



Integrated Annual Report
2018/19



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SUBMISSION OF THE GAUTRAIN MANAGEMENT AGENCY ANNUAL REPORT TO THE EXECUTIVE AUTHORITY

The Accounting Authority of the Gautrain Management Agency hereby presents the GMA Annual Report for the year ended 31 March 2019 to the Executive Authority.

Signed on 30 August 2019 on behalf of the GMA Board.



MR MOGOPODI MOKOENA
Chairperson GMA Board



FOREWORD BY THE MECS

MEC MAMABOLO'S FOREWORD



It is with great pleasure to state that the Gautrain Management Agency has once again achieved a clean audit. This is a demonstration that corporate governance and financial management are at the core of the Board's function.

The Gautrain Project is part of a long-term vision, which includes a commitment towards creating and sustaining a new culture of public transport use.

Gautrain has changed the perception of public transport in South Africa by providing a mode of choice that is reliable, affordable, safe and convenient public transport system. The Project remains an enabler of economic growth in the Province, it has facilitated growth in property development in surrounding areas of the Gautrain Stations and has contributed to the GDP of the Province.

As the recent study by Hatch revealed, Gautrain has continued to deliver jobs and investment in the Province. Furthermore, the study pointed out that Gautrain has also transformed commuting behaviour.

After nine years of operation and close to 97 million passenger trips, the Gauteng Government has demonstrated that the face of public transport can be radically changed.

The challenge now is to continue to attract more private vehicle-users to the Gautrain, to continue to deliver a world class System in terms of availability and punctuality and to plan for future improvements of and extensions to the Gauteng Rapid Rail Integrated Network.

I wish to thank all partners and the metropolitan councils of Ekurhuleni, Johannesburg and Tshwane for their collaboration and support.

“ Gautrain has changed the perception of public transport in South Africa by providing a mode of choice that is reliable, affordable, safe and convenient public transport system. ”

Lastly, I would like to express my gratitude to the Gautrain Management Agency Board Chairperson, Mr Mogopodi Mokoena and the other Board members for their commitment in their oversight of the GMA activities.

A final word of thanks goes to the GMA CEO, Mr Jack van der Merwe and his staff for a year of hard work and dedication. Your contribution matters.



MR JACOB MAMABOLO
Gauteng MEC for Roads and Transport



OUTGOING MEC VADI'S FOREWORD

Integrated mobility is a catalyst to great metropolitan cities worldwide and rail is the backbone of transport and the main transport mode of moving commuters from places of work, play and home whilst providing socio-economic access and accelerating modernisation. Likewise it is the vision of the Gauteng Provincial Government to provide an inclusive, seamless and integrated world-class commuter rail service that links the metropolitan cities of the Gauteng City Region.

Gautrain has continued to illustrate the commitment of the Gauteng Provincial Government to promoting public transport and stimulating economic development. The Gautrain Project's Socio-Economic Development targets were met and exceeded as the Project continues to contribute to the Gauteng economy. This proves that Gautrain is an integrated, innovative, public transport system that enables and promotes long-term, sustainable socio-economic growth. It stimulates economic development, spatial transformation and the modernisation of the public transport system.

The Gautrain Management Agency has completed the feasibility study for the Gauteng Rapid Rail Integrated Network extensions on behalf of the Provincial Government. The study provides certainty about the future growth of the rail network in the Province and is in line with the National Transport Master Plan, the Draft White Paper: National Rail Policy and is also consistent with the National Development Plan for 2030.

During the year under review, the Gauteng Transport Authority was approved by Legislature. It is envisaged that the Authority will play an instrumental role in facilitating co-ordination and integration of rail services offered by all modes including Gautrain, and to deliver on this goal.

The Gautrain has continued to see consistent usage on the service by commuters and airport service passengers. This has been achieved with operational efficiency and marketing in tough economic conditions. The GMA is to procure additional rolling stock to meet the future passenger demand for rail services.

“Gautrain has continued to illustrate the commitment of the Gauteng Provincial Government to promoting public transport and socio-economic development.”

Since inception, the GMA has demonstrated its commitment and adherence to corporate governance principles and responsible financial management. The Agency has once again achieved a clean audit. As such I would like to sincerely thank the GMA Board led by Mr Mogopodi Mokoena for the good governance and oversight on the entity. My appreciation also goes to the Chief Executive Officer, Mr Jack van der Merwe, the senior management and staff for their professionalism and dedication.

It is said that through partnerships we do more and achieve more. We appreciate our partnerships with the Bombela Concession Company, the Department of Transport and National Treasury, Transnet, the Passenger Rail Agency of South Africa, the Airports Company of South Africa, the Gauteng Provincial Treasury and the Gauteng Department of Roads and Transport. Finally, to our partners that constitute the Gauteng City Region, i.e. City of Ekurhuleni, City of Tshwane and the City of Johannesburg, a big thank you for your ongoing co-operation and support.



DR ISMAIL VADI
Gauteng MEC for Roads and Transport
2010 to 2019



LEADERSHIP OVERVIEW AND OUTLOOK

CHAIRPERSON'S FOREWORD

It is a great pleasure to present the 2018/19 Integrated Annual Report on behalf of the Gautrain Management Agency (GMA)'s Board.

The Agency's strategy continues to promote alignment to the outcome-based approach of the Gauteng Medium Term Strategic Framework and the Gauteng Provincial Government's commitment to actively promote integrated public transport and social development. In the Financial Year under review, the GMA Board has thus provided strategic direction and oversight that ensured that the Gautrain Project operates in a sustainable manner with clear commitment to the socio-economic imperatives of the Gauteng Government. Socio-Economic Development targets were met and exceeded as Gautrain continues to contribute positively to the Province.

The GMA has continued to set high standards in accountability. For the Financial Year under review the GMA received an unqualified audit report from the Auditor General of South Africa. This is an indication of the Agency's commitment to long-term transparency, sustainability and accountability.

In the year under review, the Board provided oversight on the following strategic projects – amongst others:

- Approved the GMA Five-Year Review and Handover Report;
- Ten to Fifteen Year GMA Strategic Plan;
- Settlement of the Operating Period disputes;
- Integration of the Gautrain System with other public transport systems;
- Public Transport Ticketing Interoperability;
- Establishment of the Gauteng Transport Authority;
- Gauteng Province's Construction All Risks (CAR) Insurance Claim;
- Review and approval of organisational design and structure for the 2018/19 Financial Year and beyond; and
- GMA's application of King IV and its recommended practices.

“ Having received an unqualified audit report from the Auditor General of South Africa, shows GMA's commitment to long-term transparency, sustainability and accountability. ”

Looking to the new Financial Year GMA will focus on amongst others:

- Provide over-arching strategic guidance to ensure that the GMA maintains good governance;
- Procurement of additional rolling stock;
- Post 2026 Planning for the end of the Concession period;
- Manage the impact that the devolution of rail will have on the GMA;
- Appoint a new GMA Chief Executive Officer; and
- Find innovative ways to leverage on partnerships to increase ridership.

I would like to express my gratitude to my fellow Members of the Board, Board Advisors and Committees for their dedication and commitment in executing the oversight role of the GMA activities during the Financial Year. Let me take this opportunity to thank the Chief Executive Officer, Mr van der Merwe and the staff of GMA, all stakeholders and the Gauteng Provincial Government for their support. Gratitude also goes to the three metropolitan councils of Ekurhuleni, Johannesburg and Tshwane for their co-operation.

Finally, I would like to thank the MEC, Dr Ismail Vadi of the Gauteng Department of Transport and Roads for his support as well as wish the newly appointed MEC, Mr Jacob Mamabolo, all the best for his leadership.



MR MOGOPODI MOKOENA
Chairperson: GMA Board





CHIEF EXECUTIVE OFFICER'S OUTLOOK

For the past four years the Gautrain Management Agency has focused on improving its Annual Report so that it encompasses all aspects of integrated reporting. This report reviews the GMA's financial, operational, social and governance performance for the 2018/19 Financial Year. Communicating business value through integrated reporting will help stakeholders understand all the components of the GMA's activities.

The GMA has again, during the year under review, received a clean audit from the Auditor General of South Africa, which makes it the seventh year in a row. This consistent achievement is only possible through the dedication and commitment of each staff member of the GMA, sound corporate governance, responsible financial management, a zero tolerance to non-compliant practices, an effective internal audit function and guidance and oversight by the GMA Board and its Committees. A special word of thanks to everyone involved. Let's make it eight-in-a-row next year!

The GMA appointed Hatch to investigate the economic and social impact of the Gautrain Project for the period 2006 to 2018, and to predict possible future benefits. Hatch has identified the following five pillars of impact:

- Delivering jobs and social investment
- Influencing transport choices
- Reinforcing development nodes
- Integrating the region and its communities
- Changing perceptions and attracting investment.

Gauteng is the economic powerhouse of Southern Africa. On average a total of 200 000 people migrate to Gauteng from other provinces in South Africa on a yearly basis. The prediction is that the population of Gauteng will grow to 19.2 million by the year 2037. For this Global City Region to grow and prosper, it is essential that it has a well-functioning, integrated public transport system. Together with this challenge the Province will have to provide well located housing for the expected growth in population. Land-use planning, transport planning and economic planning must be approached in a holistic and integrated manner.

To achieve this in a Global City Region such as Gauteng the establishment of a Transport Authority is vital. The legislation for the establishment of a Gauteng Transport Authority has been developed, approved and promulgated. The Premier and the MEC have instructed the GMA to develop the GTA. The GMA will also have to develop its own role and function relative to the Transport Authority to ensure the development of an integrated public transport system for Gauteng, with commuter rail forming the backbone of the public transport system.

“ The GMA has again, during the year under review, received a clean audit from the Auditor General of South Africa, which makes it the seventh year in a row. ”

Some of the major strategic challenges that will have to be addressed during the 2019/20 Financial Year are:

- Implement the Gauteng Province's stated policy of Transformation, Modernisation and Re-industrialisation within the GMA's activities and influence spheres;
- Implement all the recommendations of the King IV report;
- The creation of a Provincial-wide Transport Authority and the determination of the relationship between the GMA and the Transport Authority;
- Work, together with the MEC, to address the conflict at the Gautrain stations between e-hailing services and meter taxis and the development of a lasting solution to the issue;
- Start the planning process for managing the Gautrain Project after the completion of the current concession period with the Bombela Concession Company in March 2026;
- Completion of the procurement process for the purchase of additional pre-owned rail carriages for the System including the upgrade of the signaling system, the construction of a new depot to house the new rolling stock and the possible upgrade of the power supply to the System to accommodate the additional train sets;
- The impact of the formalisation of the National Transport Department's Draft White Paper on Rail into legislation and the impact it will have on the GMA if the oversight of the Metrorail operations in Gauteng is devolved to the GMA as envisaged in the Draft White Paper;
- Address the current capacity constraints on the System during peak periods through innovative interventions. This will be necessary to bridge the period between now and the delivery of the additional rolling stock;
- Increase ridership on the System by targeted marketing to increase counter-flow during peak periods and increased ridership during off-peak periods;
- Achieve Treasury Authorisation (TA1) for the feasibility study and securing the necessary funding for the extension of the Gauteng Rapid Rail network;
- Investigate various options to the funding of Gautrain infrastructure;
- Complete the project to develop a common electronic ticket system for all modes of public transport in Gauteng and develop a call-center for all modes of public transport in Gauteng;
- Expand on the existing taxi-model for the provision of Feeder and Distribution services for the Gautrain Rail System at the various stations; and
- Continue to deliver a world class commuter and airport service to the people of South Africa at the current availability and punctuality standards.

I would like to thank the members of the GMA Board, under the leadership of the chairperson, Mr Mogopodi Mokoena, for their continued support, encouragement, advice and oversight of the GMA during the 2018/19 Financial Year. Your approach to oversight and monitoring of the GMA's strategic objectives, without fear or favor is a definitive example of how a knowledgeable and well-informed board of a Provincial Owned Entity should discharge its obligations.

To my management team and staff, a special word of appreciation for your commitment and loyalty to the GMA. You have once again shown that there is no substitute for hard work and dedication in achieving one's goals. You, together with all the GMA staff, are contributing to moving the GMA from good to great.

I will be leaving the GMA at the end of September 2019, after serving as the CEO since the inception of the GMA in January 2009. This will also signal the end of my involvement with the Gautrain Project which started in July 1997, when I accompanied the then Premier, Tokyo Sexwale, to Bavaria in Germany where he announced that we were there to buy a train. It has been the most incredible 22 years, taking the Gautrain Project from 'Dreams to Reality'.

I am confident that there are very capable people at the GMA that will guide the Agency to new heights and develop innovative solutions to the challenges facing the GMA during the coming years. To my successor, you are inheriting a dedicated and knowledgeable team that will support you in achieving even loftier goals and aspirations for the GMA.

Finally, I would like to thank our outgoing MEC Dr Ismail Vadi for his unwavering support of the GMA and its activities. Your vision for an affordable integrated public transport system for all the people of Gauteng will keep on inspiring us to work towards achieving this. To our incoming MEC Mr Jacob Mamabolo, I would like to assure you of the total support of each and everyone at the GMA. We are aligned to your vision of addressing congestion on our road network by ensuring and facilitating the shift from road-based motorised transport to rail-based transport for passengers and freight in Gauteng.



MR ELZER (JACK) VAN DER MERWE
CEO: GMA

MEMBERS OF THE BOARD



MR MOGOPODI MOKOENA (55)

Chairperson and Independent Non-Executive Member
(Appointed: 01 January 2018)

B Com, B Com Hons (Local Government Accounting).

GMA Board Committee Membership: Finance and Asset Committee and Human Capital and Remuneration Committee.

Other Directorships: Gauteng Growth and Development Agency (SOC), Clinix Health Group (Pty) Ltd, and IPM (Pty) Ltd.

Professional Memberships: Institute of Directors in Southern Africa (IoDSA).

Skills, Expertise and Experience: Financial Management and Auditing, Public Financial Management, Infrastructure and Urban Development and Trade and Investment.



MS PULI MOLOTO-STOFILE (63)

Deputy Chairperson and Independent Non-Executive Member
(Appointed: 01 January 2018)

MBA, LLB and B Proc.

GMA Board Committee Membership: Human Capital and Remuneration Committee and Audit and Risk Committee.

Other Directorships: Executive Director – Moloto Stofile Inc & Bontle Buhle Trading Enterprises (Pty) Ltd.

Non-Executive Director: Pamodzi Coal (Pty) Ltd and Rorisang Basadi Investment Holding (Pty) Ltd.

Professional Memberships: Law Society of the Northern Provinces (LSNP); Institute of Directors in Southern Africa (IoDSA); Arbitration Foundation of SA (AFSA).

Skills, Expertise and Experience: Commercial Law, Corporate Law, Labour Law, Commercial Litigation, Corporate Governance, Regulatory and Compliance and Mediation and Arbitration.

MR ELZER (JACK) VAN DER MERWE (70)
Chief Executive Officer and Executive Member
(Re-appointed: 01 April 2014)

BSc Civil Engineering and BSc Civil Engineering Honours.

GMA Board Committee Membership: Finance and Asset Committee, Social and Ethics Committee and Human Capital and Remuneration Committee.

Professional Memberships: President of the International Association of Public Transport (UITP); Vice President, Executive Board Member and Policy Board Member of the African Association of Public Transport (UATP); Chairperson of the Steering Committee of the Gauteng Transport Integration Plan; Project Director of Aerotropolis and Member of the Institute of Directors in Southern Africa (IoDSA).

Skills, Expertise and Experience: Public Transport Sector, Public Private Partnership (PPP) Contracts and Project Management.

MR ABEL MAWELA (58)
Independent Non-Executive Member
(Appointed: 01 January 2018)

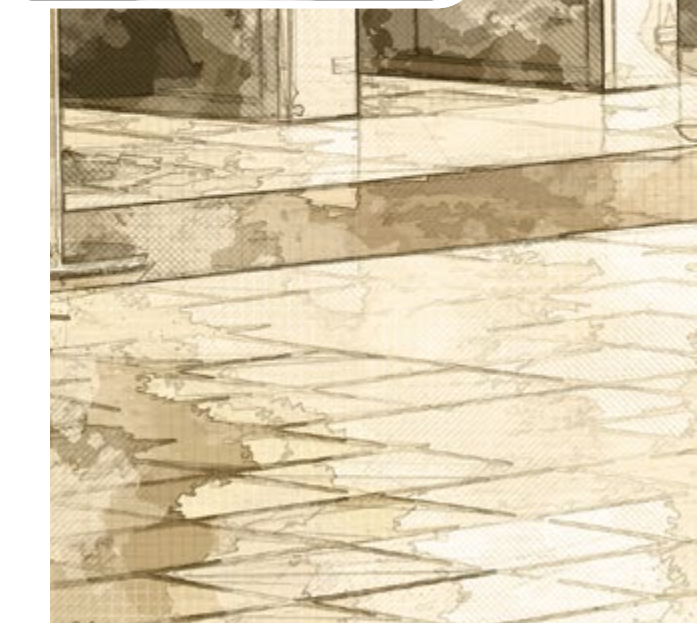
B Com, B Com Hons, MBA and Certified Director.

GMA Board Committee Membership: Chairperson of Finance and Asset Committee and Member of Social and Ethics Committee.

Other Directorships: Molodi Finance and Investments, Export Credit Insurance Corporation of South Africa and Marale Financial Services.

Professional Memberships: Institute of Directors in Southern Africa (IoDSA).

Skills, Expertise and Experience: Financial Management, Auditing, Corporate Governance and Supply Chain Management.





MR BOLOKANG LENGANE (45)

Independent Non-Executive Member
(Re-appointed: 01 January 2018)

B Com, B Com Hons and CA (SA).

GMA Board Committee Membership: Chairperson of Audit and Risk Committee and Member of Social and Ethics Committee.

Professional Memberships: Institute of Directors in Southern Africa (IoDSA), SA Institute of Chartered Accountants (SAICA) and Independent Regulatory Board of Auditors (IRBA).

Skills, Expertise and Experience: Auditing, Financial Management, Corporate Governance, Risk and Compliance.



MR DONOVAN NADISON (54)

Independent Non-Executive Member
(Appointed: 01 January 2018)

Bachelor of Arts in Social Work with Honours and Master of Arts in Social Work, from Witwatersrand University. He also completed a non-degree programme at Indiana University as a PhD Fulbright Scholar.

GMA Board Committee Membership: Chairperson of Social and Ethics Committee, Member of the Human Capital and Remuneration Committee.

Other Directorships: New Africa Investments (Pty) Ltd, New Africa Consulting cc, Chairperson of the Free State Gambling Liquor & Tourism Authority's Audit Committee, Non-Executive Director and Chairperson of the Eastern Province Cricket Board (EPC) Audit Committee.

Professional Memberships: Institute of Directors in Southern Africa (IoDSA).

Skills, Expertise and Experience: Management consulting expertise in change leadership, stakeholder management, project management and capital project management; Private Public Partnerships (PPP); Corporate Social Responsibility (CSR); Internal Audit and Risk Assurance.

MS LUCRETIA KHULAMO (38)

Independent Non-Executive Member

(Appointed: 01 January 2018 until 30 September 2018)

MBA, BSc Engineering – Electrical.

GMA Board Committee Membership: Finance and Asset Committee and Audit and Risk Committee.

Other Directorships: Dainfern College School.

Professional Memberships: Institute of Directors in Southern Africa (IoDSA).

Skills, Expertise and Experience: Project Finance, Organisational Design and Development, Stakeholder Management, Strategy and Leadership.



MS SEBINA HLAPOLOSA (57)

Independent Non-Executive Member

(Re-appointed: 01 January 2018)

Bachelor of Journalism and Media Studies, Post Graduate Diploma in Human Resources, Executive Development Programme and Senior Executive Programme in Strategic Transformation.

GMA Board Committee Membership: Chairperson of Human Capital and Remuneration Committee and Member of Social and Ethics Committee.

Other Directorships: Defence Force Commissioner.

Professional Memberships: Institute of Directors in Southern Africa (IoDSA).

Skills, Expertise and Experience: Human Capital Management, General Management and Leadership, Organisational Development, Change Management and Transformation, Communication and Stakeholder Management.





DR PRITTIISH DALA (36)

Independent Non-Executive Member

(Appointed: 01 January 2018)

PhD (Information Technology), Masters (Information Technology) and BSc Hons (Computer Science), Bachelor of Information Technology, Certified Information Systems Auditor (CISA), Certified Information Security Manager (CISM), Certified Information Systems Security Professional (CISSP), Lead Auditor ISO 27001 (LA ISO 27001), Certified in the Governance of Enterprise Information Technology (CGEIT), Certified in Risk and Information Systems Control (CRISC), Certified Ethical Hacker (CEH) and Computer Hacking Forensic Investigator (CHFI).

GMA Board Committee Membership: Finance and Asset Committee and Audit and Risk Committee.

Other Directorships: Brakpan Bus Company, Council for Built Environment, Exponential Enterprises and Freedom Park.

Professional Memberships: Information Systems Audit and Control Association (ISACA), International Information Systems Security Certification Consortium (ISC²), Institute of Directors South Africa (IoDSA) and EC-Council.

Skills, Expertise and Experience: Information Technology, Information Security, Privacy, Information Technology Audit, Internal Auditing, Risk Management, Governance, Compliance, Forensics and Research.

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE ACCURACY OF THE INTEGRATED ANNUAL REPORT

The Board, assisted by its Committees, is responsible for ensuring the integrity of the Integrated Annual Report.

The 2019 Integrated Annual Report was approved by the Board and signed on its behalf by the Chairperson of the Board and the Chief Executive Officer of the Gautrain Management Agency.



MR M MOKOENA
GMA: Board Chairperson



MR E VAN DER MERWE
GMA: Chief Executive Officer





Section A

INTEGRATED REPORTING

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INTEGRATED REPORTING

1. PURPOSE OF INTEGRATED REPORTING

For the past four years the GMA has focused on improving the annual report so that it encompasses aspects of integrated reporting. This report reviews our financial, operational, social and governance performance for the Financial Year 2018/19.

The purpose of this report is to provide a concise view of the GMA, what we do and how we create value, our strategy, opportunities and risks, our business model and governance and our performance against our strategic objectives in a way that gives stakeholders a holistic view of the Agency and our future. The report examines the performance of the GMA in relation to our strategy and the Annual Performance Plan. Unless otherwise indicated, the information presented is comparable to that of prior years, with no significant restatements.

2. REPORTING PHILOSOPHY

The GMA's 2019 Integrated Annual report provides an overview of performance, as well as an outlook for the period 1 April 2019 to 31 March 2020. It is one of the platforms for stakeholders to assess the GMA's performance during the year under review.

The following guiding principles were used to develop the integrated report:

- Review of performance during the 2018/19 Financial Year;
- Strategic focus and future orientation;
- Interconnectivity of strategic and operational information; and
- Stakeholder engagement and responsiveness.

The report further complies with legislative prescripts and conforms to National Treasury guidelines on annual reporting, which emphasises the integration of strategic plans and operational budgets to improve operational effectiveness. The main aim of interlinking plans and

budgets is to ensure that key objectives and priorities are budgeted for to improve operational effectiveness.

The Annual Financial Statements are prepared in accordance with the prescribed standards of Generally Recognised Accounting Practice (GRAP), including directives and guidelines issued by the Accounting Standards Board (ASB) and the Public Finance Management Act (PFMA).

3. GMA'S DEFINITION OF MATERIALITY

The GMA sets out its approach to reporting on material matters in accordance with the PFMA in its Materiality and Significance Framework, which is set out in our Annual Strategic Plan 2018/19 to 2020/21. This Framework has been determined by a careful analysis of our risks, strategic goals and outcomes. In setting the materiality level, the GMA has taken cognisance of the following:

- The GMA is funded primarily by a provincial Medium-Term Expenditure Framework (MTEF) budget allocation;
- The business of the GMA is conducted within the framework of the mandate, objects and powers contained in the GMA Act, as well as the business and financial direction set out in the Strategic Plan and Budget; and
- The GMA is governed by the PFMA and the National Treasury regulations and has public accountability and responsibility to stakeholders, which is important and ensures that the GMA risk appetite is managed within the confines of these prescripts.

From a financial perspective, the GMA has determined the overall materiality level, excluding system assets, to be 1% of actual expenditure for the 2018/19 Financial Year (excluding extraordinary expenditure that is unlikely to recur), i.e. approximately R20.1 million. The GMA has also determined the materiality level for system assets to be 0.1% of the System assets for the 2018/19 Financial Year, i.e. approximately R30 million.

A qualifying transaction may also be considered significant, based on considerations other than financial if, in the

“ In line with the King Codes, the GMA adopted a shareholder-inclusive approach. ”

opinion of the Accounting Authority, it is significant for the application of section 54 (2) of the PFMA.

In determining the materiality level the GMA has taken cognisance of the following:

- The GMA is primarily funded by a provincial MTEF budget allocation;
- The business of the GMA is conducted within the framework of the mandate, objects and powers contained in the GMA Act, as well as the business and financial direction set out in the Strategic Plan and Budget; and
- The GMA Act defines accountability and approval structures from the Board, as the Accounting Authority to the CEO who is also a member of the Board.

In terms of reporting on non-financial matters, the GMA has assessed the impact of each event on the strategic outcomes of the GMA and has exercised discretion in applying the principles as set out in the Framework.

The GMA thus reports on activities that resulted in the achievement or non-achievement of our strategic objectives and on risks that materialised in a manner that could impact on public accountability and disclosure requirements or could affect the decisions of stakeholders or result in reputational harm to the GMA.

4. ASSURANCE APPROACH

The GMA's assurance approach relies on the following lines of defence – review by management, Internal Audit and the Auditor General of South Africa. The Audit and Risk Committee and the Board rely on the individual assurance providers in assessing the adequacy and effectiveness of the GMA's risk management and internal controls.

5. REPORTING APPROACH

Communicating business value through integrated reporting will help stakeholders understand all the components of the GMA's work. This is demonstrated in the report through the themes of stakeholder impact, socio-economic sustainability and knowledge management, which are material to the long-term sustainability of the GMA.

Stakeholder impact

In line with the King Codes, the GMA has adopted a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the Agency. With its focus on stakeholder management, the GMA's stakeholder-inclusive approach to reporting recognises that it has many stakeholders who are involved in or affected by or impact on the GMA in the achievement of its strategy and long-term sustainability. The GMA's stakeholder engagement processes provide insight into the quality of relationships with both internal and external stakeholders. The Agency is committed to responding to stakeholders' needs, interests and expectations through effective engagement. The GMA thus approaches stakeholder relations in a stakeholder-centric way – focusing on what is important to the stakeholder.

GMA stakeholders range from Gautrain passengers to regulators and Government entities, not-for-gain organisations and business partners such as the Concessionaire.

The GMA Board entrenches governance and accountability throughout all functions of the GMA and is, as such, the front face of relations that the GMA has with its stakeholders such as Government.

Table 1: Integrated Reporting Assurance Framework

Content	Assurance Providers	Outcomes	Framework
Annual Financial Statements	<ul style="list-style-type: none"> • Auditor-General of South Africa 	<ul style="list-style-type: none"> • Qualified/unqualified opinion • Material findings on usefulness and reliability of performance information 	<ul style="list-style-type: none"> • PFMA • GRAP
Integrated report	<ul style="list-style-type: none"> • GMA Audit and Risk Committee • GMA Board 	<ul style="list-style-type: none"> • Board's approval 	<ul style="list-style-type: none"> • Legislative requirements • International Integrated Reporting Framework • Treasury Guidelines
Corporate governance	<ul style="list-style-type: none"> • Internal Audit • Corporate Governance and Ethics 	<ul style="list-style-type: none"> • Assessments of controls 	<ul style="list-style-type: none"> • King IV • PFMA

Government stakeholders include the Transport Portfolio Committee and the Gauteng MEC for Roads and Transport. The MEC ensures long-term public transport planning in the Province with the Gautrain and rapid rail as the backbone.

During the reporting period, the Gauteng Provincial Legislature and Treasury enabled discussion on pertinent issues and sustainable operations and funding. The Gauteng MEC for Finance, through the Relevant Treasury, the Gauteng Treasury, allocates budget and lends support for Gautrain projects. In addition, the Gauteng Treasury also has an observer on the GMA Board and assists in the settlement of disputes that GMA has with the Concessionaire.

Entities who also have a positive impact on the Gautrain Project through their support are the National Department of Transport, National Treasury and the Presidential Infrastructure Co-ordinating Commission. These stakeholders, which enable the GMA to function from a political and legislative point of view, are part of the GMA's everyday stakeholder engagements.

In addition to financial support from the Relevant Treasury, support in financial and technical terms was received from the Development Bank of Southern Africa (DBSA). The DBSA contributed to various large projects.

The Auditor-General assists in upholding good governance of the GMA, through ongoing auditing and guidance.

Local Government also has a role to play as a stakeholder as relevant municipalities are responsible for spatial planning in their areas of jurisdiction and have significant public transport systems and integration needs that impact on the Gautrain.

As state-owned entities such as PRASA and ACSA have an impact on passenger rail transport services in Gauteng, the GMA has standard engagements with them. This includes the Metrorail commuter rail services.

Through the monitoring relationship that the GMA has with the Concessionaire, service levels, amongst others, are upheld according to required targets set for the quality service to which Gautrain passengers are accustomed. Specific service levels are those of train service availability and punctuality, which were 99% and 98% respectively. For the bus service, service availability was 98% and service punctuality 96%.

As vital stakeholders of the GMA, the Gautrain passengers and future passengers are frequently engaged through special events, exhibitions, advertisements, station activations and social media. Most of these passengers are in support of the Gautrain with a generally positive perception score. Passengers tend to positively associate the Gautrain with convenience, reliability, professionalism

and safety. Similar factors were tested in 12 customer satisfaction surveys, with most Net Promoter Scores ranging between 95% and 98%. A favourite of passengers – social media – is represented by 51,576 Facebook page likes and 276,246 followers on Twitter.

Towards creating public opinion, the traditional mass media has a positive impact on the Gautrain and the leadership of the GMA. This is evident through the GMA's interactions with traditional media, through media statements and visits, as well as continuous interest in passengers' service performance needs. Just over 800 media reports were received, which contributed to a communication rand value of R200 million.

At the heart of the GMA lies its employees in whom the GMA endeavours to inculcate an inclusive and cohesive culture through employee consultation. The outcome of such consultations shows in the quality of work delivered. Working together with employees towards the GMA objectives are service providers and consultants who, through strong and committed relationships, deliver on agreed performance, quality and service standards. A contributor to performance is the human capital strategy which added to the achievement of key people-related performance areas in support of the GMA strategy. The GMA's total headcount represents 94 employees against an approved 100.

Social economic sustainability

The past, current and future impacts of the Gautrain System are centred on the GMA's Key Performance Indicators (KPIs) and include Socio-Economic Development (SED), the contribution to the development of public transport as a mode of choice as well as Gauteng's improved spatial development.

The Gautrain Project has had a significant impact on the urban landscape and economic growth trajectory of the Gauteng Province. A post-economic appraisal to quantify these impacts was undertaken and through this it became evident that the Development Period sustained 121,800 jobs in Gauteng between 2006 and 2012.

The Operating Period has also seen significant procurement from and subcontracting to Black Entities and Small Medium and Micro Enterprises (SMMEs) – approximately R5 billion and R330 million respectively in the Operating Period up to December 2018. Local content targets have been met and exceeded in terms of operational expenditure – approximately R2.4 billion worth of South African materials, plant and equipment was purchased in the Operating Period up to December 2018.

In addition to these directly measurable SED achievements, there have been significant but less quantifiable benefits that arise from the Gautrain Project.

The first relates to the changed and improved urban landscape where investment by the private sector in development projects has resulted in densification around stations, leading to far more efficient nodes and reducing the urban sprawl that has characterised Gauteng's spatial development over the last two decades. The cities in Gauteng are spending less on servicing far-off nodes developed by private developers and are attracting far higher rates and taxes in the existing urban nodes, with Sandton, Rosebank and Hatfield being the primary development nodes.

The second is that the Gautrain is able to promote a better quality of life in the following ways:

- Reduced road congestion with 21,300 fewer cars on the road per day (each making two trips), resulting in a reduction in accidents;
- Time saving for commuters and increased productivity levels of 10 to 12 working days per year; and
- A greener transport alternative to especially car transport in the Province, reducing the carbon footprint by 52% per trip.

This is in the context of the economic cost, which is largely the capital cost of the Project that translated public spending into transport, which cost has already been incurred and paid for.

In terms of sustainability, the GMA supports the view that the significant economic benefits of the Gautrain Project as a whole will be extended by continued investment in the System by way of expanding the current System and extending the rapid rail network over time. Key investments to date include:

- The construction of additional parking facilities at Centurion Station;
- The construction of additional parking facilities at Midrand Station and Rhodesfield Station;
- The extension of the platform at the OR Tambo International Airport Station; and
- The procurement for acquisition of additional rolling stock to carry more passengers and to continue the diversion of trips from private car to public transport.

Knowledge management

Research over the years has shown that the agility and competitiveness of organisations are dependent upon their ability to leverage on their knowledge assets. Therefore, organisational knowledge is a key determinant of corporate value. The success and sustainability of the GMA is dependent on the ability to identify, manage, and measure the six capitals – financial, human, social, intellectual, manufactured and natural. The International Integrated Reporting Council describes capitals as collective

stores of value that are the basis of the organisation's value creation. Knowledge management plays a key role in harnessing the potential of the intellectual capital. Value creation focuses on the organisational and societal impact of knowledge management.

The GMA recognises the importance of developing and managing the intellectual capital of organisations to create distinctive and sustainable value. Accordingly, in 2016 the GMA developed a three-year Knowledge Management Strategy with the intent of developing the GMA into a learning organisation. The Knowledge Management Strategy, now in its final year of implementation, has been underpinned by three pillars – knowledge capture, knowledge dissemination, and knowledge sharing preservation and innovation.

As a public-sector entity, the GMA operates within an environment where there are limited funds and a myriad of urgent and important social priorities competing for the same public purse. Sustainability is a key consideration where there is limited resources to go around. As various researchers have noted over the years, the public transport sector is cognisant of the fact that development should not trump environmental and social objectives. Knowledge management, as a foundation for decision support systems, supports sustainability by capturing, sharing and preserving knowledge. Consequently, knowledge management is increasingly seen as one of the crucial ingredients in attaining sustainability.

Stakeholders play a pivotal role in sustainability, thus strategic partnerships with public transport stakeholders, academic institutions, industry bodies and research institutions are one of the enablers of the Knowledge Management Strategy's knowledge-sharing and dissemination pillar. To this end, the GMA has forged a knowledge management initiatives partnership with the Gordon Institute of Business Science (GIBS). The two-year partnership, aimed at assisting the GMA in becoming a learning organisation, has three core focus areas – strategic leadership, integrated thinking and reporting and knowledge dissemination.

Various structured knowledge-sharing platforms to share lessons learnt and insights gained were facilitated for external stakeholders, including those from the public transport, infrastructure, academic, socio-economic and development sectors.



Section B

ABOUT THE GMA: ORGANISATIONAL OVERVIEW

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ABOUT THE GMA: ORGANISATIONAL OVERVIEW

1. GMA VERSUS GAUTRAIN

The Gautrain is mainly aimed at providing and optimising an integrated, innovative public transport system that enables and promotes the long-term sustainable economic growth of Gauteng. It is also part of a broader vision to industrialise and modernise the region, including a commitment towards creating and sustaining an integrated culture of public transport use. The Gautrain is implemented as a PPP in terms of Treasury Regulation 16 of the PFMA. The Gauteng Provincial Government (GPG) is the public partner and the primary promoter of the Project. The Concessionaire is the Bombela Concession Company (Pty) Ltd, which holds a 19½ year concession for the construction, operation and maintenance of the Gautrain.

The GMA was established by the GPG in terms of the GMA Act (Act 5 of 2006) to manage the implementation of the Project and the relationship with the Concessionaire. The GMA's focus is to manage, co-ordinate and oversee both the operation and maintenance of the Gautrain Project and the implementation of the extension of the System to accommodate future demand and new services as identified in the Integrated Transport Master Plan (ITMP25) for Gauteng.

2. GMA IN BROADER LANDSCAPE: GPG AND BOMBELA

As a PPP, the Gautrain has two main entities responsible for keeping its wheels rolling. These are the GPG through the GMA and the Bombela Concession Company (BCC).

BCC is responsible in terms of the Concession Agreement (CA) for the design, build and part-finance of the Gautrain. The concession also includes the operations of the Gautrain and the Concessionaire is responsible for delivering all the services as defined in the CA to specified levels of performance. These include the services related to the train and buses, safety, stations, revenue collection, marketing and passenger communication. The Concessionaire also

takes responsibility for the management and maintenance of all the System assets. It does so in accordance with international good practice and its own corporate governance regime. It is a private, ring-fenced company with three shareholders:

- Murray & Roberts Ltd is a construction company listed on the Johannesburg Stock Exchange that operates in Southern Africa, the Middle East, Southeast Asia, Australasia and North and South America;
- SPG Concessions Ltd is a Broad Based Black Economic Empowerment (BBBEE) company represented in all of the Concessionaire sub-contracts; and
- J&J Group is a South African broad-based investment holding and management company.

3. EXTERNAL ENVIRONMENT

The Gautrain is a rail-based public transport system operating in Gauteng. As such, the external environment is one of rail-related legislation and regulation as well as province-wide integrated planning. The White Paper on Rail, in accordance with the National Land Transport Act and National Development Plan provisions, provided some clarity on rail policy, especially in that transport functions be assigned to the most appropriate sphere of Government. The National Department of Transport will develop a devolution strategy in alignment with the Integrated Urban Development Framework. Thereafter it will capacitate Municipalities as necessary and devolve operational subsidies for urban commuter rail to all of them to be managed as part of their Comprehensive Integrated Transport Plans. Up to this stage the Passenger Rail Agency of South Africa (PRASA) will manage operations and maintenance of their urban rail systems. It is envisaged that Gauteng, with its urban agglomeration of metropolitan and municipal councils, will have a different institutional arrangement for devolution and that this will be closely linked to the establishment of a provincial Transport Authority. As such the GMA envisages playing a support role to the MEC in this regard.

“The Gautrain is mainly aimed at providing and optimising an integrated, innovative public transport system that enables and promotes the long-term sustainable economic growth of Gauteng.”

In addition, some other key policies and plans impact on the GMA:

- The National Department of Transport's commitment to integrated transport solutions, especially for the metropolitan areas;
- The National Land Transport Act of 2009 where the aim of transport provision is 'to further the process of transformation and restructuring the national land transport system';
- ITMP25 of the GPG, which, as the institutional 'owner' of the Gautrain Project, is committed to 'reinforcing the passenger rail network as the backbone of the System'; and
- The integrated transport plans of all three metros which assume PRASAs and Gautrain's presence and functions as part of their networks.

The GMA fulfils its mandate in this environment by assuring the most effective outputs from the Gautrain System and planning expansions and extensions in accordance with approved policies.

The GMA is exposed to the same adverse economic conditions as the rest of South Africa. This impacts on the Gautrain in many ways, but the two most important effects are that slower economic growth means lower rates of growth in passenger demand for the services and that the cost of finance for expansions and extension projects is higher than in the past.

The current Gautrain concession expires in March 2026 and requires extensive planning, detailed development and evaluation of options to replace the current concession. The steps have been initiated.

4. GMA MANDATE

The main objective of the GMA is to manage, co-ordinate and oversee the Gautrain Project. To achieve this, the GMA must:

- Assist the GPG in implementing the Gautrain and achieving the Project's objectives;
- Act on behalf of the GPG in managing the relationship between the Province and the Concessionaire in terms of the CA and ensure that the interests of the Province are protected;
- Enhance the integration of the Gautrain with other transport services and Public Transport Plans;
- Promote and maximise the SED and Broad Based Black Economic Empowerment (BBBEE) objectives of the GPG in relation to the Gautrain;
- Liaise with and promote co-operation between government structures in all three spheres of government in relation to the Gautrain;

- Liaise with persons with an interest in the Project;
- Manage assets relating to the Gautrain and promote their preservation and maintenance;
- Manage the finances of the Gautrain Project and the financial securities provided by the Concessionaire; and
- Monitor the policy and legislative environment of the Gautrain Project.

5. LEGISLATIVE MANDATE

The GMA is a GPG Public Entity that derives its mandate primarily from the GMA Act.

The GMA has been established in terms of the GMA Act and is listed under Schedule 3(c) of the PFMA as a Provincial Public Entity.

Legislative mandates of the GMA arise principally from the following legislative frameworks:

- The Gautrain Management Agency Act, 5 of 2006 (GMA Act), as amended;
- Public Finance Management Act, Act 1 of 1999 (PFMA), as amended;
- The Gauteng Transport Infrastructure Act, Act 8 of 2001 (GTIA), as amended;
- The Treasury Regulations and Section 76 of the PFMA; and
- The National Land Transport Act, Act 5 of 2009 (NLTA), as amended.

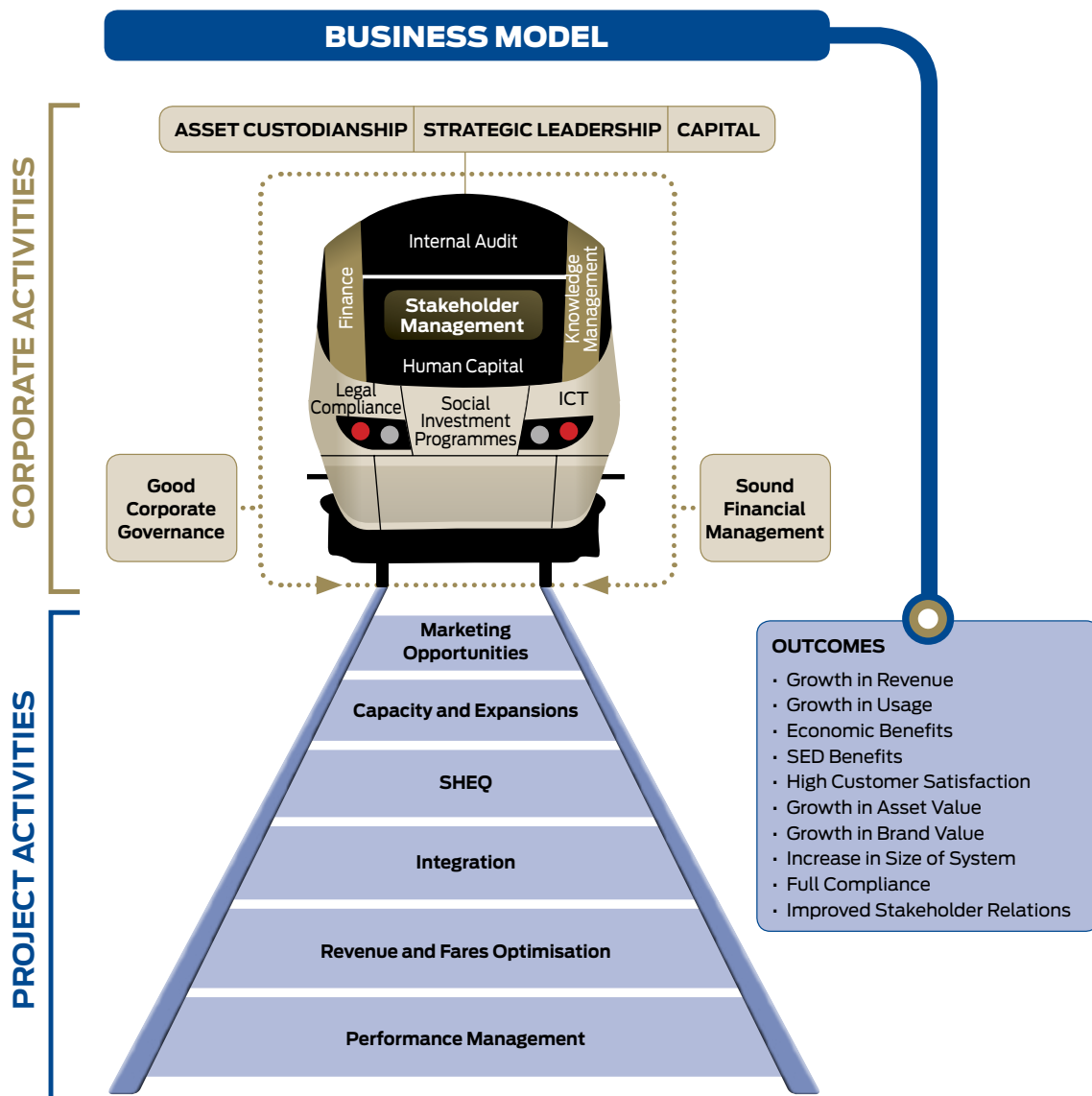
In addition to the legislative frameworks, the policy and strategic frameworks impacting on the functions of the GMA include:

- The Medium-Term Strategic Framework (MTSF);
- The New Growth Path (NGP);
- The National Development Plan (NDP);
- Gauteng Employment, Growth and Development Strategy (GEGDS);
- Gauteng 25 Year Integrated Transport Master Plan (GITMP);
- Gauteng Transport Implementation Plan – 5 Year (GTIP5);
- Presidential Infrastructure Co-ordinating Commission (PICC);
- The Public Service Corporate Governance of Information and Communication Technology Policy Framework;
- The Public Sector Integrity Management Framework; and
- Protocol on Corporate Governance in the Public Sector.

6. BUSINESS MODEL

The GMA's business model is based on our mandates under the GMA Act and is premised on delivering outcomes that benefit the Province and its people. Given the current operational phase of the Gautrain, these outcomes have been identified as growth in revenue and usage while maintaining high customer satisfaction, continued economic and SED benefits, growth in asset and brand value and growth in the size of the Gautrain System. All these outcomes are to be delivered in a manner that is fully compliant with the regulatory prescripts applicable to the GMA as a public entity.

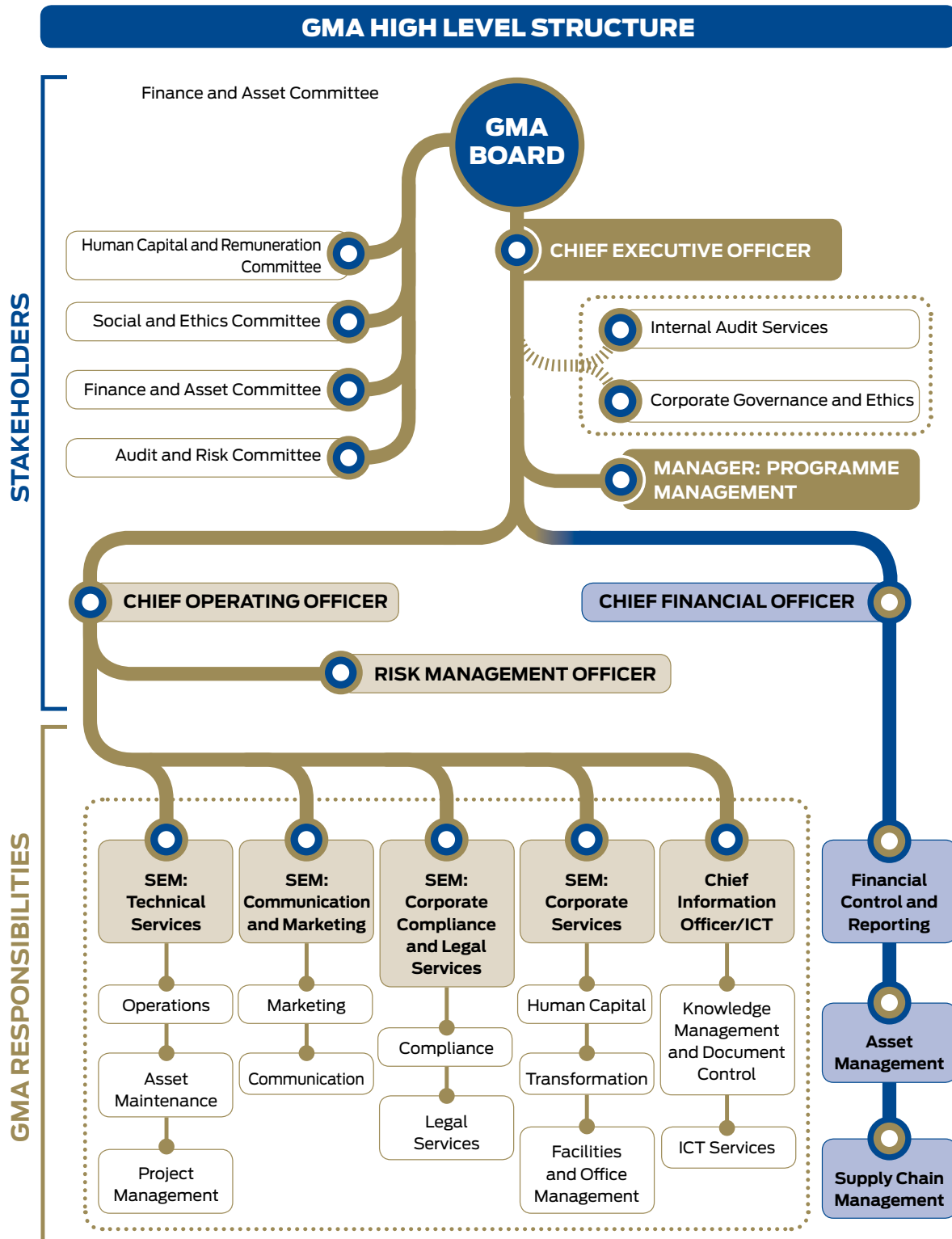
We deliver these outcomes by converting the three major inputs received from the GPG – custodianship of the System assets, the annual MTEF budget allocation and strategic leadership from the Gauteng MEC of Roads and Transport and colleagues in the Executive Committee – into various Project-related and corporate activities.



Graph 1: Business model

7. ORGANISATIONAL STRUCTURE AND HUMAN CAPITAL HIGH LEVEL MANAGEMENT

The structure of the GMA facilitates managing, co-ordinating and overseeing the Gautrain Project. The organisational structure is designed to give effect to the business model by creating units within the GMA with functions connected to the Project-related and corporate activities. The structure also gives effect to good corporate governance based on oversight by the GMA Board and independent Internal Audit functions.



Graph 2: GMA organisational structure



Section C

GMA STRATEGY AND RESOURCE ALLOCATION

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GMA STRATEGY AND RESOURCE ALLOCATION

1. OUR VISION, MISSION AND VALUES

The vision of the GMA is to provide an integrated, innovative and efficient public transport system that promotes sustainable socio-economic growth in Gauteng.

To achieve the vision, the GMA's mission is to manage, co-ordinate and oversee the Gautrain Rapid Rail Link Project through the implementation of the Concession Agreement between the GPG and the Concessionaire.

The GMA values are confirmed as excellence; professionalism; integrity; fairness and transparency; trustworthiness; accountability and responsibility; collaboration and co-creativity; ethical and prudent behaviour and respectfulness.

The eight strategic-oriented goals for the Financial Year were:

1. To ensure a reliable, efficient, affordable and sustainable rail service through maintaining a high level of service excellence in all performance-related matters;
2. To assure that the obligations of the Concessionaire are met and that the Concession Agreement is managed for the optimal benefit of the Gauteng Province, its residents, users and visitors;
3. To ensure sound financial management of all GMA revenue sources and to safeguard the assets of the Project. To ensure that the concessionaire meets its obligations regarding the maintenance of the System to the benefit of the Project and the Gauteng Province;
4. To enhance the management of the Concession Agreement through entrenching an environment of strong corporate governance and legal compliance;
5. To promote a robust, co-operative and productive environment with all relevant structures of government and stakeholders;
6. To contribute to the economic growth and development of Gauteng through deliberate economic interventions and targeted job creation and support of Black Entities (BEs) and Small Micro and Medium Enterprises (SMMEs) in the Province;
7. To ensure that Gautrain is a catalyst and contributor to the total public transport solution in Gauteng through the development and implementation of integration strategies; and
8. To ensure sound project and financial planning to the optimal benefit of the GMA and the Gauteng Province.

Our 21 strategic objectives and 29 KPIs for the 2018/2019 Financial Year flowed from these strategic-oriented goals.

“ The vision of the GMA is to provide an integrated, innovative and efficient public transport system that promotes sustainable socio-economic growth in Gauteng. ”

2. MATERIAL ISSUES RELATING TO GMA AND RESOURCE ALLOCATION

The GMA continued to commit significant resources to planning and implementing extensions and expansions to the current Gautrain network, especially insofar as these relate to increasing capacity in key areas impacting on passenger demand. The key projects that are ongoing are the acquisition of train, depot and signalling assets, the completion of the Centurion parking extensions and the roll-out of the changes to the automated fare collection system to accept debit and credit cards at the various fare gates in stations and on buses.

The GMA anticipates expending considerable resources on the planning of the rail network in Gauteng. The feasibility study for the extension of the Gauteng Rapid Rail Integrated Network was completed in November 2016 in accordance with Treasury Regulation 16. The GMA supported the Provincial Treasury in ongoing engagements with the National Treasury and work is ongoing in addressing issues raised by key stakeholders on the extensions.

3. KEY RISKS AND OPPORTUNITIES ARISING FROM THE GMA STRATEGY AND RESOURCE ALLOCATION

While the ongoing business activities of the GMA give rise to risks and opportunities described more fully later

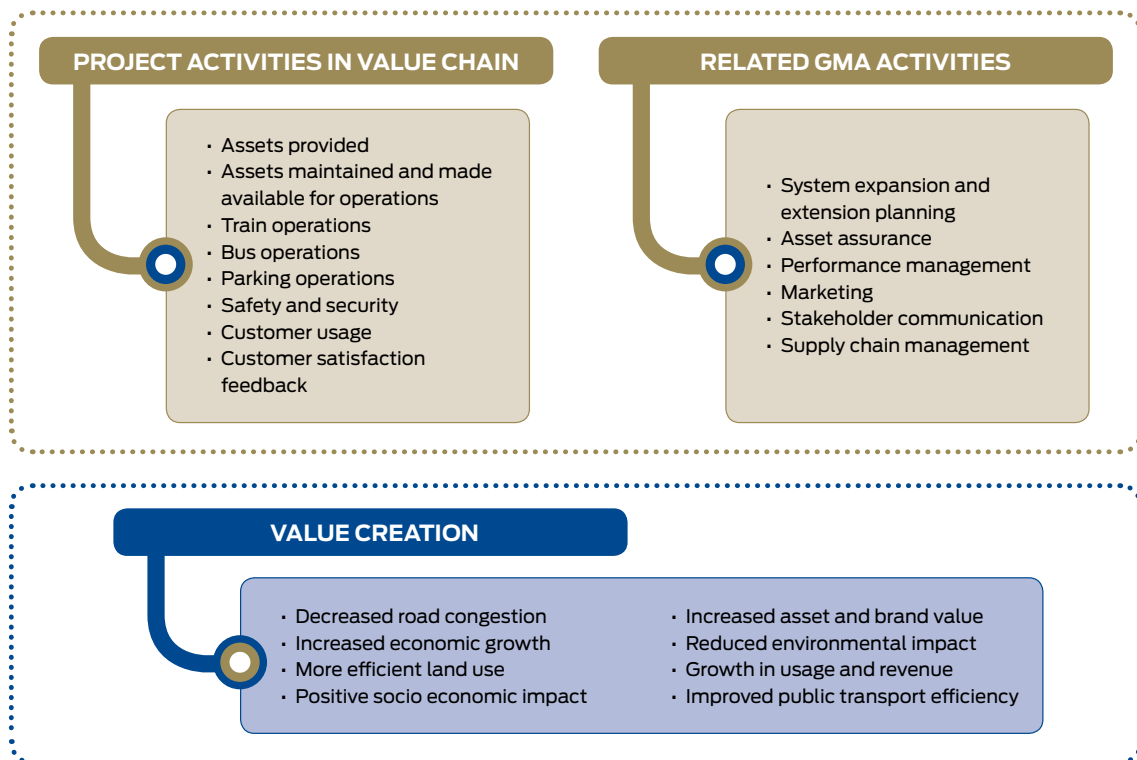
in this integrated report, the expansions and extensions projects represent a new set of activities for the GMA and, as such, a new set of risks and opportunities. Both projects arise from risks to the GPG, namely that the lack of long-term integrated transport planning will hinder achievement of national and provincial economic, social and transport-led development objectives and that the lack of capacity of the existing Gautrain to carry passengers will reduce the benefits and long-term sustainability. The opportunities that arise are the increased investment in and implementation of rapid rail transport systems in Gauteng.

As a provincial public entity, the GMA has internalised these risks and opportunities and allocated internal and external resources to ensure that the objectives are achieved.

4. GAUTRAIN VALUE CHAIN

The value chain for the Gautrain is complex because of the mix of outcomes between tangibles, such as reliable and secure train and bus services, and intangibles, such as the social and economic benefits that accrue upon the provision of these services.

The value chain starts with the System assets that are used to provide the train, bus and ancillary services offered to the users of the Gautrain and ends with the benefits flowing from successful operations. The value chain is shared between the GMA and the Concessionaire and its sub-contractors.



Graph 3: Gautrain value chain

5. FINANCIAL ARRANGEMENTS OF THE GAUTRAIN

Prior to commencing with the procurement of the Project, the Province prepared a comprehensive feasibility study and financial model. At that time it was clear that, like the vast majority of passenger rail projects around the world, the Gautrain would require government financial support. This support was defined in two parts – the capital contribution that the Province would have to make in the Development Period and the Patronage Guarantee that the Province would have to make during the Operating Period. For the Gautrain, the total capital requirement was far greater than that which the private sector could invest and recover from user fees.

The difference between the total capital requirement and the amount that the private sector could invest was therefore the provincial contribution. The provincial contribution is a grant that amounted to R25.2 billion and was disbursed upon achievement of specific milestones by the Concessionaire. The provincial contribution was shared between the Province and the National Department of Transport. Because the revenue that would accrue to the private party during the Operating Period of the Gautrain PPP was viewed as highly uncertain, the CA has

a financial metric known as the Minimum Required Total Revenue (MRTR). If revenue received by the Concessionaire from operating the Gautrain is less than the MRTR, the Concessionaire is considered to require revenue support in the form of a Patronage Guarantee from the Province.

The bidders for the Project during the procurement process were therefore competing on the basis of the combined lowest provincial contribution and Patronage Guarantee payable by the Province.

Payment of the Patronage Guarantee is performance-based and the Concessionaire is exposed to significant reductions in the event that train or bus performance drops below specified levels. This particular financial structure results in strong incentives for the Concessionaire to perform to high levels of delivering the Gautrain and operating it during the Concession Period, as well as strong incentives for the Concessionaire to minimise operating costs and limited incentives for the Concessionaire to maximise the revenue from operating the System.

This impacts on the business model of the GMA to counteract the lack of financial incentives by assuring adequate operating and maintenance standards and by maximising revenue through growing the ridership and expanding the Gautrain System on a sound business basis.



6. STRATEGIC PERFORMANCE OVERVIEW

The GMA strategy promotes alignment to the outcomes-based approach of the Gauteng Medium Term Strategic Framework (MTSF) as well as at a National sector level. The strategy also promotes the Gauteng Premier's initiative to bring about transformation, modernisation and re-industrialisation of Gauteng.

To give effect to these strategic Provincial initiatives and to continue in its mandated role related to the current Gautrain Concession, the strategy of the GMA is to continue managing, co-ordinating and overseeing the operation and maintenance of the Gautrain Project and to plan and implement the extension of the System to accommodate future demand and new services as identified in the ITMP25 for Gauteng.

The GMA Board completed the first year of its term and continued to provide governance oversight to the Agency. The GMA continued to move towards an outcome-based approach in terms of application of King IV principles. The GMA Board is committed to ensuring that the Gautrain operates in a sustainable manner with clear commitment to governance and in support of Provincial Government's economic and social imperatives.

The GMA made good progress in the 2018/19 Financial Year in several areas. In terms of oversight of the Concessionaire, the GMA ensured high levels of operational efficiency, backed by good personal and property safety and security within the System. Low levels of fare evasion were also maintained. Safety and security targets for passengers and for the System were met and all incidents that occurred during the reporting period have been mitigated through the security enhancement plans developed by the Concessionaire. The GMA and the Concessionaire conducted rail reserve inspections to

identify external factors that might impact on the protection of the railway alignment, given the ongoing cable theft experienced in various industries and sectors across the country. Fare evasion was well below the required level and never exceeded 0.04% in any month in the year under review.

The assurance of asset management systems by the Concessionaire was boosted by the completion of a System asset audit by independent auditors.

The planning of network extensions continued with the commencement of route determination for Phase 1 of the extensions while engaging with the National Treasury and National Department of Transport on the approval of the feasibility study completed in 2016.

The GMA also concluded a wide-ranging agreement with the Concessionaire to settle various disputes and disagreements that arose during the Operating Period by means of a Memorandum of Agreement. While the final settlement is contingent on the preparation, approval and signature of a formal Settlement Agreement by the Province and the Concessionaire, the GMA has obtained independent verification that signing of the Settlement Agreement does provide value for money in that the cost and risk of lengthy arbitration will be avoided. The process of obtaining the requisite approvals for the final conclusion of the Settlement Agreement was in place at the end of the Financial Year.

The external environment impacted negatively on the Gautrain in terms of passenger demand. In particular lengthy strikes by bus drivers in May and Operator staff in July and August meant that targets for bus and train passengers could not be met. Combined with continued slow growth in the economy and jobs in Gauteng, these factors resulted in an overall drop in train passengers of 7% from the previous Financial Year and a 17.1% drop in bus passengers.

Table 2: Passenger trips per Financial Year on the airport service, the general passenger service and the buses

Service Type	RAIL			BUS
	Airport	General Passenger	Total	Bus Total
FY 17/18	1,604,974	13,418,338	15,023,312	4,803,061
FY 18/19	1,450,967	12,515,515	13,966,482	3,982,971
% change	-9.6%	-6.7%	-7.0%	-17.1%

The GMA has engaged with the Concessionaire to implement a strategy to attract passengers to use the Gautrain services. This strategy is a combination of improved service offerings and marketing and is expected to bear fruit in the 2019/20 Financial Year.

Numerous communication and marketing initiatives targeted at potential and current users of the Gautrain were undertaken and will increase as part of the endeavour to attract passengers.

SED targets were met and exceeded as the Gautrain continued to contribute positively to the Gauteng economy. SED deliverables directly demonstrate the benefits of the Gautrain in terms of shareholding by black persons and black women, procurement, sub-contracting and employment equity elements. From a GMA expenditure perspective, the target for expenditure through Emerging Micro Enterprises (EMEs) and Broad Based Black Economic Entities (BBBEs) were met and exceeded, while expenditure through women-owned entities and Qualifying Small Enterprises (QSEs) were narrowly missed, yet reflected a

significant improvement on achieving expenditure targets in previous years.

The GMA's Social Investment Programme (SIP) contributed to the achievement of social development objectives in education and community care, disbursing approximately R6 million to 37 beneficiaries, including Not for Gain Organisations (NGOs) and academic institutions.

The GMA also reached levels of maturity with low turnover of staff and good performance in terms of its mandates under the GMA Act. In terms of human capital, the GMA Board approved a new organisational structure that better reflects its increased mandate. The GMA currently has 94 filled positions out of 100 available posts.

Policies and frameworks were developed and implemented, including the continued roll-out of the Enterprise-Wide Risk Management System.

At Marlboro, Sandton, Centurion and Hatfield Stations, the Gautrain has midi-bus operations that carried approximately 20,000 passengers per month in the Financial Year,



which is an increase of 25% increase per month on the previous year. These services are provided by local taxi associations and expand the use of the Gautrain in a way that benefits both public transport users and the taxi associations. Contracts for services at Rhodesfield and Rosebank Stations were in preparation at the end of the Financial Year and services are expected to commence soon. Partnerships with commercial companies have yielded benefits such as dedicated shuttle bus services operated by these third parties, thereby expanding the reach of the Gautrain.

The GMA continued to commit significant resources to planning and implementing extensions and expansions to the current Gautrain network, especially insofar as these related to increasing capacity in key areas impacting on passenger demand. The key project for the acquisition of train, depot and signalling assets reached an end when no acceptable bids were received from pre-qualified bidders. Alternative strategies to supplement rail service capacity are being explored. The completion of the Centurion parking extensions and the roll-out of the changes to the

automated fare collection system to accept debit and credit cards at the various fare gates in stations and on buses are in their final stages.

The Concessionaire commenced with the replacement of the current bus fleet in terms of its contractual obligations and, in so doing, provided a significant stimulus to the local bus manufacturing industry.

All Information and Communications Technology (ICT) strategic initiatives planned for the 2018/19 Financial Year were completed. The ICT Unit continued to support the GMA to function in a seamless, secure and reliable manner, while allowing for organisational knowledge to be preserved and shared.

The GMA Knowledge Management Unit, responsible for Document Control, Records Management, the GMA Central Registry and Knowledge Management, published a comprehensive set of case studies on the Gautrain and is now partnering with academic institutions in using these in applied research and teaching programmes.





Section D

RISKS AND OPPORTUNITIES

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RISKS AND OPPORTUNITIES

The GMA continued to embed an Enterprise-Wide Risk Management System within the Agency. This has marked a continuous improvement in the maturity of the risk management system with a clear allocation of responsibilities across the GMA Board and Committees, management and employees.

1. PERFORMANCE DURING PERIOD UNDER REVIEW

The GMA is committed to an enterprise-wide risk management process that is in accordance with the provisions of the PFMA, Act 1 of 1999 and other prescripts of good governance, such as the King Reports on Corporate Governance for South Africa. The GMA Board recognises risk management as an integral part of responsible management and the process is fully outlined in the Risk Management Framework as well as in the Policy and Procedures.

During the period under review, the GMA continued to build on the foundation laid during the Development Period, which, amongst others, includes:

- Performing a self-assessment of risk maturity and developing actions plans therefrom;
- Strengthening the risk maturity within the entity at all levels by embedding the Agency's risk management culture;
- Reviewing the Enterprise-Wide Risk Management Framework;
- Development and implementation of the Enterprise-Wide Risk Appetite and Tolerance Framework;
- Updating risk registers (strategic and operational) for all Units within the GMA, with measurable management action plans and completion dates;

- Rigorous, continuous monitoring of the defined risk management plans;
- Reviewing the GMA Risk Management Policy and Procedures;
- Continuing with fraud, risk and ethics awareness workshops and business continuity training sessions;
- Migration of operational risk management to a software solution;
- Development of a control register; and
- Commencement of implementation of combined assurance.

2. ENTERPRISE-WIDE RISK MANAGEMENT FRAMEWORK

The framework has been developed in terms of the prescripts below:

- Section 51(1)(a)(i) of the PFMA, which requires the Accounting Authority, the GMA Board, to ensure that the GMA has and maintains effective, efficient and transparent systems of risk management; and
- Section 6(2)(a) of the PFMA, which empowers the National Treasury to prescribe uniform norms and standards.

It also incorporates the requirements of the Batho-Pele principles and King IV insofar as they concern risk management. The recommendations of King IV became effective on 1 April 2017.

The framework supports the GMA in improving and sustaining its performance by enhancing its systems of risk management to protect against adverse outcomes and optimise opportunities.

The Risk Management Framework is applied across the entire GMA from a strategic level down to operational and business process levels.

“ The GMA continued to embed an Enterprise-Wide Risk Management System within the Agency. This has marked a continuous improvement in the maturity of the risk management system with a clear allocation of responsibilities across the GMA Board and Committees, management and employees. ”

- Strategic – Risks and uncertainties affected by external and internal events that could impede the organisation's ability to achieve its strategy and strategic objectives. In the strategic plan they are also described as the risks associated with the broader context in which the GMA operates;
- Operational – The risk of loss resulting from inadequate or failed internal processes, people or systems or from external events. This includes legal and project risk but excludes strategic risk and reputational risk; and
- Emerging – Can be regarded as new risks that may be an imminent threat. These could include possible changes to the regulatory environment, socio-political environment, the internal landscape or social trends.

Application of the Risk Management Framework is designed to strengthen the achievement of the business strategy, management practices, decision-making, priority setting and to better respond to stakeholder and customer needs. Moreover, practising integrated risk management is expected to support the desired cultural shift to a risk-smart workforce and environment. The framework further outlines the authority and responsibilities of all stakeholders responsible for the management of risks.

3. SUMMARY OF MAJOR RISKS AS PER THE RISK REGISTER

The following is a summary of key strategic risks faced by the Agency for the period under review:

- **Information Technology**

The risk of external and internal cyber-attacks remains high. This risk increases as digital transformation of the GMA increases. Inability of information technology operations to function optimally due to service continuity issues is also a high-risk item. The GMA has invested heavily in these areas and will continue to do so to remain resilient to these risks.

- **Inadequate train and bus capacity to support passenger growth**

The GMA has key controls in place to ensure that it manages this risk by procuring rolling stock and buses in anticipation of future passenger growth. There are various risks attached to the pre-owned rolling stock project, notably that the Outline Business Case for the project is not viable. The GMA has robust controls in place to address this risk, but it remains high.

- **Negative perceptions about the Gautrain**

Negative perceptions about the Gautrain can have a significant reputational impact. The GMA is managing this risk through a sustained communication and

marketing campaign that includes both traditional and social media.

The following are the emerging risks faced by the GMA for the period under review:

- The Concessionaire does not meet assets management and maintenance obligations of the CA which could leave the GMA with a tunnel that is out of specification at the end of the Concession Period.
The GMA has developed a mitigation strategy based on assurance and audit of systems and will monitor this risk closely.
- Subsidence of U-shape 36 could lead to constrained rail operations.
A remedial plan is in place to address this issue.
- Non-compliance to Safety, Health, Environment and Quality (SHEQ) legislation.
This risk is monitored continuously.
- The socio-political instability in South Africa lends itself to various situations of uncertainty viz taxi strikes, community unrest, etc. This could result in physical damage to Gautrain assets, reduced ridership resulting in a higher Patronage Guarantee and impacts on GMA's reputation. The reputation of the Gautrain as a safe, integrated service could be at risk, resulting from conflict of e-hailers with meter taxis at Gautrain Stations.
The GMA is managing this risk through increased security which has been implemented at stations by the Concessionaire. Recent Ministerial intervention has also mitigated this risk but it remains high.
- Undue influence on decision-making within the GMA by an outside party which will impact reputation and sustainability.
The GMA manages this risk robustly with various structures in place, including the establishment of an Ethics Management Function.

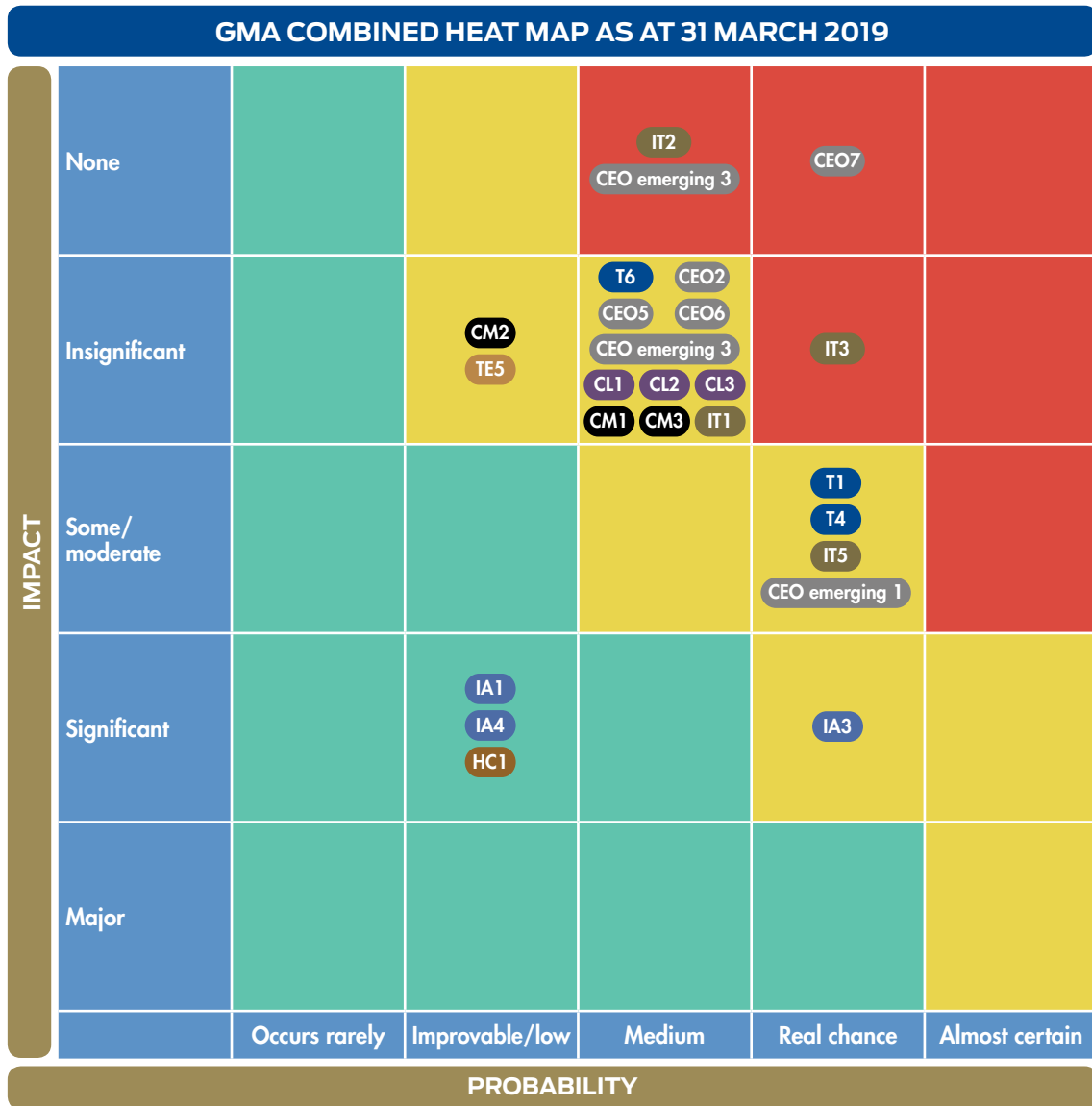
4. CONSTRAINTS

The GMA operates under the constraints listed below. Constraints are defined as the real-world limits on the possibilities for projects. Unlike risks, constraints can be identified in advance. Whilst risk is defined as what "might happen" or "uncertain", a constraint is defined as what "will happen" or "restricted by". Constraints can manifest themselves as time constraints, cost constraints, scope constraints and quality constraints:

- Budget – limited funding for projects mandated to the GMA or identified as critical in moving the business forward.
- Sovereign credit rating – "junk" status signifies higher borrowing costs.

The GMA risks are summarised in Table 3.

Table 3: GMA combined heat map



LEGEND

T Technical Services	F Finance	IT Information Technology
TE Technical Emerging	CM Comms and Marketing	HC Human Capital
CS Corporate Services	IA Internal Audit	CEO Office of the CEO
CL Compliance and Legal	HC Human Capital	CEO emerging CEO emerging

The GMA risks (36 in total of which five are emerging risks) are well mitigated and most risks are in the low to medium probability/impact zones. Management actions are in place to manage the risks in the red zone viz IT2 (Unauthorised access or disclosure of GMA information), IT3 (IT service continuity), CEO emerging 3 (Socio-political instability) and CEO7 (risks related to the pre-owned rolling stock project).

5. OPPORTUNITIES

The GMA identified a range of opportunities related to the achievement of the desired outcomes of growth in revenue, growth in user numbers and increased size of the System. These opportunities can be divided into four categories.

The first is the opportunity to expand the System with the acquisition of capital assets such as additional parking, modernised fare collection systems, pre-owned additional rolling stock, additional signalling, track work and a larger Depot for maintenance. The procurement by the Concessionaire of the systems and assets is ongoing.

The second is to extend the System. The GMA has completed a Feasibility Study for Gauteng Rapid Rail Integrated Network (GRRIN) extensions which will be executed in accordance with the ITMP25 once National Treasury approval is obtained, resulting in significant economic growth for the Gauteng Province, along with many other benefits.

The third is the revenue enhancement measures to take advantage of the commercial opportunities inherent in the Gautrain System. The roll-out of Information Communication Technology connectivity in the tunnels was completed, including commercial opportunities such as car rental kiosks and touch screen advertising on platforms.

The fourth is the development of partnerships with key public and private entities that jointly benefit both parties.

The GMA entered into and renewed thirteen partnerships during the Financial Year. Some of the new partnerships include DSTV Delicious Festival, Gold Reef City Shuttle Service, Africa Rail Conference and UATP/ITS Exhibition.

The GMA's strategic objectives for future Financial Years will incorporate these opportunities with an implementation plan for each.

6. RELEVANT OUTCOMES

The GMA achieved compliance with the regulatory requirements for risk management as well as with good practice for risk management.

7. STRATEGIC OUTLOOK

In continuing to strive to improve its risk management maturity, the GMA has held Business Continuation Plan, fraud, risk and ethics awareness sessions at regular intervals and will continue to do so; developed and implemented a Risk Appetite and Tolerance Framework; enhanced the use of its risk software solution to manage strategic and operational risks developed; and continues to monitor its risk mitigation strategies and update stakeholders accordingly. The GMA will focus on completing the implementation of its Combined Assurance Framework in the new Financial Year and on implementing risk maturity action plans over a three-year period.





Section E

CORPORATE GOVERNANCE OVERVIEW

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CORPORATE GOVERNANCE OVERVIEW

The governance oversight role over Public Entities in the provinces vests in the Provincial Legislature, the Executive Authority (as owner or shareholder) and the Accounting Authority. The GPG Legislature exerts oversight authority over government policy, performance and budget of the Provincial Public Entities and Gauteng Government Departments by holding the Provincial Executive (MEC) to account.

The Gauteng MEC for Roads and Transport is the Executive Authority of the GMA. The PFMA and the GMA Act give authority to the Executive Authority for oversight powers, with particular reference to the Strategic Plan, Annual Performance Plan, budget, Service Level Agreement and annual and quarterly reports.

The Board is the Accounting Authority of the GMA. The relationship between the Executive Authority and the Accounting Authority is managed through a Service Level Agreement. The Service Level Agreement assists in establishing a transparent and accountable working relationship on matters relating to the implementation of the provisions of the PFMA, the GMA Act and the objectives of the Gauteng Department of Roads and Transport.

1. ALIGNMENT WITH GOVERNANCE BEST PRACTICES

Adhering to the highest standards of corporate governance is a crucial element of good corporate governance. The GMA is committed to governance best practice and constantly strives to improve its governance structures and processes. The GMA Board formally adopted the King IV Report on Corporate Governance in South Africa, 2016 (King IV) and resolved to approach the application of its principles and recommended practices in a phased approach. Phases one and two were the focus areas during the period under review.

Phase one:

Phase one commenced in the previous Financial Year with the review of the GMA's current policies, procedures, key

documents and GMA's current governance best practice, to ensure their alignment with the recommended practices associated with each principle contained in King IV.

Phase one continued into the 2018/19 Financial Year with an in-house workshop on King IV for the Board and management and the establishment of the Ethics Management Function.

Phase two:

King IV has shifted from a tick-box approach to an outcome-based approach. It requires that organisations apply or explain their adherence to the governance principles.

Phase two comprised a gap analysis on GMA's compliance with King IV. The detailed application status of King IV principles in the GMA is contained in Table 4.

“ The GMA is committed to governance best practice and constantly strives to improve its governance structures and processes. ”

Table 4 : GMA's application of King IV principles

Principles	King IV Explanations
<p>Principle 1: Leadership</p> <p>The Board leads ethically and effectively.</p>	<p>The GMA Board is the custodian of corporate governance within the GMA. Board Members are accountable for the ethical and effective leadership of the GMA and are required to conduct themselves in accordance with the Board Code of Conduct which embodies the ethical characteristics listed in King IV. These were probed as part of the performance evaluation of the Board for the 2018/19 Financial Year.</p> <p>The GMA Board assumes Members received a copy of the Code of Conduct when they were appointed and are required annually to confirm their compliance with the Code of Conduct in writing.</p>
<p>Principle 2: Organisational Ethics</p> <p>The Board governs the ethics of the GMA in a way that supports the establishment of the ethical culture.</p>	<p>The Board assume the responsibility for the governance of ethics and is supported by the Social and Ethics Committee on its four governance of ethics responsibilities, namely setting the strategic direction for ethics, approving ethics policies, overseeing and monitoring ethics performance and ensuring accountability for an ethical culture in the GMA.</p> <p>Ethics Management Function</p> <p>Establishing the ethics function in the GMA was critical in order to ensure that ethics is governed and managed orderly at the operational level.</p> <p>Capacitating the ethics office within the GMA was a focus area during the reporting period. The primary role of the ethics office includes planning, coordination, implementation of strategies, structures and systems to institutionalise, monitor and report on ethics performance. The implementation of the ethics management function is a planned area for future focus.</p> <p>Ethics Codes and related Policies</p> <p>There are separate Codes of Conduct for the GMA Board, employees and suppliers. The GMA employees receive the Human Capital (HC) Policies and Procedure Manual (including the Code) when they commence with their duties and are required to annually confirm, in writing, that they have familiarised themselves with the contents of the Code. Training on the Code of Conduct and the related Policies is an area for future focus.</p> <p>The Codes of Conduct and Ethics related policies will again be reviewed once the surveys on the organisational culture, ethics risks and opportunities assessment and stakeholder analysis have been completed, to make the GMA values more practical to all stakeholders. Alignment of the ethical organisational culture in the GMA's vision, mission, strategies, operations, decisions and conduct is an area for future focus.</p> <p>The GMA has a whistleblower service that gives stakeholders the opportunity to safely report ethical transgressions. The hotline details are contained in posters displayed throughout the GMA offices, GMA's tender documents and emails.</p> <p>Quarterly reports on corruption and fraud incidents are presented to the Social and Ethics and Audit and Risk Committees, as well as the Board.</p>

Principles

Principle 3: Responsible Corporate Citizen

The Board ensures the GMA is and is seen to be a responsible citizen.

King IV Explanations

The Board, through the Social and Ethics Committee, oversees and monitors the consequence of the GMA's activities and outputs, as well as their effect on its status as a responsible corporate citizen. Key elements include:

- **Workplace** – The GMA complies with employment equity guidelines. The Board approved the GMA three-year Employment Equity (EE) Plan and annual reports on the implementation thereof are submitted to the Department of Labour.

The GMA invests in the development of employees through awarding of bursaries, training and development, as well as the employee wellness programme. The total training and development budget for the 2018/19 Financial Year was approximately R2 million.

- **Economy** – The Gautrain Project adopted an innovative process which translates the government's Socio-Economic Development (SED) objectives to measurable performance indicators and are entrenched in contractual obligations so that the commitment of the Concessionaire could be fostered. The Concessionaire embraced SED objectives and ensured credible achievements. SED obligations for the reporting period are included in this Integrated Annual Report.

BBBEE procurement spend relates to discretionary goods and services procured by the GMA. The Social and Ethics Committee monitors GMA's BBBEE compliance. Achieving the BEE targets for businesses owned by women, youth, and people living with disabilities were a challenge during the period under review and the GMA will continue investigating how to improve its performance.

- **Society** – GMA's Social Investment Programme (SIP) focuses on education, community care and the environment. The SIP objectives aligned with the GMA strategic objectives are:
 - To contribute to the social, economic and environmental upliftment of vulnerable communities in Gauteng.
 - To be a responsible citizen that takes care of the communities in which the Gautrain is active.
 - To build good stakeholder relationships with communities, in order to increase support in safeguarding the GMA'S assets for all who use them.

During this reporting period, the GMA supported 37 organisations comprising early childhood development and educational organisations. The need for additional funding to make SIP sustainable is a future focus area.

- **Safety, Health and Environment** – The GMA monitors the Concessionaire's compliance with applicable environmental, health and safety legislation, the Concession Agreement, Railway Safety Permit conditions and applicable safety management plans. The GMA's compliance with the Occupational Health and Safety Act is also monitored and quarterly reports are presented to the Social and Ethics Committee.
 - Ongoing projects and green initiatives are: Development of a renewable energy strategy and technical specification for the Gautrain System;
 - Reduction of paper-based waste products at the GMA offices; and
 - Development of a groundwater and ecological infrastructure research, development and innovation strategy for water saving on the Gautrain System.

Continuous management of SHEQ at the GMA and the Concessionaire will ensure full compliance with relevant legislation.

Principles	King IV Explanations
<p>Principle 4: Strategy and Performance</p> <p>The Board appreciates that the GMA's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable of the value creation process.</p>	<p>The GMA Board approves the GMA Strategy and delegates the implementation of the Strategy to Management through the Audit and Risk and Finance and Asset Committees. The Board reviews the strategy annually at the Board Strategic Workshop to ensure the achievement of the strategic objectives.</p> <p>The Board monitors performance through quarterly performance and performance information reports and the CEO's quarterly reports.</p>
<p>Principle 5: Reporting</p> <p>The Board ensures that reports issued by the GMA enable stakeholders to make an informed assessment of the GMA's performance.</p>	<p>The GMA Board accepts its accountability for the GMA's performance. The GMA communicates with stakeholders through its quarterly performance and performance information reports, Integrated Annual Report (including the Annual Financial Statements), website and media releases.</p> <p>The Board is assisted by the Audit and Risk and Social and Ethics Committees in overseeing that GMA's reports comply with legal requirements and applicable standards.</p> <p>The GMA has for the first time disclosed its application of King IV in this Integrated Annual Report.</p>
<p>Principle 6: Primary Role and Responsibilities of the Board</p> <p>The Board serves as the focal point and custodian of corporate governance in the GMA.</p>	<p>In exercising its leadership role, the Board steers GMA's strategic direction, and approves policies as well as plans that give effect to this direction, monitors implementation and ensures accountability for GMA's performance through reporting and disclosure.</p> <p>The Board's role and responsibilities are articulated in the Board Charter. The Board Charter and Board Committee's Terms of Reference were reviewed in line with King IV and approved by the Board during the reporting period.</p> <p>The Board is satisfied that it has fulfilled its responsibilities in accordance with its Charter for the 2018/19 Financial Year.</p> <p>The Board Charter also describes the process of requesting GMA's documentation or a meeting with Management, as well as the protocol for the Board and Board Committees to request independent external advice.</p> <p>In discharging its responsibilities, the Board held various meetings and events. Refer to the Corporate Governance Report for more information.</p>
<p>Principle 7: Composition of the Board</p> <p>The Board is comprised of the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.</p>	<p>The GMA does not have a committee responsible for the appointment of Board Members. A framework for the selection and appointment of Board and Board Committee Members was therefore developed and aligned with the requirements of King IV, the GMA Act and the PFMA.</p> <p>The framework provides guidance to the MEC and Board in the appointment of Board and Board Committee Members. The composition of the Board, selection and appointment process, re-election of existing Board Members, declaration of conflict of interests and selection of Board Committees are all addressed in the framework.</p> <p>The role and responsibilities of the Chairperson, Deputy Chairperson and the CEO are included in the Board Charter.</p> <p>Refer to the Corporate Governance Report for a full disclosure regarding the composition of the Board and Board Committees.</p>

Principles	King IV Explanations
<p>Principle 8: Committees of the Board</p> <p>The Board ensures that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.</p>	<p>In discharging its duties, the Board is empowered to delegate some of its responsibilities to Board Committees through the delegation of authority framework.</p> <p>The Board has constituted four Board Committees. The responsibilities delegated are formally documented in the Terms of Reference of Board Committees approved by the Board. The Chairpersons of Board Committees present reports in line with their delegated powers at each formal sitting of the Board.</p> <p>The Board Charter also indicates matters reserved for the Board and those delegated to Board Committees.</p> <p>Effective collaboration between Board Committees is achieved through cross membership and coordination of meeting schedules. All Chairpersons of the Board Committees are Members of the Social and Ethics Committee.</p> <p>Refer to the Corporate Governance Report for a full disclosure regarding the Board Committees.</p>
<p>Principle 9: Evaluation of the Performance of the Board</p> <p>The Board ensures that the evaluation of its own performance and that of its Committees, and its Chair, its individual members support continued improvement in its performance and effectiveness.</p>	<p>An evaluation of the performance of the Board, Board Committees, individual Board Members and the Corporate Governance Services was conducted during this reporting period. The evaluation was conducted by an independent external facilitator.</p> <p>Refer to the Corporate Governance Report for a full disclosure regarding the Board Committees.</p>
<p>Principle 10: Appointment and Delegation to Management</p> <p>The Board ensures that the appointment of and delegation to management contribute to role clarity and the effective exercise of authority and responsibilities.</p>	<p>The Delegation of Authority Framework clearly sets out specific levels of authority and the required approvals necessary for decision-making. The Delegation of Authority Framework was reviewed and approved by the Board during this reporting period.</p> <p>The CEO is, according to the GMA Act appointed by the MEC in consultation with the Board. According to the GMA Act, the CEO is appointed on a three-year contract which is renewable.</p> <p>Performance evaluation of the CEO is reviewed by the Chairperson on behalf of the Board. The Board is also involved in the appointment of Senior Executives in the GMA.</p>
<p>Principle 11: Risk Governance</p> <p>The Board governs risk in a way that supports the GMA in setting and achieving its strategic objectives.</p>	<p>GMA's risk governance encompasses both opportunities and associated risk in developing the strategy and their potential effect on achieving the GMA's objectives.</p> <p>The Board oversees risk management and delegates the risk management function to the Audit and Risk Committee. The responsibility for implementing and executing effective risk management is delegated to management.</p> <p>A Risk Management Workshop is held annually to identify and assess risks and opportunities. The Risk and Opportunity Register is presented quarterly to the Audit and Risk Committee, Social and Ethics Committee and the Board.</p> <p>The integration of risk management in the organisational culture of the GMA will be a future focus area.</p>

Principles

King IV Explanations

Principle 12: Technology and Information Governance

The Board governs technology and information in a way that supports the GMA in setting and achieving its strategic objectives.

The Board, through the Audit and Risk Committee, oversees the governance of technology and information and management of associated risks, to enable the achievement of GMA's strategic objectives. The operational responsibility for the governance of technology and information has been delegated to management.

Various technology and information management policies and frameworks have been approved by the Board. Processes to bring about the integration of people, technology and information throughout the organisation have been formalised. Key focus areas during the period under review were:

- Implementation of Microsoft cloud technologies to transform the GMA into a mobile, agile and innovative workforce;
- Implementation of the information security management system which protects and enhances the confidentiality, integrity and availability of all information and systems;
- Development and simulation of the Business Continuity Plan and the Disaster Recovery Plan. Gaps identified will be the future focus area; and
- Compliance of the ICT governance processes and procedures to ICT governance prescripts resulting in minimal audit findings being raised on the ICT environment. Independent assurance over the effectiveness of the technology and information arrangements in the GMA provided by the Internal Auditors and the Auditor-General. Findings identified were addressed.

More details are included in this Integrated Annual Report.

Principle 13: Compliance Governance

The Board governs compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the GMA in setting and achieving its strategic objectives.

The Board, through Board Committees such as Audit and Risk and Social and Ethics, exercise oversight of the governance of compliance. Compliance monitoring and assurance undertaken is reported quarterly to the Board Committees.

During the reporting period, the compliance function focused on:

- Compliance monitoring and gap analyses on specific key legislations that have immediate impact on the GMA;
- Compliance review on the EE Act was conducted and gaps identified were addressed;
- A dawn simulation exercise took place and was followed by GMA staff workshop to equip them with knowledge of the dynamics of conducting a dawn raid; and
- Organisation-wide joint awareness campaigns on issues related to fraud, prevention, whistleblowing, risk and ICT challenges.

More details are included in this Integrated Annual Report.

Principles	King IV Explanations
<p>Principle 14: Remuneration Governance</p> <p>The Board ensures that the GMA remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.</p>	<p>The Board has the ultimate responsibility for the governance of remuneration with some elements delegated to the Human Resource and Remuneration Committee (HCRC). Performance-based remuneration is one of the cornerstones of the GMA Reward and Remuneration Philosophy.</p> <p>The Board, through the HCRC, oversees the implementation and execution of the GMA Reward and Remuneration Policy and gives effect to its direction of fair, responsible and transparent remuneration across all levels in the GMA. The Policy ensures that:</p> <ul style="list-style-type: none"> • The GMA succeeds by supporting the overall strategy of encouraging a high-performance culture that attracts, retains and motivates employees; • Performance measures are clearly defined and measured over the short, medium and long-term; and • Regular salary benchmarking is conducted to ensure that remuneration is within the market-related pay. <p>The Board approves the GMA Reward and Remuneration Policy annually. The HCRC has the overriding authority on the use of discretionary payments done under exceptional circumstances.</p> <p>The remuneration of Board and Senior Executive Management is disclosed in the Annual Financial Statements included in this Integrated Annual Report.</p>
<p>Principle 15: Assurance</p> <p>The Board ensures that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision making and of the GMA's external reports.</p>	<p>The Board has delegated the arrangements for assurance services and functions to the Audit and Risk Committee. The Audit and Risk Committee provides oversight of the internal control environment and the integrity of information and reports for better decision making.</p> <p>The GMA Internal Audit provides assurance that contributes to the effectiveness of governance, risk management and control processes.</p> <p>A formal enterprise-wide governance structure for enhancing the practice of combined assurance will be the future focus area.</p> <p>Arrangements for assurance are fully described in the Audit and Risk Committee Report contained in the Annual Financial Statements.</p>
<p>Principle 16: Stakeholders</p> <p>In the execution of its governance role and responsibilities, the Board adopts a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interest of the GMA over time.</p>	<p>Stakeholder management is overseen by the Board with assistance from the Social and Ethics Committee. Key elements are:</p> <ul style="list-style-type: none"> • Research to identify and determine material stakeholders; their needs, interest and expectations; and • Research to measure the quality of stakeholder relationships. GMA stakeholder engagements provide insight into the quality of relationships with both external and internal stakeholders. <p>Quarterly communication and marketing reports are presented to the Social and Ethics Committee. Increasing Gautrain ridership was one of the focus areas during this reporting period.</p> <p>More details on stakeholder relationships are included in this Integrated Annual Report.</p>

Conclusion

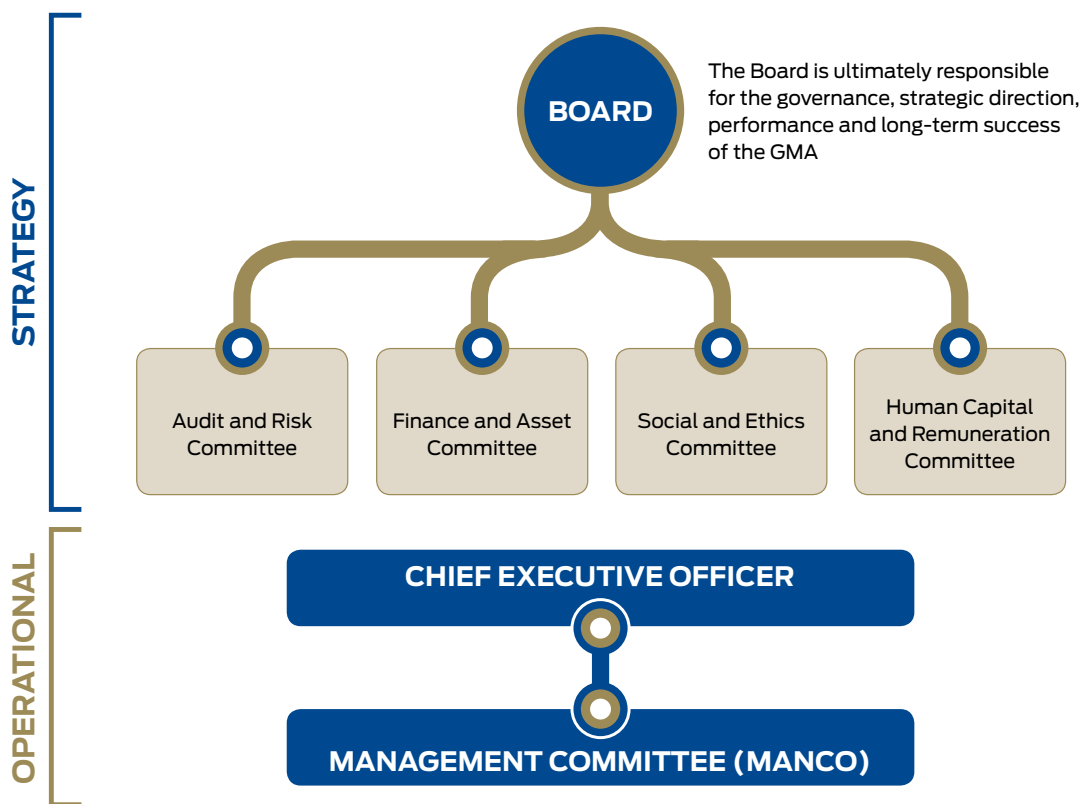
The Board is satisfied with the application of good corporate governance as recommended by King IV. The Board, through the Audit and Risk Committee, will continue to monitor the gaps identified and also make some enhancements where necessary.

2. THE BOARD

The current Board was appointed by the Gauteng MEC for Roads and Transport in accordance with the GMA Act, with effect from 01 January 2018 to 31 December 2020, as governed by the GMA Act. The Board is in its second year of its three-year term, except for two Members who have been re-appointed for a second term. The GMA Act makes provision for the re-election of existing Members of the Board, provided that they do not serve for more than two consecutive Terms of Office.

The Board retains effective control of the GMA through a clear governance structure and has established Board Committees to assist in discharging its duties, as governed by the GMA Act and Board Charter. The GMA governance structures are reviewed regularly, and the Board is satisfied that the GMA governance structures support the strategy of the GMA and effective decision-making, promote accountability and establish a corporate culture aligned to the evolving best practice.

2.1 Governance structure



Graph 4: GMA's governance structure

2.2 Composition of the Board

2.2.1 Membership

The Framework for the Selection and Appointment of Members of the Board and Board Committees provides guidance to the MEC and the Board in discharging their role and responsibility in line with the GMA Act, the PFMA and King IV.

When the Board was appointed on 01 January 2018 by the MEC, it comprised of nine independent Non-Executive Members and the CEO, who is an Executive Member by virtue of his office. Two Members of the Board resigned during the period under review, and as at 31 March 2019, the Board comprised of seven Non-Executive Members from wide-ranging backgrounds and with varying industry and professional experience. The qualifications, skills and experience of the Members of the Board are detailed on pages 12 to 16 of this report.

To strengthen the independence of the Board, the roles of the Chairperson of the Board and the CEO are separated, in line with best practice. This division of responsibilities ensures a balance of authority and power, with no one individual having unrestricted decision-making powers.

The Deputy Chairperson, who is an independent Non-Executive Member, leads the Board in the absence of the Chairperson and leads discussions and decision-making on matters where the Chairperson has a conflict of interest. The responsibilities of the Chairperson, Deputy Chairperson and the CEO are highlighted in the Board Charter.

a) Board Advisors

The Board is supported by Advisors who are nominated by their respective organisations and appointed by the MEC. The functions of the Board Advisors are to advise the Board with reference to the views and policies of their respective organisations. The Board Advisors are not Members of the Board and therefore are not entitled to vote at the meetings of the Board. The term of office of the Board Advisors is aligned with the term of office for the GMA Board. The Advisors may be appointed by the Board to serve on the Board Committees.

b) Management Committee

The CEO, assisted by the Management Committee (MANCO), is responsible for leading the implementation and execution of the approved strategy, policies, as well as the day-to-day operations of the GMA. Members of MANCO have a standing invitation to all meetings of the Board and attend Board meetings to provide the necessary information and inputs in their area of responsibility.

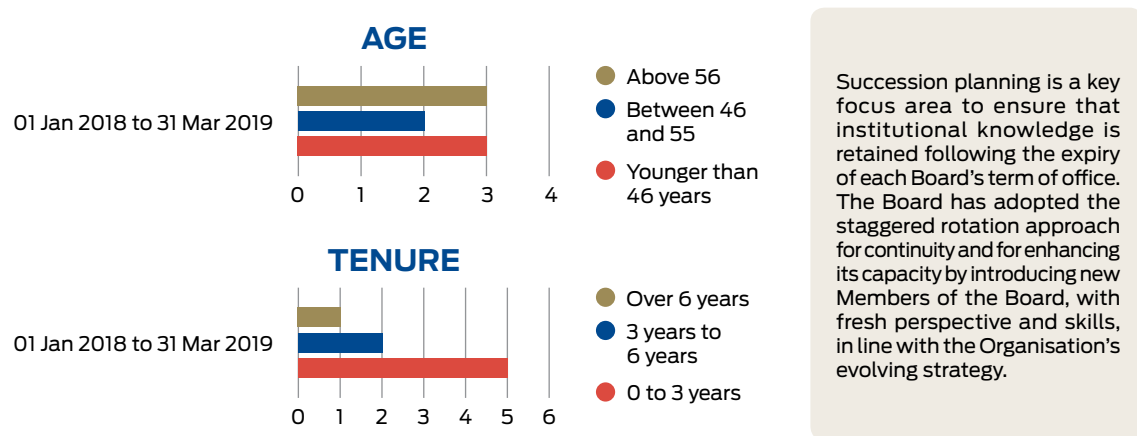


2.2.2 Conflict of interest

The GMA has put in place processes and procedures to address issues of conflict and/or potential conflict which could arise. All Members of the Board are required to declare any actual or potential conflict of interest and sign the Confidentiality and Declaration of Conflict of Interest forms. Copies of the declarations are made available to the MEC annually or whenever there are significant changes.

Furthermore, all Members of the Board are required to declare any actual or potential conflict of interest in respect of agenda items before all meetings of the Board and Board Committees. The declarations are then deliberated and where actual conflict of interest exists, the Member is then recused from the discussions on that agenda item.

2.2.3 Succession planning

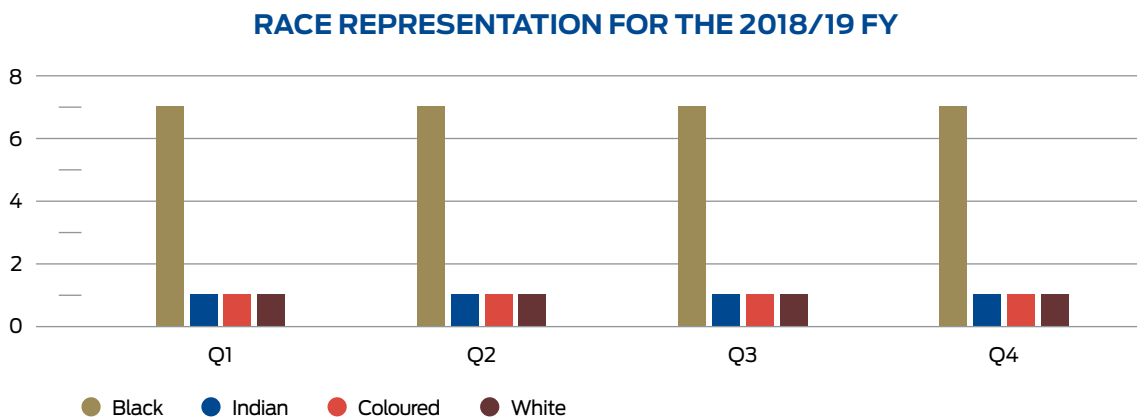


Graph 5: GMA's succession planning

2.2.4 Diversity

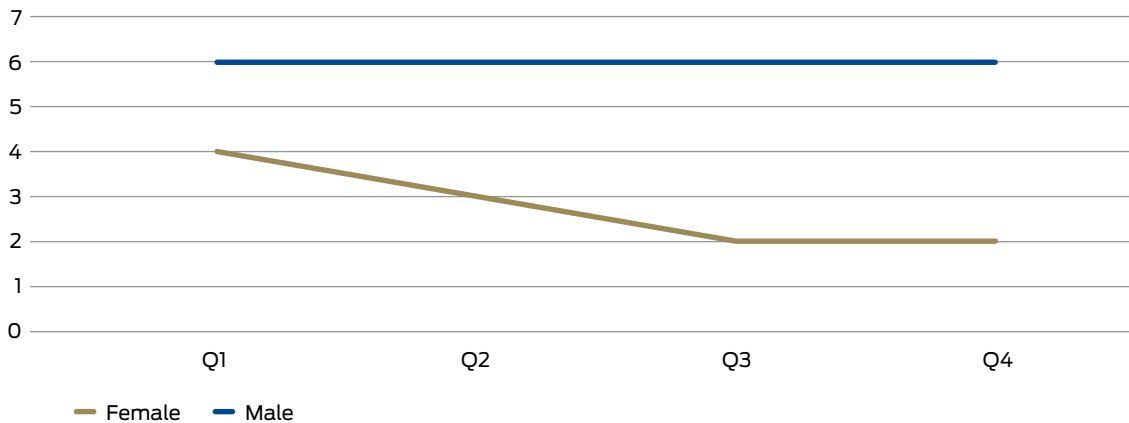
The Board strives for a diverse representation and promotes diversity of knowledge, skills and experience, as well as age, culture, gender and race. The qualifications, skills and experience of the Members of the Board are detailed on pages 12 to 16 of this report.

Two female Members resigned from the Board during the current Financial Year, impacting on its gender representation. The black representation decreased from 70% to 62% and the female gender representation decreased from 40% to 25%. The average age of the Board increased from 51 to 54.



Graph 6: GMA's race representation for the 2018/19 Financial Year

GENDER DIVERSITY FOR 2018/19 FY



Graph 7: GMA's gender diversity for the 2018/19 Financial Year

The Board recognises that diversity encourages constructive debate and enhances the quality of the deliberations. In light of this, the Board's skills matrix and diversity considerations will be addressed during the recruitment process aimed at filling the current Board vacancies.

2.3 Delegation of Authority Framework

The Board, in line with the GMA Act, has delegated some of its duties to the Board Committees, which provide an in-depth focus on specific areas, assisting the Board to discharge its responsibilities. The delegation of responsibilities to the Board Committees and the CEO is formalised in the Terms of References of the Board Committees, as well as the Delegation of Authority Framework.

The Delegation of Authority Framework was developed within the parameters of the above GMA's legal and regulatory framework, as a means of creating structured decision-making at all levels of the GMA. The Delegation of Authority Framework ensures that arrangements for delegation promote independent judgement and assist with balance of power. It further ensures that the delegation contributes to role clarity and the effective exercise of authority and responsibilities.

The Board recognises that delegating authority to the Board Committee and management does not exempt the Board from discharging its statutory and fiduciary duties.

The Delegation of Authority Framework is reviewed annually to ensure that it is still relevant and applicable to the GMA environment. The Delegation of Authority

Framework for the 2018/19 Financial Year was reviewed and approved by the Board on 30 May 2018.

2.4 Board activities

The Board meets at least four times a year to consider the normal business and at least once to review the strategy for the GMA, in accordance with the Board Plan. Ordinary Board meetings have a predetermined agenda under which operation and performance, as well as current issues and new projects, are considered and approved.

The Board's role and responsibilities are set out in the Board Charter which is reviewed on an annual basis to guide its effective functioning. During the period under review, the Board provided oversight on the following key strategic projects:

- Ten to 15 Year GMA Strategic Plan;
- Settlement of the Operating Period disputes;
- GMA's application of King IV Principles and its recommended practices;
- Review and approval of organisational design and structure for the 2018/19 Financial Year and beyond;
- Gauteng Province's Construction All Risks (CAR) Insurance Claim;
- Acquisition of additional rolling stock and depot enhancements for the Gautrain System;
- Establishment of the Gauteng Transport Authority;
- Public Transport Ticketing Interoperability; and
- Integration of the Gautrain System with other public transport systems.

A summary of the main activities of the Board, as well as key approvals for the 2018/19 Financial Year, are highlighted in Table 5 below:

Table 5: Main Board activities

RESPONSIBILITIES OF THE BOARD	KEY FOCUS AREA	KEY ACTIVITIES DURING THE 2018/19 FINANCIAL YEAR
	<p>STRATEGY</p> <p>The Board provides strategic direction and takes responsibility for the adoption of the GMA's Strategic Plan.</p>	<ul style="list-style-type: none"> • Approved the GMA Five-Year Review and Handover Report . • Approved the Strategic Plan for the 2019/20 to 2021/22 Financial Years. • GMA Annual Performance Plan for the 2019/20 Financial Year. • Approved GMA Policies. • Alternative solutions to address current capacity constraints on the Gautrain System.
	<p>GOVERNANCE</p> <p>The Board is the custodian for good corporate governance.</p>	<ul style="list-style-type: none"> • Approved the Board Charter and the Board Committees' Terms of Reference for the 2018/19 Financial Year. • Approved the Delegation of Authority Framework for the 2018/19 Financial Year. • The approved the Board Training and Development Plan for the 2018/19 Financial Year. • Approved the Service Level Agreement between the MEC and the GMA for the 2018/19 Financial Year. • Reviewed the Reports from the Chairpersons of the Board Committees.
	<p>PERFORMANCE AND REPORTING</p> <p>The Board drives the development of performance goals and ensures the integrity and transparency of information.</p>	<ul style="list-style-type: none"> • Approved the Integrated Annual Report. • Approved the unaudited and audited Annual Performance Information. • Approved unaudited and audited Annual Financial Statements. • Reviewed the quarterly GMA Performance and Performance Information Reports. • Reported on the outcomes from the Portfolio Committee's focused Intervention Study into the declining Gautrain Ridership.
	<p>COMPLIANCE, TECHNOLOGY AND INFORMATION GOVERNANCE</p> <p>The Board monitors compliance with laws, regulations and standards and is responsible for Technology and Information governance.</p>	<ul style="list-style-type: none"> • Approved the Internal Audit Charter for the 2018/19 Financial Year. • Reviewed the quarterly GMA Technology and Information Reports.
	<p>ETHICS AND RISK MANAGEMENT</p> <p>The Board assumes responsibility of Ethics Management and determines the GMA's risk appetite and levels of risk tolerance for the GMA.</p>	<ul style="list-style-type: none"> • Established the Ethics Office. • Reviewed the quarterly GMA Integrated Fraud Incidents Reports. • Reviewed the quarterly GMA Risk and Opportunity Register.

2.5 Board attendance

Table 6: Board attendance

BOARD MEMBER ATTENDANCE FOR THE 2018/19 FINANCIAL YEAR			
	Attendance	Length of Service as at 31 March 2019	Notes
Members of the Board			
Mr M Mokoena	7 out of 7	1 year, 3 months	Appointed with effect from 01 Jan 2018
Ms P Moloto-Stofile	7 out of 7	1 year, 3 months	Appointed with effect from 01 Jan 2018
Mr B Lengane	7 out of 7	4 years, 3 months	Re-appointed with effect from 01 Jan 2018
Mr A Mawela	6 out of 7	1 year, 3 months	Appointed with effect from 01 Jan 2018
Mr D Nadison	6 out of 7	1 year, 3 months	Appointed with effect from 01 Jan 2018
Ms S Hlapolosa	5 out of 7	4 years, 3 months	Re-appointed with effect from 01 Jan 2018
Ms L Khumalo*	3 out of 3	8 months	Appointed with effect from 01 Jan 2018
Dr Pritish Dala	7 out of 7	1 year, 3 months	Appointed with effect from 01 Jan 2018
Ms R Ralebepa~	0 out of 0	4 months	Appointed with effect from 01 Jan 2018
Mr J van der Merwe	7 out of 7		CEO
Board Advisors			
Mr J Aiello[^] <i>National Treasury</i>	5 out of 5	1 year, 3 months	Appointed with effect from 01 Jan 2018
Mr J de Villiers <i>National Department of Transport</i>	5 out of 6	7 years, 3 months	Re-appointed with effect from 01 Jan 2018
Ms T Mokele <i>Gauteng Provincial Treasury</i>	5 out of 6	4 years, 3 months	Re-appointed with effect from 01 Jan 2018
Ms H Jugoo <i>Gauteng Department of Roads and Transport</i>	4 out of 6	1 year, 3 months	Appointed with effect from 01 Jan 2018

NB: The number of Board meetings includes Board Induction, Special Meetings and the Board Strategic Planning Lekgotla and Risk Management Workshop.

* Ms Khumalo resigned on 30 September 2018.

~ Ms Ralebepa resigned on 10 April 2018.

^ Mr James Aiello's contract with the National Treasury ended on 31 December 2018.

2.6 Board Committees

The Board is supported by four Board Committees. Members of Board Committees are appointed by the Board, in line with the Framework for the Selection and Appointment of Board and Board Committee Members. All Board Committees are chaired by independent Non-Executive Members of the Board. The Chairpersons of Board Committees are Members of the Social and Ethics Committee in order to promote effective collaboration and coordination among Board Committees.

The Terms of Reference of the Board Committees are reviewed annually to enhance their effective functioning.

The Terms of Reference of the Board Committees were approved on 30 May 2018.

The implementation of the Committees' Terms of Reference is monitored through the Committees' Annual Work Plan. The Committees' Work Plan is updated on a quarterly basis and any matters not addressed and/or resolved are highlighted and referred to the next meeting of the Committee.

2.6.1 Audit and Risk Committee Report

Refer to the Report of the Audit and Risk Committee in the Annual Financial Statements for more details regarding the activities of the Audit and Risk Committee.

2.6.2 Finance and Asset Committee Report

The Finance and Asset Committee (FAC) is constituted as a Board Committee in accordance with section 19 of the GMA Act whereby a minimum of three (3) Committee Members is required. The FAC currently has four members and their profiles, qualifications and experience are detailed on pages 12 to 16 under Members of the Board.

Table 7: FAC attendance

Committee Members	Attendance
Mr A Mawela (Chairperson)	3 out of 5
Mr M Mokoena	4 out of 5
Dr Pritish Dala	5 out of 5
Ms L Khumalo*	3 out of 3
Ms S Ralebepa~	0 out of 0
Mr J van der Merwe (CEO)	5 out of 5
Board Advisors	
Mr J Aiello^ <i>National Treasury</i>	4 out of 4
Mr J de Villiers <i>National Department of Transport</i>	0 out of 5
Ms T Mokele <i>Gauteng Provincial Treasury</i>	3 out of 5
Ms H Jugoo <i>Gauteng Department of Roads and Transport</i>	2 out of 5

* Ms Khumalo resigned on 30 September 2018.

~ Ms Ralebepa resigned on 10 April 2018.

^ Mr James Aiello's contract with the National Treasury ended on 31 December 2018.

The Chief Operating Officer, Chief Financial Officer, Chief Auditing Executive and Senior Executive Manager responsible for Technical Services have standing invitations to all FAC meetings to provide the necessary information and inputs in their area of responsibility.

The mandate of the FAC is to provide Financial and Technical oversight over the activities of the GMA. The Committee makes recommendations to the Board on the approval of the organisational MTEF budget to support the implementation of the GMA Strategy, monitors adherence to the budget and provides oversight on the Asset and Capital acquisitions, maintenance and expansions. The FAC monitors the implementation of projects of a technical nature that are necessary for the operations of the Gautrain System.

The FAC's key focus areas for the period under review were as follows:

- Audit to determine the condition and remaining useful life of the Gautrain System Assets;
- Concessionaire's Performance Monitoring System (PMS) and Patronage Reports;
- Review and monitor the implementation of the GMA budget;
- Monitor the implementation of key projects assigned to the GMA by the Gauteng MEC for Roads and Transport;
- Monitor the asset management of the GMA and the Gautrain System; and
- The Gautrain System Capacity Challenge Report.

KEY ACTIVITIES DURING THE 2018/19 FINANCIAL YEAR


Reviewed the following key documents for recommendation to the Board:

- GMA's Budget for recommendation to the Board for approval and monitor its implementation;
- Finance Policy Manual;
- Delegation of Authority Framework;
- Acquisition of additional rolling stock and depot enhancements for the Gautrain System;
- Public Transport Ticketing Interoperability and Integration of the Gautrain System with other Public Transport Systems; and
- Progress Reports on the Feasibility Study on the Gauteng Rapid Rail Integrated Network extensions.

Reviewed and approved quarterly reports on the following key matters:

- GMA Consolidated Finance Reports;
- GMA Asset Management Reports;
- GMA Supply Chain Management Reports;
- Progress Reports on the Concessionaire's Risk Assessment on the Security of the Gautrain System; and
- Progress Report on the GMA's Portfolio Management Office.

The FAC is satisfied that it has performed its duties in accordance with its approved Terms of Reference for the 2018/19 Financial Year.



MR ABEL MAWELA
FAC Chairperson

2.6.3 Human Capital and Remuneration Committee Report

The Human Capital and Remuneration Committee (HCRC) is constituted as a Board Committee in accordance with section 19 of the GMA Act whereby a minimum of three (3) Committee Members is required. The HCRC currently has four members and their profiles, qualifications and experience are detailed on pages 12 to 16 of this report under Members of the Board.

Table 8: HCRC attendance

Member	Attendance
Ms S Hlapolosa (Chairperson)	4 out of 5
Mr M Mokoena	4 out of 5
Ms P Moloto-Stofile	5 out of 5
Mr D Nadison	5 out of 5

The CEO, COO, CIO and Senior Executive Manager responsible for Corporate Services have standing invitations to all HCRC meetings to provide the necessary information and inputs in their area of responsibility.

The HCRC oversees the formulation of the remuneration philosophy, human capital strategies, as well as policies that ensure retention of critical human capital resources required by the GMA and maximises the potential of GMA employees. The Committee also focuses on the wellbeing of employees by overseeing the development of supportive policies and practices. During the period under review, an Employee Wellness Programme and Policy, which serves as a foundation for the wellness implementation plan, was developed.

Other key focus areas during the period under review were as follows:

- Provided oversight on the implementation of the revised GMA Organisational Structure;
- Monitored alignment with the relevant labour relations regulations;
- Reviewed GMA's reward and remuneration policies; and
- Reviewed and enhanced GMA's short-term incentive scheme.

KEY ACTIVITIES DURING THE 2018/19 FINANCIAL YEAR

- Approved the Employment Equity Report for the 2017/18 Financial Year;
- Approved the quarterly Human Capital Reports;
- Reviewed and recommended the Principles for Annual Salary Increases for the 2018/19 Financial Year, Bonus Payment for the 2018/19 Financial Year and Pay Scale for the 2018/19 Financial Year, to the Board for approval;
- Reviewed the Board Training and Development Plan and progress reports on the implementation thereof;
- Monitored the implementation of the organisational design and structure for the 2018/19 Financial Year;
- Monitored the development of the GMA Graduate Development Programme;
- Monitored the development of the Women Development Programme; and
- Reviewed the GMA Workforce Plan for 2018/19 to 2021/22.

The HCRC is satisfied that it has performed its duties in accordance with its approved Terms of Reference for the 2018/19 Financial Year.



MS SEBINA HLAPOLOSA
HCRC Chairperson

2.6.4 Social and Ethics Committee Report

The Social and Ethics Committee (SEC) is a Statutory Committee constituted in terms of section 72 of the Companies Act No. 71 of 2008 (the Companies Act), section 19 of the GMA Act, King IV and the GMA Board Charter. A minimum of three members is required. The SEC currently has five members and their profiles, qualifications and experience are detailed on pages 12 to 16 of this report under Members of the Board.

Table 9: SEC attendance

Committee Members	Attendance
Mr D Nadison (Chairperson)	4 out of 4
Mr A Mawela	3 out of 4
Ms S Hlapolosa	2 out of 4
Mr B Lengane	4 out of 4
Mr J van der Merwe (CEO)	4 out of 4
Board Advisors	
Mr J Aiello <i>National Treasury</i>	3 out of 3
Ms H Jugoo <i>Gauteng Department of Roads and Transport</i>	2 out of 4

Members of MANCO have a standing invitation to all SEC meetings to provide the necessary information and inputs in their area of responsibility.

The SEC monitors and reviews the GMA's activities with regard to:

- Social and economic development;
- Good corporate governance;
- Environment, health and safety;
- Customer relations; and
- Labour and employment.

The Board has also delegated the governance of ethics to the SEC. SEC ensures that the ethics of the GMA is managed in a way that supports the establishment of an ethical culture, including:

- Leadership demonstrating support throughout the GMA;
- Articulating ethical standards in the Code of Ethics and supporting policies; and
- Providing reporting mechanisms for safe reporting of unethical behaviour.

The establishment of the Ethics Management Function within the GMA was a critical component during the period under review. The Ethics Management Function will assist the Board and SEC in their responsibility for the governance of ethics in the GMA.

The SEC also has the responsibility of drawing matters within its mandate to the attention of the Board and the MEC as required.

KEY ACTIVITIES DURING THE 2018/19 FINANCIAL YEAR

- Reviewed the quarterly reports on fraud and corruption prevention;
- Reviewed the Communication and Marketing Reports which include sections on the Stakeholder Management activities and Social Investment Programmes;
- Reviewed the GMA's progress reports on the achievement of BBBEE targets;
- Reviewed the HC and Remuneration Committee Policies;
- Reviewed the Policy governing the acceptance of Gifts by GMA Employees, as well as the Quarterly Gifts and Hospitality Register;
- Reviewed Reports on Environment, Health and Safety Incidents; and
- Reviewed the Legal Compliance and Litigation Report.

The SEC is satisfied that it has performed its duties in accordance with its approved Terms of Reference for the 2018/19 Financial Year.



MR DONAVAN NADISON
SEC Chairperson

3. BOARD INDUCTION

The Board induction programme is aimed at enhancing the understanding of the GMA's mandate, operations, environment, as well as the duties and responsibilities of the Members of the Board.

New Members of the Board receive a comprehensive information pack, which includes the GMA Act, the Board Charter, Terms of Reference of the Committees of the Board, Board policies and other documents relating to the GMA. Key applicable legislation and regulations, as well as corporate governance, financial and reporting documents, including minutes of previous meetings, are also provided.

The induction of the Board is not a once-off event, but an ongoing programme. Members of the Board, Board Committees, Board Advisors and Management are regularly issued with updates on issues related to the GMA, public transport, rail and corporate governance. Furthermore, presentations on related subject matters are organised to coincide with meetings, as part of the induction programme.

As part of the continued induction programme of the

Board, the following site visits were arranged during the period under review:

- Site visit to GMA Social Investment Beneficiaries on 05 October 2018;
- Site visit on the Gautrain Tunnel between Park and Rosebank Stations on 25 October 2018; and
- Site visit on the Gautrain System and Depot on 01 November 2018.

4. BOARD TRAINING AND DEVELOPMENT

The Board actively encourages the continuous development of its Members. An annual Training and Development Plan is developed in line with the needs of the individual Members of the Board and the Board as a collective. The Training and Development Plan for the 2018/19 Financial Year was approved by the Board on 30 May 2018 and its implementation was monitored by the Human Capital and Remuneration Committee on a quarterly basis.

During the period under review, various training programmes were attended.

Table 10: Training programmes were attended by the Members of the Board, Board Committees, Board Advisors and MANCO

Training description	Date
1. King IV Workshop	11 June 2018
2. i-Transport and UATP Transport Conference	18–20 June 2018
3. Board Team Leadership Dynamics	27 June 2018
4. Microsoft Technology Centre (MTC) – Briefing session	14 August 2018
5. Shared Smart mobility: Mobility as a service and Public Transport. A new future	30 August 2018
6. Gautrain System Safety Training	18 October 2018
7. Being a Director Part 1 to 4	22–25 October 2018
8. Being a Director Part 5	29 October 2018
9. PPP Foundation Workshop	29–30 October 2018
10. Public Transport Knowledge Seminar	31 October 2018
11. Strategy for Directors	20–22 March 2019
12. PPP Foundation programme	28–29 March 2019

5. PERFORMANCE EVALUATION OF THE BOARD AND BOARD COMMITTEES

An effective Board Evaluation helps Board, Board Committees and individual Board Members perform to their optimum capabilities. Some of the benefits of Board Evaluation include: facilitate Board teamwork, improve leadership/performance culture, improve decision making process and improve efficiency of Board operations.

Board resolved that Board Evaluations should be conducted at least every alternate year and should provide an opportunity for Board to consider, reflect and address areas of concern emanating from the Board Evaluations. During the 2017/18 Financial Year, the Board focused on the implementation of the Action Plan from the Board Evaluation conducted during the 2016/17 Financial Year. All matters in the Action Plan have been addressed.

An independent evaluation of the Board, Board Committees and individual Board Members for the 2018/19 Financial Year was conducted by CGF Research Institute. The methodology was based on questionnaires completed by Board Members, followed by interviews of Board Members by the CGF facilitator. The participation rate for the evaluation was 100%. The evaluation covered Board as a collective, Board Committees and individual Board Members.

The overall results of the evaluations were positive and the following findings were made:

- Board skillset in relation to the future direction of the GMA;
- Development and maintenance of stakeholder relations; and
- CEO's succession plan.

The Board will consider these findings and develop the Action Plan to address them. The Board will during the 2019/20 Financial Year, focus on the implementation of the Action Plan. Progress reports on the implementation of the Action Plan will be tabled at all quarterly meetings of the Board and Board Committees.

6. GMA REWARD PHILOSOPHY

The principle of "performance-based remuneration" is one of the cornerstones of the GMA's Reward Philosophy. The Reward Philosophy is also underpinned by sound remuneration management and governance principles, which are promoted throughout the GMA to ensure consistent application.

The emphasis of the GMA's Reward Philosophy is to attract, motivate and retain high performing employees. The following principles guide the GMA's Reward Philosophy:

- Total Rewards Approach – The GMA remunerates its employees based on a Total Guaranteed Package. Employees are given the opportunity to determine the composition of their remuneration packages that suite their own specific needs within the framework of the GMA's Reward Philosophy;
- Performance-Based Remuneration – The GMA rewards and recognises high performance. The reward is in the form of performance-based increases as well as annual short-term incentives;
- Internal Equity – The GMA rewards employees fairly and consistently based on their role and contribution; and
- External Competitiveness – The GMA provides market-related remuneration structures, benefits and conditions of service.

The GMA's remuneration is discussed in two sections as set out below.

6.1 Remuneration of the GMA staff

The remuneration of the GMA staff is based on the Agency's performance as assessed through the key performance objectives and the individual's contribution to the achievement of the key performance objectives. The Human Capital and Remuneration Committee considers the principles for the annual salary increases and bonus payments and recommend them to the Board for approval.

6.2 Remuneration of the Board

In terms of the GMA Act, the remuneration of the Members of the Board is determined by the Executive Authority, in consultation with the Gauteng MEC of Finance. The structure of the remuneration is based on the following:

- Attendance fees in respect of meetings, workshops and other events are paid in accordance with the National Treasury Guidelines;
- A monthly retainer is paid to the Members of the Board due to the nature and activities of the Gautrain Project; and
- Travelling and other expenses associated with attending meetings, workshops and events are reimbursed in line with GMA policies.

The remuneration of the Board is disclosed in the Annual Financial Statements.

7. CORPORATE GOVERNANCE SERVICES AND ETHICS

The Corporate Governance Services and Ethics Business Unit provides guidance on corporate governance and professional corporate governance services to the GMA's governance structures. The Business Unit coordinates support for the effective functioning of the GMA's governance structures. The Business Unit also provides support to the GMA's governance structures on their governance of ethics responsibilities.

8. PERFORMANCE DURING THE PERIOD UNDER REVIEW

During the period under review, the Corporate Governance Services and Ethics Business Unit focused on the following areas:

- Implementation of the GMA's corporate governance framework to enable the Board to fulfil its fiduciary duties and its governance role and responsibilities;
- Review and alignment of corporate governance documents with King IV continued;
- King IV workshop for Board, Board Advisors and MANCO;
- Disclosure of the GMA's application of King IV; and
- Restructuring of the Business Unit to accommodate the ethics management function.

9. STRATEGIC OUTLOOK

The focus for the 2019/20 Financial Year will be to:

- Implement the action plan emanating from the performance evaluation of Board and Board Committees;
- Continue with the disclosure of the GMA's application of King IV and make improvements where needed;
- Review of corporate governance documents;
- Develop and implement the framework for the governance of ethics;
- Organise ethics workshops for all governance structures; and
- Oversee the ethics management function.

10. INTERNAL AUDIT

Internal Audit is an independent Business Unit that reports, administratively, to the CEO and, functionally, to the Audit and Risk Committee (ARC) as provided for in the PFMA. Its main function is to give assurance to management and the Board on the adequacy and effectiveness of Controls, Governance and Risk Management. ARC approves the Internal Audit Plan at the beginning of each year. The Internal Audit Plan is based on critical risks facing the entity and it covers all the business units within the GMA.

Internal Audit complies with all the International Standards for Professional Practice of Internal Auditing as issued by the Institute of Internal Auditors (IIA). This is predicated on the outcome of the 2015/16 External Quality Assessment Review, which adjudged Internal Audit to have obtained a "generally conforms" rating.

10.1 Performance during period under review

Internal Audit reviewed a quarterly assessment of GMA Stakeholder Key Control Dashboard conducted by management. Internal controls were assessed in each auditable area reviewed.

On a quarterly basis, Internal Audit submitted to the Audit and Risk Committee the progress report detailing the progress against, and significant amendments to, the current approved Annual Internal Audit Plan.

- **Highlights of the Key Control Dashboard in compliance with PFMA**

Overall assessment of the Key Control Dashboard for the period under review highlights in the main that GMA complies with the PFMA requirement the areas of Leadership, Financial Performance, and Governance.

- **Progress against approved Internal Audit Plan**

During the period under review, Internal Audit completed all auditable areas as per the approved Internal Audit Plan. The Internal Audit Plan covered 33 auditable areas that spanned across the following business units: Technical Services, Finance, Information and Communication Technology, Communication and Marketing, Corporate Services, Corporate Governance Services, Compliance and Legal Services and Risk Management.

The Internal Audit Plan included reviews of the Quarterly Key Control Dashboard, Quarterly Performance Information Report, Quarterly Financial Statements, and the follow-up on Auditor-General and Internal Audit findings

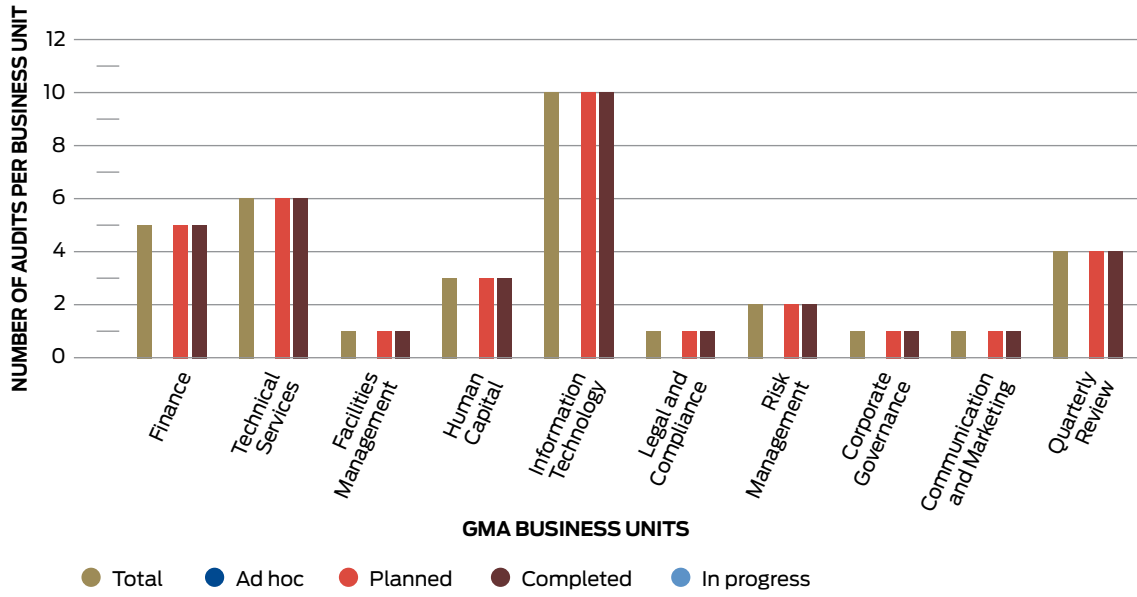
10.2 Relevant outcomes

The overall Internal Audit outcome was that the system of internal controls, governance and risk management within the GMA is working as intended. The Auditor-General places reliance on the work of Internal Audit for external audit purposes.

10.3 Strategic outlook

The Strategic Internal Audit Plan for 2020 to 2022, which includes the 2019 to 2020 Operational Plan, covers all high-risk areas that may impede the achievement of strategic and operational objectives.

GMA INTERNAL AUDIT PERFORMANCE VS. PLAN



Graph 8: GMA Internal Audit performance vs plan



GAUTRAIN
FOR PEOPLE ON THE MOVE

Park Station

Entrance



Information



Section F

PERFORMANCE: GMA ACTIVITIES

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PERFORMANCE: GMA ACTIVITIES

1. SOCIO-ECONOMIC DEVELOPMENT

The Gautrain Project SED regime was developed as the first of its kind for a rapid rail network in South Africa. The Concessionaire embraced the SED objectives and, since the Development Period, the Concessionaire has continued to honour and exceed its obligations under Schedule 22 of the CA. Introduced as the fourth cornerstone of the PPP process, over and above the technical, financial and legal cornerstones, economic development remains at the heart of developing the Gauteng Province.

An Independent Socio-Economic Monitor (ISEM) has been appointed for the purpose of verifying SED achievements attained on the Project. The Concessionaire, within 45 calendar days after the end of each month, prepares and submits a report on its claimed SED achievements. The ISEM, within approximately five weeks of receiving the Concessionaire's report, prepares and issues its own report on the independently verified SED achievements. The SED achievements reported below are based on the verified achievements reported on a quarterly basis by the ISEM.



1.1 SED performance for the year 2018

The ISEM has completed its verification for the period January 2018 to December 2018 and Table 11 below summarises the achievements.

Table 11: Summary of the SED achievements for January to December 2018

SED PERFORMANCE:			JANUARY 2018 TO DECEMBER 2018:		
SED element		Unit	Obligation	Verified achievement	% achievement
No.	Description				
Black Equity participation					
SED01	Shares held by BEs/Black persons in BCC	%	25.00%	42.58%	100%
	Shares held by BEs/Black persons in BOC	%	25.10%	25.10%	100%
SED02	Shares held by Black women in BCC	%	3.75%	14.37%	119%
	Shares held by Black women in BOC	%	3.75%	9.32%	119%
Procurement and sub-contracting					
SED03	Procurement from BEs/Black persons	R'000	249,467	287,995	115%
SED04	Sub-contracting to BEs	R'000	171,147	518,704	303%
SED05	Procurement and sub-contracting to new BEs	R'000	214,783	482,639	225%
SED06	Procurement and sub-contracting expenditure to SMMEs	R'000	37,095	64,714	174%
Local content					
SED08	Employment of local people	Jobs	1,323	1,605	121%
SED09	Procurement of South African materials	R'000	83,177	758,631	912%
SED10	Procurement of South African Plant & Equipment	R'000	190,071	202,426	107%
Participation by SPG					
SED11	HDI staff seconded by SPG	Jobs	0	0	100%
SED12	Expenditure by SPG on Plant & Equipment	R'000	0	0	100%
SED13	Procurement from, or sub-contracting to, SPG	R'000	0	0	100%
Participation in management					
EEPO1	HDI in management positions	Jobs	29	46	158%
EEPO2	Women in management positions	Jobs	14	26	182%
EEPO7	HDI in Occupational Level C	Jobs	49	241	490%
Direct employment					
EEPO3	HDI employed	Jobs	952	1 514	159%
EEPO4	Women employed	Jobs	342	457	134%
EEPO5	People with disabilities employed	Jobs	20	24	119%
Training					
EEPO6	Expenditure on Human Resource Development	R'000	3,834	5,688	148%
EEPO8a	Women participating in the Learnership & Mentorship Programme	Jobs	0	0	100%
EEPO8b	Employment & Mentorship of women learners	Jobs	0	0	100%

It is evident from Table 11 above that the Concessionaire has achieved or exceeded its obligations in all the SED elements.

The Concessionaire has made significant efforts to ensure that its SED obligations in terms of economic spending and SED objectives are met, and has significantly exceeded its SED obligations during the Operating Phase. The trend of exceeding its obligations continues in the period under review. It is evident that to date, the Gautrain Project has made and continues to make a significant impact on the SED in Gauteng and in South Africa.

1.2 SED performance since the commencement of the Operating Period until the end of the year 2018

Based on ISEM verification concluded to date, the Concessionaire has cumulatively achieved on all its obligations since the commencement of the Operating Period until the end of 2018. Table 12 below summarises the achievements.

Table 12: Achievements from Operating Period until end of 2018

SED PERFORMANCE:			OPERATING PERIOD UP TO DECEMBER 2018:		
SED element		Unit	Obligation	Verified achievement	% achievement
No.	Description				
Black Equity participation					
SED01	Shares held by BEs/Black persons in BCC	%	25.00%	29.91%	100%
	Shares held by BEs/Black persons in BOC	%	25.10%	26.12%	100%
SED02	Shares held by Black women in BCC	%	3.75%	6.93%	119%
	Shares held by Black women in BOC	%	3.75%	5.53%	119%
Procurement and sub-contracting					
SED03	Procurement from BEs/Black persons	R'000	359,848,815	673,061,014	187%
SED04	Sub-contracting to BEs	R'000	1,072,698,412	2,390,442,194	223%
SED05	Procurement and sub-contracting to new BE	R'000	1,146,561,996	2,073,265,912	181%
SED06	Procurement and sub-contracting expenditure to SMMEs	R'000	224,200,118	330,300,065	147%
Local content					
SED08	Employment of local people	Jobs	8,581,917	11,245,502	131%
SED09	Procurement of South African materials	R'000	478,075,449	2,254,731,197	472%
SED10	Procurement of South African Plant & Equipment	R'000	190,070,691	202,426,032	107%
Participation by SPG					
SED11	HDI staff seconded by SPG	Jobs	0	0	100%
SED12	Expenditure by SPG on Plant & Equipment	R'000	0	0	100%
SED13	Procurement from, or sub-contracting to, SPG	R'000	0	0	100%
Participation in management					
EEPO1	HDI in management positions	Jobs	179	407	227%
EEPO2	Women in management positions	Jobs	83	224	270%
EEPO7	HDI in Occupational Level C	Jobs	310	1,948	628%
Direct employment					
EEPO3	HDI employed	Jobs	6,116	10,467	171%
EEPO4	Women employed	Jobs	2,216	3,104	140%
EEPO5	People with disabilities employed	Jobs	129	149	115%
Training					
EEPO6	Expenditure on Human Resource Development	R'000	23,199	30,747	133%
EEPO8a	Women participating in the Learnership & Mentorship Programme	Jobs	0	0	100%
EEPO8b	Employment & Mentorship of women learners	Jobs	0	0	100%

It is evident from the above tables that the Concessionaire has complied with its obligations in all of the SED elements. In terms of the penalty and reward regime, there are no penalties awarded to the Concessionaire for the year under review.

1.3 Relevant outcomes

SED directly demonstrates the benefits of the Gautrain in terms of shareholding by black persons and black women, procurement, sub-contracting and employment equity elements. By the continued achievement and exceeding performance in most elements, the Concessionaire continues to develop growth in the brand value and maintain full compliance through procurement, sub-contracting and employment.

1.4 Strategic outlook

Schedule 22 of the CA contains the monthly SED obligations. Table 13 below summarises these obligations for the 2019/20 Financial Year.

Table 13: Obligations for the 2019/20 Financial Year

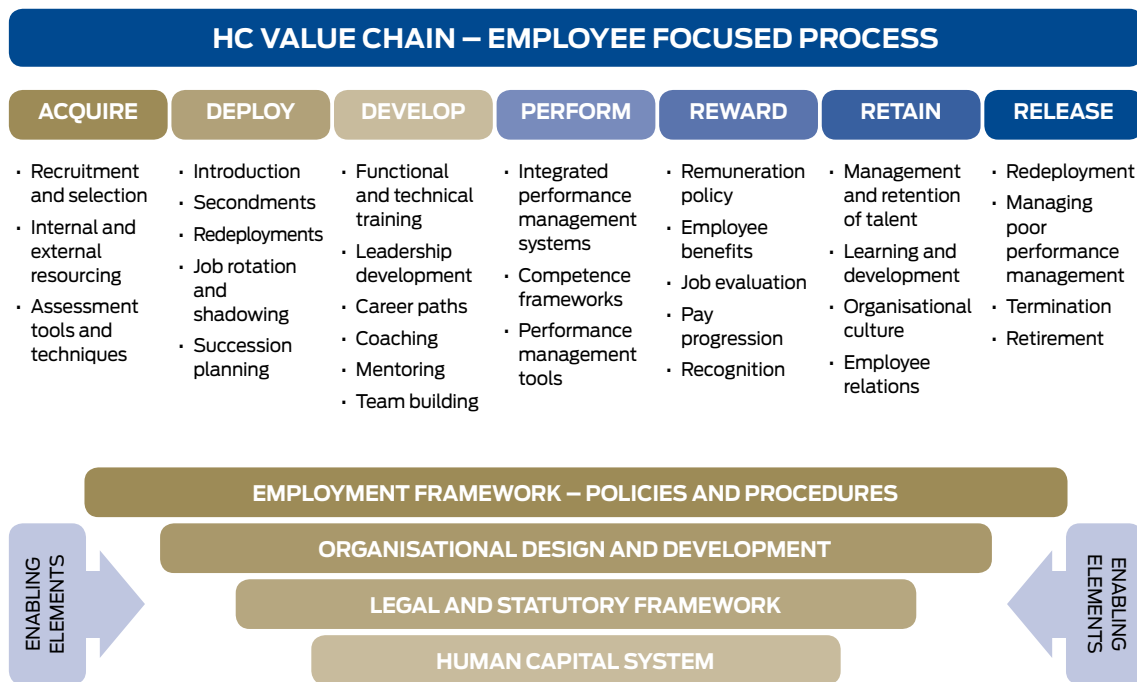
SED PERFORMANCE:			OBLIGATIONS FOR 2019/20:
SED element			
No.	Description	Unit	
Black Equity participation			
SED01	Shares held by BEs/Black persons in BCC	%	25.00%
	Shares held by BEs/Black persons in BOC	%	25.10%
SED02	Shares held by Black women in BCC	%	3.75%
	Shares held by Black women in BOC	%	3.75%
Procurement and sub-contracting			
SED03	Procurement from BEs/Black persons	R'000	101,710
SED04	Sub-contracting to BEs	R'000	185,889
SED05	Procurement and sub-contracting to new BEs	R'000	271,771
SED06	Procurement and sub-contracting expenditure to SMMEs	R'000	37 310
Local content			
SED08	Employment of local people	Jobs	1,323
SED09	Procurement of South African materials	R'000	98,776
SED10	Procurement of South African Plant & Equipment	R'000	85,448
Participation by SPG			
SED11	HDI staff seconded by SPG	Jobs	0
SED12	Expenditure by SPG on Plant & Equipment	R'000	0
SED13	Procurement from, or sub-contracting to, SPG	R'000	0
Participation in management			
EEP01	HDIs in management positions	Jobs	29
EEP02	Women in management positions	Jobs	14
EEP07	HDIs in Occupational Level C	Jobs	49
Direct employment			
EEP03	HDIs employed	Jobs	951
EEP04	Women employed	Jobs	342
EEP05	People with disabilities employed	Jobs	20
Training			
EEP06	Expenditure on Human Resource Development	R'000	3,834
EEP08a	Women participating in the Learnership & Mentorship Programme	Jobs	0
EEP08b	Employment & Mentorship of Women Learners	Jobs	0

2. HUMAN CAPITAL MANAGEMENT

The GMA's employment philosophy is consistent with the belief that people are the most important asset to the Agency. In support of the philosophy the Human Capital (HC) Strategy enables the HC Unit to continue to acquire skilled talent, deploy, performance manage, reward, develop and retain the best calibre employees needed to deliver the Agency's strategic objective.

The GMA HC Strategy focus area is on the Employee Value Proposition to ensure that GMA as an Agency delivers exceptional performance and services through well qualified and optimally developed, engaged and motivated personnel. This will ensure that GMA maintains its standard of a high performing Agency and being a preferred employer of choice in the South African Transport Sector.

2.1 Human Capital value chain processes



Graph 9: HC value chain processes

2.2 HC strategic goals and achievements

One of the GMA's core objective is to build itself into a high performing organisation and recognised centre of excellence during the period of operational management and expansions, as well as the extensions period. It is therefore critical that the HC strategy articulate and reflect the culture and the Agency's strategic direction.

To date the HC strategic focus has been on the activities related to:

- Organisational design and development;
- Implementation of a reward and remuneration philosophy for the GMA that will ensure attraction and retention of best talent in the market;
- Implementation of transformation strategies to achieve a workforce broadly representative of the people of South Africa; and

- Implementation of human capital management practices that are fair and in line with all relevant legal imperatives and organisational policies and strategies.

The GMA's employment philosophy is consistent with the belief that people are the most important asset to the Agency. The GMA intends to continue to recruit, develop and retain the best calibre employees needed to deliver the organisational strategic objectives.

In view of the above, the HC foundation has been laid, hence this proposed HC strategy is the move to a more established business partner model that:

- Recognises human epistle good practice through the implementation of human capital standards, leveraging current HC practices and building the required HC skills;

- Implement an employee value proposition that ensures the attraction, retention, development and motivation of employees in general, and with particular reference to key critical and scarce industry skills; and
- Implement processes that allow HC to partner with Business Units.

The HC business partnering role seeks to create more flexibility within the existing HC framework in order to make the employee value proposition effective. It must also be seen as the best approach in preparing the Agency for future growth through:

- The identification of the current and future skills required for the Agency;
- The implementation of dual career paths; and
- Building change readiness capability in the Agency.

The following assumptions underpin this redefinition of the strategic role of HC:

- A comparison needs to be made between the current organisation reality and what is deemed feasible for the future of the GMA;
- HC to be seen as a key business enabler in relation to what the Agency requires; and
- Stakeholder participation is critical in the process of finalising the HC strategy.

2.3 Future HC strategic goals

2.3.1 Strategic Workforce Planning

All GMA levels, from the Business Units to each sub-unit, are responsible for supporting and ensuring that an effective Workforce Plan is implemented, monitored and evaluated accordingly. It is no longer appropriate to recruit or appoint just to close the vacancy as and when it arises or because there is a vacant position within the structure. The Workforce Plan should always be informed by organisational needs, business objectives and the changing nature of the business case.

The key critical approaches are:

- Clear strategic business objectives and business case;
- Alignment of key workforce decisions with the overall strategic objectives of the Agency;
- A reliance on an analysis of the current workforce;
- Identification of the future workforce needs;
- Comparison of the present workforce with future needs to identify gaps;
- The preparation of a strategy to address those gaps and build the needed future workforce, and;
- An evaluation process to assure that the workforce direction remains valid and objectives are being met.

It is important that a consistent and systematic approach to workforce planning is adhered to by all stakeholders within the GMA and to participate and own the workforce planning process.

2.3.2 Learning and Development Strategy

The objective of the Learning and Development Strategy is to systematically link learning and development with the GMA's strategic objectives and talent management in order to establish priorities and plans for performance gaps and career progression. The GMA operates in a very volatile and complex environment which requires that a strategic approach be taken in breeding the talent needed in order to address critical and scarce skills shortages and to respond to market competition for skills in areas of rail management and large-scale projects.

Through the Learning and Development Strategy, the GMA also seeks to contribute to selected graduates' overall economic activity and output by equipping them with knowledge of, skills in, and exposure to the role of the GMA in the rail industry and the transportation sector in general. Graduates will have the opportunity to work for a reputable institution that has a critical role to play in the Gauteng Province and South African economy.

2.3.3 Employee Wellness Programme

The GMA has partnered with The Healthy Company for an integrated, pro-active approach towards an Employee Wellness Programme. The partnership gave birth to The MyWellBeing Programme, which focuses on the following four key dimensions: *Physical wellbeing, Emotional wellbeing, Financial wellbeing and Legal support*. The MyWellBeing Programme is aimed at giving the best support to employees' well-being through cutting-edge technology and innovative health solutions. The programme kicked off on 1 March 2019, were 58 employees attended and participated in the launch. All employees who attended were assessed through a holistic set of screenings across physical, emotional and financial dimensions.

The Healthy Company together with HC will continue to implement Employee Wellness interventions that will help maintain and improve the wellbeing of employees.

2.3.4 Women Development Programme

The approved new Organisational Structure made available additional positions to be filled through a period of three (3) years and beyond and beyond, thereby enabling the GMA to exceed the current approved Employment Equity (EE) targets. Through the revival of the current EE Plan, a need for the development and acceleration of women into the professional and senior management categories was identified. This gave birth to the Women Development

Programme to ensure that the identified gaps are closed by upskilling women into leadership and non-leadership, and managerial and non-managerial levels. The total number of women aimed to be developed in line with the updated GMA Employment Equity Numeric Targets for 2018/19 is 52.

In support of this notion a desktop skills audit was conducted to ascertain the appropriateness and relevance of the qualification database within the GMA. Subsequently to that, the training and development budget allocation was reviewed to accommodate the programme. In the next quarter all Line Managers are to have career conversations with all their women subordinates to ensure appropriate clear career pathing, value add on Personal Development Plan (PDP) as well as strategic stretch goals and are integrated and/or put in place in all Individual Performance Contracts (IPC). Furthermore, based on the skills audit report, all women within the GMA will be given an opportunity to verify their personal information and update the data in their files, e.g. qualifications and current skills acquired at the GMA, as well as opportunities for acting in different positions.

2.3.5 Graduate Development Programme

The Graduate Development Programme is developed and presented to ensure that the GMA broadens the scope for a feeder pipeline to give individual graduates a broad experience across the different Business Units to cater for the extensions and expansions of the Gautrain.

2.3.6 Organisational Design and Structure Programme

The GMA's strategic evolution due to its maturity as an organisation necessitated the need to review the Organisational Design and Structure to allow for the alignment to the overall GMA Strategy and be able to define GMA's Uniqueness Competition Space. These changes were informed by the following key factors:

- Management of the CA;
- Development of a true culture of innovation and technical excellence;
- External drivers;

- Alignment to the ITMP-25;
- Transport integration;
- Transit-oriented development;
- Change in National and Provincial Government priorities;
- Alignment to the NDP – Management of SIP; and
- Stakeholder management.

In developing the Organisational Design and Structure, management considered the immediate and long-term needs of the Business Units, and reviewed business processes for Units to cater for the extensions and expansions.

The structure is developed to ensure that the GMA can broaden the scope for leadership and career development, lay the foundation for the implementation of a specialised and generalist structure, and create a base for the implementation of the succession plan and talent management as part of the GMA Retention Strategy.

The Organisational Design and Structure is implemented to ensure that the GMA can broaden the scope for leadership and career development and lay the foundation for the implementation of a specialised and generalist structure. It creates a base for the implementation of the Talent Management and Succession Plan as part of the GMA Retention Strategy. The aim of the report is to share the progress and finalisation of the GMA Organisational Design and Structural changes and ratification of all internal appointments in line with section 189 of the Labour Relations Act (LRA) process.

2.3.7 Integrated Diversity and Transformation Programme

The GMA's goal is to build a high-performing and diverse workforce based on mutual acceptance and trust. It is also the GMA's policy to select the best qualified applicant for the job, regardless of race, national origin, gender, age, disability, religion, sexual orientation, or any other non-merit factor. Subsequently, the policy of the GMA is to foster equal opportunities for all employees and to promote principles of diversity and transformation that will enhance the level of effectiveness and efficiency of its programmes.

“ The GMA's employment philosophy is consistent with the belief that people are the most important asset to the Agency. ”

HC STATISTICS FOR THE PERIOD 1 APRIL 2018 TO 31 MARCH 2019

Table 14: Personnel cost by programme/activity/objective

Programme/ activity/objective	Total expenditure for the entity (R'000)	Personnel expenditure (R'000)	Personnel expenditure as a % of total exp.	No. of employees
Project Expenditure	R1,834,261	-		
GMA Expenditure	R285,318	*R140,488	6.4%	
Total	R2,119,579	R140,488	6.4%	94

* Performance rewards + personnel expenditure + training costs.

Table 15: Personnel cost by salary band

Level	Personnel expenditure (R'000)	% of personnel expenditure to total personnel cost	No. of employees	Average personnel cost per employee (R'000)
Top Management	R15,866	16%	4	R3,967
Senior Management	R20,006	20%	7	R2,858
Professional Qualified	R47,525	47%	39	R1,219
Skilled	R14,970	15%	27	R554
Semi-Skilled	R2,247	2%	12	R187
Unskilled	R717	1%	5	R144
Total	R101,333	100%	94	R1,078

Table 16: Performance rewards

Programme/activity/objective	Performance rewards (R'000)	Personnel expenditure (R'000)	% of performance rewards to total personnel cost
Top Management	R5,342	R15,866	34%
Senior Management	R4,059	R20,006	20%
Professional Qualified	R6,508	R47,525	14%
Skilled	R2,069	R14,970	14%
Semi-Skilled	R363	R2,247	16%
Unskilled	R124	R717	17%
Total	R18,468	R101,333	18%

Table 17: Training costs

Programme/ activity/objective	Personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of personnel cost.	No. of employees trained
CEO's Office	R6,711	R -	0%	0
COO's Office	R5,792	R53	1%	2
Internal Audit	R4,991	R125	3%	5
Corporate Governance	R3,844	R224	6%	3
ICT and Knowledge Management	R11,489	R283	2%	11
Corporate Services	R8,851	R305	3%	14
Communication and Marketing	R8,851	R355	4%	10
Finance	R12,315	R499	4%	10
Compliance and Legal Services	R6,369	R51	1%	3
Technical Services	R32,116	R317	1%	21
Total	R101,333	R2,216	2%	79

Table 18: Employment and vacancies per Business Unit

Programme/ activity/objective	2018/2019 no. of employees	2018/2019 approved posts	2018/2019 no. of employees	2018/2019 vacancies
CEO's Office	3	3	3	0
COO's Office	3	3	3	0
Internal Audit	5	5	4	1
Corporate Governance	3	4	3	1
ICT and Knowledge Management	11	12	12	0
Corporate Services	14	16	16	0
Communication and Marketing	10	10	10	0
Finance	10	12	12	0
Compliance and Legal Services	3	5	4	1
Technical Services	25	30	27	3
Total	87	100	94	6

Table 19: Employment and vacancies per employment categories

Programme/ activity/objective	2018/19 no. of employees	2018/2019 approved posts	2019/2020 no. of employees	2019/2020 vacancies
Top Management	4	4	4	0
Senior Management	7	11	7	4
Professional Qualified	35	45	39	6
Skilled	25	27	27	0
Semi-skilled	12	12	12	0
Unskilled	4	1	5	0
Total	87	100	94	6

Table 20: Employment changes

Salary band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	4	0	0	4
Senior Management	7	0	0	7
Professional Qualified	35	4	0	39
Skilled	25	4	1	28
Semi-skilled	12	0	1	11
Unskilled	4	1	0	5
Total	87	9	2	94

Table 21: Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	0	0%
Resignation	1	1%
Dismissal	0	0%
Retirement	0	0%
Ill health	0	0%
Expiry of contract	1	1%
Other	0	0%
Total	2	2%

Table 22: Labour Relations: Misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	0
Written warning	0
Final written warning	1
Dismissal	0
Total	1

The GMA vacancy rate is at an acceptable level of 10% of which only 6% is resignations based on career moves and better employment opportunities.

Table 23: Equity targets and employment

Level	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	0	0	0	0	0	2	0
Senior Management	2	4	0	0	1	0	1	0
Professional Qualified	19	25	1	2	0	2	1	2
Skilled	8	10	0	0	2	0	1	0
Semi-skilled	2	4	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
Total staff	33	43	1	2	3	2	5	2

Table 24: Equity targets and employment: females

Level	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	5	4	0	1	0	1	1	0
Professional Qualified	15	18	0	1	2	1	3	2
Skilled	11	14	2	0	0	0	4	0
Semi-skilled	5	5	0	0	0	0	0	0
Unskilled	5	5	0	0	0	0	0	0
Total staff	40	45	2	2	2	2	8	2

Table 25: Equity targets and employment: disabled staff

Level	DISABLED STAFF							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	1	1	0	0	1	1	0	0
Professional Qualified	1	2	0	0	0	0	1	1
Skilled	0	0	0	0	0	0	0	0
Semi-skilled	0	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
Total staff	2	3	0	0	1	1	1	1

The HC Unit is actively managing the recruitment process of the existing vacancies to ensure that priority is given to African males in trying to close the gap whilst ensuring that the GMA meets its Employment Equity.

3. INFORMATION COMMUNICATION TECHNOLOGY GOVERNANCE

Information and Communications Technology (ICT) continues to play a critical and strategic role in supporting the vision and objectives of the GMA in line with the technology landscape that is changing the way business engages with its customers due to digital transformation. The ICT Unit is continually transforming Business Units through digitisation and automation, with the focus on reducing complexity while enhancing security.

The ICT three-year strategic plan aimed to shift the focus from being a support function to a strategic driver, with emphasis on transforming the Agency into a digital workforce. Within this Financial Year, ICT embarked on a major drive to transform the GMA into a mobile, agile and innovative workforce. At the core of this role are the support services that are always available, accessible, secure and reliable, thereby providing the foundation for all other activities. The Unit also provides strategic insight and support to the GMA by deploying systems to increase its efficiency and effectiveness.

3.1 Performance during period under review

- Continued maintenance and enhancement of current ICT systems ensured a reliable and secure ICT environment;
- Well implemented ICT governance processes and procedures ensured compliance to ICT governance

prescripts, resulting in minimal audit findings being raised on the ICT environment;

- Within the reporting Financial Year, ICT embarked on a major drive to transform the Agency into a mobile, agile and innovative workforce through the adoption and implementation of Microsoft cloud technologies. The adoption rate of the product suite throughout the Agency exceeded expectations and has resulted in increased productivity and collaboration. Furthermore, the decision-making process has been aided by the implementation of the business analytics and intelligence tool;
- Security monitoring of the GMA ICT environment is critical in defending the GMA against cyber threats. The combined Security and Network Operations Centre (SNOC) is key to the monitoring function through 24/7 pro-active monitoring and alerting. The SNOC is now in its fourth quarter of operation and the value has been realised through the reporting and alerting mechanisms offered by the service. As the service matures, additional services are onboarded to further improve the overall service;
- A Midibus Management System has been developed, which is a simple application used for the management of minibus routes and performance of the midibuses. This allows the midibus route to be managed in a centralised system instead of through disparate MS Excel files. This gives insights which would not have been possible in Excel files and enables reductions in human error and improvements in time saving;



- Drone technology to aid in the monitoring and planning activities along the Gautrain rail alignment was procured. The use of drone technology is beneficial in assisting with:
 - Land surveying for GTIA purposes;
 - Aerial surveillance for security purposes around Gautrain Station precincts and along the Gautrain rail reserve;
 - Aerial surveillance of drop-off zones at Gautrain Station precincts during peak hours;
 - Monitoring of Gautrain asset location and condition; and
 - Monitoring of development activities along the Gautrain rail alignment.
- A Security Architecture was developed. The architecture includes security controls and tools to protect user identities, IT systems, cloud applications and organisational information;
- The financial system was upgraded to the latest release. This was done as part of a project to enhance the overall functionality of the system; and
- A system to digitise the HC processes in line with the HC strategy of minimising cutting paper-based activities and reducing the carbon footprint has been procured, with phase one of automating e-recruitment completed. The fully automated system will be rolled out in the 2019/2020 Financial Year. The HC system will automate the recruitment of candidates; onboarding; performance management; and termination of employees.

3.2 Relevant outcomes

The ICT Unit embarks on projects that will allow the Agency to function in a seamless, secure, trusted and reliable manner while allowing for organisational knowledge to be preserved and shared. The projects assist the GMA to secure its information and provide easier and automated access to information resources using state of the art technology.

3.3 Strategic outlook

The focus for the 2019/20 Financial Year will be the:

- Digitisation of business processes for increased effectiveness and efficiency;
- Implementation and enhancement of communications and collaboration technologies;
- Implementation of ICT strategic initiatives that will enhance the efficiency of the core business and maintain and improve GMA's ICT security posture;
- Updating of the Enterprise Architecture; and
- Implementation of IT security initiatives.

4. KNOWLEDGE MANAGEMENT

The GMA has made strides in achieving all the targets set out in the implementation of the three-year Knowledge Management Strategy. The strategy, which seeks to treat knowledge as one of the business capitals to create value for the Agency, improve business efficiency and harness innovation capability, has at its core the desire to develop the GMA into a learning organisation. The Knowledge Management Strategy initiatives implemented thus far have been aligned to this overarching vision and purpose.

4.1 Performance during the period under review

Thus, Knowledge Management highlights in the reporting Financial Year can be summarised as:

- Growth in external knowledge share sessions for local and international audiences;
- Development of the electronic (e-book) version of Gautrain Learnings – a collection of case studies;
- Distribution of 760 copies of the Gautrain Learnings book to over 100 organisations based in South Africa and abroad;
- Successful delivery of the inaugural Public Transport Knowledge Seminar;
- A growing repository of case studies, technical papers and factsheets; and
- Application based on knowledge captured, particularly the lessons learnt, which resulted in the development of a collaboration agreement between the GMA and the Gauteng Department of Agriculture and Rural Development (GDARD) for the Environmental Impact Assessment (EIA) approvals required for the Route Determination project and other GTIA-related matters.

The focus for this year was on the finalisation and publishing of the e-book version of the Gautrain Learnings – a collection of case studies. The e-book has now been completed and can be accessed via this link <https://gautrainlearnings.co.za/>. During the period under review a lot of work went into development and recording and publishing of podcasts on Gautrain Talks Podcast Station <https://soundcloud.com/user-612742429/impact-of-dolomites-on-the-gautrain-project>. The podcast interviews were mainly about the lessons learnt from the development of the Gautrain Project.

Effective records management, document retention and disposal play a key role in business efficiency of the Agency. In the quarter under review the focus was on an integrated approach to document retention and disposal. This was done under the clean-desk policy awareness campaign which has yielded positive results. The Unit

aims to keep the awareness going until it is embedded as part of the business culture.

The ongoing services were carried out without any issues. These are the provision of the document control and records management service as well as the implementation of the document retention plan and alignment with Office 365 rollout.

4.2 Relevant outcomes

- Increased investment on intellectual capital;
- Developing the GMA into a learning organisation; and
- Contribution to public sector knowledge management

4.3 Strategic outlook

The Unit will continue in its endeavour to build on Knowledge Management gains achieved and thus contribute to the intellectual capital of the Agency. The focus for the 2019/20 Financial Year is on knowledge retention and transfer to improve business efficiency and harnessing strategic Knowledge Management partnerships for innovation and creation of new knowledge.

5. COMMUNICATION AND MARKETING

The GMA's Communication and Marketing Strategy focuses on Gautrain's mandate to increase and sustain ridership by managing the Gautrain's reputation and executing growth and retention marketing.

5.1 Performance during period under review

During 2017/18, the Communication and Marketing Unit's core focus was on positioning the Gautrain as a world class integrated public transport service and executing growth and retention marketing. The activities as set out below were implemented.

5.1.1 Marketing performance

The following marketing activities were implemented during the period under review:

- Gautrain was showcased at seven exhibitions, including Travel Indaba, AfricaRail, Smart Cities, iTransport and UATP.
- Three print campaigns conveyed messages aimed at increasing ridership. The campaigns were carried in lifestyle magazines targeting the tourism industry and business magazines targeting business travellers. The GMA's focus has shifted from print media to digital marketing, appointing FLOW Communications as digital specialists to support with paid-for social media, ensuring a wider reach and a more targeted approach.

- Together with the Bombela Concession Company, a campaign was launched to increase the airport line ridership by promoting free parking for a period of up to ten days for rail passengers travelling to the airport. Over the four-month campaign period, there was a noticeable increase in airport passenger parking; however, the overall ridership on the airport line did not increase. It was confirmed that the campaign had an impact on airport passengers' mode of transport to a Gautrain station but did not bring additional passengers onto the train.
- To understand the international passenger's experience from the moment that person arrives at OR Tambo International Airport through to their final destination on the Gautrain, a way-finding audit was conducted by an international organisation specialising in air-rail studies. The audit looked at way-finding signage in the ACSA precinct, as well as the Gautrain Airport Station and Sandton Station, taking all passenger information displays and communications into consideration. The audit report clearly outlined some issues that passengers faced and how these could be addressed through best practices, as well as highlighting the need for more advertising in the arrivals area of the airport to entice first-time travellers to Gauteng to use the Gautrain.
- The way-finding audit also reinforced the importance of having a Gautrain in-store kiosk at OR Tambo International Airport, situated in the air-side passage at international arrivals. This kiosk has become a self-funding entity informing international travellers of the Gautrain before they enter the public area where other modes of transport are on offer. Sales between April and June 2018 amounted to R602,123.00, with a total of 2,244 number of cards sold. A direct contract with Airports Company South Africa was signed for the space and the kiosk will be reopened in the next Financial Year, followed by a second kiosk at domestic arrivals.
- The GMA partnered with the University of Pretoria's Marketing Department, exploring the possibilities of engaging in practical marketing activities for their Honours Marketing programme. The objective of this year's campaign was to focus on riders' etiquette. In the months of September and October, two behavioural marketing campaigns were launched. The first campaign #MimeYourManners, educate passengers about travel etiquette using a professional mime artist. The second campaign #GautrainIsUbuntu focused on animal behaviours and how they are similar to passenger behaviours witnessed on the System. The campaign was in the form of a game, based at Hatfield Station.
- To enhance the lifestyle offering and position Gautrain as the mode of transport to use to get to different events, the GMA partnered with Big Concerts and the FNB Stadium for several shows, including Guns 'n Roses, the Global Citizen Festival and Ed Sheeran concerts.

Gautrain offered a dedicated bus shuttle service between Park Station and FNB Stadium, as well as an exclusive late-night train service along the North-South line to ensure concert goers had a means of getting home after the shows. Passenger feedback of the Gautrain service was positive and the following ridership numbers were recorded: Guns 'n Roses – around 2,600 passengers, Global Citizen – around 5,000 passengers, and Ed Sheeran – around 7,000 passengers over two nights.

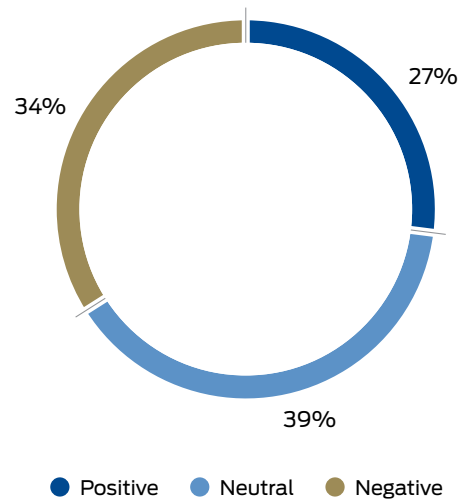
- Throughout the year, the GMA worked with businesses on the midi-bus service offering, reviewing potential new routes and adapting routes or stops as necessary in order to increase passenger numbers. Three new routes were launched from Marlboro Station to Kelvin, Buccleuch and Greenstone. To promote the new routes, mall activations, door-to-door leaflet drops and office promotions were launched, resulting in a high commencement of ridership.
- The GMA put a strong focus on partnerships that involve stakeholders contributing to the GMA's ridership figures and sustainability. Partnership agreements were signed with various event and conference organisers as well as places of interest along the route to entice people visiting the locations to use the Gautrain service. Together with the Concessionaire various ticketing products are being developed to increase service offerings and enhance partnership agreements.

5.1.2 Communication performance

The following communication activities were implemented during the period under review:

- Approximately 800 media reports for print, broadcast and online were received. The contribution (in communication value) to the reputation of the Project amounts to R200 million.

- The media reports that were received during the year were mostly neutral articles, at 39%. Negative articles comprised 34% and positive articles 27%. Service operations and the Patronage Guarantee contributed to most of the negative articles. Articles on lifestyle, System enhancement and proposed extensions contributed to the positive articles. Issues around public transport, urban development and general comments regarding the Gautrain contributed to the neutral articles.



Graph 10: Gautrain media sentiment overview: 1 April 2018 to 31 March 2019

- In addition to media releases, advertorials and solicited interviews, the GMA capitalised on its media approach that includes knowledge sharing and dialogue. These were in the form of panel discussions, workshops and presentations. The #GautrainTASTE is an example.



- The video news service continued to position the Gautrain brand through Online Content Channel Solutions. Multiple topics were covered through this service and included socio-economic development, the environment, future plans for Gautrain, the Gautrain midi-bus service and GMA's Social Investment Programme.
- The Gautrain brand was enhanced through various activities that aimed to present an element of choice as a differentiator for using the Gautrain. Efforts were made to create brand communities within different segments of lifestyle. These included the health and fitness community through the Amazing Public Transport Race, the reading community through the free online book campaign, called bookboon, and food lovers through #GautrainTASTE. Other activities to promote the brand included station theme activations, exhibitions, conferences and presentations, #OctoberTransportMonth, competitions, station advertising and knowledge-share campaigns such as panel discussions.
- The GMA continues to host visits for various stakeholders including media, schools along the Gautrain route, the public and private sectors as well as NGOs, in the form of presentations and film shoots.
- Internal and external stakeholders were engaged through the website and Intranet and activities commemorating Freedom Day, Human Rights Day and others.
- The GMA was further positioned externally as a knowledge base for PPP project management through hosting various national and international stakeholders.
- In positioning the GMA, advertisements were placed in publications including the Government Handbook and Business Day Earth Publication.
- The GMA was profiled on both the GMA website and its social media platforms.
- The GMA website had approximately 36,000 visitors during the reporting period. The website was redeveloped and successfully launched in 2018.
- Facebook, Twitter and Instagram are the primary social media platforms used by the GMA. The Facebook fan page had 51,576 fans at the end of the year under review. The Gautrain has 276,246 followers on Twitter. Instagram, used predominantly for lifestyle promotion and campaigns, has 728 followers.
- The Gautrain mobile-app is constantly upgraded with additional interactive and e-commerce functionalities. A total of 513,000 downloads has been made of the Gautrain mobile-app.
- The Gautrain commuter website had an audience overview of 322,000.

- Two awards were received from the International Association for Business Communicators – one from the Africa division and one from the International division. Both awards were for the innovative Gautrain Video News Service.

5.2 Relevant outcomes

- An increase in positive stakeholder interaction with the brand;
- Commuters are realising the benefits of using the Gautrain as part of their lifestyle; and
- Growth in brand value.

5.3 Strategic outlook

The Unit's aim for the 2019/20 Financial Year is to increase and sustain ridership by managing the Gautrain's reputation and stakeholders and executing growth and retention marketing campaigns. In doing so, the Unit's focus is on:

- Increasing the ridership of the Gautrain System;
- Ensuring that the management of the relationship with the Concessionaire optimises performance delivery; and
- Developing and implementing partnerships that involve stakeholders contributing to the GMA's sustainability.

6. COMPLIANCE AND LEGAL SERVICES

The Compliance and Legal Services Unit is responsible for monitoring and reviewing the legislative and regulatory environment within which the GMA is operating. To this end, the Unit provides remedial steps to be taken, in order to ensure compliance with applicable legislative and regulatory requirements.

Moreover, the Unit is responsible for handling, *inter alia*, all litigious and non-litigious disputes on behalf of the GMA, as well as contracts, project-related matters and employee-related grievances and disputes.

6.1 Performance during period under review

In line with the provisions of the GMA Act, the GMA continuously oversees, manages and monitors the Concessionaire's performance and adherence to the CA. In this regard, where the Concessionaire fails or neglects to comply with its obligations as outlined in the CA, appropriate penalties are imposed. Moreover, there are two disputes that are currently the subject of arbitration under the auspices of the Arbitration Foundation of Southern Africa (AFSA).

In line with Schedule 10 of the CA which prescribes a Dispute Resolution Procedure (DRP) to be followed, all the disputes involving the Province and the Concessionaire are handled in accordance with the DRP. The timelines for handling such disputes have been agreed upon and are duly adhered to by the Parties.

The Concessionaire has, in line with the DRP, referred to AFSA a PG Reduction Dispute and Performance Incentive Dispute, which are scheduled for hearing in August 2019. Notwithstanding the foregoing, the Province and the Concessionaire are on the verge of settling the disputes in question.

The Gauteng Transport Authority Bill was drafted, at the behest of the Gauteng Premier and MEC for Roads and Transport, and was subsequently approved by the Gauteng Provincial Executive Council. The rationale for enacting this Bill is primarily to create an enabling legislative framework for the establishment of the Gauteng Transport Authority, as a Provincial Public Entity.

The Gauteng Transport Authority will in turn be mandated to, in the main, harmonise and integrate the public transport system within the Gauteng City Region. After a comprehensive consultation process, the Gauteng Transport Authority Bill was eventually adopted by the Gauteng Provincial Legislature during its sitting in March 2019. Consequently, the Gauteng Transport Authority Act will be promulgated as soon as it is assented to by the Premier.

In rolling out the Compliance Framework throughout the Agency, a compliance review was conducted based on the Employment Equity Act, No. 55 of 1998. An Action Plan, to address the identified gaps in respect of the aforementioned Act, is being finalised.

As part of its mandate of monitoring legislative developments that are germane to the Gautrain environment, the GMA duly considered various pending pieces of legislation and submitted comments on the Economic Regulation of the Transport Bill, the Railway Safety Bill and the Gauteng Provincial Laws General Amendment Bill. Furthermore, the proposed Companies Amendment Bill and the Employment Equity Amendment Bill were also reviewed.

In May 2018, the GMA appointed a new service provider to provide whistle blowing services to the GMA. In order to conscientise and guide GMA employees and members of the public on how to report fraud- and corruption-related activities, various framed posters are displayed throughout the GMA's offices. Moreover, potential whistle blowers are guided and furnished with information that will enable them to report any irregularities that pertain to fraud and corruption. To this end, hotline details are contained in the GMA's tender documents and e-mails. The Fraud Hotline number is 0800 6 FRAUD (0800 637 283).

Furthermore, applicable policies and procedures are continuously reviewed, updated and aligned to relevant legislative developments.

An Agency-wide joint awareness campaign, involving ICT, Compliance and Legal Services, and Internal Audit and Risk Management, was held where issues relating to, *inter alia*, fraud prevention, whistle blowing, risks and ICT challenges were addressed, and all employees were invited to participate.

In addition, a dawn raid simulation exercise took place in November 2018 and was followed by a workshop involving GMA staff in January 2019. The primary purpose of the exercise and workshop was to equip GMA personnel with the knowledge of the dynamics and modalities of conducting a dawn raid.

6.2 Relevant outcomes

As a result of the interventions outlined above, the GMA was able to ensure that the Gauteng Transport Authority Bill is approved by the Gauteng Legislature. As the Bill was almost exclusively drafted and presented by the GMA, in consultation with the Gauteng Department of Roads and Transport, no consultants were used and this resulted in massive financial savings for the Province.

With regard to the rolling out of the Compliance Framework and monitoring of the legislative environment within which the GMA is operating, the compliance reviews and related activities continue to enable the GMA to identify areas of improvement and enhance its compliance with the relevant Statutes.

In line with its zero-tolerance stance on fraud and corruption, the various interventions specified above ensured that the odds of any irregularities happening are significantly reduced and that the GMA can comply with its statutory duties in this regard.

6.3 Strategic outlook

In the 2019/20 Financial Year, the Unit will continue with the roll-out of the Compliance Framework by, amongst others, monitoring compliance therewith and by conducting audits or gap analyses on specific key legislation that have an immediate impact on the GMA and its operations. The Framework will also be reviewed to ensure its alignment with all legislation. Moreover, the legislative developments will be monitored on a continuous basis, in order to ensure that the GMA is fully compliant with its statutory obligations.

The GMA will continue to play an instrumental role in the envisaged enactment and operationalisation of the Gautrain Transport Authority Act, which has just been approved by the Gauteng Legislature.

To the extent permitted by the CA, the dispute resolution process will be reviewed to make it more expeditious and efficient, especially in relation to Project Events that generally are the subject of disputes between the Province and the Concessionaire.

7. SOCIAL INVESTMENT PROGRAMMES

The GMA continues to manage Gautrain’s Social Investment Programmes (SIPs), alongside the GMA’s everyday business activities, to assist in the national goal of eradicating poverty and decreasing inequality. GMA’s SIP funds are targeted at those projects which support these national priorities, but which are not covered by the Gautrain’s operational activities.

The SIP objectives, aligned to GMA’s objectives and strategy, are to:

- Contribute to the social, economic and environmental upliftment of vulnerable communities in Gauteng;
- Be a responsible citizen that takes care of the communities in which the Gautrain is active; and
- Build good stakeholder relationships with communities, in order to increase support in safeguarding the GMA’s assets for all who use them.

7.1 Performance during period under review

The GMA supports 37 beneficiaries. Of these, 17 organisations fall under the established non-governmental organisations category and 20 fall under the Early Childhood Development – pre-school and day-care centres (ECDs) category.

7.1.1 Early Childhood Development Centres

The GMA supports 20 ECDs in complying with the Department of Social Development’s regulations and standards in order for the centres to receive social grants from the Department. Together with the National Development Agency, the GMA organised training with a focus on:

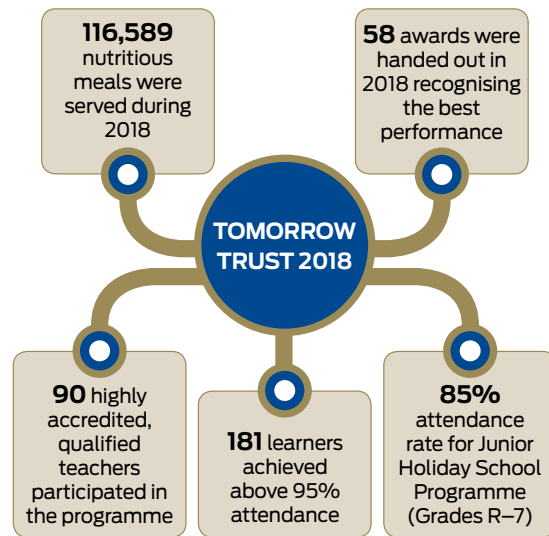
- NPO Act and Compliance;
- Financial Management;
- Children’s Act;
- NPO Governance; and
- Conflict Management.

The GMA has concluded the agreements with the ECDs and at the end of the 2018/19 Financial Year completed the final round of monitoring, together with the NDA. Each centre was granted an amount of R100,000.00.

7.1.2 Educational organisations

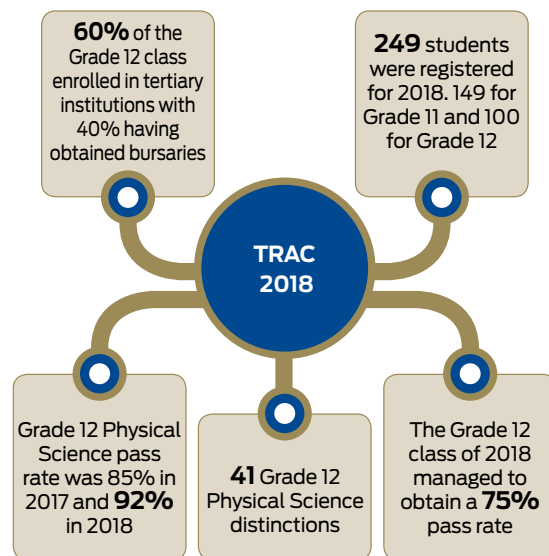
Some of the highlights showcasing the impact of the GMA SIP investment in the programmes mentioned are outlined below.

- **Tomorrow Trust**, a non-profit organisation founded in 2005, supports orphaned and vulnerable children throughout their educational journey. The organisation provides integrated education and holistic support. Highlights for 2018/19 include:



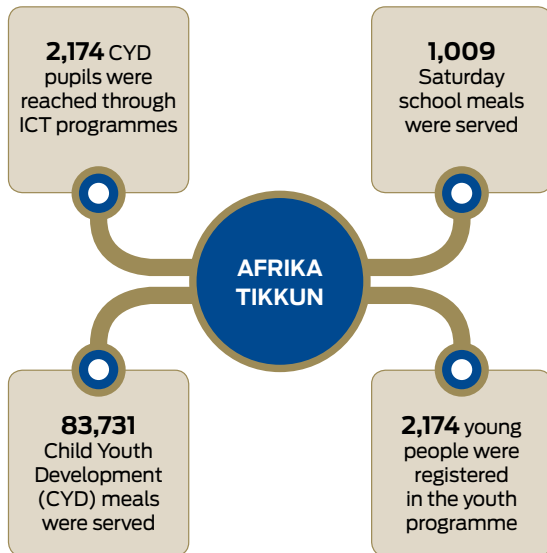
Graph 11: Tomorrow Trust’s 2018/19 highlights

- **TRAC**, the Technology Research and Activity Centre, is a Physical Science intervention programme aimed at enabling and inspiring science learners to take ownership for a successful future. Highlights for 2018/19 include:



Graph 12: TRAC 2018/19 highlights

- **Afrika Tikkun** is aimed at providing education, health and social services to young people and their families through centres of excellence in South African townships. The main goal is to create a sustainable future for South Africa's youth. Highlights for 2018/19 include:



Graph 13: Afrika Tikkun's highlights

7.1.3 Community care

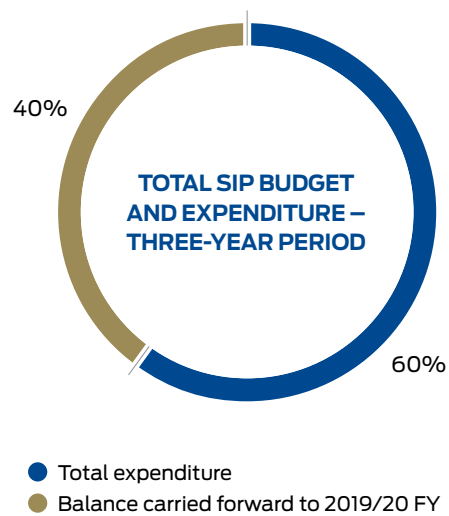
- **Alexandra Hospice and Rehabilitation Centre** is a non-profit organisation that provides care and love for chronic and terminally ill patients in Alexandra township. Highlights for 2018/19 include:
 - Funds were used to purchase two new vehicles, one to transport patients and the other for delivery purposes; and
 - A six-month advance payment was made for Tracker on the two vehicles, to ensure the vehicles' locations can be monitored at all times.
- **St. Peters Child Care** is a long-term special foster-care programme for orphaned children affected by HIV/Aids. St. Peters provides a loving home environment to these children. Highlights for 2018/19 include:
 - The GMA purchased a property that is now home to six orphaned children.
- **MES Johannesburg** fulfils the needs of the marginal and destitute communities in and around Johannesburg, providing care and homes for individuals and families that need to be relocated to more sustainable homes. MES works on a holistic approach of intake, intervention and exit. Highlights for 2018/19 include:
 - Feeding schemes were able to combat poverty by serving 404,086 meals;
 - 170 homeless and vulnerable individuals were prevented from sleeping on the streets every night by being provided with secure accommodation for the year;

- More than 400 young people were offered various life skills training through courses; and
- 108 clients were placed in working environments.

7.1.4 SIP spend

In August 2017 the first tranche payments were made to beneficiaries. In the period under review, the second and third tranche payments were made based on reports submitted and site visits to continuously conduct monitoring and evaluation, aligned with the relevant Memorandums of Agreement signed with each beneficiary.

The total expenditure paid out to the beneficiaries for the period 2018/2019 amounts to R6,422,587.



Graph 14: Total three-year period of SIP budget and expenditure

7.2 Relevant outcomes

- The contract with the ECDs has come to an end.
 - 18 ECDs were paid out in June 2019;
 - 1 ECD contract was terminated; and
 - 1 ECD still has an outstanding payment, as they do not meet all the requirements for the second tranche to be paid out.

The monitoring and evaluation of the project is ongoing, and the GMA is pleased with the results and outcome of the projects.

7.3 Strategic outlook

The GMA will look at possible ways of raising funds in order to increase the SIP funds for the sustainability of projects and the GMA Social Investment Programmes.

The GMA SIP strategic approach is to find additional funding and leverage partnerships with organisations to make SIP sustainable and increase Gautrain's reach.

8. COMMUNITY PARTNERSHIPS

The midibus partnership model developed by the GMA involves integrating the Gautrain System with the taxi industry. This is achieved through the provision of feeder and distribution services, using midibuses. The taxi industry operates the Midi-bus Feeder and Distribution Services (MFDS) as an extension to the Gautrain service. The MFDS provides accessibility to an efficient, safe and reliable public transport service in areas where other modes of transport services are not suitable.

8.1 Performance during period under review

The focus for the period was to increase the number of routes operated through the MFDS model and promote growth on existing MFDS routes. The GMA implemented additional MFDS routes and the average number of passengers per month increased from 16,000 to 20,000 passengers. This translates to an average increase of 25% more passengers per month than for the previous period. The performance of MFDS routes exceeded projected demand and management expectations.

8.2 Relevant outcomes

The GMA implemented a combination of strategies to promote the utilisation of MFDS and to facilitate regulatory compliance and stakeholder engagement. The MFDS process has been streamlined to enable the rollout of additional routes and facilitate integration with other public transport services. The number of passengers using the MFDS has increased and additional employment opportunities were created in partnership with the taxi industry.

8.3 Strategic outlook

The GMA is planning to increase the footprint of MFDS operations to positively impact other communities near the Gautrain System. The planned MFDS routes will be implemented in partnership with the taxi industry. The GMA is also exploring technological solutions that will support MFDS operations and will provide convenience to public transport commuters and operators.





Section G

PERFORMANCE: PROJECT-RELATED ACTIVITIES

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PERFORMANCE: PROJECT-RELATED ACTIVITIES

1. TRAIN OPERATIONS

The objective of the train operational system is to operate trains according to an agreed operating plan that, amongst others, translates passenger demand into a rail service with respect to service frequencies and train set configurations.

There are three train services in operation:

- A General Passenger Service (GPS) on the North/South (N/S) line between Hatfield Station and Park Station;
- A General Passenger Service (GPS) on the East/West (E/W) line between Rhodesfield Station and Sandton Station; and
- An Airport Passenger Service (APS) on the East/West (E/W) line between OR Tambo International Airport Station and Sandton Station.

1.1 Performance during period under review

Train availability and punctuality

The main performance indicators for trains are availability and punctuality, which are managed via an agreed timetable.

The timetable and the extent of adherence to it contribute largely to the service quality or time value experienced by users.

The agreed performance norms for train availability and punctuality are 98.5% and 94% respectively. The monthly aggregated performance on availability was below the performance norm during April, July and August 2018, as well as during January 2019. This was primarily the result of reliability issues on the overhead power supply system between Hatfield and Pretoria in April, while July and August 2018 were affected by a strike at the Operator which resulted in reduced service levels being operated. January 2019 was affected by several cable theft incidents between Modderfontein Station and Rhodesfield Station.

In terms of the punctuality of trains, performance levels above the norm were maintained for all twelve months of the Financial Year.

There were, however, several days where the daily performance of the rail service was significantly below the performance norm due to service failures.

Table 26: Train availability and punctuality

TRAIN SERVICE AVAILABILITY/PUNCTUALITY													
	Q1 (FY 2018/19)			Q2 (FY2018/19)			Q3 (FY 2018/19)			Q4 (FY 2018/19)			TOTAL
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	
Scheduled trips	6,510	7,025	6,743	7,022	6,735	6,508	7,137	6,884	6,105	6,990	6,353	6,764	80,776
Actual trips	6,369	6,960	6,729	6,470	4,483	6,501	7,130	6,881	6,103	6,847	6,351	6,753	77,577
Trips cancelled	142	89	16	569	2,253	12	7	5	2	149	2	12	3,258
Early starts	31	21	4	10	5	3	2	3	1	27	4	2	113
Late arrivals	250	148	146	125	65	119	181	42	74	316	99	96	1,661
Service availability*	97.36%	98.78%	99.73%	92.00%	66.49%	99.85%	99.87%	99.91%	99.95%	97.57%	99.91%	99.81%	95.90%
Availability norm	98.50%	98.50%	98.50%	98.50%	98.50%	98.50%	98.50%	98.50%	98.50%	98.50%	98.50%	98.50%	98.50%
Service punctuality	95.59%	97.57%	97.77%	97.91%	98.44%	98.12%	97.43%	99.35%	98.77%	94.99%	98.38%	98.55%	97.71%
Punctuality norm	94.00%	94.00%	94.00%	94.00%	94.00%	94.00%	94.00%	94.00%	94.00%	94.00%	94.00%	94.00%	94.00%

* The Train service availability for the month of January 2019 is subject to change, pending the outcome from notified project events.

“ The agreed performance norms for train availability and punctuality are 98.5% and 94% respectively. ”

1.2 Relevant outcomes

The overall decline in passenger trips was 7.03% compared to a decline of 3.77% during the previous year. This was driven by a decline in both the APS and GPS (see Table 27).

Table 27: Passenger trips per Financial Year

Service type	RAIL		
	Airport passenger	General passenger	Total
FY 17/18	1,604,972	13,418,340	15,023,312
FY 18/19	1,450,967	12,515,515	13,966,482
% Change	-9.60%	-6.73%	-7.03%

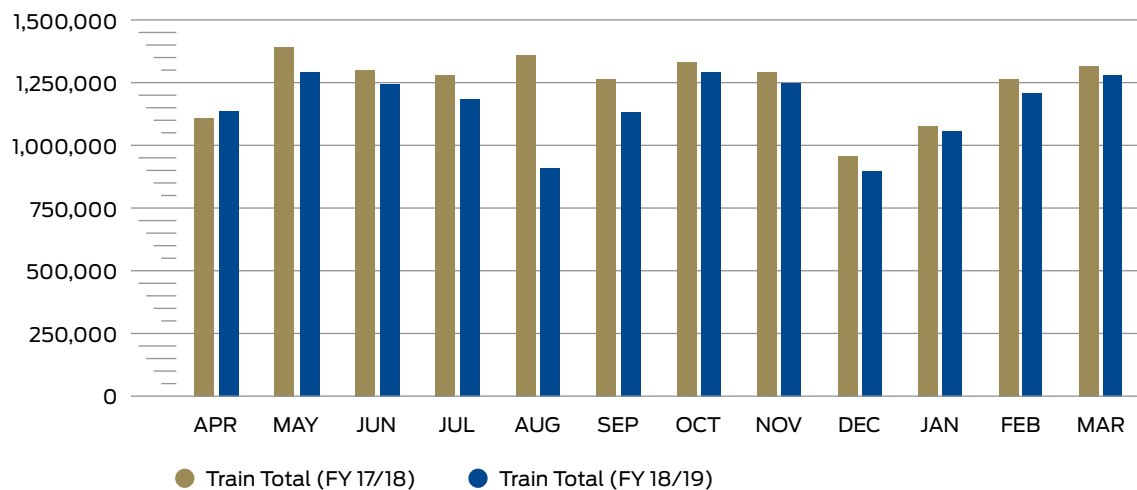
The decline in passenger trips for the current year indicates that the train service is in the maturity phase of its service life-cycle. The decline can be attributed to a general decline in airport passengers due to continued competition from e-hailing services in the market. Security concerns of passengers at point of transfer between e-hailing services and rail at Gautrain stations due to metered taxi operators harassing passengers continued to result in passengers taking e-hailing services directly to or from the airport.

In the case of GPS passenger trips, the strike action at the Operator during July and August resulted in a reduction in annual passenger trips. Other factors that contributed to the decline included fluctuations in fuel prices as well as a slowdown in general economic activity.

Train passenger demand

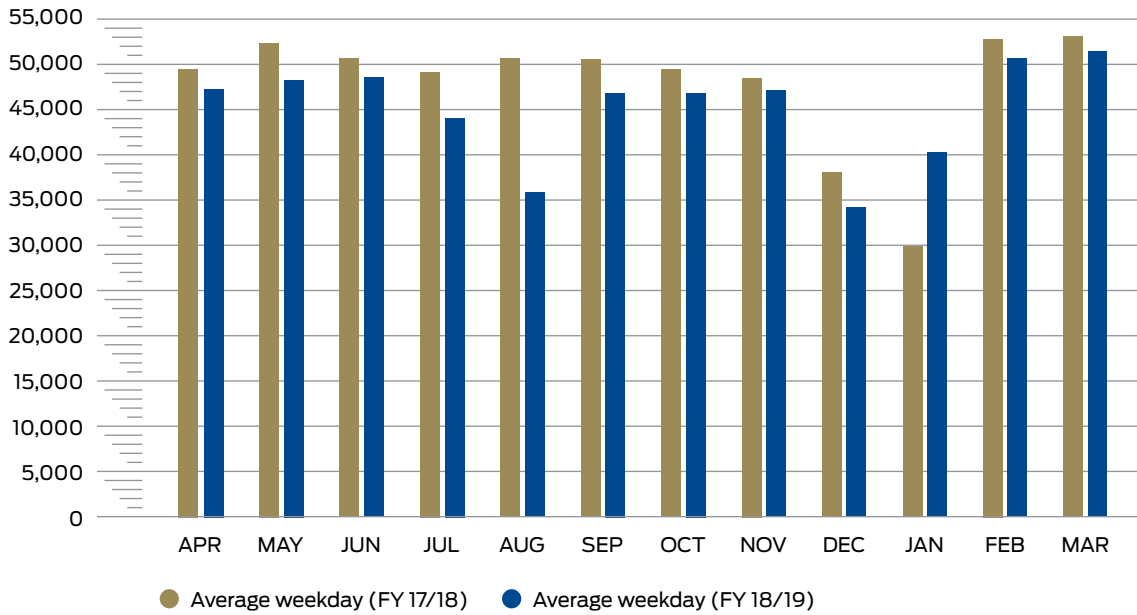
The comparable train passenger numbers or matched trips** for two Financial Years are summarised in several graphs below. These include total train passenger trips and a further breakdown in the average number of passenger trips per weekday.

(* **A 'matched trip' is where the Automatic Fare Collection System matched all rail entries and exits by ticket, sequential number and time.)



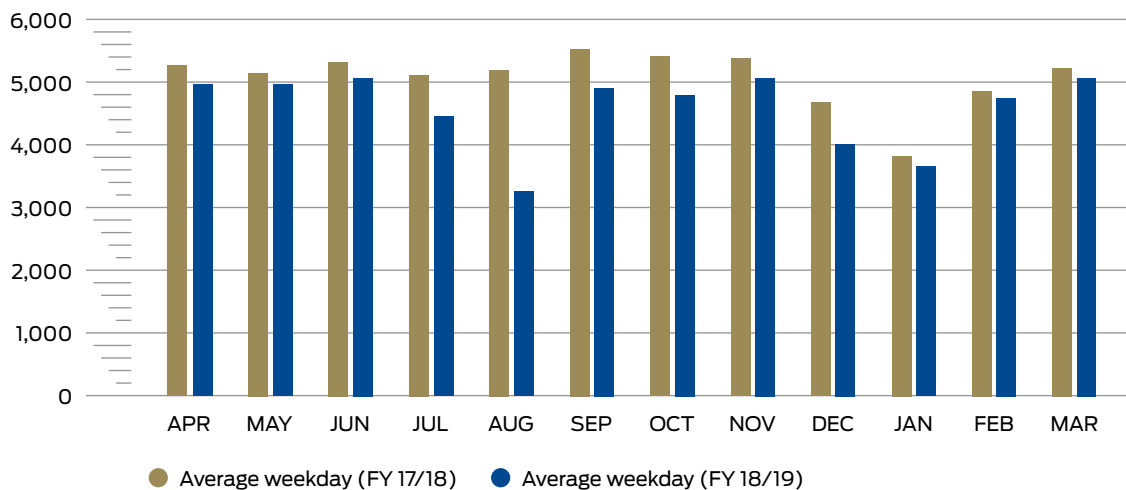
Graph 15: Total Train Passenger Trips – Monthly for All Rail Services

Graph 15 above shows that the total train passenger trips declined for all months with the exception of April 2018. The big decline during August 2018 is attributable to strike action at the Operator that resulted in a scaled-down service being operated.



Graph 16: Average General Passengers Service Trips – Weekdays

The average General Passenger Service trips have declined for all months.



Graph 17: Average Airport Service Trips – Weekdays

The average weekday APS trips also declined for all months. The biggest decline on average weekdays are attributed to the strike action of the Operator during August 2018.

1.3 Strategic outlook

The focus in future is to retain GPS passengers by testing the improvement of train layout with the removal of some seats to allow for more standing room and easier entry and exit of passengers. This matter would have to be treated very cautiously in order to not create negative service perceptions with passengers. The installation of handrails on a number of four-car train sets after the removal of some seats would be evaluated by external consultants to gauge passenger perceptions.

As part of endeavours to increase demand, additional eight-car trains are to be implemented that would reduce overcrowding on current four-car trains. The afternoon peak period service frequency is also planned to start half an hour earlier. The first southbound train from Hatfield is planned to depart at 05:06 by providing an additional train service to meet the early morning demand.

In the case of the APS the weekend services would change to a 20-minute frequency as from 1 June 2019.

It is expected that the abovementioned service improvements would facilitate growth in passengers.

2. FEEDER AND DISTRIBUTION OPERATIONS

The Gautrain Dedicated Feeder and Distribution Services (DFDS), or bus services, operate mainly on business days. At present there are 25 routes in operation on weekdays and two during weekends and public holidays. Weekend services are operated between Pretoria Station and Pretoria Zoo and from Midrand Station to the Mall of Africa as well as for special events over weekends to promote awareness and usage of the service.

The main objective of the service is to operate the Gautrain bus service effectively and efficiently on business days to and from train stations to support the growth of ridership. It also assists the train operational system in terms of an alternative or contingency when there is a problem in operating a full end-to-end rail service.

2.1 Performance during period under review

Bus service availability and punctuality is managed with an agreed timetable that provides the parameters for the Performance Monitoring System (PMS). The availability norm is 99% and the punctuality norm is 95%.

Bus availability and punctuality for services operated were above the required norm for all months in the year under review (see Table 28).

The monthly aggregated performance on the bus service availability was above its norm for all months as the GMA provided leniency during the strike by the train Operator as well as temporary leniency at three stations due to the shortage of bus vehicles. This arrangement is reviewed on a quarterly basis.

Sustaining the bus availability and punctuality performance remains under pressure. The congestion on roads around Park Station, Sandton Station and Midrand Station worsened.

Table 28: DFDS or bus availability and punctuality

DEDICATED FEEDER AND DISTRIBUTION (BUS) AVAILABILITY/PUNCTUALITY													
	Q1 (FY 2018/19)			Q2 (FY2018/19)			Q3 (FY 2018/19)			Q4 (FY 2018/19)			TOTAL
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	
Service availability	99.78%	99.84%	99.17%	99.76%	99.61%	99.68%	99.75%	99.68%	99.77%	99.65%	99.53%	99.65%	99.34%
Availability norm	99.00%	99.00%	99.00%	99.00%	99.00%	99.00%	99.00%	99.00%	99.00%	99.00%	99.00%	99.00%	99.00%
Service punctuality	98.08%	97.20%	95.48%	95.79%	95.74%	96.07%	96.51%	95.44%	96.29%	95.02%	95.06%	95.02%	95.86%
Punctuality norm	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%



The decline in passenger numbers for the bus service in the year under review is 17.07% compared to 2017/18 (see Table 29). This decline is bigger than the previous year's decline of 6.31%.

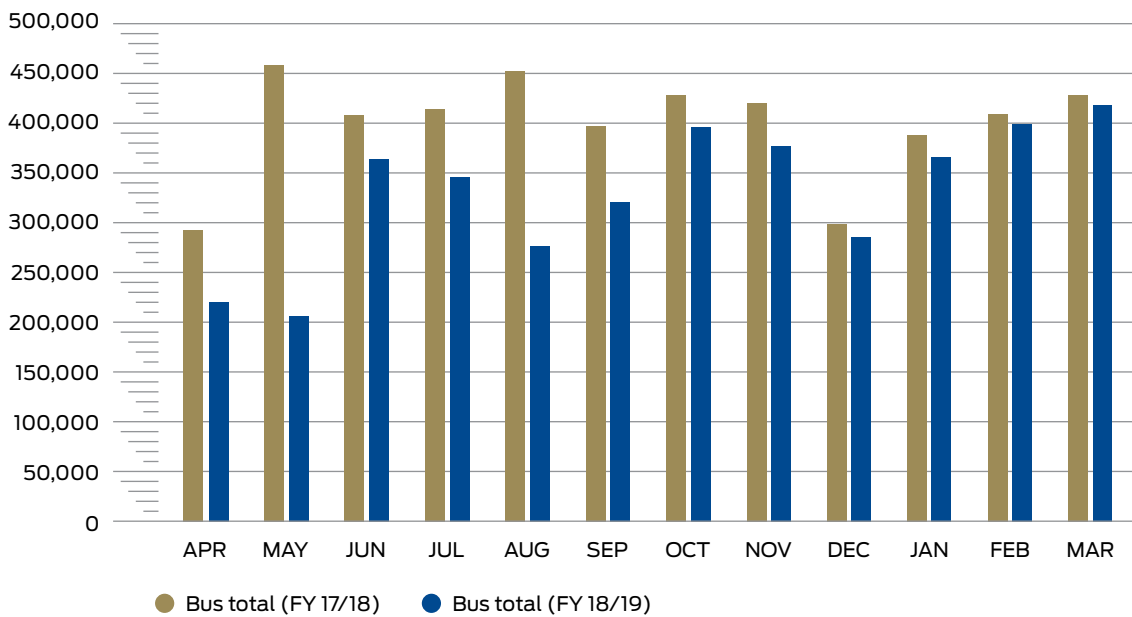
Table 29: Bus service passengers per Financial Year

	BUS TOTAL
FY 17/18	4,803,061
FY 18/19	3,982,971
% Change	-17.07%

During the year under review, the bus services sustained the level of between 30% and 40% of rail trips being supported. In April and May 2018, the bus service dropped slightly below this level due to the impact of a bus driver strike as well as public holidays and school holidays.

Passenger demand

The passenger demand for the bus service can be seen in Graph 18. The utilisation levels of the bus service capacity offering in the peak periods are satisfactory, but the services are underutilised in the off-peak periods. It is for this reason that the off-peak discount for both rail and non-rail users is still in effect.



Graph 18: Bus service monthly passenger demand

2.2 Relevant outcomes

The bus patronage for the year declined by 17.07% compared to the previous year. This can be attributed to a decline in rail passengers as well as continued road congestion that affects the attractiveness of bus services. April and May 2018 were characterised by a bus driver strike while July and August 2018 were affected by a train operator strike.

2.3 Strategic outlook

New buses are to be procured to increase the availability of buses. Once new buses are procured attention will be given to allocating more vehicles to routes experiencing congestion, and aligning the bus service frequencies with the 10-minute train service frequency, after which new bus routes can be considered. The Bus Service Planning Committee is also giving attention to optimising and rationalising bus operations in order to be able to implement an improved service offering after receipt of additional vehicles.

The bus services are planned to also align with the proposed changes to rail services discussed earlier in this report.

3. PERFORMANCE MANAGEMENT

The objective of the performance regime is to assure a predefined quality and standard of service that is designed to be attractive to the Gautrain's target markets.

A comprehensive performance regime specified in the CA penalises the Concessionaire for non-adherence to predefined performance norms or standards of the critical elements on the Gautrain System. Non-conformance to these standards may result in various levels of penalties based on daily and/or an aggregated monthly performance. The CA makes provision for relief to the Concessionaire related to conditions outside its control, defined in the CA as external causes and project events. These are subject to an acceptable motivation and require evidence indicating no negligence and that appropriate incident management practice was applied.

3.1 Performance during period under review

The Performance Monitoring Committee (PMC) reviewed the Concessionaire's monthly performance against the set norms to validate a penalty percentage to, amongst others, calculate the monthly operating fee deduction (see Table 30).

The overall system performance in the Financial Year was of an exceptionally high standard, except for a few system failures that resulted in the penalties imposed (see Table 30).

Table 30: Penalty percentage as validated by the PMC

PENALTY PERCENTAGE SUMMARY PER MEASUREMENT GROUP – OCD2													
Major Performance Measurement Groups	Penalty Percentage Weight	Q1			Q2			Q3			Q4		
		Apr'18	May'18	Jun'18	Jul'18	Aug'18	Sep'18	Oct'18	Nov'18	Dec'18	Jan'19	Feb'19	Mar'19
PP1 Train Operational Service Group	60%	6.25%	0.00%	0.00%	25.00%	25.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
PP2 Feeder and Distribution Group	10%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
PP3 Customer Feedback Group	3%	0.50%	0.00%	0.00%	0.00%	0.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
PP4 Security Group	20%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
PP5 Cleanliness and Damage Repair Group	7%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%
Total Penalty Percentage (PP)	100%	6.75%	0.00%	0.00%	25.00%	25.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%

Six penalties were levied during the period under review and were in the performance areas of Train Operational Service Group (April, July and August 2019), Customer Feedback Group (April and August 2019) and Cleanliness and Damage Repair Group (March 2019).

3.2 Relevant outcomes

The GMA has throughout the year ensured that all service components as per major performance groups provide an acceptably high-quality service to users of the Gautrain System.

3.3 Strategic outlook

Current performance levels must be sustained in order to satisfy the service quality expectations of users.

The Operator is continuously reviewing its operating procedures to ensure that recovery times after service interruptions are minimised and that it maintains high levels of service quality that would meet customers' expectations.

4. STATION OPERATIONS

The Concessionaire has an obligation according to the CA to manage station operations on the Gautrain System. The GMA provides assurance that the set performance targets for hygiene and equipment availability are met. Together with this are the station staff and security that represent the front office of the Gautrain or the first contact with a user.

4.1 Performance during period under review

The achieved monthly targets are rated against the pre-determined CA performance targets, and the Performance Management System is applied where targets are not met.

Passenger facilities

Passenger facilities at stations, such as access control gates, real-time information and circulation equipment (lifts and escalators) performance met the expectations of the general Gautrain user. The condition and cleanliness of station facilities are monitored continuously to ensure compliance as this impacts directly on the Gautrain user.

As a mitigation, non-conformance reports are compiled monthly to alert the Concessionaire of equipment and facilities that are not functioning and areas that need urgent attention and add value to the system.

During March 2019, the station condition performance measurement of 90.98% was below the target of 95%.

With increased passenger levels at Park Station, queue lengths are raising concern. This is experienced at fare gates, the ticket office and ticket vending machines.

4.2 Relevant outcomes

During the period under review, the performance of escalators, lifts, fare gates as well as ticketing machines operated above their respective targets with high compliance levels.

Passenger satisfaction surveys indicate high levels of satisfaction at stations. However, some stations require maintenance to the buildings and normal deterioration is of concern.

4.3 Strategic outlook

The provision of additional fare gates would be addressed next as an extension to the upgrade of the ticketing system.

The improvement of station vehicular and pedestrian movements are expected to be addressed at the stations for which studies were done.

The station capacity design parameters will be reviewed through a System Capacity Assessment process in order to ensure that stations would in future be able to handle the increased passenger numbers that are expected once additional rolling stock has been procured.

As part of the improvements to the ticketing system, paid area reload devices are planned to reduce pressure on ticket offices.

New generation fare gates are planned at some stations in order to alleviate congestion and queues. These gates will provide enhanced features to limit possible fare evasion.

5. SYSTEM SECURITY

The Gautrain System is a safe and reliable public transport system. The GMA ensures that the Concessionaire adheres to the System Security performance measures in terms of the CA. The GMA, in consultation with the Concessionaire, facilitates the implementation of security enhancement plans to mitigate operational interruptions to the Gautrain Service.

5.1 Performance during period under review

The GMA monitors the performance of the Concessionaire in terms of the CA and conducts monthly reviews to ensure compliance against the following measures:

- Physical Security of Passengers (PC4 S1) – the performance threshold of one (1) incident per million passengers was exceeded in the fourth quarter of the Financial Year. The implementation of prevention and mitigation plans by the Concessionaire is underway.
- Safety of Passenger Property (PC4 S2) – the performance threshold of 1.44 incidents per million passengers was not exceeded for the current Financial Year. The Concessionaire will continue to manage these incidents and maintain good performance.

Additionally, monthly Rail Reserve Events (RREs) are managed and monitored by the Concessionaire to mitigate security risks within or along the rail reserve. We have seen an increase in the number of average RREs per month, from seven to 12. The root cause of these incidents has been identified and mitigation plans have been developed.

5.2 Relevant outcomes

The GMA, in collaboration with the Concessionaire, concluded a System Wide Security Assessment of the Gautrain System. The report is under review and the recommendations will be prioritised and implemented. The Gautrain System continues to be a safe and reliable public transport service and the Concessionaire managed to minimise security incidents during the period. The GMA conducted rail reserve security inspections to identify external security threats and develop mitigation plans.

5.3 Strategic outlook

The GMA will continue to monitor the performance of the Concessionaire in terms of the performance measures in the CA. The outcomes of the System Wide Security Assessment will be considered and relevant projects identified for prioritisation. The security enhancement projects aimed at mitigating the impact of rail reserve events (including cable theft) on the Gautrain System will be implemented in the new Financial Year.

6. SYSTEM CAPACITY AND EXPANSIONS

System capacity is separated into rail service, bus service and park-and-ride capacity. The focus is on short to medium-term demand optimisation, supported by capacity interventions.

The GMA's broad objectives regarding capacity and demand management are focused on the following issues:

- To promote the use of available rail service capacity in the underutilised directions over the medium term;
- The continuous optimisation of the bus system and the planning of new bus routes, with a preference to support rail contraflow demand;
- To promote the introduction of midi-bus shuttles, especially where bus routes will not be effective;
- To use the fare structure to influence demand patterns and to support the improvement of the utilisation of the system; and
- Integration with other public transport modes.

6.1 Performance during period under review

The decline in passenger numbers during the current Financial Year compared to the previous one reduced pressure on rail service capacity. Overcrowding incidents during the period were within performance targets for the designated hours as measured. However, individual four-car trains are under pressure during peak periods, with overcrowding being experienced by the passengers.

Peak period turnaround time of buses is continuously deteriorating and will eventually require more tactical interventions such as semi-dedicated lanes to maintain service levels. The highest peak hour bus service utilisation, based on the highest ten occasions, was 92.2%. This means none of the current 25 bus routes were under capacity pressure during peak hours during normal operations.

There are ongoing measures to enhance parking availability and the improvement of traffic flow to and from stations.

Although not a KPI, the annual five-year rolling demand forecast was submitted by the Concessionaire during June 2018 to assist with short- to medium-term rail service capacity planning.

6.2 Relevant outcomes

Rail service capacity

The number of available train sets currently limits the extent to which additional capacity can be rolled out during peak periods.

Dedicated Feeder and Distribution Services capacity

The objective of the Gautrain DFDS or bus service is to support the train ridership effectively and efficiently. The overall capacity focus is on an improved route coverage that supports the train. Therefore, route utilisation, the optimisation of existing routes and the consideration of new routes are considered on an ongoing basis.

The number of weekday bus routes in operation for the year was 25.

Park-and-ride capacity

Despite the decline in passenger trips, the park-and-ride facilities remain under pressure and only Sandton Station and Marlboro Station still have sufficient capacity available.

At Centurion, after construction, the additional capacity became available to the users during 2018/19, but final hand-over to the Operator still needs to take place.

6.3 Strategic outlook

Responsible management of adequate rail service capacity in the peak periods with the available rolling stock and demand management tools remains a challenge. With the available rolling stock now reaching capacity the opportunities for additional capacity are limited to:

- The re-configuring of the train's seating lay-out which will result in an increase in the standing to seating ratio;
- The improvement of signal lay-outs to allow headways of shorter than ten minutes; and
- The procurement of additional rolling stock, including the addition of train set staging and maintenance capacity.

The GMA intends to increase the number of train sets for which several seats are removed to four to allow for more standing space, together with the provision of handrails. These train sets would be operated in the four-car time slots during peak times to improve passenger convenience and reduce dwell times. After implementation, the passenger satisfaction would be measured before a final decision is taken to remove seats on more train sets.

The procurement process for the new additional rolling stock was not successful in delivering a preferred supplier during the year under review. Considering this, the GMA has initiated a process to investigate alternative options for addressing the pressure on the available rolling stock.

The procurement of additional buses will be finalised, which will provide for more options and includes the potential expansion of bus routes. Integration with the Metro's public transport will have to be considered to

reduce duplicated services where appropriate, which will give the Gautrain the ability to deploy such surplus capacity on new bus routes.

The Concessionaire is expected to replace the existing fleet of 125 bus vehicles during the next two years in line with their contractual responsibilities. The replaced fleet would in future have two vehicles sizes. Vehicles sizes would be matched to the demand on individual bus routes.

Park-and-ride remains an important means of access to stations. With reference to parking capacity that cannot satisfy the future demand, the expansion options at Park Station, Rosebank Station and Pretoria Station remain as challenges which need to be addressed in the longer term. The additional parking at Centurion is to be transferred to the Operator to ensure that it can be managed as part of the Gautrain System.

A System Capacity Assessment study would be undertaken to ensure that the longer-term capacity needs of the system are updated.

7. ASSET MAINTENANCE, MANAGEMENT AND ASSURANCE

One of the objects of the GMA is to provide assurance on asset maintenance and management and long-term preservation of System assets beyond the 15-year tenure of the CA. The GMA executes an oversight role of the Concessionaire's Asset and Maintenance Management Systems and has thus developed a management framework for the entire lifecycle of System assets.

The Gautrain assets are classified into core and non-core assets:

- The Concessionaire's entity BMC is responsible for the maintenance of the core railway system; and
- The Concessionaire's entity BOC is responsible for the maintenance of the non-core railway system.

7.1 Performance during period under review

Performance monitoring is executed in accordance with the Performance Monitoring System as set out in the CA. The Concessionaire generates and submits periodic mandatory reports which are reviewed by the GMA as part of its assurance role.

The Concessionaire's performance is measured monthly by monitoring the following sub-systems and asset sub-clusters which affect service availability and punctuality:

- Access control availability;
- Availability of ticket machines;
- Train service availability and punctuality;
- Lifts availability;
- Escalators availability; and
- DFDS of bus availability.

The following sub-systems that enhance passenger experience and comfort are also monitored:

- Train set cleanliness and condition;
- Station cleanliness and condition;
- DFDS of bus cleanliness and condition; and
- System infrastructure condition.

As part of its APP, GMA undertakes the following to verify achievement of both the Performance and the Asset Management and Maintenance Plan targets:

- Reviews of all mandatory asset reports;
- Station condition and cleanliness inspections and issuing of non-conformance reports;
- System inspection visits and issuing of non-conformance reports; and
- Verification of assets.

All KPIs set for the GMA in the APP have been achieved and Table 31 below outlines the achievement.

Table 31: Achievement of key performance indicators

Key performance indicator	Planned annual target	Achieved output
System/rolling stock/buses condition inspection reports	4	4
Station condition inspections/non-conformance reports	40	40
Reviews of the monthly asset and maintenance reports	12	12

Other achievements during the year under review include:

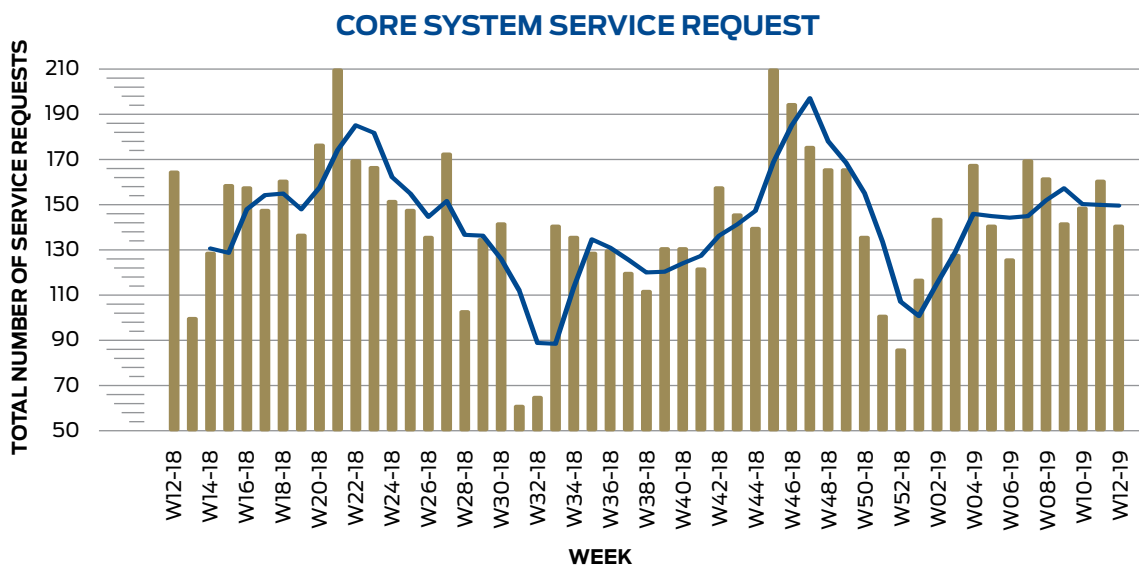
- The project to audit the System assets to determine their condition and the RUL has been completed. The final audit findings conclude that there are no impairment indicators on the System assets, although some risks for future impairment were noted for some asset groups. Recommendations were made on measures to be put in place to avert the risk of future impairment.
- The Supply Agreement for the Renewal of the Dedicated Feeder and Distribution Service (DFDS/buses) was signed during October 2018. A prototype inspection and acceptance testing were conducted at the beginning of November 2018 and factory inspections and acceptance tests are scheduled weekly until production is complete.
- Significant updates to the GMA Asset and Maintenance Assurance Strategy to include for Mobility As A Service (MAAS) within the context of the 4th IR have been implemented. A number of flagship projects to support this strategy have been proposed within short, medium and long terms.
- The Concessionaire has implemented several initiatives to minimise service disruptions resulting from asset-related failures and risks, including:
 - Systemwide shutdown during August 2018 to investigate the root cause and undertake repairs and improvements to catenary wire breakage incidents which, though sporadic in nature, had a negative effect on service. The System has since seen a noticeable improvement in the number of catenary wire breakages to date;
 - Systemwide replacement of some balises that were causing interface issues with rolling stock, which resulted in affecting emergency brake applications. The Concessionaire is monitoring the effectiveness of this replacement.

- Repairs to U-Shape 36 which was posing a risk to operations due to unusual settlement of the structure beyond the serviceability limit threshold. The project is currently in execution.
- Installation of barrier walls from the roadside in the vicinity of the Muckleneuk area to mitigate the risk and eliminate the incidents of vehicles gaining entry from elevated roads above the rail reserve.
- Implementation of several initiatives to mitigate the risk and minimise the effect of lightning strikes to signalling and electrical equipment. The Concessionaire is monitoring the effectiveness of these initiatives.

Major disruptions to services due to technical failures and/or external factors are a concern. For the year under review these include:

- Incidents of catenary breakages;
- Signalling system failures due to lightning strikes during the rainy season;
- One incident of loss of traction power on two trains on 14 March 2019;
- Rolling stock issues which were resolved through normal maintenance; and
- A train depot incident which resulted in a fatality and damage to assets.

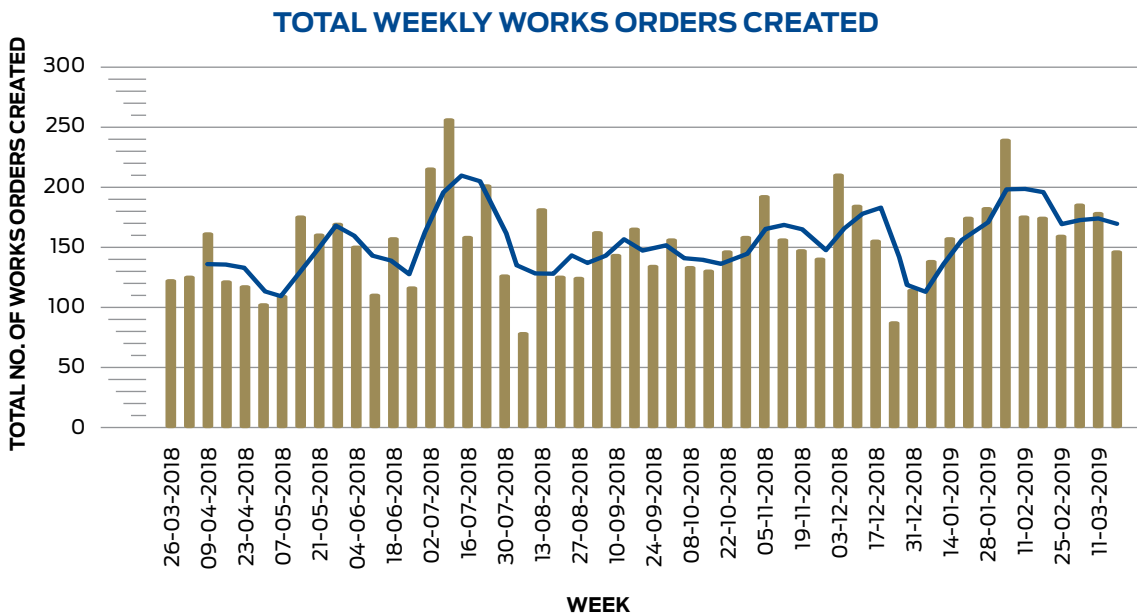
The plans that have been developed by the Concessionaire to reduce the impact of technical failures and external factors on service provision are continually being reviewed by the GMA as part of assurance. The total number of service requests generated for the entire System is shown in Graphs 19 and 20. All service requests are generated from the Maintenance Management Information System called MAXIMO. The Concessionaire continuously implements measures to reduce the number of failures in the System.



Graph 19: Core system total number of service requests

The alternating peaks and drops in the number of service requests (e.g. weeks W07-17, W22-17, W31-17, etc.) correlate with a seasonal pattern in passenger numbers. However, the System performance generally remains at best levels.

The total service requests generated for the Non-core System are shown in Graph 20.



Graph 20: Non-core system total number of service requests

7.2 Relevant outcomes

The outcomes of the Asset Audit Project enable both the Concessionaire and the GMA to prioritise maintenance, upgrades and replacements as well as manage technology and obsolescence of the relevant asset clusters and sub-systems towards the final transfer of the System to the Province at the end of the Concession.

The deliverables of the Asset Audit Project include more future-looking documents such as the Asset and Maintenance Management Policy and the Solution Architecture for the proposed Asset Management System, which are aligned to both local and international best practice. When implemented, they will ensure that latest asset management standards and strategies are applied in the management of the lifecycle of the Gautrain assets.

Several documents, plans, processes and procedures have been developed towards the implementation of the strategy for the management of Gautrain assets.

7.3 Strategic outlook

A number of initiatives to address patronage, capacity and sustainability challenges are currently underway and are amongst the priority focus areas for the 2019/2020 Financial Year. These include:

- The development of the Electric Mobility Framework (e-mobility framework) which outlines key strategic drivers, objectives and key elements for the implementation of the Sustainable Mobility and Power Management System in the Gautrain. As part of the Framework, the GMA has developed a Renewable Energy-powered Micro-Grid Model for the entire Gautrain System;
- Studies to investigate the feasibility of Integrated Parking Management Systems and upgrades for priority stations are currently in various stages of implementation; and
- Initiatives to enhance passenger experience, safety and comfort are also at various stages of implementation.

Following the completion of the Asset Audit Project and to provide assurance on the integrity of the System assets, the GMA will jointly monitor and facilitate closing of the open audit findings with the Concessionaire and implementation of the recommendations.

The GMA will continue to provide assurance on the integrity of the System assets, as well as prepare for the transfer of assets to the Province at the end of the Concession.

8. FARE EVASION MANAGEMENT

The fare evasion management objective is primarily to secure all fare revenue for services rendered and to minimise the monthly patronage guarantee payable.

The secondary objective is to maintain a safe and secure environment for paying passengers.

8.1 Performance during period under review

The fare evasion rate applicable throughout the year remained below the 4% norm. The average fare evasion stood at 0.01% in 2018/19, which is lower than the 0.05% recorded in 2017/18 (see Table 32). Blocked CSCs (Contactless Smart Cards) due to tailgating declined from 78.75 per million passengers in 2017/18 to 52.09 per million passengers in 2018/19.

Table 32: Fare evasion rate

FARE EVASION RATE – FY 2018/19												
	Q1			Q2			Q3			Q4		
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Monthly FER	0.00%	0.04%	0.01%	0.03%	0.00%	0.01%	0.01%	0.02%	0.01%	0.00%	0.01%	0.00%
Fare evasion norm	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Quarterly applicable FER*	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%

* Quarterly fare evasion rate is based on the previous quarter

8.2 Relevant outcomes

Ongoing initiatives, including the blocking of smart cards in cases where potential fare evasion was picked up, intensive checks at fare gates and on the train, visibility of security staff, as well passenger education through reminders in print and via station announcements, have kept the fare evasion level below the 4% norm.

Fare evasion surveys on buses were intensified by conducting fare evasion checks at stations and on board.

8.3 Strategic outlook

Fare evasion checks will be improved continuously by adhering to the Fare Evasion Management Plan (FEMP) and monitoring changes in passenger behaviour.

Agreement as guided by the ticketing regime. These are, amongst others, to maximise patronage in the System, to set fares that are attractive and in line with the expected Consumer Price Index (CPI) movements. Annual fare adjustment is used to influence customer behaviour, to balance this with the income to be realised and to address fare anomalies.

The annual fare adjustment continued to be used as a lever to influence customer behaviour and to alleviate capacity challenges and encourage usage of the System. This was done by maintaining discounts for early and late travellers.

The broad fare adjustment agreed on and implemented was based on a general CPI of 4.96%. The GMA maintained the previously set fare structures with the intention of alleviating the morning peak hour capacity constraints on the System.

The highlights of the fare adjustment “pay as you go” (or stored travel rights) are summarised below:

- CPI increase on General and Airport Passenger Service fares;
- R1 increase for licence fee or Contactless Smart Card (CSC fee) and off-peak bus fare;
- The boarding fare (Minimum Card Balance) increased from R25 to R27; and
- Centurion parking fee was reduced to R15, which was aligned with the newly constructed parking.

9. REVENUE MANAGEMENT AND FARE OPTIMISATION

The GMA's basic assurance role is to optimise the CA provisions, such as the annual fare adjustment, and ensure that all income is accounted for.

Revenue management is divided into the annual fare adjustment, the revenue collected by the Concessionaire and income protection.

9.1 Performance during period under review

The annual fare adjustment is agreed according to the timelines and framework prescribed in the Concession

Two discount products available for regular users on the General Passenger Service increased by CPI, while the structure remained unchanged as detailed below:

- The 10-trip ticket saving at 7.5%, based on a single train trip standard fare valid for 10 days; and
- The 44-trip ticket saving at 1.5% on a single train trip standard fare valid for 40 days.

9.2 Relevant outcomes

Revenue declined by 3.9% compared to 2017/18. This is attributable to the overall decline in passenger trips compared to the organic growth that occurred during the previous years.

The Concessionaire is receiving the income derived from the System and is responsible for income protection via the FEMP.

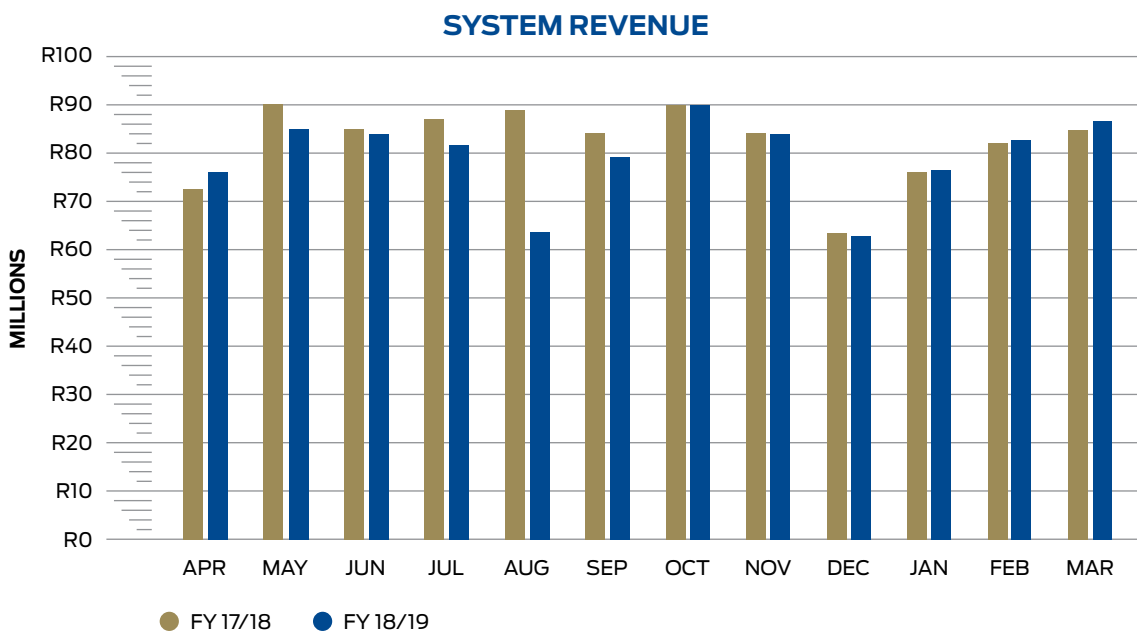
The graph below is indicative of the monthly income for the last two Financial Years (see Graph 21).

Monthly income is influenced directly by the patronage usage of the System, the number of days and the combination of weekday, weekend and public holidays. October 2018 recorded the highest income in the Financial Year 2018/19. August 2018 saw the highest decline of 28.6% compared to August 2017, which was due to the Operator's protracted strike. The seasonal impact of lower income, i.e. in the months of December and January, is also illustrated.

The extension in the validity of period products from 35 to 40 days for the 44-trip product and eight to ten days for the 10-trip product saw an increase of 10.9% in the usage of period products compared to 2017/18. This means that more passengers are committing upfront to using the train either for a week or a month. Overall, period products constitute 31.1% of ticket sales.

Single and Return products usage increased from 3.12% to 5.12% of ticket sales.

10-days free parking for Airport passengers ran from 28 April 2018 and ended on 31 July 2018.



Graph 21: System revenue

9.3 Strategic outlook

In a quest to improve passenger convenience, and retain and attract more passengers as well as increasing revenue, the following initiatives will be undertaken as from 1 June 2019:

- High peak fares will be eliminated by reducing a 10% surcharge for trips during high peak;
- The pilot on the ACSA product ran and proved to be a success. This will now be extended to cater for other employees working at OR Tambo International Airport;
- Free entry/exit duration will be increased from 16 to 20 minutes; and
- Free parking duration at Rhodesfield and Hatfield will increase from 15 to 45 minutes.

The following initiatives are being investigated for technical feasibility:

- Combination of train and parking product; and
- Charging of rail user parking fare instead of a non-rail user parking fare for passengers who did not complete a return trip on the train.

10. INTEGRATION MANAGEMENT OF THE GAUTRAIN WITH GOVERNMENT'S TRANSPORT SYSTEMS

The GMA has as one of its objectives the integration of the Gautrain System with other public transport services. The GMA aims to achieve this objective through engagement with key public transport stakeholders to discuss integration initiatives and to coordinate transport planning for the Province. The GMA participates in the planning structures and engages relevant public transport stakeholders to ensure that integration projects or initiatives are implemented effectively. The GMA supports the improvement of the public transport network through the provision of scheduled feeder and distribution services and the implementation of infrastructure improvement projects.

10.1 Performance during period under review

As part of integration, the GMA implemented additional Midibus Feeder and Distribution Service (MFDS) routes and amended various Dedicated Feeder and Distribution Services (DFDS) to improve accessibility to the Gautrain System. The GMA developed a Three-Year Roll-out Plan for the implementation of additional feeder and distribution services at various Gautrain Stations, and the First and Last Mile Masterplan that incorporates the Bicycle Sharing Scheme feasibility study to guide integration initiatives or projects at Gautrain stations.

10.2 Relevant outcomes

The GMA participated in provincial and municipal engagement structures to facilitate transport planning and the implementation of integrated public transport services. The GMA collaborates with key transport stakeholders and affected third parties to improve service efficiency of feeder and distribution services. The planning of future integration initiatives and transport services was incorporated into the Three-Year Roll-out Plan and Integration Projects Plan. These projects will be implemented in the new Financial Year to improve the accessibility of public transport and enhance the public transport infrastructure.

10.3 Strategic outlook

The GMA plans to roll out additional public transport services at various stations in the new Financial Year, to rationalise existing feeder and distribution services, and implement infrastructural improvement projects near the

Gautrain stations and other interfacing public transport facilities. The GMA will continue to engage the metered taxi industry to facilitate integration with the Gautrain System.

11. LAND ACQUISITION AND WAY LEAVE MANAGEMENT

The GMA has as one of its objectives the protection of the rail reserve and other public transport infrastructure in terms of the Gauteng Transport Infrastructure Act (GTIA). The GMA manages the assessment of GTIA applications in conjunction with the Concessionaire to protect the Gautrain rail reserve. The GMA facilitates the land acquisition process in consultation with the Gauteng Department of Roads and Transport for the Gautrain expansion and future extension projects.

11.1 Performance during period under review

The GMA processed many GTIA applications from third parties during the period within the performance target. These applications are mostly along the Gautrain rail reserve and near Gautrain stations, and were assessed in consultation with the Concessionaire to minimise the impact of proposed developments on the Gautrain System. The current GTIA procedures and systems were reviewed to improve operational efficiencies within the GTIA application process. The Geographic Information System (GIS) is primarily used by the GMA to manage the Gautrain rail reserve land information and development activities along the Gautrain System. The GMA is continuing with the Subdivision and Consolidation Project to improve the Land Information Register (LIR). At the end of the project, the LIR (i.e. a list of details of land parcels expropriated or proclaimed as part of the rail reserve) will be completed.

11.2 Relevant outcomes

The management of the GTIA application process by the GMA ensures that there is minimum impact of developmental activities to the Gautrain rail reserve. The GMA collaborates with relevant stakeholders through focused engagements on GTIA and land use matters. The Concessionaire participates in the assessment of GTIA applications and onsite inspections related to the GTIA process.

11.3 Strategic outlook

The GMA will continue to facilitate the protection of the Gautrain rail reserve in terms of the GTIA. The utilisation of the GIS supports the management of Gautrain rail reserve land information and facilitates the GTIA process. Stakeholder consultation and engagement are critical to ensure that development or land use information is shared and analysed. The ongoing route determination project for the Gautrain extensions will continue to be managed by the GMA in the new Financial Year.

12. PLANNING FOR FUTURE CAPACITY

The GMA's capacity and utilisation management of the Gautrain System entails, amongst others, the undertaking of detailed studies and analyses to enable informed interventions so as to optimise and increase the capacity of the network.

12.1 Performance during period under review

The GMA's objectives on capacity management and utilisation have remained focused on the following:

- The overall provision of sufficient capacity to promote access and to capitalise on the demand growth momentum of passengers;
- Promoting the use of available rail service capacity in underutilised directions by, among others, the introduction of supporting bus feeder routes;
- Optimising the rail capacity on the most overcrowded routes to sustain growth;
- The continuous optimisation of existing DFDS routes and consideration of new routes;
- Optimising and increasing capacity at existing parking facilities, as well as introducing additional parking facilities at strategic locations along the operational areas of the Gautrain;
- Supporting the introduction of corporate shuttles, especially where bus feeder routes will not be effective; and
- Integration with other public transport systems.

12.2 Relevant outcomes

- Closeout of the evaluation process to procure 12 additional four-car trains as well as enhancements to the train maintenance depot;
- Completion of the feasibility study for the development of a new station commercial node at Samrand; and
- Practical completion of the additional parking facility at Centurion Station.

The increased parking capacity increase at Centurion Station has resulted in an increase in the size and the value of the System, assets, and brand. This intervention will also enable increased revenue with associated SED and economic benefits.

12.3 Strategic outlook

In the next year, the GMA envisages the achievement of the following:

- Completion and handover for revenue-generating operations of the Centurion Parking Extension project;
- Exploration and initiation of alternative options for resolving the rollingstock capacity constraints;

- Completion and initiation of the renewable energy strategy for the additional bus procurement project;
- Implementation of additional MFDS routes; and
- Implementation of other strategic initiatives to optimise and increase capacity as necessary for the enhancement of the System.

As part of the GMA's objective to determine the System capacity and utilisation requirements, the integrated Gautrain System capacity report is updated quarterly, and strategic projects are developed in accordance with the report outcomes. The GMA will continue to identify key system interventions and opportunities during the 2019/20 Financial Year.

13. PLANNING FOR THE FUTURE

As an output of the APP, the Gauteng Rapid Rail Integrated Network extensions planning is underway. The objectives of the proposed future extensions to the GRRIN, amongst others, are to achieve the following:

- Facilitate well-orientated spatial development in the Gauteng Province;
- Improve mobility and accessibility between the City of Johannesburg, City of Tshwane, and the Metropolitan Municipality of Ekurhuleni, as well as in the development corridors identified by the Province and the metros;
- Job creation;
- Support the economic development of Gauteng and strengthen existing development nodes;
- Promote the use of public transport;
- Improve the mobility of the citizens of Gauteng;
- Integrate the public transport system as envisaged in the GITMP25;
- Integrate land use and transportation planning in the corridor;
- Reduce congestion on the road network;
- Utilise the concept of value capture in developing the station precincts;
- Assist in reducing dependence on private transport;
- Promote tourism;
- Improve the image of public transport; and
- Extension of the rapid rail system.

A feasibility study for these possible future extensions was undertaken in accordance with the PPP regulations as contained in the PFMA. This study provides sufficient detail regarding full project implementation costs, affordability limits, risks and the costs thereto, optimal value-for-money methods of delivery, as well as the preferred network implementation scenarios.

The completed feasibility study was submitted to National Treasury for Treasury Approval 1 for Phase 1 of the proposed network implementation scenarios.

13.1 Performance during period under review

Subsequent to the submission of the feasibility study to National Treasury, the GMA initiated the processes required to enable the work to examine policy issues around alternative funding sources for the proposed GRRIN extensions. The GMA further completed additional fare testing analysis on the demand modelling that formed part of the feasibility study.

The outputs of this additional fare testing analysis have been presented and discussed at the Interdepartmental Coordinating Meeting that consists of the National Department of Transport, PRASA, and the GMA. This committee was formed to enable discussion and alignment of the outcomes and further developments of the feasibility study.

The final report of the additional fare testing analysis has been submitted to National Treasury as part of the response to their assessment of the feasibility study.

A preliminary route alignment study to determine the route for Phase 1 of the proposed network implementation scenarios is underway. This study is being undertaken as per the prescriptions of the GTIA.

13.2 Relevant outcomes

The GRRIN extensions feasibility study was registered as a PPP project at both National and Provincial Treasuries. An application for registering the feasibility study project as a Strategic Integrated Project (SIP7) was also made.

The feasibility study report demonstrates that the proposed GRRIN extensions are feasible, and that further work is required to examine policy issues around alternative funding sources for the proposed GRRIN extensions in order to enable their implementation and thus the attainment of their objectives.

13.3 Strategic outlook

The GMA has initiated the process to develop the financing and funding options that will form part of the submissions to complement the evaluation process of the feasibility study and subsequently enable Treasury Approval 1. The conclusion of this undertaking will also enable the registration of the proposed GRRIN extensions project as part of SIP7.

The preliminary route alignment study will be undertaken and thus the project will align the PPP, as well as the GTIA processes, to enable the successful implementation of the proposed extensions to the GRRIN.

14. VARIATIONS

The Contracts and Commercial Unit is responsible for the implementation and oversight of:

- Commercial variations issued in line with the CA to initiate System improvements and enhancements;
- Investigating all possible commercial opportunities within the System to optimise passenger growth and revenue;
- Providing technical input to litigation and matters related to dispute resolution;
- Developing plans for capital expenditure (CAPEX) delivery within the Financial Year; and
- Managing the Concessionaire in line with the contractual obligations of the CA.

14.1 Performance during period under review

The GMA has undertaken a number of variations that are part of the strategic initiatives to improve capacity within the System. These include:

- The EMV ticketing system;
- Additional parking facility at Centurion Station; and
- Procurement of additional rolling stock and depot enhancement.

14.2 Relevant outcomes

The additional parking at Centurion Station will contribute to revenue growth due to increased usage, which in turn assists in managing the Patronage Guarantee commitment. The construction works at the new parking facility as well as the upgrades to the adjacent intersections as required by the City of Tshwane (CoT) have been completed. These intersections are operational at the request of the CoT whilst being in the hand-over process.

The procurement of additional rolling stock and depot enhancements involves the purchase of 48 additional rail cars and improved related infrastructure. The project is still in the procurement phase even though only one bid submission was received and found to be non-compliant. The Parties are in the process of closing out the procurement process and seeking alternative measures to provide additional rolling stock. The deployment of additional rolling stock will support the overall strategy of enhancing passenger usage of the System.

14.3 Strategic outlook

A key focus area for the next Financial Year is to ensure the following:

- The procurement of additional trains and depot enhancement project is closed out and alternative measures explored;
- The hand-over of the Centurion parking facility and other strategic initiatives; and
- Testing and commissioning as well as implementation of the EMV project.



Section H

CORPORATE HEALTH, SAFETY AND ENVIRONMENT

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CORPORATE HEALTH, SAFETY AND ENVIRONMENT

The GMA is committed to improving its SHEQ performance yearly. In keeping with the GMA's mandate, the Agency and the Gautrain Project aims to create sustainable value through our business activities – for Gautrain passengers, employees and society. In 2018/19 the GMA continued with efforts to improve its sustainability status. This report focuses on the measures taken toward environmental and social change within the Agency, which form two of the core pillars of sustainability.

1. SUSTAINABILITY PROJECTS

The GMA is currently working closely with the Gauteng Department of Agriculture and Rural Development through the Gauteng Climate Change Forum and the Gauteng Department of Roads and Transport in support of the green strategy for transport. The GMA has continued to move towards and to improve the sustainability status. The key ongoing projects for the GMA are set out below.

1.1 The development of a renewable energy strategy and technical specifications for the Gautrain System

The development of the strategy is based on the current and future energy use of the Gautrain System. Preliminary work undertaken by the GMA focused on investigating suitable renewable energy supply sources and storage applicable for implementation in the Gautrain station buildings and facilities in order to reduce reliance on municipal supply. Renewable energy generation technologies considered were wind, solar, biomass and hydro. Solar Photovoltaic (PV) was found to be the best suitable technology to be implemented within the Gautrain System. Stemming from this investigation, the key design principles considered during the study include energy needs, daylighting, ventilation, and occupant comfort and management. The system design principles and targets for the project focused on energy

and occupant comfort, both at the current operations and once PV solar is implemented. The project will continue over the next two years where the 30-year renewable strategy and the implantation plan will be developed.

1.2 The development of a groundwater and ecological infrastructure research development and innovation strategy for water saving on the Gautrain System

The development and implementation of an overarching framework for strategic collaboration between the GMA and the Water Research Council is aimed at:

- Increasing water efficiency in terms of quantity across the Gautrain System;
- Increasing energy efficiency through hydro and renewable energy sources;
- Improved ecological infrastructure management;
- Consideration of strategic water source areas;
- Improved Gautrain System health and safety and risk mitigation; and
- Supporting innovators, student support and start-up/SMME development.

Through the implementation of Phases 1, 2, 3, of the phased approach, the proposed water sensitive functions, features and performance specifications will be co-developed. This will include several resilience considerations:

- Supply and consumption considerations;
- Water savings;
- Alternate water and energy sources;
- Water conservation and storage;
- Managing ecological infrastructure; and
- Water systems and people/communities.

Currently, the pre-feasibilities are being completed, and a risk and opportunity map is being developed to prioritise conceptual interventions linked to innovation demonstrations.

“ In keeping with the GMA's mandate, the Agency and the Gautrain project aims to create sustainable value through our business activities – for Gautrain passengers, employees and society. ”

1.3 The reduction of paper-based waste products at the GMA offices

The 4th industrial revolution has introduced the reduction of paper use globally. By shredding and recycling paper, the GMA has measured the reduction in its carbon footprint. By making this small change to the organisational behaviour and showing the effects of the reduction on the environment, employees are encouraged to print and waste less.

Table 33 shows the statistics of how the GMA saved the environment through shredding its waste paper during the 2018/19 financial year.

Table 33: Shredding of paper at the GMA

ENVIRONMENTAL FACT SHEET												
Period	Mar 18	Apr18	May 18	Jun18	Jul 18	Aug 18	Sep18	Oct 18	Jan19	Feb19	Mar 19	Total
Mass shredded (kg)	930	930	990	750	696	696	522	870	986	638	1,508	9,516
Trees saved	9	9	10	8	7	7	5	9	10	6	15	95
L of oil saved	1,364	1,364	1,452	1,100	1,020	1,020	765	1,276	1,446	935	2,211	13,953
m ³ of landfill space freed up	2	2	2	2	2	2	1	2	2	2	2	21
L of water saved	25,166	25,166	26,790	20,295	18,834	18,834	14,126	23,543	26,682	17,265	40,807	257,508
Kg of air pollution saved	130	130	138	105	97	97						697
Comparison of trees saved	10	9	10	8	8	5	5	9	10	5	15	94
How much CO ₂ the trees above would absorb from atmosphere	511	511	544	412	383	383	287	478	542	351	829	5231
How much CO ₂ would have been created when the paper was burnt	3,178	3,178	3,383	2,563	2,378	2,378	1,784	2,973	3,369	2,180	5,152	32,516

2. PERFORMANCE DURING PERIOD UNDER REVIEW

The GMA's monitoring of the Concessionaire's SHEQ compliance related to aspects of the:

- All applicable Environmental and Health and Safety legislation;
- Concession Agreement;
- Conditions of the Railway Safety Permit;
- Applicable Safety Management Plans; and
- Health and Safety Management system of the Gautrain System.

To effectively perform its assurance function, the GMA maintains its ongoing relationship with the Concessionaire through inspections, audits, monthly reporting and meetings.

Institutionally, the GMA manages any health and safety issues immediately. Investigations, audit results and non-conformances are tabled at the Health and Safety Committee meetings. Office inspections are conducted at least once every three months to check on health and safety hazards and risks within the Agency. In 2018/19, the SHEQ committee continued to play an active role in the roll-out of an internal SHEQ awareness campaign targeted at all employees. The campaign included:

- The reporting of incidents within the GMA;
- An ergonomic survey of all facilities and employees of the GMA; and
- Emergency preparedness and evacuation planning.

The campaign continues with constant engagement with employees and the SHEQ Committee. The committee has gained positive support from all employees.

3. RELEVANT OUTCOMES

The efforts of the GMA in the year under review are shown in:

- Assuring that the Concessionaire complies with its obligations in terms of the CA; and
- The protection of the Gautrain from a SHEQ perspective, not only from damage to its structures but also in terms of operational safety, as well as from potential concerns as a result of developments close to the Gautrain rail reserve and associated infrastructure.

The continuous management of SHEQ at the GMA ensures full compliance to relevant legislation with regard to proposed and current extension and expansion projects, as well as an efficient, safe and healthy environment for its employees, customers and stakeholders. This has led to the enhancement of the Gautrain brand and positive reputation.

4. STRATEGIC OUTLOOK

The strategic outlook of the SHEQ Unit is to understand the GMA's strengths and weaknesses, to engage with its key stakeholders and to align its daily work with the vision and long-term objectives of the Agency. To determine potential SHEQ-related impacts and constraints to the proposed System extensions, the GMA commissioned the following reports/studies:

- Integrated ISO Management System; and
- Integrated Legal Register.

The studies aimed to evaluate:

- Potential impacts and constraints posed by the proposed extensions on the environment and vice versa;
- Market, business and/or environmental issues likely to impact on the GMA's ability to fulfil its role; and
- Tracking of existing and upcoming legal changes that could affect compliance.

The SHEQ Unit is also working closely with all units with the GMA to support existing and future enhancements to the System towards continual improvement and sustainability.







Section 7

ANNUAL FINANCIAL STATEMENTS

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ABBREVIATIONS

CA	Concession Agreement
COJ	City of Johannesburg
DRT	Gauteng Department of Roads and Transport
ECD	Early Childhood Development
EME	Emerging Micro Enterprises
GMA	Gautrain Management Agency
GRAP	Generally Recognised Accounting Practice
LRA	Labour Relations Act
MAAS	Mobility As A Service
MEC	Member of the Executive Council
MTEF	Medium Term Expenditure Framework
OCD 1	Operational Commencement Date Phase 1
OCD 2	Operational Commencement Date Phase 2
PAYE	Pay As You Earn Tax
PFMA	Public Finance Management Act (Act 1 of 1999), as amended
PPPFA	Preferential Procurement Policy Framework Act (Act 5 of 2000)
PRA	Performance Reserve Account
Project	Gautrain Rapid Rail Link Project
PST	Provincial Support Team (Transaction Advisors to the Gautrain Project)
QSE	Qualifying Small Enterprise
SED	Socio-Economic Development
SIP	Social Investment Programme
System	Gautrain Rapid Rail Link System
TRAC-SA	Technology Research Activity Centre of South Africa

ADMINISTRATIVE INFORMATION

Domicile	Republic of South Africa																				
Nature of Principal Activities	<p>The Gautrain Management Agency (GMA) is a Schedule 3C Provincial Public Entity, in terms of the Public Finance Management Act (Act 1 of 1999), as amended (PFMA), reporting to the Member of the Executive Council (MEC) of the Gauteng Department of Roads and Transport.</p> <p>The mandate of the GMA is to manage, co-ordinate and oversee the Gautrain Rapid Rail Link Project through the implementation of the Concession Agreement (CA) between the Gauteng Provincial Government and Bombela Concession Company (Pty) Ltd (the Concessionaire).</p> <p>The vision of the GMA is to provide an integrated, innovative and efficient public transport system that promotes sustainable socio-economic growth in South Africa.</p>																				
Board Members	<table> <tr> <td>Mr M Mokoena</td> <td>- Appointed as Chairperson from 1 January 2018 to 31 December 2020</td> </tr> <tr> <td>Ms P Moloto-Stofile</td> <td>- Appointed as Deputy Chairperson from 1 January 2018 to 31 December 2020</td> </tr> <tr> <td>Mr E van der Merwe</td> <td>- Chief Executive Officer – Re-appointed on 1 June 2016 to 31 May 2019 and contract extended to 30 September 2019</td> </tr> <tr> <td>Ms L Khumalo</td> <td>- Appointed from 1 January 2018 and resigned on 30 September 2018</td> </tr> <tr> <td>Dr P Dala</td> <td>- Appointed from 1 January 2018 to 31 December 2020</td> </tr> <tr> <td>Mr B Lengane</td> <td>- Re-appointed on 1 January 2018 to 31 December 2020</td> </tr> <tr> <td>Ms S Hlapolosa</td> <td>- Re-appointed on 1 January 2018 to 31 December 2020</td> </tr> <tr> <td>Mr A Mawela</td> <td>- Appointed on 1 January 2018 to 31 December 2020</td> </tr> <tr> <td>Mr D Nadison</td> <td>- Appointed on 1 January 2018 to 31 December 2020</td> </tr> <tr> <td>Ms S Ralebepa</td> <td>- Appointed on 01 January 2018 and resigned on 10 April 2018</td> </tr> </table>	Mr M Mokoena	- Appointed as Chairperson from 1 January 2018 to 31 December 2020	Ms P Moloto-Stofile	- Appointed as Deputy Chairperson from 1 January 2018 to 31 December 2020	Mr E van der Merwe	- Chief Executive Officer – Re-appointed on 1 June 2016 to 31 May 2019 and contract extended to 30 September 2019	Ms L Khumalo	- Appointed from 1 January 2018 and resigned on 30 September 2018	Dr P Dala	- Appointed from 1 January 2018 to 31 December 2020	Mr B Lengane	- Re-appointed on 1 January 2018 to 31 December 2020	Ms S Hlapolosa	- Re-appointed on 1 January 2018 to 31 December 2020	Mr A Mawela	- Appointed on 1 January 2018 to 31 December 2020	Mr D Nadison	- Appointed on 1 January 2018 to 31 December 2020	Ms S Ralebepa	- Appointed on 01 January 2018 and resigned on 10 April 2018
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Mr D Nadison	- Appointed on 1 January 2018 to 31 December 2020																				
Ms S Ralebepa	- Appointed on 01 January 2018 and resigned on 10 April 2018																				
Postal Address	Physical Address																				
P O Box 1266 Kelvin 2054 South Africa	44 Grand Central Boulevard Grand Central ext. 1 Midrand 1685																				
Chairperson	Mr M Mokoena																				
Chief Executive Officer	Mr E van der Merwe																				
Chief Financial Officer	Mr P Mabena																				
Company Secretary	Ms T Marumo																				
Banker	Absa Bank Limited																				
Auditor	Auditor-General of South Africa																				
Contact Information	<table> <tr> <td>Telephone No.:</td> <td>+27 11 086 3500</td> </tr> <tr> <td>Website:</td> <td>www.gma.gautrain.co.za</td> </tr> <tr> <td>E-mail:</td> <td>info@gautrain.co.za</td> </tr> </table>	Telephone No.:	+27 11 086 3500	Website:	www.gma.gautrain.co.za	E-mail:	info@gautrain.co.za														
Telephone No.:	+27 11 086 3500																				
Website:	www.gma.gautrain.co.za																				
E-mail:	info@gautrain.co.za																				

GAUTRAIN MANAGEMENT AGENCY

STATEMENT OF RESPONSIBILITY BY THE MEMBERS OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2019

The GMA Board is responsible for the preparation of the Annual Financial Statements.

The Annual Financial Statements conform with Generally Recognised Accounting Practices (GRAP) and the reporting requirements of the Public Finance Management Act (Act 1 of 1999), as amended (PFMA) and fairly present the state of affairs of the GMA as at the end of the financial year and the results of its operations and cash flows for the period under review.

It is the responsibility of the independent auditors to report on the fair presentation of the Annual Financial Statements.

INTERNAL AND ACCOUNTING CONTROLS

The GMA Board is ultimately responsible for the internal controls of the GMA. Management enables the Board Members to meet these responsibilities.

In order for the GMA Board to discharge its responsibilities, management has developed and maintained a Risk Management Policy and adequate, effective and efficient internal controls.

The internal controls are designed to provide reasonable assurance on the integrity and reliability of the Annual Financial Statements of the GMA and to adequately safeguard, verify and maintain accountability for funds and assets.

Management and the Audit and Risk Committee of the Board have implemented a Risk Management Policy and regularly review the risk register and mitigating internal controls. These are monitored and improved or amended as the GMA's operating conditions change.

Internal controls include a comprehensive budgeting and reporting system operating within strict deadlines, the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

As part of strengthening the internal controls, the GMA has an Internal Audit function which comprises five personnel. Under the direction of the Chief Audit Executive, the Internal Audit team conducted the audit reviews in accordance with the plan as approved by the Audit and Risk Committee. The Internal Audit Plan was prepared in consultation with management and the Auditor-General.

Based on the information and explanations provided by management and the Internal Auditors, the GMA Board is of the opinion that the internal financial controls are adequate, effective and efficient and that the financial records may be relied upon for preparing the Annual Financial Statements in accordance with GRAP and to maintain sound accountability for the GMA's assets and liabilities. Nothing has come to the attention of the GMA Board to indicate that a breakdown in the functioning of these controls, resulting in material loss to the GMA, has occurred during the year and up to the date of this report.

GOING CONCERN

The use of the going concern basis of accounting is appropriate because at the date of approval of the Annual Financial Statements, the GMA Board does not believe that there are any material uncertainties related to events or conditions that may cast significant doubt about the ability of the GMA to continue to operate as a going concern.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee of the Board consists of four Non-Executive Members, all of whom are Board Members. The Committee meets at least four times per annum. The Committee ensures effective communication between the Board, Internal Audit and the Auditor-General. The Auditor-General and Internal Audit have independent access to the Audit and Risk Committee.

The Audit and Risk Committee operates within an approved terms of reference and has discharged its responsibilities for the year, in compliance with its terms of reference.

ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements are prepared in accordance with accounting policies as set out in the Notes to the Annual Financial Statements and are supported by judgements, estimates and assumptions in compliance with GRAP.



MR M MOKOENA
GMA: Board Chairperson

The Annual Financial Statements for the year ending 31 March 2019 set out on pages 128 to 171 were approved on 31 May 2019 by the Board and signed on its behalf by the Chairperson of the Board and the Chief Executive Officer of the Gautrain Management Agency.



MR E VAN DER MERWE
GMA: Chief Executive Officer

GAUTRAIN MANAGEMENT AGENCY

REPORT OF THE AUDIT AND RISK COMMITTEE

FOR THE YEAR ENDED 31 MARCH 2019

The Audit and Risk Committee (“the Committee”) is established as an independent statutory committee in terms of the PFMA and the GMA Act. The GMA has adopted the King Report on Corporate Governance in South Africa (King IV), and the Audit and Risk Committee has complied with principle 8 and the recommended practices 50–59 of King IV during the period under review.

This report covers the Audit and Risk Committee’s activities for the year ended 31 March 2019, as required by Treasury Regulations 27.1.7 and 27.1.10 (b) and (c) issued in terms of sections 51(1) (a)(ii) and 79(4)(d) of the PFMA, section 37(c) of the GMA Act and King IV.

AUDIT AND RISK COMMITTEE COMPOSITION

Terms of Reference

The Committee operates within a formal set of Terms of Reference approved by the Board. The Terms of Reference for the Committee for the 2018/19 Financial Year were approved by the Board on 30 May 2018.

The Committee’s roles and responsibilities include its statutory duties as per the PFMA and the recommendations of King IV. The Board has also assigned additional responsibilities as detailed in the Committee’s Terms of Reference, such as the oversight of Risk Governance, Technology and Information Governance, as well as Compliance Governance.

The Committee is satisfied that it has performed the statutory requirements for an Audit Committee as set out in the PFMA, the GMA Act, King IV and the Terms of Reference for the 2018/19 Financial Year, as approved by the Board.

Membership

The term of office of the Committee is with effect from 1 January 2018 until 31 December 2020. The term of office of the Committee is aligned to that of the GMA Board.

The Committee is comprised solely of Independent Non-Executive Members. The CEO, CFO, COO, Internal and External Auditors, as well as some of the Senior Executive Managers have a standing invitation to all meetings of the Committee.

Committee Membership and Meeting Attendance

	Member	Position	Meeting Attendance
1 Apr 2018 to 31 Mar 2019	Mr Bolokang Lengane	Chairperson Independent Non-Executive	4 out of 4
	Ms Puli KE Moloto-Stofile	Committee Member Independent Non-Executive	4 out of 4
	Dr Pritish Dala	Committee Member Independent Non-Executive	4 out of 4
	Ms Lucretia Khumalo*	Committee Member Independent Non-Executive	2 out of 2
	Ms Shoki Ralebepa**	Committee Member Independent Non-Executive	
	Ms Tryfina Mokele	Board Advisor	2 out of 4

* Ms Khumalo resigned from the GMA Board and Audit and Risk Committee on 30 September 2018.

** Ms Ralebepa resigned from the GMA Board and Audit and Risk Committee on 10 April 2018.

The Members of the Committee, as well as the Committee as a collective, have appropriate knowledge, skills and experience to carry out the tasks entrusted to the Committee by the Board. The profiles, qualifications and experience of the Members of the Committee are detailed in the Corporate Governance Section of this report, under Members of the Board.

COMMITTEE'S ROLE AND RESPONSIBILITIES

The Committee assists the Board in fulfilling its oversight responsibilities, such as the evaluation of the adequacy, effectiveness and efficiency of accounting policies, internal controls, risk management, financial reporting, compliance, technology and information governance.

The Chairperson of the Committee reports on a quarterly basis to the Board on the Committee's deliberations, decisions and recommendations in line with the approved Terms of Reference.

The key focus areas of the Committee for the 2018/19 Financial Year were as follows:

- Provide assurance over the integrity of the GMA's Financial Statements and accounting policies.
- Provide assurance on the effectiveness of the internal control, governance and risk management systems.
- Review the internal audit, risk management, compliance and the IT control environment.
- Review of key risks and opportunities, including mitigation plans.
- Monitor the performance against predetermined objectives/performance information.

Effectiveness of the internal controls and risk management

The Committee relies on the work performed by the Internal Auditors, Management and External Auditors, to evaluate the effectiveness of the internal controls. The GMA has a system of internal controls in place, designed to ensure that risks are mitigated and strategic objectives are achieved.

The Enterprise-Wide Risk Management approach adopted by the GMA provides an integrated approach to the management of business risks within a complex and ever changing corporate environment. The Enterprise-Wide Risk Management Framework allows for risk-based decision-making and provides a streamlined process for evaluating opportunities. The Enterprise-Wide Risk Management Framework and Policy are closely aligned with GMA's Strategy. The Committee and the Board conducted a risk assessment during a workshop held in August 2018 and continued to perform assessments throughout the Financial Year under review.

The Committee conducted the following activities, during the 2018/19 Financial Year:

MATTERS RESERVED FOR BOARD

Reviewed and recommended the following matters to Board for approval:

- GMA's policies on the governance of Information and Technology (including Cyber Security);
- GMA's policies on compliance and litigation;
- GMA's Enterprise-Wide Risk Management Framework defining GMA's risk management methodology;
- GMA's insurance cover based on the advice of the GMA's insurance broker and confirmed that all significant insurable risks are appropriately covered; and
- GMA's policies on risk management, including fraud risks and information technology risks.

MATTERS DELEGATED TO THE COMMITTEE

Reviewed and approved the following:

- Quarterly risk reports, pertinent risks and opportunities aligned to the GMA's vision and mission, emerging events and reportable incidents;
- Quarterly reports on the GMA's Information and Communication Technology;
- Quarterly reports on the management of the assets in the GMA and that of the Gautrain System;
- Effectiveness of the CFO and the Finance Unit; and
- Stakeholder Key Control Dashboard.

The Committee has satisfied itself that the GMA's internal controls are effective to address the adequacy, reliability and accuracy of financial reporting, fraud, compliance, technology and information risks.

Compliance with legal and regulatory provisions

Compliance with all relevant laws, regulations, accepted standards or codes is integral to the GMA's risk management process and is monitored by the Committee. There were no incidents of material non-compliance with any laws, regulations, accepted standards or codes applicable to the GMA or fines against the GMA.

During the period under review, the Committee monitored the implementation of the Action Plans, developed to address the identified gaps and audit findings, in terms of the following legislations:

- Compensation for Occupational Injuries and Diseases Act, 1993 (Act 130 of 1993);
- Regulation of Interception of Communication-Related Information Act, 2002 (RICA);
- Occupational Health and Safety Act, 1993 (Act 85 of 1993); and
- Employment Equity Act, 1998 (Act 55 of 1998).

The Committee also reviewed the following matters:

- Quarterly reports on PFMA compliance, as well as SCM reports on tender activities and deviations from the SCM process;
- Quarterly reports on legal compliance, litigation and fraud incidents;
- GMA Legal Compliance Policy for the 2019/20 Financial Year; and
- Compliance Universe for the 2019/20 Financial Year.

Fraud and corruption

The GMA's Fraud Prevention and Whistleblowing Policy for the 2018/19 Financial Year was approved by Board on 30 May 2018. The Committee monitored compliance with the Policy during the 2018/19 Financial Year.

Capacitating and operationalising the Ethics Management Function, was one of the focus areas in the GMA. The Ethics Management Function will assist in strengthening the ethical culture in the GMA.

INTERNAL AUDIT

During the reporting period, the Committee reviewed and recommended the Internal Audit Charter for the 2018/19 Financial Year to the Board for approval. The Committee also conducted the following activities, *inter alia*, related to the Internal Audit function:

MATTERS DELEGATED TO THE COMMITTEE

Reviewed and approved the following:

- Annual Internal Audit Plan;
- Effectiveness of the CAE and the Internal Audit Function;
- Reviewed the performance and remuneration of the CAE;
- Annual and Quarterly Performance and Performance Information Reports;
- Internal Audit's quarterly reports in line with the approved internal audit plan; and
- Stakeholder Key Control Dashboard.

Internal Audit has completed 100% of the approved Internal Audit Plan. Based on the Internal Audit coverage, the control environment is adequate and effective. The AGSA was able to place reliance on some of the work conducted by the Internal Audit function during the period under review.

The Committee is satisfied that the Internal Audit function is operating effectively and that it has addressed GMA's pertinent risks.

External Auditors

The Committee, in consultation with GMA's Management, reviewed and agreed to the Auditor-General of South Africa's engagement letter, audit strategy and audit fees for the 2018/19 Financial Year.

Quality of monthly and quarterly management reports submitted in terms of the PFMA

The Committee is satisfied that it received sufficient, reliable and timely information from Management, to enable it to fulfil its responsibilities. During the period under review, monthly and quarterly management reports were presented by Management to enable the Committee to:

- Monitor the integrity, accuracy and reliability of the financial position of the GMA;
- Review the management accounts of the GMA and provide the Accounting Authority with an authoritative and credible view of the financial position of the GMA;
- Review the GMA's internal financial and operational controls, as well as the risk management systems;
- Review the disclosure in the financial reports of the GMA and the context in which statements on the financial health of the GMA are made; and
- Review all material information presented together with the management accounts.

The Committee reviewed the quarterly and annual reports on GMA's performance against predetermined objectives.

Evaluation of the Annual Financial Statements

The Committee reviewed the Annual Financial Statements of the GMA for the year under review and is satisfied that they comply with the relevant Financial Reporting Standards and that the accounting policies used are appropriate and consistent with those of prior years. The Committee recommended the approval of the Annual Financial Statements and the Integrated Annual Report to the Board.

The Annual Financial Statement were reviewed with the following focus:

- Significant financial reporting judgements and estimates contained in the Annual Financial Statements;
- Clarity and completeness of disclosure and whether disclosures made have been set properly in context;
- Changes in the Accounting Policies and Practices;
- Significant adjustments resulting from the Audit;
- Compliance with accounting standards and legal requirements;
- Explanation for the accounting treatment adopted;
- Reasons for year-on-year fluctuations;
- Asset valuations and revaluations; and
- The basis for the going concern assumption.

Performance Evaluation of the Audit and Risk Committee

The GMA conducted an external, independent performance evaluation of the Board and its Board Committees. The outcomes of the performance evaluation of the Board and its Board Committees (including that of the Audit and Risk Committee), are detailed under section E.

The Committee is satisfied that it has discharged its responsibilities in line with the approved Committees' Terms of References. This is supported by the outcomes of the performance evaluation of the Board and its Board Committees.

Conclusion

The Committee concurs and accepts the conclusions and unqualified audit opinion of the Auditor-General on the Annual Financial Statements for the year ended 31 March 2019.



MR BOLOKANG LENGANE

Chairperson: GMA Audit and Risk Committee

GAUTRAIN MANAGEMENT AGENCY

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2019

The Members of the Board have pleasure in presenting their report for the year ended 31 March 2019.

GENERAL REVIEW

The GMA has been established in terms of the GMA Act, (Act 5 of 2006), as amended and listed under Schedule 3C of the Public Finance Management Act (Act 1 of 1999), as amended (PFMA), as a Provincial Public Entity and has been operational since 1 January 2009. The overall objective of the GMA is to manage, co-ordinate and oversee the Gautrain Rapid Rail Link Project through the implementation of the Concession Agreement (CA) between the Gauteng Provincial Government and Bombela Concession Company (Pty) Ltd (The Concessionaire).

FINANCIAL OVERVIEW

The financial overview of the GMA is comprehensively disclosed in the Annual Financial Statements.

FINANCIAL RESULTS

The summary of the financial results of the GMA for the year ended 31 March 2019 is detailed in the table below.

SUMMARY OF FINANCIAL RESULTS	2019 R'000	2018 R'000
Total income	277,420	266,383
Total expenditure excluding depreciation and amortisation	285,318	254,611
Total expenditure	1,442,743	1,467,550
Net surplus/(loss) for the year	(1,165,324)	(1,201,166)
Net surplus/(loss) for the year excluding depreciation and amortisation	(7,899)	11,773
Total assets	28,736,477	29,812,781
Total liabilities	812,293	723,274

GOING CONCERN

The Board has considered all the facts and has reason to believe that the GMA will continue to operate as a going concern in the year ahead.

APPRECIATION

The Board wishes to express its appreciation to all parties who participated and assisted during the year under review, and especially the following:

- i. The Gauteng Provincial Government, MEC Dr Ismail Vadi and the Gauteng Department of Roads and Transport;
- ii. The GMA staff and the Board Members for their dedication and commitment;
- iii. Professional Bodies who rendered services to the Board and GMA;
- iv. The media fraternity;
- v. The public in general; and
- vi. The African Union of Public Transport (UATP).

REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE ON THE GAUTRAIN MANAGEMENT AGENCY

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

1. I have audited the financial statements of the Gautrain Management Agency set out on pages 128 to 171, which comprise the statement of financial position as at 31 March 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Gautrain Management Agency as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the entity in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code), parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

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

Material uncertainties

Land cost disputes and settlement of operating period disputes

7. With reference to note 23.4 to the financial statements, the entity is a defendant in land dispute claims and various other disputes arising from the operating period. The ultimate outcomes of the matters could not be determined and no provision for any liability that may result was made in the financial statements.

Commitments

Patronage costs

8. With reference to notes 10.2 and 23.1 to the financial statements, Gautrain Management Agency (GMA), in terms of the concession agreement, pays the operator, Bombela Concession Company (BCC), a guaranteed patronage should actual revenue collected be below the Minimum Required Total Revenue (MRTR) as specified in the Concession Agreement (CA). During the 2018/19 Financial Year, GMA paid the operator R1 667 356 000 (2018: R1 571 858 000) in the form of a patronage guarantee due to the actual revenue and ridership being significantly below the MRTR projections.

Responsibilities of the accounting authority for the financial statements

9. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
10. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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

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

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

Introduction and scope

13. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected strategic orientated goals presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
14. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
15. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected strategic orientated goals presented in the annual performance report of the entity for the year ended 31 March 2019:

Strategic-orientated goals	Pages in the annual performance report
Strategic orientated goal 1: to ensure a reliable, efficient, affordable and sustainable rail service through maintaining a high level of service excellence in all performance-related matters	176–177
Strategic orientated goal 2: to assure that the obligations of the concessionaire are met and that the concession agreement is managed for the optimal benefit of the Gauteng province, its residents and visitors	178–179
Strategic orientated goal 3: to ensure sound financial management of all GMA revenue sources and to safeguard the assets of the project to ensure that the concessionaire meets its obligations regarding the maintenance of the system to the benefit of the project and the Gauteng province	180–181
Strategic orientated goal 5: to promote a robust, cooperative and productive environment with all relevant structures of government and stakeholders	184–185
Strategic orientated goal 6: to contribute to the economic growth and development of Gauteng through deliberate economic interventions and targeted job creation and support of BEEs and SMMEs in the province	184–185
Strategic orientated goal 7: to ensure that the Gautrain is a catalyst for and contributor to the total public transport solution in Gauteng through the development and implementation of integration strategies	186–187
Strategic orientated goal 8: to ensure sound project and financial planning to the optimal benefit of the GMA and the Gauteng province	186–187

16. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

17. I did not raise any material findings on the usefulness and reliability of the reported performance information for these selected strategic orientated goals:

- Strategic orientated goal 1: to ensure a reliable, efficient, affordable and sustainable rail service through maintaining a high level of service excellence in all performance-related matters
- Strategic orientated goal 2: to assure that the obligations of the concessionaire are met and that the concession agreement is managed for the optimal benefit of the Gauteng province, its residents and visitors
- Strategic orientated goal 3: to ensure sound financial management of all GMA revenue sources and to safeguard the assets of the project to ensure that the concessionaire meets its obligations regarding the maintenance of the system to the benefit of the project and the Gauteng province
- Strategic orientated goal 5: to promote a robust, cooperative and productive environment with all relevant structures of government and stakeholders
- Strategic orientated goal 6: to contribute to the economic growth and development of Gauteng through deliberate economic interventions and targeted job creation and support of BEEs and SMMEs in the province
- Strategic orientated goal 7: to ensure that the Gautrain is a catalyst for and contributor to the total public transport solution in Gauteng through the development and implementation of integration strategies
- Strategic orientated goal 8: to ensure sound project and financial planning to the optimal benefit of the GMA and the Gauteng province

Other matters

18. I draw attention to the matters below.

Achievement of planned targets

19. Refer to the annual performance report on pages 176 to 187 for information on the achievement of planned targets for the year and explanations provided for the under- and overachievement of a number of targets.

Adjustment of material misstatements

20. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of strategic orientated goal 5 – to promote a robust, cooperative and productive environment with all relevant structures of government and stakeholders. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

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

OTHER INFORMATION

23. The accounting authority is responsible for the other information. The other information does not include the financial statements, the auditor's report and those selected strategic goal orientated goals presented in the annual performance report that have been specifically reported in this auditor's report.
24. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
25. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected strategic orientated goals presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
26. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

INTERNAL CONTROL DEFICIENCIES

27. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.

Auditor General

Johannesburg

31 July 2019



A U D I T O R - G E N E R A L
S O U T H A F R I C A

Auditing to build public confidence

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

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

FINANCIAL STATEMENTS

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

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

GAUTRAIN MANAGEMENT AGENCY

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Notes	2019 R'000	2018 R'000
ASSETS			
Current assets		481,007	422,565
Cash and cash equivalents	2	416,117	365,523
Receivables (Exchange transactions)	3.1	64,890	57,042
Non-current assets		28,255,470	29,390,216
Property, plant and equipment	4	27,968,073	29,101,883
Heritage assets	5	3,295	3,295
Intangible assets	6	1,430	2,413
Receivables (Exchange transactions)	3.2	282,672	282,625
TOTAL ASSETS		28,736,477	29,812,781
LIABILITIES			
Current liabilities		653,435	550,165
Payables (Exchange transactions)	7	199,955	179,460
Finance lease liability	8	268	543
Obligations arising from restricted SIP funds	9	28,097	32,359
Obligations arising from restricted Project funds	10	404,218	325,067
Other liabilities (Exchange transactions)	13	8,291	130
Provisions	11	12,606	12,606
Non-Current Liabilities		158,858	173,109
Finance lease liability	8	86	102
Obligations arising from restricted Concessionaire funds	12	57,867	53,825
Other liabilities (Exchange transactions)	13	100,905	119,182
TOTAL LIABILITIES		812,293	723,274
Accumulated surplus		27,924,184	29,089,507
TOTAL NET ASSETS		28,736,477	29,812,781

GAUTRAIN MANAGEMENT AGENCY

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 R'000	2018 R'000
REVENUE			
Revenue from non-exchange transactions	14	251,704	230,845
Government grants		251,704	230,845
Revenue from exchange transactions	15	25,716	35,538
Finance income		25,544	35,412
Other income		172	126
TOTAL REVENUE		277,420	266,383
EXPENDITURE			
Board and committee member remuneration	16	1,628	2,079
Employee costs	17 & 18	105,487	114,884
Depreciation	19	1,155,987	1,211,185
Amortisation	19	1,438	1,754
Finance costs		33	-
Operational expenditure	20	178,171	137,647
NET SURPLUS/(DEFICIT) FOR THE YEAR		(1,165,324)	(1,201,166)

GAUTRAIN MANAGEMENT AGENCY

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2019

	ACCUMULATED SURPLUS R '000	TOTAL AMOUNT R'000
Balance as at 31 March 2017	30,290,673	30,290,673
Net surplus for the year	(1,201,166)	(1,201,166)
Balance as at 31 March 2018	29,089,507	29,089,507
Net surplus/(loss) for the year	(1,165,324)	(1,165,324)
Balance as at 31 March 2019	27,924,184	27,924,184

GAUTRAIN MANAGEMENT AGENCY

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	Notes	2019 R'000	2018 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		2,210,229	1,926,536
Grant income		1,945,268	1,833,694
Interest received		34,636	41,828
Operating period penalty income		7,000	847
Net performance Reserve Account receipts		9,023	990
Other income		214,153	49,114
Insurance claim GMA		149	63
Payments		(2,153,528)	(2,094,177)
Project expenditure		(1,851,205)	(1,839,985)
Board and committee member remuneration		(1,628)	(2,101)
Employee and related costs		(119,802)	(100,091)
External audit fees		(2,477)	(2,815)
SIP expenditure		(6,270)	(11,016)
Operating expenditure		(172,146)	(138,169)
Net cash from operating activities	21	56,701	(167,641)
CASH FLOWS FROM INVESTING ACTIVITIES			
		(6,073)	(3,777)
Acquisition of property, plant and equipment		(5,617)	(2,902)
Acquisition of intangible assets		(456)	(875)
CASH FLOWS FROM FINANCING ACTIVITIES			
		(33)	(445)
Finance lease payments		(33)	(445)
Net increase in cash and cash equivalents		50,595	(171,863)
Cash and cash equivalents at beginning of the year		365,523	537,387
Cash and cash equivalents at end of the year		416,117	365,523

Included in the Cash Flow Statement is the GMA operational revenue and expenditure per Statement of Financial Performance and restricted revenue and expenditure per note 9, 10 and 12 on a cash basis.

GAUTRAIN MANAGEMENT AGENCY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

Note: The GMA adopted a cash basis of accounting for the preparation of the approved budget, whilst the Annual Financial Statements are prepared on an accrual basis of accounting.

Notes	APPROVED BUDGET	REVISED BUDGET	ACTUAL AMOUNTS ON A COMPARABLE BASIS	FUNDS FROM PRIOR PERIOD AND OTHER INCOME	DIFFERENCE BETWEEN REVISED BUDGET, FUNDS FROM PRIOR PERIOD AND ACTUAL AMOUNTS
	2019 R '000	2019 R '000	2019 R '000	2019 R '000	2019 R '000
Final budget appropriation	1,945,268	2,324,033	2,324,033	-	-
Approved budget	1,945,268	1,945,268	1,945,268	-	-
Funds from previous year	-	155,507	155,507	-	-
Other income – RUF	-	151,743	151,743	-	-
Other income – COJ	-	27,300	27,300	-	-
Other income – Interest income	-	44,215	44,215	-	-
Payments	1,945,268	1,945,268	2,136,160	227,022	36,130
Project expenditure	1,670,353	1,670,353	1,846,407	183,028	6,974
Construction costs	-	-	-	-	-
Land costs	-	-	46,583	46,583	-
Operating payment/Patronage guarantee	1,444,783	1,444,783	1,648,843	136,445	(67,615)
Operating period variations	83,313	83,313	40,975	-	42,339
System improvements	142,256	142,256	110,006	-	32,250
Operating and support costs	274,915	274,915	289,754	43,994	29,156
Operating expenditure	209,246	209,246	183,812	5,645	31,079
GMA capex costs	2,515	2,515	5,711	-	(3,196)
Specialised technical services	5,464	5,464	43,830	38,349	(16)
PST consultant costs	19,200	19,200	16,257	-	2,943
Legal and additional commercial costs	33,990	33,990	35,657	-	(1,667)
Independent monitor costs	4,500	4,500	4,487	-	13
Net receipts/Budget surplus 22	-	378,765	187,873	227,022*	36,130**

* R227.0 million was spent from funds from the previous year and other income for projects which were deferred to the current year.

** Thus the GMA has a surplus of R36.1 million on the current year's budget.

GAUTRAIN MANAGEMENT AGENCY

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2019

1.1 PRESENTATION OF THE ANNUAL FINANCIAL STATEMENTS

General information

The GMA was established in terms of the GMA Act, (Act 5 of 2006), as amended and listed under Schedule 3C of the Public Finance Management Act (Act 1 of 1999), as amended (PFMA), as a Provincial Public Entity and has been operational since 1 January 2009. The overall objective of the GMA is to manage, co-ordinate and oversee the Gautrain Rapid Rail Link Project through the implementation of the Concession Agreement (CA) between the Gauteng Provincial Government and Bombela Concession Company (Pty) Ltd (The Concessionaire).

Basis of preparation

The Annual Financial Statements have been prepared in accordance with the prescribed standards of Generally Recognised Accounting Practice (GRAP), including any directives, interpretations and guidelines issued by the Accounting Standards Board (ASB), and in accordance with the PFMA. The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention unless specified otherwise.

The principal accounting policies adopted in the preparation of these Annual Financial Statements are set out below. Assets, liabilities, revenues and expenses have not been off-set except where off-setting is required or permitted by a Standard of GRAP. The accounting policies have been applied consistently in all material aspects, unless otherwise indicated. The details of any changes are explained in the relevant policy notes.

Additional information has been disclosed to enhance the usefulness of the Annual Financial Statements and to comply with the relevant legislative requirements of the PFMA.

The Cash Flow Statement is prepared on the direct cost method.

Use of estimates and significant judgements

The preparation of the Annual Financial Statements in conformity with GRAP requires management to make judgements, estimates and assumptions in the process of applying the accounting policies and in reporting assets, liabilities, income and expenses. These judgements,

estimates and assumptions affect the amounts represented in the Annual Financial Statements and related disclosures. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future financial periods affected.

Significant areas of estimation, complexity and critical judgements in applying accounting policies that have a material effect on the amounts recognised or disclosed in the Annual Financial Statements are:

- **Capitalisation of the Gautrain System assets (GRAP 17, 31 and 103)**

The Concession Agreement is entered between the Gauteng Provincial Government and Bombela Concession Company (Pty) Ltd and establishes a Public-Private Partnership. The Bombela Concession Company (Pty) Ltd has a mandate to operate and maintain the Gautrain System during the Operational Phase of the Concession Agreement using the Gautrain System assets. These assets must be returned to the GMA in a predetermined condition at the end of the Concession Agreement. Complexity and critical accounting judgement is used in applying the recognition criteria of an asset, when capitalising and componentising the Gautrain System assets.

- **Infrastructure assets (GRAP 17, 31 and 103)**

The infrastructure components' fair value was determined by allocating the total cost to the components using benchmark engineering principles to ensure a fair and accurate cost distribution based on a depreciable replacement value. The total cost of infrastructure assets was determined using actual payments made during the construction of the Gautrain System assets. The cost was adjusted by construction indices until the take-on date of receiving the assets.

The condition of the asset components was assessed upon transfer to determine if an impairment event existed which may affect the transfer value. The evaluation is of a subjective nature and thus it was performed by an expert in the rail industry.

The estimated useful lives and residual values are reviewed, taking cognisance of the forecasted commercial and economic realities and benchmarking of accounting treatments in the specific industries where these assets are used.

- **Land and servitudes (GRAP 17, 31 and 103)**

GMA only has the right of use of the land acquired to enable construction and to operate the system. The ownership of the land resides with the Gauteng Provincial Government. Management applied significant judgement and estimation to measure the right of use. Land acquired to enable construction of the infrastructure assets is carried at a nominal value.

Management applied significant judgement and estimation to measure servitudes. Servitudes are recognised by the GMA at a nominal value of R1 per servitude.

- **Useful lives and residual values (GRAP 17, 31 and 103)**

Significant judgement is used in estimating the period over which an asset is expected to be available for use by the GMA and its residual value. The useful lives and residual values of assets are based on management's estimation of the asset's condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating how the condition and use of the asset informs the useful life and residual value management considers the impact of technology and minimum service requirements of the assets.

- **Provisions (GRAP 19)**

The amount recognised as a provision is the present value of the best estimate of the expenditure required to settle the present obligation at balance sheet date.

- **Impairment of receivables (GRAP 104)**

Significant judgement is used in estimating the impairment of receivables based on past payment history, risk profile, credit reputation and market information.

- **Segment reporting (GRAP 18)**

Significant judgement is used in identifying service and geographical segments of the GMA.

Presentation currency

The Annual Financial Statements are presented in South African Rand (ZAR), which is the GMA's functional currency. All financial information presented in South African Rand has been rounded to the nearest thousand, (R'000).

Transactions in currencies other than the GMA's reporting currency are initially recorded at the exchange rate applicable on the date of the transactions. Gains and losses arising from the settlement of such transactions are recognised in the Statement of Financial Performance, or disclosed in the disclosure notes to the Annual Financial Statements if they relate to ring-fenced Project activities.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling

on the date of the Statement of Financial Position. Unrealised differences on monetary assets and liabilities are recognised in the Statement of Financial Performance in the period occurred.

Any foreign exchange variance incurred during the year relating exclusively to Schedule 12 Milestones (Schedule of General Milestones and Key Milestones), as defined in the Concession Agreement, certified for payment are recognised in the Statement of Financial Position at year end as an asset or liability, and are disclosed in the disclosure notes to the Annual Financial Statements.

Comparative information

- **Current year comparatives (Budget)**

Budget information in accordance with GRAP 1 and 24, has been provided in these Annual Financial Statements.

- **Prior year comparatives**

Where necessary comparative figures have been adjusted to conform to the changes in presentation in the current year.

Going concern assumption

These Annual Financial Statements were prepared based on the expectation that the GMA will continue to operate as a going concern for at least the next 12 months.

1.2 PROPERTY, PLANT AND EQUIPMENT

Recognition and measurement

The policies for property, plant and equipment are applicable to property, plant and equipment managed by the Concessionaire under the Concession Agreement.

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

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

All items of property, plant and equipment that qualify for recognition as assets are measured at cost. Where an asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

Costs for acquired assets include:

- The items purchase price, including import duties and non-refundable taxes, after deducting any trade discounts and rebates;
- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner as intended by management; and

- The initial estimates of the costs of dismantling and removing the item and restoring the site on which it is located, for which the GMA incurs this obligation either when the item is acquired or as a consequence of having used the item during a particular period.

The cost of self-constructed assets is determined using the same principles as those applied for an acquired asset and includes the cost of materials, direct labour and other resources incurred in constructing the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and an initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of related equipment is included in the cost of the related equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life. Property, plant and equipment is depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment and depreciated separately.

Items of capital work-in-progress are measured at cost less impairment losses. The cost of capital work-in-progress assets includes costs of material, direct labour and any other costs directly attributable to bringing the asset to a condition where it is ready for its intended use. Capital work-in-progress is ready for its intended use once a handover certificate is issued, and at this point capital work-in-progress is recognised as an item of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the GMA and the cost of the item can be reliably measured.

All other costs such as day-to-day servicing and small parts are treated as repairs and maintenance and are expensed to the Statement of Financial Performance during the financial period in which they are incurred.

The depreciation charge for each period is recognised in the Statement of Financial Performance unless it is included in the carrying amount of another asset.

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

ITEM	AVERAGE USEFUL LIFE
Gautrain System assets	
Land	Infinite
Infrastructure assets	5–100 years
Plant and equipment	10–35 years
Rolling stock	35 years
Buses	10 years
GMA assets	
Motor vehicles	5–8 years
Office equipment	6–12 years
Computer equipment	3–9 years
Furniture and fittings	6–12 years
Lease improvements	Over the period of the lease
Lease assets	Over the period of the lease

Leasehold improvements on premises occupied under operating leases are written off over their expected useful lives or, where shorter, the term of the lease.

The residual value, useful life and depreciation method of each asset is reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. The useful lives of assets are based on management's estimation.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the Statement of Financial Performance when the item is derecognised.

Impairment

The GMA assesses at each reporting date whether there is an indication that any item of property, plant and equipment may be impaired. If such an indication exists, the GMA estimates the recoverable service amount of the asset. In assessing whether there is any indication that an asset may be impaired, the GMA considers both external and internal sources of information.

The recoverable service amount is the higher of the asset's fair value less costs to sell, and its value in use. Value in use is the present value of the asset's remaining service potential. If either of these amounts exceeds the asset's carrying value, the asset is not impaired, and it is not necessary to determine the other amount.

If the asset's carrying value exceeds its recoverable service amount, the asset is impaired. The carrying amount of the asset is then reduced to its recoverable service amount and this reduction is the impairment loss which is charged as an expense to the Statement of Financial Performance.

Reversal of impairment

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

The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for an asset is recognised immediately in the Statement of Financial Performance.

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

Derecognition

The carrying amount of an item of property, plant and equipment shall be 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 item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised in the Statement of Financial Performance when the item is derecognised.

1.3 HERITAGE ASSETS

Heritage assets are culturally significant resources. Heritage assets are measured at cost. Where a heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

After recognition as an asset, a class of heritage assets shall be carried at its cost less any accumulated impairment losses.

A heritage asset shall not be depreciated but the GMA shall assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the GMA shall estimate the recoverable amount or the recoverable service amount of the heritage asset.

1.4 INTANGIBLE ASSETS

Initial recognition and measurement

Intangible assets are classified as non-monetary assets without physical substance and are only recognised when:

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

For those intangible assets with a definite useful life:

- Amortisation is recognised in the Statement of Financial Performance and is calculated on a straight-line basis over the estimated useful life of each part of the intangible asset; and
- Amortisation is determined from the date the intangible asset is available for use.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the GMA for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Initial expenditure incurred is recognised and capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

All other expenditure is recognised in the Statement of Financial Performance as an expense when it is incurred.

All intangible assets of the GMA have been capitalised on the basis of the costs incurred in order to acquire and bring the assets into use.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is recognised and capitalised only when the costs incurred increase the future economic benefits embodied in the specific asset to which it relates.

All other subsequent expenditure is recognised in the Statement of Financial Performance as an expense when it is incurred.

Amortisation

All items of intangible assets are measured at historic cost less accumulated amortisation and accumulated impairment losses.

ITEM	AVERAGE USEFUL LIFE
Gautrain System assets	
Servitudes	Infinite
GMA assets	
Computer software	2–8 years
Computer licences	Over the period of the licence

Amortisation methods and useful lives are reassessed annually and adjusted if necessary at the end of each reporting period.

Amortisation is recognised in the Statement of Financial Performance on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date. Other intangible assets are amortised from the date they are available for use.

Impairment

Intangible assets are tested annually for impairment by comparing the carrying amount with the recoverable service amount of the intangible asset.

If the intangible asset's carrying value exceeds its recoverable service amount, the intangible asset is impaired. The carrying amount of the asset must be reduced to its recoverable service amount, and this reduction is the impairment loss which is charged as an expense to the Statement of Financial Performance.

Reversal of impairment

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

The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for an asset is recognised immediately in the Statement of Financial Performance.

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

Derecognition

The carrying amount of an intangible asset is derecognised on disposal or when no future economic benefits are expected from its use.

The gain or loss arising from the derecognition of an intangible asset is determined by comparing the proceeds from disposal with the carrying amount of the intangible asset, and is recognised in the Statement of Financial Performance when the item is derecognised.

1.5 PROVISIONS AND OTHER LIABILITIES

A provision is a liability of uncertain timing or amount.

Provisions are recognised as liabilities when the GMA has a present legal or constructive obligation as a result of a past event, for which 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 amount of the obligation.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date. The best estimate is determined by management's judgement, supplemented by experience of similar transactions and in some instances reports from independent experts.

1.6 OBLIGATIONS ARISING FROM RESTRICTED FUNDS

Liabilities are present obligations of the GMA arising from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits or service potential.

Obligations arising from restricted Project funds

Financial transactions relating directly to the Project do not impact on the Statement of Financial Performance. Government funding received for the project is ring-fenced and applied solely to Project expenditure incurred. This is due to the fact that the GMA cannot benefit from these funds in pursuit of its objectives. The GMA is thus the agent and not the principal. Financial transactions relating to the project are disclosed in the Notes to the Annual Financial Statements under 'Obligations arising from restricted Project funds'.

All government funding received for the project is requested from Gauteng Provincial Treasury based on management's best estimate of Project disbursements to be incurred for the period. To the extent that funding received is in excess of project expenditure actually incurred for the year under

review, it is classified as income received in advance of obligations yet to be incurred and recognised in the Statement of Financial Position as a liability.

Obligations arising from restricted SIP funds

Over the duration of the Development Period, until the contractual Anticipated Completion Date of Phase 2 (March 2011), the Concessionaire made a series of Social Investment Programme (SIP) contributions to the SIP Fund Account held by the GMA, thereby fulfilling its SIP obligations in terms of amended SED 07, Schedule 22 of the Concession Agreement. These funds have been earmarked for social investment spend by the GMA on projects approved by the Gautrain Political Committee, with an additional focus on funds for education in the science and engineering fields.

The Gautrain Political Committee has since approved the development of urban renewal projects in the townships of Boipatong and Kagiso and the support of TRAC-SA, promoting skills development, thereby fully committing the SIP funds entrusted to the GMA. The SIP funds are ring-fenced for spend on these approved SIP projects and during the course of the financial year, the GMA continued with disbursements towards the three approved projects.

Obligations arising from restricted Performance Reserve Account (PRA) funds

The Performance Reserve Account (PRA) is funded by the Concessionaire. This account has become fully operational after OCD 2. The purpose of this account is to provide a funding mechanism for performance deductions (penalties) imposed on the Concessionaire for performance below the pre-defined performance measures specified in the Concession Agreement.

After OCD 2, the Concessionaire has paid all actual total revenue earned into the account until the prescribed balance was reached. All funds in excess of the prescribed balance are withdrawn by the Concessionaire, through the issue of an invoice to the GMA for payment of the excess amount. Only the prescribed balance is maintained in the PRA for the monthly withdrawal by the GMA of performance deductions imposed on the Concessionaire after OCD 2. The funds in this account are ring-fenced, as no other payments from or to the PRA are allowed, except as permitted by and in accordance with the Concession Agreement and as summarised above.

Obligations arising from restricted insurance proceeds account

The Insurance Proceeds account is used for the receipt of insurance proceeds to the Concessionaire as a result of successful insurance claims for damages to the Gautrain System assets pursuant to Schedule 18 of the Concession

Agreement. The insurance claims are then paid to the Concessionaire from this account after deducting GMA's share of the insurance claim. These funds are restricted, as no other payments from or to the insurance proceeds account are allowed, except as permitted by and in accordance with the Concession Agreement.

1.7 FINANCE LEASES RECOGNITION

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the GMA through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Measurement

Assets subject to a finance lease, as recognised in the Statement of Financial Position, are measured at initial recognition at the lower of the fair value of the assets and the present value of the future minimum lease payments. Subsequent to initial recognition these capitalised assets are depreciated over the contract term.

The finance lease liability recognised at initial recognition is measured at the present value of the future minimum lease payments. Subsequent to initial recognition this liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

Derecognition

The finance lease liabilities are derecognised when the GMA's obligation to settle the liability has ceased. The assets capitalised under the finance lease are derecognised when the GMA no longer expects any economic benefits or service potential to flow from the asset.

1.8 COLLABORATION PROJECT FUNDS

The GMA approached the Development Bank of Southern Africa (DBSA) to render support to the GMA to strengthen its expertise in financial structuring, transport economics and planning as well as demand and financial model review.

The DBSA has opened a dedicated interest bearing bank account in this regard. The bank account is funded by both parties in terms of the agreement and the funds are utilised to procure expert service providers. Unutilised funds at year end are recognised in the Statement of Financial Position.

1.9 CONTINGENCIES AND COMMITMENTS

The GMA does not recognise a contingent liability. A contingent liability is disclosed in the Notes to the Annual Financial Statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

A contingent liability is:

- A possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the GMA; or
- A present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits; or service potential will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Transactions are classified as commitments where the GMA commits itself to future transactions.

1.10 REVENUE (NON-EXCHANGE TRANSACTIONS)

Government grants

Government grants comprise gross inflows of economic benefits, and are recognised as revenue when it is probable that future economic benefits will flow to the GMA and the fair value of those benefits can be reliably measured. Grants are recognised when there is reasonable assurance that they will be received, or when there is legal obligation for the grant to be paid and only to the extent that the GMA has complied with any of the stipulations or conditions, if any, attached to the grant. The GMA receives its grant from the Provincial Revenue Fund.

The portion of grant funding received, over which the GMA exercises control and discretion, or from which the GMA benefits in the pursuit of its objectives in managing the Concession Agreement and overseeing its operations, is recognised as revenue in the Statement of Financial Performance in the same period in which the GMA qualifies to receive the grant.

1.11 REVENUE (EXCHANGE TRANSACTIONS)

Revenue from exchange transactions is recognised on the accrual basis of accounting when it is probable that future economic benefits will flow to the GMA and those benefits can be reliably measured.

Finance income

Finance income is recognised as it accrues, in the Statement of Financial Performance on a time proportionate basis using the effective interest rate method.

Finance income comprises of interest income on funds invested.

Other income

Other income is recognised on the accrual basis when it is probable that future economic benefits will flow to the GMA and these benefits can be reliably measured.

1.12 FINANCE EXPENSES

All finance costs are recognised in the Statement of Financial Performance using the effective interest rate method.

1.13 EMPLOYEE BENEFITS

Short-term employee benefits

Short-term employee benefits are benefits that are to be paid by the GMA within 12 months after the reporting date and are presented on an undiscounted basis. Short-term employee benefits in the GMA include salaries, pension contributions, bonuses and short-term compensated absences such as paid annual leave and paid sick leave.

Recognition and measurement

When an employee has rendered services to the GMA during the reporting period, the GMA recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as:

- A liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the GMA recognises the excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund to the GMA; and
- An expense in the Statement of Financial Performance.

Short-term compensated absences

- Accumulating compensated absences e.g. annual leave, are those that are carried forward and can be used in future periods if the current period's entitlement is not used in full. The GMA recognises the expected cost of such absences when employees render services that increases their entitlement to future compensated absences. Accumulated compensated absences are vesting, in that employees are entitled to a cash payment for unused leave entitlement on leaving the GMA.
The GMA measures the expected cost of accumulating compensated absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.
- Non-accumulating compensated absences e.g. sick leave, do not carry forward, they lapse if the current reporting period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the GMA. The GMA recognises no liability or expense until the time of the absence, because employee service does not increase the amount of the benefit.

Bonus, incentive and performance related payments

- The GMA recognises a liability and an expense for the expected cost of bonus, incentive and performance related payments when it has a present legal or constructive obligation to make such payments as a result of past events; and a reliable estimate of the obligation can be made.

Post employment benefits: defined contribution plan

Recognition and measurement

When an employee has rendered services to the GMA during a reporting period, the GMA shall recognise the contribution payable to a defined contribution plan in exchange for that service:

- As a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the GMA shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- As an expense in the Statement of Financial Performance.

1.14 OPERATING LEASES

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

Lease payments under an operating lease shall be recognised as an expense in the Statement of Financial Performance on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and/or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease payments.

Operating lease liabilities are derecognised when the entity's obligation to provide economic benefits or service potential under the lease agreement expires. Operating lease assets are derecognised when the entity's right to the underlying cash flows expire or the entity no longer expects economic benefits to flow from the operating lease asset.

1.15 IRREGULAR EXPENDITURE

Irregular expenditure comprises expenditure, other than unauthorised expenditure, incurred in contravention of, or not in accordance with the GMA Supply Chain Management Policy, the PFMA, the National Treasury Regulations, the PPPFA, State Tender Board Act or any other applicable legislation providing for procurement procedures. Such expenditure is accounted for in the Statement of Financial Performance. Where recoverable and not condoned by the relevant authority, it is treated as an asset until it is recovered or written off as irrecoverable.

1.16 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is defined as expenditure that was made in vain and would have been avoided had reasonable care been exercised. Such expenditure is accounted for as expenditure in the Statement of Financial Performance and where recoverable, treated as a current asset in the Statement of Financial Position until such expenditure is recovered from the responsible official or written off as irrecoverable.

1.17 TAXES AND LEVIES

The GMA accounts for PAYE tax, deducted from employee salaries and paid over to SARS. If any other taxes or levies are required by law, then these will be collected on behalf of the government or other party in an agency capacity and would not be accounted for as revenue in the Annual Financial Statements of the GMA.

1.18 TAXATION

The GMA's income is exempt from taxation in terms of Section 10 (1)(cA) of the Income Tax Act.

1.19 RELATED PARTIES

A related party to the GMA is a person or entity with the ability to control or jointly control the GMA, or exercise significant influence over the GMA and vice versa, or an entity that is subject to common control, or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the GMA, but is not in control over those policies. A 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.

An entity that is a member of the Gauteng Provincial Government and is under common control of the Gauteng Provincial Legislature is related to the GMA. However, only transactions and balances of the same economic entity will be disclosed.

In respect of entities, other government entities or appointed members of government, only transactions and balances under the Executive Authority of the MEC of Gauteng Department of Roads and Transport are disclosed. The Gauteng Department of Roads and Transport, and its entities have been identified as entities of the same economic entity.

In respect of persons, a member of management of the GMA, is regarded as a related party of the GMA. Management includes all persons having the authority and responsibility for planning, directing and controlling the activities of the GMA, including all members of the governing body of the GMA, key advisors of the governing body with the authority and responsibility for planning, directing and controlling the activities of the GMA, and the senior management team of the GMA, including the Chief Executive Officer.

If the GMA has been party to any related party transactions during the reporting period covered by the Annual Financial Statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, in order to enable users to understand the potential effect of the relationship on the financial statements. Only transactions not at arm's length are disclosed and materiality is considered in terms of the disclosure of these transactions.

The GMA shall disclose the remuneration of management per person and in aggregate, for each class of management.

1.20 SUBSEQUENT EVENTS

Events after the reporting date are those events both favourable and unfavourable that occur between the reporting date and the date when the Annual Financial Statements are authorised for issue, and are treated as follows:

- The GMA shall adjust the amounts recognised in its Annual Financial Statements to reflect adjusting events after the reporting date for those events that provide evidence of conditions that existed at the reporting date; and
- The GMA shall not adjust the amounts recognised in its Annual Financial Statements to reflect non-adjusting events after the reporting date for those events that are indicative of conditions that arose after the reporting date.

1.21 BUDGET INFORMATION

The GMA includes an additional financial statement on comparison of budget amounts and actual amounts arising from the execution of the budget in its Annual Financial Statements, together with disclosure of the reasons for material differences between the approved budget, final budget and actual amounts. This reporting disclosure assists the GMA to discharge its accountability obligations and enhances the transparency of the Annual Financial Statements, by demonstrating compliance with the approved budget for the financial year, for which the GMA is held publicly accountable.

The Statement of Comparison of Budget and Actual Amounts presents separately, for each level of governance oversight, the approved and final budget amounts and the actual amounts on a comparable basis to the budget. The budget adopts a cash basis of accounting, whilst the Annual Financial Statements are prepared on the accrual basis of accounting. In order to assist users in understanding the application of the budget, the GMA includes a separate reconciliation of actual amounts on a comparable basis to the budget, to the actual amounts in the Annual Financial Statements (net surplus in the Statement of Financial Performance). The GMA is committed to expend funds and operate within the limits of its approved budget allocation.

1.22 SEGMENT REPORTING

A segment is an activity of the GMA that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity) whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity as well as in assessing its performance and for which separate financial information is available.

The GMA shall report separately information about each segment that has been identified.

1.23 FINANCIAL INSTRUMENTS

Financial instruments comprise cash and cash equivalents, other receivables, liabilities (accruals) and other payables.

Initial recognition

The GMA recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the GMA becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting.

GMA classifies a financial instrument, or its component parts, on initial recognition as a financial liability, a financial asset or residual interest in accordance with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset and a residual interest.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

Initial measurement

When a financial instrument is recognised, the GMA measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

- Financial instruments at fair value;
- Financial instruments at amortised cost; and
- Financial instruments at cost.

Derecognition

A financial asset is derecognised at trade date, when:

- The cash flows from the asset expire, are settled or waived;
 - a) Significant risks and rewards are transferred to another party; or

b) Despite having retained significant risks and rewards, the GMA has transferred control of the asset to another entity.

- A financial liability is derecognised when the obligation has ceased. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in the Statement of Financial Performance.

Offsetting

The GMA does not offset financial assets and financial liabilities in the Statement of Financial Position unless a legal right of set-off exists and the parties intend to settle on a net basis.

Impairment

All financial assets measured at amortised cost, fair value or cost, are subject to an impairment review. The GMA assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets held at amortised cost

The GMA first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the GMA determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the financial asset's original effective interest rate i.e. the effective interest rate computed at initial recognition. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised as an expense in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the Statement of Financial Performance.

Financial assets held at cost

The foreign exchange liability arises as a result of the translation effect on the foreign denominated components of the Milestone payments (Euro and Pound) in place over the life of the Project. R400 million was surrendered to the National Treasury from the Project Call Account and therefore reduced the Foreign Exchange Liability. The remaining cash amount reflecting the actual savings on the foreign denominated components of the Milestone payments over the life of the Project was retained in the Project Accounts and the balance of the Foreign Exchange liability is written off in full.

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Cash and cash equivalents

Cash and cash equivalents are recognised at fair value.

Cash and cash equivalents comprise cash at the bank including deposits held at call with banks. These are short-term, highly liquid investments, readily convertible into known amounts of cash, held with registered banking institutions, and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at the bank including deposits held on call with banks.

Receivables

Receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment.

A provision for impairment of receivables is made when there is objective evidence that the GMA will not be able

to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of any debtor, probability that the debtor will be bankrupt or under financial administration, and default or delinquency in payments, are considered indicators that the receivable is impaired, and that a provision should be raised.

The provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted using the effective interest rate and is recognised in the Statement of Financial Performance. Uncollectable debts are written off against the provision. Subsequent recoveries of amounts previously written off are recognised in the Statement of Financial Performance.

Payables

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

1.24 FINANCIAL RISK MANAGEMENT

The entity's activities expose it to the following risks:

- Credit risk;
- Liquidity risk; and
- Market risk.

The GMA Board has overall responsibility for the establishment and oversight of the GMA's Risk Management Framework. The Board has established the Audit and Risk Committee, which is responsible for developing and monitoring the GMA's risk management policies. The Committee reports regularly to the Board on its activities. The GMA's risk management policies and systems are established to identify and analyse the risks faced by the GMA, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the GMA's activities. The GMA has a fundamental objective in maintaining a disciplined and constructive control environment in which all appointed officials understand their roles and obligations in relation to the GMA's overall risk management framework, policy, systems and processes.

This policy presents information about the GMA's exposure to each of the above risks, the GMA's objectives, policies and processes for measuring and managing risk and the GMA's management of capital, assets and liabilities. Further quantitative disclosures are included in the Notes to the Annual Financial Statements.

(A) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as committed transactions. Banks and financial institutions with an acceptable independent rating are accepted.

(i) Deposits

The GMA limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable independent credit rating. Management does not expect any counterparty to fail to meet its obligations with regards to the GMA deposits.

(B) Liquidity risk

Cash flow forecasting is performed on a monthly basis. This rolling forecast is monitored for liquidity requirements to ensure the GMA has sufficient cash to meet the Project's monthly financial obligations as they fall due. Surplus cash held is invested in an interest-bearing current account.

(C) Market risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The GMA ensures that it reviews its cash management strategies to ensure finance income is maximised.

(i) Foreign exchange risks

In terms of the Schedule 12 Milestone payments, the GMA is not exposed to any foreign exchange risk, as National Treasury has accepted full responsibility for foreign exchange variances that the Gautrain Project is exposed to on the translation effect of the foreign denominated components, Euro and Pound, of payments certified.

(ii) Price risks

The GMA does not hold equity security and is therefore not exposed to equity security price risk. The GMA is also not exposed to any commodity price risk.

(iii) Interest rate risks

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

1.25 NEW STANDARDS AND INTERPRETATIONS

(A) Early adoption of Standards and Interpretations: Approved but not effective in the current year

The following Standards of GRAP have been approved by the Minister of Finance but are not yet effective for the year ended 31 March 2019. The GMA has, however, decided to early adopt these Standards of GRAP in accordance with Directive 5 on Determining the GRAP Reporting Framework.

The GMA has chosen to apply the following Standards of GRAP in formulating its Accounting Policy for Related Parties.

- GRAP 20: Related Party Disclosure.

(B) New Standards and Interpretations: Approved but not effective in the current year and not yet adopted

The following new/revised standards are not yet effective for the year ended 31 March 2019, and have not been applied in preparing these Annual Financial Statements.

STANDARDS OF GRAP	DETAILS OF THE AMENDMENT TO THE STANDARDS AND THE ANTICIPATED IMPACT THEREOF	FINANCIAL PERIOD
GRAP 32: Service Concession Arrangements: Grantor	The new standard prescribes the accounting for service concession arrangements by the grantor, a public sector entity. The impact of this is currently being assessed by management.	Effective for reporting periods beginning on or after 1 April 2019
GRAP 108: Statutory Receivables	The new standard of GRAP deals with the accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. Management's assessment indicates that the new standard will have no impact.	Effective for reporting periods beginning on or after 1 April 2019
GRAP 109: Accounting for Principals and Agents	The new standard of GRAP deals with whether an entity is a principal or an agent in a principal-agent arrangement. Management's assessment indicates that the new standard will have no impact.	Effective for reporting periods beginning on or after 1 April 2019

GAUTRAIN MANAGEMENT AGENCY DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. CASH AND CASH EQUIVALENTS

	2019 R'000	2018 R'000
Bank – Current account	330,563	279,750
Social Investment Programme funds	28,071	32,307
Performance Reserve Account funds	57,147	53,149
Insurance Proceeds account	336	317
TOTAL	416,117	365,523

Cash and cash equivalents consist of all cash balances of the GMA's various bank accounts held with Absa Bank Limited.

There are restrictions on the SIP Funds Account, Performance Reserve Account Funds and the Insurance Proceeds Account Funds. Please refer to 1.6 in the Accounting Policy for more detail.

3. RECEIVABLES (EXCHANGE TRANSACTIONS)

	2019 R'000	2018 R'000
3.1 Receivables (Exchange transactions) – Current assets		
Accrued income	51,922	12,189
Accrued interest income	10,880	10,390
Accrued interest income – SIP funds	154	180
Accrued Penalty income	-	389
Accrued bus savings	865	1,126
Accrued interest on bus savings	438	104
Accrued income (RUF)	39,585	-
Other receivables	6,668	39,956
IFM Project funds	-	7,676
Short-term portion of COJ debtor settlement	-	26,318
Collaboration project funds – DBSA	6,668	5,856
Shared cost receivable	-	106
Prepayments	6,300	4,897
Operating expenditure	6,300	4,897
TOTAL	64,890	57,042

3. RECEIVABLES (EXCHANGE TRANSACTIONS) (continued)

	2019 R'000	2018 R'000
3.2 Receivables (Exchange transactions) – Non-current assets		
Deposit	2,436	2,389
Rental deposit	2,173	2,173
Interest accrued on rental deposit	263	216
Gautrain System assets – Prepayments	280,236	280,236
TOTAL	282,672	282,625

4. PROPERTY, PLANT AND EQUIPMENT

	2019 R'000	2018 R'000
Gautrain System assets	27,953,279	29,087,395
GMA assets	14,794	14,488
	27,968,073	29,101,883

4.1 Gautrain System assets

	2019			2018		
	COST/ VALUATION R'000	ACCUMULATED DEPRECIATION R'000	CARRYING VALUE R'000	COST/ VALUATION R'000	ACCUMULATED DEPRECIATION R'000	CARRYING VALUE R'000
Land	4,379	-	4,379	4,379	-	4,379
Infrastructure assets	29,990,259	6,000,440	23,989,819	29,990,259	5,016,876	24,973,383
Plant and equipment	434,025	115,020	319,005	434,025	95,028	338,997
Rolling stock	4,017,464	687,813	3,329,651	4,017,464	568,265	3,449,199
Buses	205,636	160,731	44,905	205,636	132,794	72,842
Infrastructure – work in progress	265,520	-	265,520	248,595	-	248,595
	34,917,283	6,964,004	27,953,279	34,900,358	5,812,963	29,087,395

4. PROPERTY, PLANT AND EQUIPMENT (continued)

4.1 Gautrain System assets (continued)

RECONCILIATION – 2019	OPENING BALANCE R'000	ADDITIONS R'000	CAPITALISATION R'000	WRITE-OFF R'000	DEPRECIATION R'000	CLOSING BALANCE R'000
Land	4,379	-	-	-	-	4,379
Infrastructure assets	24,973,383	-	-	-	983,564	23,989,819
Plant and equipment	338,996	-	-	-	19,992	319,004
Rolling stock	3,449,199	-	-	-	119,549	3,329,650
Buses	72,842	-	-	-	27,937	44,905
Infrastructure – work in progress	248,595	16,926	-	-	-	265,521
Carrying value – 2019	29,087,394	16,926	-	-	1,151,040	27,953,279

RECONCILIATION – 2018	OPENING BALANCE R'000	ADDITIONS R'000	DISPOSALS R'000	WRITE-OFF R'000	DEPRECIATION R'000	CLOSING BALANCE R'000
Land	4,379	-	-	-	-	4,379
Infrastructure assets	26,011,498	-	-	-	1,038,114	24,973,384
Plant and equipment	358,987	-	-	-	19,992	338,995
Rolling stock	3,568,748	-	-	-	119,549	3,449,199
Buses	100,778	-	-	-	27,937	72,841
Infrastructure – work in progress	189,198	59,397	-	-	-	248,595
Carrying value – 2018	30,233,933	59,397	-	345	1,205,591	29,087,395

The GMA has received the approval of the Executive Authority: MEC for the Gauteng Department of Roads and Transport, for the transfer of the Gautrain System assets to the GMA, effective 1 July 2013, in accordance with the Public Finance Management Act, Section 42 and the Gautrain Management Agency Act, Section 31.

The GMA only has the right to use the land acquired to enable construction and operate the Gautrain System. GMA cannot dispose of the land nor can it use the land for any other purpose other than operating the Gautrain System. The ownership of the land resides with the Gauteng Provincial Government. Land is thus recognised at a nominal value of R1 per square meter.

4. PROPERTY, PLANT AND EQUIPMENT (continued)

4.2 GMA assets

SUMMARY	2019			2018		
	COST/ VALUATION	ACCUMULATED DEPRECIATION	CARRYING VALUE	COST/ VALUATION	ACCUMULATED DEPRECIATION	CARRYING VALUE
	R'000	R'000	R'000	R'000	R'000	R'000
Motor vehicles	947	509	438	1,119	516	603
Office equipment	4,810	4,066	744	4,428	3,613	815
Computer equipment	15,746	12,346	3,400	15,545	10,642	4,903
Furniture and fittings	2,909	2,385	524	2,902	2,129	773
Leasehold improvements	14,687	5,358	9,329	11,118	4,125	6,993
Leased office equipment	685	326	359	635	235	400
TOTAL	39,784	24,990	14,794	35,747	21,260	14,487

RECONCILIATION – 2019	OPENING BALANCE R'000	ADDITIONS R'000	CAPITALISATION R'000	WRITE-OFF R'000	DEPRECIATION R'000	CLOSING BALANCE R'000
Motor vehicles	603	-	12	-	153	438
Office equipment	815	409	-	-	480	743
Computer equipment	4,903	1,193	82	75	2,540	3,399
Furniture and fittings	773	42	-	6	286	523
Leasehold improvements	6,993	3,569	-	-	1,234	9,328
Leased office equipment	400	404	154	36	252	361
Carrying value – 2019	14,487	5,617	248	117	4,945	14,794

4. PROPERTY, PLANT AND EQUIPMENT (continued)

4.2 GMA assets (continued)

RECONCILIATION – 2018	OPENING BALANCE R'000	ADDITIONS R'000	TRANSFERS R'000	WRITE-OFF R'000	DEPRECIATION R'000	CLOSING BALANCE R'000
Motor vehicles	185	494	-	-	74	603
Office equipment	1,553	57	-	-	797	815
Computer equipment	6,245	2,275	-	382	3,235	4,903
Furniture and fittings	1,020	35	-	-	282	773
Leasehold improvements	7,944	41	-	-	986	6,993
Leased office equipment	262	521	-	163	219	400
Carrying value – 2018	17,209	3,423	-	545	5,594	14,487

The terms of the leased office equipment are disclosed in Note 8. All other GMA assets are owned by the GMA and are not secured.

5. HERITAGE ASSETS

5.1 Gautrain System assets

	2019			2018		
	COST/ VALUATION R'000	ACCUMULATED DEPRECIATION R'000	CARRYING VALUE R'000	COST/ VALUATION R'000	ACCUMULATED DEPRECIATION R'000	CARRYING VALUE R'000
Infrastructure heritage asset	3,295	-	3,295	3,295	-	3,295
	3,295	-	3,295	3,295	-	3,295

RECONCILIATION – 2019	OPENING BALANCE R'000	TRANSFERS R'000	DISPOSALS R'000	WRITE-OFF R'000	DEPRECIATION R'000	CLOSING BALANCE R'000
Infrastructure heritage asset	3,295	-	-	-	-	3,295
Carrying value – 2019	3,295	-	-	-	-	3,295

5. HERITAGE ASSETS (continued)

5.1 Gautrain system assets (continued)

RECONCILIATION – 2018	OPENING BALANCE R'000	TRANSFERS R'000	DISPOSALS R'000	WRITE-OFF R'000	DEPRECIATION R'000	CLOSING BALANCE R'000
Infrastructure heritage asset	3,295	-	-	-	-	3,295
Carrying value – 2018	3,295	-	-	-	-	3,295

The fair value of the heritage asset approximates the carrying value of the heritage asset. The heritage asset comprises an old shed at the Pretoria Station which is in a good condition. The shed has been painted and converted to a bus terminal for the station.

6. INTANGIBLE ASSETS

	2019 R'000	2018 R'000
Gautrain System assets	1	1
GMA assets	1,429	2,412
	1,430	2,413

6.1 Gautrain System assets

SUMMARY	2019			2018		
	COST/ VALUATION R'000	ACCUMULATED DEPRECIATION R'000	CARRYING VALUE R'000	COST/ VALUATION R'000	ACCUMULATED DEPRECIATION R'000	CARRYING VALUE R'000
Servitudes	1	-	1	1	-	1
TOTAL	1	-	1	1	-	1

RECONCILIATION – 2019	OPENING BALANCE R'000	ADDITIONS/ TRANSFERS R'000	DISPOSALS R'000	WRITE-OFF R'000	DEPRECIATION R'000	CLOSING BALANCE R'000
Servitudes	1	-	-	-	-	1
Carrying value – 2019	1	-	-	-	-	1

6. INTANGIBLE ASSETS (continued)

6.1 Gautrain system assets (continued)

RECONCILIATION – 2018	OPENING BALANCE R'000	ADDITIONS/ TRANSFERS R'000	DISPOSALS R'000	WRITE-OFF R'000	DEPRECIATION R'000	CLOSING BALANCE R'000
Servitudes	1	-	-	-	-	1
Carrying value - 2018	1	-	-	-	-	1

Gauteng Department of Roads and Transport has transferred the use of 795 servitudes to the GMA which are recognised at a nominal value of R1 per servitude. These servitudes will not be depreciated as they have an indefinite useful life.

6.2 GMA assets

SUMMARY	2019			2018		
	COST/ VALUATION R'000	ACCUMULATED DEPRECIATION R'000	CARRYING VALUE R'000	COST/ VALUATION R'000	ACCUMULATED DEPRECIATION R'000	CARRYING VALUE R'000
Computer software	9,522	8,093	1,429	9,065	6,653	2,412
TOTAL	9,522	8,093	1,429	9,065	6,653	2,412

RECONCILIATION – 2019	OPENING BALANCE R'000	ADDITIONS R'000	CAPITALISED R'000	WRITE-OFF R'000	DEPRECIATION R'000	CLOSING BALANCE R'000
Computer software	2,411	456	-	-	1,438	1,429
Carrying value - 2019	2,411	456	-	-	1,438	1,429

RECONCILIATION – 2018	OPENING BALANCE R'000	ADDITIONS R'000	CAPITALISED R'000	WRITE-OFF R'000	DEPRECIATION R'000	CLOSING BALANCE R'000
Computer software	3,365	801	-	-	1,754	2,412
Carrying value - 2018	3,365	801	-	-	1,754	2,412

7. PAYABLES (EXCHANGE TRANSACTIONS)

	2019 R'000	2018 R'000
Accrued project expenditure	159,167	147,327
Accrued operational expenditure	12,919	11,175
Accrued leave and bonus expenditure	27,780	20,882
Income received in advance	89	76
TOTAL	199,955	179,460

8. FINANCE LEASE LIABILITY

	2019		
	MINIMUM LEASE PAYMENT R'000	FUTURE FINANCE CHARGES R'000	PRESENT VALUE OF MINIMUM LEASE PAYMENTS R'000
Amounts payable under finance leases – 2019			
Within one year	290	(22)	268
Within two to five years	89	(2)	86
TOTAL FINANCE LEASE LIABILITY	379	(24)	354
Less: Amount due for settlement within 12 months (current portion)	(290)	22	(268)
TOTAL NON-CURRENT LEASE LIABILITY	89	(2)	86

The lease term varied between one and two years and the average effective borrowing rate is 10.25%. Interest rates are not fixed. All leases have fixed repayment terms.

	2018		
	MINIMUM LEASE PAYMENT R'000	FUTURE FINANCE CHARGES R'000	PRESENT VALUE OF MINIMUM LEASE PAYMENTS R'000
Amounts payable under finance leases – 2018			
Within one year	568	(25)	543
Within two to five years	104	(3)	101
TOTAL FINANCE LEASE LIABILITY	672	(28)	644
Less: Amount due for settlement within 12 months (current portion)	(568)	25	(543)
TOTAL NON-CURRENT LEASE LIABILITY	104	(3)	101

The average lease term is two years and the average effective borrowing rate is 9.0% (linked to prime interest rate). All leases have fixed repayment terms.

9. OBLIGATIONS ARISING FROM RESTRICTED SIP FUNDS

	2019 R'000	2018 R'000
Social Investment Programme Fund (SIP)	28,097	32,359
TOTAL	28,097	32,359
Reconciliation – Movement during the year:		
<i>(Includes all accrued income and expenditure)</i>		
Obligation at the beginning of the year	32,359	40,775
Add: Interest income	2,011	2,601
Less: Expenditure	(6,273)	(11,016)
Obligation at the end of the year	28,097	32,359

10. OBLIGATIONS ARISING FROM RESTRICTED PROJECT FUNDS

	2019 R'000	2018 R'000
Provincial Grants		
MTEF Equitable Share	316,568	229,890
Private Sector		
COJ Debtor	-	26,318
Private Sector	87,650	68,859
TOTAL	404,218	325,067
Reconciliation – Movement during the year:		
Obligation at the beginning of the year	325,067	480,178
Add: Project Funds received during the year – capital	1,921,106	1,744,753
Less: Project Expenditure paid during the year – capital	(1,841,955)	(1,899,864)
Obligation at the end of the year	404,218	325,067

10. OBLIGATIONS ARISING FROM RESTRICTED PROJECT FUNDS (continued)

10.1 Project funds received during the year

	2019 R'000	2018 R'000
Project income earned (includes all accrued income)		
Public Sector	1,670,353	1,579,398
MTEF Equitable Shares	1,670,353	1,579,398
Private Sector	250,753	165,355
Performance deductions	6,612	689
Rental income	1,082	814
Interest on bus savings	6,279	1,909
Bus savings	12,512	12,671
RUF Revenue	224,268	149,272
TOTAL	1,921,106	1,744,753

10.2 Project expenditure incurred during the year

	2019 R'000	2018 R'000
Project expenditure incurred (includes all accrued expenditure)		
Variation constructions milestones cost	-	66
Operating period variation costs	18,217	18,582
System improvements and repairs	76,858	160,086
Land expropriation costs	46,583	-
Patronage guarantee cost	1,667,356	1,571,858
Settlement Agreement	32,941	149,272
TOTAL	1,841,955	1,899,864

10. OBLIGATIONS ARISING FROM RESTRICTED PROJECT FUNDS (continued)

10.3 Analysis of the movement during the year

	2019 R'000	2018 R'000
Provincial – MTEF Equitable Share		
Obligation at the beginning of the year	(59,488)	259,475
Add: Current year receipts	1,670,353	1,579,398
Less: Project expenditure	(1,834,261)	(1,898,361)
	(223,396)	(59,488)
Other Private Sector Income		
Add: Obligation at the beginning of the year	128,859	114,279
Add: Performance deductions	6,612	689
Add: Rental income	1,082	814
Add: Interest on bus savings	6,279	1,909
Add: Bus savings	12,512	12,671
Less: Project expenditure	(7,694)	(1,503)
	147,650	128,859

11. PROVISIONS

	2019 R'000	2018 R'000
Land provision	12,606	12,606
TOTAL	12,606	12,606

Provisions are raised due to the degree of estimation used to measure the obligations. The outflow of resources is expected to be within 12 months.

	2019 R'000	2018 R'000
Reconciliation – Movement during the year:		
Opening balance	12,606	13,424
Less: Provision utilised	-	(818)
Closing balance	12,606	12,606

12. OBLIGATIONS ARISING FROM RESTRICTED CONCESSIONAIRE FUNDS

	2019 R'000	2018 R'000
Obligations arising from:		
Restricted Performance Reserve Account funds	57,529	53,506
Restricted Insurance Proceeds funds	338	319
	57,867	53,825
Obligations arising from restricted Performance Reserve Account funds <i>(Includes all accrued income and expenditure)</i>		
Restricted Performance Reserve Account	57,529	53,506
TOTAL	57,529	53,506

The Performance Reserve Account is funded by the Concessionaire. The balance to be maintained in the account is calculated in terms of the Concession Agreement. These funds are ring-fenced and restricted, as no other payments from or to the Performance Reserve Account are allowed, except as permitted by and in accordance with the Concession Agreement. The purpose of this account is to provide a funding mechanism for performance deductions (penalties) imposed on the Concessionaire for performance below performance measures specified in the Concession Agreement.

	2019 R'000	2018 R'000
Obligations arising from Restricted Insurance Proceeds funds		
Restricted Insurance Proceeds account	338	319
TOTAL	338	319
Reconciliation – Movement during the year: <i>(Includes all accrued income and expenditure)</i>		
Obligation at the beginning of the year	319	300
Add: Interest income	19	19
Obligation at the end of the year	338	319

The Insurance Proceeds account is used for the receipt of insurance proceeds to the Concessionaire as a result of successful insurance claims from the Gautrain System assets pursuant to Schedule 18 of the Concession Agreement. These funds are restricted.

13. OTHER LIABILITIES (EXCHANGE TRANSACTIONS)

	2019 R'000	2018 R'000
Other liabilities (Exchange Transactions) – Current liability		
Rental deposit payable	130	130
IFM Project Funds	8,161	-
	8,291	130
Other liabilities (Exchange Transactions) – Non-current liability		
Operating lease liability	7,100	4,165
Foreign exchange liability	93,804	93,804
Retention Rolling Incentive liability	-	21,213
TOTAL	100,905	119,182
Rental deposit payable		
Reconciliation – Movement during the year:		
Opening balance	130	130
Closing balance	130	130

The lease deposit is current as it is payable in the 12 months.

	2019 R'000	2018 R'000
Operating lease liability		
Reconciliation – Movement during the year:		
Opening balance	4,165	4,519
Movement	2,935	(354)
Closing balance	7,100	4,165

The operating lease liability will not be recovered in the next 12 months. Refer to Note 24 on details of the operating lease.

	2019 R'000	2018 R'000
Retention Rolling Incentive		
Reconciliation – Movement during the year:		
Opening balance	21,213	10,756
Movement	(21,213)	10,457
Closing balance	-	21,213

The GMA introduced the Retention Rolling Incentive (RRI) strategy which is aligned to the individual performance management system. However, the Board approved the revised Reward and Remuneration policy and the Retention Strategy at the meeting held on the 27 March 2019 which discounted the RRI.

13. OTHER LIABILITIES (EXCHANGE TRANSACTIONS) (continued)

	2019 R'000	2018 R'000
Foreign exchange liability		
Reconciliation – Movement during the year:		
Opening balance	93,804	93,804
Closing balance	93,804	93,804

The foreign exchange liability arises as a result of the translation effect on the foreign denominated components of the Milestone payments (Euro and Pound) in place over the life of the Project. The cash amount reflecting the actual savings on the foreign denominated components of the Milestone payments over the life of the Project is retained in the Project Accounts.

	2019 R'000	2018 R'000
Settlement Agreement		
Settlement Agreement Repayments		
Payable by Province to the Concessionaire	31,515	166,441
Payable by the Concessionaire to Province	-	-
	31,515	166,441
	(31,515)	(134,926)
Credit/Debit interest accrued	1,426	14,346
Available Funds on 15 March 2019 (RUF)	(32,941)	(149,272)
Settlement balance remaining at year end	-	31,515

On 18 November 2016, the Province and the Concessionaire agreed to a comprehensive settlement of all disputes relating to the Development Period of the Gautrain Rapid Rail Link Project. The settlement amount payable by the Province to the Concessionaire is subject to interest at the prime rate calculated from 1 March 2017 until the full amount has been discharged and that the maximum interest payable may not exceed R21 million.

In terms of the Settlement Agreement, the Concessionaire is entitled to set off the remainder of the settlement amount against the Railway Usage Fee (RUF) to which the Province is entitled in terms of the Concession Agreement. In the current year this set-off amount was R32.941 million and this settled in full the outstanding amount payable by the Province to the Concessionaire.

14. REVENUE FROM NON-EXCHANGE TRANSACTIONS

	2019 R'000	2018 R'000
MTEF funding	251,704	230,845
TOTAL	251,704	230,845

15. REVENUE FROM EXCHANGE TRANSACTIONS

	2019 R'000	2018 R'000
Finance income	25,544	35,412
Other income	172	126
Insurance claim GMA	163	63
Profit on sale of assets	9	63
TOTAL	25,716	35,538

16. BOARD MEMBERS' AND OTHER COMMITTEE MEMBERS' REMUNERATION

BOARD MEMBER REMUNERATION – 2019	2019			
	RETENTION FEES R'000	BOARD FEES R'000	TRAVEL EXPENSES R'000	TOTAL REMUNERATION R'000
Names of Board Members				
Mr A Mawela	90	93	2	185
Mr M Mokoena (Chairperson)	180	138	5	323
Ms P Moloto-Stofile (Deputy Chairperson)	90	100	1	191
Mr B Lengane	90	84	-	174
Ms S Hlapolosa	90	66	-	156
Ms L Khumalo	45	55	1	101
Mr D Nadison	90	104	2	196
Dr P Dala	104	102	2	208
Ms Shoki Ralebepa	-	-	-	-
TOTAL	779	742	15	1,536

AUDIT AND RISK COMMITTEE REMUNERATION – 2019	2019		
	ATTENDANCE FEES R'000	TRAVEL EXPENSES R'000	TOTAL REMUNERATION R'000
Names of Audit and Risk Committee members			
Mr B Lengane (Chairperson)	35	-	35
Ms L Khumalo	11	-	11
Ms P Moloto-Stofile (Deputy Chairperson)	21	-	21
Dr P Dala	24	1	25
TOTAL	91	1	92

	2019 R'000
TOTAL BOARD MEMBERS' AND OTHER COMMITTEE MEMBERS' REMUNERATION – 2019	1,628

16. BOARD MEMBERS' AND OTHER COMMITTEE MEMBERS' REMUNERATION (continued)

BOARD MEMBER REMUNERATION – 2018	2018			TOTAL REMUNERATION R'000
	RETENTION FEES R'000	BOARD FEES R'000	TRAVEL EXPENSES R'000	
Names of Board Members				
Mr A Mawela	23	27	1	51
Ms M Lugemwa (Chairperson)	135	132	3	270
Ms D Dondur (Deputy Chairperson)	66	90	2	158
Prof. W Thwala	68	109	5	182
Mr M Nkumanda	68	120	1	189
Mr B Lengane	90	116	1	207
Ms S Hlapolosa	90	180	3	273
Mr S Roopa	83	107	2	192
Mr U Mntonintshi	68	102	2	172
Ms L Khumalo	23	40	1	64
Mr D Nadison	23	14	-	37
Mr M Mokoena (Chairperson)	45	36	2	83
Dr P Dala	23	16	1	40
Ms P Moloto-Stofile (Deputy Chairperson)	23	24	-	47
TOTAL	828	1,113	24	1,965

AUDIT AND RISK COMMITTEE REMUNERATION – 2018	2018			TOTAL REMUNERATION R'000
	ATTENDANCE FEES R'000	TRAVEL EXPENSES R'000		
Names of Audit and Risk Committee Members				
Ms D Dondur (Chairperson)	26	-		26
Mr M Nkumanda	13	-		13
Mr B Lengane (Chairperson)	22	-		22
Mr S Roopa	16	-		16
Mr U Mntonintshi	19	-		19
Ms L Khumalo	9	-		9
Ms P Moloto-Stofile (Deputy Chairperson)	5	-		5
Dr P Dala	4	-		4
TOTAL	114	-		114

	2018 R'000
TOTAL BOARD MEMBERS' AND OTHER COMMITTEE MEMBERS' REMUNERATION – 2018	2,079

17. EXECUTIVE MANAGEMENT REMUNERATION

		2019					
		BASIC SALARY	COMPANY CONTRIBUTIONS	BONUS	ALLOWANCES	LUMP SUMS	TOTAL REMUNERATION
		R'000	R'000	R'000	R'000	R'000	R'000
Mr E van der Merwe	CEO	4,588	585	3,019	-	-	8,192
Mr W Dachs	COO	3,661	465	864	-	-	4,989
Mr P Mabena	CFO	2,980	400	718	-	-	4,099
Mr T Kgobe	SEM: Technical	2,806	382	742	-	-	3,930
Mr N Magoai	SEM: Legal	2,163	309	550	2	-	3,024
Dr B Jensen Vorster	SEM: Communication and Marketing	2,223	329	563	8	-	3,123
Ms P Yende	SEM: Corporate Services	1,631	209	336	-	-	2,176
		20,051	2,680	6,792	9	-	29,532

Bonuses are paid in arrears, thus the amounts disclosed above related to bonuses paid for the prior financial period.

		2018					
		BASIC SALARY	COMPANY CONTRIBUTIONS	BONUS	ALLOWANCES	LUMP SUMS	TOTAL REMUNERATION
		R'000	R'000	R'000	R'000	R'000	R'000
Mr E van der Merwe	CEO	4,313	515	2,791	19	-	7,638
Mr W Dachs	COO	3,189	454	732	4	-	4,379
Mr P Mabena	CFO	2,455	352	516	-	-	3,323
Mr T Kgobe	SEM: Technical	2,321	371	525	158	-	3,375
Mr N Magoai	SEM: Legal	1,880	290	377	17	-	2,564
Dr B Jensen Vorster	SEM: Communication and Marketing	2,000	299	421	18	-	2,738
Ms P Mahlawe (01 Apr 17 – 31 Aug 17)	SEM: Corporate Services	653	83	390	-	119	1,245
		16,811	2,364	5,752	216	119	25,262

Bonuses are paid in arrears, thus the amounts disclosed above related to bonuses paid for the prior financial period.

18. EMPLOYEE COSTS

	2019 R'000	2018 R'000
Salaries, bonuses and allowances	104,922	88,165
Increase/(Decrease) in leave accrual	763	(99)
Increase/(Decrease) in bonus accrual	6,136	4,466
Leave paid	52	-
Provident fund contributions and subsidy	12,855	10,378
Employer contributions	1,972	1,517
Retention Rolling Incentive	(21,213)	10,457
TOTAL	105,487	114,884

19. DEPRECIATION AND AMORTISATION COSTS

	2019 R'000	2018 R'000
Depreciation	1,155,987	1,211,185
Gautrain System assets	1,151,040	1,205,591
GMA assets	4,947	5,594
Amortisation	1,438	1,754
GMA assets	1,438	1,754
TOTAL	1,157,425	1,212,939

20. OPERATIONAL EXPENDITURE

	2019 R'000	2018 R'000
Project support consultants – Transaction advisors	51,026	53,003
Operational support costs	12,813	12,247
Technical costs, communication and public relations and land procurement	5,414	1,562
Legal costs	9,167	13,761
Commercial costs	23,632	25,433
Independent monitor costs	4,154	2,855
Independent socio-economic monitor costs	4,154	2,855
Travel, accommodation, entertainment and subsistence	995	1,649
Recruitment costs	305	39
Employee wellness	388	617
Loss of assets due to write-offs, donations and theft	117	747
Training and membership fees	2,845	2,773
Maintenance costs	185	234
Audit fees	2,449	2,798
Marketing and communication initiatives	10,109	15,161
Legal expenses	11,573	14,047
Consultant costs	53,504	13,691
Building rent and utilities	19,270	13,580
Office running costs	3,084	3,894
Insurance costs	1,152	1,071
IT related costs	14,549	8,975
Corporate affairs	2,395	2,513
GYM expenses	71	-
TOTAL	178,171	137,647

21. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS

	2019 R'000	2018 R'000
Net surplus per the Statement of Financial Performance	(1,165,324)	(1,201,167)
Adjusted for:		
Amortisation	1,438	1,754
Depreciation	1,155,987	1,211,185
Other non-cash items related to assets:	(16,244)	(58,507)
Increase in Gautrain System assets funded by external party	-	-
Write-off of assets, donations, profit/loss on sale of assets	117	890
Assets accrued	(16,360)	(59,397)
Finance leased assets	-	-
Increase/(Decrease) in current liabilities	103,270	(160,150)
Increase/(Decrease) in non-current liabilities	(14,251)	14,526
(Increase)/Decrease in receivables	(7,895)	24,714
Net cash inflows from operating activities	56,982	(167,644)

Included in the Cash Flow Statement is the GMA operational revenue and expenditure per Statement of Financial Performance and restricted revenue and expenditure per Notes 9, 10 and 12 on a cash basis.

22. RECONCILIATION OF THE BUDGET TO ACTUAL AMOUNTS IN THE STATEMENT OF FINANCIAL PERFORMANCE

	2019 R'000
Net surplus per the Statement of Financial Performance	(1,165,324)
base adjusted for:	
Amortisation	1,438
Depreciation	1,155,987
Other non-cash items related to assets:	(16,244)
Write-off of assets, donations, profit/loss on sale of assets	117
Assets accrued	(16,360)
Finance leased assets	-
Increase/(decrease) in current liabilities	103,270
Increase in non-current liabilities	(14,251)
(Increase)/decrease in receivables	(7,895)
Cash flows from operating activities	56,982
Net cash from investing activities	(6,354)
Acquisition of property, plant and equipment	(5,617)
Acquisition of intangible assets	(737)
Net cash from financing activities	(33)
Finance lease payments	(33)
Net increase in cash and cash equivalents	50,595
Other items not included in the budget:	(14,464)
Interest income	3,897
Bus savings received	(12,773)
Net SIP fund expenditure	(6,270)
Net Performance Reserve Account receipts	524
Insurance income and Proceeds on sale of assets	158
Net surplus/(deficit) before Project Funds from previous period	36,131
Plus: Funds from previous period	-
Net surplus	36,131

The period covered by the approved budget is the same as the period covered by the Annual Financial Statements. The GMA adopted a cash basis of accounting for the preparation of the approved budget, whilst the Annual Financial Statements are prepared on an accrual basis of accounting.

The overspend on Patronage Guarantee cost is a calculation of the difference between the Minimum Required Total Revenue and the Actual Total Revenue as defined in the Concession Agreement. Management had budgeted for the best estimate, given the scarcity of reliable past evidence and comparatives.

23. CONTINGENCIES AND COMMITMENTS

23.1 Commitments

At year end the commitments relating to development expenditure were mainly due to land expenditure for land proclaimed and expropriated for the railway reserve, and variations. These expenses are raised as a liability presented in Note 10 – obligations arising from restricted project funds, and in Note 11 – provisions.

Patronage Guarantee is paid on a monthly basis to the Concessionaire. The amount paid is the difference between the Minimum Required Total Revenue and the Actual Total Revenue as defined in the Concession Agreement. It is foreseen that the Patronage Guarantee will be paid for the next 12 months. The GMA expects the PG to grow at CPI, given that growth has now stabilised and the MRTR increases at a rate above inflation. The Patronage Guarantee payment for the 2018/19 financial year is disclosed in Note 10.

	CONTRACT END DATE	2019 R'000
Contractual commitments		
Information technology goods and services	2019	23,604
General consultants – HCM	2019	5,368
Technical consultants	Time driven	37,616
Feasibility study – COO Office	2019	-
Communication and marketing initiatives	2019	8,486
Capital commitments		
Capital variations commitments		135,818
		210,892

23.2 Operating lease commitments

	2019 R'000	2018 R'000
Total future minimum lease payments due:	46,105	22,706
- within one year	12,574	11,353
- within two to five years	33,531	11,353
- five years onwards	-	-
	46,105	22,706

The GMA entered into a seven year office lease agreement, which commenced on 1 April 2013 and terminates on 31 March 2020, and provides for an escalation of rental of 8.5% per annum. Further additional office space was acquired from the 1 December 2018 and terminates on 30 November 2022, and provides for an annual escalation of 8% over the period of the lease. The cost of the lease is straight-lined over the period of the lease.

Additional office space was leased from the 1 February 2016 and terminates on 31 March 2020, and provides for an escalation varying between 8.4% and 10% over the period of the lease. Further additional office space was acquired from 1 December 2018 and terminates on 30 November 2022, and provides for an annual escalation for 8% over the period of the lease. The cost of the lease is straight-lined over the period of the lease.

Further office space was leased from the 1 May 2016 and terminates on 31 March 2020, and provides for an escalation varying between 8.4% and 10% over the period of the lease. Further additional office space was acquired from 1 December 2018 and terminates on 30 November 2022, and provides for an annual escalation for 8% over the period of the lease. The cost of the lease is straight-lined over the period of the lease.

23. CONTINGENCIES AND COMMITMENTS (continued)

23.3 Operating lease commitments

	2019 R'000	2018 R'000
Leases expense	71	-

The GMA entered into a five year GYM lease agreement, which commenced on 1 March 2015, is subject to annual review and provides no escalation.

23.4 Litigation and contingencies

Insurance claim (Zurich Insurance Company – Formerly SA Eagle Insurance Company)

The Province has submitted a claim against Zurich SA (Pty) Ltd for the physical damage caused to the tunnel (Contractors All Risk) between Marlboro portal and Rosebank Station during construction.

Zurich SA (Pty) Ltd has, in terms of the Gautrain Construction Insurance, indemnified the Province against any damage or liability and has undertaken to pay or indemnify the Province for the full cost of replacing and/or making good all damage to the property insured (including the tunnel). Summons has been issued and a trial date has been set for November 2019. Expert witnesses for both Parties have engaged on preparing an expert minute for use by the court and preparation for the trial is far advanced.

Land cost disputes

This relates to land disputes raised by the property owners on the valuation of their expropriated properties. An estimate of R33.8 million has been claimed. These claims are dependent on the dates and outcome of court cases, therefore a provision has not been raised.

Settlement of Operating Period disputes

On 6 December 2018, the Province and the Concessionaire signed a Memorandum of Agreement (MoA) to settle various disputes and disagreements between the Parties arising during the Operating Period. The settlement in terms of the MoA is contingent on the preparation, approval and signature of a formal Settlement Agreement by the Province and the Concessionaire. The GMA is in the process of obtaining the requisite approvals and reviews of the Settlement Agreement.

In terms of the MoA, an amount of R89 million is payable by the Province to the Concessionaire in full and final settlement of disputes and disagreements arising during the Operating Period. At this stage the Settlement Agreement has been approved by the GMA Board and supported by the provincial Treasury. It is subject only to BCC lender and shareholder approval and National Treasury review.

24. RELATED PARTY TRANSACTIONS

Non-Executive Board Members and Board Committee Members

The total value of remuneration of the Non-Executive Board Members, including the Audit and Risk Committee Members, are disclosed in Note 16. The GMA did not enter into any other transactions with Non-Executive Board Members, including the Audit and Risk Committee Members.

Executive management

The total value of remuneration of executive management is disclosed in Note 17. The GMA did not enter into any other transactions with executive management.

24. RELATED PARTY TRANSACTIONS (continued)

Gauteng Provincial Government

An entity that is a member of the Gauteng Provincial Government and is under common control of the Gauteng Provincial Legislature is related to the GMA. However, only transactions and balances of the same economic entity will be disclosed.

In respect of entities, other government entities or appointed members of government, only transactions and balances under the Executive Authority of the MEC of Gauteng Department of Roads and Transport are disclosed. The Gauteng Department of Roads and Transport and its entities have been identified as entities of the same economic entity.

Entities under the Executive Authority: MEC of the Gauteng Department of Roads and Transport

During the financial year under review, the GMA did not enter into any transactions with entities under the Executive Authority of the MEC of the Gauteng Department of Roads and Transport.

Gauteng Department of Roads and Transport

The GMA provided project management capacity to assist the Department with its capital expenditure programme in the prior year. These transactions were at arm's length.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The GMA's financial instruments consist mainly of cash and cash equivalents, other receivables and other payables. The bank deposits and bank balances, receivables and payables approximate their fair value due to the short-term nature of these instruments.

The fair values together with the carrying amounts have been determined by using available market information and are presented in the Statement of Financial Position as detailed below.

	2019 R'000	2018 R'000
Financial assets – at carrying value	416,117	365,523
Cash and cash equivalents	51,922	12,189
Accrued income	6,668	39,956
Other receivables	2,436	2,389
Rental deposit		
TOTAL	477,143	420,057
Financial liabilities – at carrying value		
Payables	172,175	158,578
Finance lease liability	354	644
Other liabilities	109,196	119,312
Obligations arising from restricted SIP funds	28,097	32,359
Obligations arising from restricted Project funds	404,218	325,067
Obligations arising from restricted Concessionaire funds	57,867	53,825
TOTAL	771,907	689,784

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

	2019 R'000	2018 R'000
Fair value of financial instruments:		
Financial assets at fair value:		
Cash and cash equivalents	416,117	365,523
Accrued income	51,922	12,189
Other receivables	6,668	39,956
Rental deposit	2,436	2,389
TOTAL	477,143	420,057
Financial liabilities held at fair value:		
Payables	172,175	158,578
Finance lease liability	354	644
Other liabilities	109,196	119,312
Obligations arising from restricted SIP funds	28,097	32,359
Obligations arising from restricted Project funds	404,218	325,067
Obligations arising from restricted Concessionaire funds	57,867	53,825
TOTAL	771,907	689,785

The revenue and expenses that are included in the Statement of Financial Performance are detailed below per category of financial instrument:

	2019 R'000	2018 R'000
Income from cash and cash equivalents		
Finance income	25,544	35,412
Expenses from finance lease liability		
Finance costs	(33)	-
TOTAL	25,511	35,412

Financial instruments

Potential concentrations of credit risk consist mainly of cash and cash equivalents, trade receivables and other receivables. Banks and financial institutions with an acceptable independent rating are accepted. Other receivables consist of accrued interest and prepayments, upon which credit risk is limited as interest is receivable from banks with an acceptable independent rating and prepayments are minimal.

At 31 March 2019, the GMA did not consider there to be any significant concentration of credit risk which had not been insured or adequately provided for.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Fair value of financial instruments

The carrying amounts of the following financial instruments, approximate their fair value due to the fact that these instruments are predominantly of a short-term nature.

- Cash and cash equivalent bank balances with commercial interest rates.
- Short-term receivables – due to the short-term nature of GMA's receivables, amortised cost approximates its fair value.
- Long-term receivables bear interest at a rate that approximates market rates.
- Other payables – are subject to normal trade credit terms and short payment cycles. The cost of other payables approximates its fair value.

No financial instrument is carried at an amount in excess of its fair value.

Risk management

Interest rate risk management

The GMA does not have significant interest-bearing assets, and therefore the GMA's income and operating cash flows are substantially independent of changes in market interest rates.

Foreign exchange risk management

The GMA is not exposed to any foreign exchange risk relating to the certified Schedule 12 Milestones, as National Treasury has accepted responsibility for the foreign exchange risk relating to foreign component of Milestone payments.

The Gautrain Project has limited its exposure to any foreign exchange risk relating to the payment of Variation Milestones, as predetermined fixed hedge rates have been agreed by both the Province and the Concessionaire.

During the period under review no foreign exchange variances for Variation Milestones were reported.

Liquidity risk management

The GMA manages liquidity risk through the compilation and monitoring of cash flow forecasts as well as ensuring that there are adequate banking facilities.

The maturity profiles of the financial instruments are summarised as follows:

MATURITY PERIOD	2019		
	0-12 MONTHS R'000	1-5 YEARS R'000	> 5 YEARS R'000
Financial assets			
Accrued income	51,922	-	-
Other receivables	6,668	-	-
Rental deposit	-	2,436	-

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

MATURITY PERIOD	2019		
	0-12 MONTHS R'000	1-5 YEARS R'000	> 5 YEARS R'000
Financial Liabilities			
Payables	199,955	-	-
Finance lease liability	268	86	-
Other liabilities	-	109,196	-
Obligations arising from restricted SIP funds	28,097	-	-
Obligations arising from restricted Project funds	404,218	-	-
Obligations arising from restricted Concessionaire funds	-	-	57,867

Market risk sensitivity analysis

The sensitivity of the finance income to changes in interest rates are illustrated below. Management has estimated that a 200 basis points increase/decrease represents a reasonable possible change in the risk variable.

	2019	
	ACCUMULATED SURPLUS R'000	NET ASSETS R'000
Interest rate increase of 200 basis points	4,793	4,793
Interest rate decrease of 200 basis points	(4,793)	(4,793)

Qualification

The sensitivity analysis is based on market conditions at reporting date and may vary at the time that any actual market movement occurs.

26. SUBSEQUENT EVENTS

None.

27. GOING CONCERN

At 31 March 2019 the GMA Board has every reason to believe that the GMA has adequate resources in place to continue in operation for the foreseeable future.

GMA is a Provincial Schedule 3C entity and it is funded by the budget allocation from the Gauteng Province. The entity has been allocated a budget of R2 153 million for the 2019/20 Financial Year. The budget is sufficient to ensure that GMA is able to meet all its obligations for the 2019/20 Financial Year.

Gauteng Province and Gauteng Treasury have funds allocated for the GMA through the MTEF budget process as part of their budget/commitments to ensure the existence and running of the Gautrain Project up until the end of the Concession Agreement in 2026. These commitments have a positive impact on the annual financial statements and confirms that the GMA does not intend to liquidate the entity or to cease operations and remains a going concern and its mandate has not change.

28. SEGMENT REPORTING

The GMA has one economic activity that generates service potential, whose results are regularly reviewed by management to make decisions about resources to be allocated and for which financial information is available. The GMA has a single service segment as well as a geographical segment.



Section J

ANNUAL PERFORMANCE INFORMATION REPORT

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GAUTRAIN MANAGEMENT AGENCY ANNUAL PERFORMANCE INFORMATION REPORT FOR 2018/19 FINANCIAL YEAR

STRATEGIC ORIENTED GOAL 1: To ensure a reliable, efficient, affordable and sustainable rail service through maintaining a high level of service excellence in all performance related matters

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATORS	ANNUAL TARGET 2018/2019	EVIDENCE (MEANS OF VERIFICATION) PROVIDED AS PROOF OF DELIVERY OF TARGET	PLAN 2018/2019				
				Q1	Q2	Q3	Q4	TOTAL
Increase the Ridership of the Gautrain System so as to minimise the Patronage Guarantee	1 Average number of quarterly rail passengers (annualised)	15,190,000	a) Operations Summary Reports b) Reconciliation Reports (as and when available)	3,930,000	3,940,000	3,610,000	3,710,000	15,190,000
	2 Number of activities undertaken in accordance with the Marketing Plan	16	a) Quarterly Progress Report on performance against the plan b) Minutes of Social & Ethics Committee approving the Report	4 activities	4 activities	4 activities	4 activities	16 activities
	3 Average number of quarterly bus passengers (annualised)	4,850,000	a) Operations Summary Reports	1,230,000	1,250,000	1,160,000	1,210,000	4,850,000
	4 Investigate and identify all possible capacity system improvements and interventions on the existing Gautrain network	4	a) Quarterly report on existing and new interventions on the existing system	1	1	1	1	4
Ensure the efficient provision of capacity by the Concessionaire to match demand on the system	5 Number of monitoring events by the GMA of the Concessionaire on all capacity increase obligations set by the CA or by Variation Notice	6	a) 3 Rail Service Capacity Meeting Minutes and 3 Service Capacity Utilisation Plan Reviews	0	2	2	2	6

ACTUAL 2018/2019						VARIANCE	COMMENTS	REPORT FREQUENCY
Q1	Q2	Q3	Q4	TOTAL				
3,693,628	3,246,778	3,462,146	3,563,930	13,966,482	(1,223,518.00)	Not achieved – below the quarterly target by 8,1%. This is due to the train strike in Quarter 3 which partially impacted the months of July and August.	Quarterly	
5	4	3	4	16	-	Achieved	Quarterly	
791,910	944,333	1,060,181	1,186,547	3,982,971	(867,029.00)	Not achieved – below the quarterly target by 17,9%. This is due to the bus strike in Quarter 1 that lasted for 2 months.	Quarterly	
1	1	1	1	4	-	Achieved	Quarterly	
0	2	2	2	6	-	Achieved	Quarterly	

STRATEGIC ORIENTED GOAL 2: To assure that the obligations of the Concessionaire are met and that the Concession Agreement is managed for the optimal benefit of Gauteng province, its residents and visitors

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATORS	ANNUAL TARGET 2018/2019	EVIDENCE (MEANS OF VERIFICATION) PROVIDED AS PROOF OF DELIVERY OF TARGET	PLAN 2018/2019				
				Q1	Q2	Q3	Q4	TOTAL
Ensure the consistent and accurate application of the penalty regime against the Patronage Guarantee in accordance with the Concession Agreement so as to maintain a System and Services that meets the specification and is attractive to passengers	6 No of reviews of Penalty Verifications performed	11	a) Monthly Reviews of Performance Deductions and Dashboard	2	3	3	3	11
Ensure that the management of the relationship with the Concessionaire optimises performance delivery	7 Monthly review of Revenue and Patronage Reports for compliance with CA	11	a) Monthly Patronage and Revenue Report Reviews	2	3	3	3	11
	8 Number of Customer Satisfaction Surveys reviewed	2	a) Reviews of surveys and acceptance of outcomes in accordance with CA	0	1	0	1	2
	9 Resolution of disputes in line with the provisions of the Concession Agreement	4	a) Compliance and Litigation Report highlighting adherence to the CA and progress on claims and disputes	1	1	1	1	4
To monitor, evaluate and assess the relevant legislative compliance of the Concessionaire and the GMA	10 Number of reviews on compliance conducted on Health and Safety and legislative compliance	1	a) Legislative, Health and Safety Compliance Report	0	0	1	0	1

ACTUAL 2018/2019						VARIANCE	COMMENTS	REPORT FREQUENCY
Q1	Q2	Q3	Q4	TOTAL				
3	3	2	3	11	-	Achieved	Quarterly	
3	3	3	3	12	1	Achieved – Target exceeded by 1 as 3 reports were available for review in Q1 vs the plan of 2	Monthly	
0	1	0	1	2	-	Achieved	ó monthly	
1	1	1	1	4	-	Achieved	Quarterly	
0	0	1	0	1	-	Achieved	Annually	

STRATEGIC ORIENTED GOAL 3: To ensure sound financial management of all GMA revenue sources and safeguards the assets of the project to ensure that the Concessionaire meets its obligations regarding the maintenance of the system to the benefit of the project and the Gauteng province

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATORS	ANNUAL TARGET 2018/2019	EVIDENCE (MEANS OF VERIFICATION) PROVIDED AS PROOF OF DELIVERY OF TARGET	PLAN 2018/2019					TOTAL
				Q1	Q2	Q3	Q4	TOTAL	
To ensure the improved quality of overall financial management via efficient implementation of approved financial policies	11 Nature of audit opinion for 2018/19 FY	Un-qualified audit report	a) Audit report from Auditor General	0	0	0	Un-qualified Audit report	Un-qualified Audit report	
To completely and accurately account for assets of the GMA, and to ensure adequate safeguarding, verification and accountability over these assets	12 Quarterly Report detailing the management of the GMA Assets in compliance with GMA Asset Management policies and procedures	4	a) Asset Management Report b) Minutes of Finance and Asset Committee approving the Report	1	1	1	1	4	
To assure that the Concessionaire meets its obligations regarding the maintenance of the assets	13 Monthly oversight of Concessionaire asset maintenance regime	12	a) GMA Reviews of the Concessionaire's monthly Asset and Maintenance Reports	2	3	3	4	12	
	14 Number of station and system assets condition inspection reports	4 System and 40 Stations Condition and Cleanliness inspections	a) Station and system condition inspection non-conformance reports	1 System and 10 Stations Condition and Cleanliness inspections	1 System and 10 Stations Condition and Cleanliness inspections	1 System and 10 Stations Condition and Cleanliness inspections	1 System and 10 Stations Condition and Cleanliness inspections	4 System and 40 Stations Condition and Cleanliness inspections	

ACTUAL 2018/2019						VARIANCE	COMMENTS	REPORT FREQUENCY
Q1	Q2	Q3	Q4	TOTAL				
0	0	0	Un-qualified Audit report	Un-qualified Audit report	Un-qualified Audit report	Achieved	Annually	
1	1	1	1	4	-	Achieved	Quarterly	
2	3	3	4	12	-	Achieved	Monthly	
1 System and 10 Stations Condition and Cleanliness inspections	1 System and 10 Stations Condition and Cleanliness inspections	1 System and 10 Stations Condition and Cleanliness inspections	1 System and 10 Stations Condition and Cleanliness inspections	4 System and 40 Stations Condition and Cleanliness inspections	-	Achieved	Quarterly	

STRATEGIC ORIENTED GOAL 4: To enhance the management of the Concession Agreement through entrenching an environment of strong Corporate Governance and Legal Compliance

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATORS	ANNUAL TARGET 2018/2019	EVIDENCE (MEANS OF VERIFICATION) PROVIDED AS PROOF OF DELIVERY OF TARGET	PLAN 2018/2019				
				Q1	Q2	Q3	Q4	TOTAL
Evaluate the effectiveness of corporate governance in the GMA	15 Evaluation of the effectiveness of the Board and Board Committees	Approved Performance Evaluation Report of the Board and Board Committees	a) Performance Evaluation Report of the Board and Board Committees b) Action Plan emanating from the Performance Evaluation of the Board and Board Committees	0	0	0	1	1
Evaluate the effectiveness of corporate governance in the GMA	16 Delegation of Authority (DoA) reviewed and approved by Board	Approval of the Revised DoA by the Board	a) Approved Revised DoA	0	0	0	1	1
To create an environment that attracts and retains talent	17 Not more than 10% vacancy rate	90% of approved and budgeted vacant posts filled	a) Quarterly Human Capital reports	75% of approved and budgeted vacant posts filled	80% of approved and budgeted vacant posts filled	85% of approved and budgeted vacant posts filled	90% of approved and budgeted vacant posts filled	90% of approved and budgeted vacant posts filled
Provide assurance on compliance with internal controls in all divisions	18 Quarterly Key Control Dashboard which highlights the state of control in the area of Leadership, Financial and Performance Management and Governance in compliance with PFMA	4	a) Key Control Dashboard Report b) Minutes of Audit & Risk Committee approving the Report	1	1	1	1	4
	19 Quarterly Consolidated Internal Reports issued to the ARC highlighting the progress against the approved Internal Audit Plan	4	a) Quarterly Consolidated Internal Audit Report b) Minutes of Audit & Risk Committee approving the Report	1	1	1	1	4
Provide a secure and reliable information technology environment that facilitates knowledge sharing	20 ICT and Knowledge Management Plans reviewed and implemented	4	a) Quarterly reports on actual against planned delivery b) Minutes of Audit & Risk Committee approving the Report	1	1	1	1	4
Provide for the effective identification and mitigation of risks across all functions	21 Quarterly Reporting on Development and Implementation of Risk Management Process for Strategic and Emerging Risks	4	a) Quarterly Risk Registers b) Minutes of Audit & Risk Committee approving the Risk Registers	1	1	1	1	4

ACTUAL 2018/2019						VARIANCE	COMMENTS	REPORT FREQUENCY
Q1	Q2	Q3	Q4	TOTAL				
0	0	0	0	0	-1	Not achieved – Performance evaluation of Board and Board Committees done by an independent facilitator is currently under way. The evaluation process will be completed in May with the presentation of the Evaluation Report to Board on 31 May 2019.	Annually	
Approval of the Revised DoA by the Board	0	0	0	Approval of the Revised DoA by the Board	-	Achieved	Annually	
88% of approved and budgeted vacant posts filled	90% of approved and budgeted vacant posts filled	93% of approved and budgeted vacant posts filled	94% of approved and budgeted vacant posts filled	94% of approved and budgeted vacant posts filled	4% of approved and budgeted vacant posts filled	Achieved – 4% over target due to the following: GMA revised its Organisational Design and Structure during the period under review which resulted in additional new positions to the Structure.	Quarterly	
1	1	1	1	4	-	Achieved	Quarterly	
1	1	1	1	4	-	Achieved	Quarterly	
1	1	1	1	4	-	Achieved	Quarterly	
1	1	1	1	4	-	Achieved	Quarterly	

STRATEGIC ORIENTED GOAL 5: To promote a robust, co-operative and productive environment with all relevant structures of government and stakeholders

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATORS	ANNUAL TARGET 2018/2019	EVIDENCE (MEANS OF VERIFICATION) PROVIDED AS PROOF OF DELIVERY OF TARGET	PLAN 2018/2019				
				Q1	Q2	Q3	Q4	TOTAL
Adopt a stakeholder inclusive approach that balances needs of material stakeholders	22 Number of activities undertaken in accordance with Communication Plan	16	a) Quarterly progress report of actual against planned activities b) Minutes of Social & Ethics Committee approving the report	4 activities	4 activities	4 activities	4 activities	16 activities

STRATEGIC ORIENTED GOAL 6: To contribute to the economic growth and development of Gauteng through deliberate economic interventions and targeted job creation and support of BEEs and SMMEs in the province

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATORS	ANNUAL TARGET 2018/2019	EVIDENCE (MEANS OF VERIFICATION) PROVIDED AS PROOF OF DELIVERY OF TARGET	PLAN 2018/2019				
				Q1	Q2	Q3	Q4	TOTAL
To monitor and verify the Concessionaire's socio-economic development obligations	23 Number of ISEM reports with verified performance on obligations and variations	10	a) ISEM Performance Reports	3	3	3	1	10
To oversee the GMA's Social Investment Programmes	24 Quarterly Progress reports on SIP activities	4	a) Quarterly progress report with individual project reports b) Minutes of Social & Ethics Committee approving the report	1	1	1	1	4

ACTUAL 2018/2019						VARIANCE	COMMENTS	REPORT FREQUENCY
Q1	Q2	Q3	Q4	TOTAL				
11	11	11	11	44	28	Achieved. The EM: Communication was responsible for marketing and communication activities. With the appointment of an EM Marketing, the role was split allowing for more communication activities than planned.	Quarterly	

ACTUAL 2018/2019						VARIANCE	COMMENTS	REPORT FREQUENCY
Q1	Q2	Q3	Q4	TOTAL				
3	3	3	3	12	2	Achieved – 2 additional reports were available for review, hence the over-achievement	Monthly	
1	1	1	1	4	-	Achieved	Quarterly	

STRATEGIC ORIENTED GOAL 7: To ensure that Gautrain is a catalyst and contributor to the total public transport solution in Gauteng through the development and implementation of integration strategies

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATORS	ANNUAL TARGET 2018/2019	EVIDENCE (MEANS OF VERIFICATION) PROVIDED AS PROOF OF DELIVERY OF TARGET	PLAN 2018/2019				
				Q1	Q2	Q3	Q4	TOTAL
Support integration related engagements, particularly with the Province and the three metropolitan municipalities	25 GMA involvement through meetings and projects	4 Quarterly Reports on progress regarding joint development	a) Quarterly Report and Minutes of Meetings where applicable	1	1	1	1	4
Provide effective facilitation of integration of Gautrain trains and buses with other modes of transport at Gautrain stations	26 Number of initiatives implemented by GMA that support integration of modes	4	a) Record of implementation or Signed Agreement or approved initiative by CEO	1	1	1	1	4
Ensure the development of a regime of public transport ticket interoperability	27 Support the DRT by establishing a team of specialists to develop the IFM system	4	a) Quarterly Progress Report	1	1	1	1	4
Fulfil a planning function with regard to the Gauteng Rapid Rail extensions	28 Commence Route Determination with establishment of necessary specialist team for Phase 1 of the Feasibility Study in terms of GTIA	4	a) Progress Report	1	1	1	1	4

STRATEGIC ORIENTED GOAL 8: To ensure sound project and financial planning to the optimal benefit of the GMA and Gauteng province

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATORS	ANNUAL TARGET 2018/2019	EVIDENCE (MEANS OF VERIFICATION) PROVIDED AS PROOF OF DELIVERY OF TARGET	PLAN 2018/2019				
				Q1	Q2	Q3	Q4	TOTAL
Implement a partnership plan that involves stakeholders to contribute towards the GMA's sustainability	29 Interaction with at least two partners: New partnerships or the renewal of existing partnerships.	Identification of and interaction with at least three partners or renewal of MOU with existing partners	a) Signed MOUs with partners	0	1 MOU	1 MOU	1 MOU	3 MOUs

ACTUAL 2018/2019						VARIANCE	COMMENTS	REPORT FREQUENCY
Q1	Q2	Q3	Q4	TOTAL				
1 Quarterly Report on progress regarding joint development	1 Quarterly Report on progress regarding joint development	1 Quarterly Report on progress regarding joint development	1 Quarterly Report on progress regarding joint development	4 Quarterly Reports on progress regarding joint development	-	Achieved	Quarterly	
0	0	2	3	5	1	Achieved – Target exceeded by 1: One of the initiatives viz MFDS routes was split into two due to demand and to improve operational efficiency	Quarterly	
1	1	1	1	4	-	Achieved	Quarterly	
1	1	1	1	4	-	Achieved	Quarterly	

ACTUAL 2018/2019						VARIANCE	COMMENTS	REPORT FREQUENCY
Q1	Q2	Q3	Q4	TOTAL				
0	Identification of and interaction with four partners or renewal of MOU with existing partners	Identification of and interaction with two partners or renewal of MOU with existing partners	Identification of and interaction with seven partners or renewal of MOU with existing partners	Identification of and interaction with 13 partners or renewal of MOU with existing partners	Identification of and interaction with 10 partners or renewal of MOU with existing partners	Achieved – The GMA now has a dedicated resource appointed for partnerships, hence the over-achievement of 10	Three times a year	

GLOSSARY

ACSA	Airports Company of South Africa	EDMS	Electronic Document Management System
AFC	Automatic Fare Collection	EE	Employment Equity
AFSA	Arbitration Foundation of Southern Africa	EDMS	Electronic Document Management System
APS	Airport Passenger Service	EIA	Environmental Impact Assessment
ARC	Audit and Risk Committee	EMP	Environmental Management Plan
ASB	Accounting Standards Board	EMV	Europay Master Visa
ATS	Alexandra Transport Solutions	EWRMS	Enterprise-Wide Risk Management System
BBBEE	Broad Based Black Economic Empowerment	GDARD	Gauteng Department of Agriculture and Rural Development
BCJV	Bombela Civil Joint Venture	GDID	Gauteng Department of Infrastructure Development
BCP	Business Continuity Plan	GDRT	Gauteng Department of Roads and Transport
BEs	Black Entities	GEGDS	Gauteng Employment, Growth and Development Strategy
BMC	Bombela Maintenance Company	GIS	Geographic Information System
BOC	Bombela Operating Company	GMA	Gautrain Management Agency
CA	Concession Agreement	GMA Act	Gautrain Management Agency Act, No. 5 of 2006
CAE	Chief Audit Executive	GPG	Gauteng Provincial Government
CC	Competition Commission	GPS	General Passenger Service
CCTV	Closed Circuit Television	GRAP	Generally Recognised Accounting Practice
CEO	Chief Executive Officer	GTIA	Gauteng Transport Infrastructure Act, No. 8 of 2001
CIPC	Companies and Intellectual Properties Commission	GTIP5	5-year Gauteng Transport Implementation Plan
Concessionaire	Bombela Concession Company (Pty) Ltd	HC	Human Capital
CPI	Consumer Price Index	HDI	Historically Disadvantaged Individuals
DBSA	Development Bank of South Africa	HoA	Heads of Agreement
DFDS	Dedicated Feeder and Distribution Services	HR	Human Resources
DRP	Dispute Resolution Procedure	I&AP	Interested and Affected Party
DRT	Department of Roads and Transport	ICT	Information and Communications Technology
DWS	Department of Water and Sanitation		
EA	Enterprise Architecture		
EAP	Environmental Assessment Practitioner		

IEC	Independent Environmental Consultant
ITMP	(Gauteng) Integrated Transport Master Plan
ISEM	Independent Socio-Economic Monitor
JRA	Johannesburg Roads Agency
KM	Knowledge Management
KPI	Key Performance Indicator
LIR	Land Information Register
MAXIMO	Concessionaire's maintenance information management system
MEC	Member of the Executive Council (for Roads and Transport, Gauteng)
MFDS	Midibus Feeder and Distribution Service
MOU	Memorandum of Understanding
MRTR	Minimum Required Total Revenue
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NARSA	National Archives and Records Service of South Africa
NLTA	National Land Transport Act, No. 5 of 2009
NMT	Non-Motorised Transport
NIPMO	National Intellectual Property Management Office
OCD	Operating Commencement Date
O&M	Operations and Maintenance
ORTIA	OR Tambo International Airport
PFMA	Public Finance Management Act, No. 1 of 1999

PH	Public Holidays
PICC	Presidential Infrastructure Co-ordinating Commission
PMC	Performance Monitoring Committee
PMS	Performance Monitoring System
PoPI	Protection of Personal Information Act
PPP	Public Private Partnership
PRASA	Passenger Rail Agency of South Africa
Province	Gauteng Provincial Government
PST	Province's Support Team
PV	Photovoltaic
QMS	Quality Management System
RFP	Request for Proposals
RoD	Record of Decision
RRE	Rail Reserve Events
SCUMP	Service Capacity Utilisation Management Plan
SED	Socio-Economic Development
SHEQ	Safety, Health, Environment and Quality
SMMEs	Small, Medium and Micro Enterprises
SIP	Social Investment Programmes
SIP7	Strategic Integrated Project
SITA	State Information Technology Agency
TA1	Treasury Approval
TRAC SA	Technology and Research Activity Centre of South Africa
UATP	International Association of Public Transport
WUL	Water Use Licence



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