporting. This has assisted the organization overall to achieve 46% of its key performance indicators towards the target of 100% as compared to the 38% of the previous financial year. However, more efforts are needed to ensure that the organization performs at its full capacity in the next financial year.

The board remains confident in the plans developed by the executives in making sure that the previous financial results are improved and MTC continues to be on an upward trajectory.

SECTION 3: CEO'S REPORT



Mr Thedi Moropa
Chief Executive Officer

MTC submitted a report for approval to the Mayoral Committee for the CEO to enter into the sale agreement of the Johannesburg Broadband Network which was approved by the committee. This process was followed by the Council approving the implementation of the EBM as a catalyst of bridging the digital divide. The last quarter of this financial year saw the entity really combining the current performance and laying a strong foundation of the future MTC fused with the EBM in delivering services to the residents of the City of Johannesburg.

With the EBM finally approved by Council, MTC exco and myself have to finalize the terms and conditions of the sale of the asset. This will usher a new dawn where the service provider will take over the MTC broadband asset and immediately optimise its performance and subsequently resolve the long-term challenges of network availability. The following financial year, MTC will finalise its new service level agreement with the City which is aimed at placing the entity at the centre of IT and ICT within the City of Johannesburg and other customers.

One of the areas that Exco had to focus on is internal controls which have been growing from strength to strength in the last couple of quarters. This has resulted in a 100% continued achievement from quarter to quarter of 30 days payments of invoices by the entity which needed adequate planning and commitment from all stakeholders within MTC. This financial year also saw progress in the collections of debts from those owing the entity and the results showed a sterling 81% which was a remarkable performance. The finance team continues to work closely with the CoJ treasury department in a view to resolve the challenge of the Shareholder loan which has negatively affected the solvency of the organisation. There is an adequate commitment from all the stakeholders to have this matter resolved by the beginning of the second quarter of the 2021/22 financial year.

In line with Section 79 of the MFMA, MTC submitted a deviation on some of our key performance indicators in the second quarter. This has contributed to the 46% of the performance overall.

As a result of the sterling work of this financial year, the next financial year will usher in the dawn of the MTC that the shareholder, the board, and all stakeholders always work towards. The elements of the future MTC will display an organization that always achieves clean audits and creates hope for the City of Johannesburg's citizens. Finally, the entity continues to resolve its internal (68%) and external (77%) which are very related to each other. This will improve as the EBM model gets introduced. With the availability of the Audit committee, MTC stands a better chance of improving its audit resolution rate and will be reported quarterly to ARC and board committee.

SECTION 4: CFO'S REPORT



Mr Rajen Chetty
Chief Financial Officer

Financial review

Overview of the entity's financial status

For the year under review, MTC achieved a profit after tax of R68m. Revenue from exchange transactions were 43% higher compared to the prior year. MTC acted as an agent on certain transactions and therefore only recognized a portion of the revenue on those transactions in accordance with Accounting Standard GRAP 109 – Agency vs Principal, which became effective for all financial years starting on or after 01 April 2019. Revenue from non-exchange transactions is in line with the budget.

Although collection of debtors from other CoJ entities remains a challenge, MTC was able to receive payments after year end. This process remains high in the MTC agenda by ensuring engagement continues with entities to ensure the growth of revenue through the rendering of services and the collection of outstanding debtors' balances.

MTC continues to pay suppliers within the prescribed period of 30 days.

Capex spend was at 97% of the allocated budget due to delays in having some equipment being delivered before the year-end.

During the fourth quarter MTC engaged with the City's Treasury Department to resolve the matter of the outstanding Shareholder's Loan balance. This loan makes MTC technically insolvent. The City's Treasury department had requested MTC to consider whether converting the loan to equity or the loan being written off by the City would be a better option for MTC. After investigating the options, including obtaining legal advice, the Board resolved, in principle, to pursue the debt-to-equity conversion option. The City's Treasury department has advised that it is in the process of procuring a service provider to investigate the Shareholder's Loan at 4 different ME's and will advise the outcome of work of the service provider. The process of concluding the issue of the Shareholder's Loan is expected to be completed in the financial year 2021/22.

SECTION 5: CORPORATE PROFILE AND OVERVIEW OF THE ENTITY

MTC is a Municipal Owned Entity that is 100% owned by the Metropolitan Municipality of the City of Johannesburg. In 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 on the 3 September 2015. After the transfer, the City Manager decided to revive the Metropolitan Trading Company (Pty) Ltd (“MTC”) to be the 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.

The modernisation and digitisation of cities (to make them smart) means a paradigm shift which views Information and Communications Technology infrastructure as a utility as important as the provision of water and electricity. It has become a part of our critical infrastructure that needs to be kept modern and up to date and which will contribute to enhancing and improving service delivery in all other areas of the city; in effect making our traditional infrastructure a part of our Smart City infrastructure through Smart Grid solutions.

Cellular networks, internet hosting companies, and other connectivity companies, are already using the MTC telecommunications network to serve their customers.

The mandate of MTC is to enable Smart City programmes through digitalisation. Citizens and residents of Johannesburg are digitally empowered and require service providers that are up to date, or even leading the way, with technology and digital communications.

The institutionalisation of digitally safer cities with CCTV, Video Walls, and Video Analytics platforms has advanced the ability to combat crime in the city. Advancing the rollout of Voice- over IP technology (IP Telephony) and implementation of the Integrated Call Centre and associated supporting technologies such as the Dialer (POM) has resulted in a cost-saving for the City. The adoption and use of cloud platforms such as Microsoft Office 365 with SharePoint, Teams, and associated technology have increased the collaborative nature of the City. MTC to date has influenced the migration of more than six entities and departments to Office 365 and advised three entities that are in the process of being migrated to this platform.

The implementation of monitoring and service management tools had its challenges, ranging from the use of freeware or demo licences to losing of performance data to the deployment of fully licensed solutions. In the years ahead, this will be managed using sophisticated monitoring and service management tools that match industry standards. There is still a need to invest in advanced technologies that will manage telecommunications services. The collaboration between MTC, Group ICT, Smart City Office, IIOC, Health, Public Safety, and DED among others has also presented an improved service delivery experience for CoJ staff and the community at large.

For MTC to substantially increase service delivery and revenue for the City of Johannesburg and its citizens we are embarking on a new business model that will enable MTC to service its customers better and generate additional revenue while digitalising the city.

With all this, we are encouraged that MTC is the ICT Company for the City, well positioned to transition Johannesburg into the digital city required to service our citizens and residents in a modern way.

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-centrism
- Reputability
- Innovation
- Sustainability
- Professionalism

Core Mandate/ Purpose /Objectives

Mandate

The mandate of MTC is to enable Smart City programmes through digitalisation and to realise 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.

Purpose and objective

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.

1

MTC is a Broadband Network Company designed to offer both wholesale data services to public and private entities as well as retail and incidental services on behalf of the City.

2

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, SMEs and households;

3

*MTC shall perform any other municipal services assigned to it by COJ as defined in the Service Delivery Agreement (“SDA”) entered into between MTC and COJ, as amended from time to time. The **Smart City and the Diphetogo** programmes include such municipal assigned services.*

Graphic 1: Core Mandate of MTC

The core principles of the MTC are informed by its mandate, which is derived from its Memorandum of Incorporation (MOI) and Shareholder Agreement (SA) with the City of Johannesburg. This is formalised in the Service Delivery Agreement (SDA).

MTC is a Broadband Network Company designed to offer both wholesale data services to public and private entities as well as retail and provide incidental services on behalf of the City. MTC offers wholesale services to the market and internal retail services. Spare capacity on the network is provided to Network Operators and to ICT Resellers who then sell directly to Enterprises, SMMEs, and households. Also, the Company performs any other municipal services assigned to it by CoJ as defined in the Service Delivery Agreement (“SDA”) entered between MTC and CoJ. MTC is responsible for the enablement of the many Smart City Programmes as well as rendering the full spectrum of networking services and other incidental services to the City and many of its Municipal Entities.

SECTION 6: STRATEGIC OBJECTIVES

The strategic focus for MTC is aligned to the NDP 2030, GGT 2030, GDS 2040, IDP 2016-2021, Mayoral strategic priorities, and priority programs aimed at accelerating service delivery.

All these are depicted below:



Graphic 2: National, Provincial and City-Wide Priorities

MTC's own strategic objectives are revenue generation and collection good governance sustainable service delivery smart and safer a city. These address provincial imperatives in the following way:

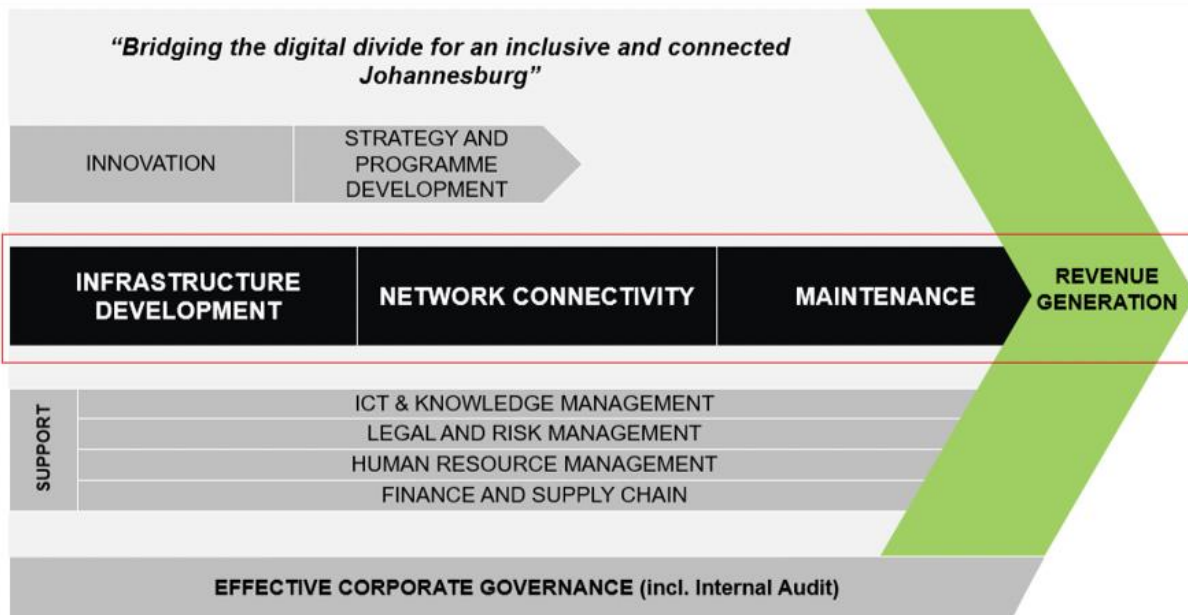
- Out of 11 mayoral priorities, MTC responds to the following priorities: 1, 2, 4, 6, 7, 8 and 10.
- Out of 12 priority programmes, MTC responds to: programmes 1,2,5 and 6
- For Growing Gauteng Together (GTT) MTC responds to: the economy, job creation and infrastructure safety, social cohesion end targeting clean governance and ethical leadership.

Mayoral Priorities

- Priority 1 Good governance
- Priority 2 Financial sustainability
- Priority 3 Integrated human settlement
- Priority 4 Sustainable service delivery
- Priority 5 Job opportunity and creation
- Priority 6 Safer city
- Priority 7 Active and engaged citizenry
- Priority 8 Economic development and growth
- Priority 9 Sustainable environmental development
- Priority 10 Smart city
- Priority 11 COVID-19 response



For MTC to deliver the above service and achieve the set goals and objectives, it utilizes the below-listed value chain proposition.



Graphic 3: Value Chain of MTC



A nighttime city skyline with various skyscrapers illuminated. Overlaid on the bottom half of the image are digital circuit patterns in shades of blue and teal, including lines, nodes, and a central vertical bar. A thin red vertical line is positioned on the left side of the page.

CHAPTER TWO

GOVERNANCE

SECTION 1: COMPOSITION, KEY ACTIVITIES & REMUNERATION OF THE BOARD OF DIRECTORS

Board Composition



Name	Appointment type	Qualification(s)
Tshikani Colleen Makhubele (Chairperson) Appointed at the Special General Meeting of the City of Johannesburg and its entities on 10 February 2021.	NED	B: IT Eng., MBA, DIP Proj Man, SAP cert, PRINCE2, PhD Management of Technology and Innovation (Incomplete), Finance for Non-Financial Managers, Chartered Financial Analyst, Masters in Diplomatic Studies (current)
Solomon Cowan Appointed at the Special General Meeting of the City of Johannesburg and its entities on 10 February 2021.	NED	BA Political Science and Communication, BA Honours Political Science, Masters Public Policy and Management
Thurston Sebotsane (IAR) Appointed at the Special General Meeting of the City of Johannesburg and its entities on 10 February 2021.	NED	International Diploma in Computer Studies, Concepts for Data Processing, Management Fast Track, Project Management, Life Coaching, Numerical Skills for Business, BCom in Industrial and Organizational Psychology
Nozanele Sathekge Appointed at the Special General Meeting of the City of Johannesburg and its entities on 10 February 2021.	NED	National Diploma in Business Administration
Nhlanhla Mabaso Appointed at the Special General Meeting of the City of Johannesburg and its entities on 10 February 2021.	NED	MBA, BSc. Computer Science
James Lekoma Appointed at the Special General Meeting of the City of Johannesburg and its entities on 10 February 2021.	NED	BA Industrial Psychology Development Studies, Advanced IPM Diploma, Advanced Labour Law, Senior Leadership Programme
Douglas Kutumela Appointed at the Special General Meeting of the City of Johannesburg and its entities on 10 February 2021	NED	BCom, Management and Economics, MBA (current)
Walleen Mostert Appointed at the Special General Meeting of the City of Johannesburg and its entities on 10 February 2021.	NED	Gender Awareness in the Media, National Association of Broadcasters Management Programme, Diploma Basic Public Relations, Practical Computer Usage, Office Administration

Thobeka Njozela Appointed at the Special General Meeting of the City of Johannesburg and its entities on 10 February 2021.	NED	CIA, CCSA, CRMA, Cert Director, Executive Development Programme, Certificate in Management Practice, MBA, B. Compt (Hons), Non deg courses towards B. Compt, B. Com
Andile Jabavu Appointed at the Special General Meeting of the City of Johannesburg and its entities on 10 February 2021.	NED	BA Public Management, Project Management, Policy Development, and Management, Work Readiness Programme
Vetmani S. Linda Appointed at the Special General Meeting of the City of Johannesburg and its entities on 10 February 2021.	NED	Diploma in Accounting Science, Bachelor of Commerce Quantitative Management
Bev Abrahams Appointed at the Special General Meeting of the City of Johannesburg and its entities on 10 February 2021.	NED	Education Training and Development Practitioner ETDP, Train the Trainer Course, Secretarial Certificate, Certificate in Governance and Leadership
Joel Sihle Ngubane Appointed at the Special General Meeting of the City of Johannesburg and its entities on 10 February 2021.	NED	National Diploma in Information Technology, National Diploma in Ministry, B.Sc., MAP
Thedi Moropa CEO appointed on 1 July 2020	CEO	BCom Economics, Postgraduate Diploma in Business Management
Rajen Chetty CFO appointed on 1 July 2020	CFO	CA (SA)
Kgaugelo Mahlaba IAC was appointed at the Special General Meeting of the City of Johannesburg and its entities on 10 February 2021	IAC	CA(SA), CTA (BCom Honours in Accounting Equivalent), Bridging Course for enrolling Honours for Accounting (CTA), Advanced Diploma in Management Accounting
Raymond Magagula IAC was appointed at the Special General Meeting of the City of Johannesburg and its entities on 10 February 2021.	IAC	Bachelor of Information Science, Bachelor in Business Administration, Post Graduate Diploma in Digital Business, Post Graduate Diploma in Information Systems, and Post Graduate Diploma in Business Administration
Andre Smith IAC was appointed at the Special General Meeting of the City of Johannesburg and its entities on 10 February 2021.	IAC	Labour Law, practice management training, Logistics management, Production Management

Table 1: Composition of Board Members

The entity has a unitary board, which consists of non-executive directors. The CEO and CFO have standing invitations to meetings of the Board on behalf of Executive Management.

The Board remains accountable to the CoJ Metropolitan Municipality, the sole shareholder, its stakeholders, and citizens of Johannesburg. An SDA has been concluded by the provisions of the Municipal Systems Act.

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 CEO are separate, with responsibilities divided between them. The Chairperson has no executive functions. Members have unlimited access to the Company Secretary, who acts as an advisor to the Board and its committees on matters relating to compliance with Company Rules and Procedures, Municipal Finance Management Act (MFMA), other statutory regulations, and best corporate practices.

Assurance Process

The Board is responsible for ensuring that there is effective leadership 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 organisation in collaboration with the Executive Management led by the CEO. The Board has continued to provide ethical and effective leadership characterised by a high standard of integrity, responsibility, accountability, transparency, and fairness. The Board has ensured that there was an achievement of governance outcomes, which are 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 their unwavering support and sound leadership in ensuring that MTC maintains its high standard of corporate governance and service delivery.





Graphic 4: 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 Board or any of its members may, in appropriate circumstances and at the expense of the company, seek the advice of independent professionals. 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.

Attendance at meetings by previous NED and IAC members held during the past quarters was as follows:

Description	Q1	Q2	Q3	YTD
Tom Tshitangano	2	2	1	5
Kgaugelo Mhlaba	2	2	1	5
Chinelle Stevens	4	3	1	8
Nothando Maseko	4	4	2	10
Clyde Ramalaine	4	3	2	9
Mlamli Magigaba	4	3	2	9
Ronell Williams	6	6	3	15
Professor Shamila Singh	4	4	2	10
Gary van Niekerk	4	3	2	9

Table 2: Attendance at meetings by NED and IAC members

Attendance at meetings by current NED and IAC members held during the past quarter was as follows (please note that this committee was appointed on 10 February 2021. There, they did not attend any meetings in Q1 and Q2):

Description	Q1	Q2	Q3	Q4	YTD
Number (Meeting Attended)					
Tshikani Colleen Makhubele			7	8	15
Solomon Cowan			5	6	11
Douglas Kutumela			7	13	20
Thurston Sebotsane			4	6	10
Nozanele Sathekge			5	5	10
Nhalanhla Mabaso			4	5	9
James Lekoma			5	6	11
Walleen Mostert			5	7	12
Thobeka Njozela			5	7	12
Andile Jabavu			5	6	11
Vetmani S. Linda			4	0	4
Bev Abrahams			5	6	11
Joel Sihle Ngubane			7	7	14
Kgaugelo Mahlaba			1	1	2
Raymond Magagula			2	3	5
Andre Smith			2	3	5

Table 3: Board committees attendance register

Activities

The following committees have been operational until 10 February 2021 (when the new Board was appointed) each of which was chaired by a non-executive director:

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

At the Board meeting on 22 February 2021, the following Board Committees were established:

- Independent Audit & Risk Committee
- HR & Remuneration Committee
- Social & Ethics Committee
- Service Delivery and Procurement Committee
- IT Governance Committee
- Strategy Investments and Partnerships Committee
- Nominations Committee



Audit committee

The role of the audit and risk committee is to assist the Board by performing an objective and independent review of the functioning of the organization's finance and accounting control functions. The audit and risk committee exercises its functions through close liaison and communication with corporate management and the internal and external auditors.

The audit and risk committee 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.

The Audit committee consists of 5 members (2 non-executive directors and 3 independent members). The committee met at least 4 times during the financial year. The committee members possess a diverse set of skills that contribute to the effective functioning of the committee.

The CEO, CFO and CAE are required to attend meetings of the committee by invitation. The external auditors together with other CoJ shareholder representatives attend the meetings by invitation.

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

Old	New
Tom Tshitangano (IAC)	Andre Smith (IAC)
Kgaugelo Mhlaba (IAC)	Kgaugelo Mhlaba (IAC) Retained
Waldo Hattingh (IAC)	Waldo Hattingh (IAC) (Can't trace)
Ronell Williams (NED)	Raymond Magagula (IAC)

Table 4: Committee members

Assessment of the financial function

The audit and risk committee 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.

MTC has requested the Shareholder to allow the organization to have a stand-alone Service Delivery Committee to focus on service delivery issues. As of the submission of this report, the response from the Shareholder has not been received.

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). The previous audit committee held six meetings whilst the current audit committee held three meetings during the financial year under review.

Name of member	Number of meetings attended
Mr D Kutumela (Chairperson)	3
Ms T Njozela	3
Mr K Mahlaba	7
Mr R Magagula	3
Mr A Smith	3
Ms R Williams (Previous Chairperson)	6
Mr T Tshitangano	6

Table 5: Committee meetings attended

Social and Ethics Committee

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

- Walleen Mostert (Chair)
- Solomon Cowan
- Linda S. Vetmani

Regulation 43(5)(a) of the Companies Regulations 2011 states that the function of the Social and Ethics Committee is 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 Social and economic development, including the company's standing in terms of the goals and purposes of:

- 10 principles set out in the United Nations Global Compact Principles
- OECD recommendations regarding corruption
- Employment Equity Act
- Broad-Based Black Economic Empowerment Act
- Good corporate citizenship, including the company
- Promotion of equality, prevention of unfair discrimination, and reduction of corruption
- Contribution to the development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed
- Record of sponsorship, donations, and charitable giving.
- Environment, health, and public safety, including the impact of the company's activities and its products or services
- Consumer relations, including the company's advertising, public relations, and compliance with consumer protection laws; and
- Labour and employment, including:
 - The company's standing in terms of the International Labour Organization Protocol on decent work and working conditions; and
 - The company's employment relationships, and its contribution toward the educational development of its employees.

HR & Remuneration Committee

The HR & Remuneration Committee consists of the following non-executive directors:

- James Lekoma (Chair)
- Andile Jabavu
- Bev Abrahams

The Committee is mandated to monitor and, where necessary, recommend implementation of programmes, policies, or projects to the Board in respect of the following:

- 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
- record of sponsorship, donations, and charitable giving
- Development of human capital strategy that links the core business of the Company to its present and future human resource choices.
- Recommend the development, review, and consideration of policy measures aligned to the human capital strategy.
- Consider all staff risks associated with the human capital strategy.
- The Company's standing in terms of the International Labour Organization Protocol on decent work and working conditions.

- Enhance, broaden, and develop the skills and talents of current and future employees including making recommendations regarding the contribution of the Company towards the educational development of its employees.
- Consideration and review of succession and retention plans of the Company.
- Recommend annual salary increases for staff.
- Recommend salary scales for ongoing use within the Company.
- Review performance and conduct performance evaluation assessment of the CEO, CFO, and Company Secretary and recommend the payment of any performance bonus or remedial intervention as appropriate.
- Review the Company's standing in terms of the goals and purposes of the Employment Equity Act.
- Report, through its chairperson, to shareholders at the Company's Annual General Meeting on matters within its mandate.
- Facilitate the recruitment of executives of the Company in line with shareholder policy.
- The Committee shall monitor labour and employment practices of MTC. The Committee shall review Human Capital Reports regarding Employment Equity; Working Conditions; Employee Relations; Skills development and training. It shall further review policies on employment equity, unfair discrimination, fair remuneration, and the development of employees.



Service Delivery & Procurement 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:

- Joel Sihle Ngubane (Chairperson)
- Nozanele Sathekge
- Tshikani Colleen Makhubele

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 delivering and developing of the 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 is 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 optimize 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 that 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 to 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. The foregoing position was reaffirmed by a special resolution at the 20 April 2018 Annual General Meeting. At the AGM on 17 April 2019, 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's executive has three vacant posts, namely Management Support Executive, Head of Risk, and the Chief Internal Auditor.

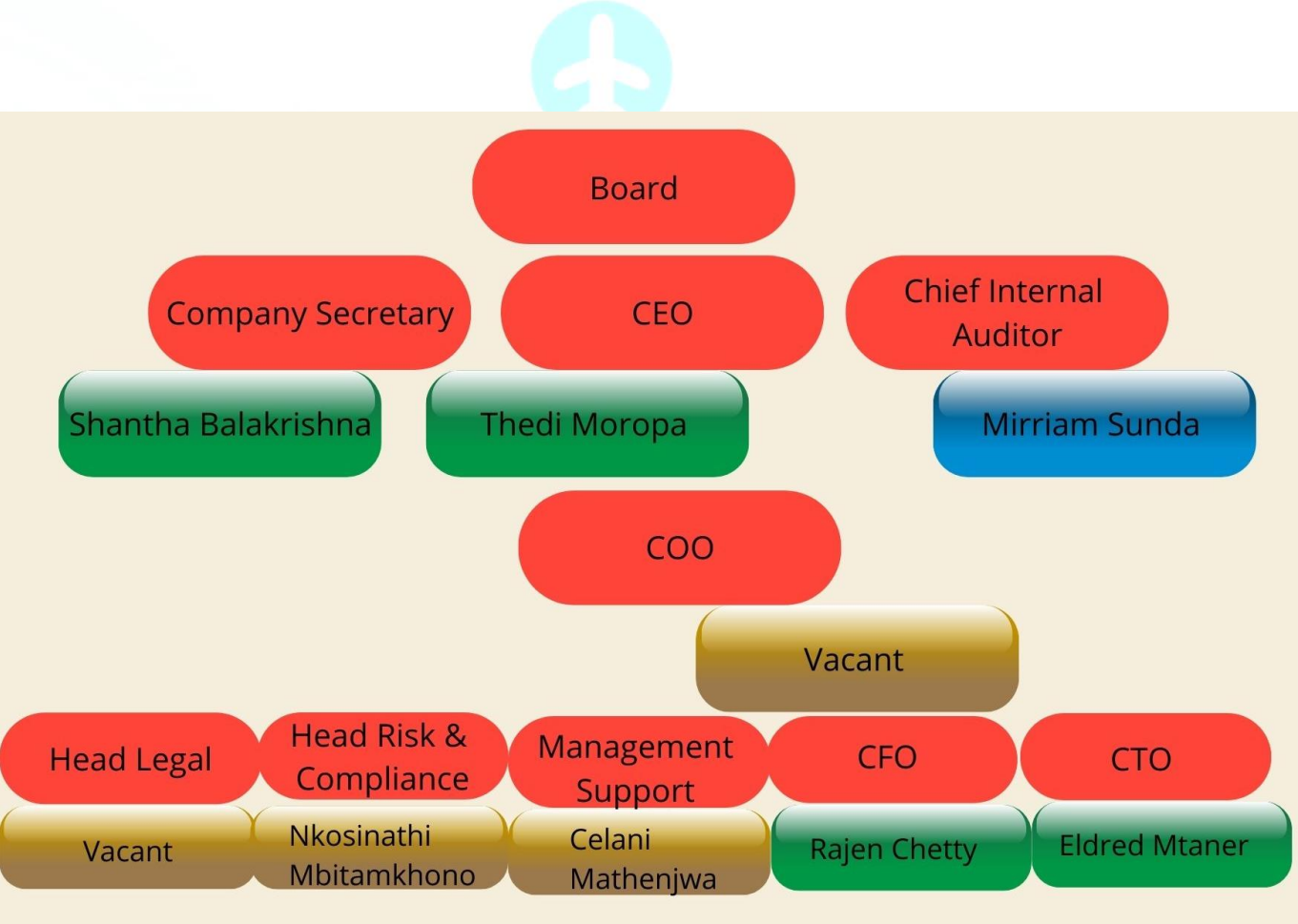
Figures in Rand Thousands	2021	2020
Directors and Independent Members emoluments		
Mr T Makhubele - Current Chairperson	157	157
Mr S Cowan	104	104
Mr T Sebotsane	99	99
Mrs N Sathekge	94	94
Mr N Mabaso	96	96
Mr J Lekoma	108	108
Mrs B Abrahams	104	104
Mr J Ngubane	125	125
Mrs Mostert	113	113

Figures in Rand Thousands	2021	2020
Mrs Njozela	106	106
Mr D Kutumela	193	193
Mr A Jabavu	104	104
Mr V Linda	37	37
Ms C Stevens - Previous Board Chairperson	112	112
Mr G Van Niekerk	92	92
Mr M Magigaba	80	80
Prof S Singh	101	101
Mr C Ramalaine	97	97
Mr T Tshitangano	31	31
Mr AJ Smith	26	26
Mrs N Maseko	106	106
Ms R Williams	198	198
Mr K Mahlaba	42	42
Mr R S Magagula	26	26
	2,351	2,351
Non - Executive Directors and Independent Members		
Mr 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 C Ramalaine	127	127
Mr C Aigbavboa	52	52
Ms K Onouka	21	21

Table 6: Board Remuneration

SECTION 2: HIGH-LEVEL ORGANISATIONAL STRUCTURE

The Approved Organisation structure per line department is outlined below:



Graphic 5: MTC Structure



SECTION 3: GOVERNANCE OF STAKEHOLDER RELATIONSHIPS

The Company recognises that fair treatment and strong relationships with core stakeholders is crucial to long-term profit and business success. Common business stakeholders that were engaged during the year include customers, communities, employees, suppliers, government departments/regulators. Understanding the importance of stakeholders to a business will help us keep all these relationships healthy and mutually beneficial.

Public Participation

The Metropolitan Trading Company (MTC) is responsible 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 of the 4th of September 2015.

The mandate of MTC is to provide capacity on the Johannesburg Broadband Network to the City at cost and to ICASA licensed operators and the public at cost effective price while being profitable. MTC is further mandated to provide services to the City as to manage delivery of the City's Smart City objective and ICT operations.

As part of our re-engineering process, MTC has fine-tuned their strategy to adopt a new business model, aptly named the *Enhanced Business Model (EBM)*.

This new business model will see the sale of the City's broadband network and enable MTC to:

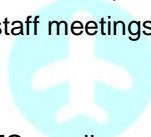
- Optimize its function and empower the municipality to manage its network and resources efficiently.
- Enable the growth and development of small, medium, and micro enterprises (SMMEs) within the ICT industry, through the development of SMME portal.
- Stimulate socio-economic activity by increasing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

The public participation process was conducted during the Covid 19 lockdown processes which compelled MTC to conduct all the public engagements online. The event was initially advertised in the media as prescribed by the Municipal Finance Management Act which requires that the documents is advertised for a period of 60 days in media platforms. This process was advertised on the 14th of November 2020 on the Sunday Word and Sowetan (Print Media) and on the MTC website and social media pages.

Councillors were invited to attend by the office of the MMC: Economic Development as a representative of the Shareholder. Having assessed the low response from the public MTC Exco took a decision to host public engagements in all 7 regions of the City in line with the Covid 19 regulations. This process was advertised internally at the MTC website and the City of Johannesburg Group Communications. Externally, the process was advertised in the Sowetan newspaper and the social media pages of CoJ. Further to that a service provider was commissioned to conduct on site regional based campaigns and extensive social media activations.

Media and other forms of stakeholder engagements

The entity continues to engage critical stakeholders, The MTC staff, through monthly meetings, WhatsApp and emails accelerate positive outcomes emanating from the communication. During the current financial year, the entity continued with the implementation of the EBM which requires an engagement between the staff, management, and organised labour. There has been a total of 2 staff meetings between these stakeholders in view of the organization transitioning in the new MTC.



Finally, In January 2021 MTC launched the MTC reseller portal which was broadcasted throughout the various print media houses. Through this process, MTC was able to reach many stakeholders which lead to many enquiries about portal and currently there are over 18 approved SMME's that are registered in the portal. There is also a growing following in our social media pages which even reduce our ways of doing business, the entity advertises some of its vacancies and RFQ's through its pages.



SECTION 4: RISK MANAGEMENT

MTC Strategic Risks Register Heat Map

Likelihood of occurrence	Almost certain	5					3	4	8
	Likely	4					10		1
	Possible	3						5	
	Unlikely	2					7		2
	Remote	1							
				1	2	3	4	5	
			Insignificant	Minor	Moderate	Major	Critical		
			Potential impact / consequences						

Graphic 6: MTC Strategic Risks Register Heat Map



MTC Strategic Risks

1. Failure of (corporate) governance
2. Theft and Corruption
3. High staff turnover/ High vacancy rate
4. Inability to retain and attract customers
5. Instability in the organisational leadership
6. Cyber-attack, data fraud, and data theft
7. Labour unrest
8. Unplanned network outages
9. Failure to keep abreast with technological advancements and trends
10. inability to respond to business disruption
11. Inability to meet Service Delivery Standards



Ranking	Priority programme	Risk description	Inherent risk at assessment (Beginning of the Financial year 2020/21)	Residual risk at the end of Q4	Actions to improve management of the risk	Status as of 30 June 2021	Time scale	Management comments on the implementation of actions to improve management of the risk
1	Good Governance >Conduct public affairs with utmost responsibility and accountability, whilst combating corruption, fraud, and maladministration.	Failure of (corporate) governance	Very high	Very High	<p>Review of the consequence management policy</p> <p>Enforcement Consequence Management</p> <p>Development of the systems within the Entity's line functions.</p> <p>Collaboration of departments in the development of the Entity's internal control systems</p> <p>Establishment and ongoing quarterly meetings of the Internal committees</p> <p>Development of Compliance policy, Framework, and SOP.</p>	<p>Done</p> <p>As and when required</p> <p>Done</p> <p>Done</p>	<p>Dec-20</p> <p>Dec-20</p> <p>Ongoing</p> <p>Ongoing</p>	<p>The consequence management policy has been approved by the committees</p> <p>No cases reported to date, As and when cases arise, Management will enforce in line with guidance from HR with regards to labour issues</p> <p>The policies in Risk and Compliance, Management Support Finance, and Operation Department have been established and reviewed for the current year.</p> <p>Same as the above.</p> <p>The clean Audit Committee has been revitalised and has met to discuss the status of the resolution of findings.</p> <p>Done. The Compliance policy, framework, and SOP have been approved</p>



					Conduct awareness on the Compliance policy and framework"	Done	Ongoing	by the Board on 28 August 2020. Not done will be conducted in the 1 st quarter of 2021/21 due to incapacity in the Risk unit.
						Done	Oct-20	
						Not done	Oct-20	
2.	Financial Sustainability >Improve and strengthen the City's financial position by following prescribed governance practices.	Theft and corruption	Very High	High	Implementation of consequence management. Development of Entity's Fraud prevention plan and strategy Conduct a fraud awareness workshop	In progress Done	Ongoing Sep 2021	No cases in the reported to date As and when cases arise, Management will enforce. The Fraud prevention plan has been developed and approved by the Board. Not done will be conducted in the 1 st quarter of 2021/21 due to incapacity in the Risk unit.



					Screen employees as part of recruitment requirements (Background checks and employee vetting). Appointment of additional staff to complement the existing staff.	Not done Done. In progress	Sep 2021 Ongoing Dec-20	The screening for the posts of Project Managers and General Managers were conducted. The following appointments were made during the quarter GM: Business development GM: Network of Operations 2 X Project Managers Financial Manager 7 additional staff was appointed (5 interns and two STCs)
3.	Good Governance >Conduct public affairs with utmost responsibility and accountability, whilst combating corruption, fraud, and maladministration.	High staff turnover/ High vacancy rate	Very High	Very High	Development of Human Resource strategy. Appointment of critical vacant positions.	Done In progress	Sep-20 Dec-20	The retention and recruitment strategy has been developed and was presented at EXCO and HSEC. The HR plan for 2021-22 has been developed and will present to EXCO. The following appointments were made during the quarter GM: Business development



						In progress	Ongoing	
4.	Financial Sustainability >Improve and strengthen the City's financial position by following prescribed governance practices.	Inability to retain and attract customers	Very High	Very High	Development of service monitoring and reporting plan. Development of incident and request management process Development of incident communication process.	Done	Dec-20	Done. Customer Engagement Matrix has agreed and is being monitored by GM Business Development SLA Reports are made available, and analysis is being done, reports are shared with customers and improvements initiatives are registered and tracked to improve SLA and Availability. The service transition checklist has been finalised and will form part of project signoff and completion.
						Done	Dec-20	Incident processes policy was presented at Exco dated 06 July 2021. GM Network Operations to monitor process adherence and communication
							Dec-20	



					<p>Ongoing meetings with the relevant (clients) stakeholders</p>	Done		<p>A suggested 10% was presented at EXCO as a base cost for delivering services and it was approved by the committee subject of a full benchmark to be conducted by MTC.</p>
					<p>Develop and implement a Rebranding Strategy for MTC</p>	Done	Dec-20	<p>Customer Engagement Matrix has agreed, Monthly reporting framework has been</p>
					<p>Benchmark services and rate cards to the market</p>			<p>The incident management process has been developed.</p>
					<p>Ongoing engagement with all the stakeholders</p>			<p>The Incident communication process is part of the incident management process. The Account Managers have regular (weekly, monthly) meetings with clients.</p>
								<p>Not done, the rebranding strategy will be developed when the EBM has been finalised.</p>



						In Progress	Dec-20	The service catalogue has been developed. (Part of go-to Market strategy on EBM)
						In Progress	Dec-20	Regular meetings are held between the Entity and shareholders, suppliers, and clients to address the day-to-day challenges.
						Ongoing	Ongoing	
5	Good Governance >Conduct public affairs with utmost responsibility and accountability, whilst combating corruption, fraud, and maladministration	Instability in the organisational leadership	Very High	Very High	Development of formal induction programme	Done	Dec 20	New employees and Board members are given a standard document during the initial appointments.



6	Smart City – Optimise the use of technology to improve municipal functions	Cyber-attack, data fraud, and data theft	Very High	High	<p>Perform penetration testing through external parties. Installation of security operation centre. Cybersecurity awareness workshop on phishing</p> <p>Development of the physical and logical maintenance process. Monthly monitoring of unauthorised physical and logical access by personnel on the entity's network.</p>	<p>Not done</p> <p>Not done</p> <p>In progress</p> <p>Not done</p> <p>Not done</p>	<p>Dec-20</p> <p>Dec-20</p> <p>Dec-20</p> <p>Dec-20</p> <p>Dec-20</p>	<p>Not done. There is no budget for the implementation of the control. Not done</p> <p>The entity has developed and approved the ICT policies and guidelines; the awareness workshop will be conducted including Cybersecurity. Not done.</p> <p>Not done.</p>
7	Service Delivery	Labour unrest	Very High	Medium	<p>Conduct OHS inspections in the working environment. Development of the Organisational wellness policy.</p> <p>Procurement of PPE for the field workers.</p>	<p>Not done</p> <p>In progress</p> <p>Done</p>	<p>Dec-20</p> <p>Dec-20</p> <p>Dec-20</p>	<p>Not done.</p> <p>The Organisational and wellness policy will be reviewed as part of the phased approach.</p> <p>Done. The Entity has procured the Covid-19 PPE for staff including the Field workers.</p>

8	Smart City – Optimise the use of technology to improve municipal functions.	Unplanned network outages	Very High	Very High	<p>Refurbishment of infrastructure to ensure power sustainability</p> <p>Refurbishment of network infrastructure</p> <p>Conduct awareness campaigns to educate communities on the impact of theft and vandalism</p> <p>Development of Monitoring security systems</p> <p>Refurbishment of the equipment infrastructure.</p>	<p>Not done</p> <p>Not done</p> <p>Not done</p> <p>Not done</p> <p>Not done</p>	<p>Mar-21</p> <p>Mar-21</p> <p>Dec-20</p> <p>Dec-20</p> <p>Mar-21</p>	<p>The refurbishment will be done when the EBM is finalised</p> <p>The refurbishment will be done when the EBM is finalised. Not done.</p> <p>The refurbishment will be done when the EBM is finalised.</p> <p>The refurbishment will be done when the EBM is finalised.</p>
9	Smart City – Optimise the use of technology to improve municipal functions	Failure to keep abreast with technological advancements and trends.	Very High	Very High	<p>Refurbishment of network infrastructure</p> <p>Review of the ICT structure.</p> <p>Refurbishment of network infrastructure.</p>	<p>Not done</p> <p>Not done</p> <p>Not done</p>	<p>Mar-21</p> <p>Dec-20</p> <p>Mar-21</p>	<p>The refurbishment will be done when the EBM is finalised.</p> <p>The ICT structure has been moved to the operations Head under the Chief Technological Officer.</p> <p>The refurbishment will be done when the EBM is finalised.</p>



10	<p>Financial Sustainability</p> <p>>Improve and strengthen the City's financial position by following prescribed governance practices.</p>	<p>inability to respond to business disruption</p>	<p>Very High</p>	<p>High</p>	<p>Development of BCM framework.</p> <p>Development of BCM policies.</p> <p>Development of Entity's Business Continuity Plan.</p> <p>Development of disaster management recovery plan.</p> <p>Procurement of tools of the trade to enable the critical staff to work remotely.</p>	<p>Done</p> <p>Done</p> <p>In progress</p> <p>Done</p>	<p>Sep-20</p> <p>Sep-20</p> <p>September 2021</p> <p>Mar-21</p>	<p>The BCM framework has been developed and approved by the Board.</p> <p>The BCM Policy has been developed and approved by the Board.</p> <p>Not done. The BCM plan will be conducted Q1 2021-22 has been developed.</p> <p>The IT system Disaster Recovery Plan has been developed.</p>
11	<p>Sustainable Service Delivery</p> <p>>Accelerate visible service delivery and reintroduce co-production in the delivery of basic services.</p>	<p>Inability to meet Service Delivery Standards</p>	<p>Very High</p>	<p>Very High</p>	<p>Request for additional budget.</p> <p>Refurbishment of the network infrastructure.</p> <p>Implementation of consequence management for poor performance</p>	<p>Done</p> <p>Not done</p> <p>In progress</p>	<p>Dec-20</p> <p>March-21</p> <p>Ongoing</p>	<p>Done. Request for the additional budget was approved by EXCO, awaiting the approval by the budget steering committee</p> <p>The refurbishment will be done when the EBM is finalised.</p> <p>Scorecards for Executive management have been signed and for management must be submitted by the end of the 2nd quarter.</p>



					To request for the Entity to be in the top 10 city's strategic register. Motivate for the review of the targets to be in line with the Entity's capabilities.	Done In progress	Dec-20 Dec-20	Quarterly monitoring and coaching of employees on a quarterly basis. The entity performs the monitoring of the KPI's on a quarterly basis. Motivation in the mid-year adjustment for the Smart KPIs was done.
--	--	--	--	--	--	-------------------------	----------------------	---

Table 7: Risk descriptions and mitigation actions

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 Quarter (3) as reported is denoted in the table below.

Summary of risk monitoring

Risk No	Mayoral priorities	Risk description	Inherent risk at assessment (Beginning of the Financial year 2020/21)	Residual risk at assessment	Residual Risk at the 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	Good Governance	Failure of (corporate) governance	Very High	Very High	Very High	Very High	Very High	Very High	↔
2	Financial Sustainability	Theft and corruption	Very High	High	High	High	High	High	↔
3	Good Governance	High staff turnover/ High vacancy rate	Very High	High	High	High	Very High	Very High	↑
4	Financial Sustainability	Inability to retain and attract customers	Very High	Very High	Very High	Very High	Very High	Very High	↔



5	Good Governance	Instability in the organisational leadership	Very High	Medium	Medium	High	High	High	↑
6	Smart City	Cyber-attack, data fraud, and data theft	Very High	High	High	High	High	High	↑
7	Service Delivery	Labour unrest	Very High	High	High	Medium	Medium	Medium	↓
8	Smart City	Unplanned network outages	Very High	Very High	Very High	Very High	Very High	Very High	↔
9	Smart City	Failure to keep abreast with technological advancements and trends.	Very High	Very High	Very High	Very High	Very High	Very High	↔
10	Financial Sustainability.	inability to respond to business disruption	Very High	Very High	Very High	High	High	High	↓
11	Sustainable Service Delivery	Inability to meet Service Delivery Standards	Very High	Very High	Very High	Very High	Very High	Very High	↔

Table 7: Summary of risk monitoring



MTC Risk Profile COVID -19

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

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	Acceptable with caution	Evaluation and improvement of current controls
Low: 1-5	Acceptable	Validation and optimisation of controls

Table 8: MTC risk profile COVID -19 and ratings





MTC risk and mitigation COVID -19

No	Risk	Impact	IR	RR	Risk Mitigating Strategies
1	Officials working without protective gear	Sickness Increase Litigation	Very High	Low	All the officials have been allocated masks and sanitizers 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
2	Infections among employees (Internal)	Sickness Loss of life Closure of the Offices/ workplace	Very High	Medium	Social distancing at the workplace Rotation of employees and working from home for those who can Regular cleaning of the working environment surfaces. Sanitizers placed at the strategic positions within the working environment, Wearing of face masks is compulsory in the working environment proximity Isolation of the officials with the sign of covid-19 symptoms. Compulsory daily screening for all employees.
3	Infections by the visitors or outsiders (External)	Sickness Loss of life Closure of the Offices/ workplace	Very High	Medium	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. Wearing of face masks is compulsory in the working environment proximity Sanitizers placed at the strategic place of the working environment Compulsory screening for all visitors
4	Uncertainty and uneasiness of working staff	Loss of productivity Customer service impact	Very High	Low	Officials with underlining conditions are encouraged to work from home. Regular communication and sharing of the Covid 19 information to all staff as it comes available.
5	Unrestricted access to the work premises	Staff infections	Very High	Low	Officials are encouraged to limit the access of visitors to the office facilities by making use of virtual meetings with the stakeholders.

Table 9: MTC Risk and Mitigation Covid-19

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 fraud risk management policy which was approved by the Board on 28 August 2020. The Risk and Compliance Department is currently finalizing a fraud risk assessment in which the Entity identified risks that may expose it to fraud and corruption, the progress on the implementation of fraud risk mitigations will be reported at the end of 1st quarter.

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. The following risk management documents have been developed and approved by the Board.

- Risk Management Framework
- Risk Management Policy
- Risk Management Strategy
- Risk Management Implementation Plan
- Risk Appetite and Tolerance Framework
- Risk Management Maturity Framework

Furthermore, the Risk and Compliance Department has established the following risk registers for the entity

- Strategic Risk Register
- KPI Operational Risk Register
- Fraud and Ethics Risk Register
- ICT Risk Register
- Project Risk Register

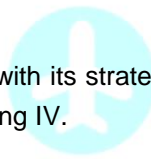
SECTION 5: ANTI-CORRUPTION AND FRAUD INVESTIGATIONS

MTC did not have any forensic investigations commissioned or in progress for the financial year 2020/21.

SECTION 6: ICT GOVERNANCE

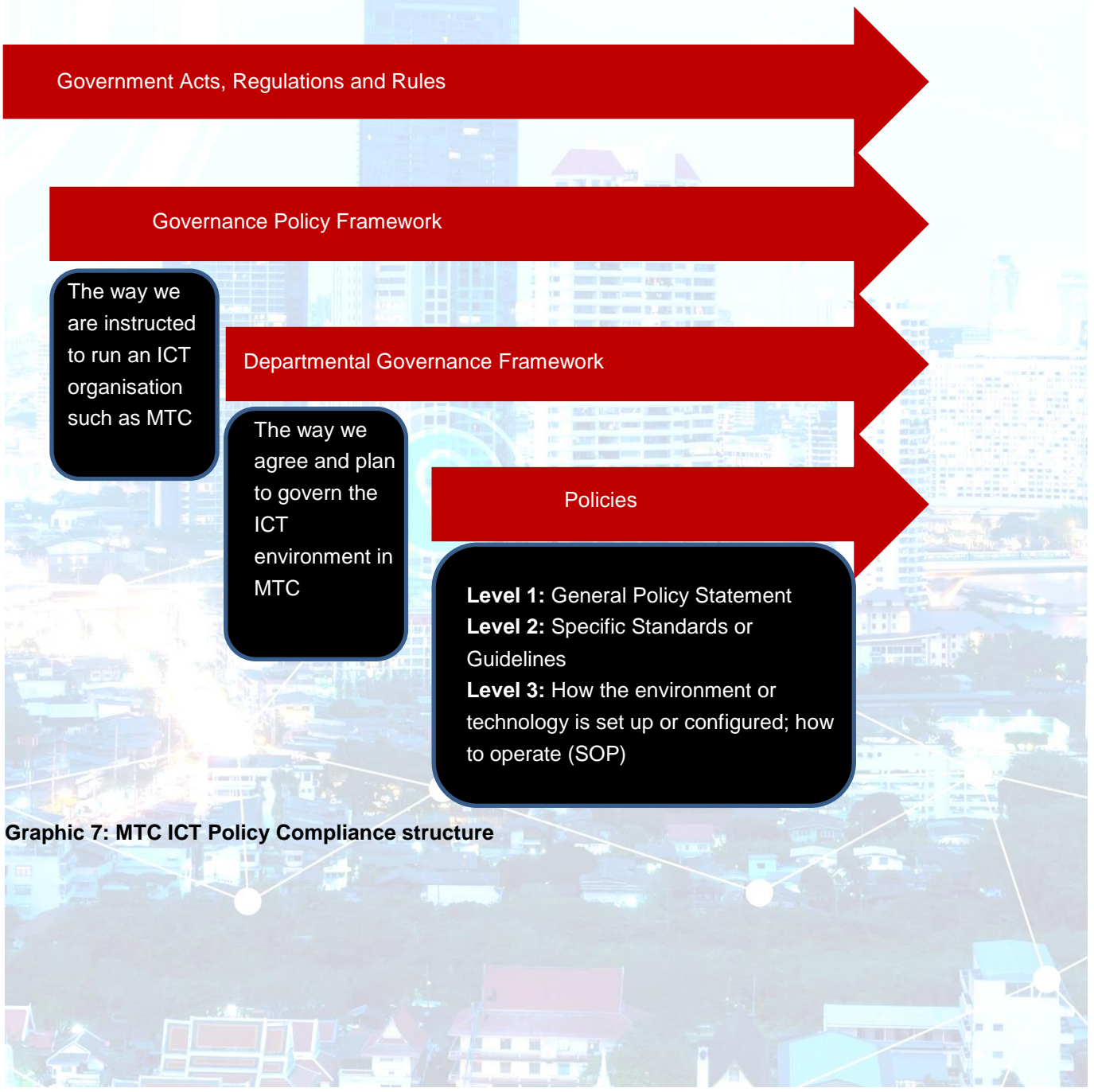
The ICT environment of MTC has improved from the previous quarter. There has been a strong emphasis on the governance of ICT, high availability, ICT continuity, and Cybersecurity. To institutionalize this direction, MTC has developed relevant policies, standards, and procedures. Department of Public 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.

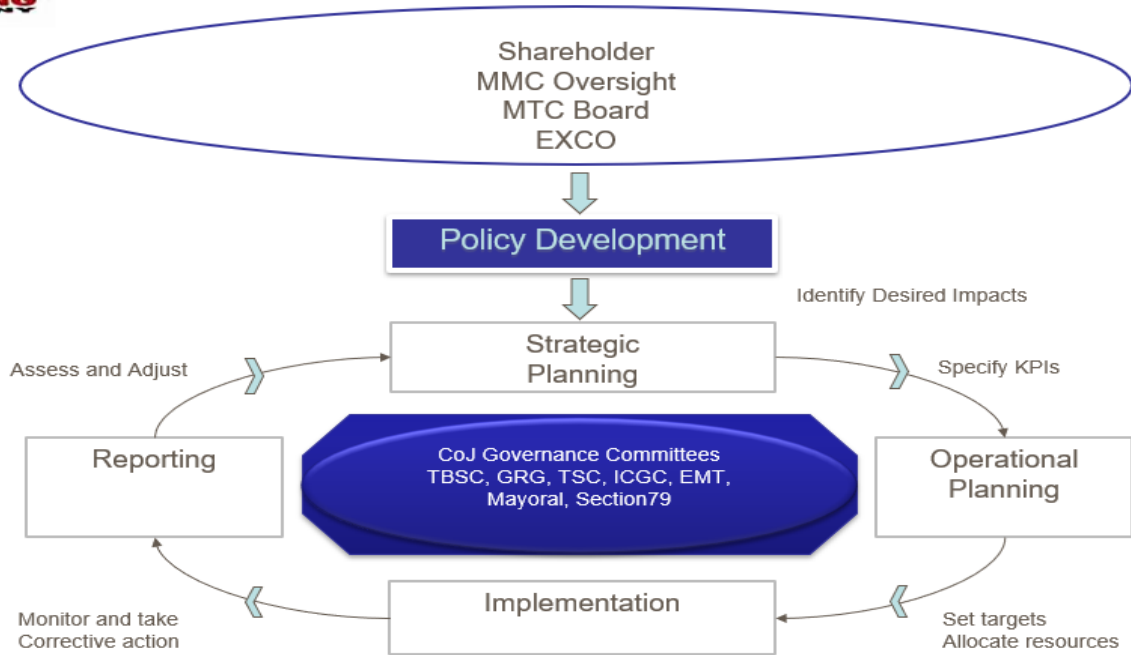
A policy is a set of principles, rules, and guidelines formulated or adopted by an organization to reach its long-term goals and typically published in a booklet or other widely accessible form. A policy framework is a document that sets out a set of rules defining how the policy will be structured, authorised, and institutionalized by an organization to reach its long-term goals. A policy universe is a document that sets out the policy areas, the interrelations between policies & how they should be applied in conjunction with each other and provides the state of implementation.



Graphic 7: MTC ICT Policy Compliance structure



Policy Oversight Framework



Graphic 7: City’s Policy Development Process

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 reviews and updates will be identified, applied. A summary of the policies are as follows:

MTC ICT Policy	Policy Brief
MTC ICT Governance Framework	The governance framework aligned to 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 to 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 authorised people or agencies

MTC ICT Policy	Policy Brief
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	A policy that governs the protection of ICT assets including hardware, software, and data
MTC Cloud Policy	A policy that governs the implementation of the different forms of cloud solutions and the management thereof

Table 10: MTC ICT policies

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.

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

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 Risk and Compliance Department has developed a regulatory universe for all applicable legislation that governs the operation of the Entity. The regulatory universe has been assessed to determine the criticality of the legislation. The entity also reports quarterly to the City on the 30 days payment period and Unauthorised, Irregular, and Fruitless and Wasteful Expenditure reports furthermore a Priority Regulation Reports are also prepared on a quarterly basis.

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 will be developed that provides a gap analysis, notably in the implementation phase of civil works projects in the infrastructure build program. 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. Currently, the world is facing a coronavirus pandemic which has made the Entity think about the new normal that is upon us, therefore the entity develops a monthly work plan which is submitted to the City on monthly basis detailing how each employee will report to work. The Entity has developed a Covid-19 register which will assist in track and trace furthermore the sanitizers are also available at the entrance of the office. The entity is currently in the process to procure more PPE which includes the following:

- Non-Contact Infrared Thermometer
- Face cloth masks
- Safety counter shields
- Sanitizers
- N95 masks

- Face shields

Relevant Head of Departments is encouraged to ensure that the number of staff at the Office does not violate the City's Covid-19 guidelines on social distancing.

Overview of the Status of the Key Acts

Ref	Act	2020/21	Comment and Action Plan
1.	Occupational Health and Safety Act, No. 85 of 1993	100%	None
2.	Basic Conditions of Employment Act, No. 75 of 1997	100%	None
3.	Employment Equity Act, No. 55 of 1998	100%	None
4.	Local Government Municipal Finance Management Act, No. 56 of 2003		<p>Comment: Non-compliance Issues:</p> <ul style="list-style-type: none"> • Late payment of suppliers • Irregular or fruitless and wasteful expenditure • Spending not in accordance with the budget as prescribed by section 87(8). • Material adjustments to the AFS. <p>Action Plan:</p> <ul style="list-style-type: none"> • Late Payment of suppliers <ul style="list-style-type: none"> o Supplier reconciliation to determine outstanding payments o Monthly Exco reports as a way of escalation in case of those queries that could not be resolved o Monthly Group late payment reporting <ul style="list-style-type: none"> <input type="checkbox"/> Irregular or fruitless and wasteful expenditure o Monthly declaration of irregular expenditure by various departments o Training for all employees in Supply Chain Management value chain on the policy o Bid committee structures in place o Segregation of duties aligned delegation of authority o Quarterly internal audit review of UIFWE register <ul style="list-style-type: none"> <input type="checkbox"/> Spending not in accordance with the budget as prescribed by section 87(8) o Monthly variance reports o Confirmation of funds o Revising of budget in accordance to projected expenditure <ul style="list-style-type: none"> <input type="checkbox"/> Material adjustments to the AFS
5	Broad-Based Black Economic Empowerment Act, No. 53 of 2003 and 2014 Code	100%	Section 13G, Regulation 12(2) of the B-BBEE Act requires the Sphere of Government, Public Entity or Organ of State to file the Audited AFS and IAR with the Commission. The reports must be compiled in terms of Section 13G (1) in the prescribed FORM B-BBEE 1 within thirty (30)

Table 11: Status of Key Acts

The background of the slide is a vibrant blue tunnel with a grid-like pattern of lines that recede into the distance, creating a strong sense of perspective. At the far end of the tunnel, a bright, glowing light source creates a lens flare effect, illuminating the entire scene. Two thin, vertical red lines are positioned on the left side of the slide, one to the left of the chapter title and one to the right of the chapter title.

CHAPTER THREE

SERVICE DELIVERY PERFORMANCE

SECTION 1: HIGHLIGHTS AND ACHIEVEMENTS

This section provides an overview of the key service delivery highlights and milestones. It also details unexpected occurrences that are not necessarily scorecard driven.

Service Delivery Achievements and Milestones

During the period under review the MTC has managed to deliver the following services to the citizens of the Johannesburg:

- **Continued provision of services** which offer both wholesale data services to public and private entities as well as retail and incidental services on behalf of the city including fibre, lit fibre, dark fibre, ethernet link
- **Progress on the implementation of MTC's Enhanced Business Model:** MTC is transitioning; from owning the Network Asset, to becoming an agent transacting organisation that continues to provide services, leveraging the Service Provider's Network Asset. MTC is now one step closer to adopting the Enhanced Business Model (EBM) which includes the partnership with a service provider and operating with a new service provider. MTC submitted a report for approval to the Mayoral Committee for the CEO to enter into the sale agreement of the Johannesburg Broadband Network. This was approved by the committee for final approval in Council. During the beginning of June 2021, the board held a strategic session to develop the MTC EBM strategy aligned to Service SDA. This was done in collaboration with the industry experts, MTC Exco, and the EBM Transactional Advisors. The progress on this transition is discussed in detail earlier in this report.
- **Significant progress on the SMME Reseller Portal:** the development of the MTC Reseller portal has been completed and the following activities can now be conducted on the portal:
 - Registration of SMME's that are willing to participate in the reseller programme.
 - Registration of new opportunities as and when they become available
 - Update and changes of SMME information
- **Relocation of RCC Core node for improved resilience:** During the fourth quarter, MTC implemented the Roodepoort Civic Centre (RCC) node relocation project. This involved the move of the core node to a data centre that has UPS and generator capability. This will result in higher network availability on the specific node.
- **Deployment of containers for Jabulani and Region D nodes for improved resilience:** Jabulani and Region D node relocation projects moved Core and Aggregation Node equipment into self-contained container facilities with air-conditioning and UPS with 6-8 hours backup power. This will result in improved network availability to interconnecting sites. In addition, site access challenges previously experienced were also improved.
- **Ongoing Wi-Fi rollouts on behalf of GICT:** GICT commissioned MTC to implement new Wifi installations across the city to the amount of over R38 Million.
- **Projects from CoJ departments and entities to the value of R237M:** The organisation managed to conduct projects on behalf of various City of Johannesburg clients. This is a positive sign that CoJ departments and entities have confidence in the operational process of the organization. These included:

Department of Economic Development:

SMME Portal Enterprise Development
Informal trading digitisation
LAN Network Infrastructure

Metrobus:

Supply and Installation of UPS
Integrated Security System Solution

**Department of Health:**

Supply laptops

Office of the Ombudsman:

Case Management Phase2

GICT:

Generators Repairs

Version 2 enablement of the construction permitting system for CoJ

EBPP Commissioning – Phase1

Implementation, Support, and maintenance of EBPP solution for CoJ

CoJ WIFI 6 Network roll-out & expansion

Implementation of a digital Journal solution for CoJ

Implementation of a registered communications solution through API integration with the EBPP portal for CoJ GICT

Supply network equipment and installation of the equipment for CoJ-GCIT

Supply Laptops - 2400

Track and Trace licenses

GICT Storage

Video Conferencing - Supply, Installation, Commissioning, and Maintenance

Wifi Supply, Installation and Commissioning Services

Installation and professional Services

Unexpected Occurrences

The pandemic impacted everyone, and of course, MTC was not spared. But, despite the many challenges, we have survived, and in some instances even thrived. At the same time, the pandemic has highlighted the crucial role of digital connectivity in keeping our city functioning, as 'online everything' quickly became our new way of life. MTC had to quickly adapt to the fast pace of ensuring connectivity within the City of Johannesburg. Some of the successful projects MTC embarked on were CoJ WIFI 6 Network roll-out & expansion, supply of 2400 laptops to the GICT department as "Work from Home" became the new norm, and supply network equipment and installation of the equipment for CoJ-GCIT. In order to increase the power of digitization to mitigate the pandemic disruption, the digital infrastructure sector needs to re-examine some of the digital sector fundamental premises that were held before COVID-19 and in order for MTC to ensure that the City of Johannesburg realizes its mandate which is Smart City it should take part in such debates. MTC moved swiftly to ensure improved network availability to interconnecting sites. In addition, site access challenges previously experienced were also be improved.



SECTION 2: SERVICE DELIVERY CHALLENGES

This section reports on all service delivery short-falls and identifies the actions taken to mitigate these.

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

- Aged and dilapidated equipment resulting in network downtimes
- Power outages affecting MTC services resulting in network availability targets not achieved
- The high rate of network vandalism that results in downtime
- Insufficient 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; and
- Capacitation of the organization.

The organisation has worked tirelessly to mitigate these challenges by:

- Replacing and improving infrastructure
- Introducing system mechanisms to reduce the impact of power on network availability
- Working closely with the City's law enforcement agencies to reduce vandalism
- Requesting sufficient budget to maintain and expand the network
- The adoption of the Enhanced Business Model
- Ensuring that vacancies are filled as swiftly as possible with people with appropriate skills

SECTION 3: RESPONSE TO STRATEGIC DIRECTION

This section outlines how MTC has responded to its strategic goals and objectives. It also includes alignment to the City's strategic priorities.

Ensuring the city of Johannesburg becomes a truly smart city is central to the CoJ's smart city priority. This is, of course, dependent on a sophisticated communications network. The modernisation and digitisation of cities (to make them smart) means a paradigm shift must take place to view Information and Communications Technology infrastructure as a utility that is every bit as important as the provision of water and electricity. It has become a part of our critical infrastructure that needs to be kept modern and up to date and will contribute to enhancing and improving service delivery in all other areas of the city, in effect making our traditional infrastructure a part of our Smart City infrastructure through Smart Grid solutions.

The mandate of MTC is to enable Smart City programmes through digitalisation. The citizens and residents of Johannesburg are digitally empowered and require service providers that are up to date, or even leading the way, with technology and digital communications.

MTC is the ICT Company for the City, well positioned to transition Johannesburg into the digital city required to service our citizens and residents in a modern way.

Vision statement, Mission statement and Strategic goals

Vision statement

Bridging the digital divide for an inclusive and connected Johannesburg

Mission Statement

- Reduce the cost of telecommunications & ICT
- Enable accelerated 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

Strategy Goal #1

Revenue Generation & Collection

Key Initiatives

- Revenue Generation and Cash Collection
- Amount of revenue achieved in millions of Rands
- Percentage of total sales revenue collection achieved

Strategy Goal #2

Smart & Safer City, Sustainable Service Delivery

Key Initiatives

- Number of Links (Fibre, CCTV, WiFi) Maintained
- Network Link Availability
- CCTV Device Availability
- WiFi Device Availability

Strategy Goal #3

Socio-Economic Development

Key Initiatives

- Number of potential SMMEs and SMME Resellers loaded into the SMME reseller portal.
- Number of active MOU's.
- Number of EPWP employees

Strategy Goal #4

Good Governance Day-to-Day Operations

Key Initiatives

- Percentage of Network Availability / Uptime
- Number of fibre networks maintained in kilometer
- Unqualified external audit opinion achieved (without material findings)

Graphic 8: Vision statement, mission statement, and strategic goals



Response to Entities Strategic Goals and Objectives

Linkage to SDBIP Performance, CoJ Priorities and GDS 2040

In its vision for a broadband company, the City has committed to bridging the digital divide for an inclusive and connected Johannesburg. The City has ambitious plans to become a Smart City that ignites economic development by making it easy for people to do business. These ambitions and plans will make the city an attractive investment destination, enhancing competitiveness, building a robust Information Communication Technology (ICT) infrastructure, improving information accessibility, and making Johannesburg marketable.

The IDP refers to fact that the City of Johannesburg needs to respond to international programmes like the Fourth Industrial Revolution. Through this, the City expects all its departments and entities to focus on its key areas. MTC responds to the City's priorities including Safer Cities, Smart City and Financial Sustainability.

The Metropolitan Trading Company is a broadband network enterprise formed by CoJ. When the City bought the broadband network asset, it needed MTC to gain control of the physical asset so that MTC could provide ICT services to various public and private entities.

Response to City's strategic priorities

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

Safer City and Smart City

A smart city requires a multi-faceted approach given its interdependencies between clusters. This requires the city to invest in technologies that assist in service delivery imperatives and support learning initiatives by providing access to information through technological means. It is important to maximise ICT to catalyse employment and growth.

MTC was launched to ensure the delivery of the Growth and Development Strategy 2040 (GDS 2040) This pillar is the main contributor in the ability of MTC to respond to the strategic alignment of the city and its priorities. Based on this the city developed the service level agreement to manage the relationship between MTC and itself. Based on this the below are expected SD outcomes:

- Improve Service Delivery
- Reduce the city's communication/connectivity cost
- Increase competition & Entrepreneurship in the technology sector
- Bridging the digital divide

MTC has developed a number of programs that respond to the expectations of the city and its residents. The financial in question, MTC has appointed a smart city panel that is aimed at accelerating service delivery. Entities like City power has already procured services in this panel which will ensure that the city marches toward smart service delivery.

The Smart Digital Economy pillar within the Smart City Strategy of the CoJ seeks to support entrepreneurs and SMME's by facilitating their ability to generate numerous web-based opportunities that ignite low-cost start-ups to generate income on the internet. Linkages to customers, partners and funders is achievable across City suburbs, regions, provinces, and the globe.

MTC further appointed over 230 SMMEs that will provide ICT hardware and software solutions within the entity. This contributes in the development of job opportunities with the ICT space in line with the SDA and the IDP. In the same light MTC spent over 90% of its annual expenditure to BBEE entities which displays its commitment to the mayoral priorities.

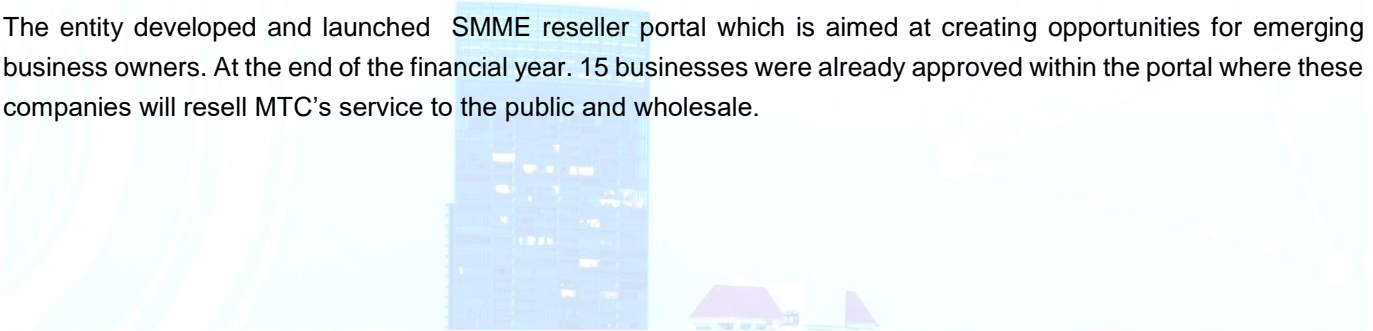


Safer City

Though the entity provides technological support to the entities like public safety and JMPD the entity continues to display its technological expertise. In the second last quarter the entity installed at least 22 CCTV cameras in Westbury, Sophiatown and surrounding in response to the request of public safety.

Job Creation/ Economic Growth

The entity developed and launched SMME reseller portal which is aimed at creating opportunities for emerging business owners. At the end of the financial year. 15 businesses were already approved within the portal where these companies will resell MTC's service to the public and wholesale.



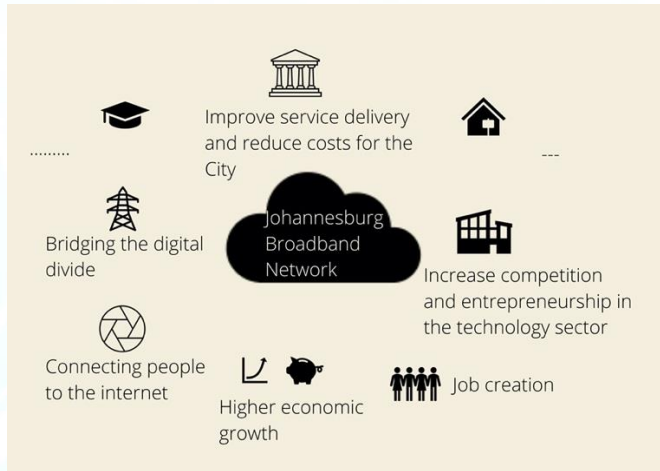
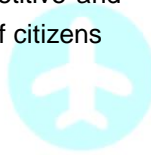
GDS OUTCOMES

OUTPUTS

3. An inclusive, job-intensive, resilient, competitive and smart economy that harnesses the potential of citizens

1. Job-intensive economic growth:

- Promotion and support of small businesses
- Increased competitiveness of the economy
- A 'smart' City of Johannesburg, that can deliver quality services to citizens in an efficient and reliable manner
- Re-industrialisation



Multi Sectoral Outputs	Government of Local Unit Strategic Priorities	Priority Programmes
Reducing poverty and dependency	Good governance	Service delivery
Reducing economic, spatial and gender inequalities	Financial sustainability	
Building cooperative and intergovernmental partnerships		
Smart approaches to reducing consumption and improved service delivery	Integrated human settlements	Hostels and flats development
	Sustainable service delivery	Joburg 10+
	Job opportunities and creation	Job opportunity SMME development
	Safe city	Mayoral imbizos
	Active and engaged citizenry	Displaced communities
	Economic development	Drugs
	Green-blue economy	
	Smart city	

Graphic 10: GDS Outcomes



Strategic goal	Initiatives	Achievements in 2020/21
Revenue generation and collection	<p>Amount of revenue achieved in millions of Rands</p> <p>Percentage of total sales revenue collection achieved</p>	<p>The business pipeline for the financial year has exceed more than R1 billion. The Enhanced Business Model has the potential of growing the service catalogue and maximise the service delivery appetite for both customers and stakeholders. In line with section 79 of the MFMA, MTC submitted a deviation on some of our key performance indicators in the previous quarter which has contributed to the 69% of the performance of the quarter.</p> <p>This reporting period also saw progress in the collections of debts and the results showed a sterling 81% - a remarkable performance indeed. The finance team continues to work closely with the CoJ Treasury Department to resolve the challenge of the Shareholder loan. There is adequate commitment from all the stakeholders to have this matter resolved by the beginning of the second quarter of the 2021/22 financial year.</p>
Smart and Safer a city	<ul style="list-style-type: none"> - Number of links maintained - Network link availability - CCTV device availability -Wifi device availability - Percentage of network availability/uptime - Number of fiber networks maintained in kilometers 	GICT commissioned MTC to implement new Wifi installations across the city to the amount of over R38 Million
Sustainable service delivery	<ul style="list-style-type: none"> - Number of potential SMME's - SMME reseller's portal - Number of active MoU's - Number of EPWP employees 	<p>The development of the MTC Reseller portal has been completed and the following activities can now be conducted on the portal:</p> <ul style="list-style-type: none"> • Registration of SMME's that are willing to participate in the reseller programme. • Registration of new opportunities as and when they become available • Update and changes of SMME information
Good governance	- Unqualified external audit opinion achieved (without material findings)	MTC has received an unqualified external audit

Table 12: Entities Response to Strategic Goals

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 offers wholesale services to the market and internal retail services to City departments and entities. 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 performs 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 on the 4th of September 2015 through its memorandum of incorporation.

In the current financial year, 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.

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.

MTC Service Delivery Standards

Service Delivery	Target as per the Service Delivery Agreement	Actual 30 June 2021	Performance
Network Availability	98%	91%	Not Achieved
WIFI Device Availability	98%	62,57%	Not Achieved
CCTV Device Availability	98%	72%	Not Achieved

Service Delivery	Target as per the Service Delivery Agreement	Actual 30 June 2021	Performance
/New and existing VoIP users (and E-Services transactions)	1000	59 382	Achieved

Table 14: MTC Service Delivery Standards

Network availability - This KPI refers to the percentage of network availability/ uptime (Network, Wi-Fi, and CCTV). Network availability is the amount of uptime in the network system over a specific time interval. Uptime refers to the amount of time a network is fully operational. Network availability is measured as a percentage and is monitored to ensure the service being provided is consistently kept running for end-users.

Wifi device availability - WIFI is a facility that allows computers, smartphones, or other devices to connect to the Internet or communicate with one another wirelessly within an area. It is a wireless network protocol. An Access Point (AP) is the physical device that sends information via a wireless transmission which in turn converts the signals and communicates it back via broadband communication.

CCTV device availability - CCTV (closed-circuit television) is a TV system in which signals are not publicly distributed but are monitored primarily for surveillance and security purposes. These cameras and monitors enable one to view live events and recorders archive footage for later reference. The IIOC refers to Integrated Intelligence Operations Centre and is the City's extensive surveillance system that keeps an eye on the inner City. This is controlled by JMPD (CoJ). These feeds are powered by the MTC Fibre and provide a live feed to JMPD. Therefore, this KPI relates to the availability of CCTV cameras that MTC is responsible for. The availability of a CCTV camera depends on whether the camera is online or offline. A camera will be considered available if it is online.

Number of new and existing VoIP and e-services connected - The term VoIP phone simply refers to any device enabled with VoIP (Voice over Internet Protocol) technology. The hardware-based flavour of VoIP phone is an actual desktop phone, like the standard models found in most offices today but built to send and receive calls over the internet. These phones typically have the familiar features and interface of a traditional business phone: touchpad, caller ID display, speakerphone capability, and buttons for features like speed dial and call transfer

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. 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:

- Total number of Incidents Logged
- Number of Incidents resolved
- % Incidents resolved
- Number of Incidents not resolved
- % Incidents unresolved

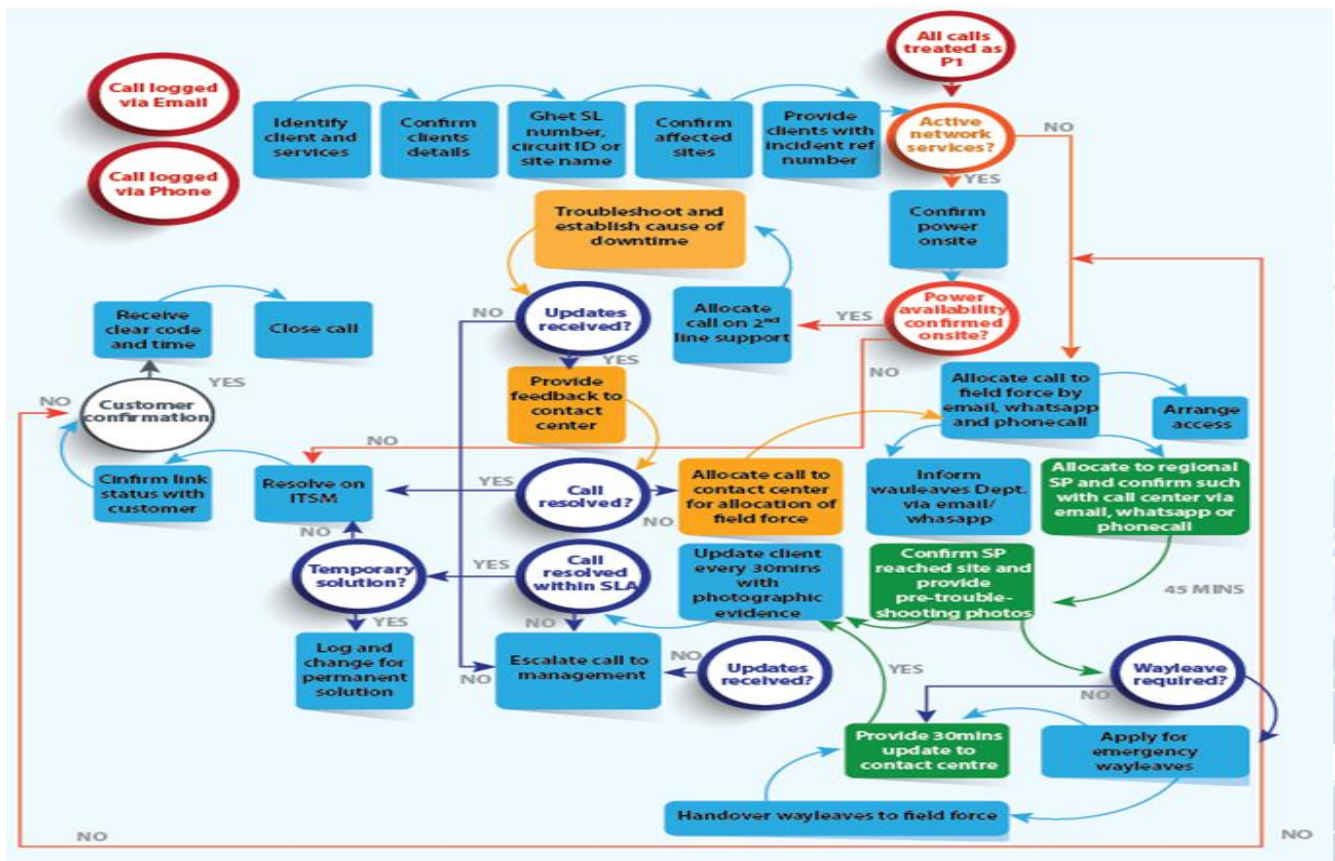
MTC operates within industry standards, the process of dealing with service outages is aligned to ITIL business practices. ITIL (Information Technology Infrastructure Library) prescribes detailed best practices for IT service management.

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

Incident Management tool

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



Graphic 11: Incident's 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 KPIs 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 resolved within SLA as defined in the SLA KPI or SDA.

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.

SECTION 5: PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

The Metropolitan Trading Company 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 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.

Strategic Key Performance Indicators Comparisons

2019/20		2020/21	
Total no of KPIs	13	Total no of KPIs	13
Achieved KPIs	5	Achieved KPIs	6
None Achieved KPIs	8	None Achieved KPIs	7
% Achievement	38%	% Achievement	46%

Table 15: KPIs for 2019/20 and 2020/21


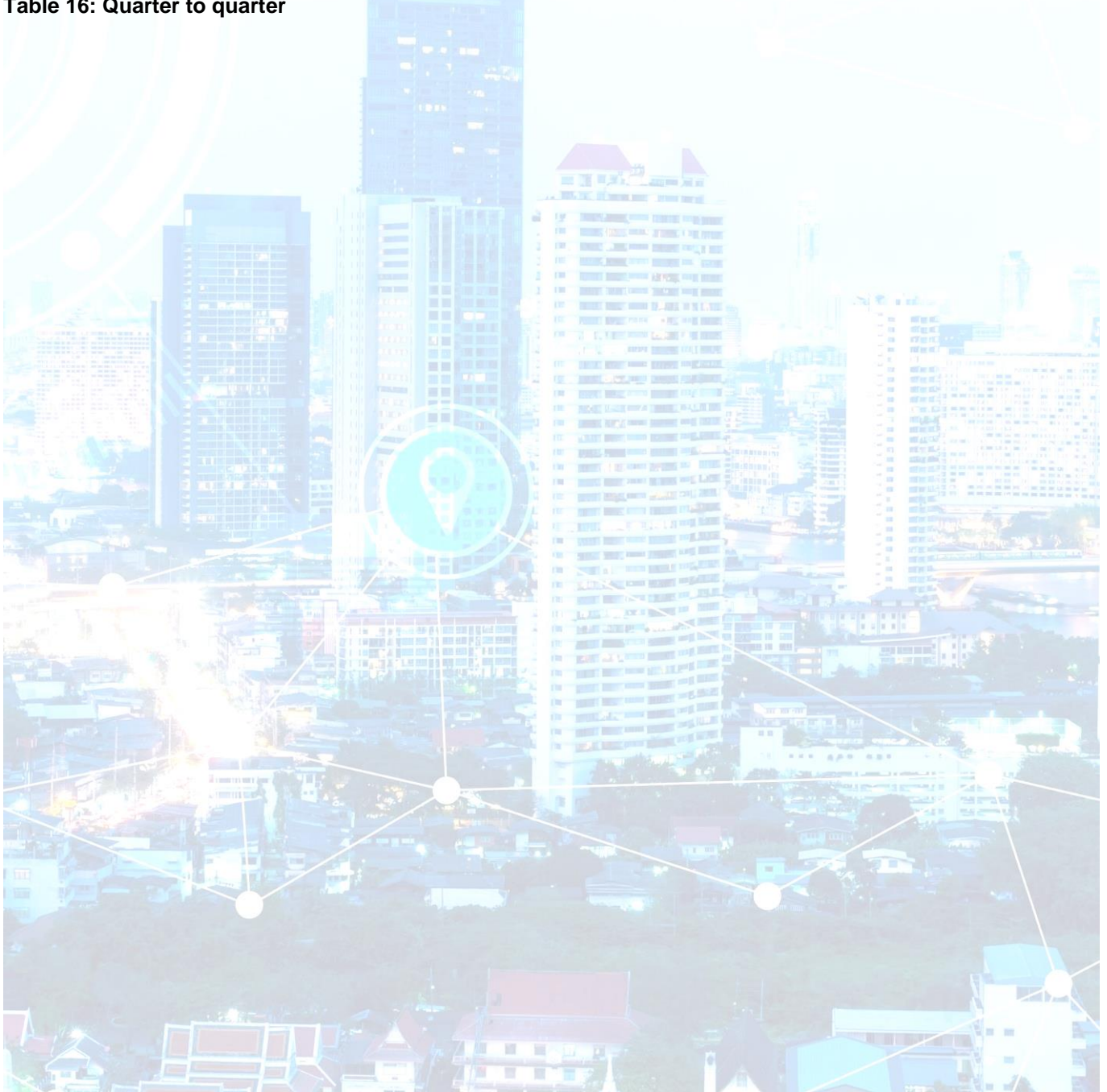
MTC KPI Summary	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Analysis
Total KPI's	13	13 	13	13	In line with the deviation
Achieved KPI's	9	7	7	9	No movement
Non-Achieved KPI's	4	6	6	4	No movement
% Achievement	69%	54%	54%	69%	

Table 16: Quarter to quarter



In order to deliver on the City's **Outcome 3**, an inclusive, job-intensive, resilient, competitive and smart economy that harnesses the potential of citizen, and the key priority programme: promote economic development and attract investment towards achieving 5% of economic growth that reduces unemployment by 2021. MTC has 12 KPIs. This table reports on performance against these KPIs.

Strategic Priority	Key Performance Indicator	2020/21 Baseline	2019/20 Audited Performance	2020/21 Target	Year To Date and Mitigation
Enhance our financial sustainability	Amount of revenue achieved in millions of Rands	R352	R 443	R507	R513 Target achieved
	Percentage of total sales revenue collection achieved	70%	79%	95%	81 % Target not achieved
Encourage innovation and efficiency through the Smart City programmes	Number of links (Fibre, CCTV and Wifi maintained.	635	158	810	1109 Target achieved
	Number of new and existing VoIP users and eservices connected.	5000	754	5000	146750 Target achieved Unexpected growth in terms of e-services transaction
	CCTV Device Availability	250	890	98%	80.59% Target not achieved Aged and dilapidated equipment resulting in network downtimes. Insufficient 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 Mitigation EBM Implementation
	WIFI device availability	1000	105	98%	58.93% Target not Achieved

Strategic Priority	Key Performance Indicator	2020/21 Baseline	2019/20 Audited Performance	2020/21 Target	Year To Date and Mitigation
					<p>Only 105 active MTC WIFI Access Points exist.</p> <p>Power outages affecting MTC services resulting in network availability targets not achieved</p> <p>Mitigation EBM and budget request</p>
	Percentage of Network Availability / Uptime (Network Wifi and CCTV)	98%	79%	100%	<p>68%</p> <p>Target not achieved Aged and dilapidated equipment resulting in network downtimes. The high rate of network vandalism that results in downtime</p> <p>Mitigation EBM and budget request</p>
Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment growth by 2021.	Number of active MOUs	3	2	3	<p>1</p> <p>Target not achieved There are current engagements with new possible partners who share the same objectives as MTC. Updates will be given in Q1 2021.</p>
	Number of EPWP employees	200	1	100	<p>105</p> <p>Target achieved</p>

Strategic Priority	Key Performance Indicator	2020/21 Baseline	2019/20 Audited Performance	2020/21 Target	Year To Date and Mitigation
	Number of SMME's doing business with MTC. (Transacting with SCM)	38	38	30	119 Target achieved
	Developing and launching the SMME Resellers portal.	New	New	100% Completion	100% Developing and Technical launching the SMME Resellers portal Target achieved
Day-to-day operations	Number of fibre network maintained per kilometres	30Km	145.62	140Km	112,651 Target not achieved Aged and dilapidated equipment resulting in network downtimes. Insufficient 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 Mitigation EBM Implementation
	Unqualified external audit opinion achieved (without material findings)	Unqualified	Unqualified	Unqualified	Qualified Target Not Achieved

Table 17: Review of Strategic Priorities against KPIs

SECTION 6: PUBLIC SATISFACTION ON MUNICIPAL SERVICES

This section of MTC's annual report for 2020/21 examines feedback on its services obtained through a variety of communication tools. These were designed to engage their customers, both internal and external, to voice their assessment of MTC.

MTC has a comprehensive stakeholder engagement plan.



Graphic 12: Stakeholder engagement

Communication Plan

The medium of communication will be utilised by the entity to inform the community on the programmes that will be rolled out in their communities or any success stories that the entities would like to share. Further to that, any communication channels such as applications (apps) will be used to improve service delivery.

Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
Customer awareness Controlling communication strategy and assertive style of communication	Customer education Equalitarian communication strategy with an assertive style of communication	Buy-in and participation Appreciative strategy with the computing style	Wi-Fi Cost reduction for customers Appreciative strategy with the computing style	Behaviour change Appreciative strategy with the computing style
Interventions				
Press statement Knock and drops Street pole adverts	Letter to customers Demonstration Official availability of the	One on one customer interactions Further demonstrations	Communications with customers through the call centre Management	Measurement of data cost saving and value

Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
Press interviews Media advertisements social media SMS to customers	project rollout or Wi-Fi offering	Customer forums Formal meetings (leverage existing customer forums)	of Wi-Fi optimised usage by customers	realisation by customers.

Table 18: Communication Plan

The Metropolitan Trading Company hosted phase two of the virtual public meeting to engage the public and service providers on the disposal of assets. The virtual public meeting covered two regions per day: on the 24 February Region B and F, Region C and E attended and on the 25 February was Region A, G and D on the 26 February 2021.

This followed the successful hosting of MTC's first public participation in August 2019 in all seven regions of the city of Joburg to engage the public about the commercial value of the company's broadband.

The main aim of the public meetings was to give insight into the company's process to unlock the commercial value of the MTC broadband network.

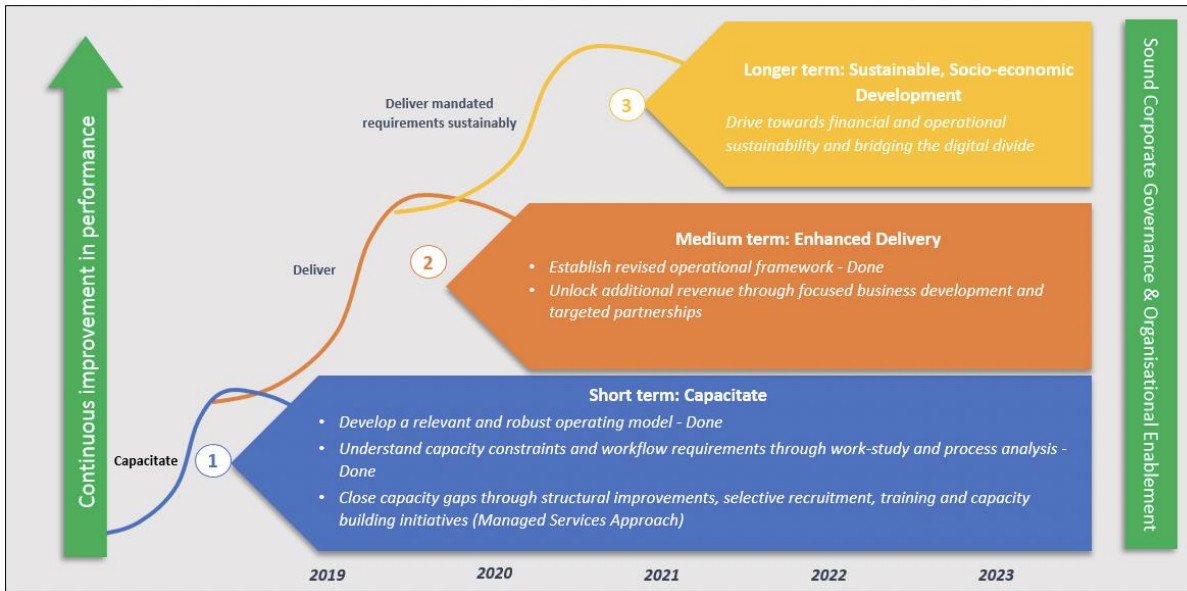
The key issue arising from the public participation process was that of the SMME registration portal. Many people expressed their frustration at the registration process. Each concern was dealt with by the CTO. In addition, participants were given a dedicated email address to send through additional queries.

Using both the stakeholder engagement plan, and the communications plan, the following key feedback was received, digested, and included in revisions and future planning.

Stakeholder	Issue	Response
1.Mr Ngcobo	What are the prospects of having opportunities for SMME's	MTC has the approved SMME reseller portal which is aligned to the Enhanced Business Modell. This will accelerate opportunities for SMMEs.
2.Bridget Steer	When did Councillors approve this public Participation? Who approved the EBM?	The approval was in 2019, 23 of January. When new political party came also moved to proceed with the resolution in August 2020.It was a Maycom Decision.
3. Moepi Setona	1.1 Will the SLA be between MTC and the service provider directly or CoJ? 1.2 How do u incorporate existing solutions that the city is using so that the communities are able to access those services through the network	1.1The SLA will be between MTC and the service provider 1.2 The core network will be transferred to the preferred service provider while the services run, it will continue to be managed under MTC. For example, as MTC rolls out free WIFI, it will continue to roll out free WIFI services to the communities under CoJ.

Table 19: Stakeholder Issues and Responses

SECTION 7: RECOMMENDATIONS AND PLANS FOR NEXT FINANCIAL YEAR



Graphic 13: Strategic Horizon

In this section, we outline the actions to be implemented in the next financial year to address areas of non-performance in this financial year.

Due to the City opting to terminate the BOT agreement early, by September 2015, MTC took over operation of the network as a going-concern telecommunications business with network assets, intangibles, and creditors for about R1.25 billion, financed by means of a shareholder loan account.

During the 2021/22 financial year, MTC will implement some of the key elements that will be detailing the first phases of the EBM.

This will include the following

- Enter to the sale agreement with the EBM preferred service provider who a well-capacitated Operator who will be able to strategies on servicing SMMEs with a well-defined and executed strategy incorporating competitive price points in the market to ensure the network is well utilized.
- Once that has been done, MTC and the City of Johannesburg will finalize its Service Level Agreement which replaces the initial SLA which started in 2015 until 2021. This SLA will be aimed a directing all the ICT and IT related projects of all the City of Johannesburg and its entities to MTC as a preferred agency thus reducing the cost of ICT operations.

- MTC with the partnership of the service provider will provide telecommunications that will become more accessible for under-served areas such as Soweto, Orange Farm, Eldorado Park, Alexandra, and many more. This will ensure economic growth that will be stimulate the City and the entity be seen as an internet utility service has potential for additional revenue for the City.

The implementation of this strategy will see MTC maximize revenue generated from the network asset, optimally address ICT requirements and challenges from the CoJ, support the CoJ SMART City agenda, enhance service and responsiveness to service delivery challenges and citizen demands, as well as reduce the total cost of ownership (TCO) in the face of increased pressure on resources.

This will be achieved through transitioning MTC into a “virtual telco” that is customer-centric and digital; this includes selling MTC’s current network asset to a service provider (in turn enabling MTC to settle some of its debt to the City), contracting (Service Level Agreement with the service provider) to continue to provide leading network services to MTC’s current and future clients, leveraging the service provider’s network asset, having a clear commercialization strategy for services provided, and retaining MTC’s core mandate and enhanced function.

Over the last financial years, MTC had struggled with the quality of its network and budgetary challenges in addressing these challenges. This meant that the entity could not meet its SDA expectations and key performance areas line CCTV device availability, Network Uptime availability and other Smart City KPA’s which ultimately means that the MTC performance gets compromised. The implementation of the EBM will address the quality of the MTC poor broadband infrastructure which will in turn drive the network connectivity particularly in connecting previously disadvantaged areas. Further to this, the City through MTC will have an opportunity to improve its financial sustainability by providing ICT services to Commercial customers and other governments.

The entity will undergo a rebranding process which will ensure that the stakeholders can identify with it and further be able to attract business particularly on external customers.



CHAPTER FOUR

ORGANISATIONAL DEVELOPMENT PERFORMANCE

3452342436
24363454dg
sadgxf
324234
wef

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 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.

SECTION 1: EMPLOYEE REMUNERATION (TOTAL COSTS INCLUDING EXECUTIVES)

The Executives' fixed salary is competitive and based on the individual's competences, responsibilities, and performance. The review of the fixed salary is carried out on an annual basis for each financial year. The total cost of R36,842 000.

Internal and External Factors that Influenced Remuneration

The most important internal factor that influence remuneration to employee, is the cost-of-living index. A rise in the cost of living is sought to be compensated by salary increase and that basic pay to remain undisturbed. On 13 October 2020 the Mayoral Committee took a resolution relating to the Implementation of salary increases for employees falling within the multi wage collective agreement for this financial year.

It was recommended that the Salary and Wage increases per Collective Agreement the financial year be implemented across the board and the provisions of the Salary and Wage Collective Agreement be extended to Municipal Entities. Based on the recommendation, the salaries of all employees falling within the bargaining unit of the South African Local Government Bargaining Council (SALGBC) be increased by 3.5% with effect from 01 July 2021. This recommendation includes All Inclusive Package (AIP) and Fixed Term Contract Employees (FTC) employees. The employees appointed on Short Term Contract which came into effect from 01st July 2021 will also receive the salary increase of 3.5%.

Budgeted Salaries	Budget 2021/2022 (R'000)	Actual (R'000)	Variance (R'000)
Employee Costs	R33,758	R36,842	R 1,396

Table 20: The employee cost

Executive	Basic	Leave Encashment	Acting Allowance	Bonuses and Performance related Payments	Travel housing allowance	Other contribution to pension	Contribution to Medical aid	Total
Theidi Moropa Chief Executive Officer	R2,222,069	R0	R0	R0	0	0	0	R2,222,069
Rajen Chetty Chief Financial Officer	R1,657,334	0	0	0	0	0	0	R1,657,334
Eldred Mtaner Chief Technology Officer	R1,679,740	0%	0%	0%	0%	0%	0%	R1,679,740
Shantha Balakrishna Company Secretary	R1,243,522	0,0%	0,0%	0%	0%	0,0%	0,0%	R1,243,522

Table 21: Executive Management Remuneration

SECTION 2: KEY VACANCIES

As part of the MTC assignment, MTC advertised vacant and critical positions on the GPG website to address incapacitation. The Executive Positions within MTC are filled by both second and short-term contract employees. Due to tremendous pressure from non-performance caused by incapacitation and Auditor General outcomes, MTC is compelled to fill the critical positions. Labour Law recognizes that inequity, allowing employees to act unreasonably for long periods in higher positions can be regarded as the creation of a legitimate expectation to ultimately be appointed in a higher position. For the period 2020/2021, three executive positions and six critical positions were filled and through the Talent Acquisition Policy and Training and Development Policy, 5 Interns were appointed for Supply Chain Management, Project Management, and Human Resource Management Department.

The remaining critical Positions were as follows:

- Chief Internal Auditor
- Internal Auditor
- Account Manager
- Risk and Assurance Manager
- Executive Manager: Management Support
- Cyber Security Specialist
- System Engineer
- Head Legal
- Head Risk and Compliance
- Operations Procurement Specialist
- Solution Architecture

Metropolitan Trading Company needs to identify savings on the salary budget to cover the cost of filling the critical vacancies.

Below are MTC Structure occupancy statistics.



MTC has 82 positions on its approved structure, 44 positions have been filled resulting in a vacancy rate of 46% (59% if considering the 4 short-term contracts).

The Metropolitan Trading Company (PTY) Ltd									
(2020/ 2021 Financial year)									
Business Area	No of positions Structure	Filled	STC	Acting Secondment	Interns	Vacant	FILLED VACANCY	Filled vacancies (STC and Acting staff)	
Office of the Executive	12	5	0	1	0	7	49%	58%	
Internal Auditor	2	1	1	0	0	1	50%	100%	
Risk and Compliance	3	0	0	0	0	3	0%	0%	
Office of the COO/CTO	2	2	0	0	0	0	100%	100%	
Business development	7	3	1	0	2	3	43%	57%	
Network Operations	31	19	0	0	0	14	61%	61%	
Financial Services	17	8	2	0	2	9	47%	65%	
Management Support	6	5	0	0	1	0	83%	83%	
Legal Services	2	1	0	0	0	1	50%	50%	
TOTAL	82	44	4	1	5	38	52%	58%	

Table 22: MTC Structure occupancy statistics

Staff Movement

The overall staff complement for the 2020/2021 was 44. In terms of demographics, MTC has a proportional ratio. Three employees resigned. The demographic representations of staff movement are outlined in the table below.

Gender	African	Coloured	Indian	White	Total
Females	2	0	0	0	2
Males	1	0	0	0	1
Total Exit	3	0	0	0	3

Table 23: MTC resignations 2020/2021

SECTION 3: EMPLOYMENT EQUITY

In order to achieve organizational vision, MTC needs to ensure that its human resources capacity is developed to its full potential. In the light of this and in line with Metropolitan Trading Company's objective therefore, the Entity intends to become a business unit driven by progressive Human Resource and Organisational Development strategies, policies and practices that will assist Metropolitan Trading Company to achieve its long-term vision of becoming A World Class provider of affordable and accessible ICT service. The Entity is committed to the principles of equity, anti-discrimination, and diversity as Human Resources preserved in the Constitution of the Republic of South Africa, the Employment Equity Act, 55 of 1998 and other relevant labour laws.

The Entity believes that Employment Equity goes beyond just legal compliance but rather the Employment Equity Act also provides an outstanding opportunity to enhance service delivery by ensuring that the skills profile of the business unit employees is optimally developed. To this end, the Entity will ensure that its skills development process is strategically linked to its Employment Equity imperatives. Furthermore, the implementation of Employment Equity will be contextualised within the broader organisational development and workplace transformation endeavours that are strategically aligned with Metropolitan Trading Company's Strategic and Business Plans. The Five-year EE plan was approved in November 2020. This plan subscribes to the guiding principles outlined in Metropolitan Trading Company's Employment Equity (EE) Policy.

Because The Entity is still in a developing stage, it has decided to use the Economically Active Population Demographic (EAP) profile of Gauteng Province as a basis for its numerical targets to achieve employment equity in the business unit. The current targets based on the EAP are as follows:

- Africans 78%
- Coloureds 4%
- Indians 2%
- Whites 16%
- Persons with a disability 2%
- Gender split 50%/50%
- The disability target of 2% will be equally represented within the racial groups and is part of the racial targets reflected above.

Occupational Level	Age Group	MALE				FEMALE				TOTAL
		A	C	I	W	A	C	I	W	
Top Management	18-34	0	0	0	0	0	0	0	0	0
	>35	1	1	1	0	1	0	1	0	5
Senior Management	18-34	0	0	0	0	0	0	0	0	0
	>35	6	1	0	0	2	0	1	0	10
Professional Qualified	18-34	0	0	0	0	1	0	0	0	1
	>35	1	3	0	0	2	0	0	0	6
Skilled Technical	18-34	0	0	0	0	1	0	0	0	1
	>35	3	0	0	0	1	0	0	0	4
Semi-Skilled	18-34	6	0	0	0	3	0	0	0	9
	>35	5	0	0	0	1	1	1	0	8
Unskilled	18-34	0	0	0	0	0	0	0	0	0
	>35	0	0	0	0	1	0	0	0	1
Temporary	18-34	0	0	0	0	2	0	0	0	2
	>35	0	0	0	0	0	0	0	0	0
TOTAL	18-34	6	0	0	0	7	0	0	0	13
	>35	16	5	1	0	8	1	3	0	34

Actual Number of Staff with Disabilities	0
Total Staff Compliment	53
Disability Target	2%
Actual Disability %	0

Table 24: Disability Percentage Standing



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 due to the need for development.

Organisational Capacitation encourages employees from designated groups to enrol in tertiary institutions to prepare them to occupy senior positions as and when such vacancies arise.

More expanded set of skills, MTC employees are destined to have more tools to help the organization business forge ahead. With university education in South Africa is something of a crisis and out of reach for many, training and skills development is made available to employees, be it in the form of short courses and IT related courses to upskill employees. MTC Subsidized education scheme has been an alternative way to bring education to its employees.

For the 2020/2021 MTC has provided financial assistance in respect of development and training needs identified for 12 employees ranging from Network Operations, Human Resource Management, Finance and Business Development. The total spend on Skills development and Training for the 2020/2021 financial year is R164 000.

South Africa contributes a large portion of its national budget towards education and skills development with approximately 1.5% of its Gross Domestic Product (GDP) is contributed towards education and training. MTC is committed in employing a minimum of 6 Undergraduate and Graduate Interns for a period not exceeding 18 months.

Skills Audit

MTC participated in The City of Johannesburg that has partnered with Enterprise University of Johannesburg to conduct the skills audit. The skills audit is an IDP imperative, and it was conducted on the chosen assessment battery of 180-degree assessment, employees within scope provided feedback on their own perception of their performance prior to their line manager providing feedback on the subordinates' performance. The skills audit is aligned to the COGTA competency framework and employees within scopes job descriptions. A total of 34 employees registered for this skills audit, 32 completed.

Training and Development

In accordance with MTC's Strategic Plan, MTC is striving that all training be planned as activity and that employees receive training necessary to achieve development of skills, knowledge, abilities and attitudes related to their job duties and individual growth in their own departments and the organization overall; that includes the training programs to provide for the full development and utilization of the human resources potential of the staff in conformance with the institutional values and strategic plan. For the 2021/2022 financial year, MTC envisages that the Training shall further provide to assist in the implementation of a business-wide program of career development to attract and retain persons of superior ability and potential for development.

MTC is in a process to participate in the GEYODI programmes as the City of Johannesburg's initiatives to empower the designated groups. There are 13 MTC employees that are on Sub-Ed. The newly appointed Executives are registered on the MFMA through Wits Business School.

SECTION 5: PERFORMANCE MANAGEMENT

All employees of MTC are required to have performance scorecards in line with the MTC performance management policy. During the FY 2020/21, all levels below executive were trained through teams and workshops on performance management

Remuneration and Incentives

The Executives' fixed salary is competitive and based on the individual managers' competencies, responsibility, and performance. A review of the fixed salary for Section 56 employees is not included in Salary and Wage increases per Collective Agreement, however it is governed by the Shareholder in line with the provision of Section 89 of the MFMA. – All employees below the Section 56, MTC is still using the City of Johannesburg's salaries and Level and the Remuneration Policy was approved in November 2020. Performance Bonus is only paid to the Fixed Term Contract employees.

SECTION 6: DISCIPLINARY MATTERS AND OUTCOMES

MTC has one disciplinary enquiry which is not yet finalized. The average time for Disciplinary matters is prescribed not to exceed 90 days. In this case it has exceeded due to Covid cases detected during the period and unavailability of the appointed Presiding Officer. The undertaking in such situations is that if the case has been part-heard, the Presiding officer cannot be changed. The employee is still on suspension and the proposed date is scheduled for the 09th of December 2021.

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.

The management and control of Leave, Time, and attendance Management process at MTC have been an area of focus to avoid non-compliance and to misstated leave accrual on MTC's financial statement. MTC ensures that the current status quo on the 'Working From Home' strategy due to Covid -19 is aligned with the WFH policy. To improve controls, leave forms are designed to give effect to the Legislation and Conditions of service. There are however some challenges which require the assistance of Line Management and other Role Players to resolve. Leave forms must be approved before the start date of the leave and the leave form number must be recorded in the relevant column on the attendance register, that also include the supporting evidence to be provided on the type of leave applied for, like Family responsibility Leave, study leave, sick leave with medical certificate. MTC understands that it is also critical that all leave balances are up to date during the closure of the books at the end of the Financial Year as an incorrect Leave Accrual Balance in the Annual Financial Statement will be deemed as misstatement of finances.

SECTION 8: EMPLOYEE WELLNESS

Continued Health Awareness

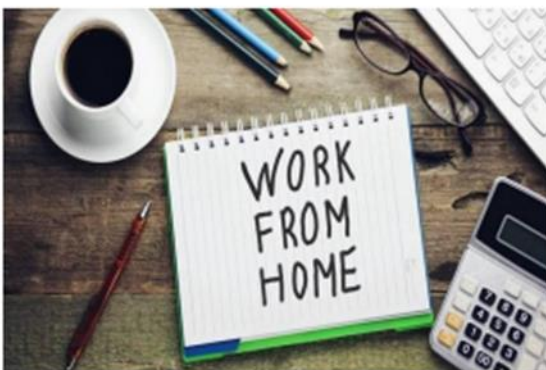


MTC recognizes its employee's wellbeing as the valued Human Capital asset within the organization. In taking care of the Human Capital, the MTC undertakes to establish an accessible Employee Health and Wellness workplace program. Employee Wellness is an organization's approach to enhance employee wellbeing through the promotion of healthy attitudes and behaviours in order to ensure optimal engagement.

MTC strives to provide an integrated Health and Wellness Program that promotes the employee's holistic wellbeing, adheres to statutory requirements, and promotes organizational sustainability.

It is important that employees have confidential access to Wellness. This includes Primary Health Care, Occupational Health and Employee Assistance Services, while preserving human dignity, respect, and employee's privacy. This policy guarantees that no employee accessing the services shall be discriminated against as per MTC Talent Acquisition Policy. The program will include access to a telephonic Life Management service offering information and assistance on legal problems, financial concerns, personal and family matters. Life Management services provide detailed, practical information, education, resources, and referrals to help individuals manage their work-life responsibilities. The three major categories covered by Life Management services which include access to a service offering information and assistance on legal problems, financial concerns, and family matters. Individual and Group Counselling sessions entails but not limited to stress, financial issues and Legal issues, Personal/family, Physical issues, Life skills and psychosocial related training/workshops. Referrals for rehabilitation, Research on behavioural tendencies, Conflict management and resolution. Due MTC's financial and capacitation implication, the employee wellness services are provided by the Shareholder. Two employees are on the EAP.

COVID-19 Work from home, the new normal.



a world class African city



Graphic 14: Work from home



Covid-19 is still upon us the country is still not operating at its normal state, how we work is still affected and as an entity, we are also adapting to change. we are now back on lockdown level 2; certain measures need to be reconsidered.

A balance between the Health & Safety of employees and the operation of the business, although work must continue, during the week departments/directories were requested to present their working from home schedules which is to be implemented therefore all employees are reminded that:

- They are expected to be available and engaged in work and still meet their deadlines.
- Employees are expected to be fully productive while working from home and they need to be always accessible on their email and via their mobile phones; in addition, consider:
- The schedule is a guideline that we endeavour to adhere to as far as possible.
- Operational/Business requirements supersede the schedule.
- Load shedding and power outages must be considered and if unable to work employees must report to their line manager and consider going to the office once approval has been granted by line.
- Important to also ensure we encourage Covid-19 protocol adherence to keep our employees and their families safe.

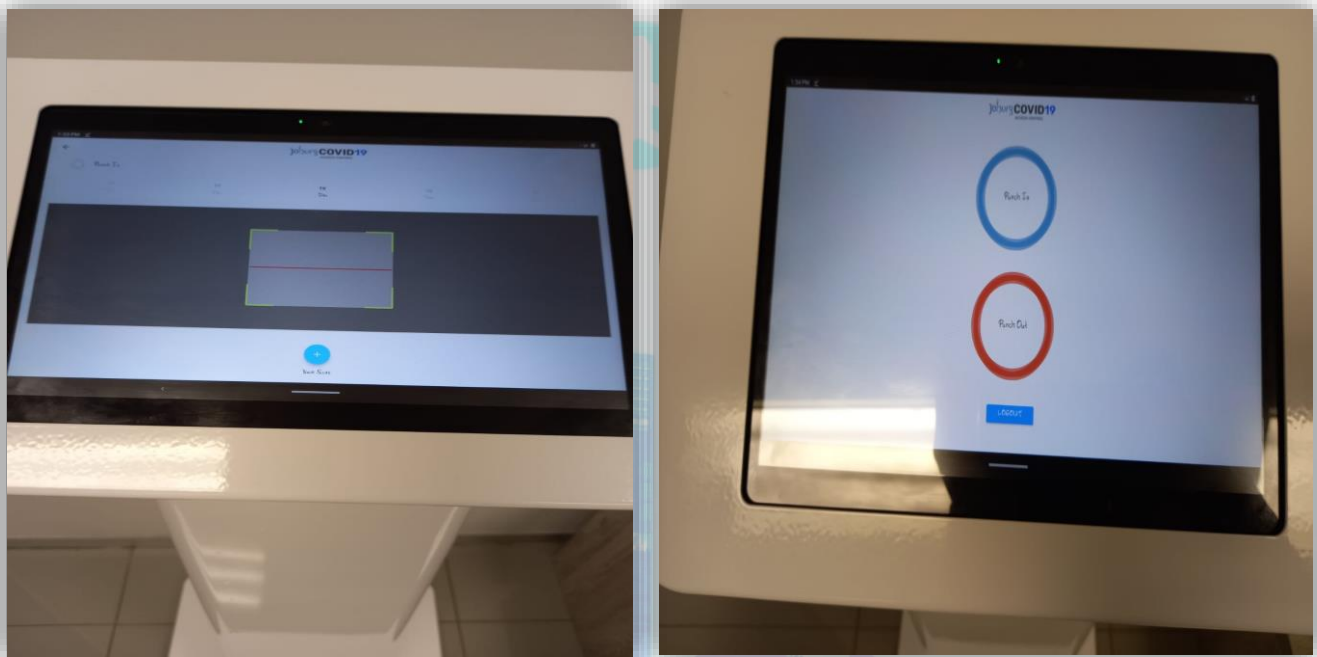
COVID-19 vaccine rollout messages

- Did you know, by getting vaccinated you are protecting yourself and those around you- #IChooseVacciNation
- Getting your jab is also an important part of minimizing the spread of COVID-19 in the country.
- People who are fully vaccinated against COVID-19 must keep taking precautions such as wearing a mask, avoiding crowds and poorly ventilated spaces, and washing their hands often.
- The government thanks all healthcare workers and citizens over 60 who have registered for the COVID-19 vaccine.
- Those over 60 are encouraged to register through SMS by dialling 134*832 your ID number#, if you do not have an ID number, dial *134*832#.

COVID-19 vaccine rollout messages

- Did you know, by getting vaccinated you are protecting yourself and those around you- #IChooseVacciNation
- Getting your jab is also an important part of minimizing the spread of COVID-19 in the country.
- People who are fully vaccinated against COVID-19 must keep taking precautions such as wearing a mask, avoiding crowds and poorly ventilated spaces, and washing their hands often.
- The government thanks all healthcare workers and citizens over 60 who have registered for the COVID-19 vaccine.
- Those over 60 are encouraged to register through SMS by dialling 134*832 your ID number#, if you do not have an ID number, dial *134*832#.

1. Track and trace (city of Johannesburg access control) app



Graphic 15: Track and trace machine

MTC has placed a machine that will enable employees and clients to scan for covid-19 every morning before they enter the offices. This is to assist and track movements and control the spread of COVID-19. This is the innovation or technology equipment to assist with protection against infection and prevent the virus from spreading, everyone uses the system after they have been sanitized by the reception 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	R964.51
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

Table 25: Employees Benefits

Medical Aid

Medical aid contributions for permanent employees are 60% Employer contribution and 40% employee contribution. Employees are offered membership in 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

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

MTC conducted company-wide health, safety and environment awareness in all sites during the financial year.

Several health, safety and environment compliance audits were conducted on appointed contractors during the reporting period. These were aimed at instilling a safety culture and ensuring compliance with the Occupational Health and Safety Act, No. 85 of 1993 and its Regulations.

The organisation will continue to introduce mechanisms to address the basic causes of all incidents and come up with measures to eliminate and prevent them. This will further reduce the number of incidents.

As an employer, the entity has a legal obligation in accordance with the Occupational Health and Safety Act, No. 85 of 1993, as amended, and as guided by the various Regulations where reasonably practicable, to provide and maintain a safe, healthy work environment that is without risk to employees. It is against this background that the Company implemented a number of health and safety measures to minimise the spread of COVID-19 pandemic and curb resurgence of cases in our workplaces. These measures included the provision of Personal Protective Equipment to employees, awareness on COVID- 19 safety measures, incident management of all COVID-19 cases. The full COVID-19 response plan is detailed under Chapter 2, section 7.

Over 500 employees visited the occupational health clinic seeking various medical assistance ranging from doctor's consultation, pre-placements, baseline medicals, medical tests, exit medicals and vaccinations. The process has commenced to capacitate the occupational health personnel to allow more employees to get medical attention from the clinic.

SECTION 11: CORPORATE SOCIAL RESPONSIBILITY



Graphic 16: Leadership at the stakeholder compact

“As the Government of Local Unity (GLU), we are determined to build a liveable, resilient and sustainable City to transform and improve the daily lives experience of our communities. We believe that our municipal entities are led by the best men and women. Thus, we are expecting all the municipal entities to govern with integrity and effective leadership.”

That is how the Executive Mayor of the City of Johannesburg, Cllr Geoffrey Makhubo, kicked off proceedings during the signing of Shareholder Compacts for municipal entities at the Joburg Theatre end of May 2021.

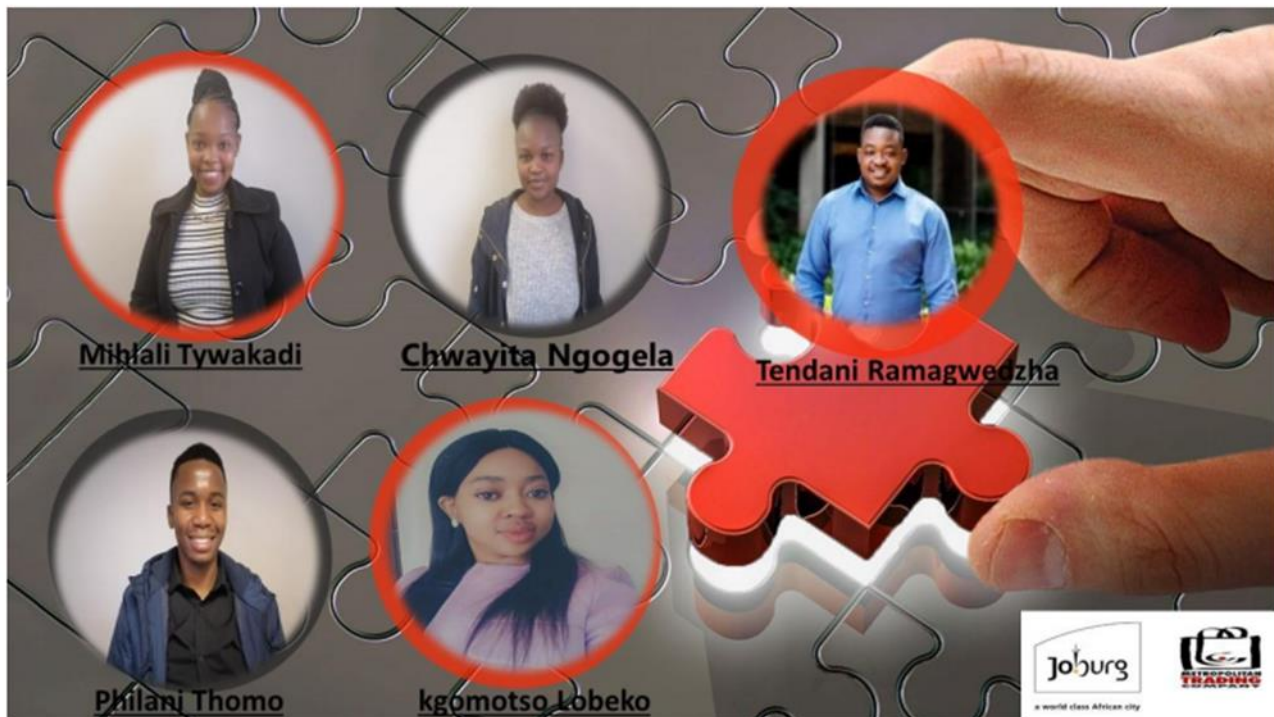
The Shareholder Compacts govern the relationship between the City of Johannesburg and municipal entities. The MTC board chairperson Ms. Colleen Makhubele represented the entity during the signing of the Compact as required by the terms of reference. Part of the outcome of this process is in line with the City’s commitment to providing clean, transparent, and accountable governance in the city.

The highlighted importance of the signing of the shareholder’s compact for the city to achieve its strategic long-term goal is enshrined in the City of Johannesburg’s Growth and Development Strategy (GDS) 2040.

Mayor Makhubo said he is only a representation of the citizens of the city as they are the real shareholders of the City of Johannesburg. “Today I am joined by Members of the Mayoral Committee and Chairpersons of the Boards to ensure that we pledge to deliver quality, efficient and expeditious services to our residents.”

“We can only realise a dream of Johannesburg – 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 by working together,” concluded Mayor Makhubo

MTC Youth Month and Internship Empowerment.



Graphic 17: Youth empowerment

MTC is pleased to announce and showcase the new faces of the 2021 Youth Month interns. This year National Youth Day and Youth Month will be celebrated under the theme: “The Year of Charlotte Manny Maxeke: Growing youth employment for an inclusive and transformed society.” MTC is already acting on the theme and there are still more other interns who will be joining MTC. The recent unemployment statistics pertaining to young people is a concern in South Africa. The 2020 fourth quarter Labour Force Survey found that about 8,6 million young people aged between 15 and 34 years are not in education and not in employment. MTC is very passionate about Youth development and empowerment, in the past years, MTC has been participating actively in youth initiatives to empower the youth. MTC hosted a take-a-girl child to work and hosted a career day for IT students from UJ and Rosebank, also offered a Work-integrated learning experience for some of the students. Every year MTC hired new interns to empower them and assisting in drawing more young people into work experience and economy. MTC is also giving young people opportunities through the tender as young aspiring business owners or service providers, it also continues to give young people opportunities through the SMME portal establishment. HR has designed a comprehensive internship program for all MTC interns the interns will be mentored within their user departments throughout their internship duration. The primary reasons why MTC has embarked on creating Internship positions are to focus on the development of skills, assist students in gaining experience in their field of study, and gain a realistic preview of the workplace. MTC would like to welcome all the interns and hope they will have a very fruitful journey of learning and upskilling.

MTC Continued to offer Support to employees and clients under the COVID-9 pandemic

During these hardest times, this quote is especially true - people always remember how you make them feel. In 10 or even 30 years, people will remember the coronavirus pandemic and how their companies made them feel during this unprecedented time.

MTC has tried by all means to give support to the employees and Clients by putting their safety and health first, With the intensity and levels of the pandemic, MTC was also pro-active with the measures around the pandemic, the solutions were put in place to protect and help fight the pandemic, the employees were allowed to work from home avoid the office, supply chain had to encourage suppliers who were applying for the open tenders to use the online system, apply online, briefing sessions were held via Microsoft teams also the internal meetings were held through teams to avoid physical meetings and interactions.

With the ease of the Covid-19 levels, some of the employees were able to come work in the office as a result of lack of tools of the trade and to push work progress that had fallen back due to the immediate lockdown and Human resources had to resume with recruitment in the office, The office was then Sanitized, and the sanitizers were put in place for everyday use by the employees in the office.

MTC practices a cultural value of “treating employees like family.” As COVID-19 continues its spread across the globe, the health and safety of employees have top priority. This has been our guiding principle in making difficult decisions. Taking lessons from my current role and previous experiences, MTC has been boosting employee happiness and wellness during the coronavirus pandemic by:

Implementing Daily Check-In Calls/messages:

When things are hard, it’s so important to stay close to your people. A WhatsApp group was created with all employees to join in for updates, marking a register and checking on one another and general work communication and the pandemic updates.

This was a great opportunity to check in with everyone on the team—not just about work but also about how everyone is doing personally.

Maintain Consistent Communication:

During this pandemic, everyone knows that things aren’t “business as usual. MTC also understood that Employees were given the opportunity to understand what’s happening and ask questions by communicating frequently and quickly. A WhatsApp group was very useful for maintaining communication.

Be Intentional with Wellness:

Employees were empowered with the support and tools they need to stay productive and healthy in the face of new challenges. Remote work can be hard for many people, so it was important to provide a forum for employees to share resources and give employees were encouraged to work out or meditate during the workday as they were at home full time. A support group for those who tested positive was created.

Corporate Social Responsibility

Support to employees and clients under the COVID-9 pandemic

During these hardest times, this quote is especially true - people always remember how you make them feel. In 10 or even 30 years, people will remember the coronavirus pandemic and how their companies made them feel during this unprecedented time. MTC has tried by all means to give support to the employees and Clients by putting their safety and health first, With the intensity and levels of the pandemic, MTC was also pro-active with the measures around the pandemic, the solutions were put in place to protect and help fight the pandemic, the employees were allowed to work from home avoid the office, supply chain had to encourage suppliers who were applying for the open

tenders to use the online system, apply online, briefing sessions were held via Microsoft teams also the internal meetings were held through teams to avoid physical meetings and interactions.

With the ease of the Covid-19 levels, some of the employees were able to come work in the office as a result of lack of tools of the trade and to push work progress that had fallen back due to the immediate lockdown and Human resources had to resume with recruitment in the office, The office was then Sanitized, and the sanitizers were put in place for everyday use by the employees in the office. MTC practices a cultural value of “treating employees like family.” As COVID-19 continues its spread across the globe, the health and safety of employees have top priority. This has been our guiding principle in making difficult decisions. Taking lessons from my current role and previous experiences, MTC has been boosting employee happiness and wellness during the coronavirus pandemic by:

- **Implementing Daily Check-In Calls/messages:** When things are hard, it’s so important to stay close to your people. A WhatsApp group was created with all employees to join in for updates, marking a register and checking on one another and general work communication and the pandemic updates. This was a great opportunity to check in with everyone on the team—not just about work but also about how everyone is doing personally.

- **Maintain Consistent Communication:** During this pandemic, everyone knows that things aren’t “business as usual. MTC also understood that Employees were given the opportunity to understand what’s happening and ask questions by communicating frequently and quickly. A WhatsApp group was very useful for maintaining communication.

- **Be Intentional with Wellness:** Employees were empowered with the support and tools they need to stay productive and healthy in the face of new challenges. Remote work can be hard for many people, so it was important to provide a forum for employees to share resources and give employees were encouraged to work out or meditate during the workday as they were at home full time. A support group for those who tested positive was created.

Employee Wellness

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 preventatives 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.

Joburg Ignites Free Wi-Fi Hotspots to Entrench New Normal

With over 1 000km of fibre optic wire laid out across all quadrants of Johannesburg, the city has connected 84 free Wi-Fi hotspots between Region A and G in a bid to optimise the use of technology to improve the general quality of life of its residents.

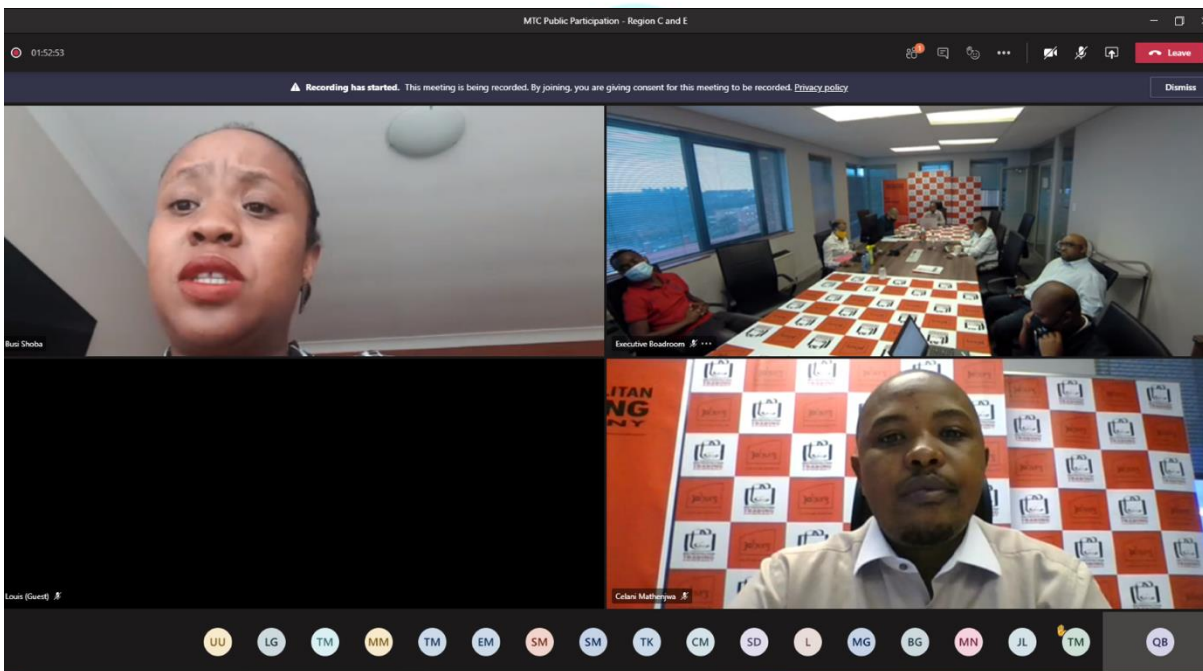
Joburg's free Wi-Fi hotspots offer each single device 500MB of data a day, allowing users to surf and download at a speed of 5MBps.

It's hoped this feat will improve municipal services and drive economic growth, particularly in light of the Covid-19 pandemic and associated lockdown, which have fostered a "new digital normal" for socialising, conducting business, as well as working and studying.

The new normal has prompted the City to revisit the rollout of free Wi-Fi as a priority on an equal footing with other essential services such as the provision of water and electricity. "Especially if we are to revive our local economy and socio-economic development post the Covid-19 pandemic," says Cllr Jolidee Matongo, the MMC of Finance. The free Wi-Fi hotspots programme was re-launched on Sunday, 13 September in Braamfontein, Joburg's largest student and youth hub. It forms the backbone of the Smart City initiative, aimed at providing high-speed broadband connectivity for all residents of Johannesburg. It's believed the rollout of free Internet connectivity will enable Joburg to compete comparatively with international peers from across the globe and to stay ahead of the curve on the African continent. "The city has demonstrated its commitment to assist residents who have limited access to the Internet – a barrier to economic opportunities – by allocating R40 million from the 2020/21 Budget to the roll-out of free Wi-Fi hotspots to even hostels, flats, student villages and old age homes," Cllr Matongo explains. This is done to give residents free access to municipal services, economic opportunities, and academic materials through online platforms. All the 84 active free Wi-Fi hotspots run on solar power and are manned by the City's broadband network entity, the Metropolitan Trading Company (MTC). Cllr Matongo says regular daily health checks are conducted on the hotspots to ensure efficient service and many of them are in areas with surveillance cameras to monitor criminal activity. "The hotspots that are already alive across the City are being accessed by up to 6 000 devices, and future enhancements include the implementation of analytics which will ensure insightful reporting on the usage of the hotspots," says the MMC



Public Participation



Graphic 18: MTC Virtual Public Participation

The Metropolitan Trading Company (MTC) has scheduled phase two virtual public meetings to engage the public and service providers from 24 to 26 February 2021.

This follows the successful hosting of MTC's first public participation in August 2019 in all seven regions of the city of Joburg to engage the public about the commercial value of the company's broadband. The main aim of the public meetings was to give insight into the process being undertaken to unlock the commercial value of the MTC broadband network.

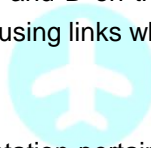
The sale of the asset will allow MTC to advance its service offerings and continue to deliver on its mandate, which is to provide reliable ICT services to the City and its residents. The benefits derived from the sale, which form part of the Service Level Agreement (SLA) will assist MTC to be at the forefront of an evolving digital space. This will allow MTC to be a digital and Smart City enabler for the City, its entities, and citizens by focusing only on commercialisation whilst leveraging the service provider's network to provide services.

After all processes of advertising the sale of the asset through the tender number A34-2018/2019 on the 20 Of May 2019 and public engagements done in all the regions, a compliant service provider has now been identified.

The preferred service provider responded to the tender for the existing telecommunications network of MTC as stipulated in the request for proposal tender number A34-2018/2019 and entered into an agreement of sale for the intended purchased of the network.

MTC has now scheduled as guided by section 33 of the MFMA, a public participation meeting to engage its residents and solicit their input into the SLA that will be signed between MTC and the service provider. The meetings will commence on the 24th of February to the 26th of February 2021. These meetings will be conducted virtually to comply with Covid-19 regulations, and it will cover all seven regions of City of Joburg.

The meetings will cover multiple regions per day, 24th February will be Region B and F, Region C and E on the 25th of February and concluding with Region A, G and D on the 26 February 2021. The public will be able to join the scheduled virtual public participation meetings using links which will be communicated via social media, SMS, email, and other communication platforms.



The public is encouraged to read the documentation pertaining to the purchase of the broadband network asset on the MTC website <http://mtc.joburg.org.za/public-notice/>

Public Participation Communication

MTC worked with MMC office and Group-Communication to communicate the phase two public participation virtual meetings. They made share the communication was effective to reach the public. The communication was done through MTC and CoJ communication platforms which includes, the website social media pages (Facebook and LinkedIn), the meetings were also streamed live on Teams and Facebook page so the COPJ residences and can be able to listen and give their inputs. An email was also given for the public to send their comments through.

DID YOU KNOW?

Did you know there are **84 active free Joburg wi-fi hotspots** across the City which run on solar power?

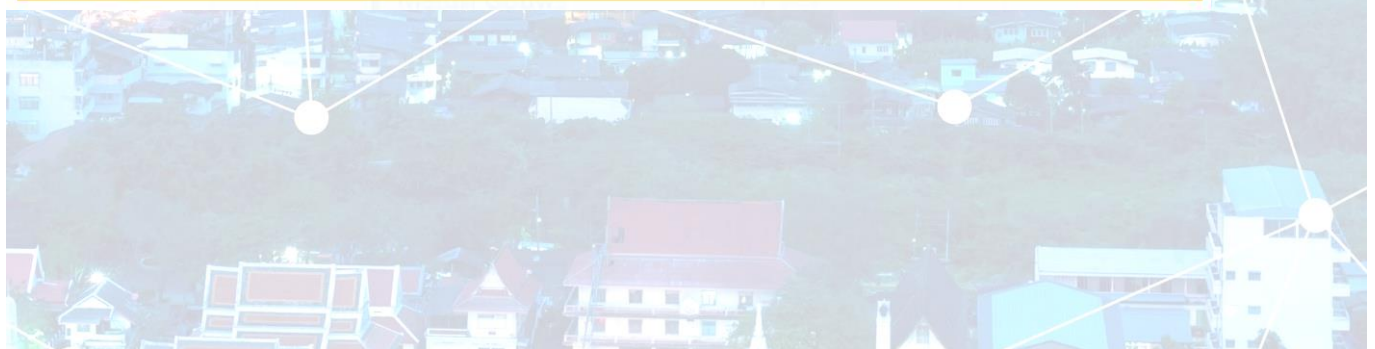
Did you know the City of Joburg's **free wi-fi coverage offers 500MB of data** per day per device at a speed of 5MB per second?

Did you know that the existing City of Joburg **free wi-fi hotspots are accessed by up to 6 000 devices** per day?

Did you know the City of Joburg's free wi-fi hotspots are manned by the City's broadband network company, the Metropolitan Trading Company (MTC) and daily health checks are conducted

FREE WiFi

www.joburg.org.za
@CityofJoburgZA
CityofJohannesburg
CityofJoburg

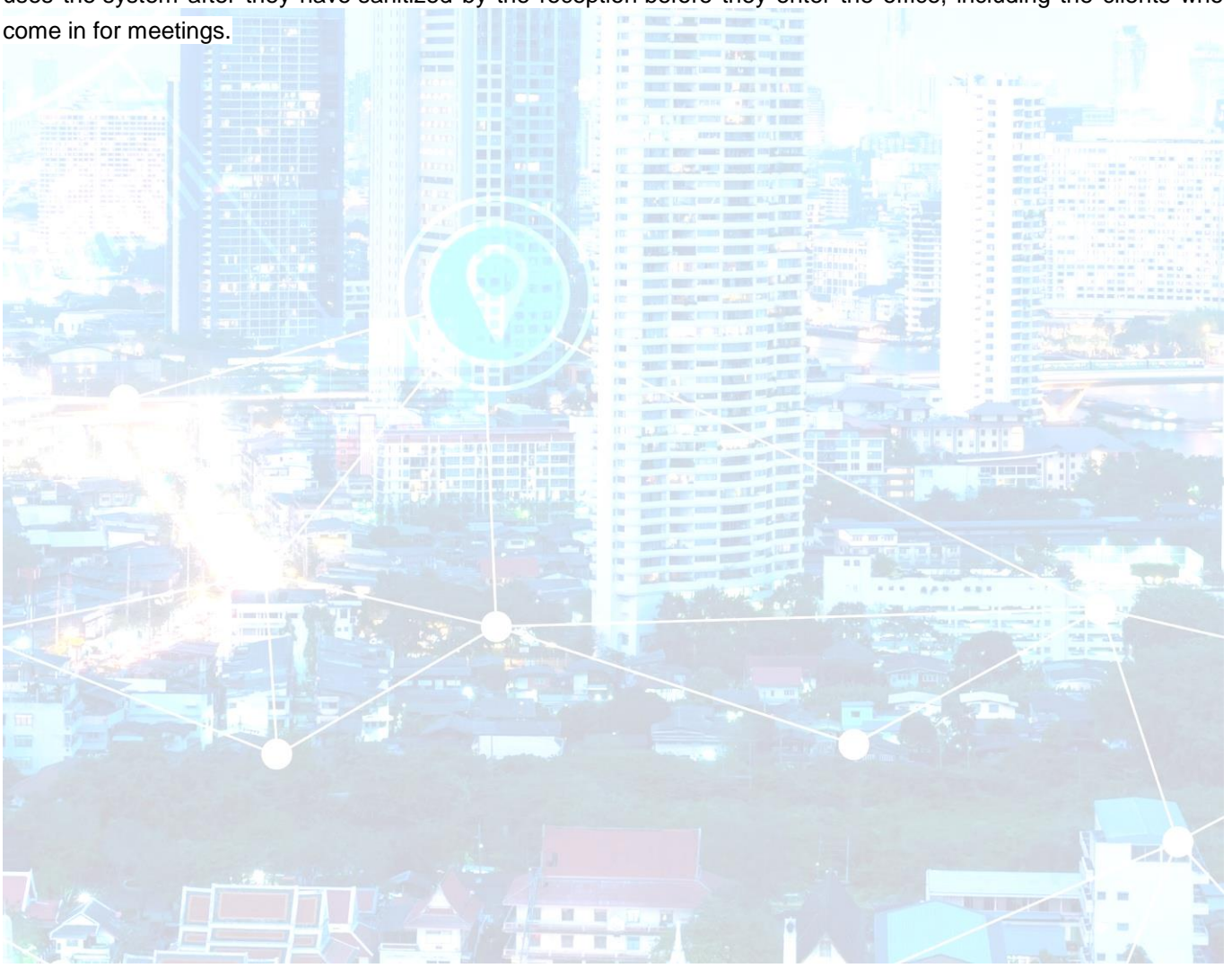




Track and trace (city of Johannesburg access control) app

Graphic 19: Track and trace machine

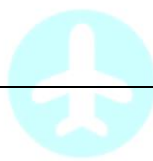
MTC has placed a machine that will enable employees and clients to scan for covid-19 every morning before they enter the offices. This is to assist and track movements and control the spread of COVID-19. This is the innovation or technology equipment to assist with protection against infection and prevent the virus from spreading, everyone uses the system after they have sanitized by the reception before they enter the office, including the clients who come in for meetings.



CHAPTER FIVE

FINANCIAL PERFORMANCE AND EXPOSURE

SECTION 1: STATEMENT OF FINANCIAL POSITION AND HIGH-LEVEL NOTES

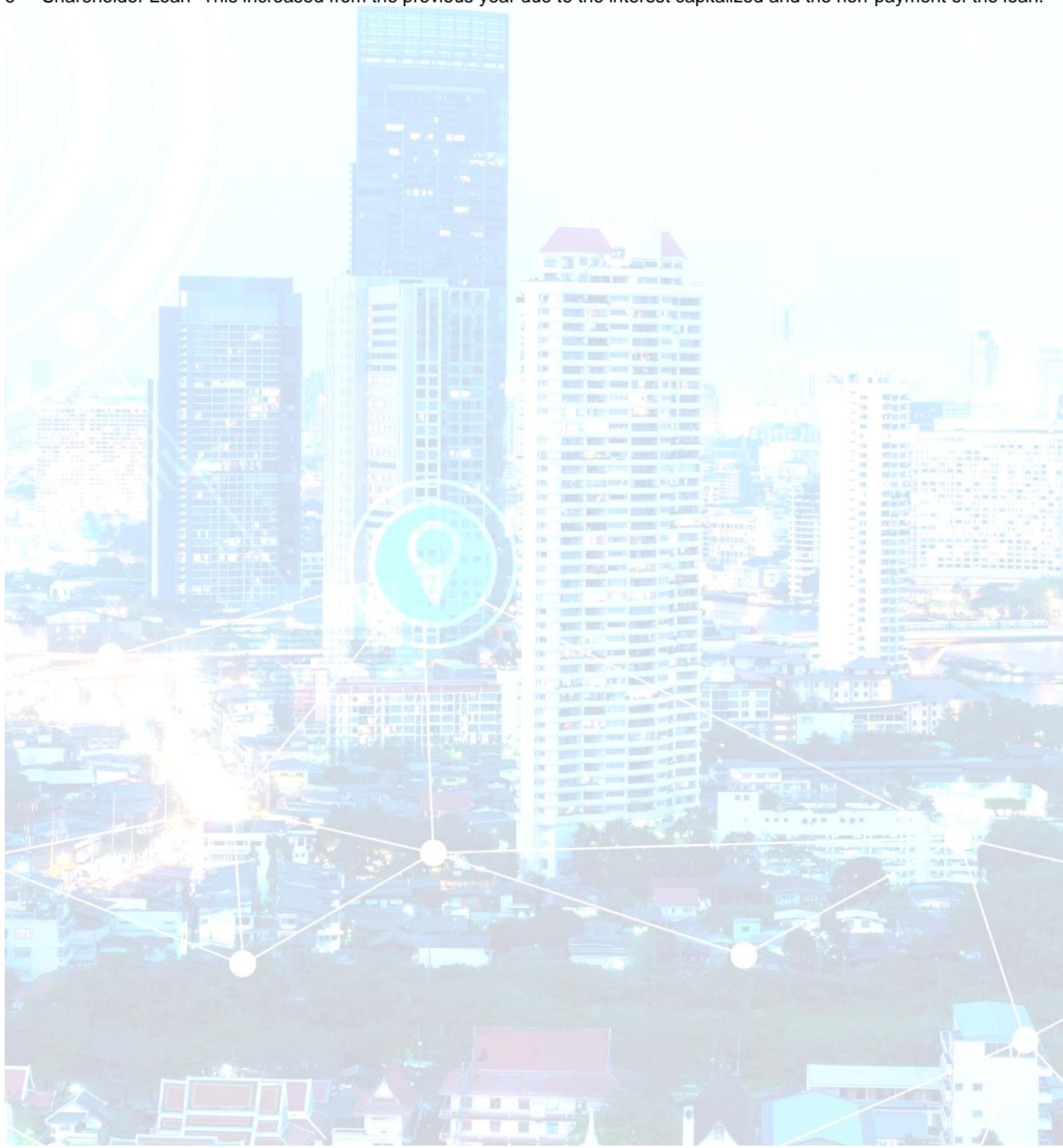


Figures in Rand Thousands	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	8	2,947	3,074
Loans to shareholders	5	791,327	713,516
Receivables from exchange transactions	9	819,378	525,294
Receivables from non-exchange transactions	10	6,088	6,088
Prepayments		211	236
Non-Current Assets			
Property Plant and Equipment		1,619,951	1,248,208
	3	467,670	483,609
Intangible assets	4	1,249	5,331
Deferred tax	6	9,764	334
Total Assets		478,683	489,274
Liabilities			
Current Liabilities			
Current tax payable		2,098,634	1,737,482
		79,239	52,189
Operating lease liability	7	38	-
Payables from exchange transactions	15	241,054	192,036
VAT payable	16	2,372	2,293
Provisions	14	3,826	2,609
Current portion of Shareholder Loan		648,915	401,667
Income received in advance		-	333
Non-Current Liabilities			
Loans from shareholders		975,444	651,127
	5	1,404,845	1,458,759
Deferred tax	6	23,725	926
Total Liabilities	12	1,428,570	1,459,685
Net Liabilities			
Share capital / contributed capital		2,404,014	2,110,812
		(305,380)	(373,330)
		163,897	163,897
Accumulated loss		(469,277)	(537,227)
Total Net Liabilities		(305,380)	(373,330)

Table 26: Statement of Financial Position and high-level notes

Balance Sheet variance analysis:

- 1- Debtor's balance has increased from the previous year which is due to projects that were completed and billed at the end of the fourth quarter. Although some internal debtors have paid, the collection remains an issue within the Group. The debtor's books amount to at least 90% owed from CoJ.
- 2- Loan to Shareholder- This has increased from the previous year due to payments received from debtors. The entity remains in a good cash position.
- 3- Property, Plant, and Equipment- The decrease is due to monthly depreciation and amortization
- 4- Payables from Exchange- This increased due to suppliers that have invoiced for projects completed by the end of the financial year.
- 5- VAT Payable- This amount reflects the VAT payable as of June 2021 which is payable in July 2021.
- 6- Shareholder Loan- This increased from the previous year due to the interest capitalized and the non-payment of the loan.



SECTION 2: STATEMENT OF FINANCIAL PERFORMANCE AND HIGH-LEVEL NOTES

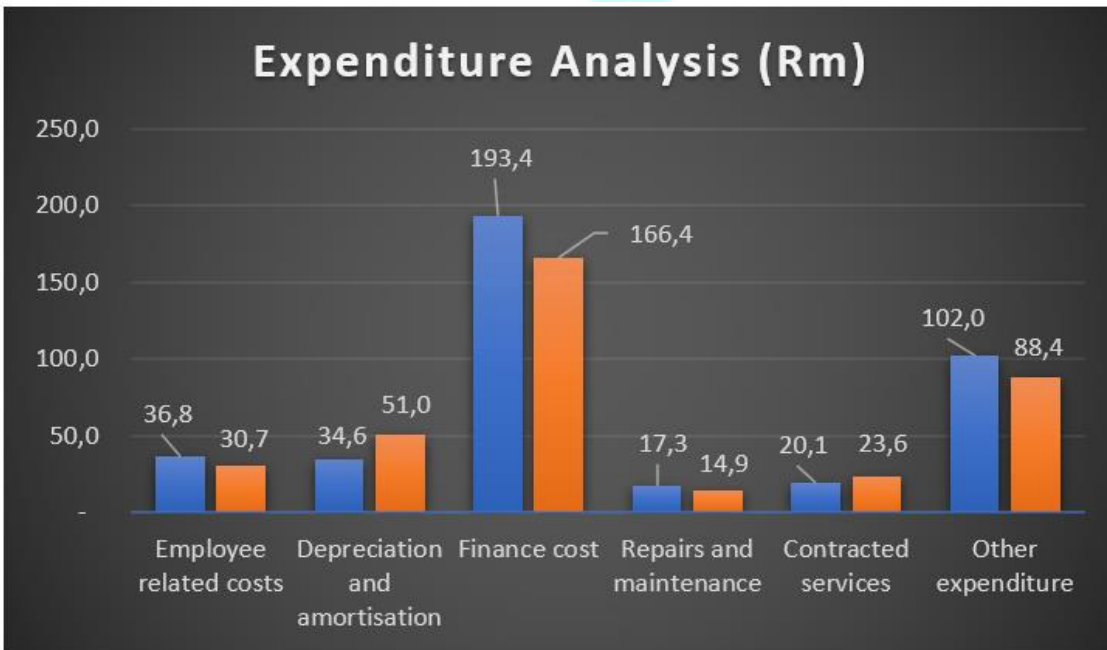
Line item	FY 2020/21	FY 2019/20	Variance	Reasons for variance
	Actual '000	Actual '000		
Revenue				
Non-exchange revenue	251 893	239 990	11 903	
Subsidy from City of Johannesburg	251 893	239 990	11 903	
Exchange Revenue	260 699	203 634	57 065	
Sale of services	219 720	153 318	66 402	More projects were implemented during the fourth quarter hence the significant increase in service revenue
Agency services	15 395	15 373	22	
Interest received	25 401	34 942	- 9 541	Decrease in the repo rate during the financial year.
Tender Purchase Fees	183	1	182	Service providers paid for tender documents
Total revenue	512 592	443 624	68 968	
			-	
Expenditure			-	
Employee related costs	36 842	30 700	6 142	Due to appointment of full-time CEO, CFO, CTO and Cossec as well as payment of acting allowances and overtime.
Depreciation and amortisation	34 634	51 007	- 16 373	Prior year audit adjustment for intangible assets and assets being written down to R1 in the prior year.
Finance cost	193 367	166 419	26 948	Interest on non-payment of shareholder loan
Repairs and maintenance	17 300	14 900	2 400	More incidents of repairs and maintenance due to theft, vandalism.
Contracted services	20 072	23 641	- 3 569	Lower than prior year due to delay in the appointment of strategic consultants.
Other expenditure	102 013	88 446	13 567	The majority of this expenditure relates to costs in relation to the rendering of services. This is higher than expected due to more projects implemented.
Total expenses	404 228	375 113	29 115	
			-	
Operating surplus/deficit	108 364	68 511	39 853	
			-	
Taxation	40 415	22 021	18 394	
			-	
Surplus after taxation	67 949	46 490	21 459	

Table 27: Statement of Financial Performance with high-level notes



Income Statement Analysis:

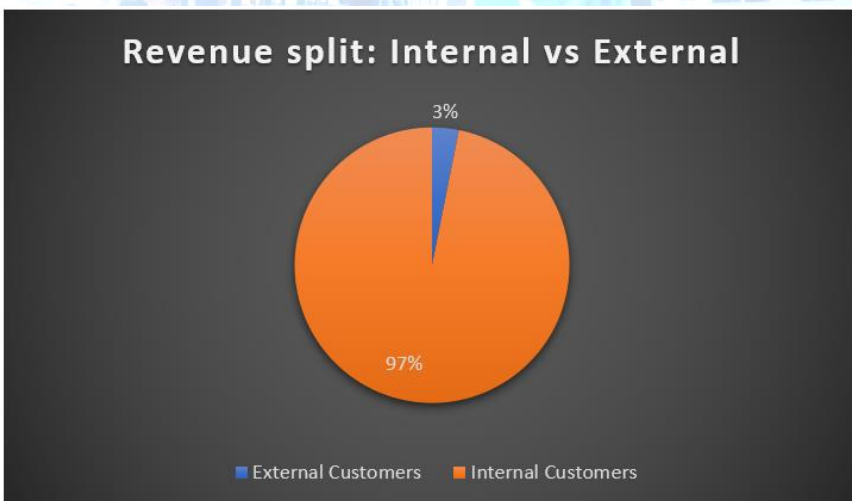
Expenditure:



Graphic 20: Expenditure

The graph above depicts that the depreciation and Finance costs are the main contributors to the entity's expenditure. These are non-cash items. The other expense items are comparable to the prior year.

Income:

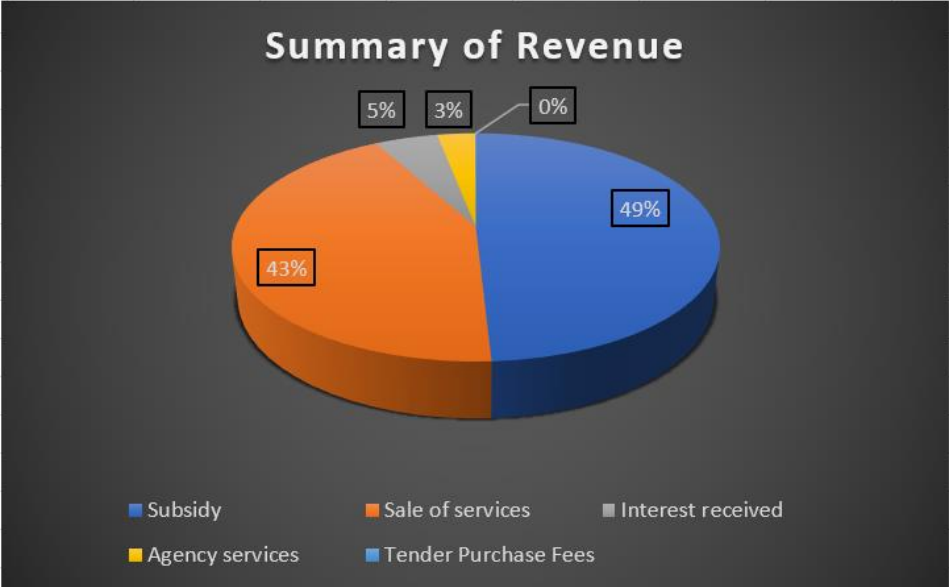


Graphic 21: Income

The diagram above depicts the split between internal and external customers. External customers represent 3% of revenue whilst internal customers represent 92%. The entity is reliant on internal customers to generate revenue.

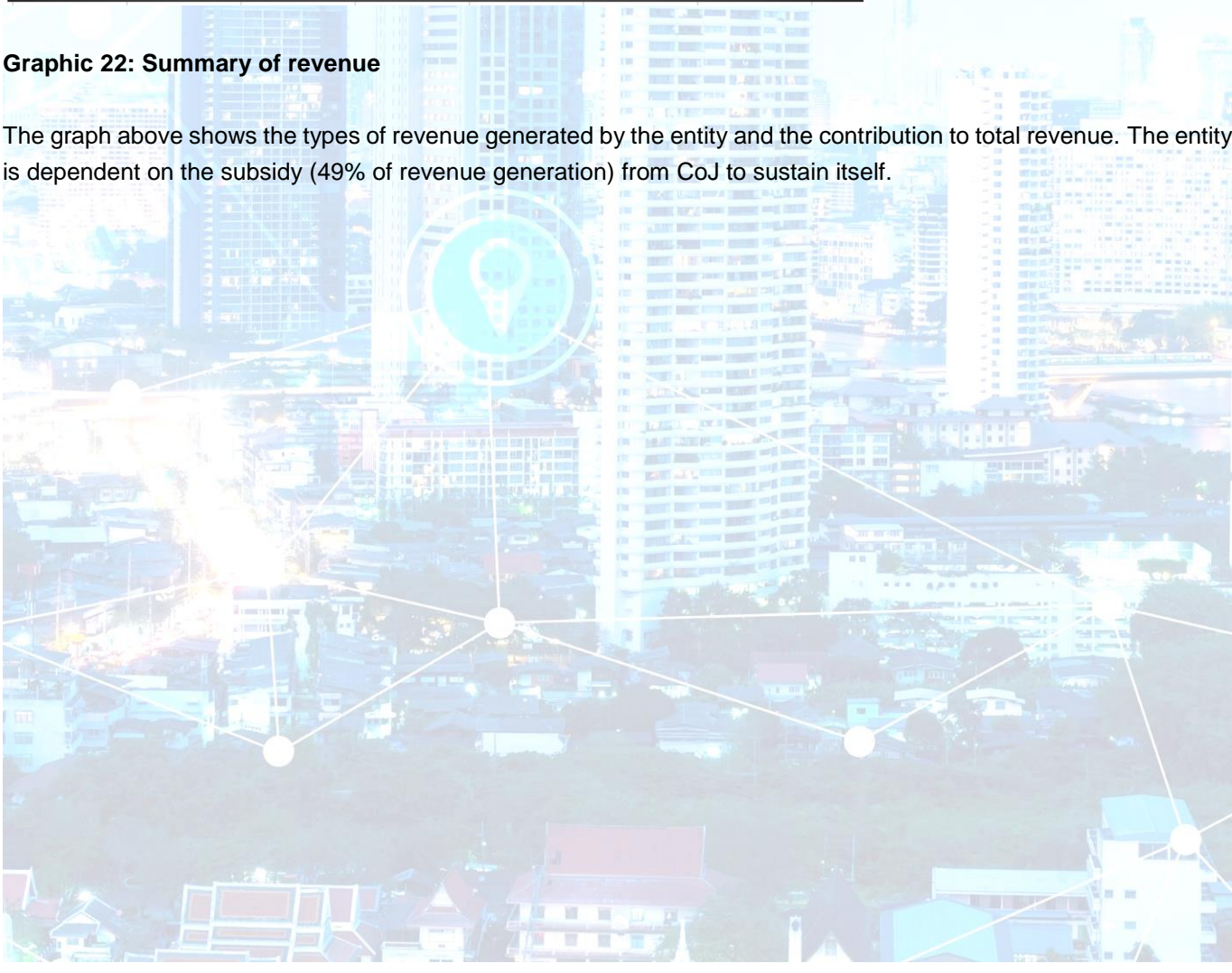
This excludes the subsidy from CoJ. The entity was allocated minimal capital budget, therefore unable to invest in capital expenditure to attract external customers.

Summary of Revenue:



Graphic 22: Summary of revenue

The graph above shows the types of revenue generated by the entity and the contribution to total revenue. The entity is dependent on the subsidy (49% of revenue generation) from CoJ to sustain itself.



SECTION 3: CASH FLOW STATEMENT

Cash Flow Statement for the year ended 30 June 2021			
Figures in Rand Thousands	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Cash received from customers		309 421	392 973
Cash received from subsidy		251 893	239 990
Interest income		25 401	34 942
		586 715	667 905
Payments			
Cash paid to suppliers and employees		(493 702)	(482 318)
Net cash flows from operating activities	30	92 391	185 587
Cash flows from investing activities			
Purchase of Capital Assets	3	(14,646)	-
Net Loan to Shareholder		(77 811)	(185 587)
Net cash flows from investing activities		(92 457)	(185 587)
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	11	-	-

Table 23: Cash Flow Statement

SECTION 4: CAPITAL PROJECTS & EXPENDITURE

The entity was allocated a total capital budget of R15 million for the 2020/21 financial year. This consists of:

- Office Up-grade Desktops, Laptops and Tools of Trade– R5 million
- Batteries and Node relocations- R 10 million

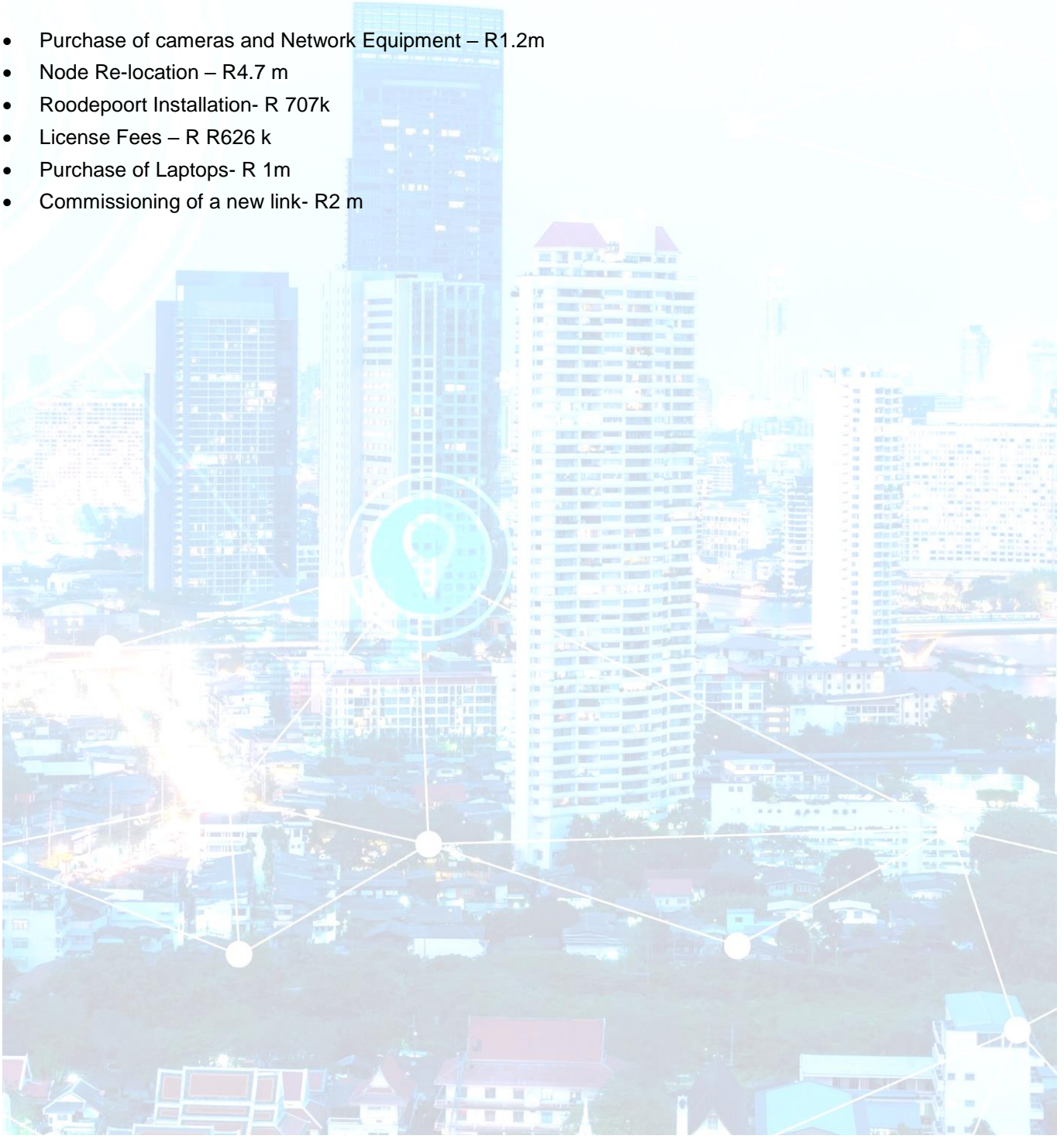
The spend for the year was as follows:

Capex spend for the year 2020/21											
Item Description	Budget Allocated	Actual- Q1	Budget- Q1	Actual - Q2	Budget- Q2	Actual- Q3	Budget- Q3	Actual- Q4	Budget- Q4	Total Spent	Percentage spent
Office Up-grade, Laptops and Desktops	5 000	-	-	27	1 500	-	1 000	4 554	2 500	4 581	92%
Battery and Node Re-location	10 000	1 902	2 000	2 367	4 000	-	1 500	5 730	2 500	9 999	100%
Total	15 000	1 902	2 000	2 394	5 500	-	2 500	10 284	5 000	14 580	97%

Table 24: Capital Budget Spend

The entity has spent 97% of the capital budget. The following capital projects were implemented in quarter four:

- Purchase of cameras and Network Equipment – R1.2m
- Node Re-location – R4.7 m
- Roodepoort Installation- R 707k
- License Fees – R R626 k
- Purchase of Laptops- R 1m
- Commissioning of a new link- R2 m



SECTION 5: RATIO ANALYSIS (MINIMUM: LIQUIDITY, SOLVENCY, COST COVERAGE)

Ratio description	Brief description	Value	Norm	Explanation
Current ratio	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.	1,66	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.
Solvency ratio	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	0,87	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	EBITDA stands for Earnings Before Interest, Taxes, Depreciation, and Amortization and is a metric used to evaluate a company's operating performance without having to factor in financing decisions, depreciation and amortisation decisions or tax effects.	336 365,00	None	The entity has a positive EBITDA indicating that the entity is in a good cash position
Repairs and Maintenance as a % of PPE	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.	4%	8%	The entity is currently below the norm. This is due to fewer incidents for repairs. The entity is also constrained by budget. Currently the budget is not aligned to 8% of the PPE value.
Net Debtors days	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.	1 361,15	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.
Cash/cost coverage ratio	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.	37,42	The norm range between 1 month to 3 months.	The ratio indicates that the entity has cash for 37 days to cover fixed monthly operational costs which is within the norm.
Capital cost as a % of total operating expenditure	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	48%	6% to 8%	The ratio is above the norm, indicating that interest cost is one of the major 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
Debt to Revenue	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.
Net Operating Surplus Margin	The Ratio assesses the extent to which the entity generates Operating Surpluses	49%	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
Remuneration as % of Total Operating Expenditure	The ratio measures the extent of Remuneration to Total Operating Expenditure	9%	The norm range between 25% and 40%	The ratio is below the norm due to the entity not being fully capacitated.
Contracted Services % of Total Operating Expenditure	This ratio measures the extent to which the entity's resources are committed towards contracted services to perform entity's related functions.	5%	The norm range between 2% and 5%	The ratio is within the norm and is reasonable
Revenue Growth (%)	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.	16%	1,80%	The entity grew revenue by 16% from the previous year. This is due to a major projects implemented during the fourth quarter.

Table 25: Ratio Analysis

SECTION 6: SUPPLY CHAIN MANAGEMENT AND BBBEEE (DEVIATIONS, PAYMENTS WITHIN 30 DAYS, REPORT ON IRREGULAR, BUDGET OVERSPENDING, FRUITLESS AND WASTEFUL EXPENDITURE AND DUE PROCESS)

Payments within 30 Days:

Adherence to payments within 30 days	Total for the year	
	Number of invoices	Rand Value
Service providers paid within 30 days	2678	479 811 612,20
Service providers not paid within 30 days	50	103 282 208,45
Total	2728	504 238 270,63

Table 26: Payment in 30 days

For the year under review, MTC paid 98% of invoices within 30 days as required by the MFMA. The payment of invoices after 30 days was due to delays in receiving supporting documentation from suppliers.

Unauthorised, Fruitless and Wasteful Expenditure and Due Processes

- The entity incurred irregular expenditure or unauthorised expenditure of R7,2m for the financial year.
- The entity incurred fruitless and wasteful expenditure of R63m during the year.

Deviations:

Transactions that were recorded as deviations have been reclassified as irregular expenditure based on the outcome of the audit. Therefore, there are no deviations for the year under review.

SECTION 7: PENDING LITIGATIONS AND POSSIBLE LIABILITIES

There is one Unfair Labour Practice dispute which was instituted by an applicant who was not appointed for Company Secretary Position. He is claiming that he be appointed alternatively be compensated. MTC has appointed a Legal firm to represent it and prospects of success are good. We are waiting for the Labour Court to set the matter down for hearing.

SECTION 8: INSURANCE CLAIMS AGAINST/TO MTC

Two laptops has been reported as stolen. The insurance claims process is in progress.

SECTION 9: STATEMENT ON AMOUNTS OWED BY AND TO GOVERNMENT DEPARTMENTS AND PUBLIC ENTITIES

The table below shows amount amounts due by CoJ Entities and Departments to MTC at 30 June 2021.

Name of Department/ MOE	Amount
Group Corporate and Shared Services	329 654 153
Transport Department	30 503 750
Public Safety	57 239 306
GICT	344 046 823
Economic Development	1 451 878
Office of the Ombudsman	3 303 375
Group Legal	7 222 302
GFIS	38 071
Group Communications	406 870
Revenue Department	24 762 904
Health Department	3 277 013
City Power	30 000
Joburg Market	1 145 732
Joburg Theatre	39 210
Johannesburg Development Agency	1 390 350
Johannesburg Roads Agency	824 271
Pikitup	1 075 250
Metrobus	10 227 969
TOTAL	816 639 227

CHAPTER SIX

INTERNAL & EXTERNAL AUDIT FINDINGS



SECTION 1: PROGRESS ON INTERNAL AUDIT PLAN

The Internal Audit Plan for the financial year 2020/21 provides an overview of the entity's progress concerning the full range of elements required for reporting.

Progress performance against the plan during the 2020/21 period has been 78% with a remaining 22% of the audits being deferred to the 2021/22 financial year internal audit plan.

The table below indicates the overall progress in percentage on the 2020/2021 Internal Audit Plan. The following legends are used to reflect the progress made to date.

 InProgress

 Not Started

 Completed

No	Approved Plan	Planning and Scoping	Fieldwork	Final report	Comments	Projected Reporting Date
1	Human Resources Management	Completed	Completed	Completed	Completed	Apr-21
2	Contract Management	Completed	Completed	Completed	Completed	Dec-20 Mar- 2021
3	Corporate Governance	Completed	Completed	Completed	Completed	Sep-20 Jan-21
4	Performance Information (AOPO Q4)	Completed	Completed	Completed	Completed	Sep-20
5	Sales and Marketing	Deferred	Deferred	Deferred	Not Started	Jan-21 May-21
6	COVID-19 Review	Completed	Completed	Completed	Completed	Sep-20
7	Project Management	Deferred	Deferred	Deferred	Not Started	Mar-21 May-21
8	Performance Information (AOPO Q1)	Completed	Completed	Completed	Completed	Oct-20
9	Network Operations	Deferred	Deferred	Deferred	Not Started	Nov-20 Mar-21

No	Approved Plan	Planning and Scoping	Fieldwork	Final report	Comments	Projected Reporting Date
10	Supply Chain Management				On schedule as per plan	Feb-21 April-21
11	Asset Management	Deferred	Deferred	Deferred	On schedule as per plan	Nov-20 Feb-21
12	Compliance Review				Completed	May-21
13	Risk Management Process Review				Completed	Dec-20 Jan-21
14	Business Continuity Review	Deferred	Deferred	Deferred	On schedule as per plan	Oct-20 May-21
15	Fraud Risk Management				Completed	Feb-21
16	Probity Audits Review on BSC and BEC work (two-stage review) on High-Value Tenders				Completed	Dependent on Acquisitions Plan
17	Performance Information (AOPO Q2)				Completed	Jan-21
18	Follow Up on AG and Internal Audit Findings				Done Monthly	Monthly
19	Annual Financial Statements Review- AG				Completed	Sep-20

No	Approved Plan	Planning and Scoping	Fieldwork	Final report	Comments	Projected Reporting Date
	Readiness Assessment					
20	Applications and General Controls Review				Completed	May-21
21	Security Review (Cyber, logical, physical, systems, information)				Completed	May-21
22	Unauthorized, Irregular, Fruitless and Wasteful Expenditure Investigations				Completed	Sep-20
23	Performance Information (AOPO Q3)				Completed	Apr-21

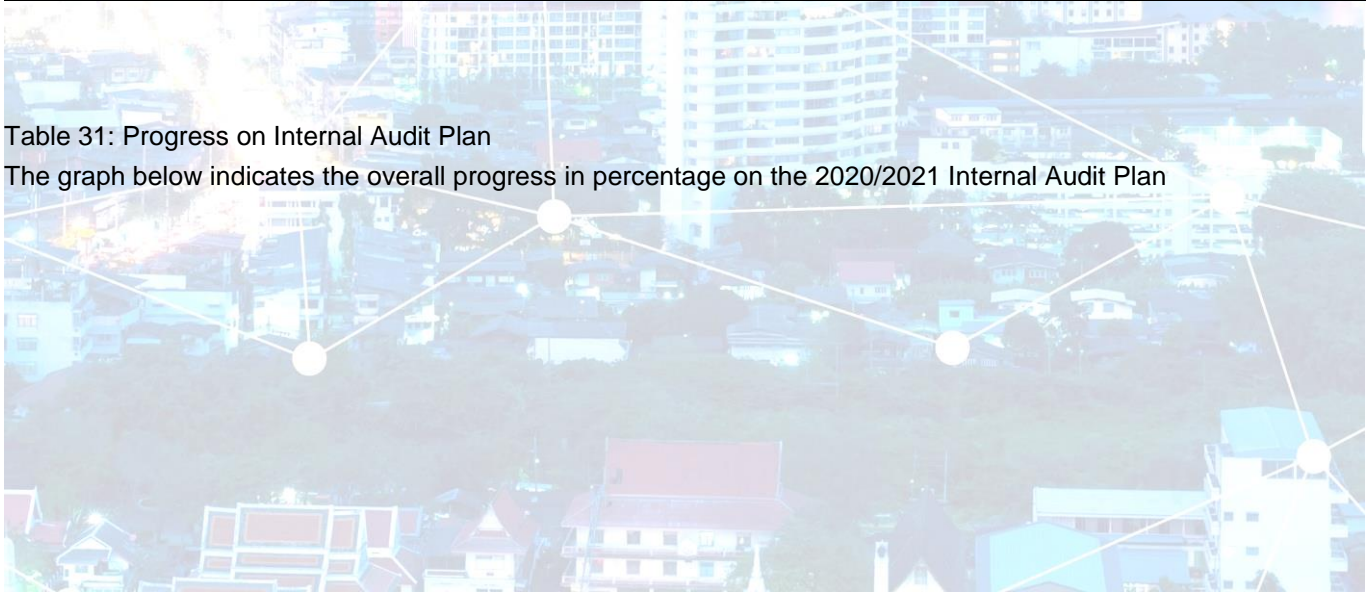
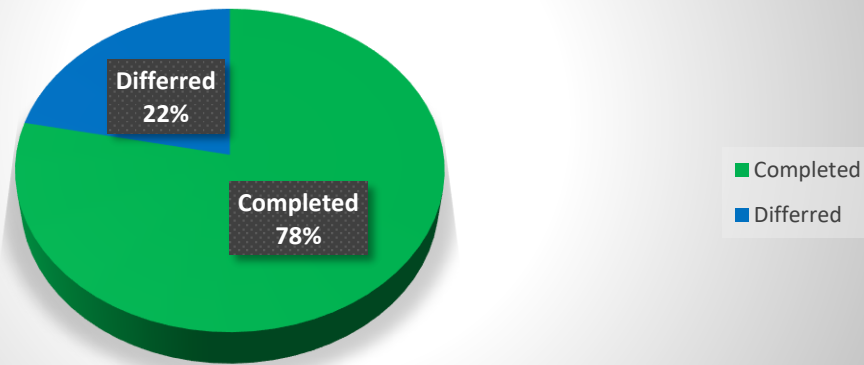


Table 31: Progress on Internal Audit Plan

The graph below indicates the overall progress in percentage on the 2020/2021 Internal Audit Plan

Performance Completion Estimate as at 30 June 2021



SECTION 2: PROGRESS ON RESOLUTION OF INTERNAL AUDIT FINDINGS

Status from 01 July 2020 to 30 June 2021

#	Classification of findings	Total findings raised to date	Total Findings resolved to date	Unresolved	Partially resolved	Resolution Status
4	External (AG) Findings	26	20	2	4	77%
5	Internal Audit Findings	120	81	23	16	68%
Total		146	97	28	19	



Table 34: Internal Audit Findings

Finding	Management Action Plan	Person Responsible	Implementation Date	Progress	Revised Management Action Plan	Revised Implementation dates	Internal Audit Follow Up Comments	Repeat Finding
Incorrect adjustments were made to surplus to derive the net cash flows from operating activities	The Annual Financial Statements will be adjusted Management will perform robust reviews on the Annual Financial Statements	Merusha Naidoo- Finance Manager	20-Feb-21	Resolved	Financial statements were adjusted.	Not Applicable	The 2019/20 Annual Financial Statements were adjusted, we verified through inspection of 2019/20 AFS sent to AG and the adjusted AFS. Internal audit to review the 2020/21 AFS.	
Inconsistencies between the performance plan and the annual performance report	The AOPO will be adjusted to reflect the correct targets. Quality Assurance will be performed on a quarterly basis by Management Support in conjunction with the KPI owners	Management Support Executive: Maria Ncube		Unresolved	The finding has been resolved; inconsistencies have been corrected in the current financial period through deviation that was submitted at mid-year.	Not applicable	The 2020/21 Annual AOPO audit revealed the similar finding, where misalignment between the plan and the report has been raised.	



Finding	Management Action Plan	Person Responsible	Implementation Date	Progress	Revised Management Action Plan	Revised Implementation dates	Internal Audit Follow Up Comments	Repeat Finding
Indicators not useful – Do not meet the FMPPI requirements	Pending budget approval, automated link, and device monitoring to be implemented that will ensure availability monitoring is continuous, data is collected in a consistent manner and historical information is available as required. Technical indicator descriptions for the KPI's are also to be updated.	Chief Executive Offices to secure budget Chief Technology Officer to implement monitoring		Resolved	The finding has been resolved, the KPI s have been improved. The TDIs have also been reworded to ensure usefulness. The system used to extract the data of the relevant KPIs have been configured to ensure data integrity and that the data is per the TDI.	Not Applicable	Adequacy: The KPI reviewed met the FMPPI requirement and have been defined in the TDI (Standard operating procedures) Effectiveness: Evidence submitted during the Annual AOPO for 2020/21 was verifiable to support the targets and KPI set.	





Finding	Management Action Plan	Person Responsible	Implementation Date	Progress	Revised Management Action Plan	Revised Implementation dates	Internal Audit Follow Up Comments	Repeat Finding
Reported achievements per the portfolio of evidence do not agree to the achievements in the annual performance report	<ul style="list-style-type: none"> The achievements will be adjusted as per the AG findings Only signed submission by CFO, CTO and Management Support Executive with TDI and evidence on every KPI will be accepted. The submitted evidence will be in a clearly marked file The evidence file will be submitted with the Quarterly Report to Board for approval then handed over to Internal Audit for review Implementation of a performance monitoring and evaluation system. Attention to details in terms of difference between Business 	Maria Ncube: Management Support Executive		Unresolved	<p>Management have resolved the finding through introducing the following controls to ensure that reported information agrees to the portfolio of evidence:</p> <ul style="list-style-type: none"> Evidence is collated by the owners of the KPIs and the manager of the relevant departments sign off the evidence as proof of review. Management Support quality assures the 	Not Applicable	The 2020/21 Annual AOPO audit revealed the similar finding, where misalignment between the plan and the report has been raised.	Recurring Finding



Finding	Management Action Plan	Person Responsible	Implementation Date	Progress	Revised Management Action Plan	Revised Implementation dates	Internal Audit Follow Up Comments	Repeat Finding
	plan and Annual performance report.				evidence before reporting on performance information.			
Noncompliance with MFMA section 116(2)(b) and ©	<ul style="list-style-type: none">The performance measures will be included in all new contractsAppointment of two project managers in 2020/21 FY which will	Theidi Moropa- Chief Executive Officer	30-Jun-21	Resolved	A legal advisor and contract manager have been appointed and will resume with the review	30 August 2021	New contracts were entered into with the new service providers made the inclusion of the performance measures.	Recurring Finding



Finding	Management Action Plan	Person Responsible	Implementation Date	Progress	Revised Management Action Plan	Revised Implementation dates	Internal Audit Follow Up Comments	Repeat Finding
	assist with contractor's performance				of contracts and monitoring of contracts.			
Reason for deviation not justifiable	Management will prepare detailed reports going- forward regarding deviations. Management believes that the deviation is valid and justified, therefore does not give rise to irregular expenditure	SCM Manager		Partially Resolved	Deviation reports are prepared in a detailed manner. For the transaction identified by AG, the approved SCM process of requesting 3 quotations is now being followed.	Ongoing	Internal audit to review the deviation reports at year end and audit the SCM process to verify management assertions. There are still some deviations which do not meet the deviation criteria as per National treasury such as advertisement.	





Finding	Management Action Plan	Person Responsible	Implementation Date	Progress	Revised Management Action Plan	Revised Implementation dates	Internal Audit Follow Up Comments	Repeat Finding
Non-compliance – Irregular Expenditure	Management will continue to implement adequate controls to ensure that laws and regulation are complied with and monitored as well as ensuring that transactions are adequately managed.	Thedi Moropa- Chief Executive Officer: management disagree with the finding		Resolved	Management have implemented controls to prevent irregular expenditure as a result the irregular expenditure for 2020/21 have decreased drastically compared to the UIFW reported in 2019/20. The Nashua contract for printers was cancelled during the year.	Ongoing	Adequacy: A declaration register of UIFW is in Place. Effectiveness Irregular expenditure register for the 2020/21 is maintained by the department and UIFW are investigated as and when they are incurred.	
Consequence management control deficiency and non-compliance	The investigations will be prioritized and based on the outcomes of the	Thedi Moropa- Chief Executive		Resolved	Proper document management system to be	Ongoing	Adequacy: There is a consequence management policy	



Finding	Management Action Plan	Person Responsible	Implementation Date	Progress	Revised Management Action Plan	Revised Implementation dates	Internal Audit Follow Up Comments	Repeat Finding
	investigation; the consequence management policy will be applied.	Officer: management disagree with the finding			implemented by SCM. Guidance for consequence management process to be obtained from HR.		in place to manage outcome of investigations Effectiveness: Investigation is carried out by Internal Audit and legal department Management. Assertions to be verified by internal audit through conduction of SCM audits.	
AOPO - Internal control deficiency	Control will be improved to ensure that there is a clear separation of duties and sign of in terms of the performer of the report (collector and consolidator of information), first level reviewer and/or second level reviewer as well as final	Chief Technology Officer		Resolved	Management have resolved the finding through introducing the following controls to ensure that reported information agrees to the	Not Applicable	Adequacy: There is a process of Quality assurance in place to reflect the roles and responsibilities in compiling and reviewing AOPO. Effectiveness:	



Finding	Management Action Plan	Person Responsible	Implementation Date	Progress	Revised Management Action Plan	Revised Implementation dates	Internal Audit Follow Up Comments	Repeat Finding
	<p>approver. Signed evidence files to be kept with signoff sheet while a workflow tool will be investigated to facilitate this process longer term.</p>				<p>portfolio of evidence:</p> <ul style="list-style-type: none"> • Evidence is collated by the owners of the KPIs and the manager of the relevant departments sign off the evidence as proof of review. • Management Support quality assures the evidence before reporting on performance information. 		<p>The process to be continuously verified every quarter through AOPO audits.</p>	
<p>Completeness – Irregular Expenditure</p>	<p>none</p>	<p>None-Management disagree with the finding</p>		<p>Resolved</p>	<p>Management disagreed with the finding, however controls to ensure that</p>	<p>Not Applicable</p>	<p>Adequacy: Irregular expenditure register is in place to monitor UIFW declared.</p>	



Finding	Management Action Plan	Person Responsible	Implementation Date	Progress	Revised Management Action Plan	Revised Implementation dates	Internal Audit Follow Up Comments	Repeat Finding
					the transactions that were identified by AG to be irregular are eliminated in the current financial period, the approved SCM process is followed to procure the identified services/ goods.		Effectiveness The register is monitored monthly.	
Invoices not paid within 30 days of receipt	Management implemented additional controls in the current year. An invoicing portal system was created whereby finance receives the invoice first. The user departments then get 14 days to verify the invoice and return to	Merusha Naidoo- Financial Manager		Resolved	Control measures such as the invoice portal have been introduced by Finance to ensure that invoices are paid within 30 days.	Ongoing	Adequacy. Payment of invoices are tracked monthly through the Compliance Monthly reports which are submitted to MTC Compliance department. Invoices that are not paid	Recurring Finding



Finding	Management Action Plan	Person Responsible	Implementation Date	Progress	Revised Management Action Plan	Revised Implementation dates	Internal Audit Follow Up Comments	Repeat Finding
	<p>finance. In this way finance is better able to control 30 days. Regular follow ups are done with the Operations Department. A tracker is also used to track and monitor the cycle of invoices.</p>				<p>Operations also keeps a tracker of invoices, and this is followed up by the Finance Manager and Chief Technology Officer.</p> <p>A service provider also charges MTC interest on services not being utilised by MTC, the interest is later reversed.</p>		<p>within 30 days are monitored and justified in the monthly report.</p> <p>Effectiveness The Payment schedule for April 2021 (reflected one transaction paid in 37 days and May 2021 and June 2021 reflected 0 payments made outside 30 days)</p>	
Conflict of interest – Interest in service of the state	Management will investigate the supplier Teraco, and determine the way forward	Siviwe Mafanya – Supply Chain Manager		Resolved	Management have advertised a tender for hosting services.	30 September 2021	The previous contracts elapsed. A new service provider has been appointed to provide hosting services	



Finding	Management Action Plan	Person Responsible	Implementation Date	Progress	Revised Management Action Plan	Revised Implementation dates	Internal Audit Follow Up Comments	Repeat Finding
Non-compliance with SCM Regulations				Resolved	A Purchase Requisition Checklist has been developed and is being utilised by finance department which includes a Declaration from the awarded service provider and the tax clearance. No payment is made without a declaration by service providers awarded work	Ongoing	A sample of 10 payments was selected, all payments contained declaration and tax clearance. Internal Audit to continue with the follow up audits.	
SCM Progress Monitoring Report	None	SCM Manager		Partially Resolved	User departments dealing with contractors have been	30 September 2021	Follow Up to Commence end of September 2021 and it is still not concluded.	



Finding	Management Action Plan	Person Responsible	Implementation Date	Progress	Revised Management Action Plan	Revised Implementation dates	Internal Audit Follow Up Comments	Repeat Finding
					engaged and a process plan was agreed on to monitor contractors. A presentation was also conducted by one of the shareholder departments on information needed to monitor contractors			
Non – compliance – Limitation of scope	Management disagrees with the findings Issue one: Subsidized education scheme policy and confirmed that the policy is in place. Further confirmed that MTC has an agreement with Mancosa. Issue two: A report for customer rate card	None- Management disagree with the finding	N/A	Resolved				



Finding	Management Action Plan	Person Responsible	Implementation Date	Progress	Revised Management Action Plan	Revised Implementation dates	Internal Audit Follow Up Comments	Repeat Finding
	pricing for CCTV material and services offering and confirmed that the report was approved by the Acting CEO. Given the above, no further audit work will be performed.							
MTC Fraud risk assessment	The risk of unauthorized use of MTC's assets has been incorporated in the current year fraud risk register, which will be monitored on quarterly basis.	Risk and Assurance Manager	31-Jan-21	Resolved			The Quarter 3 Risk Management report has highlighted that the Fraud risk has been monitored by the Risk section.	
Understatement of current tax payable	Financial Statements will be adjusted.	Merusha Naidoo- Financial Manager	25-Feb-21	Resolved	The Financial Statements were adjusted.	Not Applicable	The 2019/20 Annual Financial Statements were adjusted, verified through inspection of correction of current tax payable journal entry. Internal audit to conduct AFS review for the	



Finding	Management Action Plan	Person Responsible	Implementation Date	Progress	Revised Management Action Plan	Revised Implementation dates	Internal Audit Follow Up Comments	Repeat Finding
							2020/21 financial period.	
Management fees disclosed as related parties are misstated	The Financial Statements will be adjusted.	Merusha Naidoo- Financial Manager	25-Feb-2021	Resolved	The financial statements were adjusted to rectify the error.	Not Applicable	Through inspection of the 2019/20 adjusted AFS, we verified that the management fees were correctly disclosed. Internal audit to conduct an audit on the 2020/21 AFS.	
Directors' remuneration disclosed are misstated	none	Merusha Naidoo- Financial Manager		Resolved	The financial statements were adjusted to rectify the error.	Not Applicable	Through inspection of the 2019/20 adjusted AFS, we verified that the directors' remuneration was correctly disclosed. Internal audit to	



Finding	Management Action Plan	Person Responsible	Implementation Date	Progress	Revised Management Action Plan	Revised Implementation dates	Internal Audit Follow Up Comments	Repeat Finding
							conduct an audit of the 2020/21 AFS.	
Reason for deviation not justifiable	The Financial Statements will be adjusted.	None- Management disagree with the finding		Partially Resolved	Finance will only accept deviation reports that are well detailed going forward. Management have already commenced with implementing this control. Procurement of advertisement services is now following the normal approved SCM process not the deviation.	Ongoing	Deviation reports for the current financial period to be inspected to determine whether reasons for deviation are justifiable. Management assertions to be verified through conducting a SCM audit.	



Finding	Management Action Plan	Person Responsible	Implementation Date	Progress	Revised Management Action Plan	Revised Implementation dates	Internal Audit Follow Up Comments	Repeat Finding
Prior period error notes incorrect	N/A	Merusha Naidoo- Financial Manager		Resolved	The Financial Statements were adjusted.	Not Applicable	The 2019/20 Annual Financial Statements were adjusted, verified through inspection of the AFS submitted to AG and adjusted AFS. Internal audit to audit the 2020/21 AFS.	
Non-compliance with SCM Regulations	N/A	None- Management disagree with the finding		Partially resolved			A contract specialist has been appointed in the new Financial year to perform contract management duties and an audit of contracts has been scheduled I November 2021 to verify the controls in the contract management space.	



Finding	Management Action Plan	Person Responsible	Implementation Date	Progress	Revised Management Action Plan	Revised Implementation dates	Internal Audit Follow Up Comments	Repeat Finding
Procurement and contract management: PPPF - SCM	Issue One- A report was drafted out and signed by the Accounting Officer whereby reasons were clearly indicated why Tiana was the preferred supplier Issue two- This was due to human error. However, the correct bidder was awarded the work as correctly indicated above, therefore there is no material impact on compliance to legislation	None- Management disagree with the finding		Resolved	A contract specialist has recently been appointed.		<p>Adequacy: Investigations has been concluded on the matter with recommendation.</p> <p>Effectiveness The recommendation to be implemented once approved by the ARC and the Board.</p>	
Policy not approved	The fraud prevention plan and the fraud risk policy have been reviewed and approved in 2020/21. The policies will also be specific regarding the date of review such as annually etc.	Risk and Assurance Manager		Resolved	The fraud prevention plan and the fraud risk policy have been reviewed and approved in 2020/21.	Not Applicable	Through inspection of the minutes of the board meetings that were held on the 2nd of October 2020 and 28 August 2020, the Fraud Prevention Plan and the Fraud Risk Management	



Finding	Management Action Plan	Person Responsible	Implementation Date	Progress	Revised Management Action Plan	Revised Implementation dates	Internal Audit Follow Up Comments	Repeat Finding
							Policy were approved.	
Non-compliance – No proof of approvals/reviews	The above-mentioned policies were approved after year end	None-corrective action already taken		Resolved	The identified policies were approved after year end, minutes of approval available for inspection.	Not Applicable	Finding has been resolved, through inspection of the minutes of the board's meeting, the policies were approved.	Recurring Finding
Network assets not in use but included in the asset register	The asset register will be amended	Merusha Naidoo-Finance Manager		Resolved	Not Applicable	Not Applicable	Finding resolved, through inspection of the asset register, the assets network equipment that previously had a book value of R1 were updated to R0.	

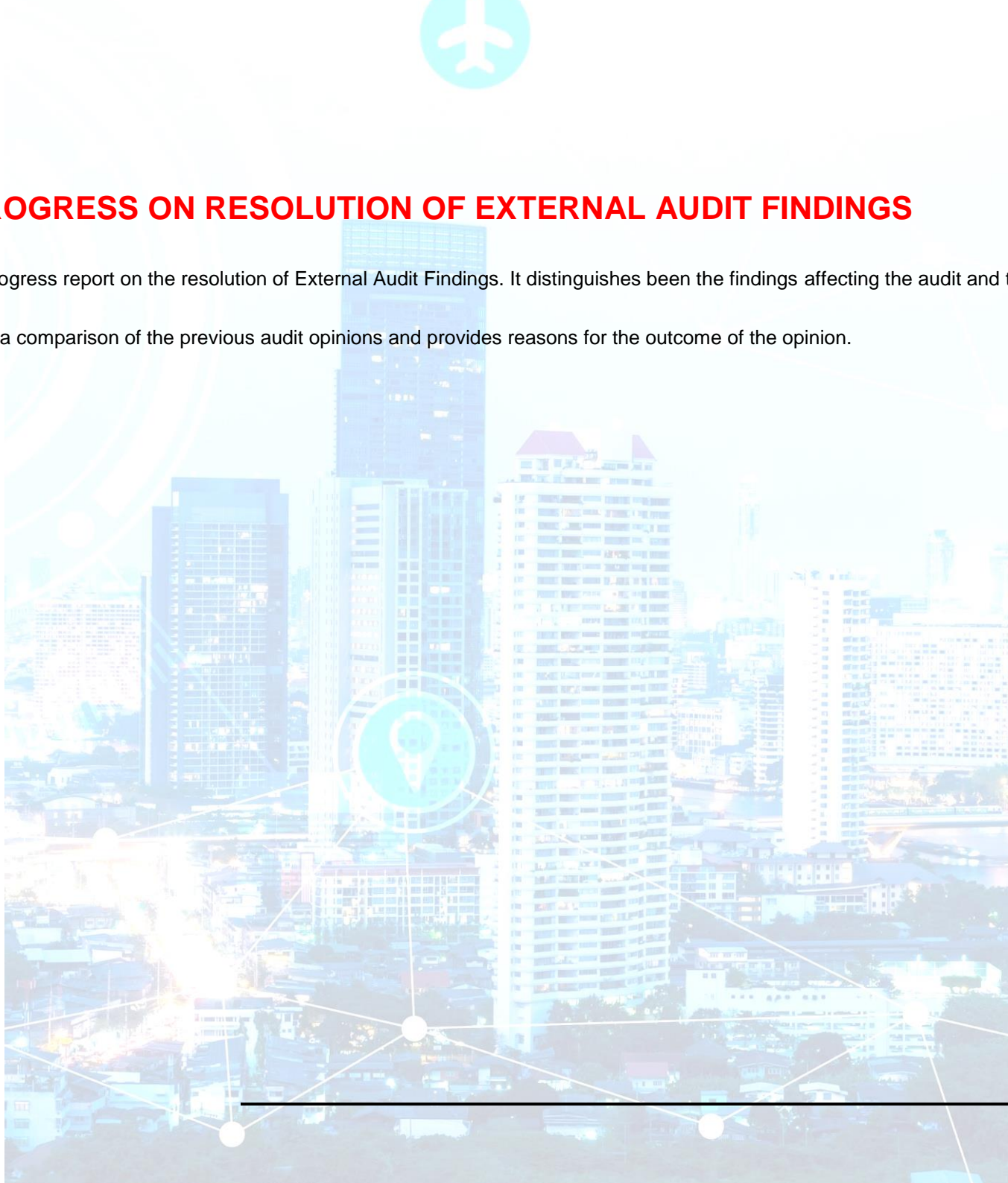


SECTION 3: PROGRESS ON RESOLUTION OF EXTERNAL AUDIT FINDINGS

This section provides a progress report on the resolution of External Audit Findings. It distinguishes between the findings affecting the audit and those that do not.

The section also includes a comparison of the previous audit opinions and provides reasons for the outcome of the opinion.

Table 33: AG Findings



Finding heading	Management Action Plan	Person Responsible	Implementation Date	Progress	Revised Management Action Plan	Revised Implementation dates	Internal Audit Follow Up Comments	Repeat Finding	Impact on audit
Incorrect adjustments were made to surplus to derive the net cash flows from operating activities	The Annual Financial Statements will be adjusted Management will perform robust reviews on the Annual Financial Statements	Merusha Naidoo- Finance Manager	20-Feb-21	Resolved	Financial statements were adjusted.	Not Applicable	The 2019/20 Annual Financial Statements were adjusted, we verified through inspection of the 2019/20 AFS sent to AG and the adjusted AFS. Internal audit to review the 2020/21 AFS.		Impact on audit
Inconsistencies between the performance plan and the annual performance report	The AOPO will be adjusted to reflect the correct targets. Quality Assurance will be performed quarterly by Management Support in conjunction with the KPI owners	Management Support Executive: Maria Ncube		Unresolved	The finding has been resolved; inconsistencies have been corrected in the current financial period through deviation that was submitted at mid-year.	Not applicable	AOPO Q4 to be conducted by internal audit to verify management assertions.		No direct impact on the audit



<p>Indicators not useful – Do not meet the FMPPi requirements</p>	<p>Pending budget approval, automated link, and device monitoring to be implemented that will ensure availability monitoring is continuous, data is collected consistently, and historical information is available as required. Technical indicator descriptions for the KPI's are also to be updated.</p>	<p>Chief Executive Offices to secure budget Chief Technology Officer to implement monitoring</p>		<p>Unresolved</p>	<p>The finding has been resolved, the KPI s have been improved. The TDIs have also been reworded to ensure usefulness. The system used to extract the data of the relevant KPIs has been configured to ensure data integrity and that the data is per the TDI.</p>	<p>Not Applicable</p>	<p>AOPO Q4 to be conducted by internal audit to verify management assertions.</p>		<p>No immediate impact on the audit</p>
<p>Reported achievements per the portfolio of evidence do not agree with the achievements in the annual performance report</p>	<ul style="list-style-type: none"> • The achievements will be adjusted as per the AG findings • Only signed submission by CFO, CTO, and Management Support Executive 	<p>Maria Ncube: Management Support Executive</p>		<p>Unresolved</p>	<p>Management has resolved the finding by introducing the following controls to ensure that reported</p>	<p>Not Applicable</p>	<p>AOPO Q4 to be conducted by internal audit to verify management assertions.</p>	<p>Recurring Finding</p>	<p>No immediate impact on the audit</p>



	<p>with TDI and evidence on every KPI will be accepted.</p> <ul style="list-style-type: none">• The submitted evidence will be in a marked file• The evidence file will be submitted with the Quarterly Report to Board for approval then handed over to Internal Audit for review• Implementation of a performance monitoring and evaluation system.• Attention to details in terms of the difference between Business plan and Annual performance report.				<p>information agrees to the portfolio of evidence:</p> <ul style="list-style-type: none">• Evidence is collated by the owners of the KPIs and the manager of the relevant departments sign off the evidence as proof of review.• Management Support quality assures the evidence before reporting on performance information.				
<p>Noncompliance with MFMA section 116(2)(b) and ©</p>	<ul style="list-style-type: none">• The performance measures will be included in all new contracts• Appointment of two project	<p>Theদি Moropa- Chief Executive Officer</p>	<p>30-Jun-21</p>	<p>Unresolved</p>	<p>A legal advisor and contract manager have been appointed</p>	<p>30 August 2021</p>	<p>Management has provided the revised implementation date, to be followed up</p>	<p>Recurring Finding</p>	<p>No immediate impact on the audit</p>



	managers in 2020/21 FY which will assist with contractor's performance				and will resume with a review of contracts and monitoring of contracts.		after the set date.		
Reason for deviation not justifiable	Management will prepare detailed reports going-forward regarding deviations. Management believes that the deviation is valid and justified, therefore does not give rise to irregular expenditure	SCM Manager		Partially Resolved	Deviation reports are prepared in a detailed manner. For the transaction identified by AG, the approved SCM process of requesting 3 quotations is now being followed.	Ongoing	Internal audit to review the deviation reports and audit the SCM process to verify management assertions.		Impact on the audit
Non-compliance – Irregular Expenditure	Management will continue to implement adequate controls to ensure that laws and regulations are complied with and monitored as well as ensuring that	TheDi Moropa- Chief Executive Officer: management disagrees with the finding		Unresolved	Management has implemented controls to prevent irregular expenditure as a result the irregular	Ongoing	The irregular expenditure register for the 2020/21 financial period has been provided by Finance and an internal		Impact on the audit



	transactions are adequately managed.				expenditure for 2020/21 has decreased drastically compared to the UIFW reported in 2019/20. The Nashua contract for printers was cancelled during the year.		audit will investigate.		
Consequence management control deficiency and non-compliance	The investigations will be prioritized and based on the outcomes of the investigation; the consequence management policy will be applied.	Theodi Moropa-Chief Executive Officer: management disagrees with the finding		Unresolved	Proper document management system to be implemented by SCM. Guidance for consequence management process to be obtained from HR.	Ongoing	Management assertions to be verified by internal audit through conduction of SCM audits.		
AOPO - Internal control deficiency	Control will be improved to ensure that there is a clear separation of duties	Chief Technology Officer		Unresolved	Management has resolved the finding by introducing	Not Applicable	AOPO Q4 to be conducted by internal audit to verify		Impact on the audit



and sign of in terms of the performer of the report (collector and consolidator of information), first-level reviewer, and/or second-level reviewer as well as a final approver. Signed evidence files to be kept with signoff sheet while a workflow tool will be investigated to facilitate this process long term.

the following controls to ensure that reported information agrees to the portfolio of evidence:

- Evidence is collated by the owners of the KPIs and the manager of the relevant departments sign off the evidence as proof of review.
- Management Support quality assures the evidence before reporting on performance information.

management assertions.



Completeness – Irregular Expenditure	none	None- Management disagrees with the finding		Unresolved	Management disagreed with the finding, however, controls to ensure that the transactions that were identified by AG to be irregular are eliminated in the current financial period, the approved SCM process is followed to procure the identified services/ goods.	Not Applicable	The completeness of the irregular expenditure register will be verified by an internal audit.		Impact on the audit
Invoices not paid within 30 days of receipt	Management implemented additional controls in the current year. An invoicing portal system was created whereby finance	Merusha Naidoo- Financial Manager		Unresolved	Control measures such as the invoice portal have been introduced by Finance	Ongoing	A thorough inspection of the Q3 MTC performance report, some invoices were not paid within	Recurring Finding	No direct impact on the audit



	<p>receives the invoice first. The user departments then get 14 days to verify the invoice and return it to finance. In this way, finance is better able to control 30 days. Regular follow-ups are done with the Operations Department. A tracker is also used to track and monitor the cycle of invoices.</p>				<p>to ensure that invoices are paid within 30 days.</p> <p>Operations also keep a tracker of invoices, and this is followed up by the Finance Manager and Chief Technology Officer.</p> <p>A service provider also charges MTC interest on services not being utilized by MTC, the interest is later reversed.</p>		<p>30 days therefore the finding remains unresolved.</p>		
--	---	--	--	--	--	--	--	--	--



Conflict of interest – Interest in service of the state	Management will investigate the supplier Teraco, and determine the way forward	Siviwe Mafanya – Supply Chain Manager		Unresolved			Follow Up to Commence end of July 2021		No direct impact on the audit
Non-compliance with SCM Regulations	Annual financial statements have been amended and submitted to AGSA.			Unresolved			Follow Up to Commence end of July 2021.		Impact on the audit
SCM Progress Monitoring Report	None	SCM Manager		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		Follow Up to Commence end of July 2021.		No immediate impact on the audit



Non – compliance – Limitation of scope	None	None- Management disagrees with the finding		Unresolved			Follow Up to Commence end of July 2021.		No direct impact on the audit
MTC Fraud risk assessment	The risk of unauthorized use of MTC's assets has been incorporated in the current year's fraud risk register, which will be monitored quarterly.	Risk and Assurance Manager	31-Jan-21	Resolved			The Quarter 3 Risk Management report has highlighted that the Fraud risk has been monitored by the Risk section.		No direct impact on the audit
Understatement of current tax payable	Financial Statements will be adjusted.	Merusha Naidoo- Financial Manager	25-Feb-21	Resolved	The Financial Statements were adjusted.	Not Applicable	The 2019/20 Annual Financial Statements were adjusted, verified through inspection or correction of current tax payable journal entries. Internal audit to conduct AFS review for the 2020/21		Direct impact on the audit



							financial period.		
Management fees disclosed as related parties are misstated	The Financial Statements will be adjusted.	Merusha Naidoo-Financial Manager	25-Feb-2021	Resolved	The financial statements were adjusted to rectify the error.	Not Applicable	After a thorough inspection of the 2019/20 adjusted AFS, we verified that the management fees were correctly disclosed. Internal audit to conduct an audit on the 2020/21 AFS.		Impact on the audit
Directors' remuneration disclosed are misstated	none	Merusha Naidoo-Financial Manager		Resolved	The financial statements were adjusted to rectify the error.	Not Applicable	After a thorough inspection of the 2019/20 adjusted AFS, we verified that the directors' remuneration was correctly disclosed. Internal audit to conduct an audit of the 2020/21 AFS.		No direct impact on the audit



Reason for deviation not justifiable	The Financial Statements will be adjusted.	None-Management disagrees with the finding		Partially Resolved	Finance will only accept deviation reports that are well detailed going forward. Management has already commenced implementing this control. Procurement of advertisement services is now following the normal approved SCM process, not the deviation.	Ongoing	Deviation reports for the current financial period to be inspected to determine whether reasons for deviation are justifiable. Management assertions to be verified through conducting an SCM audit.		No direct impact on the audit
Prior period error notes incorrect	N/A	Merusha Naidoo-Financial Manager		Resolved	The Financial Statements were adjusted.	Not Applicable	The 2019/20 Annual Financial Statements were adjusted, verified through		No direct impact on the audit



							inspection of the AFS submitted to AG, and adjusted AFS. Internal audit to audit the 2020/21 AFS.		
Non-compliance with SCM Regulations	N/A	None-Management disagrees with the finding		Unresolved			Follow Up to Commence end of July 2021.		No immediate impact on the audit
Procurement and contract management: PPPF – SCM	N/a	None-Management disagrees with the finding		Unresolved	A contract specialist has recently been appointed.		Follow Up to Commence end of July 2021.		No immediate impact on the audit





Policy not approved	The fraud prevention plan and the fraud risk policy have been reviewed and approved in 2020/21. The policies will also be specific regarding the date of review such as annually etc.	Risk and Assurance Manager		Resolved	The fraud prevention plan and the fraud risk policy have been reviewed and approved in 2020/21.	Not Applicable	A thorough inspection of the minutes of the board meetings that were held on the 2nd of October 2020 and 28 August 2020, the Fraud Prevention Plan, and the Fraud Risk Management Policy were approved.		No immediate impact on the audit
Non-compliance – No proof of approvals/reviews	The above-mentioned policies were approved after year-end	None-corrective action already taken		Resolved	The identified policies were approved after year-end, minutes of approval available for inspection.	Not Applicable	Finding has been resolved, a thorough inspection of the minutes of the board's meeting, the policies were approved.	Recurring Finding	No immediate impact on the audit
Network assets not in use but included in the asset register	The asset register will be amended	Merusha Naidoo-Finance Manager		Resolved	Not Applicable	Not Applicable	Finding resolved, a thorough inspection of the asset		No immediate impact on the audit

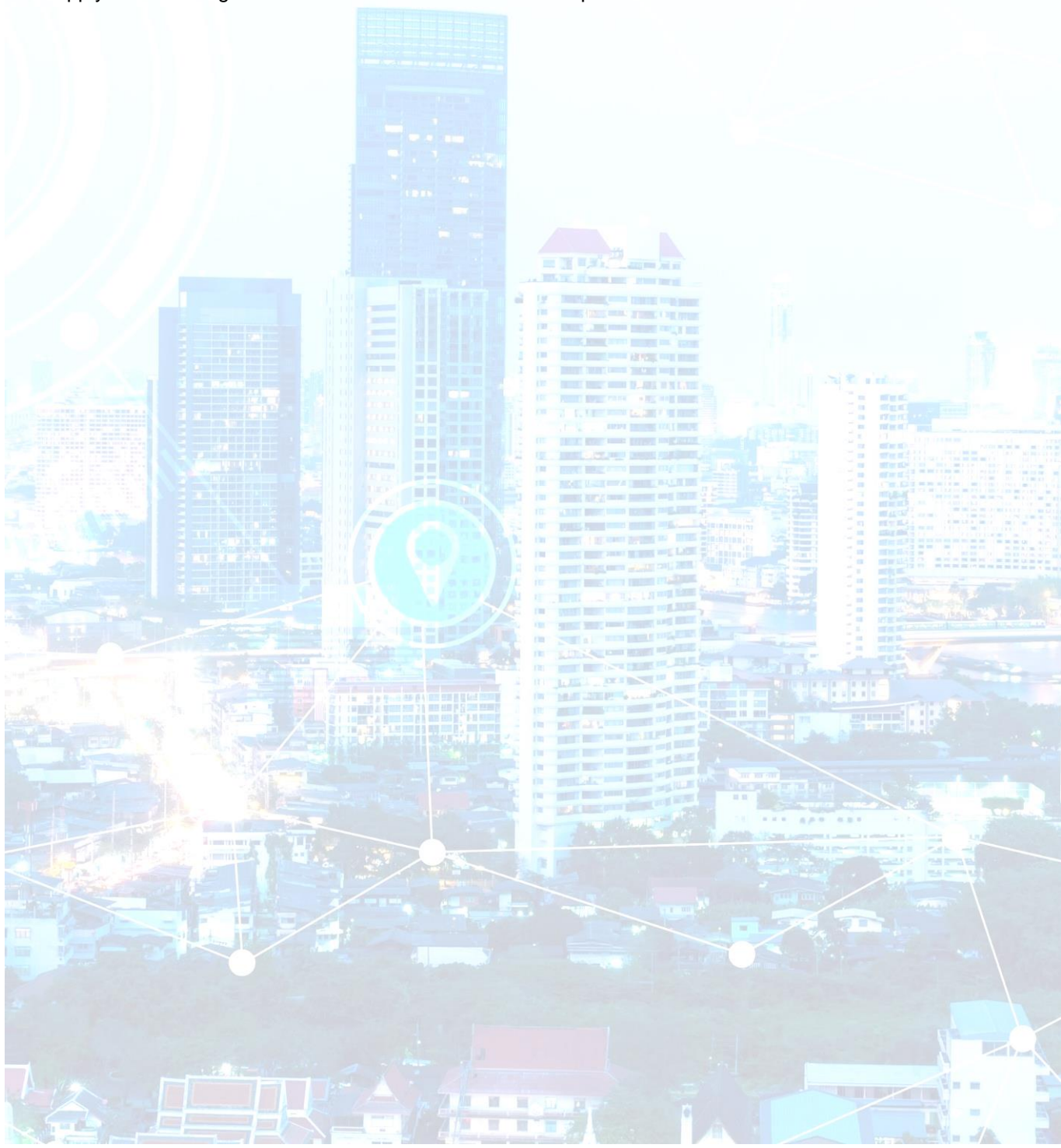


								register, the assets network equipment that previously had a book value of R1 was updated to R0.		
--	--	--	--	--	--	--	--	--	--	--



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 significant improvements are noted to improve the status of the control environment. 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.



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 30 June
2021

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, 2021

General Information

Country of incorporation and domicile	South Africa
Business address	33 Hoofd Street Braampark Forum 4 2001
Postal address	P O Box 1049 Johannesburg 2000
Controlling entity	City of Johannesburg Metropolitan Municipality
Bankers	Standard Bank South Africa
Auditors	The Auditor-General of South Africa
Registered Auditors	
Company registration number	1999/011422/07
Preparer	The annual financial statements were internally compiled by: Ms M Naidoo under the supervision of Mr R Chetty
Nature of business and principal activities	Broadband Network Services and ICT Services
Executive and Non- Executive Directors	Ms T Makhubele Mr S Cowan Mr T Sebotsane Mrs N Sathekge Mr N Mabaso Mr J Lekoma Mr D Kutumela Mrs W Mostert

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, 2021

Mrs T Njozela

Mr A Jabavu

Mr V Linda

Mrs B Abrahams

Mr J Ngubane

Mr T Moropa - CEO

Mr R Chetty - CFO

Secretary

Ms S Balakrishna

Index

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

	Page
Board of Directors' Responsibilities and Approval	3
Audit Committee Report	4 - 6
Directors Report	7 - 11
Company Secretary's Certification	12
Statement of Financial Position as at 30 June 2021	13
Statement of Financial Performance for the year ended 30 June 2021	14
Statement of Changes in Net Assets for the year ended 30 June 2021	15
Statement of Cash Flow as at 30 June 2021	16
Statement of Comparison of Budget and Actual Amounts	17
Accounting Policies	18 - 35
Notes to the Annual Financial Statements	36 - 66

Abbreviations

ASB	Accounting Standards Board
CAE	Chief Audit Executive
COJ/City	The City of Johannesburg Metropolitan Municipality

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, 2021

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

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, 2021

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.

There has been a high vacancy rate which has contributed to constraints on the 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 operations 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 66, which have been prepared on the going concern basis, were approved by the Board of Directors on 31 August 2021 and were signed on its behalf by:

.....
Director

Ms T Makhubele : Chairperson of the Board

.....
Director

Mr T Moropa : Chief Executive Officer

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, 2021

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2021. 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 consists of 5 members (2 non-executive directors and 3 independent members). The committee met at least 4 times during the financial year. The committee members possess a diverse set of skills which contributes to the effective functioning of the committee.

The CEO, CFO and CAE 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). The previous audit committee held six meetings whilst the current audit committee held three meetings during the financial year under review.

Name of member	Number of meetings attended
Mr D Kutumela (Chairperson)	3
Ms T Njozela	3
Mr K Mahlaba	7
Mr R Magagula	3
Mr A Smith	3
Ms R Williams(Previous Chairperson)	6
Mr T Tshitangano	6

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 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 committee has:

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, 2021

Audit Committee Report

- reviewed the unaudited annual financial statements to be included in the annual report,
- reviewed prior period errors;
- reviewed the entities compliance with legal and regulatory provisions;

The Audit and Risk Committee has evaluated the annual financial statements for the year ended 30 June 2021 and considers that it complies, in all material aspects, with the requirements of the MFMA and the Public Audit Act, no 25 of 2004.

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.

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, 2021

Audit Committee Report

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.

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

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

Chairperson of the Audit Committee: Mr D Kutumela

Date: _____

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, 2021

Directors Report

The directors submit their report for the year ended 30 June 2021. 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 and Municipal Entities.

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

The entity generated revenue of R260m from exchange and R252m from non-exchange revenue transactions for the year.

Net surplus after tax of the entity was R 67.9m (2020: Surplus R51.6m).

3. Going concern

We draw attention to the fact that at 30 June 2021, the entity had an accumulated deficit of R 469m and that the entity's total liabilities exceed its assets by R 305m. In 2020, the entity had an accumulated deficit of R532m, and the entity's total liabilities exceeded its assets by R368m. The entity is technically insolvent as indicated on The Statement of Financial Position as at 30 June 2021, however the entity is addressing the solvency issue with the shareholder.

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 shareholder -CJMM continues to provide funding for the ongoing operations of the entity and management commenced the process to 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.

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 2021/22 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 as more people and businesses adopt digital platforms.

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. MTC is also engaging the City to resolve the shareholder loan.

4. Subsequent events

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, 2021

Directors Report

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 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 and the EBM model is estimated to be completed by the 2021/22 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 allocated a capital budget of R15m for the 2020/21 financial year.

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 T Makhubele - current Chairperson	South African	Appointed on 10 February 2021
2. *Mr S Cowan	South African	Appointed on 10 February 2021
3. *Mr T Sebotsane	South African	Appointed on 10 February 2021

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, 2021

Directors Report

4. *Mr V Linda	South African	Appointed on 10 February 2021
5. *Mrs N Sathekge	South African	Appointed on 10 February 2021
6. *Mr N Mabaso	South African	Appointed on 10 February 2021
7. *Mr J Lekoma	South African	Appointed on 10 February 2021
8. *Mrs Abrahams	South African	Appointed on 10 February 2021
9. *Mr J Ngubane	South African	Appointed on 10 February 2021
10. *Mrs T Njozela	South African	Appointed on 10 February 2021
11. *Mr D Kutumela	South African	Appointed on 10 February 2021
12. *Mrs W Mostert	South African	Appointed on 10 February 2021
13. *Mr A Jabavu	South African	Appointed on 10 February 2021
14. * Ms C Stevens- previous Board Chairperson	South African	Retired on 09 February 2021
15. *Ms R Williams	South African	Retired on 09 February 2021
16. *Mr G Van Niekerk	South African	Retired on 09 February 2021
17. *Mr M Magigaba	South African	Retired on 09 February 2021
18. *Prof S Singh	South African	Retired on 09 February 2021
19. *Mr C Ramalaine	South African	Retired on 09 February 2021
20. *Mrs N Maseko	South African	Retired on 09 February 2021
21. **Mr T Moropa - CEO	South African	Appointed on 01 July 2020
22. ** Mr R Chetty - CFO	South African	Appointed on 01 July 2020

The Board consisted of 13 non-executive directors and 2 executive directors as at 30 June 2021.

The Chairperson of the Board Ms C Stevens retired on 9 February 2021. Ms T Makhubele was subsequently appointed as chairperson of the Board on 10 February 2021.

* Non- Executive Directors

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, 2021

Directors Report

** Executive Directors

12. Secretary

The secretary of the Company is Ms S Balakrishna of:

Business address

33 Hoofd Street

Braampark

Forum 4

20001

Postal address

P O Box 1049

Johannesburg

2000

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 best 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: 13 non-executive directors, all of whom are independent directors as defined in the Code.
- 2 executive directors which includes the CEO and CFO.

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.

Board of Director meetings

The directors have met on 7 separate occasions during the financial year. The directors are scheduled to meet at least 4 times per annum.

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, 2021

Directors Report

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 committee	HR & Remuneration	Service delivery	Social and ethics	Group Audit Committee	Other
Ms T Makhubele - Current Chairperson	7			3			5
Mr S Cowan	7				2		2
Mr T Sebotsane	7						3
Mrs N Sathekge	5						4
Mr N Mabaso	5						
Mr J Lekoma	7		2				2
Mr D Kutumela	7	3				3	7
Mrs W Mostert	7				2		3
Mrs T Njozela	6	3					3
Mr A Jabavu	7		2				2
Mr V Linda	2				1		1
Mrs B Abrahams	7		2				2
Mr J Ngubane	7						7
Mr Van Niekerk	7	1					3
Ms C Stevens - Previous Board Chairperson	7						
Mrs N Maseko	7		4				
Ms R Williams	7	6	4			2	2
Mr C Ramalaine	7						3
Mr M Magigaba	7						3
Prof S Singh	7		4				
Mr K Mahlaba		6					
Mr T Tshitangano		6					
Audit committee							

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, 2021

Directors Report

As at 30 June 2021, the Audit committee consisted of 2 non-executive directors and 3 independent members. The Chairperson was appointed on 22 February 2021, and the previous Chairperson is no longer a member of the Audit Committee. The committee met 3 times during the 2020/21 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 22 February 2021. The members are:

1. Mr Douglas Kutumela (Chairperson) - Non- Executive Director
2. Mrs Thobeka Njozela- Non- Executive Director
3. Mr Raymond Magagula- Independent Audit Committee Member
4. Mr Kgaugelo Mhlaba- Independent Audit Committee Member
5. Mr Andre Smith - Independent Audit Committee Member
6. Mr Sydney James- (Resigned on 17 June 2020)- Non-Executive Director
7. Ms Ronell Williams- (Previous Chairperson) (Retired on 10 February 2021)- Non-Executive Director
8. Mr Tom Tshitangano- (Retired on 10 February 2021)- Independent Audit Committee Member
9. Mr Waldo Hattingh- (Retired on 10 February 2021)- Independent Audit Committee Member

Internal audit

The acting Chief Audit Executive resigned on 31 October 2020. The current Acting Chief Audit Executive was seconded to the entity on 01 November 2020 from the City.

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 of South Africa.

18. Current Investigations

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

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, 2021

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

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, 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand Thousands	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	8	2,947	3,074
Loans to shareholders	5	791,327	713,516
Receivables from exchange transactions	9	819,378	525,294
Receivables from non-exchange transactions	10	6,088	6,088
Prepayments		211	236
		1,619,951	1,248,208
Non-Current Assets			
Property Plant and Equipment	3	467,670	483,609
Intangible assets	4	1,249	5,331
Deferred tax	6	9,764	334
		478,683	489,274
Total Assets		2,098,634	1,737,482
Liabilities			
Current Liabilities			
Current tax payable		79,239	52,189
Operating lease liability	7	38	-
Payables from exchange transactions	15	241,054	192,036
VAT payable	16	2,372	2,293
Provisions	14	3,826	2,609
Current portion of Shareholder Loan		648,915	401,667
	5	-	333

* See Note 36

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, 2021

Income received in advance		<u>975,444</u>	<u>651,127</u>
Non-Current Liabilities			
Loans from shareholders		1,404,845	1,458,759
Deferred tax	6	23,725	926
		<u>1,428,570</u>	<u>1,459,685</u>
Total Liabilities		2,404,014	2,110,812
Net Liabilities		(305,380)	(373,330)
Share capital / contributed capital	12	163,897	163,897
Accumulated loss		(469,277)	(537,227)
Total Net Liabilities		(305,380)	(373,330)

* See Note 36

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, 2021

Statement of Financial Performance

Figures in Rand Thousands	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Rendering of services		219,720	153,318
Agency services	18	15,395	15,373
Other income		183	1
Interest received - investment	22	25,401	34,942
Total revenue from exchange transactions		260,699	203,634
Revenue from non-exchange transactions			
Transfer revenue	23	251,893	239,990
Subsidies	17	512,592	443,624
Total revenue			
Expenditure			
Employee related costs	24	(36,842)	(30,700)
Depreciation and amortisation	25	(34,634)	(51,007)
Finance costs	26	(193,367)	(166,419)
Lease rentals	19	(2,110)	(1,863)
Bad Debts	27	(531)	-
Loss on disposal of assets		(35)	(308)
General Expenses	28	(136,709)	(124,816)
Total expenditure		(404,228)	(375,113)
Surplus before taxation		108,364	68,511
Taxation	29	40,415	22,021
Surplus/(deficit) for the year		67,949	46,490

* See Note 36

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, 2021

Statement of Changes in Net Assets for the year ended 30 June 2021

Figures in Rand Thousands	Share	premium	Total net Accumulated assets surplus
Opening balance as previously reported	163,897	(583,717)	(419,820)
Balance at July 1, 2019 as restated*	163,897	(583,717)	(419,820)
Changes in net assets	-	46,490	46,490
Surplus for the year	-	46,490	46,490
Total changes	-	46,490	46,490
Opening balance as previously reported	163,897	(537,226)	(373,329)
Restated* Balance at July 1, 2020 as restated*	163,897	(537,226)	(373,329)
Changes in net assets	-	67,949	67,949
Surplus for the year	-	67,949	67,949
Total changes	-	67,949	67,949
Balance at June 30, 2021	163,897	(469,277)	(305,380)

Note(s)

12

* See Note 36

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, 2021

Cash Flow Statement as at 30 June 2021

Figures in Rand Thousands	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Cash received from customers		308,890	392,973
Cash received from subsidy		251,893	239,990
Interest income		25,401	34,942
		<u>586,184</u>	<u>667,905</u>
Payments			
Cash paid to suppliers and employees		(493,727)	(482,318)
Net cash flows from operating activities	30	<u>92,457</u>	<u>185,587</u>
Cash flows from investing activities			
Purchase of Capital Assets	3	(14,646)	-
Net Loan to Shareholder		(77,811)	(185,587)
Net cash flows from investing activities		<u>(92,457)</u>	<u>(185,587)</u>
Net increase/(decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year	11	<u>-</u>	<u>-</u>

* See Note 36

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, 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Approved budget	Adjustments	Final budget	Budget	Actual amounts	Difference on comparable basis between final budget and actual	Reference on
--------------------	-------------	-----------------	--------	-------------------	---	-----------------

Figures in Rand Thousands

Statement of Financial Performance

Revenue

Revenue from exchange transactions

	266,499	-	266,499	260,699	(5,800)	
	251,893	-	251,893	251,893	-	
	518,392	-	518,392	512,592	(5,800)	
	(33,758)	(1,688)	(35,446)	(36,842)	(1,396)	4
	(164,571)	-	(164,571)	(34,634)	129,937	5
	(148,186)	-	(148,186)	(193,367)	(45,181)	6
	-	-	-	(531)	(531)	
	(136,544)	1,688	(134,856)	(138,819)	(3,963)	7
	(483,059)	-	(483,059)	(404,193)	78,866	
	35,333	-	35,333	108,399	73,066	
	(30)	-	(30)	(35)	(5)	
	35,303	-	35,303	108,364	73,061	
	(35,303)	-	(35,303)	40,415	75,718	
Rendering of services	235,574	-	235,574	219,720	(15,854)	1
Agency services	-	-	-	15,395	15,395	2
Other income	-	-	-	183	183	
Interest received - investment	30,925	-	30,925	25,401	(5,524)	3
Total revenue from exchange transactions						

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, 2021

Accounting Policies

Revenue from non-exchange transactions

Transfer revenue

Government grants & subsidies

Total revenue

Expenditure

Employee Related Costs

Depreciation and amortisation

Finance costs

Debt Impairment

General Expenses

Total expenditure

Operating surplus

Loss on disposal of assets

Surplus before taxation

Taxation

Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	-	-	67,949	(2,657)
--	---	---	---	---------------	----------------

See **Note 42** 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 the 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.

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, 2021

Accounting Policies

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.

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.

1.4 Significant judgements and sources of estimation uncertainty (continued)

1.4.1 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.

1.4.2 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

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, 2021

Accounting Policies

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.

1.4.3 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 14 - 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.

1.4.4 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.

1.4.5 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.

1.4.6 Allowance for doubtful debts

On debtors, an impairment loss is recognised in surplus and deficit in the year when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Significant judgements and sources of estimation uncertainty (continued)

1.4.7 Agency and Principal

Management used significant judgment when assessing whether the entity was a principal or an agent in various transactions that took place in the year under review.

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, 2021

Accounting Policies

1.4.8 Budget Information

Management makes a judgement 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 000 (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:

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

1.5 Property Plant and Equipment (continued)

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, 2021

Accounting Policies

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.

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, 2021

Accounting Policies

1.6 Intangible assets (continued)

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	Useful life
Customer List	5 years
Computer Software	3 years
Operating Systems	10 - 20 years

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).

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, 2021

Accounting Policies

1.7.1 Cash and cash equivalent

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. **1.7.2 Receivables from exchange transactions**

1.7 Financial instruments (continued)

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.

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

1.7.3 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.

1.7.4 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.

1.7.5 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.

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, 2021

Accounting Policies

1.7.6 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.

1.7.7 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.

1.7.8 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

1.8.1 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.

1.8.2 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

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, 2021

Accounting Policies

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.

1.8.3 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.

1.9 Leases (continued)

1.9.1 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.

1.9.2 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.

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, 2021

Accounting Policies

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.

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.

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, 2021

Accounting Policies

Impairment of cash-generating assets (continued)

1.11

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-cashgenerating assets, are as follows: **1.11.1 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.

1.11.2 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.

1.11.3 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.

1.11.4 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.

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, 2021

Accounting Policies

Impairment of cash-generating assets (continued)

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.

1.11

1.11.5 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 uses 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

1.11.6 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.

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, 2021

Accounting Policies

Impairment of cash-generating assets (continued)

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.

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, 2021

Accounting Policies

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 to the other party in exchange.

1.15.1 Measurement

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

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, 2021

Accounting Policies

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)

1.15.2 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.

1.15.3 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.

1.15.4 Interest

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 arises 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.

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, 2021

Accounting Policies

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.

1.16.1 Subsidy:

Subsidy is recognised as revenue when:

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

1.16 Revenue from non-exchange transactions (continued)

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

1.16.2 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.

1.16.3 Subsequent Measurement:

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

1.16.4 Derecognition

The entity derecognises the non-exchange receivables when the right to the cash flows are settled, expired or are waived.

1.16.5 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.

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, 2021

Accounting Policies

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

1.20.1 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.

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.

1.20 Accounting by principals and agents (continued)

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).

1.20.2 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.

1.20.3 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.

1.20.4 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 is an agent. The entity applies judgement

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, 2021

Accounting Policies

in determining whether such powers exist and whether they are relevant in assessing whether the entity is an agent.

1.20.5 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 relates 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 relates 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

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, 2021

Accounting Policies

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

Entities 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 2020-07-01 to 2021-06-30.

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.

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, 2021

Accounting Policies

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 Office, 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)

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, 2021

Accounting Policies

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 a 15% VAT rate for transactions.

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, 2021

Notes to the Annual Financial Statements

Figures in Rand Thousands

2021

2020

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 2021.

1. GRAP 34- Separate financial statements- minimal effects on the financial statements
2. GRAP 35- Consolidated financial statements- minimal effects on the statements
3. GRAP 36- Investment in associates and joint ventures- minimal effects on the financial statements
4. GRAP 37- Joint Arrangements- minimal effects on the financial statements
5. GRAP 38- Disclosure of interest in other entities- minimal effects on the financial statements
6. GRAP 110- Living and non-living resources - minimal effects on the financial statements
7. GRAP 18- Segment reporting- minimal effect 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 25 - Employee Benefits

Effective date:

Not yet effective

GRAP 104 - Financial Instruments

Not yet effective

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, 2021

Notes to the Annual Financial Statements

Figures in Rand Thousands

3. Property Plant and Equipment

	2021			2020		
	Cost Valuation	/Accumulated Carrying depreciation and accumulated impairment	ng value	Cost Valuation	/Accumulated Carrying depreciation and accumulated impairment	ng value
Furniture and fixtures	2,116	(1,593)	523	2,116	(1,421)	695
Office equipment	133	(98)	35	133	(71)	62
IT equipment	5,358	(3,111)	2,247	3,550	(2,369)	1,181
Network Infrastructure	606,286	(151,310)	454,976	599,149	(124,616)	474,533
Network Equipment	74,649	(64,916)	9,733	69,618	(62,772)	6,846
Tools and loose gear	940	(784)	156	940	(648)	292
Total	689,482	(221,812)	467,670	675,506	(191,897)	483,609

Figures in Rand Thousands

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, 2021

Notes to the Annual Financial Statements

3. Property Plant and Equipment (continued)

Reconciliation of property plant and equipment - 2021

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	695	-	-	(172)	523
Office equipment	62	-	-	(27)	35
IT equipment	1,181	1,851	(34)	(751)	2,247
Network Infrastructure	474,533	7,137	-	(26,694)	454,976
Network Equipment	6,846	5,031	-	(2,144)	9,733
Tools and loose gear	292	-	-	(136)	156
	483,609	14,019	(34)	(29,924)	467,670

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)	-

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, 2021

Notes to the Annual Financial Statements

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

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.

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, 2021

Notes to the Annual Financial Statements

Figures in Rand Thousands	2021	2020
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	17,330	14,997

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 is estimated to be completed by the 2021/22 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. The EBM was approved by Council after year end. 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.

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, 2021

Notes to the Annual Financial Statements

Figures in Rand Thousands

4.Intangible assets

	2021			2020		
	Cost Valuation	/Accumulated amortisation and accumulated impairment	Carrying value	Cost Valuation	/Accumulated amortisation and accumulated impairment	Carrying value
Customer list	85,156	(85,156)	-	85,156	(85,156)	-
Computer software	31,826	(30,577)	1,249	31,199	(25,868)	5,331
Total	116,982	(115,733)	1,249	116,355	(111,024)	5,331

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software	5,331	626	(4,708)	1,249

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Customer lists	3,541	(3,541)	-

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, 2021

Notes to the Annual Financial Statements

Computer software

16,165	(10,834)	5,331
--------	----------	-------

19,706	(14,375)	5,331
---------------	-----------------	--------------

Pledged as security

No intangible assets are pledged as security

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, 2021

Notes to the Annual Financial Statements

Figures in Rand Thousands	2021	2020
5.Loans to (from) shareholders		
Sweeping account	791,327	713,516
Subordinated loans	(1,404,845)	(1,458,759)
	(613,518)	(745,243)
<p>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.</p> <p>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 term of the shareholder loan is 20 years. The entity had a three year grace period for re-payments of the loan from inception of the loan. The first capital repayment was due to COJ by December 2018. No repayment were made in the prior and current year. Due to the non-payment of the loan, the entity incurred a penalty interest of 13.89% on the quarterly re-payments.. No repayment were made in the prior and current year. During the financial year under review the entity begun the process to renegotiate the terms and conditions of the loan. However this was not finalized at year end. The entity was in default of the loan contract due to nil re-payments that were made. This was not remedied as at year end. The entity expects to resolve the matter by 2021/22 financial year end. The shareholder loan disclosed above is the non-current portion of Shareholder loan.</p>		
Current assets	791,327	713,516
Non-current liabilities	(1,404,845)	(1,458,759)
	(613,518)	(745,243)
Credit quality of loans from shareholders		
<p>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:</p>		
Subordinate loans		
Loans at beginning of the period	1,860,426	1,694,008
Repayments	-	-
Interest	193,333	166,418
Loan balance at end of year	2,053,759	1,860,426
Non-current portion of loan :	R1 404 845 (2020: R1 458 759)	
Current portion of loan :	R648 914 (2020: R401 667)	
Total balance of loan :	R2 053 759 (2020: 1 860 426)	
Figures in Rand Thousands	2021	2020

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, 2021

Notes to the Annual Financial Statements

6. Deferred tax

Deferred tax liability

Property, plant and equipment	(23,725)	(1,883)
Intangible asset	-	957
Total deferred tax liability	(23,725)	(926)

Deferred tax asset

Accrued Leave	869	314
Provision for doubtful debts	294	257
Operating lease liability	11	25
Accrued Bonus	202	141
Deferred Tax Utilised Tax loss	-	8,743
Property, plant and equipment	8,366	-
Intangible asset	22	-

Total deferred tax asset

	9,764	9,480
Deferred tax liability	(23,725)	(926)
Deferred tax asset	9,764	9,480
Total net deferred tax (liability) asset	(13,961)	8,554

7. Operating lease liability (accrual)

Current liabilities	(38)	-
---------------------	------	---

8. Inventories

Consumable stores	2,947	3,074
-------------------	-------	-------

8.1 Reconciliation of inventory movement for the period

Opening balance	3,074	3,074
Stock dispatched	(127)	-
	2,947	3,074

The inventory is mainly used for items replaced in the maintenance of the network. No inventory was purchased in the current year.

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, 2021

Notes to the Annual Financial Statements

Figures in Rand Thousands	2021	2020
9.Receivables from exchange transactions		
Trade debtors	2,739	3,448
Account receivable: Related Parties	816,639	521,846
	819,378	525,294

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, 2021

Notes to the Annual Financial Statements

Figures in Rand Thousands

2021

2020

9. Receivables from exchange transactions (continued)

As At 30 June 2021	Gross Balance	Provision for impairment	Net balance
Trade debtor	493 4	(1 754)	739 2
Accounts receivables:related parties	639 816	-	639 816
Total	132 821	(1 754)	378 819
As At 30 June 2020	Gross Balance	Provision for impairment	Net balance
Trade debtor	671 4	(1 223)	448 3
Accounts receivables:related parties	846 521	-	846 521
Total	517 526	(1 223)	294 525

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 2021

	Current		Past due			Total
	0-30 days	+30 days	60 days	90 days	+120 days	
Trade debtors						
Gross balances	2 620	85	18	-	1 770	4 493
Less: provision for impairment	-	-	-	-	(1 754)	(1 754)
Net balance	2 620	85	18	-	16	2 739

Trade debtors past due for over 90 days were not impaired due to settlement received after period end. As at period end management was of the opinion that the debtor will settle the outstanding debt based on historic trends.

9. Receivables from exchange transactions (continued)

* Accounts receivables: Related parties

Gross balance	293	24	8	12	477	816
	225	937	823	442	212	639

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, 2021

Notes to the Annual Financial Statements

Figures in Rand Thousands

2021

2020

Less: provision for impairment	-	-	-	-	-	-
Net balance	293	24	8	12	477	816
	225	937	823	442	212	639

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 2021 the receivables of R477 212 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 2020

	Current		Past due			Total
	0-30 days	+30 days	60 days	90 days	+120 days	
Trade debtors						
Gross balances	2	44	24	24	1	4
	597				982	671
Less: provision for impairment	-	-	-	-	(1	(1
					223)	223)
Net balance	2	44	24	24	759	3
	597					448

Accounts receivables: Related parties

Gross balance	149	10	7 226	20	334	521
	671	226		704	019	846
Less: provision for impairment	-	-	-	-	-	-
Net balance	149	10	7 226	20	334	521
	671	226		704	019	846

Receivables which are less than 3 months are not considered for impairment assessment. As at 30 June 2020 the receivables of R 334 019 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	295	25	8	12	478	821
	845	022	841	442	982	132
Less: provision for impairment	-	-	-	-	(1	(1
					754)	754)
Net balance	295	25	8	12	477	819
	845	022	841	442	228	378

Reconciliation of the provision for impairment

Balance at the Beginning of the period		1	1
		223	223

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, 2021

Notes to the Annual Financial Statements

Impairment losses recognise	531	
Impairment losses reversed	-	
Amounts written off as uncollected	-	-
Balance at the end of the year	1 754	1 223

Ageing of impaired receivables from exchange transactions

Current	-	-
0-30 days	-	-
Past due	-	-
+ 30 days	-	-
60 days	-	-
90 days	-	-
+120 days	1 754	1 223

Figures in Rand Thousands

2021

2020

10.Receivables from non-exchange transactions

South African Revenue Services

6,088

6,088

Receivables from non-exchange transactions

Receivables from non-exchange transactions

As at 30 June 2021	Gross Balance	Provision for impairment	Net balance
SARS	6 088	-	6 088
Total	6 088	-	6 088
As at June 2020	Gross Balance	Provision for impairment	Net balance

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, 2021

Notes to the Annual Financial Statements

SARS	088	6	-	088	6
Total	088	6	-	088	6

Ageing of Receivables from Non-exchange transactions

30 June 2021	Current		Past due			Total
	0-30 days	+30 days	60 days	90 days	+120 days	
Trade debtors						
Gross balances	-	-	-	-	6 088	6 088
Less: provision for impairment	-	-	-	-	-	
Net balance	-	-	-	-	6 088	6 088

Receivable which are less than 3 months are not considered for impairment assessment.

30 June 2020	Current		Past due			Total
	0-30 days	+30 days	60 days	90 days	+120 days	
Trade debtors						
Gross balances	-	-	-	-	6 088	6 088
Less: provision for impairment	-	-	-	-	-	
Net balance		-	-	-	6 088	6 088

11. 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.

Figures in Rand Thousands	2021	2020
---------------------------	------	------

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, 2021

Notes to the Annual Financial Statements

12. Share capital / contributed capital

Issued

Ordinary	-	-
Share premium	163,897	163,897
	<u>163,897</u>	<u>163,897</u>

13. Income Received in Advance

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:

2020/21 (R'000):

Non- current portion : R0	
Current portion : R0	
Total balance :R0	

2019/20 (R'000):

Non-current portion : R0	
Current portion : R333	
Total balance :R333	

Current liabilities

At amortised cost	-	-
-------------------	---	---

14. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Total
Bonus provision	556	678	(511)	723
Leave Pay Provision	2,053	1,578	(528)	3,103

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, 2021

	2,609	2,256	(1,039)	3,826
Notes to the Annual Financial Statements				
Reconciliation of provisions - 2020				

	Opening Balance	Additions	Utilised during the year	Total
Bonus provision	503	1,198	(1,145)	556
Leave Pay provision	1,674	4,195	(3,816)	2,053
	2,177	5,393	(4,961)	2,609

Figures in Rand Thousands	2021	2020
---------------------------	------	------

15. Payables from exchange transactions

Trade payables	228,986	155,117
Board fees and remuneration	1,109	1,122
Icasa licence accrual	4,250	3,261
Related party payables	6,709	32,536
	241,054	192,036

The terms and conditions of trade and other payables were not renegotiated.

16. VAT payable	2,372	2,293
------------------------	-------	-------

Value added tax

17. Revenue

Rendering of services	219,720	153,318
Agency services	15,395	15,373
Other Income	183	1
Interest received	25,401	34,942
Government grants & subsidies	251,893	239,990
	512,592	443,624

The amount included in revenue arising from exchanges of goods or services are as follows: Rendering of services

Rendering of services	219,720	153,318
Agency services	15,395	15,373
Other Income	183	1
	25,401	34,942
	260,699	203,634

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, 2021

Notes to the Annual Financial Statements

Interest received - investment

The amount included in revenue arising from non-exchange transactions is as follows:

Non-exchange revenue

Government grants & subsidies	251,893	239,990
Figures in Rand Thousands	2021	2020

17. Revenue

(continued) Rendering of

services

The following services are rendered by the entity from the normal operating course of business:

Metro Ethernet and Dark Fiber

Internet break-out and installations

Wireless and fiber acces

VOIP and biometrics services

Core Switch management

Mainteance of CCTV cameras and Biometrics

Fiber maintenance

Wide Area Newtwork and Local Area Network services

Information Technology Support Services

18. Agency services

Agency Income in relation to capital projects	15,395	15,373
---	--------	--------

The entity has the following principal agent relationships with COJ and other entities:

1. **City of Johannesburg**-MTC plays an agency role by fulfilling capital projects relating to telecommunications, licenses and information systems on behalf of COJ. These are ad hoc projects.
2. **Metrobus**- MTC plays an agency role by implementing CCTV cameras.
3. **Jourg Market**- The entity plays an agency role by implementing CCTV cameras.

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, 2021

Notes to the Annual Financial Statements

19. Lease rentals on operating lease

Premises

Contractual amounts	2,110	1,863
---------------------	-------	-------

20. Operating lease - as a lessor

Operating lease relates to non-cancelable contracts between the entity and its customers that does not transfer the significant risk and rewards associated with operations. The lease terms are between 5- 15 years, with no

Within one year	26,019	26,040
in second to fifth year inclusive	104,074	103,411
Later than five years	43,715	95,886
	173,808	225,337

escalation. **Minimum lease receivables**

Figures in Rand Thousands	2021	2020
---------------------------	------	------

21. Other income

Tender fees	183	1
-------------	-----	---

Tender fees relate to the administration levies charged to prospective suppliers to access tender bid documentation.

22. Investment revenue

Interest revenue

Interest earned: Bank	25,401	34,942
-----------------------	--------	--------

Total interest earned is interest on the sweeping account, calculated using interest rate prescribed by the COJ Treasury.

23. Government grants and subsidies

Operating grants

Subsidy - City of Johannesburg	251,893	239,990
--------------------------------	---------	---------

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, 2021

Notes to the Annual Financial Statements

	2021	2020
24. Employee related costs		
Basic	26,625	21,629
Medical aid - company contributions	1,235	1,215
Unemployment Insurance Fund	84	80
Skills Development Levies	208	253
Leave pay provision charge	1,779	1,012
Bargaining Council	44	4
Other short term costs	37	161
Defined contribution plans	3,885	3,108
Overtime payments	378	269
13th Cheques	1,371	1,145
Acting allowances	104	411
Housing benefits and allowances Locomotion allowances	51	105
	1,041	1,308
	36,842	30,700
25. Depreciation and amortisation		
Property Plant and Equipment Intangible assets	29,925	36,632
	4,709	14,375
	34,634	51,007
26. Finance costs		
Interest on shareholder loan	193,333	166,418
Interest from suppliers	34	1
	193,367	166,419
27. Debt impairment		
Debt impairment	531	-
Figures in Rand Thousands	2021	2020
28. General expenses		
Advertising	246	346
Auditors remuneration	1,150	1,288
Bank charges	9	8
Cleaning	305	20
Contracted Services	37,372	38,541

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, 2021

Notes to the Annual Financial Statements

Consumables	-	25
Entertainment	41	36
Insurance	832	547
Conferences and seminars	363	243
Information technology expense	4,230	5,614
Fleet	591	568
Printing and stationery	377	376
License fees	3,599	1,188
Professional fees	24	19
Telephone expense	944	304
Training	580	268
Water and Electricity	344	551
Municipal rates	122	76
Wayleaves	-	894
Office Supplies and Parking	214	117
Cost incurred in relation to rendering of services	85,075	73,545
Storage charges	291	242
	136,709	124,816

The contracted services disclosed in the note above is inclusive of repairs and maintenance of R17.3 million (2020: R14.9 million) and Board fees of R2.4 million (2020:R1.5 million)

Figures in Rand Thousands	2021	2020
---------------------------	------	------

29. Taxation

Major components of the tax expense

Current

Local income tax - current period	27,050	21,428
-----------------------------------	--------	--------

Deferred

Originating and reversing temporary differences	13,365	592
Arising from previously unrecognised tax deficit / tax credit / temporary difference	-	-
Deferred tax asset arising from temporary differences	-	-
Deferred tax asset unrecognised	-	-
	13,365	592
	40,415	22,020

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, 2021

Notes to the Annual Financial Statements

Prior year deferred tax utilised

Reconciliation of the tax rate

Reconciliation between accounting surplus and tax expense.

Accounting surplus	108,364	73,468
Tax at the applicable tax rate of 28% (2020: 28%)	30,539	20,571
Tax effect of adjustments on taxable income		
Non deductible expenditure - amortization for customer list	-	1,079
Non deductible expenditure - Provisions and Lease smoothing	11	370
Tax losses carried forward	-	-
Tax effects on timing differences	9,865	-
	40,415	22,020

The effective tax rate is 37% (2019: 29%)

30. Net cash flows from operating activities

Surplus	108,364	73,468
Adjustments for:		
Depreciation and amortisation	34,634	45,850
Loss on sale of assets and liabilities	35	308
Finance costs	193,333	166,419
Movements in operating lease assets and accruals	38	(89)
Movements in provisions	1,217	432
Changes in working capital:		
Inventories	127	2
Receivables from exchange transactions	(294,084)	(195,329)
Other receivables from non-exchange transactions	-	(2,112)
Statutory receivables	-	-
Prepayments	25	(236)
Payables from exchange transactions	49,022	101,578
Movement in VAT Payable	79	(3,840)
Income Received in Advance	(333)	(864)
	92,457	185,587

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, 2021

Notes to the Annual Financial Statements

Figures in Rand Thousands

2021

2020

31. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At value	fair At	amortised cost	Total
Loans to shareholders	791,327	-	-	791,327
Trade and other receivables from exchange transactions	-	819,378	819,378	819,378
Other receivables from non-exchange transactions	-	6,088	6,088	6,088
	791,327	825,466	825,466	1,616,793

Financial liabilities

	At amortised cost	Total
Loans from shareholders	2,053,760	2,053,760
Trade and other payables from exchange transactions	241,085	241,085
	2,294,845	2,294,845

2020

Financial assets

	At value	fair At	amortised cost	Total
Loans to shareholders	713,516	-	-	713,516
Trade and other receivables from exchange transactions	-	525,294	525,294	525,294
Other receivables from non-exchange transactions	-	6,008	6,008	6,008
	713,516	531,302	531,302	1,244,818

Financial liabilities

	At amortised cost	Total
Loans from shareholders	1,860,426	1,860,426
Trade and other payables from exchange transactions	192,036	192,036
	2,052,462	2,052,462

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, 2021

2021 2020

Notes to the Annual Financial Statements

Figures in Rand Thousands

32. Commitments

Authorised capital expenditure

Already contracted for but not provided for

- Property, plant and equipment 635 -
-

Total capital commitments

Already contracted for but not provided for 635 -

Total commitments

Total commitments

Authorised capital expenditure 635 -

The commitments above relate to IT Equipment and Furniture whereby purchase orders were issued to to service providers, however goods were not yet received by year end.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	2,818	-
- in second to fifth year inclusive	5,790	-
- later than five years	-	-
		<hr/> 8,608 <hr/>

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 expires on 29 February 2024, with an average escalation of 7%.

33. Related parties

Relationships

Controlling entity City of Johannesburg Metropolitan Municipality

Other Members of the group (100% owned by City of Johannesburg City Power Johannesburg (SOC) Ltd

Metropolitan Municipality)

Johannesburg Water (SOC) Ltd
Johannesburg Property Company (SOC) Ltd
Johannesburg City Parks NPC
Johannesburg Road Agency (SOC) Ltd
Johannesburg Metropolitan Bus Services (SOC)
Ltd

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, 2021

2021 2020

Notes to the Annual Financial Statements

Figures in Rand Thousands

Pikitup Johannesburg (SOC) Ltd
Joburg Theatre
Johannesburg Social Housing Company (SOC)
Ltd
Joburg Market (SOC) Ltd
Johanneburg Development Agency

Related party balances

Related parties assets balances

City of Johannesburg Metropolitan Municipality	1,593,233	1,232,527
Johannesburg Metropolitan Bus Services (SOC) Ltd	10,228	88
Johannesburg Road Agency (SOC) Ltd	824	824
Johannesburg Fresh Produce Market (SOC) Ltd	1,146	833
Johannesburg Social Housing Company (SOC) Ltd	-	14
Pikitup Johannesburg (SOC) Ltd	1,075	1,075
Johannesburg Development Agency	1,390	-
Joburg Theatre	39	-
City Power Johannesburg (SOC) Ltd	30	-

Related party liability balances

City of Johannesburg Metropolitan Municipality	2,060,183	1,891,511
City of Johannesburg Property Company (SOC) Ltd	286	46
City Power Johannesburg (SOC) Ltd	-	1,379
Joburg Theatre	-	27

Related party transactions

Related parties total billing transactions. The below reflects all transactions billed in relation to both agency transactions and transactions from the normal course of business

City of Johannesburg Metropolitan Municipality	836,296	836,083
Johannesburg Metropolitan Bus Services (SOC) Ltd	11,124	621
Johannesburg Roads Agency (SOC) Ltd	2,803	5,027
Johannesburg Social Housing Company (SOC) Ltd	-	13
Pikitup Johannesburg (SOC) Ltd	-	4,972
Johannesburg Fresh Produce Market (SOC) Ltd	3,875	816
Joburg Theatre	613	-
Johannesburg Development Agency	1,209	-
City Power Johannesburg (SOC) Ltd	26	-

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, 2021

2021 2020

Notes to the Annual Financial Statements

Figures in Rand Thousands

Related parties operating expenditure

City of Johannesburg Metropolitan Municipality	194,908	167,533
City of Johannesburg Property Company (SOC) Ltd	229	20
Joburg Theatre	43	68

Related Party Agency- Management Fees

33. Related parties (continued)

City of Johannesburg Metropolitan Municipality	14,994	14,940
Pikitung Johannesburg (SOC) Ltd	-	427
Johannesburg Fresh Produce Market (SOC) Ltd	82	6
Johannesburg Metropolitan Bus Services (SOC) Ltd	319	-

Related parties revenue arising from the normal course of business

City of Johannesburg Metropolitan Municipality	466,271	-
Johannesburg Metropolitan Bus Services (SOC) Ltd	563	-
Johannesburg Fresh Produce Market (SOC) Ltd	885	-
Johannesburg Roads Agency (SOC) Ltd	2,803	-
Joburg Theatre	613	-
Johannesburg Development Agency	1,209	-
City Power Johannesburg (SOC) Ltd	26	-

All transactions with group companies are conducted at arms length.

Remuneration of management

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, 2021

Notes to the Annual Financial Statements

Figures in Rand Thousands

33. Related parties (continued)

Management class: Executive management

2021

Name	Basic salary	Car Allowance	Other benefits received	Total
Chief Executive Officer	2,001	-	166	2,167
Chief Financial Officer	1,558	-	175	1,733
Chief Technology Officer	1,423	72	268	1,763
*Chief Operations Officer	278	27	81	386
Company Secretary	1,233	-	147	1,380
**Management Support Executive	824	135	235	1,194
***Chief Audit Executive (Acting)	183	-	114	297
	7,500	234	1,186	8,920

2020

Name	Basic salary	Car Allowance	Other benefits received	Total
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

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, 2021

Notes to the Annual Financial Statements

Figures in Rand Thousands

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
	5,449	434	1,050	6,933

* The Chief Operations Officer was appointed on a contract basis from 01 August 2020 to 30 September 2020

33. Related parties (continued)

** The Management Support Executive resigned on 31 March 2021

***The Acting Chief Audit Executive resigned on 30 October 2020. The current Chief Audit Executive was seconded to the entity on 01 November 2020 from the City, however the remuneration is not funded by MTC.

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, 2021

Notes to the Annual Financial Statements

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, 2021

Notes to the Annual Financial Statements

Figures in Rand Thousands

2021

2020

34. Directors and Independent Members emoluments

The directors emoluments are disclosed under under note 34.

Non - Executive Directors and Independent Members

2021

Directors' fees Total

Ms T Makhubele - Current Chairperson	157	157
Mr S Cowan	104	104
Mr T Sebotsane	99	99
Mrs N Sathekge	94	94
Mr N Mabaso	96	96
Mr J Lekoma	108	108
Mrs B Abrahams	104	104
Mr J Ngubane	125	125
Mrs Mostert	113	113
Mrs Njozela	106	106
Mr D Kutumela	193	193
Mr A Jabavu	104	104
Mr V Linda	37	37
Ms C Stevens - Previous Board Chairperson	112	112
Mr G Van Niekerk	92	92
Mr M Magigaba	80	80
Prof S Singh	101	101
Mr C Ramalaine	97	97
Mr T Tshitangano	31	31
Mr AJ Smith	26	26
Mrs N Maseko	106	106
Ms R Williams	198	198
Mr K Mahlaba	42	42
Mr R S Magagula	26	26

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, 2021

Notes to the Annual Financial Statements

2020

	2,351	2,351
	Directors'	
	fees	Total
Mr D Lebepe	115	115
Ms M Mosweu- Previous Chairperson	115	115
Ms R Mthabane	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 C Ramalaine	127	127
Mr C Aigbavboa	52	52
Ms K Onouka	21	21
34. Directors and Independent Members emoluments (continued)	1,547	1,547

35. Change in estimate

Property Plant and Equipment

During the year, the entity conducted an operational efficiency for the tools of trade, which resulted in changes in the expected usage of certain tools of trade. The tools of trade, which management had previously intended to use for 3 years, is now expected to remain in use for 5 years from the date of purchase. As a result, the expected useful life of the tools of trade increased. The impact in the current year was R51 748 (actual amount) and for the next two years the impact amounts to R155 746 (actual amounts).

36. Prior period errors

1.Intangible Assets:

The cost of Intangible Assets were incorrectly recorded in the previous financial year. The adjustment below corrects such error.

2. Accumulated Amortization:

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, 2021

Notes to the Annual Financial Statements

Figures in Rand Thousands

2021

2020

The entity erroneously calculated amortization for Intangible assets in the prior year. The entity also incorrectly applied the amortization rate.

Disclosure:

3.Sales- Ethernet Link and Trade Receivables

The entity incorrectly disclosed sales and Trade Receivables and an incorrect journal was passed in the prior year for trade receivables.

The correction of the error resulted in adjustments as follows

Statement of financial position

Intangible assets	-	(308)
Accumulated Amortization	-	(5,157)
Trade Debtors	-	(709)

Statement of financial performance

Sales- Ethernet Link	-	200
Amortization	-	5,157

37. 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.

61

37.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 2021

Less than 1 year Between 1 and 2 years Between 3 and 5 years Over 5 years

Loan from shareholder 649,308 179,344 538,031 1,682,161 Trade and other payables from exchange transactions 241,058 - - -

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, 2021

Notes to the Annual Financial Statements

Figures in Rand Thousands

Current Tax payable	79,239	-	-	-
	969,605	179,344	538,031	1,682,161
30 June 2020		Between 1 and 5		
	Less than 1 year	Between 2 years	and 3 and 5 years	Over 5 years
Loan from shareholder				
Trade and other payables from exchange transactions	179,344	179,344	538,031	1,838,273
Current Tax Payable	192,036	-	-	-
	52,819	-	-	-
Credit risk	424,199	179,344	538,031	1,838,273

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.

38. Fruitless and wasteful expenditure

Opening balance as previously reported	41,509	9,114
Opening balance as restated	41,509	9,114
Fruitless and Wasteful expenditure - current year *Reversal of interest	63,471	32,410
Closing balance	(2)	(15)
	104,978	41,509

* The entity received credit notes in the period under review amounting to R1 824 (actual amount) in the current year that was previously classified as fruitless and wasteful.

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, 2021

Notes to the Annual Financial Statements

Figures in Rand Thousands

38. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Interest on overdue accounts	The matter has been recommended for investigation	36	16
		<u>63,435</u>	<u>32,394</u>
Interest on non-payment of shareholder loan	The matter has been recommended for investigation	<u>63,471</u>	<u>32,410</u>

39. Irregular expenditure

Opening balance as previously reported	34,219	32,230
Opening balance	-	-
Opening balance as restated	34,219	32,230
Add: Irregular Expenditure - current	7,203	1,989
Details of irregular expenditure - current year	41,422	34,219

Transactions were identified during the year whereby SCM processes were not followed. The matter has been referred for investigation to Internal Audit

40. In-kind donations and assistance

	<u>7,203</u>	<u>1,989</u>
--	--------------	--------------

No In-kind donations have been received in the year ended 30 June 2021.

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, 2021

Notes to the Annual Financial Statements

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, 2021

Notes to the Annual Financial Statements

Figures in Rand Thousands

41. Additional disclosure in terms of Municipal Finance

Management Act Audit fees

Current year subscription / fee	1,150	1,288
Amount paid - current year	(1,150)	(1,288)
	<u>-</u>	<u>-</u>

PAYE , UIF and SDL

Current year subscription / fee	7,249	5,488
Amount paid - current year	(7,249)	(5,488)
	<u>-</u>	<u>-</u>

Pension and Medical Aid Deductions

Current year subscription / fee	5,120	4,322
Amount paid - current year	(5,120)	(4,322)
	<u>-</u>	<u>-</u>

VAT

VAT payable	2,372	2,293
-------------	-------	-------

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

Incident

Deviations were as a result of service providers being sole suppliers as per regulation 36 (1) (b) of the supply chain management regulations	-	6,414
Deviation and ratification from the normal procurement processes in terms of (a)(v) and (b) of the supply chain management regulations	-	711
Impractical procurement	-	347

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, 2021

Notes to the Annual Financial Statements

Figures in Rand Thousands

Emergency	-	50
		<u>7,522</u>

42. Budget differences

Material differences between budget and actual amounts

The material variances are as follows:

42. Budget differences (continued)

- 1. Rendering of services** :This is due to the application of the effective standard for principal and agency. For agency transactions, the entity only recognises the management fee as revenue. This under performance of revenue is recovered on the agency line item.
- 2. Agency Income-** This is due to the application of the effective standard for principal and agency and refers to the management fees that MTC earned.
- 3. Interest received:** This is due to the lower repo rate applied by COJ Treasury department in light of the current pandemic.
- 4. Employee cost** :This is above budget due to recruitment that took place in the current year, and as a result of a higher leave pay provision.
- 5. Depreciation:** The depreciation is under budget mainly due to the opening balance of non current asset that was restated to factor changes to the provisional amount reported. This has resulted in a lower depreciation rate in the current financial year.
- 6. Finance cost:** This is above budget due to the interest charged on non-payment of the Shareholder Loan
- 7. General expenditure:** This is higher than budget- mainly due to contracted services. Consultants were employed during the year to assist with the implementation of the EBM which resulted in the higher cost for consulting fees for the year.

43. Accounting by principals and agents

The entity is a party to principal-agent arrangements.

Details of the arrangement(s) is/are as follows:

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, 2021

Notes to the Annual Financial Statements

Figures in Rand Thousands

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.

The City and respective entities enter into contracts with MTC whereby MTC is appointed as an independent contractor to implement the capital projects. MTC 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 is not exposed to inventory risk as goods/services are delivered directly to the principal.

43.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 (2020: R15m).

Additional information

Revenue and expenses that relate to transactions with third parties undertaken in terms of the principal-agent arrangement

Amount of revenue received from the principals during the reporting period

Sales- Installations	55,901	41,101
Sales- IT Support and Services	326,387	329,404
Sales-Hosting	-	6,000
Sales- VOIP	-	17,390
Sales- LAN Services	1,028	-
Sales- Other	261	43,637

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, 2021

Notes to the Annual Financial Statements

383,577 437,532

Amount of expenses incurred on behalf of the principal during the reporting period

Cost of sales- Installations	328,297	239,744
Cost of sales- IT support and services	4,954	162,961
Cost of sales-Other	-	12,463
Cost of sales- VOIP	-	6,990
Cost of sales - Maintenance of CCTV Cameras	10,781	-
Purchases Account	24,151	-
	368,183	422,158
