City of Joburg Property Company SOC Ltd

Integrated Annual Report

Registration Number: 2000/017147/07

2017/2018

Company Information

Registration number: 2000/017147/07
Registered address: 1st Floor, Forum II, Braam Park, 33 Hoofd Street, Braamfontein
Postal address: PO Box 31565, Braamfontein, 2017
Telephone number: +27 010 219 9000
Fax number: +27 010 219 9400
Website: www.jhbproperty.co.za
Bankers: Standard Bank South Africa
Auditors: Auditor-General of South Africa
Company Secretary: Craig Matthews

Values

Company values are the ethical foundation of JPC and are therefore fundamental to JPC's success. Such values are not just important but crucial to the overall ascendancy of JPC. The values adopted by JPC are:

- Professionalism
- Accountability
- Responsibility
- Customer Service
- Trust

Vision

Our vision is to provide Property Management, Property Development, Facilities Management, Property Asset Management and Outdoor Advertising services in order to maximise the social, economic and financial benefit to the City of Johannesburg (CoJ) as well as support the delivery objectives on a cost - competitive basis.

Mission

JPC is an agent of the City of Johannesburg, responsible for maximising the social, economic and financial value of the CoJ's total property portfolio and enhancing the efficiency of its use. JPC provides Property Asset Management, Property Management, Facilities Management, Property Development and Outdoor Advertising services, as well as interacts with the public in respect of the property portfolio. JPC supports the achievement of the CoJ's strategic priorities, including economic and social development and the service delivery of the CoJ.

Approval

Date: 30 November 2018

Mr Imraan Bhamjee
Chief Financial Officer

Signature

Ms Helen Botes
Chief Executive Officer

Signature

Mr Nyambeleni Tshindane
Chairperson of Board

Signature

Cllr Leah Knott
Member of Mayoral Committee

Signature

Acronyms

Acronym	Name
AFS	Annual Financial Statements
AGM	Annual General Meeting
AGSA	Auditor-General of South Africa
AIDS	Acquired Immune Deficiency Syndrome
ARC	Audit and Risk Committee
B-BBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
BMI	Body Mass Index
CAPEX	Capital Expenditure
CBO	Community-Based Organisation
CCMA	Commission for Conciliation, Mediation and Arbitration
COBIT	Control Objectives for Information and Related Technology
CoJ	City of Johannesburg Metropolitan Municipality
CoT	City of Tshwane
CSI	Corporate Social Investment
CSU	Client Servicing Unit
DED	Department of Economic Development
EAC	Executive Adjudication Committee
EAP	Employee Assistance Programme
EE	Employment Equity
EPWP	Expanded Public Works Programme
FMM	Facilities Management and Maintenance
FRACC	Fraud and Corruption Committee
GBCSA	Green Building Council of South Africa
GCSS	CoJ: Group Corporate Shared Services
GIAS	Group Internal Audit Services

Acronym	Name
GDS 2040	Growth and Development Strategy 2040
GIS	Geographic Information System
GRAP	Generally Recognised Accounting Practice
GRAS	Group Risk and Advisory Services
GRI	Global Reporting Initiative
HIV	Human Immunodeficiency Virus
IAC	Independent Audit Committee
IAS	International Accounting Standards
ICT	Information and Communication Technology
IDP	Integrated Development Plan
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
ILP	Individual Learning Plan
IMPSA	Institute of Municipal People Practitioners of Southern Africa
IOC	Integrated Operations Centre
IPM	Institute of People Management
ISPPIA	International Standards for the Professional Practising of Internal Auditing
IT	Information Technology
ITIL	Information Technology Infrastructure Library
JCCI	Johannesburg Chamber of Commerce and Industry
JPC	City of Joburg Property Company SOC Ltd
KPI	Key Performance Indicator
LIS	Land Information System
LLF	Local Labour Forum
MDG	Millennium Development Goal
MFMA	Municipal Finance Management Act, No 56 of 2003

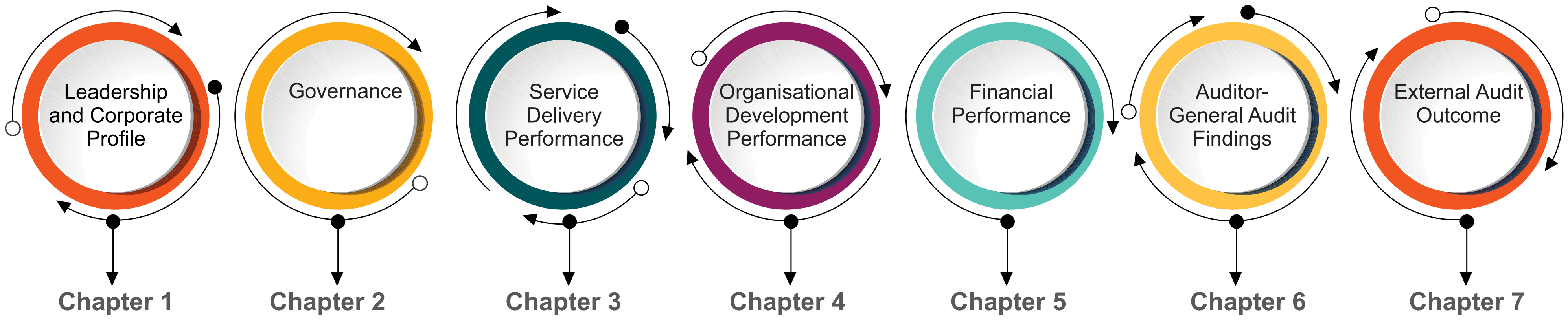
Acronym	Name
MMC	Member of the Mayoral Committee
MOE	Municipal Owned Entity
MOU	Memorandum Of Understanding
MSA	Municipal Systems Act, 2003
NED	Non-Executive Director
NGO	Non-Governmental Organisation
OHASA	Occupational Health And Safety Act, 1993
OPEX	Operational Expenditure
PIMS	Property Information Management System
POC	Proof Of Concept
RDP	Reconstruction and Development Programme
REMCO	Remuneration and Human Resources Committee
RFP	Request For Proposal
SAPOA	South African Property Owners Association
SCM	Supply Chain Management
SDA	Service Delivery Agreement
SDBIP	Service Delivery Budget Implementation Plan
SDJOC	Service Delivery Joint Operations Committee
SDM	Service Delivery Model
SHE	Safety, Health and Environment
SMMEs	Small, Medium and Micro-Enterprises
SOC	State-Owned Company
UNGC	United Nations Global Compact
WMC	Work Management Centre
WSP	Workplace Skills Plan
YTD	Year-To-Date

Content

About This Report

The Statutory Annual Reporting Process

The Municipal Finance Management Act (MFMA), 2003, the Municipal Systems Act (MSA) (Section 46) and National Treasury's MFMA Annual Report Circular 63 require the City of Joburg Property Company SOC Ltd (also referred to as JPC) as a Municipal Entity to prepare an annual report for each financial year, covering both financial and non-financial performance. The report is informed by guidelines provided by the International Integrated Reporting Council (IIRC) and also considers the reporting priorities outlined in the King Code of Governance for South Africa, this report is structured as follows:



Referencing content online

The JPC 2017/18 Integrated Annual Report is available at www.jhbproperty.co.za.

Scope and Boundary of the integrated Report

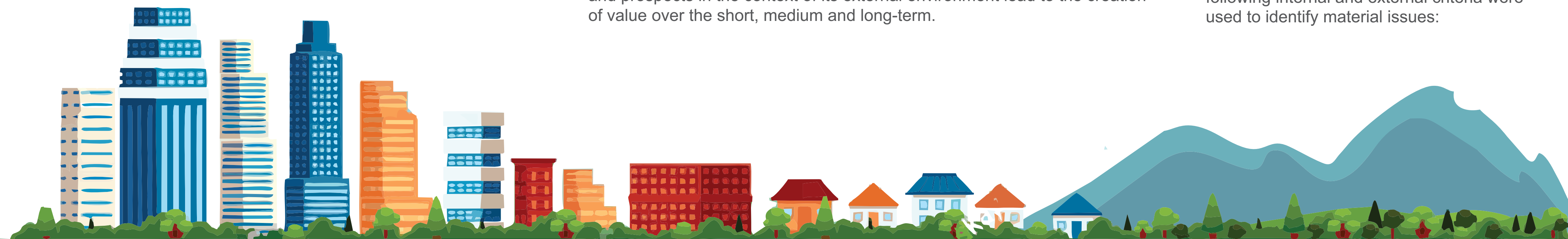
The boundary of this report is limited to performance reporting as it relates to JPC during the 2017/18 financial year. Where applicable, the boundary extends to reporting on performance by JPC that facilitate service delivery on behalf of the City, and as mandated by the City. The board approved the JPC Integrated Report for the period 1 July 2017 to 30 June 2018 in November 2018.

Reporting Philosophy and Alignment to Lead Practice Frameworks

JPC subscribes to integrated annual reporting. As such, the report aims to reflect the company's commitment to a measured and integrated approach to its strategy and operational practices, as well as to report on its economic, social and environmental impacts. Through the use of an integrated reporting format and the application of globally recognised governance and sustainability reporting frameworks, this report aims to offer stakeholders a clear view of how JPC's strategy, governance, performance and prospects in the context of its external environment lead to the creation of value over the short, medium and long-term.

Materiality

JPC has applied the principle of materiality in determining relevant content and disclosure. A matter is material if it is of such relevance and importance that it could substantially influence an assessment of the report and JPC's ability to create value in the short, medium and long term. The following internal and external criteria were used to identify material issues:



About This Report

Internal Criteria:

- Joburg 2040 GDS criteria and objectives
- An enterprise Risk Management Process, including key risks impacting JPC's strategic and operational objectives and the associated mitigating activities.
- Stakeholder expectations and feedback – e.g. from residents, ratepayers, the business community, Non-Governmental Organisations (NGOs), National and Provincial Government, neighbouring municipalities, designated targeted groups, academics, investors and the media.
- JPC's mission, vision and values.
- JPC's governance framework and policy environment.

External Criteria:

- The provisions of various frameworks, including the MFMA, section 46(1) of the MSA, the King Code on Corporate Governance; discussion papers issued by the South African Integrated Reporting Committee and the IIRC, International Financial Reporting Standards (IFRS), the Global Reporting Initiative (GRI) Framework, the United Nations Global Compact (UNGC), the Millennium Development Goals (MDGs), the Carbon Disclosure Project and the Broad-based Black Economic Empowerment (B-BBEE) Code.
- The factors that may affect JPC's reputation and influence (its ability to promote sustainable growth).
- Changes in the socioeconomic development agenda and priorities of national and provincial government
- Emerging opportunities and challenges facing the JPC

Feedback

JPC aims to establish and maintain constructive and informed relationships with its stakeholders. Accordingly, please direct any feedback on this report to clientservicing@jhbproperty.co.za;

Assurance

The JPC Board oversees the integrity of the integrated annual report. The board is supported by JPC's board committees, namely the Audit and Risk Committee, the Remuneration and Human Resource Committee and the Transformation, Social and Ethics Committee. The Auditor-General (South Africa) audited JPCs reported financial and non-financial performance.

Approval of the Integrated Report

The Board of the City of Joburg Property Company acknowledges its responsibility to ensure the integrity of the 2017/18 Integrated Annual Report. The board collectively confirms having collectively reviewed the content of the report and agrees that it addresses issues that are material and that it provides a fair representation of the integrated performance of JPC for the period 1 July 2017 to 30 June 2018.

CHAPTER 01

Leadership and Corporate Profile

This is my second JPC annual report as MMC for Economic Development. The department, together with development planning, plays a pivotal role in achieving the Mayor's Inner City turn around objectives. Within this plan, JPC, in particular, is under pressure to hit a number of tight delivery timelines.

JPC is also required to play its part in the GDS 2040 vision. In this regard, JPC needs to focus on creating “livable communities” as well as assisting in development planning to best develop targeted economic nodes by intelligently using Joburg city assets. Added to this, JPC's pivotal role in the rejuvenation of the inner city will assist in combating urban sprawl and addressing Apartheid era planning, both key issues in our IDP and GDS 2040 objectives.

Having touched on the interconnected roles of Economic Development and Development planning, I feel that I must emphasise that this as an area where improvement is necessary. Both departments are needed to work hand in glove if the level of required coordination is to be achieved.

This year has also seen a concern arising from JPCs internal audit. JPC has had audit findings in the past but for the last three years has enjoyed a clean audit from the Auditor General. The internal audit for the first time in 8 years has now been conducted in-house by GIAS. The circumstances surrounding the audit and the interaction between JPC management and auditors has been a serious concern to myself and the shareholder.

The inter-company debt also remains a concern and all efforts will be made in the new financial year to address this on-going issue. Efforts to date, have been made to sit with individual departments and MOE's, in order to thrash out the debt problem on a case by case basis.

In terms of public reputation and participation, JPC's road shows with Joburg City Councillors are a positive step towards better interaction with our residents. Ultimately it is our residents who are the true judges of our performance. Without wanting to water down this gain, it must also be put on record that timeous handling of councillor queries can be improved a good deal.

In terms of targets achieved and scorecards, JPC achieved five targets, exceeded 9 and fell short in one. This is a final tally of 14 out of 15 targets achieved. If the final audit can verify this achievement, it will certainly be a high point.

I will be urging JPC management as part of my corrective action to conduct sessions with the City Manager in order to address stoppages and delays in the lease renewal process, particularly community and social leases as this once again impacts on our 2040 goal to create livable communities that offer the full array of community facilities and activities.

Finally, I look forward to a fresh and efficient approach to managing outdoor advertising in our city. We have a dire need to reduce clutter while at the same time be more inclusive as small businesses have not had much impact on outdoor advertising.

To the members of the board, I thank you for your service and contribution towards good governance in JPC.

Leah Knott
MMC: Economic Development

It gives me great pleasure to table my second report as Chairperson since the appointment of the Board on 16 March 2017 at the Shareholder's (CoJ's) Annual General Meeting (AGM) of its entities. This Board was re-appointed by the Shareholder at the AGM held on 20 April 2018. The period covered by this review is 1 July 2017 to 30 June 2018.

I wish to take this opportunity to thank the Executive Mayor, Cllr Herman Mashaba, for once again bestowing this responsibility on my colleagues and I.

This review takes cognisance of the intended integration of the entities into the CoJ.

The Board together with the experienced and multidisciplinary management team have embarked on a financial turnaround strategy for the JPC in light of the pending re-absorption of the Facilities Management function to the relevant CoJ department/s. Coupled with this, is the development of a “Boldness” Strategy which will be tabled with the Shareholder with the aim of proposing to the Shareholder bold new ways in which the JPC can assist the CoJ in realising optimal value from its property portfolio. Service delivery is at the heart of this new Strategy.

The JPC Board further streamlined the Board Committee structures, which resulted in the merger of the Transformation, Social and Ethics & Remunerations and Human Resources Committees. The Board will go forward and also structure the agendas of Board/Committees meetings in such a way as to focus on the new Strategy. From a governance and compliance perspective, the Board continued to keep JPC's policies, procedures and systems updated to ensure that this complex organisation continues to operate and deliver to the highest standards.

I look forward to a challenging and rewarding year ahead as we move towards integration back into the CoJ.

JPC will continue to play a leading role in the Mayoral Task Team on the rejuvenation of the Johannesburg Central Business District (CBD) Inner City. This is a very exciting project that will see, inter alia, the release of buildings for redevelopment through a partnership with the private sector.

Accordingly, I submit JPC's Annual Report for the Financial Year 2017/18 on behalf of the JPC Board of Directors.

Patrick Corbin
Chairperson of the Board

Chief
Executive Officer

I am pleased to present the Integrated Annual Report for the period 01 July 2017 to 30 June 2018. Throughout the year under review, Joburg Property Company has continued to strive to uphold its mandate in support of the City's Mayoral Priorities and Ten Point Plan. Attributable to the company's commitment to excellence, it has continued to execute its mandate successfully. We commenced the year with ensuring that the company's strategy and business plan is aligned with the City's Mayoral priorities. The Corporate Strategy and Business Plan were the guiding documents to successfully executing of Company deliverables for the year.

JPC is excited to be playing a vital role in the revitalisation of the Inner City, which is one of the City's Ten Point Plan. Significant progress has been made in this project; thirteen properties were released as part of phase one. Unfortunately, only three properties could move to the final stage of adjudication, with ten properties failing compliance. This compliance issue has indicated what we need to focus on during the briefing sessions with bidders among other things as the small important things are delaying the progress in this project. Additional seventy-one properties were approved by the council to be part of phase two of this project and will be advertised in the first quarter of 2018/19 together with the ten properties that had compliance issues. There will be a learning curve as we move to stage two as things that delayed phase one will be closely monitored in phase two onwards.

JPC managed to achieve 93% of the annual KPI targets against the approved corporate scorecard targets, a significant improvement compared to 75% achievement from the previous financial year. We managed to spend 100% of allocated capital expenditure which was R128 000 000. Majority of the Capex is used for the initial stages of property development relating to the packaging and preparation of land for development. These stages are generally less capital intensive and more time intensive, resulting in a significant return on investment when it comes to development leases.

The development of public land has a potential to transform vacant, unused public land into high yielding public property assets and thus contributing to the City's mandate.

The new Outdoor Advertising By-Laws were approved by Council on 20 March 2018 but only promulgated on 30 May 2018 by the City. This delay already impacted on JPC's ability to initiate the processes of implementing some of its new business such as gateway advertising, high-value signs, green advertising, user fees and other new initiatives. The implementation of the new Outdoor Advertising By-Law was suspended pending finalisation of legal action by various role-players in the industry challenging various aspects of it.

JPC is technically insolvent, as total liabilities exceed total assets. Throughout the year we have been focusing on not being regarded as trading recklessly. The ability to pay suppliers as and when invoices fall due, affected the number of repairs and maintenance project we could execute. Our related party debtors and overdraft as at 30 June 2018 are R592 556 791 and R496 574 615. respectively. Ninety percent of CoJ facilities are in urgent need of repairs and maintenance and required below over R2 billion to ensure that the facilities are habitable and in line with best practice and to improve the value of the properties. It is important that budgeted repairs and maintenance are executed to reduce the number of properties in inhabitable condition. It is in the best interest of JPC and the City that departments that settle their outstanding debtors for us to continue delivering on our mandate and avoid underspending, especially on repairs and maintenance as the City is currently below the National Treasury guideline of 8% of operating expenses. JPC's solvency position will improve as we execute more projects and recover the outstanding amounts.

Group Internal Audit Services (GIAS) took over the Internal Audit Function of JPC when the contract we had with an external service provider ended at the beginning of September 2017. Due to inefficiencies of GIAS, no internal audits were performed from September up until late January 2018, even the three audits that we started in January were only communicated to Management in July 2018. Majority of the audits were executed in June 2018 and must be finalised and presented to ARC, this in itself affords management with very little time to deal with control weaknesses identified during the audits. Management was not afforded sufficient time to deal with control weaknesses identified by GIAS and close the gaps before AGSA start their audit in August 2018. Management together with ARC and Board are addressing this issue, engaging with GIAS, City Manager and Chairperson of Group Audit Committee to discuss this issue and we will be outsourcing or appointing our own Chief Audit Executive.

JPC experienced thirty-eight (38) terminations, mainly due to retirements due to natural attrition and deaths. The impact of the termination rate contributes to the under capacitation within the key business areas. The vacant positions are mostly in core departments, particularly Facilities Management which has serious shortages of Operational Managers, Managers, Supervisors and Artisans. To curb the effect of under capacitation, Management has decided to fill the long-standing critical position through the internal recruitment process. Positions that require specialised skills that are not readily available within JPC will have to be advertised externally.

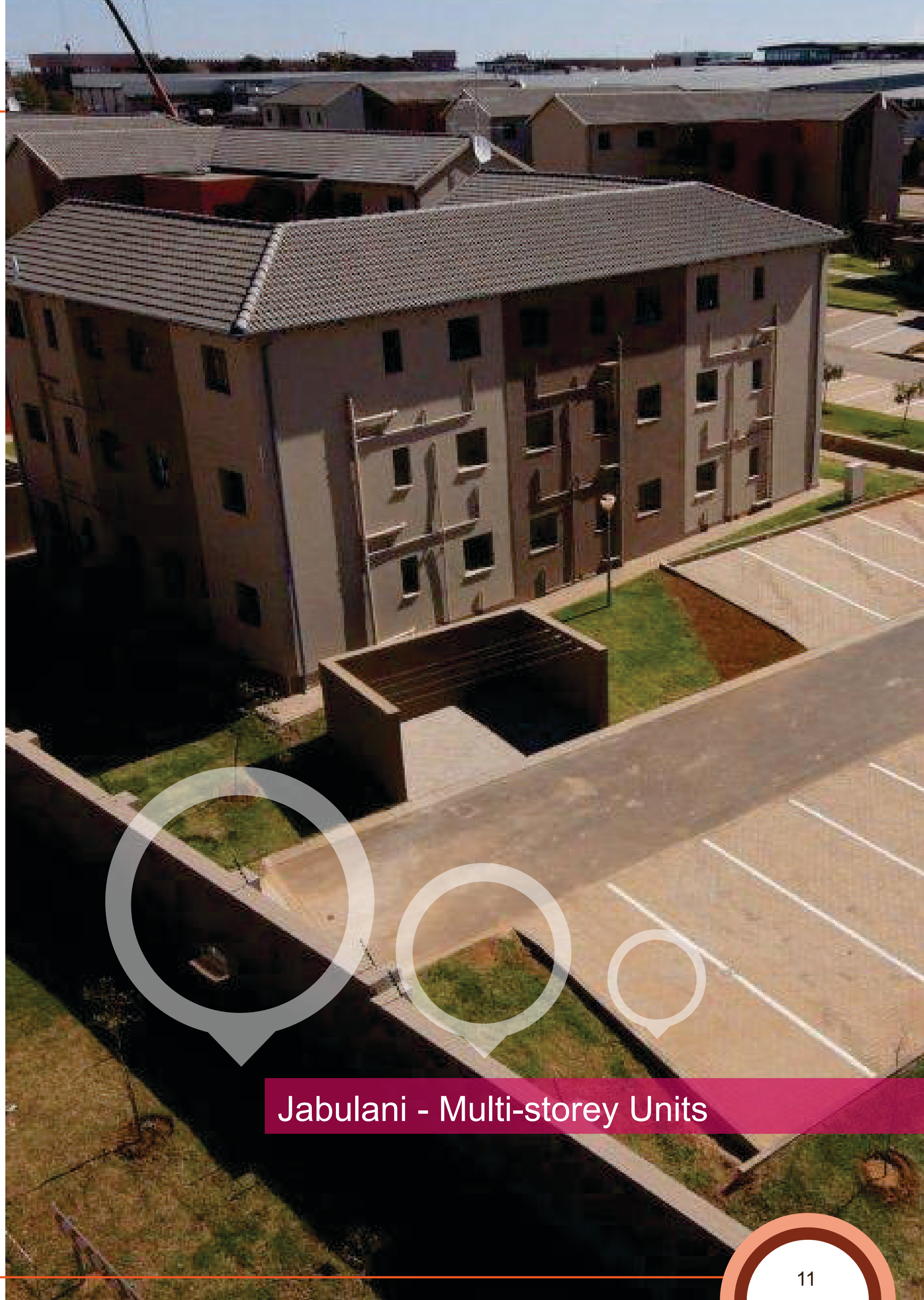
Our success is attributed to each person taking pride in delivering to the best of their abilities, working together and drawing on the unique strengths of each individual in order to achieve more as a team.

During the period under review, the board and management discussed and worked extensively on bold focus renewal strategy. This will allow JPC management to have a much more focused approach and to deal with the financial turnaround. The upcoming year will be a very productive year for JPC. The Mayor has decided that all departments and entities should execute their repairs and maintenance with effect from 1 July 2018, this provides an opportunity for JPC to execute the project for departments that pay timeously. Since the commission for that repairs and maintenance has not been budgeted for by JPC, any work we do will positively contribute to our solvency. The council has approved the development of three regional offices, over sixty lease transactions and seventy-one properties for Inner City project. We currently have a number of pipeline transaction for leases, land sales and developments.

In terms of staff motivation and focus, we have embarked on an internal programme called Renew, Re-energise and Refocus. The aim of the programme was to improve performance to deliver on service with pride and overall health and wellness of employees. The strategy in terms of this programme is to allow employees to take accountability for their own performance and health and be part of the bold focus approach.

My sincere thanks to the Economic Development Member of Mayoral Committee and Board for their guidance and support to JPC as it continues the pursuit of excellence. Last but not least, I would like to express my sincere appreciation to our competent and dedicated management team as well as employees for their commitment to making JPC the incredible organisation that it is.

Helen Botes
Chief Executive Officer



Jabulani - Multi-storey Units

It's a pleasure to present the JPC's financial review for the period 1 July 2017 to 30 June 2018. We prepare a breakeven business plan, which takes into account the business plan deliverables for the year. The expenses that we budget for are based on the anticipated revenue. Our total budget grew by 3% from R497 435 000 for the period ended 30 June 2017 to R511 377 000 for this period. The budgeted income for this period included R44 487 000 as commission on repairs and maintenance done on behalf of City departments based on 100% execution of approved repairs and maintenance plans for the period. JPC's expenses for the period remained the same as prior year. It is important to indicate that most of the expenses are fixed.

We started the year with a very high related party balance and a corresponding high overdraft balance. As part of prudent expenditure management, we executed repairs and maintenance projects as related party debtors settle their outstanding debtors in order to avoid being perceived as trading recklessly, as our ability to pay third parties invoices as and when they fall due of paramount importantance, which indicated that we needed to closely monitor the conversion of debtors to cash and the reduction of the overdraft position.

The assistance of the City Manager and our MMC resulted in numerous meetings with the City departments owing us money. Departments committed to paying us, of which some departments did pay, and others didn't. The issue of non-payment by City departments has been highlighted in all the quarterly reports, which resulted in a decision that departments should perform their repairs and maintenance projects with effect from 1 July 2018. The Statement of Financial Position indicates that debtors increased from R543 883 598 as at 30 June 2017 to R592 556 791 as at 30 June 2018. The overdraft balance also increased from R296 301 523 to R496 574 613 during the same period.

Due to the slow payment of debtors we were only able to execute around 50% of the value of budgeted repairs and maintenance, which resulted in us getting 50% of the budgeted commission.

JPC was unable to breakeven as a loss of R34 111 492 was reported in the Statement of Financial Performance even after applying cost containment measures as most of our expenses are fixed, there was limited expenditure which we could be able to put on hold. The main contributors to the loss were as follows:

- Under-recovery of repairs and maintenance budget of around 50% and
- Delays in implementing Outdoor Advertising Masterplan among other contributors.

The high related party debtors and deficit incurred for the year adversely impacted the financial ratios. Both liquidity and solvency ratios were below the City's norm of 1:1 and 2:1 respectively. JPC's liquidity ratio is 0.85:1 and solvency 0.90:1. The above indicates that JPC is currently insolvent as total liabilities exceed total assets by R77 477 281. In the interim, a letter of surety will be requested from the Office of the City Manager to ensure that the JPC remains a going concern.

Fruitless and Wasteful Expenditure amounted to R929 154 for the year under review and balance current at R971 422 after including opening balance. A detailed report has been submitted to the Audit and Risk Committee and the Board of JPC to peruse and action any investigations. There is no irregular expenditure to report for the 2017/18 financial year. No additional deviations have been incurred in 2017/18 and those reported are a continuation of deviations reported in the previous financial year. The deviations relate predominantly to lease rentals for office accommodation for the CoJ. In terms of the MFMA, existing deviations are still required to be reported.

The BEE spend is an indication of JPC's commitment to transformation and SMME development, and currently resides at 99% of all goods and services acquired by JPC. A 100% spend was achieved on the CAPEX budgets for the 2017/18 financial year.

Looking ahead, management has considered additional revenue options from Portfolio and will pursue this avenue to generate revenue and profitability. The overall plan for year one of the turnaround strategy is to break-even in 2018/19 and significantly improve liquidity.

Imraan Bhamjee
Chief Financial Officer

The City of Joburg Property Company SOC Ltd (JPC) was established in the year 2000 as a private company and is wholly owned by the City of Johannesburg (CoJ). The company converted into a State-Owned Company (SOC) after the implementation of the Companies Act of South Africa, 2008 (Act No. 71 of 2008). Consequently, JPC must comply with the legislative framework and reporting requirements applicable to any company in South Africa. This includes, but is not limited to, the Companies Act. As an independent municipal entity, the company is also subject to the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA).

The entity has 528 employees based at the head office and depots who execute the strategy of the organisation. JPC derives its mandate from a signed service delivery agreement with its sole shareholder, the CoJ. The core functions of JPC are as follows:

Asset Management

Aims to implement sound asset management practices, including access to new assets, in a sustainable and affordable manner. These objectives are best articulated as follows:

- Land strategy development – To ensure that the City delivers portfolio-specific research, it conducts strategic planning, policy and strategic development, reviews, valuations, property life cycle modelling and monitoring.
- Operational and financial performance – To provide assurance that performance measurement and client reporting is aligned to the City's targets, this unit focuses on monitoring and evaluating the optimisation of portfolio composition, the maintenance of the property asset register, income and expenditure growth.
- Business development – This consists of the analysis and land preparation by town planners and urban designers to develop business cases.

Property Development

Aims at maximising the return on City-owned land. In this regard, the objectives for public land development are understood as a trifecta of returns as follows:

- Delivering on City objectives – These are priorities identified in the Service Delivery Budget Implementation Plan (SDBIP).
- Transforming the property industry – This is done by empowering emerging developers and contractors and providing training and guidance on development for enterprises.
- Creating high-yielding property assets with a sustainable income stream – A large portion of City's assets are vacant land with inherent low asset value and associated low returns.

A base of long-term recurring income is thus created by facilitating the development of well-located properties with high potential.

Facilities Management

This is a core business function, affecting not only revenue and costs, but also production, the work environment, health and safety. The focus of this approach, is on assessing business trends, focusing on cost reduction and increasing shareholder value, the integration of facility resource information into corporate business data, an emphasis on speed of delivery, new ways of working enabled by mobile technology, new sustainability initiatives and targets and concerns about security.

Property Management

This function involves maximising the efficiency of the CoJ's portfolio of properties, including leasing the premises, collecting rental fees, overseeing building maintenance, paying service providers, managing tenant relationships, running the accounts and providing reports.

Outdoor Advertising

This function is tasked with managing and concluding outdoor advertising and cell mast leases. The department is responsible for managing various forms of “out-of-home” advertising, comprising approximately 720 billboards, 3 800 on-premises signs, 30 000 different forms of street furniture, street pole advertising and 130 cellular mast sites and antennae erected on CoJ land and/or assets.

Competitive Landscape

JPC manages a diverse property portfolio made up of various classes of assets, i.e. residential, office, commercial, social (sports facilities and stadiums), and service delivery (clinics, fire stations, community centres) assets. Nationally no other municipality comprehensively manages its portfolio through a municipal entity. This, therefore, makes JPC unique in the industry.

Furthermore, no company in the private sector provides the range of services that JPC offers as indicated above, ranging from asset management to outdoor advertising. In practice, there are companies offering property and facilities management and others dealing with property development. The social and service delivery assets are something unique to municipalities. Unlike other property companies in the private sector, such as JHI, Brol and Attaq, JPC is not only focused on the bottom line (profit-driven), but also has to fulfil the social, economic and empowerment mandates of the municipality, using its portfolio.

JPC's corporate strategy is aligned with the vision and mission of the Integrated Development Plan (IDP), the Growth and Development Strategy (GDS) 2040 and the mayoral priorities. JPC recognises and emphasises its role as an economic and social property company to achieve positive developmental outcomes. JPC's strategic objectives are long-term plans that contribute annually to the vision of the organisation through the annual target linked to the mayoral priorities.

The GDS 2040 has the following outcomes:

- Outcome 1: A glowing, diverse and competitive economy that creates jobs
- Outcome 2: Enhanced, quality services and sustainable environment
- Outcome 3: An inclusive society with an enhanced quality of life that provides meaningful redress through the pro-poor development
- Outcome 4: Caring, safe and secure communities
- Outcome 5: An honest, transparent and responsive local government that prides itself on service excellence

The City's IDP identified the following nine mayoral priorities to be implemented to achieve the above five outcomes:

- Priority 1: Promote economic development and attract investments towards achieving 5% economic growth that reduces unemployment by 2021
- Priority 2: Ensure pro-development that addresses inequality and poverty and provides meaningful redress
- Priority 3: Create a culture of enhanced service delivery with pride
- Priority 4: Create a sense of security through improved public safety
- Priority 5: Create an honest and transparent City that fights corruption
- Priority 6: Create a City that responds to the needs of citizens, customers, stakeholders and businesses
- Priority 7: Enhance our financial sustainability
- Priority 8: Encourage innovation and efficiency through the Smart City Programme
- Priority 9: Preserve our resources for future generations

To better coordinate priority programme implementation and manage interdependencies, the City implements a cluster system with four clusters, namely Human and Social Development, Economic Growth, Sustainable Services, and Governance. JPC is part of the Economic Growth Cluster and responsible mainly for the following priorities:

- Priority 1: Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021
- Priority 2:Ensure pro-development that addresses inequality and poverty and provides meaningful redress
- Priority 7: Enhance our financial sustainability

JPC's corporate strategy details how it responds to the GDS 2040 and IDP, based on the mandate given to the organisation. JPC's strategy to deliver on the mandate indicated in the corporate strategy has the following long-term strategic objectives:

- Supporting economic development
- Supporting community development and social initiatives
- Utilising the property portfolio to address social imperatives and priorities
- Utilising the portfolio as a vehicle for transformation
- Ensuring efficient, economical and effective service delivery to clients, customers and stakeholders
- Ensuring a professionally managed and sustainable company

In order to deliver on the strategic objectives, the business plan of JPC has the following annual targets that also contribute to the mayoral priorities falling within an economic cluster for the year under review.

Cambridge Development

Mayoral Priorities	JPC's Contribution to the Priorities Included in the Scorecard.
Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021	• 2 000 Jobs created through property transactions • 1 200 SMME's supported through property transactions • R1.3 billion Investment / Rand value attraction of investment on CoJ property • R700 million attraction of investment on CoJ property / construction value on the ground
Ensure pro-poor development that addresses inequality, poverty and provides meaningful redress	• 200 asset management plans formulated • Acquisition of 10 properties along the Transit Oriented Development zone. • 10 Inner City property development projects awarded
Create an honest and transparent City that fights corruption	• 100% resolution of compliance management audit findings
Enhance our financial sustainability	• 50% implementation of the outdoor advertising masterplan • 100% spend of the allocated capital expenditure budget • R130 million-rental income raised from leases and servitudes sales. • Audit Opinion / Unqualified audit opinion (Clean audit) • 100% resolution of financial management audit findings • 100% resolution of predetermined objective Audit findings
Create a culture of enhanced service delivery with pride	• 100% Training and development initiates for employees

Please refer to chapter 3, section four for details of which output target is contributing to which outcome. The fifteen JPC outputs aim to contribute to four outcome in the following split.

- Outcome 1 - Five targets;
- Outcome 2 - Four targets;
- Outcome 3 - Four targets; and
- Outcome 5 - Two targets

Riverside in Diepsloot

CHAPTER 02

Governance

Batho Pele

Batho Pele (Sotho for "people first") principles require public servants to be (1) polite, (2) open and transparent and (3) to deliver good services to the public. The Batho Pele initiative aims to enhance the quality and accessibility of government services by improving efficiency and accountability to the recipients of public goods and services. Batho Pele requires that eight service delivery principles be implemented:

- Regularly consult with customers.
- Set service standards.
- Increase access to services.
- Ensure higher levels of courtesy.
- Provide more and better information about services.
- Increase openness and transparency about services.
- Remedy failures and mistakes.
- Give the best possible value for money.

The Batho Pele principles are the founding principles of corporate governance. These principles are aligned with the Constitution, the MFMA, the King Code on Corporate Governance, and the Companies Act. JPC subscribes to these principles of corporate governance and manage their operations in line with them.

Application of King IV

JPC confirms and acknowledges its commitment to the highest standards of corporate governance. The board charter is in line with the principles contained in the King IV Report and continues to entrench further and strengthen recommended practices in its governance structures, systems, processes and procedures.

The Board of Directors and management recognise and are committed to the principles of openness, integrity and accountability advocated by King IV. Through this process, shareholders and other stakeholders may derive the assurance that the entity's ethical management is in accordance with prudently determined risk management parameters in compliance with generally accepted corporate practices.

The entity's practices are, in most material instances, in line with the principles set out in the King IV Report. The Board will ensure compliance with these principles and will review quarterly reports on such compliance. The Board will also review compliance with the provisions of the MFMA, which are compatible with the King IV principles, on a quarterly basis.

Shareholder's Compact

The shareholder's compact sets out annual KPIs for the entity. It also sets out the service standards that need to be adhered to by the entity in discharging its service delivery objectives. Quarterly reports are required from the Board regarding performance against the set objectives. Revised Service Delivery and Shareholder Agreements were signed in May 2018.

Conflict of Interest

The JPC Board Charter is one of the cornerstones of the board's roles and responsibilities, and members are required to declare any interest they might have in the business of JPC. The board members are required to sign a "declaration of interest" form on an annual basis. Board Members also sign a register at every sitting of the board or any of its committees to indicate any interests on any of the matters on the agenda at that sitting.

This provision is in line with Section 75 of the Companies Act, which refers to directors' personal financial interests. Management, Independent Audit and Risk Committee members and employees, are also required to complete "declaration of interest" forms. The company subscribes to the principles contained in King IV, which stipulates that each director and other people representing the company (i.e. management, employees and independent committee members) must act in the best interest of the company. In the current financial year, no conflicts of interest were declared.

Compliance with Laws, Rules Codes and Standards.

The board is responsible for ensuring that JPC complies with applicable laws and adheres to non-binding rules, codes and standards. JPC is committed to execute its mandate within the ambit of law. JPC as part of the risk assessment process identified non-compliance with laws and regulation as one of its major risk to ensure that it receives the attention required.

The Audit & Risk Committee monitors compliance with all applicable laws and regulation on a quarterly basis. The compliance function of JPC comprises statutory, regulatory and supervisory requirements, which include the implementation and monitoring of procedures, processes, and Policies. This ensures that JPC cultivates and deepens a culture of integrity, ethical and professional behaviour.

The key focus of the year included;

- Approval of compliance risk framework
- Completing the compliance risk process as prescribed by the Compliance Institute of South Africa (CISA). The compliance process has four steps and JPC is currently on stage three which is compliance risk management.
- To manage compliance with all relevant statutory, regulatory and policy requirements by JPC staff members have been trained as Act Owners and workshopped on the acts assigned to them and are in the process of uploading the relevant statutory, regulatory and policy requirements as well as compliance onto the system.

During the period under review JPC was fined by SARS for late payment of VAT return, which resulted in fruitless and wasteful expenditure. As at year-end, these expenditure was being investigated by Group Forensic Investigation Services (GFIS). There were no other material regulatory penalties, sanctions or fines for contraventions of or non-compliance with, statutory obligation.

Planned area of future focus includes completed stage three and four of the compliance risk process and effectively utilising the system to draw reports indicate the level of compliance with all applicable laws and regulations.

As of 1 July 2017, the Board of Directors consists of nine non-executive directors and two executive directors. The non-executive directors are Mr Patrick Corbin (Chairperson), Prof. Aly Karam, Mr Mphethi Morojele, Ms Maggie Mojapelo, Mr Newton Baloyi, Mr Oscar Maseko, Mr Owen Kemp, Ms Nompumelelo Mpofu and Ms Modi Hlobo. The two executive directors are Ms Helen Botes (Chief Executive Officer) and Mr Imraan Bhamjee (Chief Financial Officer). Mr Morojele and Ms Mpofu resigned in July 2017. Mr Kemp submitted his resignation in March 2018.

In September 2018, Ms Modi Hlobo resigned from the board and the shareholder appointed additional five board members in November 2018, namely Nyambeleni Tshindane, Thabo Motloung, Nompumelelo Hlatshwayo, Kevin Wall and Mongezi Ntanga.

The Chairperson and the Chief Executive Officer each have separate roles, and their responsibilities are clearly defined. This ensures that their roles are non-conflicting and that they are visible in their respective roles. The Chairperson has no executive functions.

Board Members have a wide range of skills, which include, property development, transport and logistics, financial management, accounting and auditing, architecture, town, urban and regional planning, low-cost housing development, quantity surveying, strategic planning, and community development. All the directors bring to the board a wide range of expertise, as well as significant financial, commercial and technical experience and, in the case of the non-executive directors, independent perspectives and judgement. The tenure of the body members is a year and appointments happens during the AGM. The independence of non-executive directors is assessed annually by the CoJ Group Governance Department prior to appointment or reappointment during the AGM. The board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence. There were no external advisers or invites who regularly attend committee meetings.

The board retained full control over the company and remains accountable to the CoJ, the sole shareholder, and its stakeholders, the citizens of Johannesburg. A service delivery agreement (SDA) concluded in accordance with the provisions of the MSA governs the entity's relationship with the CoJ. The board provides quarterly, biannual and annual reports on its performance and service delivery to the CoJ, as stipulated by the SDA, the MFMA and the MSA.

The board sets the direction of the JPC through the establishment of strategic objectives and key policies. It monitored the implementation of strategies and policies through a structured approach to reporting, based on agreed performance criteria and defined written delegations to management for the detailed planning and implementation of such objectives and policies.

Members of the board have unlimited access to the Company Secretary, who acts as an advisor to the board and its committees on matters including compliance with company rules and procedures, statutory regulations and best corporate practices. Directors are also entitled to seek independent professional advice concerning the affairs of JPC at the company's expense, should they believe that such a course of action would be in the best interest of JPC. For the year under review, the board did not make use of professional corporate governance services. The board of directors have adopted the board charter, which encapsulates the CoJ Group Policy on Shareholder Governance Protocol.

The board is responsible for monitoring the activities of executive management in JPC and for ensuring that decisions on material matters are considered. The board approves all the terms of reference for its different subcommittees, including special committees tasked to deal with specific issues.

While the executive directors are involved with the day-to-day management of JPC, the non-executive directors are not, and nor are they employees of the JPC. The executive directors have a responsibility to become acquainted with all of their duties, as well as with the issues about the operations and business of the JPC. The board operates in a field that is technically complex, and the directors are continually exposed to information which enables them to fulfil their duties.

The board of directors has incorporated CoJ's corporate governance protocol into its charter, which regulates its relationship with the CoJ as its sole member and parent municipality in the interest of good corporate governance and good ethics. The protocol is premised on the principles of the King Code. The charter sets out the composition and powers of the board.

The board has delegated certain functions to the following well-structured committees:

- Audit and Risk Committee (ARC)
- Remuneration and Human Resource Committee (REMCO)
- Transaction and Service Delivery
- Transformation, Social and Ethics Committee

During the period under review, the following meetings were held:

Board	ARC	REMCO	Transactions Committee	Transforma-tion, Social & Ethics Committee
31 July 2017	18 July 2017	15 August 2017	25 July 2017	01 August 2017
30 August 2017	24 August 2017	30 November 2017	26 July 2017	25 October 2017
28 September 2017	12 October 2017	01 February 2018	19 October 2017	09 February 2018
07 November 2017	28 November 2017		08 February 2018	
30 November 2017	06 February 2018		14 February 2018	
15 February 2018	09 February 2018			
12 March 2018	13 April 2018			
18 April 2018	*			
31 May 2018				

Attendance registers on the disclosure and declaration of interests of directors and senior management are kept and updated.

* The meeting did not have a quorum and no resolution was taken but reports in the agenda were discussed and members input effected on the final document.

The Board

JPC Board	Audit and Risk Committee
Executive Directors Ms HM Botes (Chief Executive Officer) Mr IM Bhamjee (Chief Financial Officer) **Independent Non-Executive Members** Mr Patrick Corbin (Chairperson) Prof. Aly Karam Mr Mphethi Morojele (resigned July 2017) Ms Maggie Mojapelo Mr Newton Baloyi Mr Oscar Maseko Ms Modi Hlobo Mr Owen Kemp (resigned March 2018) Ms. Nompumelelo Mpofu (resigned July 2017)	Ms. Modi Hlobo (appointed Chairperson Aug 2017) Prof. Aly Karam (rotated) Ms Maggie Mojapelo Mr Lindani Mabuza (resigned as Chairperson Aug 2017) **Remuneration and Human Resource Committee (REMCO)** Ms Maggie Mojapelo (Chairperson) Mr Owen Kemp (resigned April 2018) Mr Oscar Maseko Ms Modi Hlobo
Transactions Committee	**Transformation, Social and Ethics Committee**
Mr Owen Kemp (Chairperson) (resigned March 2018) Prof. Aly Karam Mr Newton Baloyi Mr Patrick Corbin Ms Maggie Mojapelo Mr Mphethi Morojele	Mr Oscar Maseko (Chairperson) Mr Mphethi Morojele (resigned July 2017) Mr Newton Baloyi Ms Modi Hlobo Mr Patrick Corbin

Patrick Corbin

(Chairperson)
Non-executive Director

Age: 83 Years

Expertise and experience
Director: International Chamber of Commerce (ICC)–SA, member of ICC World, former President of Johannesburg Chamber of Commerce and Industry Council, active in the Chamber and other South African business organisations, lecturing on all aspects of the international trading cycle.
Finance Committee, DTI – Industry Forum, Customs Stakeholder Forum – New Legislation, and Extensive training on International Trade Finance.

Qualification
Matric

Helen Botes

(Chief Executive Officer)
Executive Director

Age: 55 Years

Expertise and experience
Helen Botes brings expertise and experience in treasury and banking, money market trading, trading of financial instruments, foreign exchange, raising of the first City bonds and retail bonds for CoJ, economic development, property development and management.

Qualifications
MBA (Milpark Business School)
Diploma in Treasury Management and Executive Leadership Development Programme

Imraan Bhamjee

(Chief Financial Officer)
Executive Director

Age: 42 Years

Expertise and experience
Financial management, auditing, risk, process and control mapping, management consulting, product management, relationship management.

Qualifications
BCompt Honours
Accreditation as Registered Government Auditor (RGA)
Advanced certificates in Auditing, Leadership Management, and CTA

Maggie Mojapelo

Non-executive Director

Age: 54 Years

Expertise and experience
Maggie Mojapelo is a seasoned business strategist, chairperson of various boards, and founder of The HR Touch (business management consulting company), which enables businesses to achieve their strategies. Maggie's business management and leadership experience covers a variety of companies and industries, including transport, property, banking, fund management, mining, retail, pharmaceuticals, FMCG, motors, public sector, gaming, hospitality, ICT, etc.
Maggie is a non-executive board member of the following boards: HR Committee Member of SARS, Advisory Committee of CoJ; Chairperson of Edge Growth Pty Ltd.

Qualifications
MBA (Henley), MAP (Wits), BA (Hons) (University of Limpopo), BA (Education) (University of Limpopo),

Prof. Aly Karam

Non-executive Director

Age: 63 Years

Expertise and experience
Associate professor: Department of Architecture and Planning, University of the Witwatersrand, visiting professor, senior lecturer and research fellow at various international institutions.
Extensively funded research in the fields of architecture and planning, informal settlements and crime prevention. Extensively published academically in the fields of SA housing policy, migrants, and informal settlements.

Qualifications
BSc, Master's in Architecture PhD

Newton Baloyi

Non-executive Director

Age: 41 Years

Expertise and experience
Extensive experience as a professional in the mining, engineering, construction and project management fields. Established and led an engineering and project management, a cost management as well as a mining company. Shareholder and director of a game lodge.

Qualifications
Degree in Quantity Surveying, Postgraduate Diploma in Engineering

Modi Hlobo

Non-executive Director

Age: 43 Years

Expertise and experience
Senior lecturer at the University of Johannesburg: School of Accounting. Expertise include board strategy and governance, enterprise risk management, financial and performance auditing. Modi has also served as a director and audit and risk committee member in other public sector entities, including Johannesburg City Parks and Zoo, the Johannesburg Development Agency and the Department of Public Enterprise.

Qualifications
B Com (Accounting), BCompt (Hons), CTA and Chartered Accountant (South Africa)

Oscar Maseko

Non-executive Director

Age: 74 Years

Expertise and experience
Soweto City Council: Councillor from 1988 to 1989. Soweto Mayor from 1989 to 1993. Joburg City Council: Member of SCOPA from 2000 to 2006. IFP ward councillor for Soweto and caucus leader. Served on a number of committees from 1988 to 2011. Community development.

Qualification
Matric

The board has the following four committees, each chaired by a non-executive director:

- Audit and Risk Committee (ARC)
- Remuneration and Human Resource Committee (REMCO)
- Transactions and Service Delivery Committee
- Transformation, Social and Ethics Committee

Audit and Risk Committee

The committee consists of the following non-executive directors (NED) and independent audit committee (IAC) members:

- Ms Modi Hlobo – NED (Chairperson)
- Maggie Mojapelo – NED
- Mr Owen Kemp (resigned March 2018)
- Lindani Mabuza – IAC
- Mr Vusi Mokwena – IAC
- Mr George Mufana – IAC (resigned in April 2018)

The role of the Audit and Risk Committee is to assist the board by performing an objective and independent review of the functioning of the organisation's finance and accounting control mechanisms. The committee exercises its functions through close liaison and communication with management and the internal and external auditors.

The committee has been delegated the task of, inter alia, overseeing the quality, integrity and reliability of the company's financial and risk management function. In terms of its mandate, it reviews and assesses the integrity and the quality of risk control systems and ensures that risk policies and strategies are effectively managed.

The Audit and Risk Committee operates in accordance with written terms of reference approved by the board, as well as the legislative framework of the MFMA, the Companies Act and various other applicable acts and regulations.

JPC is by law required to be audited by AGSA. The audit and risk committee is satisfied with the independence of AGSA as the external audit firm. The engagement manager for the 2017-18 financial year executed her first audit of JPC after the previous engagement manager was rotated to other auditees. There was no familiarity threat between management and AGSA as the team that performed the audits were majority new audit team with only two junior employees of out eight members audited JPC before.

This committee executed its responsibilities according to the terms of reference during the seven meetings held during the year. The committee completed the following tasks:

- Oversaw the appointment of an external audit firm and external audit process, including the approval of the Auditor-General of South Africa (AGSA) audit fee. Held a committee meeting with AGSA without management.
- Reviewed JPC's processing to ensure compliance with applicable legal and regulatory provisions.
- Reviewed the annual financial statements and Integrated Annual Report prior to approval by the board.
- Oversaw the drafting of the integrated report and reviewing the document to avoid material misstatement and improve its integrity.
- Reviewed the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information.
- Considered the appropriateness of the expertise and adequacy of resources of the finance team. The committee is satisfied with this team's expertise and resources.
- Considered the expertise and experience of the senior management members responsible for the Finance function. The committee is satisfied with the expertise and experience of senior management of the Finance function.
- The committee is satisfied with the content and quality of the quarterly reports submitted according to the MFMA.
- Discussions on matters relating to financial accounting, accounting policies, reporting and disclosures.
- Considered the JPC Financial Turnaround Strategy.

The committee approved the combined assurance framework in the previous financial year. Combined assurance was assessed to be ineffective for the period under review, as reports on were presented to the committee.

Remuneration and Human Resource Committee (REMCO)

The Remuneration and Human Resource Committee consists of the following non-executive directors:

- Ms Maggie Mojapelo (Chairperson)
- Mr Owen Kemp (resigned March 2018)
- Mr Oscar Maseko
- Ms Modi Hlobo

This committee advises the board on remuneration policies, remuneration packages and other terms of employment for senior management. Its specific terms of reference include recommendations to the board on matters relating to, inter alia, human resource policies, executive remuneration and other human resource and remuneration affairs of the company. The committee is satisfied that they were independent and objective. There were no external remuneration consultants used as the committee has the necessary skills and competency in the remuneration space.

Key focus for the committee for the year under review included;

- Increasing the quality of the quarterly report, especially the chapter that deals with HR matters
- Approval of the quarterly reports
- Approval of the performance bonuses of executives including Chief Executive Officer for the previous financial year.
- Monitoring of HR risks
- Discussion of JPC succession planning and leadership pipeline

The committee met four times in the period under review and discussed issues in line with its approved terms of reference.

Future focus area for the committee includes reviewing the structure of JPC, responding to the 58.3% vacancy rate raised by AGSA and reviewing all JPC HR policies due for approval in 2018/19 financial year, including remuneration policy.

Transactions and Service Delivery Committee

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

- Mr Owen Kemp (Chairperson - resigned March 2018)
- Mr Newton Baloyi (Chairperson)
- Prof. Aly Karam
- Mr Patrick Corbin
- Ms Maggie Mojapelo
- Mr Mphethi Morojele (resigned July 2017)

This committee, which makes recommendations to the board or the shareholder, considers all property transactions. The committee has delegated powers from the board to deal effectively with certain operational issues relating to the property portfolio of the shareholder and operates within the terms and reference, as approved by the board.

The committee met five times in the period under review and discussed issues in line with its approved terms of reference.

Transformation, Social and Ethics Committee

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

- Mr O Maseko (Chairperson);
- Mr Mphethi Morojele (resigned July 2017)
- Mr Newton Baloyi
- Ms Modi Hlobo
- Mr Patrick Corbin

The purpose of the committee is to monitor the company's activities that relate to any relevant legislation, other legal requirements or prevailing codes of best practice. It studies the social and economic development, including the company's standing in terms of its goals and purposes, good corporate citizenship, the environment, health and public safety, and consumer relationships, including the company's advertising, public relations and compliance with consumer protection laws and labour and employment.

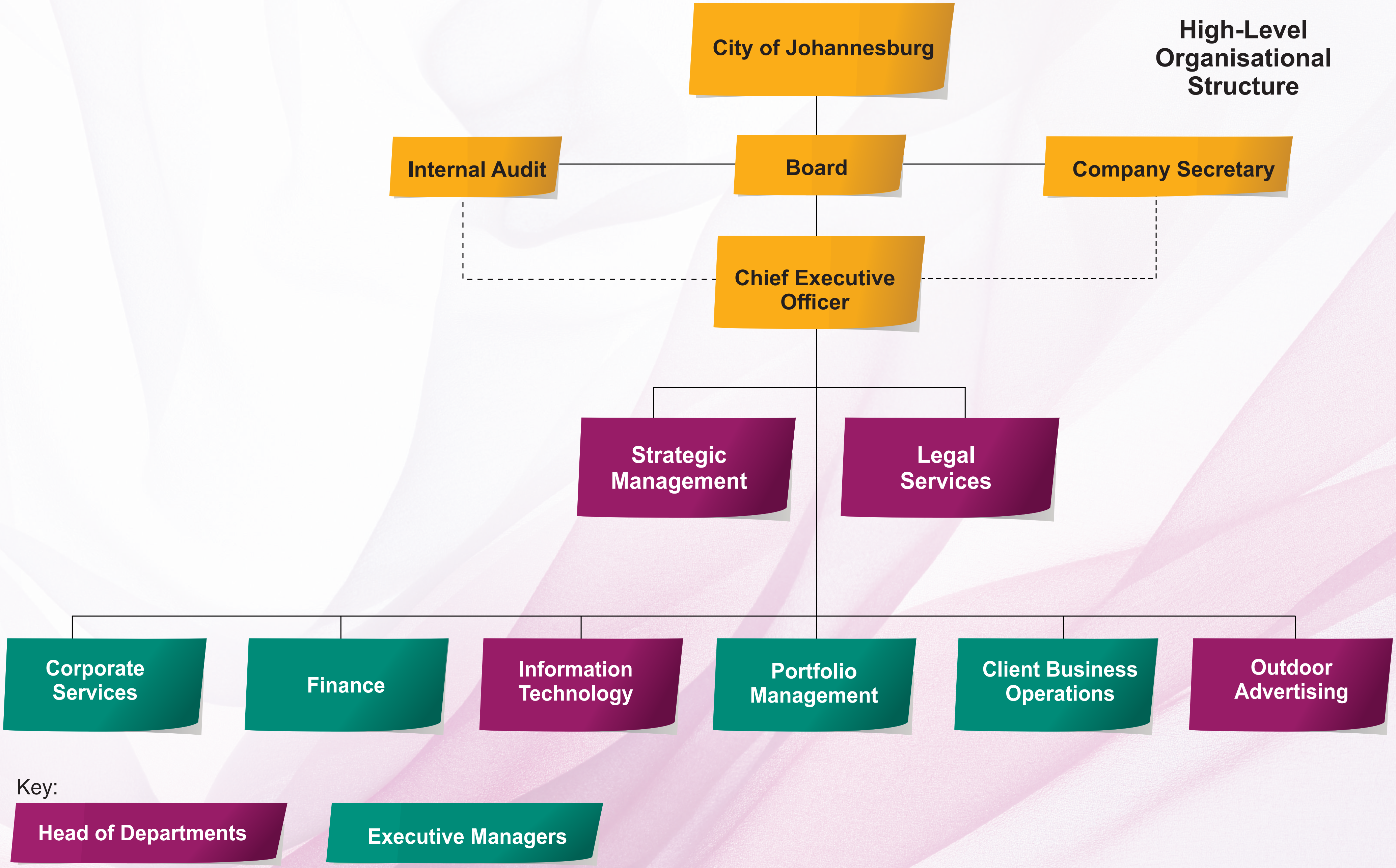
The Transformation, Social and Ethics Committee is also responsible for ground-breaking interventions in transformative property programmes led by JPC. JPC aims to align transformation with the corporate strategy, to define how JPC will transform the property industry, to develop the transformation policy, strategy and implementation plan, and to support the strategic transformation framework through monitoring the development of detailed plans that ensure that every department in the company delivers on transformation.

The company has approved the code of conduct on the management of ethics in line with the Municipal System Act (MSA), and declarations of interest for the purposes of transparency and compliance with King IV. The JPC Board ensures effective, ethical leadership and corporate citizenship. This is entrenched in work conducted by the Transformation, Social and Ethics Committee, the mandate of which is to ensure that the entity behaves in a manner consistent with a good corporate citizen.

The implementation of the company's ethics management process is effective and thorough and includes the prevention of fraud and corruption by:

- fostering ethical standards
- raising awareness through training, reporting and providing advice
- encouraging whistle-blowing through mechanisms such as the fraud and corruption hotline, and
- conducting forensic investigations where necessary

High-Level Organisational Structure



Entity Remuneration Policy

The directors of the board are rewarded for their valuable contribution to the company. In line with King IV, the Remuneration Committee governs the remuneration and recommends amounts paid to the directors. As required by the Companies Act and other applicable municipal laws, the shareholder's remunerations policy regulates the director's remuneration, non-executive directors' fees comprise a retainer base and an attendance fee component.

The directors of JPC are appointed by CoJ, as the shareholder. The payment of directors' fees is in terms of the CoJ Group Policy on the Shareholder Governance of Boards of Municipal Entities. The basis for the setting of fees for non-executive directors is detailed in the policy and affected by the categorisation of the municipal entity. The municipal entities are categorised as Large Municipal Entities (LMEs) and Small / Medium sized Municipal Entities (SMMEs) by virtue of its budget, complexity and underlying risks. JPC is categorised as a SMME. The JPC Board has adopted the policy. The upper limits of remuneration of senior management, including that of the chief executive director, are determined by the Shareholder and rectified by the board. The benchmarking of benefits is undertaken by the shareholder before revising the upper limits of the benefits. The policy provides an incentive scheme to encourage retention in the form of a retainer based on meetings attended.

Non-Executive Directors

Name of Director	Meetings Attended YTD	YTD Emoluments	YTD Total
Mr. P. Corbin	17	R221 570	R221 570
Mr. A. Karam	13	R132 840	R132 840
Ms. M. Mojapelo	17	R179 988	R179 988
Mr. O. Maseko	17	R171 879	R171 879
Mr. N. Baloyi	19	R197 736	R197 736
Ms M. Hlobo	22	R244 445	R244 445
Mr. O. Kemp*	10	R107 482	R107 482
Mr M. Mojerele*	3	R42 420	R42 420
Ms N. Mpofu #	0	0	**0**
Total		**R1 298 360**	**R1 298 360**

**Resigned during the year in order to pursue other businesses with the state.*

#Resigned during the year due to increase work volume.

Independent Audit Committee Members

Name of Independent Audit Committee Member	Meetings Attended YTD	Emoluments	Total
Mr. G. Mufana#	4	R30 420	R30 420
Mr. V. Mokwena	5	R38 025	R38 025
Mr. L. Mabuza	7	R81 235	R81 235
Total		**R149 680**	**R149 680**

#Resigned during the year due to increase work volume.

During the period under review, the following individuals constituted the management team under the leadership of the Chief Executive Officer.

Helen Botes

(Chief Executive Officer)
Executive Director

Age: 55

Expertise and experience
Helen Botes brings expertise and experience in treasury and banking, money market trading, trading of financial instruments, foreign exchange, raising of the first City bonds and retail bonds for CoJ, economic development, property development and management.

Qualifications
Diploma in Treasury Management and
Executive Leadership Development Programme
MBA (Milpark Business School)

Imraan Bhamjee

(Chief Financial Officer)
Executive Director

Age: 42

Expertise and experience
Financial management, auditing, risk, process and control mapping, management consulting, product management, relationship management.

Qualifications
BCompt Honours
Accreditation as Registered Government Auditor (RGA)
Advanced certificates in Auditing, Leadership Management, and CTA

Sthembiso Mntungwa

Executive Manager: Property Management

Age: 51

Expertise and experience
New business opportunities, innovative finance structuring skills, knowledge of property portfolios of various municipalities, and stakeholder liaison.

Qualification
Matric

Fanis Sardianos

Executive Manager: Client Business Operations

Age: 53

Expertise and experience
Member of the task team that established JPC implemented JPC's client service and applications system. Strategic and operational property management planning and support, monitoring and reporting of performance management, coordination and monitoring of strategic projects and implementation of operational plans, development, monitoring and reporting on budget

Qualifications
IAC (Institute of Administration and Commerce – Local Government), IMFO (Institute of Municipal Finance Officers), BMA (Board for Municipal Accountants)

Musah Makhunga

Head of Department: Strategic Management

Age: 34

Expertise and experience
Business plan development, implementing corporate strategy, strategic and operational risk assessment, reporting and disclosure, management of transformation initiatives, company-wide monitoring and evaluation.

Qualifications
Bcom (Hons), SA Government Procurement and Law

Tshepo Mokataka

Senior Manager: Legal

Age: 46

Expertise and experience
Admitted Attorney of the High Court of South Africa, providing strategic legal advice, operational transitional compliance, vetting strategic agreements and legal documentation, managing legal advisors, managing legal risks, managing the legal budget, legal departments, budgets, the deputy information officer, conducting internal investigations of alleged fraud and corruption.

Qualifications
BA (Law) LLB, Postgraduate Certificate in Provincial and Local Government Law; Postgraduate Diploma in Labour Law

Mala Padayachee

Head of Department: Information Technology

Age: 50

Expertise and experience
IT strategy development, development of IT Policies and governance, aligning IT services with the needs of business, mitigating and maintaining IT risk and security, system development, system design, hardware/software and testing. Manage, maintain, monitor and monitor IT systems

Qualifications
Public Administration and Management (Diploma), Business Information Systems (Honours), National certificates in Project Management, Business Engineering (Certificate), System Development and Customer Complaints (Certificate), Leadership Skills Development Knowledge Management (Certificate), Auditing and Service Level Agreements (Certificate)

Craig Matthews

Company Secretary

Age: 49

Expertise and experience
Admitted to practice as an attorney. Practised for a number of years. More than 15 years' experience as board/ company secretary in public sector fields such as merchant shipping regulation, agriculture and diamond mining, and exploration. Worked as a corporate governance consultant in the private sector.

Qualification
BA (Law) LLB, MAP

Riverside in Diepsloot

The remuneration of executive and senior management is governed by the JPC remuneration policy which is aligned with the City's policy. The policy is reviewed every two years and approved board. Senior management is appointed on total costs to the company, which is broken down into basic salary, travel allowance and company contributions which includes retirement fund and medical aid contribution. JPC policy allows employees to cash a maximum of eight leave days in a 12 month period provided the compulsory leave of sixteen days have been taken. JPC policy allows a once off long-term service leave on the year the employee qualifies and no other non-financial benefits.

Performance bonus which varies according to the rating option, with 14% being the maximum percent, is the only cash value award made under remuneration incentive scheme. Performance bonuses are assessed based on the employee's contribution to the scorecard of JPC; each KPI is weighted. The policy does not allow the sign-on fees, retention and restraint payment. The policy does not have provisions for pre-vesting forfeiture (malus) and post-vesting forfeiture (claw-back) of remuneration. JPC employees are not paid any commissions and allowances are included as part of the total cost to the company. Remuneration of senior management is relatively fixed, with the adjustment being annual increase and performance-based payment. The policy does not detail any obligation which could give rise to payment on termination, with the exception of leave pay-out and performance bonus if they qualify.

JPC undertook to benchmark every two years in order to compare remuneration paid and remain competitive in the property related market. JPC always compare themselves to the 50th percentile. As indicated in the table below, there were no ex-gratia payments during the period. The salary ranges are within the parameters set by the shareholder.

Name	Basic Salary R	Travel Allowance R	Leave Pay R	Bonuses/ 13th Cheques R	Company Contributions R	Total R
Ms. HM. Botes	2 114 069	250 000	-	312 530	24 925	2 701 525
Mr. IM. Bhamjee	1 598 548	96 000	-	267 120	344 379	2 306 047
Mr. MM. Makhunga	1 143 560	96 000	-	192 900	253 449	1 685 909
Mr. CL. Matthews	1 111 926	-	29 631	161 000	135 518	1 408 444
Mr. SZ. Mntungwa	1 672 259	-	-	267 120	366 863	2 306 242
Mr TF. Mokataka	979 530	-	-	80 546	220 565	1 280 640
Mr F. Sardianos	1 672 259	-	-	267 120	366 863	2 306 242
Ms. M Padayachee	938 250	120 000	-	118 822	193 568	1 370 640
Total	**11 230 401**	**442 000**	**29 631**	**1 548 336**	**1 712 562**	**15 365 689**

Section 6: Governance of Stakeholder Relationship

Sustainable relationships with stakeholders form the foundation of JPC's ability to create value in the short, medium and long-term. The interest and level of influence of our stakeholders vary according to geographical location, area and nature of their interest.

The entity has identified a number of stakeholders broken down into the following categories:

- CoJ stakeholders (CoJ departments and municipal entities) – political oversight
  - o Political oversight officials include the Executive Mayor, Members of the Mayoral Committees,
    Council Committees, Petitions Committee, DED Section 79, among others.

- CoJ stakeholders (CoJ departments and municipal entities) – administrative oversight
  - o Administrative oversight includes the positions of City Manager, Service Delivery Joint Operating Committee, Executive Management Team, economic development, unions, local labour forum, and JPC staff, among others.

- JPC external stakeholders (outside of the CoJ)
  - o These stakeholders include the property industry, Heritage Council, outdoor advertising industry, government institutions (national, provincial and state-owned entities), and informal traders, among others,

The detailed stakeholder management matrix is presented on a quarterly basis to the Transformation, Social and Ethics Committee. The matrix shows each stakeholder and its interest, level of influence and method of engagement.

The methods of engagement vary from one stakeholder to another but include CEO Workshops, JPC open days, media tours, quarterly reports, attendance of meetings, Indaba, business breakfast meetings, briefing sessions, and so on. Effective stakeholder management assists JPC to delivery services timeously and avoids unnecessary delays due to strikes, the approval of documents, and so on.

Attention was paid to the environment within which JPC operates, taking cognisance of the fact that it is fluid and that the needs of the stakeholders are diverse and conflicting, which requires a balanced and objective approach. Without revisiting the findings, attention is continuously paid to the four key elements, namely the macro-, political, social and economic environments.

JPC has not refused any requests of information that were lodged with the company regarding the Promotion of Access to Information Act.

Future focus areas include the following;

- Closely monitoring the stakeholder matrix to ensure that all stakeholders are effectively managed to ensure good working relations.
- Arrange councillor roadshows throughout all regions to ensure that councillors know the CoJ land parcels in their wards in order to assist regarding illegal invasions.

Section 7: Company Secretarial Function

The Company Secretary is an independent, competent, qualified and experienced individual who has proven competencies and experience in the relevant laws. The board assesses the Company Secretary's performance. This is part of its annual performance assessment process.

The Company Secretary provides appropriate guidance, advice, orientation, induction and training to Directors and Public Officers on their roles, duties and responsibilities and ensures compliance with laws in the interest of good governance. All directors have access to the advice and services of the Company Secretary, as well as external legal advice as and when required. Some of the company secretary's key responsibilities include the following:

- Ensuring the board is kept informed of all laws, regulations and corporate governance developments relevant to the company, and ensuring that statutory deadlines are complied with

- Preparing and/or reviewing the Shareholder's Compact, delegations of authority, terms of reference of the board and board committees, work plan and schedules, as well as the agenda for board and committee meetings in conjunction with the chairperson

- Maintaining statutory records, registers, minute books and related documents

Section 8: Risk Management

Effective risk management is integral to the company's objective of consistently adding value to the business. Management is continuously developing and enhancing its risk and control procedures to improve the mechanisms for identifying and monitoring risks. The JPC Policy and Framework on Risk is fully aligned to the CoJ group policies. The Audit and Risk Committee ensures that there is an effective risk management process in place and that the internal controls are effective and adequately reported on. The committee oversees the effectiveness of risk management through quarterly risk management reports that are prepared and presented by management to the committee.

JPC's Risk Management unit, which is responsible for executing its risk management activities and for integrating Risk Management into the company's operational routines, is strategically placed in the office of the CEO. The unit is supported by risk champions who are responsible for coordinating and providing feedback on risk management activities in the different business units of JPC. Group Risk and Advisory Services (GRAS) plays an important support function to JPC's Risk Management unit in ensuring the implementation of group policies.

Enterprise risk management focuses on identifying those risks that are most significant to its ability to achieve and realise its core business strategy and objectives supporting value creation. JPC performs annual strategic risk assessments linked to the organisation's strategic objective and annual planned target in the form of the business scorecard. JPC's business scorecard emanates from the GDS 2040, which is linked to the 2016 – 2021 IDP, that is monitored via the annual SDBIP, which is our annual planned target. Management, with the assistance of GRAS, reviews the organisation's risk for the year. A strategic risk workshop is held with the board to solicit their inputs prior to finalising the strategic risks. The board approves the strategic risks and action plans to reduce the residual risk to acceptable levels are monitored quarterly. The design, implementation and operational effectiveness of the risk management process are assessed by the internal auditors before using the strategic risks in their risk-based internal audit plans.

The table below illustrates the top 10 strategic risks, the strategic objectives that impact each risk and the mitigation plans that are put in place to mitigate these risks. The likelihood and impact have been taken into account in the inherent risk reflected on the table below. The current control used to manage the risk were assessed prior to concluding on the residual risks. Future actions further to mitigate the risk are also highlighted in the table below. The Risk Management Unit has been tracking and reporting on the status of the risk rating and the implementation of the mitigation plan on a quarterly basis.

The board is in the process of reviewing the organisational risks.

City of Joburg - Council Chamber

Risk register as at June 2018

	MOE Objectives	Risk Description	Inherent Risk		Inherent Risk		Actions to Improve Management of the Risk	Action Owner	Time Scale	Progress to Date
1	Ensuring a professionally managed and sustainable company	Financial sustainability /Inability to generate revenue	Very High	25	Very High	22.5	1. Timely renewal of leases so that revenue generation can be enhanced 2. Lease Audit ongoing to ensure completeness of properties leased by JPC in order to increase and measure revenue base. 3. Increase projects that can generate facilitation fees 4. Release assets that are not strategic and not used, to increase commission 5. Focus on property acquisition for the City as a whole.	1) EM: Property Management 2) EM: Property Management 3) EM Property Development 4) EM Property Management 5) EM: Property Management	1) Ongoing 2) Ongoing 3) Ongoing 3) Ongoing 4) Ongoing 5) Ongoing	1) A lease renewal program has been implemented. A number of reports have been approved submitted to COJ committees 2) The lease audit has been completed and will be done quarterly going forward. A number of leases were approved by the board and are now in the COJ system for final approval. 3) Three development precinct plans have recently been approved by council and will be issued on tender soon. Inner City projects at an advanced stage and will also contribute to the facilitation fees 4) The land Strategy has identified parcels of land that can be disposed of. The parcels will be released in phases 5) The budget for the City was finalised in June. The acquisition team is studying the budget to identify department and entities with budget for acquisitions and probatively engage with them.
2	Ensuring efficient, economical and effective service delivery to clients, customers and stakeholders	Inadequate management and Maintenance of property	Very High	22	Very High	22.5	1. Develop and implement a comprehensive facilities plan of all properties managed by JPC 2. Contract management system being implemented. 3. Lease audit to be conducted regularly	1) EM: Property Portfolio 2)SM: Legal/SCM 3) EM Property Management	1) 2018/10/30 2) Ongoing 3) On-going	1) Facilities plan isbeing drafted and will be implemented in line with the budget. 2) The Nico module on contract management has been activated. 3) Lease audit has been finalised and will now be done regularly at least once a quarter.
3	Ensuring efficient, Economical and effective service delivery to clients, customers and stakeholders	Inadequate Contract management	Very High	25	Very High	22.5	1. Establishment of the Project Management Office (PMO). 2. Upskilling of staff with emphasis on contract management in accordance with set JPC standards. 3. Establishment of the contract management system.	1) HOD: Strategic Management 2) HOD: Human Capital 3) HOD: Legal	1) 2018/05/31 2) 2017/10/31 3) 2017/12/31	1) PMO establishment could not be implemented due to budget constraints 2) Contract management training was done in conjunction with the COJ Legal department 3) The Nico module on contract management is now live and being utilised for all active leases.

	MOE Objectives	Risk Description	Inherent Risk		Inherent Risk		Actions to improve Management of the Risk	Action Owner	Time Scale	Progress to Date
4	Supporting community development and social initiatives	Illegal occupation and use of property	Very High	20	High	18	1. Monitoring of high risk properties, with the assistance of CRUM, and Ward Councillors 2. Improve communications with relevant stakeholders 3. Enter into maintenance agreements with tenants 4. Completion and implementation of Land Strategy	1) EM: Property Management 2) EM: Property Management 3) EM Property Development 4) EM Property Management	1) Ongoing 2) Ongoing 3) Ongoing 3) Ongoing 4) Ongoing	1) CBO stakeholder management together with Regional Managers working closely with community, CRUM and ward councillors to ensure that any illegal occupation, vandalism, are immediately dealt with in collaboration with JMPD, Group Legal and courts to obtain eviction orders. 2) Timeous responses to media queries are largely beneficial and provide some coverage. Attendance at VSD and Council Forums as well attending to Client Servicing escalations 3) Leases and User Agreement are finalised for short-term requirements as and when required. 4) The principles of Land Strategy are implemented as transactions are processed through the various committees
5	Ensuring efficient, Economical and effective service delivery to clients, customers and stakeholders	Lack of alignment between HR strategies to the organisational goals	Very High	25	High	12.5	1. Skills development initiatives underway. 2. Conducting training needs analysis 3. Training plans to be implemented and complimented by Individual Learning Plans. 4. Implementation of ER based on consequence management measures	1) HOD: Human Capital 2) Chief Financial Officer 3) HOD: Human Capital 4) HOD: Human Capital 5) HOD: Human Capital 6) HOD: Human Capital 7) HOD: Human Capital 8) HOD: Human Capital	1) 2018/09/30 2) Ongoing 3) 2017/12/31 4) 2018/05/31 5) 2018/05/31 6) 2017/09/31 7) 2017/09/30 8) 2017/09/30	1) Skills Development Initiatives implemented to address these gaps: Organisational Core Competencies such as property related courses, MFMA, Technical Competencies such as Artisans for Electrical and plumbing, Management competencies such as Supervisory and Coaching programmes and Generic Competencies: Customer Care etc. These initiatives were informed by the individual training plans submitted by employees which informed the Workplace Skill Plan. 2) Training needs analysis has been done, and employees are being trained. A training target has also been included in the scorecard of the organisation. 3) The Workplace Skills Plan for 2017/2018 submitted to Services SETA and is based on the ILP. 4) All misconduct cases reported are dealt with regarding the disciplinary hearings

	MOE Objectives	Risk Description	Inherent Risk		Inherent Risk		Actions to Improve management of the Risk	Action Owner	Time Scale	Progress to Date
6	Utilising the portfolio as a vehicle for Transformation	Inability to implement the outdoor strategy	Very High	25	High	12.5	1 Joint intervention between JPC and the City in reviewing the by-laws and implementation of JPC outdoor strategy 2. Regular interaction with the industry with resolutions reached. 3. Approval of Turnaround plan by Council for implementation by JPC and COJ Department of Development Planning subject to budget provision 4. Approval of master plan as a vision for outdoor advertising by Council for implementation by COJ and JPC	1) HOD: Outdoor 2) HOD: Outdoor 3) HOD: Outdoor 4) HOD: Outdoor	1) Ongoing 2) Ongoing 3) Ongoing 4) Ongoing	1) COJ and JPC are working together and have developed a plan for 2017/8 Financial Year 2) Ongoing 3) A draft report regarding proposed restructuring was finalised but was however held back pending finalisation of the current legal challenges on the new by-laws. 4) Various aspects of the Masterplan were incorporated into the new by-laws comprising various projects that constitute new business. JPC is working behind the scene with the new Executive Director: Planning Department to plan for the development of precinct' plans as identified by JPC and proposed in the masterplan through the City's Transformation Unit.
7	Ensuring efficient, Economical and effective service delivery to clients, customers and stakeholders	Inadequate asset management	Very High	20	Moderate	10	1. Completion and implementation of Land Strategy 2. Completion and implementation of Asset Management Categorisation 3. Completion and implementation of Facilities Management Plan	1) EM: Property Management 2) EM: Property Management 3) EM: Facilities Management 4) EM: Property Management	1) 2018/06/30 2) ongoing 3) 2018/09/30 4) 2018/10/31	1) The Land Strategy has been developed. 2) Portfolio Categorisation has been completed and has been implemented. It is an on-going process wherein properties are categorised as and when new leases are concluded. The new categories will be introduced as part of the implementation of the Land Strategy 3) The Facilities Management Strategy has been completed.
8	Ensuring a professionally managed and Sustainable company	Inadequate ICT delivery	Very High	20	Moderate	10	1. Continuous reviewing of IT change management processes 2. Continuous reviewing of IT security policies and procedures.	1) Head of IT 2) Head of IT	1) Ongoing 2) Ongoing	1) Effective Controls in place, controls measured by Internal Auditors, 100% effective. 2) Effective Controls in place, controls measured by Internal Auditors, 100% effective.

	MOE Objectives	Risk Description	Inherent Risk		Inherent Risk		Actions to improve management of the Risk	Action Owner	Time Scale	Progress to Date
9	Supporting community development and social initiatives	Inadequate internal and external stakeholder management	High	16	Moderate	8	1. Implementation of business processes and systems integration (link the JPC Call Centre to PIMS, TRIM) which will improve the tracking and monitoring of stakeholder and client enquiries. 2. Undertake a stakeholder survey. 3. Corporate social investment strategy and policy to be approved by the board.	1) SM: CBO and HOD: IT 2) SM: CBO 3) HOD: Marketing & Communications	1) Ongoing 2) 2018/09/30 3) Ongoing	1) PIMS processes completed to date. Sales / Leasing and Development modules will be implemented in the last week of September 2017 (in order to not interfere with year-end and month end). Client Servicing interface to Asset Management refined and Phase I implemented. Phase 2 underway. Acquisitions, LSP/Servitudes, Cell Masts and Outdoor Advertising underway 2) Stakeholder/client servicing survey completed. Results to be reported to the board. 3) The policy has been approved by the board.
10	Ensuring a professionally managed and sustainable company	Non-Compliance with legislation, policies, procedures and poor governance	High	15	Moderate	7.5	1. Introduce an employee awareness campaign for the relevant laws, regulations and policies. 2. Review policies for legal and regulatory completeness. 3. Develop and implement a JPC Compliance Management Framework, which is aligned with the City Wide Compliance Management Framework.	1) HOD: Legal 2) HOD: Legal 3) HOD: Legal	1) Ongoing 2) 2018/09/30 3) 2018/09/30	1) Awareness workshops are attended by staff on a regular basis 2) Review of policies for regulatory and legal compliance will be completed after consultation with Labour on policies. 3) The Framework is in place and some custodians of the applicable Acts were trained on Exclaim software during the quarter.
11	Ensuring a professionally managed and sustainable company	Business Continuity Management	High	15	Moderate	7.5	1. Comprehensive Business Continuity Plan to be drafted, approved and implemented. 2. Mitigating actions for the possible integration will include the following '- Appointments in support units will be for short term. '- Each business unit will prepare a hand over report indicating how it will function in case of integration. '- Updating all the JPC's Standard Operating Procedures for all processes.	1) HOD: Strategic Management 2) HOD: Strategy Management to co-ordinate	1) 2018/09/30 2) 2018/010/30	1) The plan has been started and will be presented to board during Quarter 1 of the 2018/19 cycle 2) The business units are busy updating their Standard Operating Procedures.

	MOE Objectives	Risk Description	Inherent Risk		Inherent Risk		Actions to Improve Management of the Risk	Action Owner	Time Scale	Progress to Date
12	Ensuring a professionally managed and sustainable company	Fraud and corruption (both internal and external)	High	12	Low	2.4	1. Continue the promotion of fraud prevention and fraud hotline awareness. 2. Implementation of ER based on consequence management measures	1) HOD: Legal 2) HOD: Human Capital	1) Ongoing 2) Ongoing	1) Ongoing 2) Consequence management is an ongoing thing at JPC. People are disciplined for allegations of corruption after investigations. Refer to section 5 below for detail information.

Internal Audit provides management with assurance on the effectiveness of the controls in place to manage the risk by conducting risk-based audits throughout the year and focusing on the adequacy of risk mitigation plans and their effectiveness in reducing risk exposure. JPC plans to establish its own tolerate level during the 2018/19 cycle as per the approved CoJ plans.

Section 9: Internal Audit Function

The Internal Audit function of JPC subscribes to the definition of internal audit as defined by the International Standards for the Professional Practicing of Internal Auditing (ISPPIA), which defines internal audit as "an independent, objective, assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation achieve its objective by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process".

JPC's Internal Audit Function conducted audits in line with the requirements of ISPPIA. Independence is defined as the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the board. The internal auditors of JPC report directly to the board via the Audit and Risk Committee at least quarterly.

Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product. The Audit and Risk Committee takes the issue of objectivity seriously and has requested that the Internal Audit function goes through an independent review after every three years instead of the five years prescribed by the ISPPIA.

The role of internal audit is to provide independent assurance that an organisation's risk management, governance and internal control processes are operating effectively. The roles and responsibilities of the Internal Audit function are in the audit charter, which includes the following, among others;

- Prepare a rolling three-year strategic internal audit plan based on the assessment of key risk areas for JPC, considering its current operations, those proposed in the strategic plan and its risk management strategy
- Develop a flexible audit plan using a process-based approach linked to an appropriate risk-based methodology for review and approval, as well as quarterly/periodic updates.
- Implement the annual audit plan, as approved, including time as appropriate for any special consulting tasks or projects requested by management and the Audit and Risk Committee.
- Assist in the investigation of significant suspected fraudulent activities in the business unit, and notify management and the Audit and Risk Committee of the results.

JPC's Internal Audit Function is performed by CoJ Group Internal Audit Services (GIAS) with effect from 9 September 2017. GIAS is supported by O.M.A. Chartered Accountants Inc. to complete the internal audit plan. GIAS reports directly to the Audit and Risk Committee of the board on a quarterly basis. The committee annually ensures that it can deliver quality services that are in line with set standards, and evaluates the effectiveness of the Internal Audit function.

The first year of the Internal Audit Function performed by the GIAS was not effective and efficient, the management has decided to fully outsource the function again and appoint a company to execute this function and report to the ARC functionally and administratively to the Accounting Officer.

Section 10 Corporate Ethics and Organisational Integrity

The JPC Board and management abide by the principles of King IV, among others those related to corporate ethics and organisational integrity. The company values – professionalism, accountability, responsibility, customer service and trust – provide an ethical foundation and are fundamental to success. JPC management encourages employees to live the JPC values.

King IV principles require that a company should demonstrate its commitment to organisational integrity by providing effective leadership based on ethical foundations, ensuring that the company reflects responsible corporate citizenship and that the company's ethics are effective. JPC has already taken an initiative to put more effort into promoting ethics and good corporate governance by establishing the Transformation, Social and Ethics Committee, as prescribed by the Companies Act. This committee is tasked with overseeing the social and ethical matters in JPC and report to the board on progress.

JPC has a code of conduct endorsed by the board that applies to directors and employees. The code is regularly reviewed and updated to ensure that it reflects the highest standards of behaviour and professionalism. In summary, the code requires that JPC's entire personnel corps act at all times with the utmost integrity and objectivity and in compliance with the letter and spirit of both the law and its policies. Failure by employees to act in terms of the code results in disciplinary action. The induction training includes discussing the code with each new employee.

Rissik Street Post Office

Health and Safety

JPC manages facilities for the CoJ and as a result, issues related to the Occupational and Health Safety Act (OHASA), 1993, are high on the organisation's priority list. The committee monitored the OHASA reports detailing the conditions of the public facilities under the management of JPC. The committee considered some of the challenges faced by the company in implementing its facilities management plans.

Environment

At JPC, reducing environmental impact is a top priority and is considered in all stages of the building and renovation projects to deliver innovative workspaces that are energy-efficient that have low operating costs and use sustainable materials and recyclable products wherever possible. JPC's commitment is to maintain the grounds and buildings of the Council Buildings in an environmentally sensitive way including aspects such as the refurbishment programmes of buildings, planning and delivery of new capital projects, and the chemicals used by our maintenance teams.

Built Environment

JPC works with external service providers to deliver on carbon and energy reduction targets through the installation and use of energy-efficient materials, equipment and water efficiency fittings equipment. Through thorough assessments of office space use the requirements for ergonomically friendly designed buildings are taken into consideration in the planning and construction of the most efficient and environmentally friendly offices. These requirements include aspects related to energy and water use, the internal environment (health and wellbeing), pollution, transport, materials, waste and facility management processes. Creating office environments with natural ventilation is incorporated into designs for new and refurbished buildings.

Corporate Social Responsibility Report

The concept of sustainable development broadly underpins the company's corporate social investment philosophy and function. The policy of JPC is to act as a facilitator, rather than a sole sponsor of social investment projects. In this way the long-term sustainability of projects is encouraged, additional donors are attracted, and formerly disadvantaged communities are empowered. NGOs serve as a major national initiative through which business and government have joined hands to support strategic interventions on the following issues:

- Health care initiatives
- Education
- Skills training and job creation
- Small business development

JPC subscribes and complies with all the governing policies of JPC and the shareholder, including the Prevention and Combating of Corrupt Activities Act, 2004, and its related regulations. JPC's management takes a zero tolerance approach to fraud and corruption policy which is reviewed on a regular basis.

In line with the policy, JPC has a Fraud and Corruption Committee (FRACC) that comprise six members. The committee is responsible for facilitating investigations into allegations of fraud and corruption, reported to JPC through its fraud hotline email address (fraudhotline@jhbproperty.co.za) or the CoJ Group Fraud Hotline, independently managed by Deloitte. The allegations are reported using the following facilities: telephone: 0800 002 587, short message service: 32840 (charged at R1.50), email: anticorruption@tip-offs.com and website: www.tip-offs.com.

The Fraud Hotline service provider submits call reports to JPC's management for investigations. The FRACC considers the reports and ensures that investigated matters are resolved by referring the allegations for investigations either internally and/or externally to the Group Forensic Investigation Services (GFIS) and the South African Police Service. On conclusion of the investigations the Human Resource Department proceeds to lay charges against the accused persons. FRACC reports to the Audit and Risk Committee, the Transformation Committee, Social and Ethics Committee and the Board. JPC further reports on the matters received from the CoJ Fraud Hotline to Group Risk and Assurance Services.

Nine allegations were received during the year under review and were included in the FRACC register. Eight allegations were received via the independent hotline, and one picked up by JPC management. The FRACC investigated all allegations reported. The outcomes were as follows:

- Three investigations were concluded, JPC had nothing to do with the issues and were redirected to other City departments.
- Six matters are currently under investigation by GFIS

Mpumelelo Clinic

King IV and ISO 38500 recommend that ICT governance management should be at political leadership and executive management level. This ensures that the delivery of ICT services is in alignment with the company's strategic goals. ISO 38500 is an international standard for the corporate governance of ICT and provides a framework of principles for the executive authority and management to govern and manage ICT.

The corporate governance of ICT is a continuous function embedded in all operations of JPC from executive authority and management level to business and ICT service delivery. The company's executive authority and management need to extend corporate governance to ICT providing the necessary strategies, architectures, plans, frameworks, policies, structures, procedures, processes, mechanisms, controls, and ethical culture. JPC's ICT governance complies with the following leading ICT frameworks, standards, and guidelines:

- Control Objectives for Information and Related Technology (COBIT)
- Information Technology Infrastructure Library (ITIL)
- King IV.

JPC acknowledges ICT as a strategic asset that forms an integral part of the delivery of its strategic business objectives. In this regard, the company follows efforts and activities embedded in the King IV Code of Governance Principles. The focus of ICT governance is the establishment of various responsibilities, processes and supporting governance structures. The company appointed an experienced IT professional to lead the IT business unit.

JPC implemented a governance framework that ensures that ICT goals and investments are aligned to the company's business objectives and supports the City's business objectives as outlined in the GDS 2040 and its overall transformation agenda.

JPC's ICT governance approach is set on the following principles:

- Establish clearly understood responsibilities for ICT.
- Plan ICT to best support the needs of the company.
- Acquire ICT validly. Ensure that ICT acquisitions are based on appropriate and ongoing analysis made for the right reasons in the right way.
- Ensure ICT performs well whenever required.
- Ensure ICT conforms to all external regulations, complies with all external regulations and internal policies and practices.
- Ensure that ICT use recognises and respects human factors. ICT must meet the current and evolving needs of all users. In addition, the City management acknowledges that to become a high-performing local government entity, JPC needs to enforce rigorous ICT governance in order to achieve the following:
    - o Ensure that the business and ICT stakeholders are working towards the same strategic objectives of the City.
    - o Establish reliable financial and performance processes and metrics enabled by relevant IT systems and applications that support business decision making.
    - o Actively manage the ICT portfolio according to business benefits and ensure that the ICT budgets are a collaborative exercise between the company and ICT stakeholders.
    - o Optimise the City's existing ICT functions in order to obtain “true” value from ICT investments.
    - o Seek continuous improvement on the use of ICT in JPC.
    - o Ensure compliance with regulatory frameworks and legislation on ICT.

Oversight of the entity's ICT function was delegated to the Audit and Risk Committee, which kept this item as a standing agenda item in the period under review.

Section 14 Assessment of Arrears on Municipal Taxes And Services Charges

Assessment of Senior Management's Municipal Accounts

Name	Municipality	Balance Owing	Arrears
F. Sardianos	CoJ	Current	None
S. Mntungwa	CoJ	Current	None
M. Makhunga	CoJ	Current	None
M. Padayachee	City of Tshwane	Current	None
C. Matthews	CoJ	Current	None
T. Mokataka	CoJ	Current	None

Assessment of Board Members' Municipal Accounts

Name	Municipality	Balance Owing	Arrears
H. Botes	CoJ	Current	None
I. Bhamjee	City of Tshwane	Current	None
P. Corbin	CoJ	Current	None
O. Maseko	CoJ	Current	None
N. Baloyi	Polokwane	Current	None
Prof. A. Karam	CoJ	Current	None
M. Hlobo	CoJ	Current	None

CHAPTER 03

Service Delivery Performance

Section 1.1. Core Business Units

JPC is a dynamic visionary property company mandated to manage and develop the CoJ's R8.6 billion property portfolio. As a promoter of innovative solutions to the development challenges of contemporary Johannesburg, the company utilises council-owned land assets to leverage private sector investment in public infrastructure. JPC's core business is to manage the property assets of the CoJ, maximising the social, economic and financial value of the CoJ's property portfolio and enhancing the efficiency of its use. The company's overarching mandate is to support the achievement of the CoJ's strategic priorities including economic and social development and its service delivery objectives.

JPC provides the following services for CoJ's property portfolio:

- Asset management
- Property management
- Property development
- Facilities management
- Outdoor advertising
- All ancillary services related to the above

Section 1.1.1 Asset Management

The primary function of the Property Asset Management Division is to define an appropriate return on investment, cost structure, investment plan, disposal, acquisition strategy and maintenance plan that aligns to transformation targets and job creation. Property Asset Management must maintain the property asset register that warrants support to the City's objectives and spatial development framework for each property under management and the portfolio as a whole.

The heart of JPC's asset management philosophy is about maximising value, reducing costs and increasing returns from property. Critical to success is for JPC to apply commercial property principles and practices in pursuit of its socio-economic mandate to achieve service delivery objectives and to realise the full potential of property investments.

Acquisition During the Period

During the reporting period, six hundred and thirteen (613) properties to the value of R200 421 585.02 were taken on. Twelve (12) properties to the value of R15 736 000.00 that were acquired through the Capital Budget for Transit Oriented Development (TOD's) in line with Development Planning's objectives in Orange Grove. The regional outline of the acquisitions is on the graph below outlined.

Stand Number	Location	Region	Value
Erf 5	Orange Grove	Region E	R 1 236 000.00
Erf 935	Orange Grove	Region E	R 1 310 000.00
Erf 136	Orange Grove	Region E	R 1 100 000.00
Erf 2004	Rosettenville Ext	Region E	R 2 520 000.00
Erf 32	Orange Grove	Region E	R 1 300 000.00
Erf 45	Orange Grove	Region E	R 1 300 000.00
Erf 7	Orange Grove	Region E	R 1 202 000.00
Erf 1	Orange Grove	Region E	R 1 537 000.00
Erf 31	Orange Grove	Region E	R 1 300 000.00
Erf 1986	Orange Grove	Region E	R 751 000.00
Erf 242	Orange Grove	Region E	R 1 200 000.00
Erf 1169	Orange Grove	Region E	R 980 000.00
Total			**R 15 736 000.00**

Table 1: Properties acquired through CoJ's Capital Budget

Six hundred and one (601) properties to the value of R184 685 585.02 are not acquired through the Capital Budget were devolved (donated) to CoJ by the Provincial Government and vested to CoJ in terms of law as well as properties transferred by private developer for service delivery purposes in terms of the Conditions of Township Establishment and properties that are unbundled from mother properties for housing purposes. They are summarised in the table on the next page.

Category	Location	Region
Devolution	234	R 141 545 000.00
Conditions of Township Establishment	24	R 9 403 200.00
Vesting	25	R 33 336 000.00
Unbundling	318	R 401 385.02
Total	**601**	**R 184 685 585.02**

Table 2: Properties transferred to CoJ in terms of vesting & devolutions

Disposals

Five hundred and ninety-nine (599) properties to the value of R42 077 388.41 were transferred during the reporting period. Five hundred and eighty nine (589) housing properties to the value of R41 970 508.41 were transferred to beneficiaries while six (6) shops and four (4) churches to the value of R106 880.00 were transferred to beneficiaries as part of the Conversion and Land Regularisation Programme to advance the City's service delivery, housing provision and economic development objectives. As part of supporting the Land Strategy to address the rising demand for housing a total demand for residential housing is projected at 8 200 hectares (ha.) up to 2040 which equates to 360ha per annum across the City of Johannesburg.

The City's efforts on the provision of housing is moving in the right direction. However, a more rapid effort is required to accelerate housing provision and in making urban land work for the poor. To further support this non-core vacant land that is zoned “Residential” is in the pipeline for release to the citizens of the City of Johannesburg. The below provides an outline of the transferred properties.

Category	Location	Region
Devolution	589	R 41 970 508.41
Land Regularisation	10	R 106 880.00
Total	**599**	**R 42 077 388.41**

Table 3: Properties disposed during the period

Net Movements

The table and the graph below indicates the impact of the movements on the value of the Asset Register:

Asset Register Movements In Value	
Opening Balance	R8 951 588 464
Acquisitions	R200 421 585.02
Disposals	-R42 077 388.41
Closing balance	R9 109 932 660.
Movement in percentage	**+1.76%**

Table 4: Net movement table

Status of CoJ Property Portfolio Holdings

The portfolio of the City has a total value of R9, 109 billion which comprises of 29 953 properties for the financial year ending 30 June 2018. The table below illustrates the high level summary outlining the quantity and value per region.

Region	Value %	No. of Properties	Sum Of Value
Region A	8%	1907	R 699 342 308.30
Region B	18%	3999	R1 602 710 033.00
Region C	12%	2354	R1 117 738 423.00
Region D	9%	6504	R 822 850 001.70
Region E	19%	4970	R1 729 417 536.00
Region F	16%	4844	R1 428 948 116.00
Region G	13%	4886	R1 174 439 795.00
Outside CoJ Boundaries	6%	489	R 534 486 446.00
Grand Total	**100%**	**29953**	**R9 109 932 660.12**

Table 5: High Level Portfolio Summary

Asset per Categories

JPC manages the asset register of the City and some of these properties are allocated to departments and entities via use and maintain agreements. JPC manages the residual properties. Once properties are allocated the responsibility of ensuring that the property value is increased or maintained falls to the department / entity. Departments / entities, and not JPC allocate the budget for refurbishment or repairs and maintenance of such properties.

The table below provides an outline of properties that are allocated to various City departments for the advancement of their service delivery imperatives. These are categorised by property type and summarised by quantity and book value. The residual land is a portfolio that is left for JPC to conduct its business of making the properties available to the market for economic development and revenue generation for the City (Revenue Potential, some of which have already been leased out.

Property Type	No. of Properties	Asset Value by Property Type	Allocated To departments	Value of Properties Allocated	Residual Number (For JPC)	Residual Value
Agricultural	10	R37 058 139	1	R1 210	9	R37 056 929
Commercial - Offices	221	R229 169 601	127	R29 734 237	94	R199 435 364
Commercial - Retail	788	R205 945 835	466	R12 317 261	322	R193 628 574
Industrial	34	R33 239 806	4	R82 972	30	R33 156 834
Traders markets	106	R23 934 702	74	R8 910 279	32	R15 024 423
Infrastructure	5 536	R1 821 552 039	5 361	R1 691 320 419	175	R130 231 620
Residential	10 473	R1 165 606 675	10 003	R971 015 991	470	R194 590 684
Social	510	R280 612 477	6	R1 045 589	504	R279 566 888
Sports and Recreation	1 282	R562 804 789	610	R140 840 155	672	R421 964 634
Social - User Departments	2 498	R1 345 313 645	2 393	R1 121 547 847	105	R223 765 798
Social - Housing	1 608	R230 223 150	1 601	R229 824 430	7	R398 720
Vacant Land	6 887	R3 174 471 802	959	R325 758 630	5 928	R2 848 713 172
Totals	**29 953**	**R9 109 932 660**	**21 605**	**R4 532 399 020**	**8 348**	**R4 577 533 640**

The ultimate objective is to create a residual portfolio for JPC business imperatives. Part of this process is to categorise all land that is constrained environmentally which is undevelopable in terms of the Land Strategy findings. JPC completed the development of the Land Strategy in the 2017/2018 financial year. The Land Strategy focused on the demand analysis in aligning with the GDS 2040 to assess the land requirements for the provision of housing, social facilities and for unlocking economic development and investment through the provision of land for trade (commercial, industrial, offices). The Land Strategy further analysed the CoJ portfolio by unpacking it to classify CoJ land, the development potential or constraints in terms of size, zoning, environmental sensitivity with the goal of creating a portfolio of properties that can be made available to advance the City's service delivery, socio-economic and investment objectives through making land available for housing provision and providing land to support business and attract investment as well as development

The Land Strategy will be implemented in phases and in the first phase two hundred and eleven (211) vacant land portions were identified for inclusion in the pipeline transactions for alienation (lease, sale or development). The vacant portions of land were extracted from the outcomes of the Land Strategy and they are zoned “Residential” and “Business”. This phase aims at addressing housing and economic development imperatives of the City. Proper due diligence i.e. site visits to confirm vacancy, confirmation of availability of services, valuation and circulation for alienation will be conducted during the 2018/2019 financial year.

Section 1.1.2: Property Management

The Property Management Department's objective is to maximise the efficiency of the CoJ property portfolio. This includes lease, sale, and acquisition of properties including registration of servitudes on Council owned properties to maximise income generation. The aim is to ensure that the properties are utilised for commercial, social and service delivery purposes to attract investment and enhance the value of property assets thereby generating financial returns based on the strategic priorities of the City of Johannesburg. Property Management further ensures that the City receives annuity income from leasing of properties through reduction of maintenance costs such as cleaning, security and general maintenance of the properties.

Revenue Potential

Below is an analysis of income and revenue potential for the City portfolio. This table provides an overview of the performance of the residual portfolio when benchmarked with the market related rates of return.

Asset Per Categories

Property Type	No. of Residual Properties	Residual Value	No. of properties leased	Value Of Leased Properties	Annual Income	ROI
Agricultural	9	R37 056 929.00	-	-	-	-
Commercial - Offices	94	R199 435 364.00	61	R191 963 213.00	R13 868 317.56	7.2%
Commercial - Retail	322	R193 628 574.03	107	R81 212 304.03	R19 513 608.12	24.0%
Industrial	30	R33 156 834.00	6	R32 424 427.00	R830 150.76	2.6%
Traders markets	32	R15 024 423.00	17	R13 628 807.00	R4 556 106.96	33.4%
Infrastructure	175	R130 231 619.94	132	R60 594 658.00	R2 738 837.16	4.5%
Residential	470	R194 590 684.00	140	R61 987 224.00	R2 893 230.48	4.7%
Social	504	R279 566 888.00	189	R257 579 504.00	R3 008 450.88	1.2%
Social - Sports and Recreation	672	R421 964 634.00	222	R330 707 211.00	R4 920 192.48	1.5%
Social - User Departments	105	R223 765 798.00	28	R63 031 110.00	R536 571.72	0.9%
Social - Housing	7	R398 720.00	7	R398 720.00	R6 936.96	1.7%
Vacant Land	5928	R2 848 713 171.94	150	R286 719 769.00	R5 585 784.36	1.9%
Totals	**8348**	**R4 577 533 639.91**	**1059**	**R1 380 246 947.03**	**R58 458 187.44**	**84%**
					Average ROI	**4%**

Table 7: Breakdown of properties type contributing to annuity income that is managed by JPC

R58.4 million revenue is generated from 1 059 properties with a book value of R1.3 billion. This equates to an average rate of return of 4% which is significantly below the risk-free (South African Government Bond) rate of return that is currently sitting at 8.67%. The only classes of properties that are performing at an exceptional level are commercial retail at 24% return and informal markets at 33.4%.

Commercial offices are performing at 7.2%, which may be due to leases that were concluded long ago thus the return rate reflects historical market values compared to leases that are concluded using the current market rates. Annual escalation also plays a role in the declining rate of return if not linked to the consumer price index to reflect inflation performance.

All other asset classes are performing below 5% mainly because JPC's mandate also includes supporting and advancing sports and social development and cohesion, therefore in some instances leases are usually concluded on a considerate rate instead of market-related rate to enable the realisation of social values. The portfolio of properties that have not been leased out will be included in the leasing plans.

Section 1.1.3: Property Development

The Property Development unit is in the business of creating property assets for the CoJ in such a way that social, economic and financial returns are maximised. The unit employs a four-stage development facilitation process to improve land assets regarding which land is first packaged and prepared for development by JPC and development is then undertaken by third-party developers procured in terms of the MFMA. Development is based on a long-term development lease in terms of which the entire development reverts to the CoJ at no cost at the end of the lease period.

Projects are managed to ensure a “pipeline” of development projects which will deliver a smooth and reliable flow of development returns. The “pipeline” is structured in four parts which correspond with the four stages of the property development facilitation process.

- **Packaging:** This stage involves comprehensive technical, economic, legal and social investigation of the property, the development of a property plan for the property and securing approval from the CoJ to develop and dispose of the property in terms of governing legislation (including the Municipal Finance Management Act)
- **Preparation:** Includes obtaining all zoning rights and legislative approvals, determining servicing arrangements and initiating marketing and tenanting initiatives to ensure that property is “shovel ready” for development.
- **Procurement:** In terms of the CoJ's supply chain management policy and the prescriptions of the MFMA. The procure stage extends from the bid specification up to the date when the contract is signed by both parties.
- **Construction:** Contract management and development facilitation

JPCs, property development unit, is seeking to establish a “pipeline” of development projects which will deliver a reliable flow of development and development returns. The “pipeline” is structured in four parts which correspond to the four stages of the property development facilitation process. The pipeline is envisaged as a “tapering” system which recognises that due to complexities in the development process a larger number of properties need to be prepared and packaged to ensure the successful appointment of developers and that a number of development contracts need to be secured to ensure ultimate delivery of those projects. A reducing number of projects are thus targeted per each stage. The unit aims to deliver R350 million of completed property development investment each year. In order to ensure this regular delivery the following project pipeline has been established for development projects:

Pipeline Stage	Property Packaging	Property Preparation	Procurement/ Contracting	Development
Target	Projects with an investment value of **R2.8 billion** investigated each year	Projects with an investment value of **R1.4 billion** are prepared for development each year	Projects with an investment value of **R700 million** tendered/ awarded and signed up each year	Development with an investment value of **R350 million** completed each year

Table 8: property stages

The following key achievements are reported for the Unit for the year under review:

National Academy of Africa's Performing Arts

The Caiphus Katse Semenya Foundation project is keeping with the Jabulani Urban Design Framework as a development that encourages community participation compliments the cultural and creative industry environment. This initiative will create a lively community that enhances creativity within the community especially the youth. This offering creates an enabling environment that offers opportunities that allow for development in the said industry. The first phase was completed during the period under review. Phase two (2) will commence in August 2018.

The Bulk earthworks, foundations, surface bed, concrete columns, slab, ring beams, brickwork including aluminium windows and doors, electrical and mechanical 1st fix installation and essential lighting and roof structural steel and roof sheeting are 100% complete.

Figure 1 : National Academy of Africa's Performing Arts 1

Jabulani Amphitheatre

Works on the restoration of the historic amphitheatre and ablutions located on the North-Eastern side of the Jabulani amphitheatre were completed during the quarter under review. The facility will be handed over to the Community Development Department to manage and operate.

Figure 2: Jabulani Amphitheatre

Paterson Park Precinct

The Town Planning application for the development of Paterson Park was approved following a tribunal and appeal process. The first phase of the Paterson Park development, which will yield 744 mixed-income residential units, will be released to the market during August 2018.

Urban Design Frameworks with all the development controls for each land parcel were completed during the quarter under review. The construction project for the installation of bulk services and the widening of key access roads in the precinct is underway and scheduled for completion by the end of July 2018. The works were carried out as part of the city's preparation works to attract third-party investment. JPC will now facilitate the development of the site by procuring suitable development proposals from the private sector through tender processes.

Figure 3: Paterson Park Precinct

Riverside View Housing Project

JPC facilitated the development project through the conclusion of a Sale and Development Agreement between CoJ and Valumax. The Riverside View Housing Project is currently one of the biggest housing projects in the Gauteng Region. To date, the completed phases of the project have delivered 1767 affordable bonded housing units, 1 112 multi-storey RDP units and 457 social/rental units. The total investment value across the phases to date is in excess of R500million. In the period between April 2018 and June 2018, R86 million was invested in the project, and 366 affordable bonded houses as well as116 RDP units were completed.

Figure 4: Riverside View Development

Jabulani Crossing Shopping Centre

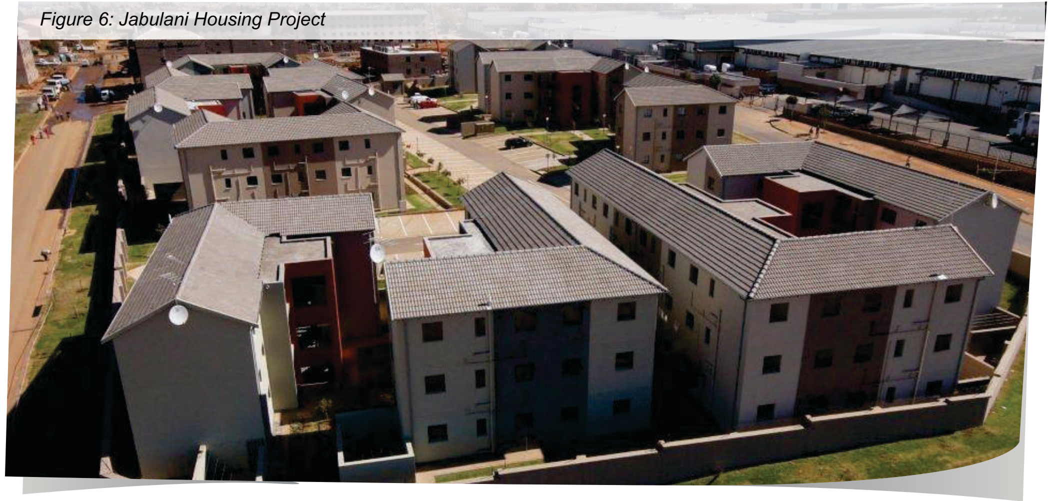
The project is privately funded and it entails the development of a shopping centre by a third party developer. The property was previously owned by the CoJ and was sold to the Jabulani Development Company for specific development that included high-density residential development, offices and commercial development. Bulk earthworks were completed, and construction will commence in September 2018. It is envisaged that the power supply in the area would be upgraded by Eskom in due course and should be sufficient by the time the shopping centre opens for operations.

Figure 5: Designs of Jabulani Crossing

Jabulani Housing

The development commenced in May 2018. This project will yield three hundred and eighty-four (384) residential units in the affordable rental stock bracket, thus addressing the socio-economic around housing and affordability. The number of residential units will have an investment attraction of a R120 million. The developer has concluded agreements with the International Housing Solution (HIS). Phase one (1) of the Jabulani housing project yielded one thousand two hundred and eighty (1 280) units completed and delivered. The current phase, phase two (2), commenced in May 2018 and this phase will secure another three hundred and eighty-four (384) units that will be complete in October 2019.

Figure 6: Jabulani Housing Project



Rissik Street Post Office

Work on the restoration of the external façade of the Rissik Street Post Office building is underway and scheduled for completion by June 2018. The works include the restoration of the walls, the window frames and the clock tower. CoJ has not allocated capex to the Rissik Street Post Office project for the 2018/2019 financial period. This will create security and vandalism risks as the building is not ready for use and cannot be handed over to an operator now.

The medium-term budget 2017/18 to 2019/20 reflected a budget of R40 000 for 2017/18, R40 000 000 for 2018/19 and R20 000 000 for 2019/20. The estimated budget for the period 2018/19 and 2019/20 totalling R60 000 000 was reduced to zero as reflected in the budget approved in June 2018. To date R70 000 000 has been spent on the project, and it is estimated that a further R40 000 000 is required to complete the building internally to make it functional. We will be engaging with JPMD to arrange security to protect the millions already invested in this project until money is available to complete it.

Figure 7: Rissik Street Post Office

Bertrams Priority Block

The Bertrams Priority Block consists of existing buildings and vacant land purchased by the City of Johannesburg to facilitate the development of a medium to high-density mixed-used development on the site. The site is strategically located in close proximity to the BRT route and in walking distance of the Ellis Park Precinct. The buildings on the site are under illegal occupation, and some of the structures have been declared heritage buildings and may not be demolished. The team has completed a condition assessment of the buildings on the site. In addition, the team is also preparing a precinct plan that would set out design and development guidelines for the development of the site by the City and the private sector. The corner site located along Bertrams Road will be advertised for development during August 2018. Certain restoration works on the existing buildings would be undertaken to ensure that the buildings comply with the occupational health and safety requirements.

Development of Civic Precincts Across the City

A process to unlock the development potential within the CoJ owned civic precinct across the City was started. Council approved four civic precinct plans in April 2018. The four precincts are Midrand (Region A), Roodepoort (Region B), Randburg (Region C) and Wynberg (Region E). The development concepts are focused on the creation of mixed-use precincts that would provide for the office accommodation needs for the City to improve its service delivery as the cornerstone of the projects. It further seeks to unlock the commercial and residential opportunities with a particular focus on the provision of social and affordable housing opportunities. It is envisaged that the four precincts will attract a total investment of more than R5 billion within a 5 – 10 year period, creating more than 20,000 construction-related jobs in the process.

Following the Council approval in April 2018 JPC embarked on Public Participation Process as required in terms of the Asset Transfer Regulations. These processes are now complete; the next step is to obtain Council approval for the development of the precincts in terms of Section 14/2. The precincts will be released for development on public tender in September 2018.

Southern Farms Project

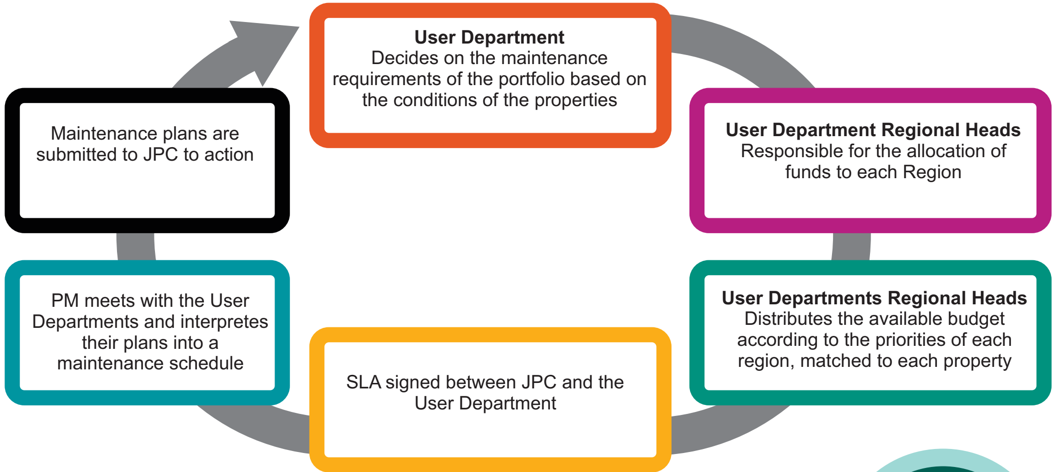
The Southern Farms project area is outside the urban development boundary of the CoJ (Region G) and mostly consists of vacant land which is zoned agricultural and/or municipal. The Southern Farms project area is located approximately 27km south-west of the Johannesburg CBD along the national N1 and N12 Freeways. It comprises several farm portions of the farms Olifantsvlei 316-IQ, Misgund 322-IQ, Eikenhof 323-IQ and Rietfontein 301-IQ. It is bordered by Lenasia to the west, the areas of Eldorado Park, Devland and Naturena to the north and the suburb of Kibler Park to the east. The City's municipal boundary is located just south of the site.

A feasibility study was recently completed and an investment of R27 billion in the project over a 30 year period is predicted. The project will play an integral part of the expansion of the City of Johannesburg and the provision of housing, social, commercial and industrial opportunities for the ever increasing population of the city. Other economic spin-offs include an estimated R2,3 billion on labour, R6 billion in manufactured goods, R1 billion on professional services, R690 million on raw materials and R1 billion in taxes. The project will be presented to Council for approval to start a public participation process.

Section 1.1.4: Facilities Management

In 2013 through a Council resolution, CoJ mandated JPC to provide holistic Facilities Management and Maintenance Services to all City's Departments and Entities. Despite the mandate granted in 2013, it was only put into practice in May 2016 when the management of the 494/15 panel of service providers was transferred to JPC. The Executive Adjudication Committee approved the said panel after the City Departments and CoJ Supply Chain Management Section finalised the evaluation. JPC entered into Service Level Agreements with Departments detailing the responsibilities and obligations of each party and further outlined the process of prioritising facilities that require urgent attention in the current financial year.

To provide an effective Facilities Management Service, the following critical processes were required to be in place. Below is a typical flow chart for this process:



JPC started executing repairs and maintenance for City departments and entities on a big scale during the second half of the 2016/17 financial year. JPC executed work based on signed Facilities Management Prioritisation Plan. The execution of this work resulted in related party debtors moving from R62 153 336 in the year ended 30 June 2016 to R540 419 190 as at 30 June 2017. This meant that the opening balance of debtors was high which affected the new projects that JPC could execute managing our exposure as the overdraft opening balance was high at 302 091 805 and attracting interest.

Related party debtors did not timely settle their accounts, which resulted in JPC having a huge debtor, balance with a corresponding liability in the CoJ sweeping account. The non-payment of debtors had a spillover and affected the timeous approval of the prioritisation plan for the 2017/18 financial year. Majority of the projects were not executed timeous, which affected the commission that JPC budgeted for based on the allocated repairs and maintenance budget for departments. Majority of the plans were approved in January 2018 and for some departments never signed.

During the mid-term budget adjustment discussions, a decision was taken to allow departments to execute their own repairs and maintenance with effect from 1 July 2018, for the departments to take full accountability for the state of their buildings and to limit the issue of non-payments.

As at 30 June 2018, JPC has only executed 48% of budgeted repairs and maintenance for the year. The main reason for the slow execution is the late approval of the plans and the long outstanding debtors. Some of the projects executed during the period are included below.

Swimming Pools

Forty-two (42) swimming pools were opened to the public on Spring Day, 01 September 2017. This in addition to several recreational facilities that have been re-opened to the public over the past months. Some of the work that needed to be done on the forty-two (42) pools were repairs and replacements of filtration systems, tiling, heating systems and fibreglass. This also included work on motor switchgear, pumps and electrical equipment. The revamped pools that were opened on 1 September 2017 comprised of one from Region A, eleven from Region B, three from Region C, seven from Region D, one from Region E, 11 from Region F and eight from Region G

Taxi Ranks

Maintenance was executed on six Taxi Ranks during the period under review. The work done included maintenance of trading stalls, erection of clearvu fencing, paving, electrical work, new steel roof structure, maintenance of toilets, plumbing, new office and building a guard house. The six Taxi ranks that repairs and maintenance were performed on are as follows:

- Big Ben on Homestead Avenue in Bryanston;
- Doornfontein,
- Faraday in the Inner City,
- Ikwezi,
- Jeppe and
- Midrand

Yeoville Market

The Market is located at the corner of Bedford and Raleigh streets in Yeoville and comprises of a load-bearing brickwork structure, concrete roof tiles on a timber roof structure supported by gum pole columns. During the quarter under review the stage canopy was demolished and levelled. Work is in progress to provide a roof in the passageways and for repairs of both male and female ablution cubicles. Currently refurbishment and upgrade of twelve (12) of the trader stalls has commenced. Construction of twenty-two (22) stalls commenced in April 2018 completion is expected by 31 July 2018.

Public Conveniences: New Public Toilets

Work to erect new public toilets in public convenience spaces in Ennerdale, Noord Street and Hillbrow Markets commenced on 23 April 2018. Paving on Ennerdale site is 90% complete and the mobile ablution containers currently on site and awaiting positioning in both markets. The Noord Street Market will see the delivery of the mobile ablution container on 05 July 2018.

Demolition and fencing of the public convenience in Constitutions Hill were started but the project is on hold due to community unrest. The responsible councillor was tasked to assist in resolving community matters caused the stoppage of the project. During the quarter under review the Braamfontein public convenience refurbishments commenced. Alterations are complete, new aluminium windows and timber doors were installed and internal tiling is complete. The first fix of plumbing and external site clearance has commenced.

Figure 8: Public Toilets

Clinic Repairs

The ceilings at the Lenasia Civic Centre Clinic became waterlogged and collapsed; this occurrence led to the closure of the facility for health and safety reasons. In pursuit of creating an enhanced culture of service delivery JPC through the repairs and maintenance department undertook the work during the period under review. The handover of the repaired clinic was on 10 January 2018. The clinic officially opened on 01 February 2018.

Figure 9: Lenasia Civic Centre Clinic

Recreation Centre Repairs

The Ernest Ullman Park Recreation Centre was referred to JPC as a critical facility requiring urgent and immediate attention. Many of the timber beams were broken due to the inappropriate design of the trusses, further to that the bracing and purlins were losing their structural strength to hold the roof. The ceilings were falling off due to the sagging roof, and the light fitting was hanging loosely from the roof. The building was no longer in a usable condition. Therefore, the collapsing roofing and ceilings required to be taken down and new roofing installed. To ensure a hazard-free environment in the centre, JPC urgently undertook the repairs. All work was completed during the period under review.

Figure 10: The Ernest Ullman Park Recreation Centre

Section 1.1.5: Outdoor Advertising

Following a joint strategic workshop held by the Outdoor Advertising Departments in May 2017, an implementation plan was approved by the CEO to be a monitoring tool against the target set in the JPC Business Plan for implementing the master plan by the Department over a period of two financial years (2017/18 to 2018/19).The plan comprised of the following:

- 30% comprising the legal framework hence the amendments that were incorporated into the City's by-laws as approved by Council, and
- 70%, which entails restructuring of existing leases to be aligned to the framework and the new Outdoor Advertising Bylaws, Street Furniture Programme and various other new revenue-generating initiatives such as gateway signs, high-value precincts, taxi ranks advertising, street poles, etc.

The year under review saw the achievement of about 52.5% against a target of 50% relating to the implementation of the Master plan for the first year. About 30% of this is attributed to the amendment of the City's 2009 Outdoor Advertising By-laws to give effect to the master plan. JPC played a pivotal role in ensuring the incorporation of the master plan provisions as proposed in the Outdoor Advertising Strategy.

As part of new business development, JPC finalised two outdoor advertising tenders (taxi rank advertising and a managing agent for the formalisation of on-premises signs situated on CoJ land without any form of contract/s) to increase revenue from the portfolio. In addition, the SCM processes were finalised to set up a panel of professionals for JPC incorporating outdoor advertising expertise and suitable entities that will be appointed on an as and when the basis for temporary advertising at City's construction site such as building wraps.

The tender for new street pole advertising contract although approved by the Accounting Officer was held back due to legal challenges against the City by the previously contracted party. These new development initiatives contributed about 12.5% to the scorecard target for the year under review.

The Department has made strides towards the restructuring of the portfolio constituting 10% of the target set for the year. In this regard, JPC held productive and successful individual engagements with various media owners regarding options available to each contracted party to voluntarily participate in decluttering within agreed upon time frames, transformation, and revenue. Alongside this was the termination notices of all lapsed contracts to pave the way for the introduction of new business.

In response to this, JPC received various proposals that effectively achieves most of its strategic objectives without the need for any litigation while on the other hand optimising revenue from the sector in order to contribute towards the financial sustainability of the City.

In addition, about 400 sites as per the master plan (new and developed) were valued to determine market related fixed rentals to optimise revenue from the proposed restructuring including new site development projects.

In light of the above, JPC presented its turnaround plan including the proposed restructuring of the portfolio to the Mayoral Committee on June 7, 2018. The matter is being finalised, and a report is envisaged to be submitted to Council during the first quarter of 2018/9 pending a consultation process already initiated by the Executive Mayor with other stakeholders. JPC has confidence in the leadership of the City to embrace this turnaround plan in order to deal with the challenges plaguing this significant sector of its economy. The plan, if approved by Council, will resolve about 80% of illegality and pave the way for the portfolio to fund the delivery of certain amenities such as public toilets, transport shelters, etc. at no cost to the City.

Section 1.1.6. Special Projects

Inner City Property Development Projects

The Inner City of Johannesburg is a key node of opportunity, with historical infrastructure, relatively job-rich in both the formal and informal sectors and existing residential stock. At the same time, there are a large number of challenges in people living in very poor conditions in bad buildings, homelessness, crime and lack of fully functional social amenities.

The Mayoral priorities have identified revitalisation of the Inner City as an essential component for spatial vision for the City envisaged around a compact city model and a more equitable and efficient urban form. Aspects supporting this focus on the Inner City include:

- Parts of the Inner properties become dilapidated and unsafe, projecting an undesirable image of the City of Johannesburg. This is contradictory to the Executive Mayor's vision for a City that boasts caring, safe and secure communities.
- Despite the regression of Johannesburg, it remains home to a growing number of residents - many of whom are forced to live in inhumane conditions. Addressing this issue is in line with the Executive Mayor's commitment to building an inclusive society with an enhanced quality of life.
- Access to adequate accommodation that is suitable, relevant, appropriately located, affordable and fiscally sustainable;
- Access to affordable student accommodation;
- Access to basic services (water, sanitation, refuse removal and electricity)
- Security of tenure irrespective of ownership or rental, formal or informal structures
- Access to social services and economic opportunity within a reasonable distance.

In the context of the above definition, the key focus within the Inner City of Johannesburg is based on upon bringing the housing opportunities to the job centres. It takes into account all sectors of the housing market and the needs of all income groups with an emphasis on working with the private and social housing sectors to cater to the poor.

The implementation of the programmes is divided into phases to that a sizeable number of properties are dealt with at a time. This phase approach includes releasing of properties that can be applied to extend the reach of commercial property owners and social housing institutions further down-market; deliver and operate municipal-owned housing and shelters, and incentivise and fund innovative property owners and facility managers to deliver and operate housing and shelter options in the Inner City. This entails packaging properties across the following three inter-related aspects that together address housing needs in the Inner City of Johannesburg:

- Provision of Temporary Emergency Accommodation (TEA)
- Partnerships for release to the private and social housing sectors
- Effective city rejuvenation, governance, coordination and implementation

A focused work stream is currently underway through the joint efforts of a number of key departments and entities, which includes Housing, JOSCHO, JPC, Social Development, Revenue, Group Forensic Investigative Services (GFIS), Region F/E, Joburg Development Agency and Strategic Office under the City Manager. The City has also collaborated with other state institutions to drive the sustainable human settlements agenda in the Inner City and make use of available resources.

Benefits for the release of the properties include:

- Provision of much needed social housing and affordable residential closer to where people work and closer to transport nodes;
- The City will create a number of temporal jobs during construction and permanent jobs post construction.
- Delivery against the housing backlog that the City is facing;
- There will be training and development through the artisan programme. A % of the total construction value will be reserved for the training and development;
- A cleaner and safer city where residents can make a living;
- The City will receives income through rates and taxes;
- The City will be dealing with the challenges of problem buildings/ bad buildings thereby ensuring that the illegal activities are rooted out and buildings are returned to the bona fide owners;
- A number of SMMEs will benefit economically in rejuvenating the properties and in opportunities to enter the property space through ownership and long-term leases. A certain % of the construction value will be allocated to local SMEs to provide services that are not specialised;
- The realisation of huge third-party investments attraction is thereby growing the economy of the City.

Phase One

Quarter 2 of the 2017/18 financial year, kicked off with Phase One of the project, whereby a Council resolution was granted, mandating JPC to issue a tender to release 13 city-owne properties for redevelopment.

The tender was initially set to close on the 31 January 2018 however, following the non-compulsory briefing sessions, the majority of developers requested that the closing date be extended. An extension was granted by the City, allowing developers to finalise and submit their proposals by no later than, 28 February 2018 (Q3).

In Quarter 3 of 2017/2018, a Bid Evaluation Committee was selected to evaluate all proposals submitted. Of the 13 tenders, there was non-compliance to 10 bids by all the bidders making them non- responsive. The non-compliance meant that we could not go ahead and award the ten properties meaning that the ten properties would have to be re-advertised through tender, allowing the market the opportunity to respond again.

The remaining three reports were recommended to EAC in Quarter 4 (28 June 2018). However, EAC has returned the reports stipulating that JPC must obtain comments from CoJ Treasury, on the impact of the long-term leases on the CoJ Financials, as these are 50-year leases. A request for comment has since been put to CoJ Treasury. Furthermore, a response is yet to be given to JPC so that we can resubmit to EAC

Phase Two

Progress was also seen in Quarter 4 as Section 14(2) Reports were recommended for approval and a resolution was subsequently granted by Council on 22 June 2018, for 71 properties to be made available for redevelopment. The tender will be issued for 71 City-Owned properties, to be released, in Q1 of the new financial year.

Phase Three (Orange Grove Properties)

Progress was also seen in Phase Three of the project, as a Service Provider has been appointed for the rezoning, consolidation and removal of restriction applications for properties earmarked for the Phase, in Quarter 4. Similarly, once this process is successfully concluded, these properties will also be released on public tender, following the receipt of a Council Resolution.

Section 1.2. Highlights/achievements – support departments

Section 1.2.1 Marketing and Communication

The year commenced with the JPC prioritising the support for transformation to the property industry through the support for associations as per our strategic imperative. JPC provided support to the traditional three platforms namely South African Property Owners Association (SAPOA), the South African Institute of Black Property Practitioners (SAIBPP) and the Women's Property Network (WPN). The support came through the annual convention and through other various platforms that they have had over the year. The assistance varied in the forms of promotional marketing, institutional support and advertising. This addressed the JPC's contribution to the goals that the Property Charter addresses through an inclusive industry.

With regards the City of Johannesburg's imperatives, it speaks directly to the Mayor's Ten Point Plan through working with property professionals in regenerating the Inner City.

Internal Communications

Communications continue to contribute to the new content as well as the look and feel for the new intranet. The revised site allows more functionality and avoids the static pages as well as reflecting the brand identity. It will also continue to improve internal communication. This is consistent with the regular monthly newsletter and e-mails.

Corporate Social Investment

JPC continued to address issues that are relevant to those less fortunate in the community. The initiatives that the JPC participated in are The Nelson Mandela 67 minutes initiatives, Santa Shoe Boxes; Easter Eggs drive for children and contributions towards sanitary products for the Eldorado Park Women's Forum. JPC Staff contributed money towards wool and knitted squares that were stitched into blankets for the Nelson Mandela 67 minutes initiatives. This is in keeping with the JPC strategy to ensure that every staff member becomes an active contributor to the society and while participating remains optional there are growing numbers of participants. Staff members also participated in the repairs of various City facilities which is in keeping with the JPC core mandate. Furthermore, JPC staff contributed books which were distributed to different charities.

Students in the Chamber

In keeping with the JPC's commitment to transformation in the industry, 19 high schools from Region D were invited to a morning with the CEO on Wednesday 4 October 2017 and were afterwards taken on a tour of the Council Chamber which was led by the CEO. Furthermore, the CoJ Group Services invited departments and entities to assist with 60 students who were attending the “Take a Girl Child to Work” campaign on May 31 2018. In response to the request, JPC hosted four girls from Grade 9 pupils from Aurora Girls High in Zola, Soweto. They were taken on a tour of JPC's departments and facilities. The students were exposed to the field of property by the relevant departments; explored facilities such as the Langlaagte Depot and the Council Chamber, and they were given an opportunity to enquire on information relating to entering the world of property.

Internal Events - Bi-Annual CEO Motivation

An initial staff motivation talk was held on 12 December 2017 in Kliptown at the Walter Sisulu Square of Dedication. All JPC staff members assembled for a meeting and the CEO's address. In May 2017 she took her annual bi-annual message to the various JPC facilities with the theme Renew, Refocus, and Re-energise roadshows to all the JPC staff from the 16 to the 30 of May. The purpose of the interaction was for staff to interact with the CEO where she discussed plans to map the future of JPC.

Council Chamber Secures International Awards

On 06 September 2017 the Speaker Council Chamber won the regional award for the Middle East and Africa. The advertisement has been secured for 2018 to showcase the chamber and the award. The award was featured in the bi-monthly International Property Award Magazine and it has given JPC the opportunity to showcase the Chamber beyond South Africa's borders.

The JPC attended the International Property Award in London on 04 December 2017. JPC was presented with the Best International Public Services Development award held at the prestigious Savoy in London. JPC was the only nominee from Africa in this category. The award has shown that the Speakers' Council Chamber is an award-winning architectural innovation in a globally competitive property development environment and stands as one of the best in its class. This winning success featured prominently on social media and in local media.

Figure 11: Inside the award winning council chamber

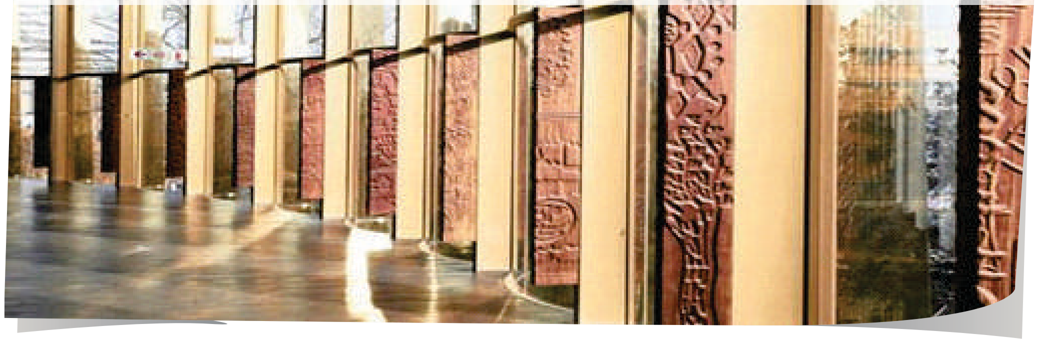
The Totems

In August 2017 Business and Arts South Africa (BASA) selected the Totems in the Council Chamber as a finalist in the Cultural Tourism category of the prestigious Business and Arts South Africa (BASA) Awards. JPC received 570 entries, 134 out of 570 entries were accepted and processed into the beautiful wooden carvings that have pride of place in the Chamber. Each Totem took 16 hours to design, create and carve in brown Kiaat timber before being put in place in the circulation stop. Each one is signed at the bottom with the name of the artist, and each Totem tells their story of life in Joburg. This nomination showed that the judging panel recognised the stories of the people of Johannesburg.

At the start of October, there was an acknowledgement of all the artist and aspiring artists who participated in the Totem's Competition. The 134 artists whose totems were chosen for fabrication and hang in the Council Chamber received certificates of appreciation from The Speaker, Councillor Vasco da Gama, on 2 October 2017. Through these totems, the winners who are aged from 6 to 50 years. This function let them see their contributions in the Chamber and to appreciate the finished product.

This presentation ceremony was attended by many of the artists and attracted the attention of SABC's Expresso in February 2018.

Figure 12: council chamber totems



Land Regularisation

A Land Regularisation Title Deed Ceremony took place at the Diepkloof Multipurpose Hall on Monday 11 June 2018. Marketing facilitated the event for approximately 50 attendees who were present at the function and the title deed holders were in attendance as Diepkloof shops were made available to recipients. JPC and CoJ shared the branding platform at the venue which in turn earned social media mileage, hence the spike in the monthly metrics for the day.

Figure 13: Title deed ceremony

Inner City Buildings for Tender

Marketing assisted with the prospectus branding and the photography for the prospectus. The prospectus showcased the first thirteen (13) of the envisaged mixed use development premises for the Inner city building. Developers showed huge interest in refurbishing derelict inner city buildings. On 27 October 2017, the first briefing session for the properties that are being released for redevelopment into mixed income housing attracted over fifty (50) potential buyers. Social media continues to be the main driver of the content communicated by the JPC and the numbers continue to grow steadily.

Section 1.2.2: Information Technology (IT)

Information Technology Infrastructure Implementation -Server Upgrade Project

JPC IT server environment infrastructure has reached its end-of-life five-year cycle for hardware and software licensing, JPC IT embarked on an infrastructure re-fresh for its Production and Disaster Recovery Platform, this has been strategically aligned with the City of Joburg's integration plan of all Municipalities and State Owned Entities. The new server infrastructure and architecture design have been developed as a Cloud-based solution, and SAP HANA compatible ensuring the technologies used will enable the future seamless integration of CoJ Cloud-based platform. Reliable infrastructure will ensure effective Information Management, Disaster Recovery and Business Continuity in line with King IV and Good Governance practices. Software Licenses will meet the Software Alliance (BSA) standards ensuring JPC is complaint to the International Intellectual Property Alliances best practices. The Disaster Recovery location will now be hosted in Bryanston the Internet Solution (IS) Data Centre, this environment will host a complete copy (replication) of the production systems and applications and ensure business continuity for JPC.

Facilities Management System

The Facilities Management Information System (FMIS) powered by Dimo-Maint Software went Live and fully operational as part of the JPC Facilities Management Project. IT hosts the server infrastructure and has made the system accessible externally. This will enable assigning work orders based on technicians' skills and availability, better work planning of interventions, task lists, dashboards and key indicators for quick decision-making for the JPC Facilities Management Team. The efficient maintenance provides a better return on investment and prevents critical failures that generate delays in deliveries or service interruptions.

Rampage (Telephone Management System)

Rampage (Visual Software Architects (VSA) Rampage) has been repaired and installed to monitor usage patterns of the telephone systems, including total time spent on incoming and outgoing calls and the costs involved on a per-user basis.

VSA Rampage is a unique product offering whereby all the JPC Telephone resources can be monitored centrally by means of a single directory of users and contacts. This is the monitoring of outbound, inbound, and internal call traffic to establish the level of use, misuse, and abuse of telephony resources, and enable the billing back thereof to individuals and departments. It is also used as a tool to establish peak call periods to enable JPC to determine line availability, call traffic pattern analyses to specify optimum least cost routing solutions, and view operator answer response times to determine customer satisfaction.

Visual Software Architects (VSA) Rampage Diagram Illustration

Rampage (VSA Rampage) has been repaired and installed. Primary Virtual Component Exchange (VCX) server has been rebuilt and configuration restored from secondary backup, secondary server has been reconfigured and cleaned. Other repairs and installations have included replication setup between primary and secondary setup; Dynamic Host Configuration Protocol (DHCP) scopes repaired with primary and secondary server options correctly configured for head office and all branch offices. Furthermore the primary and secondary server operational test and failover test verification. This enables the IT division to recoup the cost of shared resources from those that use it, if there are any.

CCTV Camera System

The Closed-Circuit Tele-Vision (CCTV) camera system was upgraded with the latest technologies.

The advantages of the new system over the old system is that the new system is motion activated. The previous system used to record 24/7 even when there is no movement, thereby wasting recording space and increased playback time trying to find an incident. The other advantage is the new system is NVR (Network Video Recorder) based which allows viewing of the system from anywhere in the world. It also provides more recording space than the old PC based system. The system is also not affected by updates and PC maintenance. Furthermore, the new cameras have a better image quality, which helps identify intruders more easily and has more storage space. This allows JPC to keep footage for longer periods than the previous system allowed (7 days).

Enhancement and Installation of New It-Infrastructure in Finance Department

The IT department conducted enhancements and installation of new IT-Infrastructure in the Finance and Procurement departments. The enhancement and installation included replacing all CAT 5 network cabling with faster CAT6 cable, installing power and network poles at all desks, transfer existing power and network from the walls onto the poles, ensure that no cable (network or power) is lying on the floor and install extra power and network points for the additional desks. The operational impact is there will be better data transfers and backwards-compatibility (CAT6 back to CAT5) and the ability to future proof JPC IT infrastructure for any new changes or advances in technology.

Lease Contract Management System

The Lease Contract Management System went Live and fully operational which allows tracking of JPC leases within Nicor including documentation, expired and renewal of leases, this ensures that leases are up to date, current, and centralised. This will automate and streamline lease contract management and will allow pro-active monitoring and management of leases.

Computer Training For Depots It Users

IT has taken the initiative to give basic computer training to depot staff. These trained users have access to a computer that is centralised at each depot; the computer is shared as a host desk where they can access emails, Internet and JPC applications. The training was scheduled over one week period and each session was 3 hours. The modules that were covered are Basics of Outlook, Basics on Printing, Basics of the internet, Basics of computers – logging on, logging off, switching users, change passwords, Basics of telephones – using the phone and accessing voicemail. By providing IT training for employees, JPC can ensure that the employees understand all of their IT investments and the benefits intended. As a result, the company as a whole is likely to see greater productivity, efficiency and even worker satisfaction.

IT Depots Visit

IT has embarked on depots visits, going to the five main depots and resolving any other IT related issues that users were experiencing. The faults encountered were only reported during the site visit. IT went and swopped the user's minicomputers (Thin Client terminals) with desktop computers. 18 Thin Clients were replaced by Desktop PC's in 5 depots. IT also assisted with other general IT issues.

Avalon - Site Connectivity

Avalon depot was affected with cable theft three consecutive times since mid-November 2017 until March 2018, this resulted in Avalon having NO or limited connectivity to Head office, telephony and IT systems. IT took the initiative to supply and install a 3G network for most of the depot users, this mitigation only rectified the connectivity to email and internet. The telephone and applications cannot be established over the 3G network. The JPC service provider advised that Telkom refused to replace the continuously stolen copper infrastructure, after the third time of the theft. In April 2018, Internet solutions surveyed possible and alternative mediums for connectivity, (wireless) radio link was established as the only other means of connectivity and has since been installed and completed in May. The depot is now fully connected and operational.

Disaster Recovery (DR) Testing

IT Department conducted the annual disaster recovery exercise; these two critical servers were selected for DR testing e-Mail and Finance servers. The DR restore was performed using catalogued tape backups recalled from document warehouse. The DR policy procedure was also conducted during the restore and was 100% successful. This annual data availability and DR verification

Mandela Day 2017

Section 1.2.3: Client Business Operations

Client Services Unit (CSU) attended to 7,210 walk-in clients for the full financial year.

Category	Service	Q1	Q2	Q3	Q4	YTD	% of Transaction
		Total Walk In Clients	Total Walk In Clients	Total Walk In Clients	Total Walk In Clients	Total Walk In Clients	
A	Follow-Up Enquiries	438	452	367	372	1629	22.60%
B	New Enquiries	1427	1416	1366	1323	5532	76.72
C	Ward Councillors	10	19	10	10	49	0.68%
	Total	**1875**	**1887**	**1743**	**1705**	**7210**	**100.00%**

2,330 enquiries relating to general property information, zoning and ownership were attended to and closed immediately. 906 enquiries were escalated to Asset Management for analysis in terms of viability in line with the land strategy and Regional Spatial Development Framework (RSDF) of the City.

906 Enquiries to Asset Management - Assessment
July 2017 - June 2018

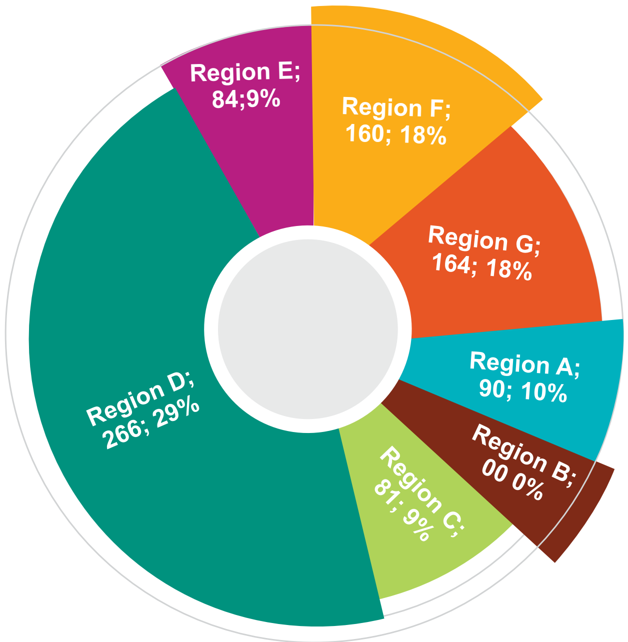


Table A: Regional Breakdown of 906 Escalations to Asset Management (Potential Availability Analysis)

2,330 enquiries relating to general property information, zoning and ownership were attended to and closed immediately. 906 enquiries were escalated to Asset Management for analysis in terms of viability in line with the land strategy and Regional Spatial Development Framework (RSDF) of the City.

Type	Region A	Region B	Region C	Region D	Region E	Region F	Region G	Total
Commercial: Business	14	5	29	79	22	41	37	227
Commercial: Business – Car Wash	1	0	2	10	0	5	1	19
Commercial: Encroachment	4	7	5	4	5	7	4	36
Commercial: Lease (Renewal/request)	0	2	2	2	0	7	0	11
Commercial: Parking	3	7	2	4	2	11	2	31
Commercial: Residential	12	6	6	61	14	35	44	178
Commercial: Road Closure/Security Access/Road Reserve	11	6	9	3	12	15	1	57
Commercial: Sanitary lane	0	9	1	0	3	2	0	15
Commercial: Servitude (Cancellation/Registration/ROW)	11	4	5	11	4	3	2	40
Commercial: User Agreement / Event	1	1	0	7	1	1	1	12
Land Regularisation	1	0	0	7	1	1	1	18
Outdoor Advertising	0	0	0	1	1	1	0	3
Social: Community Facility – Church/Place of worship	19	2	11	31	4	1	29	97
Social: Community Facility – Community Organisation (NGO/NPO)	10	7	8	24	7	5	13	74
Social: Community Facility – Crèche/Day Care Centre/ECD	0	1	0	6	1	2	19	29
Social: Community Facility – Sports and Recreation	0	2	2	4	3	7	0	18
Social: Farming/Co-Operative	2	1	0	3	2	13	9	30
Social: Recycling/Buy Back Centre	1	0	0	5	0	0	1	7
Social: User Agreement/Event	0	1	1	0	0	1	0	3
Municipal portfolio	0	0	0	0	0	1	0	1
Total	**90**	**61**	**81**	**266**	**84**	**160**	**164**	**906**

Table B: Regional Breakdown of 906 Escalations to Asset Management by Type (Potential Availability Analysis and Transactions)

Analysis of 906 Escalations to Assent Management

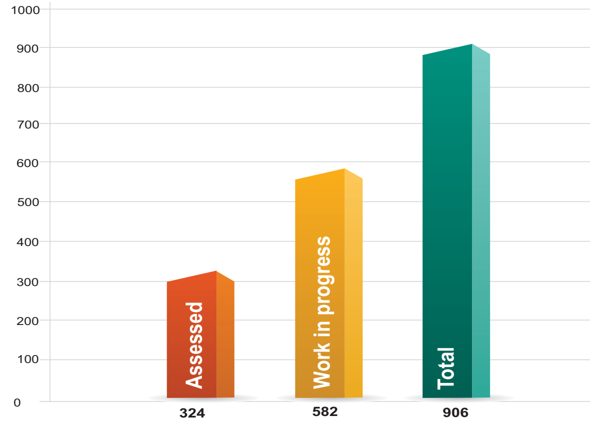


Table C: Analysis of Escalations to Asset Management

Where a property could potentially be leased, developed or sold, the client is advised that the property will be circulated for comment by departments and entities to establish whether it is required for the provision of basic municipal services. If a property is not required for basic service delivery JPC will seek Council approval to either sell, develop or lease the property. Once analysed by Asset Management the client is informed whether the property is available or not. For properties that are not available which are required for service delivery, the client is advised, and the enquiry is closed.

Outdoor Advertising

The new Outdoor Advertising By-laws were approved by Council on 20 March 2018 but only promulgated on 30 May 2018 by the City. This delay already impacted on JPC's ability to initiate processes of implementing some of its business such as gateway advertising, high-value signs, green advertising, user fees and other new initiatives.

Of significance, is the revenue loss estimated at about R 40 million that would have been collected by JPC on behalf of the City by the end of the year under review as a general monetary contribution ("user fee") for advertising signs on private properties for the benefit of using the exposure of public roads that vest in the City. The delays will remain for some time, as the implementation of the new By-laws was suspended pending finalisation of legal action by various role-players challenging various aspects of it. This matter is set down for October 2018 and may take time to resolve.

In anticipation of the finalisation of the By-laws, JPC terminated all lapsed contracts to allow for the introduction of new business through a competitive bidding process in terms of applicable laws and CoJ policies. In response to this, some of the previously contracted parties successfully obtained a court interdict (spoliation order) against the City to stop the removal of street pole advertisements by the City. In the process, JPC has had to stop collecting any revenue from these lapsed agreements hence the company only managed to collect about R 58 million for the year

Revenue growth from the Cell Mast portfolio has also been impacted as the City was embroiled in contractual disputes with the Cell Mast Managing Agent based on allegations that were investigated and dismissed by the City' Group Forensic. The Managing Agent has subsequently put a claim for damages amounting to millions of Rands against the City for loss of revenue. The relationship between the City and the Managing Agent has been severely strained and this has affected operations quite substantially. The potential revenue to the City will remain a miss chance for a long time pending resolution of these legal challenges. Currently over 190 new sites have been circulated by JPC for new development to improve communication services to particularly underprivileged areas. The unprecedented number of objections from various stakeholders including some entities of the City itself, is an indication that this matter will take time to resolve.

Property Management

In the past twelve months a total of 105 transactions were presented to the JPC Board and various Committees of the Council. The transactions are now in the different stages of approval. It should be noted that delays were experienced in the various Committee approval processes, which resulted in the Council Resolutions only being obtained from April 2018. These transactions have the potential of R23 741 472.00 per annum once the approval process is concluded.

Inner City

It's been a challenge getting Executive Adjudication Committee (EAC) to sit and review the proposed awards by the Bid Evaluation Committee. On the 28th of June when the EAC was able to adjudicate, the three transactions that could be awarded, were deferred as the Group Finance needed to assess the impact it will have, on the balance sheet of the City, in anticipation of the requirements of new International Financial Reporting Standard on Leases (IFRS 16), which comes into effect on 1 July 2019.

The other ten of the thirteen properties issued on tender could not be adjudicated as the bidders did not adhere to compliance requirements which were explicitly highlighted in the tender document and made it impossible to award.

Related Party Debtors

JPC has experienced serious cash flow issues during the period under review. Throughout the period our related party balance has been around half a billion, which affected the number of projects that we were able to execute as we didn't want to be perceived as trading recklessly. We are by law required to pay our creditors within 30 days, and our debtors pay us within 296 days, which resulted in us utilising overdraft to settle our creditors timely. Overdraft balance just like debtors has been around half a billion throughout the current period. The intervention of City Manager and Economic Development Member of Mayoral Committee did not yield expected results as the balances are still high as at year-end, JPC only getting commitments from departments which have not been converted to payment.

The utilisation of overdraft has resulted in an unbudgeted interest of R5 790 282 for the period ended 30 June 2017 and R34 997 421 for the period ended 30 June 2018. This indicates that a total loss of R40 787 703 has been included in JPC's net deficit position, which is solely attributable to non-payment by departments. JPC will, therefore, need an addition, unbudgeted, R407 877 030 internal recoveries revenue, to reverse the impact of interest assuming the 10% commission or subsidy be adjusted during mid-term by R40 787 703 without including additional expenses.

Service Standard Performance from 1 July 2017 to 30 June 2018

KPI	Core Business	Service Standard	Target	Year to Date			JPC Comment
				Total	Actual	Percentage	
KPI 1.1	The response in acknowledgement of request, enquiries & complaints	Within 1 day of thelogged call	1 day	14464	14464	100%	Statistics based on walk ins, inboxes and emails except telephonic calls
KPI 1.2	Provision of answer/ or results related to the receipts of the requests and enquiries regarding properties	Within 3 days of logged call	3 days	14464	14464	100%	Statistics based on walk ins, inboxes and emails except telephonic calls
KPI 1.3	The performance of emergency work	Within 1 day of logged call – finalisation on receipt of PO from Department	1 day				Facilities Management KPI
KPI 1.4	Performance of minor works on facilities managed	Within 2 days of logged call - Implementation of works per PO received and SLA with Department	2 days				Facilities Management KPI
KPI 1.5	Performance of major works on facilities managed	Within 5 days of logged call - Implementation of works per PO received and SLA with Department	5 days				Facilities Management KPI
K[I 1.6	Complete the sale/ lease/ acquisition of Council owned land - Council Approval	Within 6 months - This is in line with the processes of the City as reports need to go to the structures of CoJ	6 months	13	0	0%	JPC was unable to conclude the development lease for the thirteen properties within six months due to the nature of the award and it complexity being the done for the first time by the City
KPI 1.7	Tender placed after Council approval and EAC	3 months - This is in line with the processes of the City as reports need to go to the structures of CoJ	3 months	73	73	100%	The thirteen inner city rejuvenation were placed on tender within the stipulated three months. The order sixty transactions were only approved by council in May and June which indicate that there are still within three months
KPI 1.8	Completion of lease approval for space	Within 10 days	10 days	0	0	100%	No lease approval for space received during the period under review

Service Standard Performance from 1 July 2017 to 30 June 2018

KPI	Core Business	Service Standard	Target	Year to Date			JPC Comment
				Total	Actual	Percentage	
KPI 1.9	Performance surveys on the condition of all plant and equipment in order to allow the assessment of the required repairs and maintenance of facilities managed	Within 10 days	Quarterly			100%	Facilities Management
KPI 1.10	Response to general enquiries at client services counter	Quarterly Agreed	24 hours	2948	2948	100%	Statistics based on walk in clients
KPI 1.11	Responses to enquiries regarding transactions in the pipeline	Immediately - 24 hrs as per current JPC timeframes. Agreed	24 hours	7148	7148	100%	Statistics based on inbox and emails
KPI 1.12	Responses to applicants / interest to lease / acquire (formal applications)	14 days as per current time frames agreed	14 days	906	620	68%	Statistics based on assessment of enquiries by Asset Management - Response to clients

The JPC Scorecard for the current quarter ending 30 June 2018 reflects that the entity achieved 93% of the targets and 7% of the targets are not achieved.

Exceeded Targets	Achieved Targets	Not Achieved Targets	Total
4	10	1	15
27%	66%	7%	100%

1 Enhancing our financial sustainability

1.1. 100% Spent of Allocated CAPEX

IDP priority		Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021	
GDS outcome		A glowing, diverse and competitive economy that creates jobs	
Current year 2017/2018		Prior year 2016/2017	
Annual target	Actual	Annual target	Actual
100% spent on allocated CAPEX	100% spent on allocated CAPEX	100% spent on allocated CAPEX	100% spent on allocated CAPEX

Target achieved

1.2. 50 % Implementation of the Outdoor Advertising Masterplan

IDP priority		Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021	
GDS outcome		A glowing, diverse and competitive economy that creates jobs	
Current year 2017/2018		Prior year 2016/2017	
Annual target	Actual	Annual target	Actual
50% implementation of the outdoor advertising masterplan	52,5% implementation of the outdoor advertising masterplan	N/A	N/A

Target achieved

1.3.Unqualified Audit Opinion (Clean Audit)

IDP priority		Enhance our financial sustainability	
GDS outcome		Enhance our financial sustainability	
Current year 2017/2018		Prior year 2016/2017	
Annual target	Actual	Annual target	Actual
Obtain an unqualified audit opinion (clean audit)	Obtain an unqualified audit opinion (clean audit) received	Obtain an unqualified audit opinion (clean audit)	Obtain an unqualified audit opinion (clean audit) received

Target achieved

1.4.100% Resolution of Predetermined Objective Audit

IDP priority		Enhance our financial sustainability	
GDS outcome		Enhanced, quality services & sustainable environment	
Current year 2017/2018		Prior year 2016/2017	
Annual target	Actual	Annual target	Actual
100% resolution of predetermined objective audit findings	100% resolution of predetermined objective audit findings	100% resolution of predetermined objective audit findings	100% resolution of predetermined objective audit findings

Target achieved

1.5. 100% Resolution of Financial Management Audit Findings

IDP priority		Enhance our financial sustainability	
GDS outcome		Enhanced, quality services & sustainable environment	
Current year 2017/2018		Prior year 2016/2017	
Annual target	Actual	Annual target	Actual
100 % resolution of financial management audit findings	100 % resolution of financial manageme-nt audit findings	100 % resolution of financial management audit findings	100 % resolution of financial management audit findings

Target achieved

1.6. R130 000 000 Raised of Rental Income from Leases And Servitudes Sales

IDP priority		Enhance our financial sustainability	
GDS outcome		Enhanced, quality services & sustainable environment	
Current year 2017/2018		Prior year 2016/2017	
Annual target	Actual	Annual target	Actual
R130 000 000 raised of rental income from leases and servitudes sales	R144 910 149 raised of rental income from leases and servitudes sales	R110 000 000 raised of rental income from leases and servitudes sales	R113 100 000 raised of rental income from leases and servitudes sales

Target achieved

2 Ensure pro-poor development that addresses spatial and income inequality and provides meaningful redress

2.1. Two Hundred (200) Asset Management/ Number of Asset Management Plans Formulated

IDP priority		Ensure pro-poor development that addresses spatial and income inequality and provides meaningful redress	
GDS outcome		An inclusive society with enhanced quality of life that provides meaningful redress through pro-poor development	
Current year 2017/2018		Prior year 2016/2017	
Annual target	Actual	Annual target	Actual
200 Asset management plans formulated	244 Asset management plans formulated	200 Asset management plans formulated	247 Asset management plans formulated

Target achieved

2.2. Acquisition of 10 Properties

IDP priority		Ensure pro-poor development that addresses spatial and income inequality and provides meaningful redress	
GDS outcome		An inclusive society with an enhanced quality of life that provides meaningful redress through the pro-poor development	
Current year 2017/2018		Prior year 2016/2017	
Annual target	Actual	Annual target	Actual
Acquisition of 10 properties	11 properties acquired	Acquisition of 20 properties	Acquisition of 51 properties

Target achieved

2.3.Ten (10) Inner City Property Development Projects Awarded

IDP priority		Ensure pro-poor development that addresses spatial and income inequality and provides meaningful redress	
GDS outcome		An inclusive society with an enhanced quality of life that provides meaningful redress through the pro-poor development	
Current year 2017/2018		Prior year 2016/2017	
Annual target	Actual	Annual target	Actual
10 Inner City property development projects awarded	Zero Inner City property development projects awarded	N/A	N/A

Target not achieved

13 properties were advertised through a tender system after obtaining a Council resolution. The advert closed in February 2018 and the Bid Evaluation went through all the received tender documents to ensure that they were responsive to the requirements of the tender. Of the 13 tenders, there was non-compliance to the 10 bids by all the bidders, which made them non-responsive. The non-compliance meant that we could not go ahead and award the 10 properties. This means that the 10 properties will have to be re-advertised through tender and allow the market to respond again.

The remaining three properties were tabled to EAC on the 28 June 2018 whereby the EAC returned the reports with a requirement that JPC must obtain comments from CoJ Treasury on the impact of the long-term leases on the CoJ Financials, as these are 50-year leases

3 Promote Economic Development and attract investment towards achieving 5% Economic Growth that reduces unemployment by 2021

3.1. Two Thousand (2000) Jobs Created Through Property Transactions

IDP priority		Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021	
GDS outcome		A glowing, diverse and competitive economy that creates jobs	
Current year 2017/2018		Prior year 2016/2017	
Annual target	Actual	Annual target	Actual
2000 Jobs created	2017 Jobs created	8000 Jobs created	3102 Jobs created

Target achieved

3.2. One Thousand, Two Hundred (1200) Smme's Supported, Though Property Transactions

IDP priority		Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021	
GDS outcome		A glowing, diverse and competitive economy that creates jobs	
Current year 2017/2018		Prior year 2016/2017	
Annual target	Actual	Annual target	Actual
1200 SMME's supported	1203 SMME's supported	4000 SMME's supported	2304 SMME's supported

Target achieved

3.3. R1.3bn Cumulative Rand Value Attraction of Investment on COJ Property Transactions (Contract Signed but no Construction yet)

IDP priority		Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021	
GDS outcome		An inclusive society with enhanced quality of life that provides meaningful redress through pro-poor development	
Current year 2017/2018		Prior year 2016/2017	
Annual target	Actual	Annual target	Actual
R1.3bn Cumulative Rand value attraction of investment on CoJ property transactions (Contract signed but no construction yet)	R1.4bn Cumulative Rand value attraction of investment on CoJ property transactions (Contract signed but no construction yet)	R1.2bn Cumulative Rand value attraction of investment on CoJ property transactions (Contract signed but no construction yet)	R1.3bn Cumulative Rand value attraction of investment on CoJ property transactions (Contract signed but no construction yet)

Target achieved

3.4. R 700 Million Attraction of Investment on COJ Property/ (Construction Value on the Ground)

IDP priority		Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021	
GDS outcome		A glowing, diverse and competitive economy that creates jobs	
Current year 2017/2018		Prior year 2016/2017	
Annual target	Actual	Annual target	Actual
R 700m attraction of investment on CoJ property/ (Construction value on the ground)	R1.1bn attraction of investment on CoJ property/ (Construction value on the ground)	R 700m attraction of investment on CoJ property/ (Construction value on the ground)	R1.1bn attraction of investment on CoJ property/ (Construction value on the ground)

Target achieved

4 Create an honest and transparent City that fights corruption

4.1. 100% Resolution of Compliance Management audit findings.

IDP priority		Create an honest and transparent City that fights corruption	
GDS outcome		An honest, transparent and responsive local government that prides itself on service excellence	
Current year 2017/2018		Prior year 2016/2017	
Annual target	Actual	Annual target	Actual
100% resolution of compliance findings	100% resolution of compliance findings	100% resolution of compliance findings	100% resolution of compliance findings

Target achieved

5 Create a culture of enhanced service delivery with pride

5.1. 100% Training and Development Initiatives for Employees

IDP priority		Create an honest and transparent City that fights corruption	
GDS outcome		An honest, transparent and responsive local government that prides itself on service excellence	
Current year 2017/2018		Prior year 2016/2017	
Annual target	Actual	Annual target	Actual
100% training and evelopment initiatives for employees	1203 SMME's supported	N/A	N/A

Target achieved

CHAPTER 04

Human Resources and Organisational Management

Highlights and Achievements

In the 2017/2018 financial year, the focus areas for Human Capital Management (HCM) has been on playing a fundamental role in driving the HR strategy and also partnering with the business as part of aligning HR key focus areas to the needs of the business and ensuring impactful HR service delivery. The strategic focus for Human Resources has been on employees concerning skills development, employee wellness and employee relations. The rationale of the emphasis on initiatives focusing on employees is as follows:

- To increase employees' competence levels, while in some instances also creating an opportunity to acquire new and relevant skills
- To promote organisational support through wellness and to encourage employees to take care of themselves
- To build solid relationships with employees and create a sense of passion and commitment to the organisation.

Review the current structure and ensuring alignment with business requirements

The organisational structure is reviewed annually in line with strategic priorities, and for the financial year 2017/2018, the review focused on the allocations of functions and the resources required to deliver on the organisational mandate. The review of organisational structure is continuing to take into consideration JPC s boldness strategy that seeks to maximum socio-economic value and transformation for the CoJ, through the nearly 30 000 properties owned by the City.

Ensure availability of Employee Value Proposition that creates a high-performance culture.

The Employee Value Proposition (EVP) states what JPC offers to its employees in return for their contribution, and it leads to the following organisational benefits:

- Drive employee commitment and advocate for behaviour that will have a direct impact on organisational performance.
- Creates awareness and understanding among the employees on organisational vision and strategy

In this financial year, the Employee Value Proposition (EVP) model was developed and approved. The consultation and employee engagement has taken place as part of creating understanding and buy-in.

Ensure availability of talent management strategy aligned with the competency model that enables identification and development of potential successors for all critical positions.

Another highlight for the 2017/2018 financial year is that the Organisational Competency Framework and Talent Management Strategy was approved by the Board. The implementation of the Talent Management framework will ensure the good synergy of business strategy, people and business processes

The benefits of the integrated approach of the organisational competency framework and talent management strategy are the ability to identify high potential employees, and it becomes easier to invest in employees' professional development, Employee assessments will be based on defined organisational competency and provide deep insights into the management about their employees, what motivates them, their career aspirations and abilities; It contributes to better recruitment, promotions and redeployment decisions.

Achievement of EE target

The JPC has a staff complement of 528 employees inclusive of permanent and temporary employees as of June 2018. The employment equity demographics currently indicates that majority of JPC employees are males and mainly occupy Junior Management, Skilled and Semi-skilled occupational levels. Male employees represent 59% of the total workforce and 41% of female employees.

Skills Development

The training interventions conducted in the 2017/2018 financial year catered the critical legislative compliance and functional/technical clusters. As part of continuous compliance to the skills and development legislation, the 2018/2019 Workplace Skills Plan (WSP) was compiled in consultation with line managers to identify key competency gaps that need to be addressed in the new financial year.

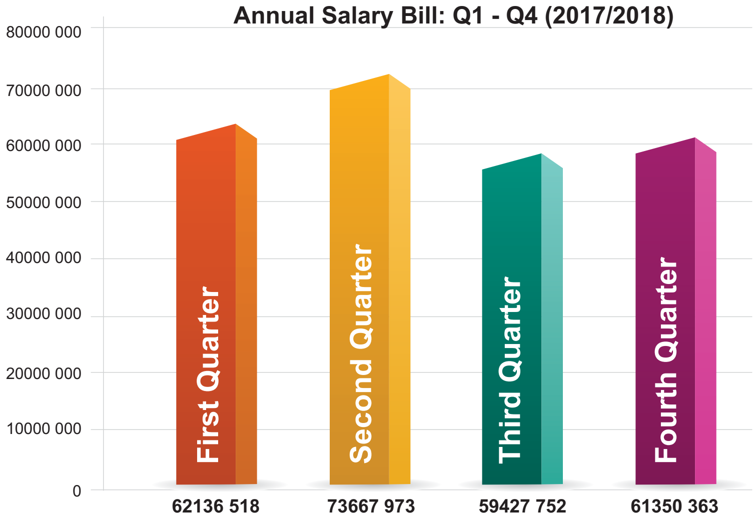
Services SETA has approved the learnerships / internship grant applications for 90 learners or interns. Reimbursements from SETA for the skills development initiatives equates to an amount of R405 937.88 and would rechannel into training budget to fund the reskilling and recognition for prior learning (RPL) programs for aged and experienced employees. The reskilling and RPL programs intents to address challenges faced older employees by deploying learning techniques that accommodate the different learning styles for the different generations. The training interventions have a positive impact on the both JPC and the employee

Change Management

The focus on change management has been redirected to the ensuring reintegration of entities into the City. The reintegration process will impact employees and create uncertainty, and this should be managed accordingly.

The total salary bill equates to a total amount of R259, 466, 592 for 2017/2018 financial year which falls within the budget as result of the savings that occurred as result of the employee who existed the organisation for reasons relating to natural attrition. The main challenge in respect of the approved salary budget is the underfunding of vacancies which leads to JPC Over the years not filling critical vacant positions.

The graph below indicates the quarterly salary bills for 2017/2018 that includes benefits and related payroll transactions.



The following assignments with regard to remuneration have successfully been achieved during 2017/2018 financial year:

- The "Salary and Wage Collective Agreement" in respect of the annual cost-of-living increase plus related benefits have been effectively implemented to all qualifying employees, with effect from 1 July 2017;
- Following the conclusion of the demarcation settlement agreement, JPC now forms part of the South African Local Bargaining Council (SALBC) hence the bargaining council levies has been implemented for all affected JPC employees.
- In November 2017, the service bonuses (13th cheque) payments have been effectively applied to all permanent, qualifying employees.
- During the fourth quarter performance bonuses payments were effected for qualifying EXCO and Senior Managers.
- The Tax year-end for 2018 was successfully closed and IRP5's have been distributed to all JPC employees.

Overtime Expenses per Quarter for Year 2017/2018

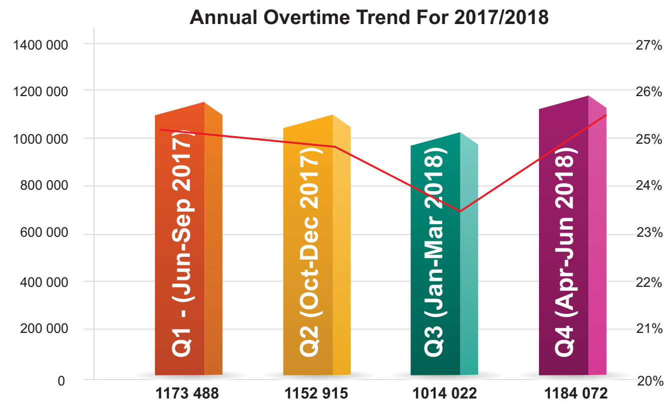
JPC realised an expenditure of approximately R4 524 496 on overtime for the period under review and this acceptable considering that it equates to 1.9% of total salary expenditure for the financial year. Overtime expenditure is incurred because of the services rendered to the public by JPC in respect of the public convenience facilities, which opens seven (7) days a week and employees working within these facilities are five (5) day workers thus are required to work during weekends in order to deliver the services to the public.

The table and graph below indicate the quarterly overtime expenditure incurred during the 2017/2018 financial year:

Annual Overtime Expenses For 2017/2018			
Quarterly	**Hours Claimed**	**Total Costs**	**% Expenditure**
Q1 - (Jul-Sep 2017)	9 734	1 173 488	26%
Q2 (Oct-Dec 2017)	9 322	1 152 915	25%
Q3 (Jan-Mar 2018)	8 192	1 014 022	22%
Q4 (Apr-Jun 2018)	9 572	1 184 072	26%
Total Amounts	**36 820**	**4 524 496**	**100.00%**

The goal is to reduce the overtime costs by 5-10% in comparison to previous financial years (2016/2017 and 2017/2018).

The graph below indicates the trend in relation per quarter for 2017/2018:



In comparison to Q1; Q2 and Q3 the costs have reduced significantly, however, during Q4 the cost has slightly increased by 4% in comparison to Q3. Management will continue to manage the overtime expenses efficiently.

Recruiting and filling of critical vacancies was strategically delayed due to budget constraints emanating from 2017/2018 budget cut, which also had an adverse impact on the core departments from an operational point of view. As a result, JPC resorted to fill some of the critical positions through internal recruitment to curb the cost, for business productivity and driving the company strategic agenda. The remaining vacant positions identified that require specialised competencies, which are not readily available within the company will be filled externally throughout three years based on budget availability.

In mitigating competency gaps, some roles are filled by recruiting temporary appointments. The filling of these positions will also improve demographic representation in the organisation's EE numerical goals and targets. Eighty-six (86) internal positions were approved for internal recruitment focusing on core departments. The internal recruitment process is in progress and will be concluded by the end of July 2018.

Internal Positions Advertised

Department	Business Unit	Number of positions
Property Portfolio	Facilities Management	58
	Property Development	1
	Property Management	20
Outdoor Advertising	Outdoor	2
Chief Financial Office	Finance & Supply Chain	4
Client Business Operations	Client Business Operations	1
Total		**86**

New Appointments

It is reported that three (3) permanent appointments and twelve (12) temporary appointments were made during the 2017/2018 financial year. Those positions were identified as key critical positions that were well motivated by line managers in compliance with the Talent Acquisition policy. The three (3) key positions were filled on a permanent basis to provide administrative and strategic support and the 12 temps were employed as a measure to bring relief to the core departments that are under-capacitated while addressing the issue relating to the underfunding of vacancies. Additional funding was required during the budget review process to proceed with the recruitment process and to fill the critical positions for 2017/2018 financial year.

Occupational Levels	Male				Female			Total	Foreign Nationals		Total
	A	C	I	W	A	C	I	W	M	F	
Top management	0	0	0	0	0	0	0	0	0	0	0
Senior Management	0	0	0	0	0	0	0	0	0	0	0
Professionally qualified and mid-management	0	0	0	0	0	0	0	0	0	0	0
Junior management, superintendents and skilled technical	0	0	0	0	2	1	0	0	0	0	3
Semi-skilled/ Administration	0	0	0	0	0	0	0	0	0	0	0
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0	0	0
Total permanent staff	0	0	0	0	2	1	0	0	0	0	3
Temporary employees	4	0	0	0	7	1	0	0	0	0	12
Grand Total	**4**	**0**	**0**	**0**	**9**	**2**	**0**	**0**	**0**	**0**	15

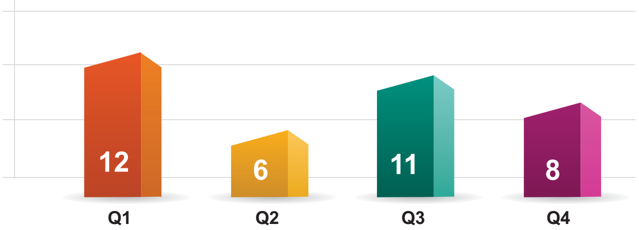
The table above indicates the permanent and temporary appointments made during 2017/2018. JPC only filled key critical vacancies to close the gaps. Appointments were made in line with the Talent Acquisition policy and procedures.

Terminations: It is reported that this year 2017/2018 (July 2017 – June 2018), JPC had thirty-five (35) permanent and three (3) temporary terminations actioned

Occupational Levels	Male				Female				Foreign Nationals		Tota l
	A	C	I	W	A	C	I	W	M	F	
Top management	0	0	0	0	0	0	0	0	0	0	0
Senior Management	0	0	0	0	0	0	1	0	0	0	1
Professionally qualified and mid-management	1	0	0	0	2	0	0	0	0	0	3
Junior management, superintendents and skilled technical	10	0	0	1	0	0	0	2	0	0	13
Semi-skilled/ Administration	10	1	0	0	1	0	0	0	0	0	12
Unskilled and defined decision making	3	1	0	0	2	0	0	0	0	0	6
Total permanent staff	24	2	0	1	5	0	1	2	0	0	35
Temporary employees	0	0	0	0	2	1	0	0	0	0	3
Grand Total	**24**	**2**	**0**	**1**	**7**	**1**	**1**	**2**	**0**	**0**	38

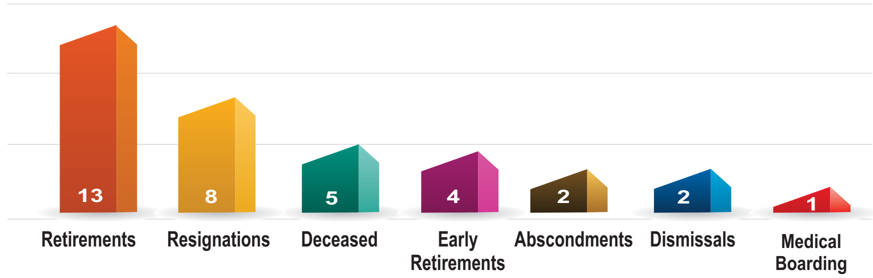
The table above illustrates the terminations realised inclusive of temporary and permanent employees, per occupational levels, race and gender. These terminations mainly consisted of retirements due to natural attrition.

Termination: Q1 - Q4 (2017/2018)



The graph above indicates the quarterly (Q1-Q4), terminations realised for 2017/2018 financial year. The below indicates the reasons for terminations transpired.

Reasons For Termination: (2017/2018)



The diagram above shows that most terminations consisted of retirements and resignations for 2017/2018.

Retirements/Early Retirements: Thirteen (13) employees retired and four (4) employees opt for early retirement in terms of their pension fund rules. This confirms that JPC has an ageing workforce hence succession planning has become a key focus area to ensure successors for business continuation

Resignations: Eight (8) employees resigned mainly in pursuit of better career opportunity and remuneration compensation within the job market.

Death: JPC experienced five (5) deceased employees during this year due to natural causes.

Abscondment: Two (2) employees absconded from work, which resulted, into their contract of employment been terminated.

Dismissals: Two (2) employees were dismissed as per the outcome of the disciplinary hearings.

Medical Boarding: One (1) employee has been medically boarded due to ill health.

Contracts: Three (3) temporary contracts expired.

The impact of the termination rate realised thus far contributes to the under capacitation within key business areas. The organisation manages the situation by mobilising potential employees within those departments to close the gaps to ensure business continuation.

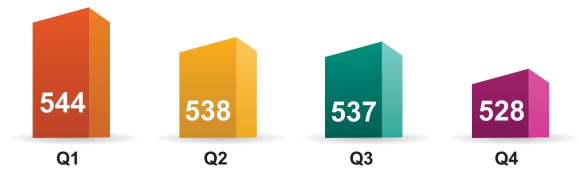
Taking the above into account, Human Capital Management in consultation with Management is focusing on prioritising workforce planning, to put mechanisms in place to fill the capacity gaps and ensure business priority deliverables are achieved. The workforce planning initiative will assist the organisation to prioritise key critical areas when filling vacancies and forecast future workforce in line with the organisations goals and strategic deliverables. The organisation will prioritise and contribute to the youth development initiatives, focus on other initiatives such as internships and learnerships programme as well as mentoring and coaching programmes in line with the succession policy guidelines.

The JPC has a staff complement of 528 employees inclusive of permanent and temporary employees as of June 2018. The employment equity demographics currently indicates that majority of JPC employees are males and mainly occupy Junior Management, Skilled and Semi-skilled occupational levels. Male employees represent 59% of the total workforce and 41% of female employees.

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	M	F	
Top management	1	0	1	1	0	1	0	0	0	0	4
Senior Management	1	0	0	0	1	0	1	0	0	0	3
Professionally qualified and mid-management	18	1	5	5	20	3	2	5	0	0	59
Junior management, superintendents and skilled technical	93	2	4	9	56	12	2	2	1	0	181
Semi-skilled/ Administration	99	11	3	1	28	4	0	0	0	0	146
Unskilled and defined decision making	46	4	0	1	55	15	0	0	0	0	121
Total permanent staff	258	18	13	17	160	35	5	7	1	1	514
Temporary employees	3	0	1	0	9	1	0	0	0	0	14
Grand Total	**261**	**18**	**14**	**17**	**169**	**36**	**5**	**7**	**1**	**0**	**528**

The Employment Equity Committee is reviewing the targets, racial representation and gender to provide recommendations that may assist to mitigate the current barriers to achieve the set targets including improving numbers of People with Disabilities.

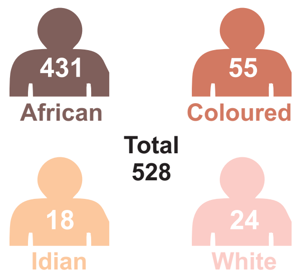
Workforce Profile: Q1 - Q4 (2017/2018)



The graph above indicates the quarterly workforce profile from Q1 – Q4 for 2017/2018. The workforce trend showed clearly staff reduction from Q1 of 544 and reduced to 528 in Q4. Thirty-five (35) permanent employees exited the organisation and three (3) contract expired for this financial year.

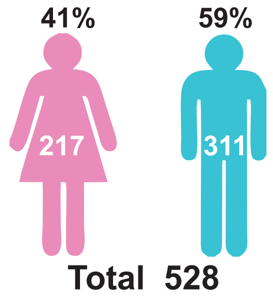
Racial split and Key Gender distribution as well as the gap analyses against EAP targets,

Overall Racial	Racial Split			
	A	C	I	W
Actual	82%	10%	3%	5%
Target	78%	4%	2%	16%
Gaps	4%	6%	1%	-11%



Gender Split

Gender Split	Actuals	Target	Gap
Males	59%	50%	9%
Females	41%	50%	-9%



The overall analysis regarding race indicates that the non-designated group (Whites) are under-represented, and gender distribution indicates that females including White females are under-represented. The imbalances identified are due to the technical environment that constitutes mainly of semi-skilled and unskilled occupational levels occupied by the designated groups (Blacks). These anomalies are included in the EE Action plan. Due to the budget constraints to fill vacant positions, EE targets are not effectively achieved.

The prioritised training and development interventions were initiated to address some of the organisational competency gaps identified. The 2017/2018 financial year budget allocation of R1 454 000 was reallocated to prioritise training interventions to selected target groups of employees within the various business units for empowerment. Reimbursements from SETA for the skills development initiatives equates to an amount of R405 938 and would be rechannelled into training budget to fund the reskilling and recognition for prior learning (RPL) programs for aged and experienced employees

Training Intervention	of employees
Municipal Finance Management Programme	12
Compliance Risk Management– Act Owner training (Exclaim!)	8
Effective Interpersonal skills	19
HR Tax Update	3
Labour Relations summit	5
Board Leadership Programme	1
National HR Professional Practice Standards Training	6
New User computer Training (In house)	37
Total	**91**

The table below depicts the number of employees who attended training per occupational category.

Occupational Levels	Male				Female				Foreign Nationals		Tot al
	A	C	I	W	A	C	I	W	M	F	
Top management	1	0	0	1	0	0	0	0	0	0	2
Senior Management	4	0	0	0	3	1	1	0	0	0	9
Professionally qualified and mid-management	2	0	0	0	4	0	0	0	0	0	6
Junior management, superintendents and skilled technical	9	0	1	1	9	2	0	0	0	0	22
Semi-skilled/ Administration	22	3	0	4	4	0	0	0	0	0	33
Unskilled and defined decision making	0	2	0	0	1	0	0	0	0	0	3
Total permanent staff	38	0	1	1	21	3	1	0	0	0	75
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
Grand Total	**38**	**5**	**1**	**6**	**21**	**3**	**1**	**0**	**0**	**0**	75

Bursaries

The Employee Bursary Scheme is intended to assist the JPC employees to develop skills for its business service by providing financial assistance (Registration, tuition and examination fees) to employees enabling them to qualify themselves educationally for the JPC's business service. The qualifications level that the organisation funds begins at National Qualification Framework level 5 to level 9 informed by the organisational competencies. In the period under review there were no new bursaries awarded to employees. The bursary funding was allocated only to existing bursary holders that were already committed to continue with current studies or complete their qualifications.

Matriculation (Grade12) Programme

JPC has a large number of employees who fall within semi-skilled and unskilled occupational levels and one key skill development priority is to improve the literacy levels within the organisation hence employees were an opportunity to enrol for the Matriculation (Grade12) Programme. Fourteen (14) JPC employees participated in the 2018 May/June Matriculation examinations, and results are expected to be issues end of August 2018.

The 2017/2018 Workplace Skills Plan and Annual Training Report submission

JPC is expected to submit the Workplace Skills Plan and Annual Training Report in compliance to the Skills Levies Act on an annual basis to demonstrate the developmental interventions that were provided to empower and improve employees' skills levels. The 2018 /2019, Workplace Skills Plan (WSP) was developed in consultation with line managers through the identification of key competency gaps required to be addressed in the new financial year.

The WSP consists of the three key elements, the total number of workforce list of interventions, and the status of interventions (Achieved or Planned). The list of interventions was linked to the technical and behavioural competencies stipulated in the approved organisational competency framework.

Section 6: Performance Management and Succession Planning

JPC's mandate is to embed a high-performance culture through the implementation of the new performance management system to promote organisational excellence and enhance productivity. Currently in JPC Performance Management is applicable to EXCO level and senior management and there is still a challenge to reposition and rejuvenate the performance management culture to the levels below the above mentioned and also in creating a culture that is:

- Committed to a high-performance culture and standards
- Adherence to the performance management system requirements

To mitigate the challenge mentioned above, all line managers and employees have to be trained in performance management in 2018. Critical vacant positions have been advertised and interviews are currently in progress and this speaks to staff retention.

During this financial year, the corporate scorecard has adopted and approved by board resulting in the contracting and cascading of the scorecard for senior management. The mid-term performance reviews for the financial year 2017/2018 conducted.

Succession planning

All employees have different levels of competencies, even if the individuals have the interest and the desire to compete for critical positions. While an employee development of any kind is desirable and should be pursued, a “Talent Pool “is not established for everyone, but for those who show the post potential for critical positions. It should be noted, participation in the Talent Pool” process is not the selection process for the position or a guarantee that any participants will eventually be selected. All employee decisions are based on position relatedness, equity and fairness.

The talent pools are categorised across different levels, and each has programmes and timeframes to facilitate the rapid development and monitoring of Talent. The pool comprises of

- Junior Management/ Junior Specialist Pool: employees who have performed and have the potential and ambition to progress and reach junior management/specialist roles within 18 months.
- Middle Management/ Specialist Pool: Employee who have performed and have the potential and ambition to progress and reach middle management/ specialist roles within 24 months.
- Senior Management/Specialist Pool: Employee who have performed and have the potential and ambition to progress and reach middle management/ specialist roles within 30 months.
- Executive Pool: Employees who have performed and have the potential and ambition to progress and reach Executive Level within 36 months.

Each pool will feed into the next level. Currently, there are sufficient individuals internally who could form part of the talent pools. Based on past performance reviews, an inference can be drawn that the current internal talent has achieved some level of readiness to perform on the next level.

The talent pools will also be categorised according to the following to determine successor readiness:

- Emergency Successor: A named individual who could step into the role in case of an emergency, this individual would act as temporary custodian.
- Ready Now Successor: A named individual who could assume the successor role immediately
- Ready later Successor: A named individual who could be developed to assume the role within 1-3 years.

It should be noted, participation in the " Talent Pool” process is not the selection process for the position or a guarantee that any participants will eventually be selected. All employee decisions must be based on position relatedness, equity and fairness

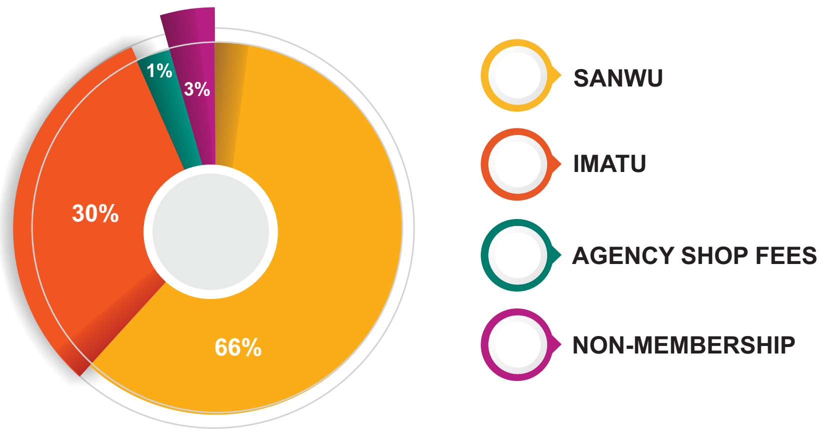
JPC has currently identified three people who can take over from the CEO as her contract is expiring on 30 September 2019. The appointment of the CEO is made by the board in consultation with the City. The three individuals identified will be requested to apply for the position which will be advertised.

Section 7: Disciplinary Matters and Outcomes

Union Representation

JPC is a highly unionised organisation and requires a structured, stabilised and sound labour relationship with labour to ensure harmonious working environment.

Union Representation as at end June 2018



The union representation and membership graph above shows that from a staff compliment of 528 employees including temporary staff, 66% belongs to SAMWU, 30% belongs to IMATU and 1% fall within the Agency shop fees. The remaining 3% does not belong to a union however mostly consist of temporary employees.

Local Labour Forum

The Local Labour Forum meetings held according to schedule and matters are currently tabled are as follows:

- HR Policy Workshops are in progress between HCM and Labour to review current polices with the aim to revise guidelines that are put in place for employees. The engagement sessions are aimed at identifying gaps and recommend improvements in JPC's policies. Once this process is finalised the summary feedback of the group discussions will be communicated to the main LLF platform and submitted to the Board for approval.
- Deliberations were held at local labour forum to bring the placement process to closure wherein all matters issues emanating from the placement framework and procedures as raised by employees were resolved and put to closure. This formed part of addressing salary disparities and challenges of job satisfaction to improve staff morale.
- The Parity Benchmarking Exercise is still in progress for Level C and D. All required Information requested from the City has been submitted effectively. The current challenges being experienced with regards to implementation of the parity exercise is the involvement and buy-in of organised labour both SAMWU and IMATU and the salary negotiations which has reached a deadlock
- The national salary negotiations have reached a deadlock, following the declaration of a dispute by the unions. This is the first of the two conciliation meetings planned to resolve the wage impasse. The conciliation meeting follows the rejection of the Facilitator's proposal by SAMWU in the negotiating table. The conciliation process has been put in place after the two Unions referred two separate disputes, using prescribed procedures of the Bargaining Council. As a dispute resolution mechanism, the conciliation process provides for a platform to reconsider the terms that the Facilitator presented to the parties. In summary, the Facilitator's proposal entails the following:

    1. An across the board salary & wage increase with being backdated from 1 July 2018, as soon as the agreement is reached.
    2. Employees who earn a basic salary of R9000.00 per month or less shall receive a further 0.5% increase with effect from 1 January 2019.
    3. The percentage of salary increases will adjust the minimum wage, the homeowner's allowance, and the medical aid employer contribution for the 3-year duration of the salary and wage agreement.
    4. The Non-Pensionable Housing Allowance for the GAP market employees will remain unchanged from its current level of R350 and will only be adjusted in year two (2) and year three (3) of the agreement by the same percentage as the salary and wage increase applicable for those years.

- The first conciliation meeting was held on 28 June 2018 and parties acknowledged the importance of an inclusive approach in the conciliation process in order to bolster the prospects of achieving an amicable settlement. The next meeting for conciliation is scheduled for 16 July 2018. The implications of the parties failing to reach an agreement at this stage means that the existing wage agreement lapsed on 30 June 2018. As a consequence of the agreement lapsing, municipal employees will not be getting a salary increase in July 2018, being the first month of the new financial year. In addition, a category of employees who are currently receiving a Non-Pensionable Housing Allowance will no longer be receiving this benefit.

Misconduct Cases:

JPC has adopted an approach to tackle and reduce the occurrence of misconduct cases within the organisation through awareness sessions were employees are informed about disciplinary procedures, polices and expected behaviours and capacitation of line management so that they are able then to initiate and preside over disciplinary hearings.

For the period under review three (3) misconduct cases were reported and/or processed in terms of the disciplinary code and of which four employees were placed on pre-cautionary suspensions and three (3) were dismissed. The dismissal was imposed in one instance the offence related to dishonesty and in another it was a repeated offence.

Misconduct	Outcome
Insubordination and derelictions of duties	Dismissal
Absenteeism	Dismissal
Absenteeism	Dismissal

Misconduct Cases	Precautionary Suspensions
Fraud	Investigation completed and disciplinary charges served on the employee and disciplinary hearing scheduled for July 2018
Contravention of Code of Ethics	Investigation completed and disciplinary charges served on the employee and disciplinary hearing scheduled for July 2018
Dishonesty	Investigation completed and disciplinary charges served on the employee and disciplinary hearing scheduled for July 2018
Dishonesty	Investigation commenced

Disputes

Only two (2) matters were referred for external dispute resolution mechanism at CCMA and two are awaiting the arbitration hearing and the other two were dismissed and finalised at arbitration level.

Case Description	Outcome
181 (1) (a) Unfair Dismissal	The matter dismissed at arbitration due to lack of CCMA jurisdiction.
181 (1) (a) Unfair Dismissal	The arbitration award in favour of the company. The dismissal confirmed as procedurally and substantively fair.

Grievances

For the period under review five grievances were lodged and four resolved through the internal process while one was withdrawn by the employee.

Case Description	Outcome
A grievance against a manager on the conduct (bullying and harassment) by the line manager was lodged by a subordinate.	The matter was resolved
A grievance against a manager on the conduct (bullying and harassment) by the line manager was lodged by a subordinate	The matter was resolved

Metro Mall

Leave Provision: The quarterly leave liability for 2017/2018 financial year:

The leave liability amounts based on the annual leave balances as at end June 2018 amounts to R15 713 383 which has significantly reduced in comparison to Q1 the amount of R17 274 093. The graph below indicates the quarterly (Q1-Q4) for 2017/2018

Leave Liability Costs For 2017/2018

The above diagram illustrates that leave liability amount significantly reduced in comparison to Q1 the amount of R17 274 093 decreased to R15 713 383 in Q4. This shows that initiatives implemented to encourage employees to utilise their compulsory leave days have been achieved.

Leave Encashment for 2017/2018 financial year

The leave encashment applications were implemented in line with the principle that, "An employee is only allowed to sell once within a financial year up to a maximum of 8-days", as per the Leave policy provision.

The graph below illustrates the quarterly leave encashment for 2017/2018: (Q1-Q4):

Leave Encashments Costs For 2017/2018: Q1 - Q4

The graph above indicates the quarterly leave encashment for 2017/2018. It also demonstrates the total number of Non-compulsory days sold per quarter and the total costs implication. A total of 2582-days were encashed at the costs of R3 037 262 for 2017/2018 financial year. This initiative positively influenced the organisation as it forces employees to utilise their 16-days compulsory leave before selling. In addition, it also contributes to the reduction of the leave liability amount.

Absenteeism for 2017/2018: (July 2017 to June 2018)

Department	Period	Number of Staff taken Sick leave	Total Sick Days Taken	%Absenteeism
Office of the CEO	July 2017 - June 2018	17	148	0.13%
Finance & SCM	July 2017 - June 2018	35	489	0.43%
Information Technology	July 2017 - June 2018	9	85	0.08%
Client Business Operations	July 2017 - June 2018	22	493	0.44%
Corporate Services	July 2017 - June 2018	19	301	0.27%
Outdoor Advertising	July 2017 - June 2018	6	61	0.05%
Portfolio Management	July 2017 - June 2018	352	5096	4.50%
Total	**Q1 - Q4**	**460**	**6673**	**5.90%**

The above table illustrates the annual departmental absenteeism rates from Q1 – Q4. Overall JPC has a high absenteeism rate of 5.90% in contrast to the norm of 1.5% and reflects that JPC has a sick workforce as a result of dread and chronic diseases. It also challenges JPC to focus on wellness interventions to offer employees assistance programmes. In addition, to put contingency plans in place to mitigate the risk and ensure productivity levels increases for the organisation to meet its strategic goals and service delivery demands.

The theme of Renew, Refocus and Re-Energise aims to encourage employees to take responsibility for their health and wellbeing bearing in mind the increased number of employees hospitalised for Chronic diseases epidemics during the fourth quarter.

HCM engaged in a drive to educate all employees on Pension Fund Rules to ensure that employees are fully conversant with the rules. The exercise was aimed at creating awareness for employees on various factors, that are necessary for pension planning and highlighted Financial viability for retirement; Health and Wellness; Affordability for the rising cost of living and Rapidly ageing workforce. This initiative ensures that there is emotional and financial readiness on the part of employees who are retiring.

In the period under review, CEO emphasises the theme of "Renewing, Refocusing and Re-energising" during the employee engagement roadshow. The roadshow presented an opportunity in which employees gave inputs thus mapping the path for renewal, refocus and re-energising programme and bringing to forth the numerous challenges affecting employees

Human Capital Management invited the Corporate Healthy SA to conduct free screening from the 25 to 29 September 2017 for all JPC employees, and this was aimed at adding value to the health and wellness agenda. Corporate Health SA provided JPC with professional doctors who conducted a free screening and focused on the following aspects; Optometrist, Orthoptist, Audiologist, Dietician, Physiotherapist, Nurses- BMI, glucose, cholesterol; blood pressure; prostate screening and cervical cancer screening tests.

Human Capital Management collaborated with Moso Consulting. Their role was to offer sponsorship, support and serve as a liaison between JPC and medical aids for wellness events. Old Mutual was also part of the event and provided nurses who offered help with testing on sugar, high blood etc.

Findings:

- Optometrist - 75% of employees who had eye problems are mostly office staff members. The problems can be linked to computer use. Employees with eye problems who use computers were advised to have protection when using computers or exposed to the sun. For example, glasses with ARC (anti-reflective coating) were prescribed to address this problem. It is recommended that eye testing is done at least once a year to identify any eye anomalies early egg cataracts.
- Physiotherapist – 40% of staff members screened by the physiotherapist complained mostly about mild to severe lower back pain which could be caused by sitting on chairs with weak lumbar (spine) support, weight problems (obesity) and other physical conditions.
- Audiologist - prescribed hearing aids to three employees with hearing loss. Hearing aids are devices which restore hearing to almost 100%. As part of the ear screening, education was given to employees on how to look after their ears.
- Orthoptist – 23% of staff members generally complained about feet pain. As the main focus with orthoptist, feet and blood circulation in the legs, some staff members were evaluated, then advised to try innersoles to help with problems that they experienced with their feet and compression stockings to help with varicose veins and swelling. For labour intensive employees, the company may invest in comfortable safety footwear to protect the feet.
- Dietician- It was also depicted that 69% of JPC employees are overweight or obese which is a concerning factor. To mitigate such staff members were advised on a proper diet plan, exercises and drinking lots of water to stay healthy and were advised that proper diet can assist in addressing other health conditions like high blood pressure, diabetes, etc.

It was also found that the general workers are the highest percentage of the workforce in JPC that do not have medical aids. This means that employees have less leverage on trying to address most of their health challenges and the employer needs to give this area a priority. Regular health awareness programs like this enable employees to be aware of their health problems by identifying gaps before they become life-threatening.

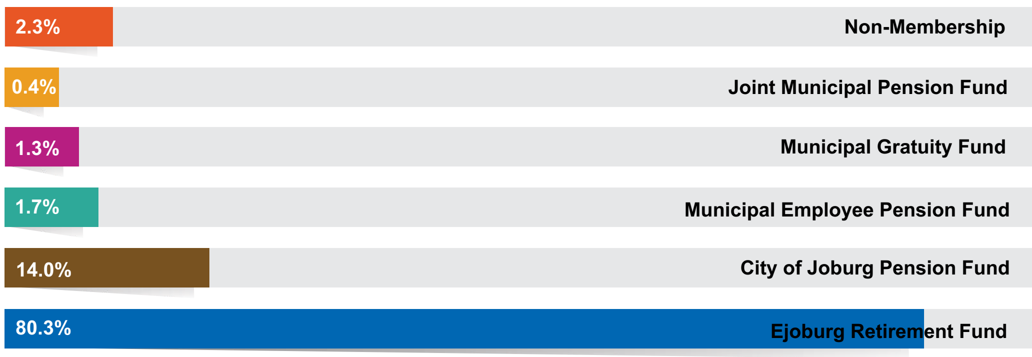
The focus on employee wellness was also on awareness session relating to absenteeism and the impact thereof. The awareness session served as an information session focusing on leave management policy. Employees attained a greater understanding of the guidelines when it comes to absence and processes that should be followed, and this session was well received by employees.

The Pension Fund Membership Distribution shown in the table below is as at end June 2018:

Pension Fund Membership	Total	Remarks
Ejoburg Retirement Fund	424	Defined Contributions
City of Joburg Pension Fund	74	Defined Benefits
Municipal Employee Pension Fund	9	Defined Contributions
Municipal Gratuity Pension Fund	7	Defined Contributions
Joint Municipal Workers Pension Fund	2	Defined Benefits
Non-Membership	12	Not compulsory
Total	**528**	

The graph indicates the % membership to the five (5) pension funds as well as non-membership.

Pension Fund Distribution as at The End of June 2018

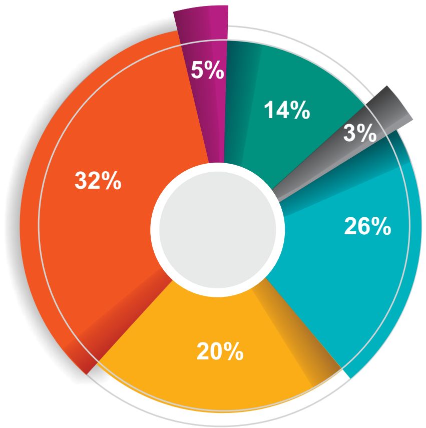


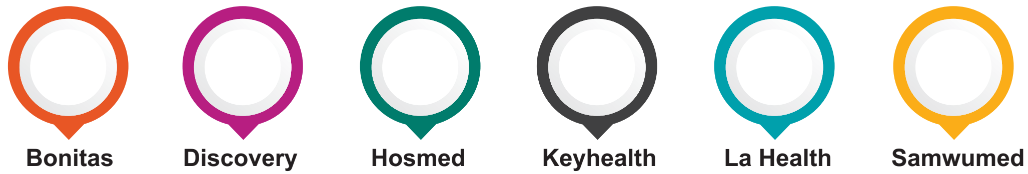
The table above demonstrates that all JPC employees belong to an accredited pension fund except the Chief Executive Officer and temporary employees, of which membership condition is not compulsory. The membership to the recognised pension funds of which the Employer continues to contribute 18% to the pensionable salary. Although E-Joburg is the preferred pension fund, however, members on alternative pension funds retained their membership and the related pension fund rules.

The table and graph below indicates the Accredited Medical Aid Schemes and Membership Distribution as at end June 2018

Medical Aid Scheme	Membership
Bonitas	115
Discovery	17
Hosmed	53
Keyhealth	11
La Health	95
Samwumed	72
Total Membership	

Medical Aid Scheme Distribution as at End of June 2018





The table above specifies that 363 employees belong to the accredited medical aid schemes and membership distribution as at end June 2018. The remaining 154 employees who fall within the low- income earners gap are exempted from joining due to affordability, although the condition is compulsory. Management in conjunction with HCM encourages its employees' to join the medical aid schemes as the employer contributes 63% towards the accredited medical aid schemes at a maximum-capped amount of R3 942.22. The 63/37 split rule principle still applies

The Occupational Health and Safety (OHAS) rollout programme for 2017/2018 has gained satisfactory momentum through teams of dedicated workplace representatives. The theme for the year focused mainly on the implementation of workplace safety measures, and the JPC OHAS team was pleased with the support received from Management.

The table below confirms one such support where JPC spent R85 632.09 in meeting minimum OHAS compliance for servicing and replacement of fire safety tools and equipment at all its workplaces.Compliance was successfully achieved in this category, and the teams will ensure the pattern continues as an annual ritual.

	Workplace	Fire Extinguisher's		Fire Hydrants	Hose Reels
		Damaged & Replaced	Serviced & Refilled	Tested & Serviced	Replaced with wall brackets
		Quantity	Quantity	Quantity	Quantity
1	Langlaagte Depot	4	9	2	7
2	Langlaagte PC	0	2	0	0
3	Orange Groove PC	3	0	0	0
4	Alexander Depot	7	2	0	2
5	Klipspruit Depot	4	15	0	5
6	Newtown PC Offices	10	7	0	3
7	Metro Mall /Bree Street	5	1	0	2
8	Avalon Depot	8	14	0	3
	Total	**41**	**48**	**2**	**22**

Although the journey was challenging at times, the JPC Workplace OHAS teams did not compromise their pursuit in meeting minimum OHAS requirements, as stipulated in the Occupational Health and Safety ACT no.85 of 1993.

The Braampark OHAS team went all out to print representation identification badges to manage the safe passage of employees during the emergency evacuation drill held in November 2017. In addition, warning and information safety signs were printed and distributed to workplaces, in implementing minimum OHAS compliance. The OHAS teams are committed to taking the JPC Workplace OHAS Compliance drive, to a noticeable status.

Quarter one was an exceptionally exciting period for many trained representatives who received certificates from St. John Ambulance for courses in Fire and Safety Management and, First Aid programmes for levels 1, 2 and 3. The latter half of 2017 and quarter three focused on implementing priority programmes at JPC's 12 workplaces namely:- Forum 2 – Braampark, Metro Centre (The Facilities Management Team), Metro Mall- Bree Street, Depots – Alexander, Hamberg, Avalon, Langlaagte and Klipspruit , Public Convenience Reporting Offices; Langlaagte, Orange Grove, Cosby and Newtown

The programmes comprised of practices that will ensure OHAS measures and standards are met at all times; active participation of workplace OHAS Stakeholders through engagements at subcommittee meetings; employee awareness themes and planning; regularization of workplace OHAS Compliance inspections; consistency of the JPC Workplace SHE Committee Meetings; development of the JPC Policy Statement for Implementation; development of the OHAS Risk Register; acquisition of first aid boxes, portable bags and burn shield kits; and development of the JPC Workplace OHAS Management model

There were two significant happenings during quarter four where the Section 20 representative attended a meeting at the City on 12th April where representatives learnt of the City Manager's ruling on a Safety KPI being introduced at all State Owned Company's (SOC's). The approach taken by the City Manager has set a new margin for SOC's and, JPC intends to meet every expectation by, rolling out the very practices to Section 8's (Line Managers), Section 16.2's (EXCO), Section's 17-20 (Management and Health and Safety Representatives) including Operational SHE Stakeholders. The discussion was held with the Human Capital Management Head and implementation is expected to be effected in the 2018/19 financial year. Implementation will be carried out in the 2018/19 financial year.

The JPC Workplace Safety, Health and Environment (SHE) Committee comprising of, twenty-three appointed Workplace Health and Safety representatives (Section 17's and Section the 20's), met on 11th June to finalised implementation programmes for the 2018-2019 period. The month of June concluded the long-awaited distribution of fully- stocked First aid Boxes portable first aid bags and, portable burn shield kit. This was indeed another victory for the JPC OHAS team in meeting minimum OHAS compliance. JPC's trained OHAS representatives are excited and passionate about bridging gaps in order to meet minimum OHAS Compliance at JPC's twelve Workplaces.

The OHAS Team of more than 100 appointments is determined on keeping a steady momentum and, have been active in conducting regular OHAS compliance checks at their respective workplaces.The introduction of internal support documents has set a disciplined pathway ensuring that the JPC SHE Representatives work together in good team spirit and participate actively with the support of all OHAS Stakeholders. In doing so, ideas and concerns about the workplace are shared at their respective workplace sub-committee forums.

Another successful attempt was the provision of personal protective clothing and safety gear for Artisans exposed to hazardous work demands.

Distribution of the goods and safety equipment was undertaken at the Langlaagte depot under the supervision of the Depot Manager.

The table below summarizes the JPC OHAS Compliance roll out journey:

The OHAS Roll Out Programme		Status as at June 2018
1	Conduct Roadshows for the sharing of necessary information on the requirements of the OHAS Act no. 85 of 1993.	Completed
2	Conduct Workplace ballot for nomination of workplace OHAS support representatives	Completed
3	Conduct Orientation workshops for Appointed OHASA representatives	Completed
4	Arrange for intensive training to enable appointed OHASA Representatives to be well equipped in fulfilling their respective mandate	Completed Approximately 142 JPC employees received training in their respective support categories; Health and Safety, Fire and Safety Management and, First Aid Administration levels 1-3
5	Conduct regular OHAS Compliance Checks	On –going function conducted by Health and Safety Representatives and their teams
6	Acquisition of relevant OHAS goods, tools and safety signs	In progress
7	Re-establishment of the JPC SHE Workplace Committee	Completed
8	Establishment of the Workplace Sub- Committees	In progress
9	OHAS Support Group Orientation and Partnership Building	In progress
10	Staff Awareness Programmes	On-going
11	Compilation of internal support documentation	In progress
12	Regular Role Play briefing on areas of Responsibility	In progress
13	Health Awareness Calendar 2018	In progress

CHAPTER 05

Financial Performance

				Variance	
	Note (s)	30-Jun-18	30-Jun-17	%	R
Assets					
Current assets		**632 534 833**	**556 004 987**	**12.0%**	**76 529 846**
Cash and cash equivalents		2000	2 000	0%	0
Receivables from exchange transactions	1	592 556 791	543 883 598	8.9%	48 673 193
Loans to shareholders		20 198 667	0	100%	20 198 667
Current tax receivable		12 278 117	11 734 027	4.5%	544 090
Receivables from non-exchange transactions	2	7 216 650	43 493	99.3%	7 173 157
Prepayments		282 608	341 869	(20.9%)	(59 261)
Non-current assets		**52 988 569**	**50 209 570**	**5.2%**	**2 778 999**
Deposits		165 144	155 210	6%	9 934
Prepayment		465 997	606 310	(30.1%)	(140 313)
Property, plant and equipment	3	27 024 174	24 661 106	8.7%	2 363 068
Intangible assets		14 152 018	14 437 327	(2%)	(285 309)
Deferred Tax Asset		11 181 236	10 349 617	7.4%	831 619
Total Assets		**685 523 402**	**606 214 557**		**79 308 845**

	Note (s)	30-Jun-18	30-Jun-17	Variance %	Variance R
Liabilities					
Current Liabilities		**750 853 367**	**641 936 934**	**17%**	**108 916 433**
Payables from exchange transactions	4	246 152 354	338 167 009	37.3%	(92 014 675)
Finance lease obligation	3	5 665 213	3 811 911	(32.7%)	1 853 302
Loans from shareholders	5	496 574 615	296 301 523	(67.6%)	200 273 092
Provisions	6	2 461 185	2 878 696	16.9%	(417 511)
Operating lease liability		0	777 795	100%	(777 795)
Non-Current Liabilities		**12 147 316**	**7 643 412**	**37%**	**4 503 904**
Finance lease obligation	3	5 694 045	3 181 419	(44.1%)	2 512 626
Employee benefit obligation		775 000	846 863	9.2%	(71 863)
Deferred tax		5 678 271	3 615 130	(36.3%)	2 063 141
Total liabilities		**763 000 683**	**649 580 346**		**113 420 337**
Share Capital		5 142 721	5 142 721	0%	0
Accumulated		(82 620 002)	(48 508 510)	(56%)	(34 111 492)
Total Net Assets / Liabilities		**(77 477 281)**	**(43 365 789)**		**(34 111 492)**

Notes to the Statement of Financial Position

1. Debtors increased as JPC executed some repairs and maintenance projects that Departments have not settled. In the previous year, we only started doing repairs and maintenance in the last six months of that period and twelve months for the period under review. City departments do not settle their accounts timeously.
2. Majority of these debtors paid after year end.
3. Assets were acquired in the form of finance lease during the period under review.
4. The reduction was due to measures implemented to manage JPC's exposure as departments were not settling their accounts on time and JPC still required to settle creditors within 30 days.
5. The delays in settlement of debtors resulted in JPC utilising overdraft to pay suppliers.
6. Two employees resigned who were paid performance bonus in the previous year.

Notes

				Variance	
	Note (s)	30-Jun-18	30-Jun-17	%	R
Revenue	1	472 547 551	447 195 330	5.3%	25 352 221
Other income		10 000	0	100%	10 000
Operating expenses	2	(504 299 797)	516 714 291	2.4%	(12 414 494)
Operating (deficit)		**(31 742 246)**	**(69 518 961)**		(37 776 715)
Investment revenue		1 151 674	1 611 323	**(39.9%)**	(459 649)
Interest paid		(2 289 398)	(599 269)	**28.2%**	(1 690 102)
(Deficit) before taxation		**(32 879 970)**	**(68 506 907)**	(9.4)	(35 626 937)
Taxation	3	(1 231 522)	(26 464 729)		(25 233 207)
(Deficit) for the year		(34 111 492)	(94 971 636)	45.8	(31 653 005)

Notes to the Statement of Financial Position

1. Revenue slightly increased due to the commission on repairs and maintenance which was not included in the period.
2. Reduction of expenses as part of cost containment measures that the entity executed. It is important to note that the majority of JPC expenses are fixed in nature, e.g. contracted services for office accommodation.
3. This is only due to deferred tax implication. No Income tax incurred for the period.

	30-Jun-18	30-Jun-17
Rendering of services	56 663 951	(357 692 889)
Non conditional subsidies	368 134 000	327 568 000
Interest received	1 151 674	1 605 368
Total Receipts	**425 098 362**	**(28 519 521)**
Employee costs	(259 372 605)	(245 304 053)
Suppliers	(334 729 135)	(16 899 922)
Interest paid	(2 289 398)	(599 269)
Total Payments	**(596 391 138)**	**(262 803 244)**
Net cash flows from operating activities	**(205 438 934)**	**(297 113 047)**
Cash flows from investing activities		
Purchase of Property, Plant and Equipment PPE	(1 703 536)	(3 550 992)
Purchase of intangible assets	-	(446 556)
Payment of deposits	(9 934)	(6 573)
Net cash flows from investing activities	**(1 713 470)**	**(4 004 121)**
Cash flows from investing activities		
Net movement of shareholders loan	176 818 157	300 012 453
Finance lease payments	(3 811 911)	(4 685 567)
Net cash flows from financing activities	**173 006 246**	**295 326 886**
Net increase/(decrease) in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year	2 000	2 000
Cash and cash equivalents at the end of the year	**2 000**	**2 000**

Project number	Project Name	Approved Budget 2017/2018	Current YTD	YTD Percentage Spent
4181	Rosebank Linear Park Redevelopment New Precinct Redevelopment ROSEBANK B Regional	R3 000 000	R3 000 000	100%
4184	Office Space Optimisation Program New Precinct Redevelopment JOHANNESBURG F City Wide	R2 000 000	R2 000 000	100%
4140	Rissik Street Post Office Restoration Project New Heritage JOHANNESBURG F Regional	R40 000 000	R39 681 160	99%
4142	Erf 43-46 Victoria Ext 3(Paterson Park Node) VICTORIA EXT.3 E Regional	R3 000 000	R2 991 053	100%
4029	Purchase & Development of land in Perth Empire, Louis Botha and Turffontein Corridors New Corridors of Freedom Intervention CORONATIONVILLE F City Wide	R2 000 000	R2 000 000	100%
3943	Neibourhood Development for Bertrams Priority Block New Building Alterations BERTRAMS F Regional	R1 000 000	R987 000	99%
3944	Site Development Projects New Land Preparation JOHANNESBURG F City Wide	R4 000 000	R3 998 827	100%
2632	Upgrading of the Hillbrow Public Transport Facility and taxi rank upgrade JOHANNESBURG F Ward	R1 080 000	R1 080 000	100%
2638	Dobsonville Informal Trading Market Upgrading and construction of Informal Trading Facility New Informal trading Stalls DOBSONVILLE D Ward	R1 459 000	R1 459 000	100%
2507	Sandown Extension 49 Erf 575RE Renewal Building Alterations SANDOWN EXT.49 E	R35 000 000	R35 000 000	100%
2522	Orlando Ekhaya Waterfront Development Renewal Park ORLANDO EKHAYA D Regional	R3 000 000	R3 000 000	100%
2523	Jabulani CBD Precinct development New Operational Capex JABULANI D Ward	R3 000 000	R3 000 000	100%
2669	Computer Equipment New Computer Upgrades BRAAMFONTEIN WERF EXT.1 F City Wide	R1 700 000	R1 700 000	100%
2290	FMMU - Public Conveniences New Public toilets JOHANNESBURG F Ward	R10 000 000	R10 000 000	100%
2284	Revamping of the Informal Trading Stalls within the Inner City Renewal Operational Capex JOHANNESBURG F Ward	R15 000 000	R15 000 000	100%
2255	Randburg CBD Renewal Building Alteration Renewal Building Alterations FERNDALE B Regional	R3 000 000	R2 971 984	99%
TOTAL		**R 128 239 000**	**R127 869 024**	**100%**

Surplus (Deficit)

The net deficit as at 30 June 2018 is at –R34 111 492 and was at –R94 971 636 compared to restated figures for the period ended 30 June 2017. Major contributors to the loss are as follows:

- JPC prepares a breakeven budget; estimated income is matched with estimated expenditures. JPC's majority of expenses are fixed with the exception of repairs and maintenance. The subsidy that JPC gets for the corporate building did not cover all costs and income from internal recoveries was expected to cover that shortfall.
- The budget was drafted with the implementation of land strategy in mind and selling of non-core assets was estimated to generate R3 000 000 commission for JPC but due to low sales that were approved only a commission of R22 800 was earned.
- Outdoor advertising income budget was increased as the entity were off the view that more money can be generated in this place based on the implementation of the new Outdoor Advertising By-Laws. Unfortunately the by-Laws were only approved by council on 20 March 2018 but only promulgated on 30 May 2018. However, its implementation was suspended pending finalisation of legal action by various role-players in the industry (OHMSA, SAPOA, etc.) challenging various aspects of it.
- Internal recoveries linked to repairs and maintenance were under recovered by around 50%, even though the expense side of the transaction was also underspent, JPC lost out on budgeted commission which contributed to the loss.

JPC has recently discussed the turnaround strategy targeting the insolvent issues. The fruits of the strategy will be visible from the first quarter of the 2018/19 financial year.

Solvency Ratio

The City's solvency ratio benchmark is 2:1, which is higher than the generally accepted norm of 1:1. The JPC's ratio is 0.90:1, which indicates that the entity is technically insolvent, as the current liabilities exceed assets by R77 477 281. The accumulated deficit increased significantly in the current period as compared to the previous restated amount of R43 365 789 as at 30 June 2017.

JPC will be approaching the City to seek a surety letter regarding going concern issue. JPC is not trading recklessly as can to pay creditors as they fall due even though utilising overdraft which attract interest.

The implementation of the strategy will results in improvement of the solvency issue at JPC.

Liquidity Ratio

JPC has a current ratio of 0.85:1 as compared to the City's norm of 1:1. The main contributors to this adverse ratio are is indicated above under surplus / deficit section above. This position is expected to improve as the profitability of JPC improves.

Cost Coverage Ratio

Due to the negative cash flow of JPC, the cost coverage ratio is negative 7.03:1. However, the ratio is not a true reflection of JPC's operational expenditure as R&M related to expenses by CoJ that are paid for by JPC and offset against internal recoveries revenue.

Debtors Collection Period

JPC has debtors' collection ratio of 34 days for third-party/external debtors. Collection of third party debtors have declined due to the timing difference for the receipt of cell mast income and other 3rd party debtors. The debtors' collection ratio for intercompany debtors is 294 days. The decline in the intercompany debtors' collection ratio is due to the timing differences in the collection of intercompany debtors and non-payment by CoJ departments and other MOE's.

The repairs and maintenance budget which resulted in the related party balance to escalate to over half a billion has been returned to the City entities. JPC will now only work with entities that pay timeously. Proper due diligence will be done prior to executing work for departments.

Creditors Payment Cycle

JPC currently pays service providers and creditors within 30 days, as defined by the MFMA.

Section 6: Supply Chain Management and BBBEEE

An SCM Policy regulates JPC's Supply Chain Management (SCM) for goods and services that governs all SCM Practices. The approval of the policy by the board is subject to periodic review, every two years or more frequently if required to ensure that it remains relevant to changes and circumstances. The Policy implements the SCM practices as envisaged by the Act and its Regulations

The SCM Policy ascribes to a procurement system which:

- Is fair, equitable, transparent, competitive and cost effective in terms of Section 217 of the Constitution of South Africa No 108 of 1996;
- Enhances uniformity in Supply Chain Management systems between organs of state in all spheres;
- Embraces the principles of efficient environmental management; and
- Is consistent with the Municipal Finance Management Act, Municipal Supply Chain Management Regulations, Broad Based Black Economic Empowerment Act, Preferential Procurement Policy Framework Act and other Codes promulgated thereunder in the Government Gazette.

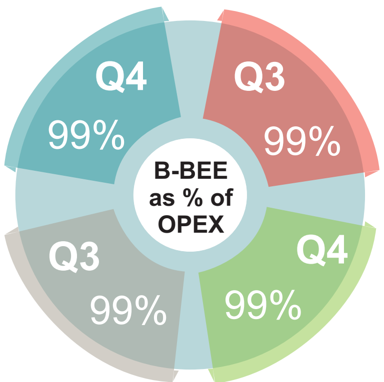
Deviations

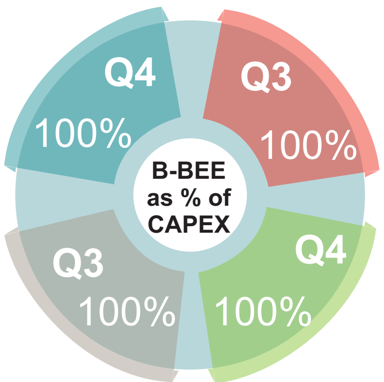
JPC does not have any new deviations identified during the period under review. The current deviations were identified and approved in the previous periods and are now running their term.

Payment within 30 days

JPC currently pays service providers and creditors within 30 days as defined by the MFMA. This compliance with 30 days is one of the reasons why JPC has an overdraft, as the City department do not settle the intercompany debts within 30 days

BBBEEE





Section 7: Fruitless and Wasteful Expenditure

Description					Corrective Measures		
Unautho Rised Expenditure	Irregular Expendi ture	Fruitless And Wasteful Expenditu re	Estimated Amount	Category	Disciplinary Action	Criminal Charge	Other
None	None	Yes	R 25 275	Supplier disputes	None	N/A	N/A
None	None	Yes	R 903 879	SARS	Pending	N/A	N/A

- Supplier disputes have resulted in JPC incurring interest and penalties for delayed payments. This is concomitant of doing business with certain service providers.
- Technical difficulties with JPC's internet connectivity resulted in the January 2018 VAT return being paid five days late. SARS levied interest and penalties on the late payment and had declined JPC's application for remission.
- The closing balance of Fruitless and Wasteful Expenditure is R971 422 after taking into account the opening balance of R42 268

Section 8: Pending Litigations and Possible Liabilities

JPC does not have any pending litigations or possible liabilities against third parties

Section 9: Insurance Claims Against -to JPC

There were no insurance claims against or to JPC during the period under review

Section 10: Statement on Amount Owed to Government Departments and Public Entities

JPC do not have amounts owed to any government departments and public entities

CHAPTER 06

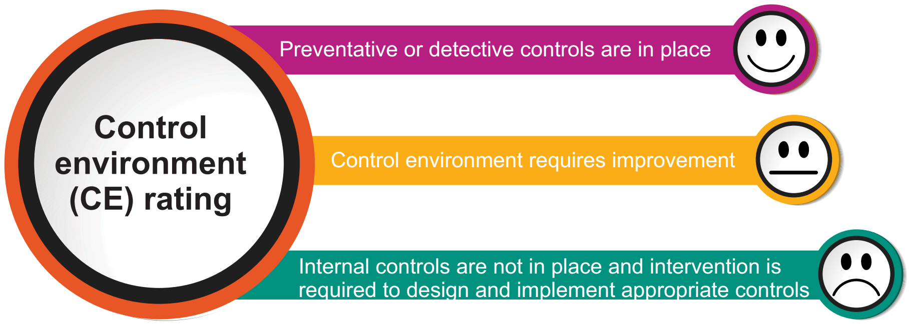
Internal & External Audit Findings

The three year rolling internal audit plan is reviewed and approved annually by the Audit and Risk Committee after taking into account both strategic and operational risks of the entity.

Group Internal Audit Services (GIAS) took over from Nexia SAB&T with effect from September 2017 to provide an Internal Audit Function to JPC. During quarter three, it became clear that GIAS was unable to provide effective Internal Audit Services to JPC and management decided to contract in an external service provider to assist GIAS. OMA Chartered Accountants were contracted to assist GIAS with effect from June 2018 after delays in the procurement process.

Management is currently closely monitoring this arrangement and if the service from GIAS does not improve, will fully outsource the function to OMA Chartered Accountants

Progress made on the Annual Plan



Audit	Start Date Per Plan	Actual Start Date	Status Date	Stage	Face as per the report
Audit of Performance Information Quarter 1 and 2	Quarterly	Feb 2018	April 2018	Completed	
Use of panel	Nov 2017	Jan 2018	June 2018	Finalisation	
Contract Management	Nov 2017	Jan 2018	June 2018	Finalisation	
Anti-Fraud and Corruption	Nov 2017	Jan 2018	June 2018	Execution	
HR Management	Feb 2018	June 2018	June 2018	Execution	
Strategic Human Resources	Dec 2017	June 2018	June 2018	Not started	
Portfolio Management	Jan 2018	June 2018	June 2018	Execution	
Outdoor Advertising	Jan 2018	June 2018	June 2018	Execution	
Supply Chain Management	Feb 2018	June 2018	June 2018	Execution	
Capex Expenditure	May 2018	June 2018	June 2018	Execution	
Revenue Management	Feb 2018	July 2018	June 2018	Execution	
Review of Service Level Standards	Quarterly	July 2018	June 2018	Not started	
Stakeholder Management	Jan 2018	July 2018	June 2018	Not started	
Compliance	Mar 2018	June 2018	June 2018	Not started	
Information Technology	May 2018	Aug 2018	June 2018	Execution	
Financial Statement Compliance Review	Aug 2018	Aug 2018	June 2018	Not started	
Related parties	July 2018	Aug 2018	June 2018	Not started	
Audit of Performance Information Quarter 3 and 4	Quarterly	Feb 2018	April 2018	Completed	
Review of Risk Management Process	Nov 2017	Jan 2018	June 2018	Finalisation	
Review of the Risk Insurance Claim Process	Nov 2017	Jan 2018	June 2018	Finalisation	
Use of consultant	Nov 2017	Jan 2018	June 2018	Execution	

GIAS has not executed Internal Audit Plan timeously as indicated above, only one report relating to Audit of Performance Information for quarter one and two were finalised and discussed with the accounting officer.

Section 2: Progress on Resolution of Internal Audit Findings

There were four findings relating to the Audit of Performance Information for quarter one and two which were discussed with the accounting officer. The findings were cleared by management and will be confirmed by internal auditors during their audit in August 2018.

Section 3: Progress on resolution of external findings

The Auditor General of South Africa (AGSA) finalised the 2016/17 audit and issued their audit and management report letter on 30 November 2017. The AGSA findings indicated that the financial statements presented were fair in all material respects including the financial position of the City of Joburg Property Company (SOC) Ltd as at 30 June 2017 and its financial performance and cash flows for the specified year that ended. No material findings identified the usefulness and reliability of the reported performance information. There were also no instances of non-compliance where key legislation was concerned as set out in the general notice issued regarding the Public Audit Act.

There were two findings raised by AGSA under other matters. One issue related to suppliers in services of the state that did not correctly declare their position. The cancellation letters to those suppliers were issued in November 2017, when AGSA indicated this non-compliance to management. No payment was made to those three identified suppliers from November 2017 onwards. The other finding related

Section 4: State of the internal controls

The control environment of the organisation appears to be adequate as indicated in the previous reports by both AGSA and Nexia SAB&T. Management is confident in the past regarding the sound control environment as regular internal audits were taking place, which was not the case for the 2017/18 cycle, in preparation for AGSA.

JPC did not have sufficient time to adequately deal with control weaknesses identified during the internal audit period as the majority of the audits were executed in June 2018 and finalised after year end

CHAPTER 07

External Audit Outcome

Section 1: Auditor General's Report

The Constitution S188 (1) (b) states that the functions of the Auditor-General includes the auditing and reporting on the accounts, financial statements and financial management of all municipalities. MSA section 45 states that the results of performance measurement must be audited annually by the Auditor-General

Period	2013/14	2014/15	2015/16	2016/17	2017/18
Audit opinion	Unqualified	Clean *	Clean *	Clean *	Clean *

**A clean audit opinion is issued when the financial statements contain no material misstatement and there are no material findings on the quality of the annual performance report and compliance with key legislation.*

The full Annual Financial Statement and the audit report are included in the appendix of the annual report.

Section 2: Audit Findings and Remedial Actions

Type of findings	Based on 2017/2018 Audit Opinion		
	New findings	Repeat findings	Remedial / corrective action
Matters Affecting Audit opinion	None	None	• None
Other Important Matters	Ineffective steps taken to prevent fruitless and wasteful expenditure.	New finding	• Paying SARS two days prior to deadline. • Fixed cost expense paid using last invoice received and reconcile later to avoid interest.
	No local content stipulated in the advertisement relating to furniture.	New finding	Tender documents have being updated to include this requirement.
	No service delivery agreements entered between CJMM and JPC.	New finding	To engage with group governance as the findings emanates from the City.
	Operating lease commitment disclosure note on the financial statement not accurate.	New finding	Detail review of AFS to supporting schedules.
	Overstatement of commitment amount disclosed on the annual financial statement.	New finding	Not Applicable as the detail brake down of the commitment which agrees to the budget was provided to the auditors.
	Awards to persons in the employee of the state	Repeat	Cancel contracts with suppliers who issued false declaration to JPC.
	High vacancies	New	Review the organisational structure and request budget from the City for unfunded positions in the structure.
	Payments made to suppliers that were not appointed through competitive bidding process by CJMM.	New	Disclose irregular expenditure. This finding will be addressed at the City.
	Payment not made within 30 days.	New	Contracts with service provide updated to clearly indicate that invoices must be submitted to finance and 30 days start from submission date to Finance which confirmed by the stamp.
Administrative Matters	Discrepancies noted on the integrated annual report.	New	Minutes to be agreed to attendance register prior to inclusion in the annual report.

Section 3: Commitment / Recommendations of The Board

The Board has satisfied itself that the remedial actions taken on matters raised by the Auditor-General are adequate.

Thabo Motloung
ARC Chairperson

Nyambeleni Tshindane
Board Chairperson

Annexure

City of Joburg Property Company (SOC) Limited
(Registration number 2000/017147/07)
Financial statements
for the year ended 30 June 2018

Auditor General South Africa
These annual financial statements have been audited in compliance with the applicable requirements of the
Companies Act 71 of 2008.

General Information

Country of Incorporation and Domicile	South Africa
Nature of Business and Principal Activities	Property Management & facilities management functions and, where appropriate, to provide property services in respect of the City of Johannesburg Metropolitan Municipality and the Municipal Owned Entities
Directors	Ms. HM Botes - Chief Executive Officer Mr. IM Bhamjee - Financial Director (CFO) Mr. P Corbin (Chairperson) Mr. N Baloyi Prof. A Karam Mr. O Maseko Ms. M Mojapelo Ms. M Hlobo
Registered Office	33 Hoofd Street Forum II Braampark Building Braamfontein 2000
Business Address	33 Hoofd Street Forum II Braampark Building Braamfontein 2000
Postal Address	P O Box 31565 Braamfontein 2017
Controlling Entity	The City of Johannesburg Metropolitan Municipality incorporated in South Africa
Bankers	Standard Bank
Auditors	Auditor General South Africa
Secretary	Mr C Matthews
Company Registration Number	2000/017147/07
Tax Reference Number	9292/129/14
Preparer	The financial statements were internally compiled by: Imraan Bhamjee City of Joburg Property Company (SOC) Ltd

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Abbreviations

GCSS	CoJ: Group Corporate Shared Services
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
JPC	City of Joburg Property Company (SOC) Ltd
ME's	Municipal Entities
MFMA	Municipal Finance Management Act No 56 of 2003
SOFP	Statement of Financial Performance
SARS	South African Revenue Services
Panel of Attorneys	BM Kolosi, Bowman Gilfillian, C. Ngubane 7 Associates, Cheadle Thompson & Hayson, Dali Matlana, Denga Inc, DLA Cliff Dekker, Dlamini Attorneys, ENS Africa, Gildenhuis Malatji Inc, Hogan Lovells, Hugo Ngwenya, Ismail Dahya, KG Tserkezis, Kgokong Nameng Tumogale Inc, Koikanyang Inc, Kunene Ramaphala Inc, Lennon Moleele & Partners Inc, Madhlopa Inc, Madiba Motsia Masitenyane & Girithi Attorneys, Madlanga and Partners Inc, Mahlaola Inc, Makamela Attorneys, Malebye Motaung Mtembu, Matipane Tsebane Attorneys, Mchunu Attorneys, Mkhabela Huntley Adekeye Inc, Mncedisi Ndlovu and Sedumedi Attorneys, Mogaswa Attorneys, Mojela Hlazo, Molefi Dlepu Inc, Moloko Phooko Attorneys, Moodie and Robertson, Mothle Jooma & Sabdia Inc, Nandi Bulabula, Nchupetsang Attorneys, Ningiza Horner Inc, Norton Rose Fulbright, Nothemba George Attorneys, Padi Inc, Phambane Mokone Inc, Phungo Inc, Popela Maake, Poswa Inc, Prince Mudau and Associates, Rahman, Ramatshila Mugeri Attorneys, Salijee Du Plessis & Van der Merwe Attorneys, Selebogo Inc, Seleka Attorneys, TP Khoza Attorneys, Tshiqi Zebediela, Twala Attorneys, Wakaba and Partners, Webber Wentzel Bowmens, Werkmans and Whailey Van Der Lith Prinsloo Inc.

Board of Directors' Responsibilities and Approval

The Directors are required by the Municipal Finance Management Act (Act 56 of 2003) and Companies Act,71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the Directors to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended. The External Auditors are engaged to express an independent opinion on the financial statements and were given unrestricted access to all financial records and related data.

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

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

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

The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable and not absolute assurance against material misstatement or deficit.

The Directors have reviewed the company's cash flow forecast and financial turnaround plan for the year to 30 June 2019 and, in the light of this review and the current financial position, they are satisfied that the company has or will have access to adequate resources to continue in operational existence for the foreseeable future. However, the financials are endorsed on the basis that a comfort letter on the going concern of the entity has been issued by the City of Johannesburg Metropolitan Municipality to provide adequate resources in sustaining the entity for the forthcoming year.

The financial statements are therefore prepared on the basis that the company is a going concern.

Although the Board of Directors are primarily responsible for the financial affairs of the company, they are supported by the company's internal auditors.

The External Auditors are responsible for independently reviewing and reporting on the company's financial statements.

The financial statements set out on pages 7 to 59, which have been prepared on the going concern basis, were approved by the Board of Directors on 30 November 2018 and were signed on its behalf by:

Ms HM Botes
Chief Executive Officer

Mr N Tshindane
Chairperson

Audit and Risk Committee Report

We are pleased to present our report for the financial year ended 30 June 2018.

Audit and Risk Committee members and attendance

The Audit and Risk Committee consists of the members listed below, who are required to meet a minimum of 4 timesper annum as per its approved terms of reference. During the current financial year the committee of JPC met 7 times.

Name of member	Meetings attended
Non-Executive Directors	
Ms. M Hlobo (Chairperson)	7
Mr. P Corbin	1
Ms. M Mojapelo	3
Mr. O Kemp	1
Mr N Baloyi	1
Independent Members	
Mr V Mokwena	4
Mr L Mabuza	7
Mr G Mufana (resigned)	3

Audit and Risk Committee responsibility

The Audit and Risk Committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

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

The effectiveness of internal control

The system of internal controls applied by the company over financial and risk management are satisfactory. In line with the MFMA and the King Code on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are satisfactory. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters relating to the annual financial statement audit were reported (besides the matters highlighted by the Auditor-General) that indicate any material deficiencies in the system of internal control or any deviations there from.

Quarterly Reporting

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

Evaluation of financial statements

The Audit and Risk Committee has:

- reviewed and discussed the audited financial statements to be included in the annual report, with the Auditor-
General recommendations;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes, if any, in accounting policies and practices;
- reviewed the entity compliance with legal and regulatory provisions; and
- reviewed significant adjustments resulting from the audit.

The Audit and Risk Committee concurs with and accept the Auditor-General of South Africa's report on the financial statements, and is of the opinion that the audited financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Risk Management

The Audit and Risk Committee ensures that the company has effective policies and plans for risk management. The committee also oversees the following:

- Development and annual review of risk management policies and plans
- Monitors implementation of risk management policies and plans
- Recommends to the Board on levels of risk tolerance and appetite
- Ensures risk management is integrated into business operations
- Ensures risk management assessments are conducted on a continuous basis
- Ensures frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks
- Ensures that management considers and implements appropriate risk responses

Audit and Risk Committee Report

Finance Function

The Audit and Risk Committee has considered the expertise and experience of the Chief Financial Officer and is satisfied with the appointment of the Chief Financial Officer. The committee has reviewed and considered the experience and resources available to the company's finance function and is satisfied with the resources.

Internal Audit

In line with the MFMA, the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and the King Code on Corporate Governance, Internal Audit is required to provide the Audit and Risk Committee with quarterly internal audit reports in terms of its approved annual Internal Audit Plan.

Furthermore Internal Audit is required to provide reasonable assurance that the internal controls are adequate an effective, which is achieved by Internal Audit executing its risk-based internal audit plan. The risk based internal audit plan allows Internal Audit to assess the adequacy of controls in mitigating the risks of JPC and whether corrective action plans have been mplemented. The internal audit was centralised by the City of Johannesburg Group internal Audit Services. The centralisation has resulted in a delay in the finalisation of the internal audit plan and audit reports.

The Audit and Risk Committee has not reviewed the internal audit quarterly reports to ensure that internal audit activities were conducted in line with the approved risk based internal audit plan and therefore could be satisfied with the completion of the risk based internal audit plan by internal audit. The audit and risk committee has however, interrogated managements submissions on a quarterly basis and are satisfied that the presentation of the information herein is fair and accurate.

From our review of the report of the Internal Auditors we note that:

- The internal controls are adequate and effective; and
- The Internal Auditors are operating objectively and independently.

Auditor-General of South Africa

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

Chairperson of the Audit and Risk Committee

Date: 30 November 2018

Report of the auditor-general to Gauteng Provincial Legislature and council of the City of Johannesburg Metropolitan Municipality on the City of Joburg Property Company (SOC) Limited

Report on the Audit of the Financial Statements

Opinion

1. I have audited the financial statements of the City of Joburg Property Company (SOC) Limited set out on pages … to …, which comprise the statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in net assets, and cash flow statement and the statement of comparison of budget information 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 City of Joburg Property Company (SOC) Limited as at 30 June 2018, 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 Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act).

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

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

Emphasis of matter

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

Events after reporting period

7. As disclosed in note 36 to the financial statements, an approval was granted by the council subsequent to year end to have the interest on the sweeping account amounting to R40 787 793 reversed for the period 2017 and 2018. This represents an adjusting event and the financial statement have been amended accordingly

Restatement of corresponding figures

8. As disclosed in note 37 to the financial statements, the corresponding figures for 30 June 2017 were restated as a result of an error in the financial statement of the municipal entity as at, and for the year ended, 30 June 2018.

Irregular expenditure

9. As disclosed in note 34 to the financial statement, the municipal entity incurred irregular expenditure of R6 588 601, as a result of payments made to fleet management supplier contracts awarded by the parent municipality which did not comply with the procurement process.

Other Matters

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

Unaudited Disclosure Notes

11. In terms of section 125(2) (e) of the MFMA, the municipal entity is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

Responsibilities of the Accounting Officer for the Financial Statements

12.The board of directors, which constitutes the accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with Generally Accepted Accounting Practice and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

13. In preparing the financial statements, the accounting officer is responsible for assessing the City of Joburg Property Company (SOC) Limited'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 munincipal entity or to cease operations, or has no realistic alternative but to do so.

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

14.My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on the audit of compliance with legislation

Introduction and scope

16.In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

17. My procedures address the reported performance information, which must be based on the approved performance planning documents of the munincipal 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.

18. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the munincipal entity for the year ended 30 June 2018:

Objectives	Pages in the annual performance report
Objective 1 – Enhancing our financial sustainability	x – x
Objective 2 – Ensure pro-poor development that addresses spatial and income inequality and provides meaningful redress	x – x
Objective 3 – Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021	x – x

19. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

20. I did not identify any material findings on the usefulness and reliability of the reported performance information for the selected objectives.

- Objective 1 – Enhancing our financial sustainability
- Objective 2 – Ensure pro-poor development that addresses spatial and income inequality and provides meaningful redress
- Objective 3 – Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021

Other Matter

21. I draw attention to the matter below.

Achievement of planned targets

22. Refer to the annual performance report on page(s) x to x; x to x for information on the achievement of planned targets for the year.

Report on the audit of compliance with legislation

Introduction and Scope

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

24. I did not raise material findings on compliance with the specific matters in the key legislation set out in the general notice in terms of the PAA.

Other Information

25. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report which includes the directors' report, the audit committee's report and the company secretary's certificate as required by the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act). The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.

26. 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.

27. 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 objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

28. 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

29. 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 note identify any significant deficiencies in the internal control

Other Reports

30. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the munincipal entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Other Reports

31. Eight investigations were conducted by the group forensic and investigation services for allegations against employees of the municipal entity. These invistigations included allegations of fraud and corruption. The reports were completed during the year under review. Some of the completed investigations were referred to SAPS.

32 There were three investigations being conducted by the group forensic and investigation services which were still in progress at year end.

Auditor - General

Johannesburg
30 November 2018

AUDITOR-GENERAL
SOUTH AFRICA
Auditing to build public confidence

Board of Directors' Report

The Directors have pleasure in submiting to the Shareholders their report together with the annual financial statements for the year ended 30 June 2018.

1. Incorporation
The company was incorporated on 27 July 2000 and obtained its certificate to commence business on the same day.

2. Review Of Activities

Main business and operations

The company is a Municipal Entity. The principal activity of the company is the property & facilities management functions and, where appropriate, to provide property services in respect of the City of Johannesburg Metropolitan Municipality and its entities. The company operates only in South Africa.

The operating results and state of affairs of the company are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

The deficit of the company before taxation was R 32 879 970 (2017: deficit R 68 506 907), after taxation it was a deficit of R (34 111 492) (2017: deficit R (94 971 636)).

3. **Going Concern**
The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds from the City of Johannesburg will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The financial position of the entity has been affected by a change in the operations and mandate of the entity to service the City of Johannesburg.

4. **Subsequent Events**
Subsequent to the 30 June 2018 financial year end, the Council of the City of Johannesburg approved a reversal for interest levied on the sweeping bank account of JPC for the 2017 and 2018 financial years. The circumstances of the reversal are expanded in Note 36 and the 2017 reversal is illustrated in Note 37.

5. **Directors' Personal Financial Interest**
Directors' personal financial interest in any contracts have been disclosed and no Directors, both executive and nonexecutive, have any interest in contracts with the company.

6. **Share Capital**
There were no changes in the authorised or issued share capital of the company during the year under review.

7. **Borrowing Limitations**

In terms of the sale of business agreement, the City of Joburg Property Company (SOC) Limited does not have the authority to borrow funds on its own behalf. All external funding is managed under the auspices of the City of Johannesburg Metropolitan Municipality.

8. **Non-current Assets**

There were no changes in the nature of non-current assets of the company during the year.

9. **Dividends**

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

10. Directors

The directors of the company during the year ended to 30 June 2018 were as follows:

Name	Nationality	Changes in appointment
Ms HM Botes - Chief Executive Officer	South African	
Mr P Corbin - Chairperson	South African	
Mr IM Bhamjee - Financial Director	South African	
Ms M Mojapelo	South African	
Mr N Baloyi	South African	
Prof A Karam	South African	
Mr O Kemp	South African	Resigned
Mr MM Morojele	South African	Resigned
Mr O Maseko	South African	
Ms. M Hlobo	South African	

11. Secretary

Mr. Craig Matthews is the company secretary.

Business address

33 Hoofd Street
Forum II
Braampark Building
Braamfontein
2000

Postal address

P O Box 31565
Braamfontein
2017

12. Corporate Governance

12.1 General

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

The City of Joburg Property Company confirms and acknowledges its responsibility to comply with the Code of Governance Principles ("the Code") as laid out in the King IV Report on Corporate Governance for South Africa 2010. The Board of Directors discuss the responsibilities of management in this respect, at Board meetings and monitor the company's compliance with the code on a yearly basis.

12.2 Board of Directors

The Board:

- Retains full control over the company, its plans and strategy;
- Acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations,effective risk management and performance measurement, transparency and effective communication both internally and externally by the company;
- is of a unitary structure comprising:
  - 6 non-executive directors, all of whom are independent directors as defined in the Code; and
  - 2 executive directors.

Chairperson and chief executive

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

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

12.4 Remuneration Committee

From 31 May 2018, the Remunerations Committee merged with the Social and Ethics & Transformation Committee. Prior to 31 May 2018 and for the year under review, the Remunerations Committee operated on its own and comprised of four (4) member, namely: Ms. M Mojapelo (Chairperson), Mr. O Maseko, Ms. M Hlobo and Mr. O Kemp who resigned as a director in March 2018. The Remuneration and Human Resources Committee advises the Board on the remuneration policies, remuneration packages and other terms of employment for senior managers. Its specific terms of reference also include recommendations to the Board on matters relating inter alia, human resources policies, executive remuneration and other human resource affairs of the company.

12.5 Board of Directors' meetings

The Board of Directors is required to meet a minimum of 4 times per annum. During the current financial year the Board of Directors of JPC met on 9 separate occasions.

Non-executive directors have access to all members of management of the company.

Name	Board Meeting	Audit & Risk committe	Social & Ethics & Transformation committee	Transaction Committee	Remuneration Committee
Mr P Corbin (Chairperson)	9	1	3	5	-
Mr MM Morojele	1	-	1	-	-
Ms M Mojapelo	5	3	-	4	2
Prof A Karam	6	-	3	3	-
Mr O Maseko	9	-	3	-	-
Mr N Baloyi	9	-	3	5	-
Mr O Kemp	3	1	1	3	2
Ms M Hlobo	9	7	3	1	3
Total number of meetings held	**9**	**7**	**3**	**5**	**3**

12.6 Audit and Risk Committee

As at 30 June 2018, the Audit and Risk Committee comprised of four (4) non-executive directors, namely: Ms M Hlobo (Chairperson), Ms M Mojapelo, Mr P Corbin and Mr N Baloyi.

In terms of Section 166 of the Municipal Finance Management Act, City of Johannesburg, as a parent municipality, must appoint members of the Audit and Risk Committee. Notwithstanding that non-executive directors appointed by the parent municipality constituted the municipal entities' Audit and Risk Committees, National Treasury policy requires that parent municipalities should appoint further members of the municipal entity's Audit and Risk Committees who are not directors of the municipal entity onto the Audit and Risk Committee and these independent members are Mr V Mokwena, Mr L Mabuza and Mr G Mufana (resigned). The Audit and Risk Committee has fulfilled its responsibilities as provided for in Section 166 of the Municipal Finance Management Act.

12.7 Social & Ethics and Transformation commitee

For the year under review and prior to the merger with the Remuneration and Human Resources Committee, the Social and Ethics Committee comprised of five (5) members, namely: Mr O Maseko (Chairperson), Prof A Karam, Ms M Mojapelo, Mr P Corbin and Ms M Hlobo. From 31 May 2018 and subsequent to the merger with the Remuneration and Human Resources Committee, the committee comprised of four (4) members: Ms M Mojapelo (Chairperson), Prof A Karam, Mr O Maseko and Ms M Hlobo. The function of the Committee is to monitor the Company's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice. It looks into the Company's social and economic development, including the organisation's standing in terms of the goals and purposes; good corporate citizenship; the environment; health and public safety; consumer relationships including the Company's advertising, public relations and compliance with consumer protection laws; and labour and employment.

12.8 Transactions and Service Delivery Committee

The Transaction and Service Delivery Committee comprises four (4) members, namely: Mr N Baloyi (Chairperson), Mr P Corbin, Mr O Maseko and Prof A Karam. Prior to March 2018, Mr O Kemp was chairperson of the committe prior to his resignation. The primary objective of the committee is to assist the Board in discharging its responsibility by considering all reports relating to property transactionsThe committee also ensures that revenue generation targets are achieved in relation to the property portfolio and to make the necessary recommendations to the Board or COJ to ensure that service delivery is enhanced and property related transactions are concluded efficiently within the legal framework that JPC and the CoJ operates in.

12.9 Internal Audit

The company's internal audit function is performed by the City of Johannesburg Group Internal Audit Services. The appointment is made in compliance with section 165 of the Municipal Finance Management Act No.56 of 2003.

13. Controlling Entity

The company's controlling entity is the City of Johannesburg Metropolitan Municipality incorporated in South Africa.

14. Auditors

The Auditor General: Gauteng will continue in office in accordance with the Public Audit Act No 25 of 2005, section 92 of the Municipal Finance Management Act No 56 of 2003.

Company Secretary's Certification

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

In terms of section 88(2)(e) of the Companies Act 71 of 2008, and the Municipal Finance Management Act, Act 56 of 2003. I, Craig Matthews, certify that, to the best of my knowedge and belief, the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

Mr C Matthews
Company Secretary
City of Joburg Property Company (SOC) Ltd
30 June 2018

Statement of Financial Position as at 30 June 2018

	Note (s)	30-Jun-18	30-Jun-17 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	2000	2 000
Receivables from exchange transactions	4	592 556 791	543 883 598
Loans to shareholders	5	20 198 667	-
Current tax receivable	6	12 278 117	11 734 027
Receivables from non-exchange transactions	7	7 216 650	43 493
Prepayments	8	282 608	341 869
		632 534 833	**556 004 987**
Non-Current Assets			
Deposits	9	165 144	155 210
Prepayment	8	465 997	606 310
Property, plant and equipment	10	27 024 174	24 661 106
Intangible assets	11	14 152 018	14 437 327
Deferred Tax Asset	12	11 181 236	10 349 617
		52 988 569	**50 209 570**
Total Assets		**685 523 402**	**606 214 557**

Statement of Financial Position as at 30 June 2018

	Note (s)	30-Jun-18	30-Jun-17 Restated*
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	246 152 354	338 167 009
Finance lease obligation	14	5 665 213	3 811 911
Loans from shareholders	5	496 574 615	296 301 523
Provisions	15	2 461 185	2 878 696
Operating lease liability	16	-	777 795
		750 853 367	**641 936 934**
Non-Current Liabilities			
Finance lease obligation	14	5 694 045	3 181 419
Employee benefit obligation	17	775 000	846 863
Deferred tax	12	5 678 271	3 615 130
		12 147 316	**7 643 412**
Total liabilities		**763 000 683**	**649 580 346**
Net Assets		**(77 477 281)**	**(43 365 789)**
Share Capital	18	5 142 721	5 142 721
Accumulated Surplus/(Deficit)		(82 620 002)	(48 508 510)
Total Net Assets		**(77 477 281)**	**(43 365 789)**

Statement of Financial Performance

	Note (s)	30-Jun-18	30-Jun-17 Restated*
Revenue	19	472 547 551	447 195 330
Other income	20	10 000	-
Operating expenses		(504 299 797)	(516 714 291)
Operating deficit		**(31 742 246)**	**(69 518 961)**
Investment revenue	21	1 151 674	1 611 323
Interest paid	22	(2 289 398)	(599 269)
Deficit before taxation		**(32 879 970)**	**(68 506 907)**
Taxation	26	(1 231 522)	(26 464 729)
Deficit for the year		**(34 111 492)**	**(94 971 636)**

Statement of Changes in Net Assets

Figures in Rand	Note (s)	Share capital	Share premium	Total share capital	Accumulated	Total equity
Balance at 01 July 2016		**1 000**	**5 141 721**	**5 142 721**	**46 018 779**	**51 161 500**
Changes in net assets						
Deficit for the year		-	-	-	(94 971 636)	(94 971 636)
Gains from transfer of functions of entities under common control	37	-	-	-	444 347	444 347
Total changes		-	-	-	**(94 527 289)**	**(94 527 289)**
Opening balance as previously reported		10000	5 141 721	5 142 721	(11 662 450)	(6 519 729)
Adjustments						
Change in accounting policy		-	-	-	3 842 324	3 842 324
Prior year adjustments	37	-	-	-	(40 688 384)	(40 688 384)
Balance at 01 July 2017 as restated		**10000**	**5 141 721**	**5 141 721**	**(48 508 510)**	**(43 365 789)**
Changes in net assets						
Deficit for the year		-	-	-	(34 111 492)	(34 111 492)
Total changes		**-**	**-**	-	(34 111 492)	(34 111 492)
Balance at 30 June 2018		**1000**	**5 141 721**	**5 141 721**	**(82 620 002)**	**(77 477 281)**
Note(s)		**18**	**18**	18		

Cash flows from operating activities

Figures in Rand	Note (s)	2018	2017 Restated*
Receipts			
Rendering of services		55 812 688	(357 692 889)
Non-conditional subsidies		368 134 000	327 568 000
Interest received		1 151 674	1 605 368
		425 098 362	**(28 519 521)**
Payments			
Employee costs		(259 372 605)	(245 304 053)
Suppliers		(334 729 135)	(16 899 922)
Interest paid		(2 289 398)	(599 269)
		(596 391 138)	**(262 803 244)**
Net cash flows from operating activities	28	**(171 292 776)**	**(291 322 765)**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(1 703 536)	(3 550 992)
Purchase of other intangible assets	11	-	(446 556)
Payment for deposits		(9 934)	(6 573)
Net cash flows from investing activities		**(1 713 470)**	**(4 004 121)**
Cash flows from financing activities			
Net movement of shareholders loan		176 818 157	300 012 453
Finance lease payments		(3 811 911)	(4 685 567)
Net cash flows from financing activities		**173 006 246**	**295 326 886**
Net increase/(decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		2 000	2 000
Cash and cash equivalents at the end of the year	3	2 000	2 000

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis						
Figures in Rand	**Approved budget**	**Adjustments**	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Stement of Financial Performance						
Revenue From Exchange Transactions						
Cellmast services	12 284 000	-	**12 284 000**	8 115 051	**(4 168 949)**	Appendix E (1)
Commissions and ad hoc fees received	76 635 000	-	**76 635 000**	42 246 352	**(34 388 648)**	Appendix E (1)
Management fees	-	-	**-**	52 689 885	**52 689 885**	Appendix E (1)
Internal recoveries	432 221 000	-	**432 221 000**	226 837 531	**(205 383 469)**	Appendix E (1)
Cost of services	(387 734 000)	-	**(387 734 000)**	(226 837 531)	**160 896 469**	Appendix E (1)
Third party development fees	7 000 000	-	**7 000 000**	1 362 263	**(5 637 737)**	Appendix E (1)
Donations received	-	-	**-**	10 000	**10 000**	Appendix E (1)
Interest received	2 837 000	-	**2 837 000**	1 151 674	**(1 685 326)**	Appendix E (1)
Total revenue from exchange transactions	**143 243 000**	**-**	**143 243 000**	**105 575 225**	**(37 667 775)**	
Revenue From Non- Exchange Transactions						
Transfer Revenue						
Government grants & subsidies	368 134 000	-	368 134 000	368 134 000	-	Appendix E (1)
Total revenue	**511 377 000**	**-**	**511 377 000**	**473 709 225**	**(37 667 775)**	
Expenditure						
Personnel	(259 500 000)	-	**(259 500 000)**	(259 300 742)	199 258	Appendix E (1)
Depreciation and amortisation	(9 082 000)	-	**(9 082 000)**	(9 074 042)	7 958	Appendix E (1)
Finance costs	(2 317 000)	-	**(2 317 000)**	(2 289 398)	27 602	Appendix E (1)
Lease rentals on operating lease	(109 890 000)	-	**(109 890 000)**	(105 353 370)	4 536 630	Appendix E (1)
Repairs and maintenance	(41 482 000)	-	**(41 482 000)**	(41 397 892)	84 108	Appendix E (1)
General Expenses	(89 106 000)	-	**(89 106 000)**	(89 092 234)	13 766	Appendix E (1)
Total expenditure	**(511 377 000)**	**-**	**(511 377 000)**	**(506 507 678)**	**4 869 322**	
Operating deficit	-	-	-	**(32 798 453)**	(32 798 453)	
Loss on disposal of assets and liabilities	-	-	-	(81 517)	(81 517)	Appendix E (1)
Deficit before taxation	-	-	-	**(32 879 970)**	**(32 879 970)**	
Taxation	-	-	-	1 231 522	1 231 522	Appendix E (1)
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	-	-	**(34 111 492)**	**(34 111 492)**	

1. Presentation of Financial Statements

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

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

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

GRAP 1 Presentation of Financial Statements
GRAP 2 Cash Flow Statements
GRAP 3 Accouting Policies, Changes in Accounting Estimates and Errors
GRAP 13 Leases
GRAP 14 Events after the reporting date
GRAP 17 Property, Plant and Equipment
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
GRAP 20 Related Parties
GRAP 102 Intangible Assets
GRAP 104 Financial Instruments

The accounting policies are consistent with the previous period.

1.1 Going Concern Assumption

These financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.2 Significant Judgements and Sources of Estimation Uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and theapplication of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Provisions

Provisions were raised and management determined an estimate based on the information available.

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

Expected manner of realisation for deferred tax

Deferred tax is provided for based on the expected manner of recovery i.e. sale or use. This manner of recoveryaffects the rate used to determine the deferred tax liability. Refer note 16 – Deferred tax.

Taxation

The company recognises the net future tax benefit related to deferred income tax assets to the extent that it isprobable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the statement of financial position date could be impacted.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17.

Effective interest rate

The company used the City of Johannesburg Metropolitan Municipality average borrowing rate as a point of departure and a basis of discounting financial instruments.

1.3 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- It is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- The cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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

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

Item	Depreciation Method	Average Useful Life
Land		Indefinite
Buildings	Straight line	25 Years
Plant and machinery	Straight line	10 Years
Furniture and fixtures	Straight line	16 Years
Office equipment	Straight line	8 Years
IT equipment	Straight line	7 Years
Leasehold improvements	Straight line	Term of lease
Leased equipment	Straight line	Term of lease

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

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

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

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

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

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

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

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

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

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.4 Intangible Assets

An asset is identifiable if it either:

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

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	**Useful life**
Computer software, internally generated	Indefinite
Computer software	7 years

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

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

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised. The amortisation charge for each period shall be recognised in surplus or deficit unless this or another Standard permits or requires it to be included in the carrying amount of another asset.

The amortisation period and the amortisation method for an intangible asset with a finite useful life shall be reviewed at least at each reporting date. If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the amortisation method shall be changed to reflect the changed pattern. Such changes shall be accounted for as changes in accounting estimates in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

1.5 Financial instruments
Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Loans To (from) Group Companies

These Include Loans To And From Controlling Entities, Fellow Controlled Entities, Controlled Entities, Joint Ventures And Associates And Are Recognised Initially At Fair Value Plus Direct Transaction Costs.

On Loans Receivable An Impairment Loss Is Recognised In Profit Or Loss When There Is Objective Evidence That It Is Impaired. The Impairment Is Measured As The Difference Between The Investment's Carrying Amount And The Present Value Of Estimated Future Cash Flows Discounted At The Effective Interest Rate Computed At Initial Recognition.

Impairment Losses Are Reversed In Subsequent Periods When An Increase In The Investment's Recoverable Amount Can Be Related Objectively To An Event Occurring After The Impairment Was Recognised, Subject To The Restriction That The Carrying Amount Of The Investment At The Date The Impairment Is Reversed Shall Not Exceed What The Amortised Cost Would Have Been Had The Impairment Not Been Recognised. Loans To Group Companies Are Classified As Loans And
Receivables.

Loans To Shareholders

These Financial Assets Are Initially Measured At Fair Value Plus Direct Transaction Costs.

Subsequently These Loans Are Measured At Amortised Cost Using The Effective Interest Rate Method, Less Any Impairment Loss Recognised To Reflect Irrecoverable Amounts.

On Loans Receivable An Impairment Loss Is Recognised In Profit Or Loss When There Is Objective Evidence That It Is Impaired. The Impairment Is Measured As The Difference Between The Investment's Carrying Amount And The Present Value Of Estimated Future Cash Flows Discounted At The Effective Interest Rate Computed At Initial Recognition.

Impairment Losses Are Reversed In Subsequent Periods When An Increase In The Investment's Recoverable Amount Can Be Related Objectively To An Event Occurring After The Impairment Was Recognised, Subject To The Restriction That The Carrying Amount Of The Investment At The Date The Impairment Is Reversed Shall Not Exceed What The Amortised Cost Would Have Been Had The Impairment Not Been Recognised.

Loans To Group Company (city Of Johannesburg Metropolitan Municipality) Are Classified As Loans And Receivables.

Receivables From Exchange Transactions

Trade Receivables Are Measured At Initial Recognition At Fair Value, And Are Subsequently Measured At Cost.

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

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

Trade and other receivables are classified as loans and receivables.

Amounts that are receivable within 12 months from the reporting date are classified as current.

Payables from Exchange Transactions

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

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank Overdraft and Borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs.

Other financial liabilities are measured initially at fair value and subsequently at amortised cost, using the effective interest rate method.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred

Derecognition

Financial assets

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

- the rights to receive cash flows from the asset have expired;
- the entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in fullwithout material delay to a third party under a 'pass-through' arrangement; or
- the entity has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

1.6 Current and Deferred Tax

Current Tax Assets and Liabilities

The tax currently payable is based on taxable income for the year. Taxable income differs from surplus as reported in the statement of financial performance, because it includes income and expenses that are taxable or tax deductible in other years and it further excludes items that are never taxable or tax deductible.

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

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

Deferred Tax Assets And Liabilities

A Deferred Tax Liability Is Recognised For All Taxable Temporary Differences, Except To The Extent That The Deferred Tax Liability Arises From The Initial Recognition Of An Asset Or Liability In A Transaction Which At The Time Of The Transaction, Affects Neither Accounting Surplus Nor Taxable Profit (tax Loss).

A Deferred Tax Asset Is Recognised For All Deductible Temporary Differences To The Extent That It Is Probable That Taxable Surplus Will Be Available Against Which The Deductible Temporary Difference Can Be Utilised. A Deferred Tax Asset Is Not Recognised When It Arises From The Initial Recognition Of An Asset Or Liability In A Transaction At The Time Of The Transaction, Affects Neither Accounting Surplus Nor Taxable Profit (tax Loss).

A Deferred Tax Asset Is Recognised For The Carry Forward Of Unused Tax Losses And Unused Stc Credits To The Extent That It Is Probable That Future Taxable Surplus Will Be Available Against Which The Unused Tax Losses And Unused Stc Credits Can Be Utilised.

Deferred Tax Assets And Liabilities Are Measured At The Tax Rates That Are Expected To Apply To The Period When The Asset Is Realised Or The Liability Is Settled, Based On Tax Rates (and Tax Laws) That Have Been Enacted Or Substantively Enacted By The End Of The Reporting Period.

Tax Expenses

Current And Deferred Taxes Are Recognised As Income Or An Expense And Included In Surplus Or Deficit For The Period, Except To The Extent That The Tax Arises From:

- A Transaction Or Event Which Is Recognised, In The Same Or A Different Period, To Net Assets; Or
- A Business Combination.

Current Tax And Deferred Taxes Are Charged Or Credited To Net Assets If The Tax Relates To Items That Are Credited Or Charged, In The Same Or A Different Period, To Net Assets.

1.7 Leases

A Lease Is Classified As A Finance Lease If It Transfers Substantially All The Risks And Rewards Incidental To Ownership. Alease Is Classified As An Operating Lease If It Does Not Transfer Substantially All The Risks And Rewards Incidental To Ownership.

Finance Leases - Lessee

Finance Leases Are Recognised As Assets And Liabilities In The Statement Of Financial Position At Amounts Equal To The Fair Value Of The Leased Property Or, If Lower, The Present Value Of The Minimum Lease Payments. The Corresponding Liability To The Lessor Is Included In The Statement Of Financial Position As A Finance Lease Obligation.

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

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

Finance charges are charged to surplus or deficit, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the company's general policy of borrowing costs.

Operating Leases - Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. Payments made in entering into or acquiring leasehold that is accounted for as an operating lease are amortised over the lease term.

1.8 Impairment of Assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

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

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

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

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:
(a) the period of time over which an asset is expected to be used by the entity; or
(b) the number of production or similar units expected to be obtained from the asset by the entity.

Reversal of Impairment Loss

The entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset. An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods

1.9 Share Capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Equity instruments issued by the company are classified according to the substance of the contractual arrangements entered into.

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

1.10 Employee Benefits

Short-term Employee benefits

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

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

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

Defined Contribution Plans

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

The company has no further payment obligations once the contributions have been paid.

Defined Benefit Plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

Actuarial surpluses or (deficits) within the financial year are recognised in the surplus or (deficit).

Surpluses or (deficits) on the curtailment or settlement of a defined benefit plan is recognised when the company is demonstrably committed to curtailment or settlement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs.

Other Post Retirement Obligations

The company provides post-retirement health care benefits to some employees.The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Valuations of these obligations are carried out by independent qualified actuaries.

1.11 Provisions and Contingencies

Provisions are recognised when:

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

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

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

Provisions are not recognised for future operating losses.

1.12 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

1.13 Revenue from Exchange Transactions

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the statement of financial position date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably

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

Revenue for the entity, comprises of commission and third party development fees.

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

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

1.14 Revenue from Non-exchange Transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving appromixately equal value in exchange. Revenue from non-exchange transactiond is generally recognised to the extent that the related receipt or receivable qualifies for a recognition as an asset and there is no liabilty to repay the amount.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.15 Cost of Services Rendered

The related cost of providing services recognised as revenue is the total cost of delivering the service. The cost of service information is found in the statement of financial performance and represent the direct costs associated with services the entity provides.

These costs comprise:

- costs incurred that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be directly allocated to the contract on a systematic and rational basis; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

The entity discloses other transactions that do not generate revenue but are incidental to the main revenue-generating activities. The presentation reflects the substance of the transaction or other event, by netting revenue with the related expenses arising on the same transaction.

1.16 Borrowing Costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Comparative Figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as predictable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as it is predictable, and the prior year comparatives are restated accordingly.

1.18 Fruitless and Wasteful Expenditure

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

1.19 Irregular Expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or

(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or

(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement isbeing awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorisedexpenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 Deferred Income

Revenue received in advance is recognised as income to the extent that the entity has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.21 Budget Information

Budget information is prepared in conformity with the accounting policies for preparing and presenting the financial statements.

1.22 Related Parties

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

2. New standards and interpretations

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities

Historically, public entities have prepared financial statements in accordance with generally recognised accounting practice, unless the Accounting Standards Board (the Board) approved the application of generally accepted accounting practice for that entity. “Generally accepted accounting practice” has been taken to mean Statements of Generally Accepted Accounting Practice (Statements of GAAP), or for certain entities, International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. Since Statements of GAAP have been withdrawn from 1 December 2012, public entities will be required to apply another reporting framework in the future.

The purpose of this Directive is to prescribe the criteria to be applied by public entities in selecting and applying an appropriate reporting framework.

The effective date of the standard is for years beginning on or after 01 April 2018.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

It is unlikely that the standard will have a material impact on the entity's financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

It is unlikely that the standard will have a material impact on the entity's financial statements.

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the entity. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to adistinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the entity's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have no been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is not yet set by the Minister of Finance.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

It is unlikely that the standard will have a material impact on the entity's financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

It is unlikely that the standard will have a material impact on the entity's financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the standard is not yet set by the Minister of Finance.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

It is unlikely that the standard will have a material impact on the entity's financial statements.

Figures in Rand	2018	2017
3. Cash and Cash Equivalents Cash and cash equivalents consist of:		
Cash on hand	2000	2000

The company's cheque account is swept on a daily basis in terms of an agreement with The City of Johannesburg Metropolitan Municipality (COJ) in order to facilitate better cashflow management on an entity wide basis. Cash is readily available at all times and the sweeping has no effect on its availability.

The Entity had the Following Bank Accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
Standard Bank - Current Account - 00-019-890-0	(401 726 885)	(161 072 763)	77 880 864	(401 726 885)	(161 072 763)	77 880 864

Figures in Rand	2018	2017
4. Receivables From Exchange Transactions		
External trade debtors	900 299	3 464 408
Related party debtors (Note 30)	591 656 492	540 419 190
	592 556 791	**543 883 598**
5. Loans To/(from) Shareholders		
City of Johannesburg Metropolitan Municipality - Group Finance Loan payable to Group Corporate Shared Services for administration of the Facilities Management payroll from March 2016. The loan bears no interest.	(60 211 351)	(31 416 277)
City of Johannesburg Metropolitan Municipality - Unsecured (Portfolio) The City of Johannesburg Metropolitan Municipality Portfolio Loan Account includes commissions accrued. The loan does not bear any interest and is repayable within 12 months.	20 198 667	(69 211 266)
City of Johannesburg Metropolitan Municipality - TreasuryThe Sweeping Account bears interest at an average call rate of 6.01% p.a irrespective of the balance being favourable or not.	(401 726 885)	(161 072 763)
City of Johannesburg - Group Corporate Shared Services Loan payable to Group Corporate Shared Services for administration of the Facilities Management payroll from March 2013 to February 2016. The loan bears no interest.	(34 636 379)	(34 601 217)
	(476 375 948)	**(296 301 523)**
Current assets	20 198 667	-
Current liabilities	(496 574 615)	(296 301 523)
	(476 375 948)	**(296 301 523)**

Figures in Rand	2018	2017
6. Current Tax Receivable		
Balance at beginning of the year	11 734 027	11 177 915
Interest received	544 090	556 112
	12 278 117	**11 734 027**
7. Receivables From Non-exchange Transactions		
Staff Debtors	30 424	43 493
Straightlining of operating leases	3 091 592	-
SARS VAT refund due	4 094 634	-
	7 216 650	**43 493**
8. Prepayments		
Current	282 608	341 869
Non-current	465 997	606 310
	748 605	**948 179**

Current Assets

Prepayments of software licenses to be amortised over the 2018/19 financial year.

Non-current Assets

The long term portion of the prepayment received from Bayete Consulting for professional services. The expense is to be amortised over the course of the lease agreement signed by JPC for the Hoofd Street head office.

Figures in Rand	2018	2017
9. Deposits		
Deposits held by municipal debtors for informal trading facilities.		
Eskom - Baragwanath	144 068	135 403
Eskom - Lenasia	21 076	19 807
	165 144	**155 210**

10. Property, Plant and Equipment

	2018			2017		
	Cost	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost**	Accumulated depreciation and accumulated impairment	Carrying value
Land	487 200	-	487 200	487 200	-	487 200
Buildings	6 350 957	(5 284 491)	1 066 466	6 350 957	(5 030 453)	1 320 504
Plant and machinery	1 566 691	(762 289)	804 402	1 574 975	(609 105)	965 870
Furniture and fixtures	5 466 359	(1 936 861)	3 529 498	5 492 589	(1 610 705)	3 881 884
Office equipment	2 423 285	(948 461)	1 474 824	2 271 086	(686 448)	1 584 638
IT equipment	8 981 812	(3 718 414)	5 263 398	7 981 766	(2 661 287)	5 320 479
Leasehold improvements	2 599 501	(754 760)	1 844 741	2 140 751	(512 694)	1 628 057
Capitalised leased office equipment	30 267 124	(17 713 479)	12 553 645	20 780 842	(11 308 368)	9 472 474
Total	**58 142 929**	**(31 118 755)**	**27 024 174**	**47 080 166**	**(22 419 060)**	**24 661 106**

Reconciliation of Property, Plant and Equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Total
Land	487 200	-	-	-	487 200
Buildings	1 320 504	-	-	(254 038)	1 066 466
Plant and machinery	965 870	-	(4 488)	(156 980)	804 402
Furniture and fixtures	3 881 884	2 614	(16 442)	(338 558)	3 529 498
Office equipment	1 584 638	171 806	(7 013)	(274 607)	1 474 824
IT equipment	5 320 479	1 076 795	(28 886)	(1 104 990)	5 263 398
Leasehold improvements	1 628 057	458 750	-	(242 066)	1 844 741
Capitalised leased office equipment	9 472 474	9 523 352	(24 688)	(6 417 493)	12 553 645
	24 661 106	**11 233 317**	**(81 517)**	**(8 788 732)**	**27 024 174**

Reconciliation of Property, Plant and Equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Land	487 200	-	-	-	487 200
Buildings	1 574 542	-	-	(254 038)	1 320 504
Plant and machinery	1 134 434	65 100	(70 162)	(163 502)	965 870
Furniture and fixtures	3 652 972	598 731	(55 954)	(313 865)	3 881 884
Office equipment	1 553 817	303 619	(19 422)	(253 376)	1 584 638
IT equipment	5 283 121	1 408 081	(232 982)	(1 137 741)	5 320 479
Leasehold improvements	555 846	1 175 461	-	(103 250)	1 628 057
Capitalised leased office equipment	7 816 224	5 808 172	(76 524)	(4 075 398)	9 472 474
	22 058 156	**9 359 164**	**(455 044)**	**(6 301 170)**	**24 661 106**

The following leased assets are included in Property, Plant and Equipment listed above

	2018			2017		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Leasehold improvements	2 599 501	(754 760)	1 844 741	2 140 751	(512 695)	1 628 056
Leased office equipment	30 267 125	(17 713 479)	12 553 646	20 780 842	(11 308 368)	9 472 474
Total	**32 866 626**	**(18 468 239)**	**14 398 387**	**22 921 593**	**(11 821 063)**	**11 100 530**

Erf 737 and Erf 1304, 18 Bedford Road, Yeoville		
Land		
-Cost	487 200	487 200
Erf 737 and Erf 1304, 18 Bedford Road, Yeoville		
Buildings		
- Cost- Accumulated depreciation	6 350 957	6 350 957
- Accumulated depreciation	(5 284 491)	(5 030 453)
	1 066 466	**1 320 504**

11. Intangible Assets						
	2018			2017		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Computer software, internally generated	12 761 889	-	12 761 889	12 761 889	-	12 761 889
Computer software	2 026 986	(636 857)	1 390 129	2 026 986	(351 548)	1 675 438
Total	**14 788 875**	**(636 857)**	**14 152 018**	**14 788 875**	**(351 548)**	**14 437 327**

Reconciliation of Intangible Assets - 2018

	Opening balance	Amortisation	Total
Computer software, internally generated	12 761 889	-	12 761 889
Computer software	1 675 438	(285 309)	1 390 129
	14 437 327	**(285 309)**	**14 152 018**

Reconciliation of Intangible Assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	12 761 889	-	-	12 761 889
Computer software	207 915	1 702 447	(234 924)	1 675 438
	12 969 804	**1 702 447**	**(234 924)**	**14 437 327**

2017/18: No impairment is required for intangible assets.

Figures in Rand	2018	2017
12. Deferred Tax		
Deferred Tax Liability	(21 951)	(18 901)
Prepaid ExpensesProperty, Plant, Equipment and Intangibles	(1 282 614)	(943 936)
Straightlining of Operating Leases	(865 645)	-
Finance Lease Fixed Assets	(3 508 061)	(2 652 293)
Total Deferred Tax Liability	**(5 678 271)**	**(3 615 130)**
Deferred Tax Asset		
Provision for Post Retirement Medical Aid	217 000	237 122
Provision for Leave Pay	4 399 748	4 497 045
Provision for Bonuses	3 383 896	3 439 535
Straightlining of Operating Leases	-	217 783
Finance Lease Liability	3 180 592	1 958 132
Total Deferred Tax Asset	**11 181 236**	**10 349 617**
Deferred tax liability	(5 678 271)	(3 615 130)
Deferred tax asset	11 181 236	10 349 617
Total Net Deferred Tax Asset	**5 502 965**	**6 734 487**
Reconciliation of Deferred Tax Asset		
At beginning of year	6 734 487	33 199 216
Increases (decrease) in tax loss available for set off against future taxable income	(1 231 522)	(26 464 729)
	5 502 965	**6 734 487**
13.payables from Exchange Transactions		
Trade and other payables	5 076 628	11 093 357
Related parties	-	160 547
Accrued leave pay	15 713 380	16 060 875
Accrued 13th Cheques	9 624 159	9 405 358
Accruals	215 738 187	301 446 872
	246 152 354	**338 167 009**

Figures in Rand	2018	2017
12. Finance Lease Obligation		
Minimum Lease Payments Due		
- Not later than one year	6 843 895	4 177 668
- Later than one year and not later than 5 years	6 268 733	3 319 495
	13 112 628	7 497 163
Less: Future finance charges	(1 753 370)	(503 833)
Present Value of Minimum Lease Payments	**11 359 258**	**6 993 330**
Present Value of Minimum Lease Payments Due		
- Not later than one year	5 665 214	3 811 911
- Later than one year and not later than 5 years	5 694 044	3 181 419
	11 359 258	**6 993 330**
Non-current liabilities	5 694 045	3 181 419
Current liabilities	5 665 213	3 811 911
	11 359 258	**6 993 330**

It is company policy to lease certain equipment under finance leases; These assets are leased over a period of 2 to 5 years at a fixed negotiated rate, and are secured by the assets financed (refer to Note 10).

15. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for Bonuses	2 878 696	2 461 185	(2 245 682)	(633 014)	2 461 185

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
	2 248 008	2 500 528	(1 675 140)	(194 700)	2 878 696

2016/17: The provision relates to bonuses due to EXCO members for the 2016/17 financial year.
2017/18: The provision relates to bonuses due to EXCO members for the 2017/18 financial year.

Figures in Rand	2018	2017
16. Operating Lease Liability		
Current liabilities	-	(777 795)
The operating lease liability was as a result of an office rental agreement for head office and corporate building accommodation. (Refer to note 29)		
17. Employee Benefit Obligations		
Defined benefit plan		
Post retirement medical aid plan		
Actuarial valuations are done at an interval of not more than three years using the projected unit credit method,		
The amounts recognised in the statement of financial position are as follows:		
Carrying Value		
Present value of the defined benefit obligation	(846 863)	(669 775)
Net expense recognised in statement of financial performance	71 863	(177 088)
	(775 000)	**(846 863)**

The comparative of the net present value of the defined benefit obligation is as follows:

	2017/18	2016/17	2015/16	2014/15	2013/14
Present value of the defined benefit obligation	(846 863)	(669 775)	(1 223 546)	(996 000)	(879 000)
Net expense recognised in the SoFP	71 863	(177 088)	553 771	(227 546)	(117 000)
	(775 000)	**(846 863)**	**(669 775)**	**(1 223 546)**	**(996 000)**

	2018	2017
Net expense recognised in the statement of financial performance		
Current service cost	-	15 420
Benefit paid	(51 000)	-
Interest cost	76 126	(60 280)
Actuarial (gains)/losses	(96 989)	(132 228)
	(71 863)	**(177 088)**

Figures in Rand	2018	2017
Key Assumptions Used		
Assumptions used at the reporting date:		
Discount rates used	8.68 %	9.16 %
Medical cost trend rates	6.89 %	7.44 %
Maximum subsidy inflation rate	- %	5.21 %
Net discount rate - Health care cost inflation	1.67 %	1.59 %
Net discount rate - Maximum subsidy inflation	- %	3.75 %
Expected increase in salary costs	5.89 %	5.94 %

The calculations for post-retirement medical aid were based on the policy adopted by the City of Johannesburg Metropolitan Municipality with regard to post-reitrement medical aid subsidies.

Employees over the age of 55 on 1 July 2003 will get a 60% subsidy on retirement. Employees over the age of 50 but under age of 55 will get a 50% subsidy on retirement. Employees under the age of 50 on 1 July 2003 will not receive any post-retirement medical aid subsidy.

The valuation method and assumptions do not affect the ultimate cost of the long-term benefits – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and future-service costs are recognised over time.

The projections assume that the entity's benefit and subsidy policies will remain consistent, and that all the actuarial assumptions made are borne out in practice.
The comparative of the net present value of the defined benefit obligation is as follows:
In addition, it is assumed that no contributions are made by the entity towards prefunding its liability via an off-balance sheet vehicle.

Benefits paid refer to the Municipality's subsidy of current continuation members or beneficiaries.

There are no past service costs, curtailments or settlements to reflect.

18. Share Capital		
Authorised		
1,000 Ordinary shares of R1 each	1 000	1 000
Reconciliation of Number of Shares Issued:		
Reported as at 01 July 2017	1 000	1 000
Issued		
1,000 Ordinary shares of R1 each	1 000	1 000
Share premium	5 141 721	5 141 721
	5 142 721	**5 142 721**

Figures in Rand	2018	2017
19. Revenue		
Cellmast services	8 115 051	6 819 291
Commission received	42 246 352	58 887 671
Management fees	52 689 885	51 618 287
Internal recoveries	226 837 531	150 395 589
Cost of services	(226 837 531)	(150 395 589)
Third party development fees	1 362 263	302 081
City of Johannesburg Metropolitan Municipality - Subsidy	368 134 000	327 568 000
EPWP Grant	-	2 000 000
	472 547 551	**447 195 330**
The amount included in revenue arising from exchanges of goods or services are as follows:		
Cellmast services	8 115 051	6 819 291
Rendering of services	42 246 352	58 887 671
Management fees	52 689 885	51 618 287
Internal recoveries	226 837 531	150 395 589
Cost of services	(226 837 531)	(150 395 589)
Third party development fees	1 362 263	302 081
	104 413 551	**117 627 330**
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
City of Johannesburg Metropolitan Municipality - Subsidy	368 134 000	327 568 000
EPWP Grant	-	2 000 000
	368 134 000	**329 568 000**
20. Other Income		
Donations received	10 000	-

Figures in Rand	2018	2017
21. Investment Revenue		
Interest revenue		
Sweeping Account	-	950 516
Interest received on land acquisition	597 650	104 696
Interest received on deposit	9 934	-
SARS	544 090	556 111
	1 151 674	**1 611 323**
22. Interest Paid		
Finance leases	1 360 244	557 001
Disputed supplier accounts	25 275	42 268
SARS	903 879	-
	2 289 398	**599 269**
23. General Expenses		
Advertising	445 697	153 915
Assets expensed	2 851	14 431
Auditors remuneration	1 722 609	3 312 537
Bank charges	40 491	39 472
Board expenses	884 270	1 171 892
Cleaning	14 548 150	11 009 012
Computer expenses	4 550 095	2 578 278
Consulting and professional fees	8 222 513	14 105 994
Conferences and seminars	193 141	398 250
Computer consumables	-	278 343
Electricity and water	21 713 844	21 337 631
Fleet	6 585 601	7 623 175
Gas	300 400	223 514
Insurance	1 914 118	5 144 335
Launches and communications	-	4 377 621
Lease rentals - GRAP 13 straightlining adjustment	(3 869 387)	(2 972 688)
Office rentals	105 353 370	98 470 385

Figures in Rand	2018	2017
Pest control	224 892	218 212
Placement fees	-	143 298
Postage and courier	6 918	1 852
Printing and stationery	810 373	1 750 712
Protective clothing	201 040	405 997
Rates and taxes	2 721 757	1 646 355
Refuse	485 871	507 679
Sanitation and sewerage	1 096 524	623 927
Security	19 878 937	11 698 529
Software expenses	1 564 446	774 476
Staff welfare	418 226	1 282 932
Storage	173 258	158 522
Subscriptions and membership fees	1 124 516	869 958
Telephone and fax	2 009 569	2 017 402
Training	591 250	2 308 248
Travel - local	530 264	260 624
Travel - overseas	-	36 088
	194 445 604	**191 970 908**

24. Employee Related Costs

Figures in Rand	2018	2017
Employee related costs : Salaries and wages	197 431 796	185 698 073
Post-retirement medical aid benefits-Defined benefit plan	(71 863)	177 088
Allowances	2 886 920	906 604
Overtime payments	4 524 496	4 337 960
Bonus	1 828 171	2 657 510
UIF	953 718	1 019 768
SDL	2 068 875	1 957 618
Payroll levies	170 578	36 073
Leave pay accrual charge	3 480 776	5 031 019
Pension costs	31 680 126	29 880 014
13th Cheque	14 347 149	13 425 238
	259 300 742	**245 126 965**

Figures in Rand	2018	2017
Key Personnel		
Remuneration of Executive Manager : Client Business Operations		
Annual Remuneration	1 672 259	1 577 583
Performance Bonuses	267 120	252 000
Contributions to UIF, Medical and Pension Funds	366 863	264 367
	2 306 242	**2 093 950**
Remuneration of Executive Manager : Property Portfolio		
Annual Remuneration	1 672 259	1 557 583
Performance Bonuses	267 120	192 600
Contributions to UIF, Medical and Pension Fund	366 863	260 099
	2 306 242	**2 010 282**
Remuneration of Executive Manager : Strategic Support		
Annual Remuneration	1 143 560	1 062 487
Travel Allowance	96 000	96 000
Performance Bonuses	192 900	182 000
Contributions to UIF, Medical and Pension Funds	253 449	176 190
Leave Pay	-	34 026
	1 685 909	**1 550 703**
Remuneration of General Manager : Legal		
Annual Remuneration	979 530	900 291
13th Cheque	80 546	75 024
Contributions to UIF, Medical and Pension Funds	220 565	198 439
	1 280 641	**1 173 754**

Figures in Rand	2018	2017
Remuneration of General Manager : Compliance and Secretarial		
Annual Remuneration	1 111 926	803 635
Performance Bonuses	161 000	-
Contributions to UIF, Medical and Pension Funds	135 518	67 836
	1 408 444	**871 471**
Remuneration of Executive Manager : Corporate Services		
Annual Remuneration	-	981 069
Contributions to UIF, Medical and Pension Funds	-	146 800
	-	**1 127 869**
Resigned in April 2017		
Remuneration of Executive Manager: Information Technology		
Annual Remuneration	938 250	870 070
Travel Allowance	120 000	120 000
Performance Bonuses	118 822	117 700
Contributions to UIF, Medical and Pension Funds	193 568	186 933
	1 370 640	**1 294 703**

25. Directors' Emoluments

The following emoluments were paid to the executive and non-executive directors during the year.

Executive	Emoluments	Travel Allowance	Company Contributions	Performance Bonus	Total
2018					
Ms H M Botes - Chief Executive Officer	2 114 069	250 000	24 925	312 530	2 701 525
Mr I M Bhamjee - Financial Director	1 598 548	96 000	344 379	267 120	2 306 047
	3 712 617	**346 000**	**369 304**	**579 650**	**5 007 572**

Figures in Rand					
Executive	**Emoluments**	**Travel Allowance**	**Company Contributions**	**Performance Bonus**	**Total**
2017					
Ms H M Botes - Chief Executive Officer	1 982 360	250 000	20 655	294 840	2 547 855
Mr I M Bhamjee - Financial Director	1 510 605	96 000	241 388	192 600	2 040 593
	3 492 965	**346 000**	**262 043**	**487 440**	**4 588 448**

Non-Executive	**Emoluments**	**Retainer fees**	**Total**
2018			
Mr P Corbin	221 570	-	221 570
Mr A Karam	132 840	-	132 840
Mr O Kemp	107 482	-	107 482
Mr O Maseko	171 879	-	171 879
Mr N Baloyi	197 736	-	197 736
Ms M Hlobo	260 445	-	260 445
Ms M Mojapelo	179 988	-	179 988
Mr MM Morojele	42 420	-	42 420
	1 314 360		**1 314 360**

	Emoluments	**Retainer fees**	**Total**
2017			
Mr P Corbin - Chairperson	125 872	-	125 872
Mr A Karam (appointed - 16/03/2017)	61 477	-	61 477
Mr O Kemp (appointed - 16/03/2017)	102 038	-	102 038
Ms N Mpofu (appointed - 16/03/2017)	29 704	-	29 704
Mr O Maseko (appointed - 16/03/2017)	104 913	-	104 913
Mr N Baloyi (appointed - 16/03/2017)	107 956	-	107 956
Ms M Hlobo (appointed - 27/05/2017)	48 000	-	48 000
Mr L Mabuza	142 094	22 816	164 910
Ms M Mojapelo	167 411	22 816	190 227
Mr MM Morojele	113 751	22 816	136 567
Mr A Mabizela (retired - 16/03/2017)	102 666	45 626	148 292

Figures in Rand		2018	2017
	Emoluments	Retainer fees	Total
Adv M Mogale (retired - 16/03/2017)	84 422	22 816	107 238
Mr J Rabodila (retired - 16/03/2017)	120 936	22 816	143 752
Mr FD Ntombela (retired - 16/03/2017)	91 273	22 816	114 089
Mr C Kai (retired - 16/03/2017)	126 643	22 816	149 459
Prof AN Nevhutanda (retired - 16/03/2017)	62 750	22 816	85 566
	1 591 906	**228 154**	**1 820 060**

26. Taxation

	2018	2017
Major components of the tax expense (Income)		
Deferred		
Originating and reversing temporary differences	1 231 522	26 464 729
Reconciliation of the Tax Expense		
Reconciliation between accounting surplus and tax expense.		
Accounting deficit	(67 877 391)	(74 297 189)
Tax at the applicable tax rate of 28% (2017: 28%)	(19 005 669)	(20 803 213)
Tax Effect of Adjustments on Taxable Income		
Donations received	(2 800)	-
Operating lease liability - Prior year	(217 783)	(1 050 135)
Accruals - Prior year	(2 633 500)	(2 464 062)
Reversal of provisions	(5 540 203)	(3 514 197)
Wear and tear allowances	(2 820 605)	(1 624 870)
Prepaid expenditure (not limited to s23H) - Prior year	-	(18 901)
Lease payments on capital assets	1 067 335	694 160
Accounting loss on disposal of fixed assets	22 825	127 412
Depreciation	2 540 732	1 830 106
Interest paid on capitalised leased assets	380 868	155 960
Provisions (non-deductible)	5 305 878	5 540 203
Penalties and interest	260 163	11 835
Accruals - Current year	2 694 765	7 659 735
Operating lease liability - Current year	865 646	217 783
Assessed loss carried forward	18 313 870	39 702 913
	1 231 522	**26 464 729**

Figures in Rand	2018	2017
27. Auditors' Remuneration		
Fees	1 722 609	3 312 537
Reconcilliation of Audit Fees		
Audit Fees - External	1 357 862	1 231 162
Audit Fees - Internal	364 747	2 081 375
	1 722 609	**3 312 537**
28. Cash Generated From Operations		
Deficit	(34 111 492)	(94 971 636)
Adjustments for:		
Depreciation and amortisation	9 074 042	6 536 094
Loss on sale of assets and liabilities	81 517	455 044
Finance costs - Finance leases	1 360 244	557 001
Movements in operating lease assets and accruals	(777 795)	(2 972 688)
Movements in retirement benefit assets and liabilities	(71 863)	177 088
Movements in provisions	(417 511)	630 688
Annual charge for deferred tax	1 231 522	26 464 729
Changes in Working Capital:		
Receivables from exchange transactions	(48 673 193)	(477 363 008)
Other receivables from non-exchange transactions	(7 173 157)	10 259
Prepayments	199 574	205 949
Payables from exchange transactions	(92 014 664)	248 947 715
	(171 292 776)	**(291 322 765)**

Figures in Rand	2018	2017
29. Commitments		
Commitments in respect of capital expenditure:		
Authorised		
• Property, plant and equipment	2 000 000	1 700 000
Total capital commitments		
Not yet contracted for and authorised by directors	2 000 000	1 700 000

Figures in Rand	2018	2017
Authorised Operational Expenditure		
Already Contracted for but not Provided for		
Cleaning	16 039 286	29 704 507
Consulting fees	1 472 616	76 825
Fleet	18 463 977	2 332 260
Repairs and maintenance	-	1 530 486
Staff wellness	-	25 468
Temp staff	945 412	-
	36 921 291	**33 669 546**
Total Operational Commitments		
Already contracted for but not provided for	36 921 291	33 669 546
Total Commitments		
Total Commitments		
Authorised capital expenditure	2 000 000	1 700 000
Authorised operational expenditure	36 921 291	33 669 546
	38 921 291	**35 369 546**

This committed capital expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc. The entity has been allocated a capital expenditure budget of R2 000 000 for the 2018/19 financial year (2018: R1 700 000).

	2018	2017
Operating leases – as lessee (Buildings)		
Minimum lease payments due		
- Not later than one year	51 378 710	81 946 911
- Later than one year and not later than five years	20 729 075	65 521 474
	72 107 785	**147 468 385**

Operating lease payments represent rentals payable by the entity for the JPC head office and office accommodation for 10 buildings for various City departments. Leases are negotiated for a term of 2 to 5 years for City department occupied buildings and 9 years and 11 months for the JPC head office, all leases are subject to yearly escalations. No contingent rent is payable.

Figures in Rand	2018	2017
30. Related Parties		
Relationships		
The company adheres to Section 45 of The Municipal Supply Chain Management Regulation:		
Contracts are entered into in terms of Services Delivery Agreements		
As all related parties are current no provision has been made in respect of bad debts.		
Controlling entity — The City of Johannesburg Metropolitan Municipality Fellow subsidiaries		
City Power Johannesburg (SOC) Ltd		
Johannesburg City Parks (NPC)		
Johannesburg Development Agency (SOC) Ltd		
Johannesburg Social Housing Company (SOC) Ltd		
Johannesburg Roads Agency (SOC) Ltd		
Johannesburg Fresh Produce Market (SOC) Ltd		
Johannesburg Water (SOC) Ltd		
Johannesburg Theatre (SOC) Ltd		
Pikitup (SOC) Ltd		
Related party balances		
Loan Accounts - Owing from Related Parties		
City of Johannesburg Metropolitan Municipality	20 198 667	-
Loan accounts - Owing to Related Parties		
City of Johannesburg Metropolitan Municipality	(496 574 615)	(296 301 523)
Services Rendered to Related Parties		
The City of Johannesburg Metropolitan Municipality - Commission received	42 246 352	30 676 757
The City of Johannesburg Metropolitan Municipality - Capital commission received	-	23 638 051
The City of Johannesburg Metropolitan Municipality - Management fees	52 689 885	51 618 287
The City of Johannesburg Metropolitan Municipality - Internal recoveries	226 837 531	149 972 083
The City of Johannesburg Metropolitan Municipality - Cost of services	(226 837 531)	(149 972 083)
The City of Johannesburg Metropolitan Municipality - Subsidies received	368 134 000	327 568 000
City Power	175 447	-
Johannesburg Fresh Produce Market	-	102 147

Figures in Rand						
Remuneration of management **Executive management**						
2018	**Basic Salary**	**Bonuses and 13th cheques**	**Travel Allowance**	**Company contribution**	**Other payments received**	**Total**
Ms HM Botes	2 114 069	312 530	250 000	24 925	-	2 701 524
Mr IM Bhamjee	1 598 548	267 120	96 000	344 379	-	2 306 047
Mr F Sardianos	1 672 259	267 120	-	366 863	-	2 306 242
Mr SZ Mntungwa	1 672 259	267 120	-	366 863	-	2 306 242
Mr MM Makhunga	1 143 560	192 900	96 000	253 449	-	1 685 909
Mr CL Matthews	1 111 926	161 000	-	135 518	-	1 408 444
Mr TF Mokataka	979 529	80 546	-	220 565	-	1 280 640
Ms K Padayachee	938 250	118 822	120 000	193 568	-	1 370 640
	11 230 400	**1 667 158**	**562 000**	**1 906 130**	**-**	**15 365 688**
2017	**Basic Salary**	**Bonuses and 13th cheques**	**Travel Allowance**	**Company Contribution**	**Other payments received**	**Total**
Ms HM Botes	1 982 360	294 840	250 000	20 655	-	2 547 855
Mr IM Bhamjee	1 510 605	192 600	96 000	241 388	-	2 040 593
Mr F Sardianos	1 577 583	252 000	-	264 367	-	2 093 950
Mr SZ Mntungwa	1 557 583	192 600	-	260 099	-	2 010 282
Mr CL Matthews	803 635	-	-	67 836	-	871 471
Mr MM Makhunga	1 062 487	182 000	96 000	176 190	34 026	1 550 703
Mr TF Mokataka	900 291	75 024	-	198 439	-	1 173 754
Ms K Padayachee	870 070	117 700	120 000	186 933	-	1 294 703
Mr M Tisani	981 069	-	-	146 800	-	1 127 869
	11 245 683	**1 306 764**	**562 000**	**1 562 707**	**34 026**	**14 711 180**

Figures in Rand	2018	2017
Johannesburg Roads Agency	-	94 500
Joburg Water	1 438 959	70 015
Metrobus	1 280 282	308 675
Metropolitan Trading Company	9 474	-
Pikitup	290 000	-
	465 290 475	**434 076 432**
Balance Included in Trade Receivables		
City of Johannesburg Metropolitan Municipality	580 116 646	531 591 994
City Power	207 734	3 902 169
Johannesburg Roads Agency	28 997	592 515
Johannesburg Water	1 683 845	30 034
Metrobus	9 548 963	3 870 782
Metropolitan Trading Company	70 307	-
Pikitup	-	481 306
	591 656 492	540 468 800
Balance Included in Trade Payables		
Group Corporate and Shared Services	2 182 584	-
Johannesburg Fresh Produce Market	-	160 547
Office of the Mayor	-	3 809 378
	2 182 584	**3 969 925**
Interest Received from Related Parties		
City of Johannesburg Metropolitan Municipality	-	949 898
Services Received from Related Parties		
City of Johannesburg Civic Theatre	-	296
Department of Development Planning	48 000	40 320
Group Corporate and Shared Services	2 057 547	1 844 355
Metrobus	-	7 000
Office of the Mayor	-	3 341 560
	2 105 547	**5 233 531**

Figures in Rand	2018	2017

31. Risk Management

Financial Risk Management

Liquidity Risk

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.The companies cash is swept on a daily basis to The City of Johannesburg Metropolitan Municipality (COJ) main account. The City releases money for use by The City of Joburg Property Company (SOC) Ltd as and when it is needed. Any over expenditure in which current cash swept cannot cover is covered by the COJ.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance lease obligations	5 665 213	5 694 045	-	-
Trade and other payables	246 251 632	-	-	-

At 30 June 2017	Less than 1 Year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance lease obligations	3 811 911	3 181 419	-	-
Trade and other payables	338 167 009	-	-	-

Interest Rate Risk

As the company has no significant interest-bearing assets, the company's income and operating cash flows are substantially independent of changes in market interest rates.
The company policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on surplus/(deficit). Fixed rate borrowings expose the company to fair value interest rate risk.
The company has not performed a sensitivity analysis as the company is exposed to fixed rate borrowings only.

Credit Risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Trade debtors are comprised of development fees on contracts awarded to a developer who has been awarded the tender and related party debtors generated from the internal recoveries of office accommodation for FMMU. The company manages development fee risk by inserting suspensive conditions in the signed contracts. If the developer cannot pay in the specified time, payment terms are arranged and failing which the contract will be cancelled and awarded to another developer.

Financial assets exposed to credit risk at year end were as follows:		
Financial instrument		
Financial assets measured at fair value:		
-Trade and other receivables	591 977 235	543 933 208
-Cash and cash equivalents	2 000	2 000
	591 979 235	**602 934 186**

Figures in Rand	2018	2017
32. Going Concern		

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The existence of the company is dependent on the continued support of its sole shareholder being the City of Johannesburg Metropolitan Municipality by way of management fees paid each year in terms of a service delivery agreement entered into. Development fees received from external parties further support the going concern of the company. To support the continuous collection of management fees, JPC has a 30 year agreement with the Shareholder, of which 13 years are remaining. The deficit of the company before taxation is R32 879 970 (2017: deficit R68 506 907), after taxation it was a deficit of R34 111 493 (2017: deficit R94 971 636). In lieu of the current financial position, the City of Johannesburg Metropolitan Municipality has issued a comfort letter for the debt and loans of the entity.

33. Fruitless and Wasteful Expenditure		
Opening balance	42 268	2 379 855
Written off	-	(2 379 855)
Penalties and interest	25 275	42 268
South African Revenue Service (SARS)	903 879	-
	971 422	**42 268**

2017: During the financial year, the Board of Directors of JPC wrote off the historical fruitless and wasteful expenditure of R2 379 855.
Disputes with creditors over contracts and invoices resulted in interest being levied on overdue accounts in the 2016/17 financial year amounting to R42 268.

2018: Disputes with creditors over contracts and invoices resulted in interest being levied on overdue accounts in the 2017/18 financial year amounting to R25 275.
Due to technical challenges with JPC's internet across the February month end, JPC was unable to pay SARS on the last day of February 2018 for the January 2018 VAT return. The payment was made five (5) days late as a result of the connectivity challenges and SARS levied late submission penalties and interest. An application to have the penalties and interest remitted was unsuccessful.

VAT for June 2017 was paid over two days on the last day of July 2017 and the 1st of August 2017. This was due to cash flow limitations that resulted in the split payment. Consequently, SARS levied penalties and interest of R44 848.

34. Irregular Expenditure		
Irregular expenditure current year	6 588 601	-

2018: During the 2017/18 financial year the COJ appointed Avis as the service provider for fleet services for the entire group. The contract is centrally held by the COJ and an allocation of motor vehicles is given to each department and entities, including JPC. Upon review by the Auditor General, the appointment by the COJ has been deemed to be irregular. JPC has therefore incured R 6 588 601 in irregular expenditure as a result. JPC did not play any role in the procurement process for the awarding of this contract. As the incident is not within JPC's control, the matter is being handled by the COJ and corrective action will be taken exclusively by the COJ. JPC will await the outcome of this investigation.

2017: During the 2016/17 financial year, JPC did not incur irregular expenditure

Figures in Rand	2018	2017
35. Reconciliation Between Budget and Statement of Financial Performance		
Reconciliation of budget surplus with the surplus in the statement of financial performance:		
Net deficit per the statement of financial performance	(69 108 913)	76 304 850
Adjusted for:		
Revenue	37 667 775	(83 192 661)
Operating expenses	30 209 616	(19 576 918)
Taxation	1 231 522	26 464 729
Net surplus per approved budget	-	-

36. Events After The Reporting Date

Prior to the closure of the 2018 financial year, JPC submitted a report to the Council of the City of Johannesburg requesting that the interest charged on the sweeping account be reversed due to the adverse implications the interest has had on the financial performance of the entity. On the 31st of October 2018, the Council approved the reversal of the interest. An amount of R40 787 703 for the 2017 and 2018 financial years have been approved for reversal. This event is classified as an adjusting subsequent event and has been correctly reflected in the financial statements for the year ended 30 June 2018.

37. Prior Period Adjustments	2018	2017
Statement of financial position		
Trade and other receivables (Note 1)	-	(64 385 149)
Trade and other payables - Accruals (Note 2)	-	17 937 421
GRAP 105 transfer of functions - MTC (Note 3)	-	413 410
Loans to/from shareholders (Note 4)	-	5 790 282
	-	**(40 244 036)**

1. Trade and Other Receivables	-Upon investigation of the final completion of the R&M projects and prior to payment. The final bill of quantities revealed savings that required a reversal to correct the original billing to the COJ . However, there were also items that were incorrectly billed to COJ departments that related to common areas and corporate buildings which are required to be absorbed by JPC as they are in the domain of JPC's operations.
2. Trade and Other Payables	- Upon investigation of the final completion of the R&M projects and prior to payment. The final bill of quantities revealed savings that required a reversal of accruals raised. (Refer to Note 1)
3. GRAP 105 Transfer of Functions	- On the transfer of MTC to JPC a liability was recognised from the Voluntary Disclosure Progam (VDP) for MTC's VAT. SARS final computation and claim against the VDP was less than the liability raised. As such the excess liabilty is reversed.
4. Loans to/from Shareholders	- Subsequent to the financial statments being issued, the Council of the City of Johannesburg Metropolitan Municipality approved the reversal of interest charged on the sweeping bank account with Treasury.

Figures in Rand	2018	2017
Statement of Financial Performance		
Commissions and ad hoc fees received	-	(4 459 099)
Internal recoveries - Repairs and maintenance	-	58 673 096
JPC management fees	-	5 691 521
Ad hoc fees	-	20 533
Cleaning	-	101 316
Consulting	-	(197 995)
Electricity	-	(193 254)
Hostel charges	-	25 560
Land acquisitions	-	(5 790 282)
Printing	-	(286 080)
Repairs and maintenance	-	(12 511 575)
Rental	-	(8 000)
Security	-	(230 892)
Staff recruitment	-	121 330
Stationery	-	(61 923)
Subscriptions	-	15 793
Telecommunications	-	(34 514)
Training	-	(72 923)
Travel	-	(93 696)
Gain from transfer of entities under common control	-	(444 347)
	-	**40 244 036**

Figures in Rand	2018	2017

38. Deviation From Supply Chain Management Regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the directors and includes a note to the financial statements.

Rental of premises and cleaning services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the directors.

Additional deviations that have transpired during the 2016/17 financial year have been listed below. The deviations listed below are a continuation of those listed in the 2015/16 financial year. The deviations are are as follows:

Figures in Rand	2018	2017
Extensions - Operating Lease Rentals		
Sanlam/JHI	8 234 352	8 278 860
Redefine Properties	31 574 230	33 123 991
Investec Ltd	9 182 730	7 925 325
Germiston Bronze	-	5 029 893
CEZ Investments	2 262 897	2 836 423
6 Plein Street CC	7 595 592	7 824 480
Orion Property Management	4 810 244	5 718 574
Hermans and Romans	9 283 021	9 499 366
Mutodo	23 132 176	21 725 733
Abzubix	15 725 592	14 086 807
Blend Property	632 143	809 251
Accelerate	296 820	177 515
City Property	660 134	656 228
Lakeside	-	48 474
Lodestone	-	25 534
Malvern Plaza	242 807	88 721
Eurefin	5 541 337	1 133 763
Sizanai	907 140	857 610
	120 081 215	**119 846 548**
Extensions - Other Expenditure		
Document Warehouse	234 955	191 549
Nicor Propsys	739 323	843 745
Telkom	1 614 589	1 221 589
	2 588 867	**2 256 883**

Figures in Rand	2018	2017

39. Changes In Accounting Policy

Discounting of Trade Debtors

During the year, the entity changed its accounting policy with respect to the treatment of the discounting of trade debtors, in order to conform to the accounting policies of the COJ.

The aggregate effect of the changes in accounting policy on the financial statements for the year ended 30 June 2017 is as follows:

Statement of Financial Position		
Trade and Other Receivables		
Previously stated	-	538 596 647
Adjustment	-	5 336 561
	-	**543 933 208**
Deferred Tax		
Previously stated	-	8 228 824
Adjustment	-	(1 494 237)
	-	**6 734 587**
Accumulated Loss		
Previously stated	-	58 091 506
Adjustment	-	(3 842 324)
	-	**54 249 182**
Statement of Financial Performance		
Revenue from Exchange Transactions		
Previously stated	-	98 510 880
Adjustment	-	19 166 060
	-	**117 676 940**
Investment Revenue		
Previously stated	-	15 440 822
Adjustment	-	(13 829 499)
	-	**1 611 323**
Taxation		
Previously stated	-	24 970 492
Adjustment	-	1 494 237
	-	**26 464 729**

Figures in Rand	Note(s)	2018	2017 Restated*
40. Sponsored Skills Development			

During the 2017/18 financial year the trust account earned interest of R81 548.
The pledge is held in trust by Cliff Dekker Hofmeyer Attorneys on the pledgees' behalf.

As at 30 June 2018, R1 501 371 of this fund has been utilised to identify the best international practices and standards for property and facilities management.

		2018	2017 Restated*
Sponsored Skills Development			
Opening Balance		1 329 094	1 314 683
Additions		81 548	144 763
Utilized		-	(130 352)
		1 410 642	**1 329 094**

Detailed Income Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Cellmast services	19	8 115 051	6 819 291
Commission received	19	42 246 352	58 887 671
Management fees	19	52 689 885	51 618 287
Internal recoveries	19	226 837 531	150 395 589
Cost of services	19	(226 837 531)	(150 395 589)
Third party development fees	19	1 362 263	302 081
Other income	20	10 000	-
Interest received	21	1 151 674	1 611 323
City of Johannesburg Metropolitan Municipality - Subsidy	19	368 134 000	327 568 000
EPWP grant	19	-	2 000 000
	Total revenue	**473 709 225**	**448 806 653**
Expenditure			
Employee related costs	24	(259 300 742)	(245 126 965)
Depreciation and amortisation	10 & 11	(9 074 042)	(6 536 094)
Finance costs	22	(2 289 398)	(599 269)
Lease rentals on operating lease		(105 353 370)	(98 470 385)
Repairs and maintenance		(41 397 892)	(72 625 280)
General expenses	23	(89 092 234)	(93 500 523)
Total expenditure		**(506 507 678)**	**(516 858 516)**
Operating Deficit		**(32 798 453)**	**(68 051 863)**
Loss on derecognition of assets	10	(81 517)	(455 044)
Deficit Before Taxation	26	**(32 879 970)**	**(68 506 907)**
Taxation		1 231 522	26 464 729
Deficit for the year		**(34 111 492)**	**(94 971 636)**

APPENDIX E(1)

	Current Year Actual Budget (000's)	Current Year Actual Balance (000's)	Variance (000's)	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Cellmast services	8 115	12 284	(4 169)	(33.9)	Collections are in line with the contract. Revenue will increase with the implementation of the outdoor advertising by-laws.
Commissions received	42 246	76 635	(34 389)	(44.9)	Commissions trail budgeted objectives due to leases currenlty under review at EAC.
Internal recoveries	226 837	432 221	(205 384)	(47.5)	Internal recoveries are less than budgeted due to projects being halted by the COJ's departments for the 2018/19 financial year.
Cost of services rendered	(226 837)	(387 734)	160 897	(41.5)	Cost of services relate to R&M that is offset against internal recoveries.
Interest received	1 152	2 837	(1 685)	(59.4)	Interest income was not generated from the sweeping account as the account is in overdraft.
Management fees	52 690	-	52 690	-	
Subsidy	368 134	368 134	-	-	
Third party facilitation fees	1 362	7000	(5 638)	(80.5)	Limitations in CAPEX from the COJ resulted in few transactions attracting facilitation fees.
Other	10	-	10	-	
	473 709	**511 377**	**(37 668)**	**(7.4)**	
Expenses					
Personnel	(259 300)	(259 500)	200	(0.1)	
Depreciation	(9 074)	(9 082)	8	(0.1)	Depreciation is in line with the fixed asset register.
General expenditure	(89 092)	(89 106)	14	-	
Finance costs	(2 289)	(2 317)	28	(1.2)	
Lease rentals	(105 353)	(109 890)	4 537	(4.1)	
Repairs and maintenance	(41 398)	(41 482))	184	(0.2)	
Operating Profit	**(506 506)**	**(511 377)**	**4 871**	**(1.0)**	
Other revenue and costs	(32 797)	-	(32 797)	-	
Gain or loss on disposal of fixed assets	(82)	-	(82)	-	
Net surplus/ (deficit) for the Year	**(32 879)**	**-**	**(32 879)**	**-**	
Taxation					
Deferred tax	(1 231)	-	(1 231)	-	
Profit/(Loss) for the Year	**(34 110)**	**-**	**(34 110)**	**-**	

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 objectives and on the municipal 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 municipal entity's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority

- conclude on the appropriateness of 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 Joburg Property Company'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 a municipal 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 officer 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 officer 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.

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