INTEGRATED ANNUAL REPORT 2021/22

a world class African city

JOHANNESBURG SOCIAL HOUSING COMPANY

"WE DELIVER AFFORDABLE AND SUSTAINABLE SOCIAL HOUSING IN JOBURG"

COMPANY INFORMATION

(In terms of Section 121 of the Municipal Finance Management Act, 2003 and Section 46 of the Municipal Systems Act, 2000)

JOHANNESBURG SOCIAL HOUSING COMPANY SOC LIMITED

Registration Number:	2003/008063/07
Registered Address:	61 Juta street Johannesburg 2094
Postal Address:	P O Box 16021 New Doornfontein Johannesburg 2028
Telephone:	(011) 406-7300
Fax:	086 240 6691
Website:	www.joshco.co.za
E-mail:	info@joshco.co.za
Bankers:	Standard Bank of SA Limited
Auditors:	Auditor-General

CONTENTS

ACRONYMS

AFS	Annual Financial Statements
AGM	Annual General Meeting
AGSA	Auditor General South Africa
ARC	Audit and Risk Committee
ASB	Accounting Standard Board
BBBEE	Broad-Based Black Economic Empowerment
CAPEX	Capital Expenditure
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIDB	Construction Industry Development Board
CoJ	City of Johannesburg
COO	Chief Operations Officer
COSEC	Company Secretary
CSR	Corporate Social Responsibility
DevCom	Development Committee
EAP	Economically Active Population
EPWP	Extended Public Works Program
EXCO	Executive Committee
FY	Financial Year
GFIS	Group Forensic and Investigation Services
GRAP	Generally Recognized Accounting Practices
HA	Housing Act
HR	Human Resources
IAC	Independent Audit Committee
IAR	Integrated Annual Report
IAC	Independent Audit Committee
ICT	Information Communication and Technology
ICTSC	Information and Communication Technology Steering Committee
IDP	Integrated Development Plan
IIA	Institute of Internal Auditors
IFRS	International Financial Reporting Standards
IIRF	International Integrated Reporting Framework
IoD	Institute of Directors
IoT	Internet of Things
ISP	Internet Service Provision
ISPPIA	International Standards of Professional Practice of Internal Auditing
JOSHCO	Johannesburg Social Housing Company
JPC	Johannesburg Property Company
JV	Join Venture

KPA	Key Performance Area
KPI	Key Performance Indicator
LGMFMA	Local Government Municipal Finance Management Act
LLF	Local Labour Forum
ME	Municipal Entities
MFMA	Municipal Financial Management Act
MMC	Member of Municipal Council
MOE	Municipal Owned Entity
MOI	Memorandum Of Incorporation
MPG	Multi-Party Government
MSA	Municipal Systems Act
MTREF	Medium Term Revenue and Expenditure Framework
NSD	National Skills Development
NASHO	National Association of Housing Organisations
NSFAS	National Student Financial Aid Scheme
NED	Non-Executive Director
NGO	Non-Profit Organisation
OH&SC	Occupational Health & Safety Committee
OPEX	Operational Expenditure
PAIA	Promotion of Access to Information Act
PFMA	Public Financial Management Act
POPI	Protection Of Personal Information Act
SCM	Supply Chain Management
SDA	Service Delivery Agreement
SDG	Service Delivery Goal
SDP	Service Delivery Plan
S, E&HR	Social, Ethics & Human Resources Committee
SETA	Sector Training and Education Authority
SHA	Social Housing Act
SHI	Social Housing Institute
SHRA	Social Housing Regulatory Authority
SIU	Special Investigation Unit
SLA	Service Level Agreement
SLS	Service Level Standard
SMME	Small, Medium and Micro-sized Entity
SOPs	Standard Operating Procedures
TBC	To Be Continued
TOD	Transit Oriented Development
VOIP	Voice Over Internet Protocol

JOSHCO AT A GLANCE

VISION

To become the best provider of quality social and affordable rental housing designed to global standards.

MISSION

JOSHCO designs and builds quality, resource-efficient, economically sustainable, and affordable housing units that are close to transport nodes that address the needs of the community and the environment in Johannesburg, with a strong emphasis on effective management and customer-focused service delivery.

MANDATE

JOSHCO's mandate is to provide and manage affordable rental housing for the lower-income market which is an integral effort to eradicate the City's housing backlog.

JOSHCO is a special purpose vehicle used to access national and provincial grant funding, which a city or department cannot.

VALUES

Transparency

JOSHCO will conduct business in an open, honest, and transparent manner and comply with all legislative and governance requirements, and fully take responsibility for its decisions and actions.

Customer Focus

JOSHCO takes care of its customers. It does everything possible to ensure that customers are served in a way that leaves them satisfied.

Efficiency

JOSHCO strives to become resourceful in the way business is conducted. It continuously innovates to better its business processes. The entity focuses on achieving more from the resources at its disposal.

Respect

JOSHCO cannot exist or succeed independent of its clients, customers, and partners. It respects every person with whom it interacts and strives to treat its customers in a highly respectful & dignified manner.

JOHANNESBURG SOCIAL HOUSING COMPANY

CORE DIVISIONS

HOUSING DEVELOPMENT | **HOUSING MANAGEMENT**

SUPPORT FUNCTIONS

Finance, Legal, Human Resources, Planning & Reporting, Marketing & Communication, Revenue, Supply Chain, ICT, Risk & Compliance

TABLE 1: KEY STRATEGIC GOALS/OBJECTIVES

NO	Short Term Objectives	Medium Term Objectives	Long Term Objectives	Impacted Outcomes
1	To achieve a financial breakeven point.	Ensure sound financial management, sustainability, and good governance.	Become a financially sustainable company.	A self-sustained entity with less reliance on the City subsidy.
2	Develop social housing units at expected standards.	Footprint across the seven regions of COJ.	Develop social housing projects within transport corridors, inner-city, and greenfields (including suburbs and economic hubs).	Provision of decent yet affordable rental units to the citizens of Johannesburg while building communities.
3	Well-defined job packages for local labourers and support of SMMEs.	Increase access to EPWP jobs and SMME support in our capital projects.	Contribute towards economic development through Broad-Based Black Economic Empowerment.	SMMEs supported, jobs created, and continued contribution to the economy of Johannesburg.
4	Always achieve 98% and above occupancy rate.	Have a proper property management system that improves the effectiveness.	Effectively manage Social Housing Projects.	Creation of a city where citizens live, play and work.
5	Implementing additional safety and security measures at projects.	Improve the safety and security of all tenants in JOSHCO projects.	Offer decent yet affordable rental units to the citizens of Johannesburg.	JOSHCO projects that support building communities.
6	Establish a functional CRM System.	Customer Relations Management that supports service delivery.	Become a customer-centric company.	Customer and stakeholder satisfaction.
7	Achieve not less than 95% compliance to core legislation in the regulatory universe.	Inculcate the high performance/good governance abiding culture.	Strengthen Governance and Compliance.	Good governance.

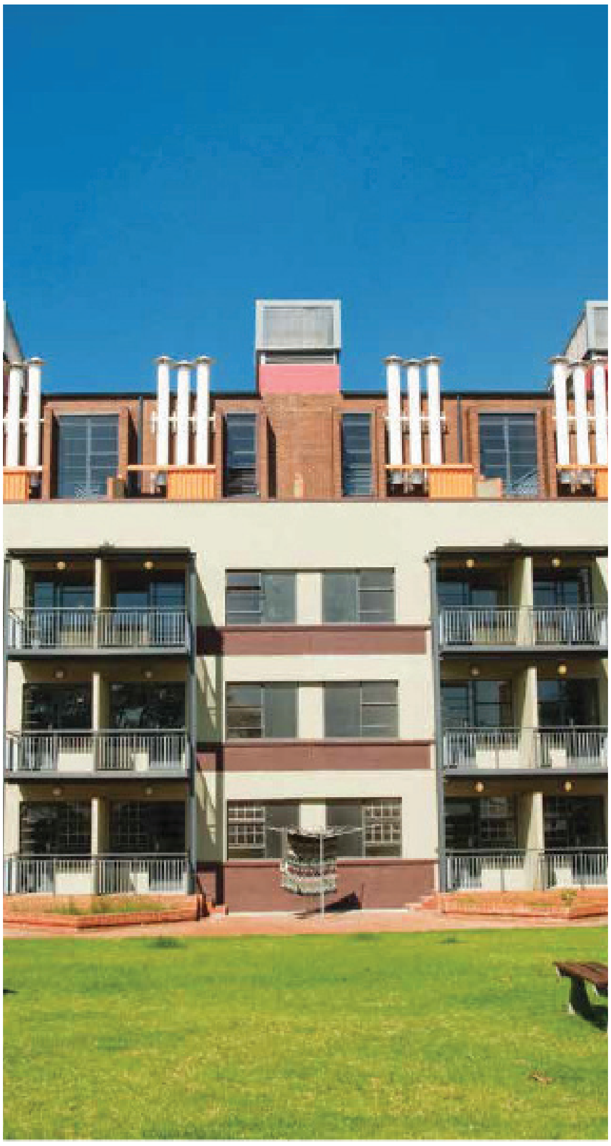
ABOUT THIS REPORT

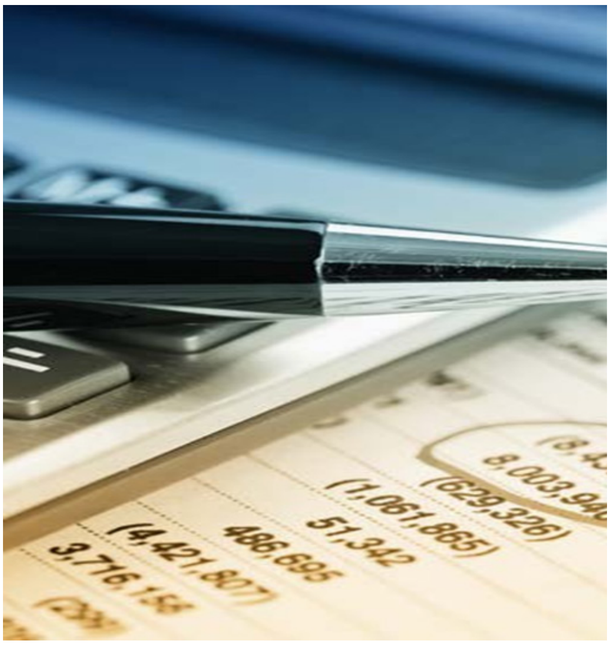
REPORT SCOPE AND BOUNDARY, BASIS FOR INCLUSION AND RESTATEMENTS

This report is prepared in accordance with the International Integrated Reporting Framework (IIRF), Section 121 of the Municipal Finance Management Act (MFMA) and National Treasury Circular 63. The report provides the record of the entity's performance against strategic objectives and key indicators and performance against the budget and promotes accountability to the local community for the decisions the entity made throughout the Financial Year (FY). It provides information that is considered to be of material significance in creating and preserving short, medium and long-term value.

This Integrated Annual Report (IAR) provides a more interconnected and effective approach to corporate reporting. The company draws on different reporting components and communicates the full range of factors that materially affect the ability of the entity to create value over time.

This is the primary report used to communicate the entity's performance, focusing on positive and negative material matters to a range of stakeholders. The entity endeavours to focus on both qualitative and quantitative matters material to the operations and strategic objectives of the entity.





SUMMARY OF THE ORGANISATION'S MATERIALITY DETERMINATION PROCESS

JOSHCO's ability to create value and achieve its strategic objectives is influenced by its external environment, risks, and opportunities. It determines material matters by assessing these factors, linking them to legitimate stakeholder interests and concerns, and aligning these to the strategy. In determining material matters, it is also guided by the entity's strategy (informed by the company's mandate) as prescribed by the City of Johannesburg (COJ). Matters are classified as material once their assessment poses a direct risk toward achieving strategic goals.

Risk management is one such key material matter. It plays a vital role in determining material reportable information and its subsequent effect on the achievement of the company's outlined objectives. The company has also identified how those who are charged with governance must respond to matters that affect risk management.

SUMMARY OF SIGNIFICANT FRAMEWORKS AND LEGISLATION USED TO PREPARE THIS REPORT

- Section 121 of Municipal Finance Management Act 56 of 2003 (MFMA)
- Section 46 of Municipal Systems Act 32 of 2000 (MSA)
- National Treasury Circular 63
- Generally Recognised Accounting Practices (GRAP)
- Interpretation of Statements issued by the Accounting Standards Practices Board
- Companies Act 71 of 2008
- King IV Report on Governance for South Africa 2016
- COJ Integrated Development Plan (IDP)
- JOSHCO's 2021/22 Business Plan

ASSURANCE PROCESS FOR THE Integrated Annual Report

Principle 5 of the King IV Report on Corporate Governance requires that the governing body ensure that the reports issued by the entity enable stakeholders to make an informed assessment of its performance and short, medium,, and long-term prospects. It is good corporate governance practice for the Board to ensure that the structure of review and authorisation is implemented. This ensures the truthful, factual presentation of the entity's financial position.

JOSHCO's assurance process of the Integrated Report is guided and assured by its governance structures. The IAR is submitted to the ARC for the review of financial information and provides the Board and the Council of the COJ with an authoritative and credible view of the entity's financial position. The Board ultimately assumes the responsibility of approving the IAR in each financial year.

The Board of Directors has conducted its oversight responsibility on compiling the IAR to ensure the report's integrity and credibility. After careful consideration, the Board expressed its satisfaction that the report is credible and complies with legislative frameworks that guide the preparation of the IAR.

APPROVAL:

Nontobeko Ndimande CA (SA)
Chief Financial Officer

Molapane Mothotoana
Chief Executive Officer

Gaby Boikanyo
Chairperson of the Board

Mlungisi Mabaso
MMC: Human Settlement

CHAPTER 1

LEADERSHIP AND CORPORATE PROFILE

Strategic Goal: 7

Stakeholders Interested:

Impacted Capitals: Financial, Intellectual and Social & Relationship

MMC'S FOREWORD

I am encouraged by the Johannesburg Social Housing Company, JOSHCO's commitment to rebranding itself and to rooting out fraud and corruption. The zero-tolerance approach towards fraud and corruption is a bold step which I welcome.

JOSHCO's reputation has severely been compromised over the years due to allegations of mismanagement, poor customer service and fraud and corruption. Therefore, correcting past corporate governance breaches is of paramount importance in order to restore the entity's reputation. I also welcome with keen interest JOSHCO's efforts to becoming a financially sustainable company, with less reliance on the City of Joburg subsidy. I've always reiterated that JOSHCO should be financially sound in order to continue operating and conducting its business efficiently in the City of Joburg.

I urge JOSHCO to improve its customer relations management after receiving numerous complaints from our tenants. This will not only assist in restoring the entity's reputation but will also encourage our tenants to meet their obligations of paying their monthly rentals. This will ultimately lead to improved rental collection rates. JOSHCO should have a proper property management system that improves its effectiveness in managing Social Housing Projects. Efficiency should extend to addressing tenant's concerns and resolving billing queries within 7 days.

In line with the multi-party-government's top priorities particularly that of a safe city, I'm inspired by JOSHCO's plans to implement additional safety and security measures in all the facilities where it's safe to live, work and play for residents.
I look forward to working with the JOSHCO leadership team to make these commitments a reality and see them yielding positive results.

Cllr Mlungisi Mabaso

MMC: Human Settlement

CHAIRPERSON'S FOREWORD

It is an honour to serve as Chairperson of the new Board which was appointed in February 2022.

The past financial year was challenging. The organization's financial health continued on a downward slope with dismal underperformance in revenue collection. Further, the entity received a provisional downgrade from Social Housing Regulatory Authority (SHRA) and saw a regression in the audit findings and overall performance, recording a gloomy 23% achievement in its KPIs. This poor performance is attributable partly, to a sluggish economy, as well as high unemployment rates experienced throughout South Africa since the aftermath of the Covid-19 pandemic. It is also attributable to JOSHCO's human capital and the deeply entrenched organizational culture of non-performance.

The previous Board (which I was a part of), had approved the strategic plan for the organization, which included the overall strategy; vision; goals, and major initiatives. Unfortunately, the strategic plan did not find expression with the executive management.

The new Board beefed up the same strategic plan, and its greatest achievement in six months was to be deliberate and steadfast in its oversight role of holding management accountable. The Board ensured that the new organizational structure was implemented. It decisively addressed amongst others: non-performance; maladministration; non-compliance; and parted ways with the accounting officer. The CEO position became vacant in May 2022 after a mutual separation. Subsequently, a competent, vibrant acting COO and later acting CEO, who are aligned with the Board's vision and ethos were appointed.

These appointments led to the following milestones:

- The Board's vision of establishing a culture of trust, honesty, integrity, accountability, and customer-centric and performance-driven culture has already gained momentum.
- A clear plan and initiatives for increasing rental and debt collection have been implemented. This includes an integrated, fully operational Student Accommodation revenue stream and appointment of debt collectors.
- A comprehensive and strategically thought-out Stakeholder Engagement and Management plan has been implemented. This has resulted in a tenant Outreach program through which key collaborations have been formed with the office of MMC of Human Settlements, Social Housing Regulatory Authority (SHRA), Finance Linked Individual Subsidy Programme (FLIPS), etc.
- Temporary Relocation Units in Alexander and Marlboro have been completed. The need for these arose during the Covid-19 pandemic, and the project was supposed to take three months to complete.
- The Roodeport Social Housing project which commenced in August 2019, with an original completion date of September 2020 and a revised completion date of November 2021, is now complete and occupation was set to commence in September 2022.
- Lufhareng Social Housing Project, which commenced in September 2019 and experienced endless challenges and delays, will be completed in October 2022.
- Golden Highway Social Housing Project, which commenced in October 2019 and had a revised completion date of December 2021, was also riddled with endless problems culminating in the contractor halting the project. The contract has been terminated, and a new contractor is to resume work at the end of September 2022.
- Riversands (Phase 1) Turnkey Project will be completed in December 2022.

- A Rental and Tenant Management System has been put in place. This includes formulation and approval of Policies and Standard Operating Procedures (SOPs) which govern Rental and Tenant Management.
- The Information and Communications (ICT) Department, which was riddled with irregularities and outdated systems, has been strengthened. A new Data Centre with backup power has been built, and a Cloud-based Disaster Recovery site procured. The Business Continuity Program is in the process of development. Policies aligned with the Promotion of Access to Information Act, 2000 (PAIA), and the Protection of Personal Information (POPI) Act, 2013, have been developed. Cybersecurity has also been beefed up.

Looking ahead, there are major digital transformation initiatives afoot that will reshape the organization on how it delivers on its core mandate. To this end, smart technology services linked to the Internet of Things (IoT) sensor technologies will be implemented in all of JOSHCO's new projects. Some projects already have smart meters installed. This will have huge benefits in reducing utility and maintenance costs. Furthermore, other projects already have Biometric systems installed. This will improve our buildings' safety and reduce the number of illegal tenants.

I would like to thank Board members for their commitment and sterling job in turning JOSHCO around. I know the organization will exceed expectations in the following financial year.

On behalf of the Board, a heartfelt thank you to the CEO and his team for serving with distinction. Thank you also to the rest of the staff members, without whom JOSHCO would not exist. Thank you to Ms. Jabulile Mbeje, who was acting Company Secretary, until the end of June 2022.

The Board wishes to thank the Shareholder and Stakeholders.

Lastly, the Board wishes to express its appreciation to Cllr MMC Mlungisi Mabaso for his leadership and continued support.

Ms Gaby Boikanyo

Chairperson: JOSHCO Board of Directors

CHIEF EXECUTIVE OFFICER'S REPORT

I am pleased to present to stakeholders the 2021/22 Integrated Annual Report of the Johannesburg Social Housing Company (JOSHCO). JOSHCO continues to deliver high-quality services to the citizens of Johannesburg through the provision of social housing and affordable rental units. The entity achieves its mandate while adhering to legislation and frameworks that govern municipal entities such as the MFMA, MSA and King Principles. Principle 5 of the King Report guides that the governing body should ensure that reports issued by the entity enable stakeholders to make informed assessments of its performance and short, medium, and long-term prospects.

It is important to indicate that as the Accounting Officer of the entity, I have already identified the gaps and some risks that the entity is currently facing. These includes low rental collection, corporate scorecard underperformance and importantly the downgrade of the Social Housing Accreditation by the Regulator. Various measures envisaged to mitigate those issues have been implemented by the management team in support of the Board.

Key Performance Highlights

It is important to highlight that the entity has executed its mandate of providing social and affordable rental housing where the CAPEX budget was fully utilised on number of projects that were implemented concurrently. The entity endeavoured to deliver on its business plan targets of completing 349 social housing units by the end of the FY. These were units targeted from two projects (Roodepoort and Abel) that commenced in the prior years. While the units were completed, the FY closed without compliance documents, allowing for tenanting on the projects. Upon receipt of occupation certificates, the completed number of units will translate to the same number of households benefiting from decent and affordable accommodation that encourages social cohesion. Furthermore, two hundred and ten (210) units were developed to a level where they are left with connections to services.

JOSHCO's first student accommodation, Dakalo, is thriving and has closed the FY fully tenanted. JOSHCO's approach to student accommodation has been to develop a student precinct that offers a safer, secure and a technologically enabled environment based on the SMART City approach. Dakalo is an accommodation that offers a student friendly environment. In the FY, the entity received a donation from Metro Wired for a computer lab, study area, TV room revamp and equipment such as computers, a projector, desks, chairs and TV. The revamped areas assisted students in focusing on their studies in a more student-friendly environment.

Financial and Audit Performance

The financial performance of the entity remains a concern that will require concerted efforts focusing on both revenue improvement and cost containment. The entity has recorded a deficit to the tune of R133.7 million. Turning around the financial status will be a priority in the 2022/23 FY. With regard to audit, management with the assistance of the Internal Audit is putting controls to ensure that the entity does not receive any repeat findings. JOSHCO had received unqualified audit with findings in the 2020/21. My commitment is to ensure that the entity return to an era where it received clean audit for number of consecutive years.

Way forward

South Africa experienced economic recession during the year under review and JOSHCO was not immune to the resultant ripple effects. The recession resulted in job losses and altered income streams for the majority of the tenants. This has negatively affected the rental collection as some tenants struggled to pay due to either being laid off work or salary cut. To mitigate this challenge, the entity has commenced with tenants engagements sessions where, among others, various programmes are presented to equip tenants with other options available for those that struggle with rental.

Going forward, the entity's project pipeline for the 2023 FY will consider the City's Transit Oriented Development (TOD) Corridor path/Priority Housing Development Areas. JOSHCO leverage the infrastructure investment that the City plans to put in the corridors. With the budget allocated, the entity can deliver affordable rental units at a large scale through Turnkey Projects.

Mr. Molapane Mothotoana

Acting Chief Executive Officer

CHIEF FINANCIAL OFFICER'S REPORT

As the CFO of JOSHCO, I provide a perspective on the entity's financial performance for the financial year ended 30 June 2022. The entity continues to see poor financial performance primarily due to our low revenue collection levels and high operating costs. The overall revenue for the year ended 30 June 2022 grew by 8% from the previous financial year as we are beginning to see results from our revenue improvement strategies, mostly management fees..

OVERVIEW OF REVENUE COLLECTION FOR THE YEAR

The revenue collection target for the 2021/2022 financial year was 90% (2020/2021:85%). The entity has performed 34% behind the budgeted target as 56% of rental income was collected for the financial year. Low collections levels have been experienced in the city-owned stock.

An annual comparison shows a decline from the previous year's collection of 58% to 56%.

FINANCIAL PERFORMANCE

Revenue and expenditure were recorded on the accrual basis of accounting (i.e., transactions are recorded as they occur irrespective of when the related cash movement would occur). The entity continued to face financial challenges and recorded a deficit of R133.7 million as compared to the previous financial year (2021: R129.5 million). Some of the financial items noted for the year under review are as follows:

- Revenue from the rental of facilities and equipment increased by 6% to R182 million (from 2021: R171.7 million).
- Interest received from banking, and outstanding debtors increased by 44% to R14.3 million (from 2021: R10 million).
- Rendering of service (management fees) increased by 65% to R104.5 million (from 2021: R63.4 million).
- Total expenditure increased by 24% to R491.5 million (from 2021: R396.7 million). The biggest contributors to the increase are staff costs, provision for bad debts and utilities.
- Total administrative cost increased by 23% to R187.4 million (2021: R151.8 million). This was because of high repairs & maintenance costs and utility costs.
- Loans to shareholders, which is the sweeping bank account balance, are in overdraft and increased by 173% to R1.133 billion (2021: R414.3 million) due to the settlement of all outstanding invoices at year-end in order to comply with the settlement of invoices within 30 days.
- Receivables from exchange transactions rose by 91% to R1.512 billion (2021: R790.1 million) due to an increase in outstanding rental debt and amounts due from departments the entity is executing projects on behalf of.

CAPITAL EXPENDITURE

Capital expenditure is directed towards developing, renovating, and upgrading the rental stock. At the end of the financial year, the entity spent 97% of the total budget of R648 million.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

Areas of procurement in JOSHCO relate to Capital Expenditure (CAPEX), the development of housing units and capital projects administrative functions, and operational expenditure executed on behalf of other departments. For these areas, i.e. CAPEX and OPEX, JOSHCO has achieved 83% and 86% spending on at least 51% black-owned companies, respectively. JOSHCO's total expenditure (i.e., both capital and operational) for the period ended 30 June 2022 amounted to R1.1 billion, with R940.1 million spend on 51% black-owned companies.

RISK FINANCING

Risk financing of the JOSHCO operational assets, including the rental infrastructure, was covered through the City's Group Risk Insurance. Each financial year, the entity ensures that before the start of the upcoming financial year, risk financing cover is undertaken through the City, and invoices for premiums are paid timeously.

GOING CONCERN

The entity has a deficit of R133.7 million largely influenced by high personnel costs, provision for doubtful debts and administrative costs. JOSHCO currently depends on a subsidy from the COJ over the medium term. The Board of Directors and Management intend to make the Entity self-sufficient in managing the rental stock. To achieve this, JOSHCO intends to be more innovative in its systems for the take-on of tenants and rental collections turnaround strategy, which will endeavour to curb current challenges.

ACCOUNTING PRINCIPLES

The accounting policies applied in preparing this report are in accordance with the GRAP and are consistent with those applied in the previous year. In the absence of effective Standards of GRAP, directive 5 (dated March 2009) from the Accounting Standard Board (ASB) provides the continued application of International Financial Reporting Standards (IFRS).

CONCLUSION

The entity has appointed 4 additional debt collecting companies as part of its rental recovery turnaround strategy. The Board has also approved the transfer of City referral stock back to the CoJ Department of Human Settlements. The entity will continue to implement cost reduction strategies.

Lastly, my sincere appreciation is directed to the finance team at an operational level, my fellow Executive Committee members, the Board, and its committees for their advice, expertise, and inclusive support.

Nontobeko Ndimande CA (SA)

Chief Financial Officer

SECTION 5:

CORPORATE PROFILE AND OVERVIEW OF THE ENTITY

ABOUT JOSHCO

Overview

Johannesburg Social Housing Company (JOSHCO/the entity) was established by the City of Johannesburg municipality (COJ) in November 2003. The mandate is to develop and manage affordable rental housing for the targeted sector – those who earn a household income between R1 850 and R22 000,00 per month. This mandate is in line with the requirements of the Social Housing Institution (SHI) operations set by the Social Housing Regulatory Authority (SHRA). JOSHCO is a registered Social Housing Institution that has a SHRA accreditation.

The entity endeavours to fulfil the requirements of an SHI and upgrade to fully accredited status by complying with all conditions and developing units that meet the social housing criteria. The entity's mandate allows for the development of affordable rental units funded through the COJ capital funds allocation. It includes the development of rental housing, refurbishments, upgrading, and management of council-owned rental housing stock.

The entity is predominantly in the inner city and regions that are in its surrounding. It has a medium to long term project pipeline that will result in JOSHCO having a footprint in all the regions of the City. Moreover, the entity plans to move towards alternative building technology where projects will be developed through more advanced methods than the conventional one.

The entity was further mandated to develop and manage student accommodation as part of business diversification. The entity accepted the mandate from the COJ, and in 2020/21 FY, the first student accommodation with 182 beds was launched in the inner city. The entity has plans to develop student accommodation precincts in the medium term.

As a Municipal-Owned Entity, JOSHCO must comply with all applicable legislation (i.e. MFMA, MSA, Social Housing Act and the Companies Act). JOSHCO's policies and strategies are aligned with the COJ's long-term plans as outlined in its 5-year IDP.

Joburg

a world class African city

SECTION 6:

KEY STRATEGIC OBJECTIVES

JOSHCO derives its mandate from its parent municipality, COJ, through a council resolution establishing the entity in accordance with MSA 86B. The entity operates within the parameters of all acts that govern the municipality and its entities. The Acts make provisions for the planning process, outlining the expected link of planning frameworks, including strategies and the IDP. This report has taken cognisance of the guiding principle and has provided a link to the value proposition that the entity will offer.

In order to deliver on the entity vision, the Board has identified strategic objectives that are aligned with COJ priorities as outlined in the IDP. It is critical to highlight that the 2021 Local Government elections that were held on 1 November 2021 resulted in the strategic focus shift at the shareholder level. The new government envisions a City whose citizens enjoy a progressive environment characterised by principles of good governance, inclusivity and transparency. As a foundation of this strategic direction, the Mayoral Committee adopted seven strategic objectives aligned to the Multi-Party Government (MPG) objectives.

JOSHCO's strategic objectives aim to realise the COJ's short, medium, long-term plans. The objectives also guide the interventions and programmes that the entity implemented in the period under review. Table 1, on page 7, outlined short to long-term objectives of the entity including the expected impact. The entity has a strategic plan in place that unpacks different strategies that are being implemented to achieve the set objectives. The strategies range from: revenue enhancement and costs containment with the aim of achieving financial sustainability in the long run; digitisation of key processes including the development of the JOSHCO APP that will give Johannesburg residents the platform to access JOSHCO offerings from anywhere; and the use of Turnkey Projects to ensure that units are developed at a large scale and organisational redesign that is intended to ensure that employees are fit for purpose.

The entity is further considering different models that will make the best use of the financial resources allocated by the City. Projects that have been conceptualised for Social Housing purposes and meet the SHRA criteria will be packaged and submitted for grant application. Management is also exploring the use of joint ventures (JVs) to develop and manage properties, using a similar business model to the existing JVs. As an entity of the City, our objectives are aligned with the City's priorities, as shown below.

TABLE 2: JOSHCO'S ALIGNMENT WITH CITY'S PRIORITIES

(MPG) Objectives	Mayoral Priorities	Mayoral Interventions Aligned to JOSHCO Mandate	JOSHCO Strategic Objectives
• Ensure hygienic environment • Access to electricity	1. A City that gets the basics right	• Compliance achieved on all non-compliance environmental directives	Strategic Objective 6: To become a customer-centric company Strategic Objective 7: Strengthen governance and compliance
• Tough on crime	2. A safe and secure city	• Ensure that by-laws are taken seriously and transgressors, including cable thieves and vandals are prosecuted	
• Sustainable Housing • Keeping communities in good health	3. A caring city	• Support for vulnerable residents • Training and support for early childhood development	Strategic Objective 6: Become a customer-centric company Strategic Objective 2: Develop social housing projects within transport corridors, the Inner-City and greenfields (including suburbs and economic hubs)
• Job creation • Investment in the local economy	4. A business-friendly city	• Improve ease of doing business • Fair access to EPWP opportunities and fair allocation of local contracts through an audited electronic system	Strategic Objective 3: Contribute towards economic development through Small, Medium and Micro-sized Enterprise (SMME) support and job creation
• Reclaim public spaces • Combat illegal immigration	5. An inclusive city	• Increase in the delivery of housing • low-rent and rent-to-buy units in mixed income developments	Strategic Objective 2: Develop social housing projects within transport corridors, the Inner-City and Greenfield (including suburbs and economic hubs) Strategic Objective 6: Become a customer-centric company
• Governance in the interest of the people and reduce corruption • Institutional reconfiguration • Affordable services and tariffs	6. A well-run city	• A financially sustainable City • Billing queries resolved within 7 days • Zero tolerance for corruption	Strategic Objective 1: Become a financially sustainable entity Strategic Objective 7: Strengthen governance and compliance Strategic Objective 6: Become a customer-centric company
• Initiatives that transition the City to a smart city	7. A smart city	• Initiatives that transition the City to a smart city • Smart procurement apps to facilitate service delivery	Strategic Objective 4: Effectively manage Social Housing Projects Strategic Objective 6: Become a customer-centric company

INPUTS

VALUE CREATION PROCESS FOR THE YEAR ENDED 30 JUNE 2022

OUTCOMES

FINANCIAL RESOURCES
- R428 million Capital budget allocation.
- R333 million Operating Expenditure.
- R 156 million employee's costs.

MANUFACTURED CAPITAL
- 36 rental accommodation buildings.
- 1 student accommodation building.

INTELLECTUAL CAPITAL
- National Housing code
- Integrated Development Plan 2022 - 2027.
- Smart City strategy.
- JOSHCO strategy and Business Plan.

SOCIAL AND RELATIONSHIP CAPITAL
- Residents and ratepayers.
- Vulnerable communities.
- Targeted stakeholder groups (e.g., SMMEs, youth, and children).
- Media, NGOs, and academic stakeholders.
- Shareholder.

NATURAL CAPITAL
- Natural resources consumed water, land, and energy (electricity and fuel).

CONTEXT
- Six National Outcomes.
- Six SDGs.
- Seven IDP priorities are driven through four clusters.

INTELLECTUAL CAPITAL
- Inability to continue as a going concern.
- Failure to deliver capital projects on time and within budget.
- Lack of cooperation by SMMEs.
- Failure to develop, attract and/or retain talent.
- Business Interruption.

NATURAL CAPITAL
- Job creation and skills development.
- Commercial rental opportunities through inner city investment.
- Creation of Sustainable Human Settlements.
- Improved citizen participation.
- Improved social cohesion through development of social housing.
- Growth in profitable markets.
- Contribute to SMMEs support.

STRATEGIC PRIORITIES

Well Run City
Clean, honest City that put its people first

City That Gets The Basic Right
Create and maintain public spaces for all to enjoy

An Inclusive City
Access to amenities, housing and jobs in every corner of Joburg

A Business-Friendly City
Creating a conducive environment for business to thrive

A Caring City
Caring of the most vulnerable

Smart City
Maximise the use of Technology

A Safe and Secure City
Safety of citizen be non-negotiable in the City

OUTPUTS/ PROGRAMMES
- 182 million in rental revenue.
- 210 units developed without connection to services.
- 503 EPWP jobs were created.
- 10.6% of CAPEX is spent on SMMEs.
- 86% and 83% of OPEX and CAPEX procurement recognition were spent on at least 51% black-owned.
- 98.26% occupancy rate.
- R 805 464.48 generated through student accommodation with 182 beds.

ECONOMIC SUSTAINABILITY
- Improved company revenue.
- 503 people received income through the JOSHCO programme.
- SMMEs benefited financially from JOSHCO projects.

SOCIAL SUSTAINABILITY
- Provision of rental relief for tenants affected by the lockdown as part of our social support.
- 8899 households benefited from affordable and decent units.
- 182 students have a safe and secured accommodation.

ADMINISTRATIVE SUSTAINABILITY
- 56% rental collection/or payment.
- Audit Opinion pending outcomes of the audit.

ENVIRONMENTAL SUSTAINABILITY
- Energy efficiency.
- Solar geyser installation in projects.
- Waste reduction initiatives.

CHAPTER 2

GOVERNANCE

Strategic Goal: 7

Stakeholders Interested:

Impacted Capitals: Financial, Intellectual and Social & Relationship

CORPORATE GOVERNANCE STATEMENT

I. ETHICAL, EFFECTIVE LEADERSHIP AND CORPORATE CITIZENSHIP

The Board of Directors reports to the shareholder through the MMC for Human Settlement Department in the City. The Board provides leadership directed by respect for ethical beliefs and values and the dignity and rights of others. Responsible leadership, characterised by the values of responsibility, accountability, fairness, and transparency, has been a defining characteristic of the entity since the entity's inception. The fundamental objective has always been to do business ethically while building a sustainable company that recognises its activities' short, medium, and long-term impact on the economy, society, and the environment. JOSHCO complies with the requirements of the Companies Act, namely sections 88(2) (e) and (f), in relation to filing the required returns and notices.

The Board is responsible for providing strategic direction to the entity and overseeing its implementation. During this process, the Board balances stakeholders' interests and ensures the entity's long-term economic, social and environmental sustainability.

II. CORPORATE GOVERNANCE

The entity applies the governance principles contained in the King IV report, the Companies Act and the City's Governance framework. The Board and Executive Committee (EXCO) recognises, and are committed to the principles of openness, integrity, and accountability advocated by the King IV Code on Corporate Governance. Monitoring the entity's compliance with the King IV Code on Corporate Governance forms part of the Audit and Risk Committee (ARC) mandate. The Board has incorporated the COJ's Corporate Governance Protocol in its Board Charter, which inter alia, regulates its relationship with the COJ as its sole shareholder and parent Municipality in the interests of good corporate governance and good ethics.

The entity annually enters into a shareholder compact, with the shareholder documenting mandated key performance measures and indicators. Furthermore, the Board approves the company's annual corporate plan.

III. APPOINTMENT OF DIRECTORS

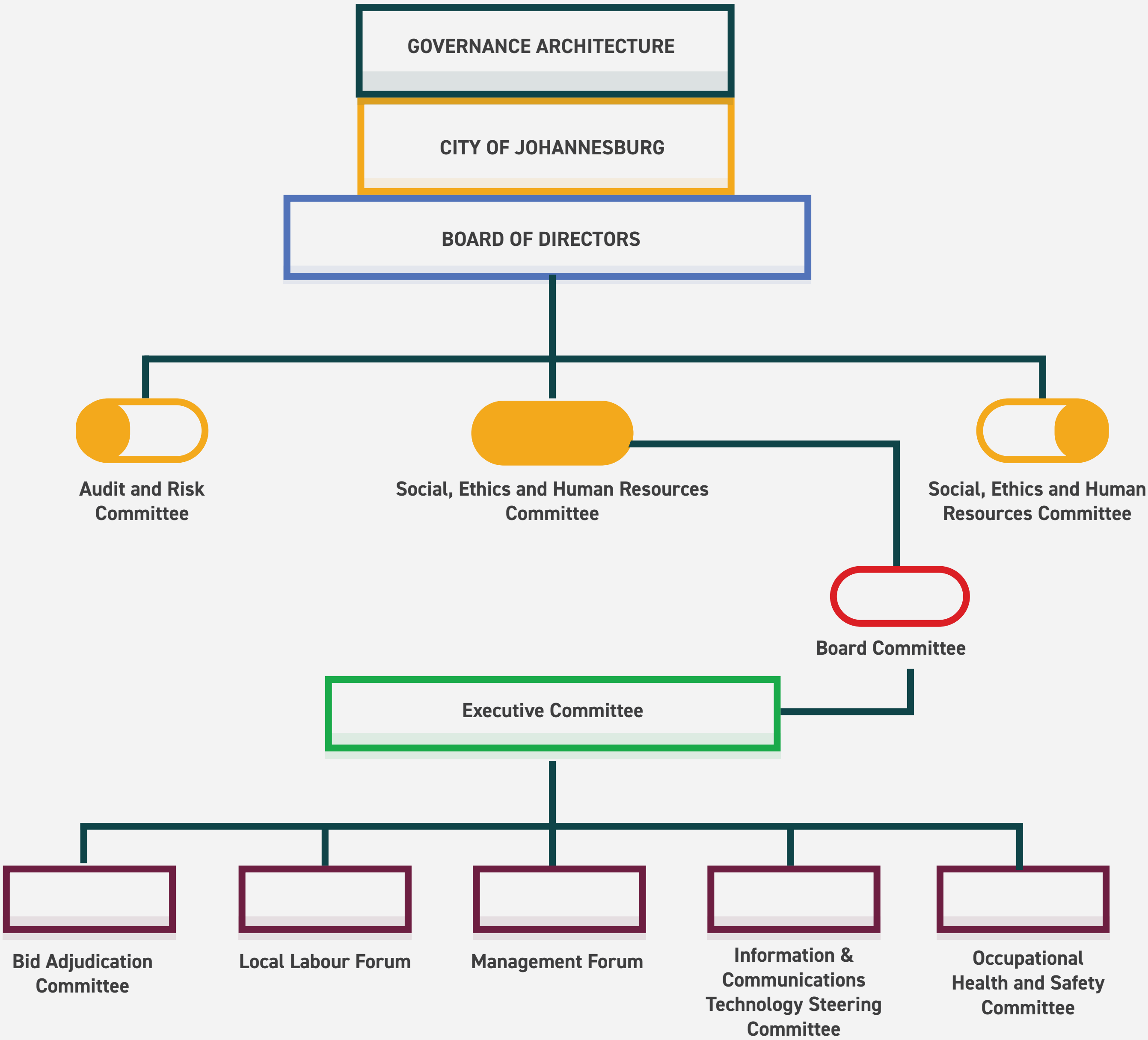
The entity, through its shareholder, adheres to the provision of its Memorandum of Incorporation (MOI) and the Group Governance Policy on the nomination, appointment, composition and remuneration of the Board. The Directors are appointed through a resolution of the Annual General Meeting (AGM). The composition of the Board is informed by the experience, qualifications and skills mix required to guide the entity's strategic direction.

Pursuant to the formation of a new political term of office, the Shareholder held an AGM where the existing Board was appointed.

COMPLIANCE WITH LAWS, RULES, CODES, AND STANDARDS

The Board subscribes to principle 13 of King IV, which guides the Board on how it should govern its responsibilities towards compliance with applicable laws and identify which non-binding rules, codes, and standards the entity has adopted. The Board is accountable for compliance and governs this through assessing compliance with applicable legislation. Through the ARC, the Board oversees compliance throughout the entity.

COMPOSITION, KEY ACTIVITIES, AND REMUNERATION OF BOARD OF DIRECTORS



BOARD COMPOSITION

The Board of Directors is appointed through a resolution of the AGM that is held with the shareholder and other COJ entities. The existing Board was appointed at an AGM held on 15 February 2022. The Board is presided over by a Non-Executive Director (Chairperson), Ms. Gaby Boikanyo, who was appointed together with eight (8) Non-Executive Directors (NED) and three (3) Independent Audit Members (IAC). The table below reflects all Directors that were part of the entity Board in the FY. The Board carried out its fiduciary duties diligently in line with legislation and King IV principles from the date of appointment.

BOARD COMPOSITION as at 30 June 2022

Ms Gaby Boikanyo
(Board Chairperson)

Non-Executive Director

Female

Skills and Expertise:
Corporate Governance; Visionary Leadership; Business Acumen; Agile Technologies; Digital Transformation; Cybersecurity; Data Analytics; Data Management; Data Architecture and Project Management.

BSc Computer Science; N.D. Analytical Chemistry, IoDSA, Being A Director Part 1-4 IoDSA, Financial Insights for Non-Financial Directors.

Mr Theodore Dhlamini
(Chairperson: DEVCOM)

Non-Executive Director

Male

Skills and Expertise:
Leadership skills; Communication skills; Negotiation skills; Engineering hand skills; Problem-solving skills; and Public speaking skills.

Post Graduate Diploma in Management Leadership Training and Certificate in Engineering hand skills.

Mr Jason Sobekwa
(Chairperson: ARC)

Non-Executive Director

Male

Skills and Expertise:
Quantitative methods and analysis (Financial Modelling, Forecasting & Scenario Planning); Enterprise Resource Planning experience (SAP & Syspro); Experience in business intelligence software (IBM Cognos & Hyperion); Budgeting; Process mapping and improvement; and Project management.

B Accounting, PG Dip:
Financial Management and CIMA.

Mr Xolani Dlwathi

Non-Executive Director

Male

Skills and Expertise:
Organisational leadership and management.

Diploma, Honours, and Master's degree in theology.

Mr Themba Mamba

Non-Executive Director

Male

Skills and Expertise:
Investigations; team-leader; and supervisor.

Matric and a higher certificate in supervision.

Mr Karabo Modipane

Non-Executive Director

Male

Skills and Expertise:
Business analyst
ICT Management
Business strategy

MBA Candidate, BSc Computer Science, Honours Computer Science, RE1 - Key Individual In All FSPs, Certified Information Systems Auditor (CISA), GIBS Leadership Development Programme (Cum Laude), National Certificate in Real Estate, Certified Executive Managing Agent.

Dr Kentse Sesele
(Chairperson: S,E&HR)

Non-Executive Director

Female

Skills and Expertise:
Policy analysis, development, and implementation; Investment strategy and analysis; Project management;

Performance evaluation;

Urban management and planning.

B Social Science, Honours in local economic development, Masters and PhD in town and regional planning.

Mr Sumesh Varghese

Non-Executive Director

Male

Skills and Expertise:
Financial Accumen
Business Development
Business Stategy
Analytical Thinking

NQF Level 8 – SAQA verified, Financial acumen, Business Development, Business Strategy.

Mr Moerane Maimane

Non-Executive Director

Male

Skills and Expertise:
Quantitative methods and analysis social and ethics; Corporate services or shared services; Human resources; and Operations management.

MBA & CDSA, Honours degree in Public Administration, Bachelor, Diploma.

Ms Nontobeko Ndimande

Executive Director

(CFO)

Female

Skills and Expertise:
Municipal Financial Management; Business and Financial Analysis; Accounting; and Strategy.

CA (SA).

Mr Molapane Mothotoana

Executive Director

(ACEO)

Male

Skills and Expertise:
Strategic planning
Change management
Process development
Project management
Contract management
Financial management

M Tech: Public Management, B. Tech: Public Management, N. Diploma: Municipal Administration.

Independent Audit Members as at 30 June 2022

Mr Lesetsa Matshekga

Capacity: IAC Member

Male

Skills and Expertise:
Finance; Strategy; Corporate Governance; and Risk Management.

MBA, B Com Honours Finance, B Com Economics.

Mr Ernest Khosa

Capacity: IAC Member

Male

Skills and Expertise:
Accounting; Auditing; Taxation; and Business advisory services.

Master's in Accounting Science, B Com Honours, B Com Accounting.

Mr Moshupi Mokgobinyane

Capacity: IAC Member

Male

Skills and Expertise:
Development Finance; Governance; Organisational Development and Strategy; Risk; and Corporate law.

Master of Science and LLB, BA Honours, Bachelor of Arts, Higher Diploma in Company Law.

Board Members that retired in the financial year

Member(s)	Capacity	Gender/Age	Status	Qualifications
Ms Sibongile Bhengu	Non-Executive Director	**Female**	Retired 15 Feb 22	Matric and certificate in Theology
Ms Brenda Makhanya	Non-Executive Director	**Female**	Retired 15 Feb 22	Matric and certificate in Business Administration
Mr Siphiwe Mhlongo	Non-Executive Director	**Male**	Retired 15 Feb 22	Matric and Diploma in Risk Management
Ms Debbie Raphuti	Non-Executive Director	**Male**	Retired 15 Feb 22	Diploma in Nursing Science, PG Dip in strategic diplomacy and transitional justice, Master of Business Administration and Master of public management and governance
Mr Victor Rambau	Executive Director (CEO)	**Male**	Mutual Separation 17 May 2022	B Tech Production and Operations, MAP and MBA

BOARD DIVERSITY

The Board is comprised of qualified men and women who are dedicated to the cause of building a resilient and sustainable entity. The composition of the Board is the prerogative of the shareholder who appoints based on the skills mix required to drive the entity mandated. The existing Board comprises of ten (10) blacks and one (1) Indian member, of which three (3) are females, and eight (8) are males. The members are of different age groups, and reflect the level of innovation that the Board is capable of bringing to the entity. The majority of the members are between the age of 40 and 49.

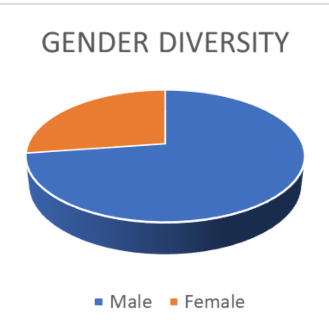


Figure 1: Gender diversity

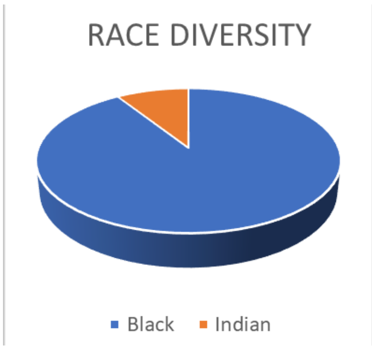


Figure 2: Race diversity

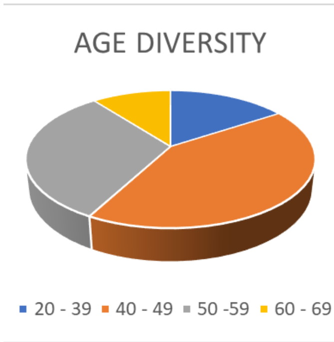


Figure 3: Diversity

BOARD AND COMMITTEE MEETINGS ATTENDANCES

During the year under review, the Board held sixteen (16) meetings in total. The meetings included four (4) annual ordinary meetings and twelve (12) special board meetings that were called to address critical issues. The Development Committee (Dev Com), ARC and Social, Ethics & Human Resources Committee (S, E&HR) held nine (9) meetings, respectively.

The table below indicates details of the attendance of members in various meetings.

TABLE 4: NUMBER OF BOARD AND SUB COMMITTEE MEETINGS AS AT 30 JUNE 2022.

Board of Director	Board			Development			Social and Ethics			Audit and Risk		
	Attendance	Absent	Apologies	Attendance	Absent	Apologies	Attendance	Absent	Apologies	Attendance	Absent	Apologies
Number of Meetings	13			9			8			9		
	12	-	-	8	0	0	7	0	0	9	0	0
Mr Molapane Mothotoana	1	-	-	1	-	-	1	-	-	-	-	-
Ms Nontobeko Ndimande	13	0	0	9	0	0	8	0	0	9	0	0
Mr Theodore Dhlamini	13	0	0	3	-	-	-	-	-	-	-	-
Mr Xolani Dlwathi	13	0	0	6	-	-	4	-	-	-	-	
Ms Gaby Boikanyo	13	0	0	6	0	0	-	-	-	-	-	-
Mr Moerane Maimane	13	0	0	-	-	-	8	0	0	-	-	-
Mr Jason Sobekwa* **	13	0	0	6	0	0	-	-	-	2	-	-
Ms Sibongile Bhengu**	9	-	-	-	-	-	5	-	-	-	-	-
Ms Brenda Makhanya**	9	-	-	-	-	-	5	-	-	-	-	-
Mr Simphiwe Mhlongo**	9	-	-	-	-	-	5	-	-	-	-	-
Mr Themba Mamba	13	0	0	6	-	-	4	-	1	-	-	-
Adv Nikelo Bangisi**	9	-	-	6	-	-	-	-	-	-	-	-
Ms Eugenia Motloung**	9	-	-	-	-	-	5	0	0	-	-	-
Ms Debbie Raphuti**	9	-	-	-	-	-	5	0	0	-	-	-
Dr Kentse Sesele	13	0	0	6	-	-	4	-	-	-	-	-
Mr Karabo Modipane*	7	-	-	3	-	-	-	-	-	-	-	-
Mr Sumesh Varghese*	6	-	1	3	-	-	-	-	-	-	-	-
Mr Ernest Khosa	9	-	-	-	-	-	-	-	-	7	0	2
Mr Lesetsa Matshekga	-	-	-	-	-	-	-	-	-	9	0	0
Mr Moshupi Mokgobinyane	-	-	-	-	-	-	-	-	-	9	0	0

Note
** Member joined the Board at AGM held on 15 February 2022.*
*** Member retired at AGM held on 15 February 2022*
**** Member is appointed as the Chairperson of ARC per the Board resolution taken on 11 March 2022. Taking over from Mr. Khosa.*
- This symbol shows that the member was not a member of the Board/Committee at the time of sittings .

TABLE 5: KING IV COMPLIANCE ON CORPORATE GOVERNANCE AS AT 30 JUNE 2022.

King IV Principle	Status Evaluation	Comment
Principle 1: The governing body should lead ethically and effectively.	✓	**Integrity:** The Board members avoided conflict of interest by declaring their interest at each meeting. **Accountability:** Members accounted for the execution of their delegated responsibilities by reporting to the Shareholder at an AGM, in line with the shareholder compact. During the year, accountability to the Shareholder is executed through the Chairperson at quarterly meetings held with the MMC of Human Settlements. **Competency:** The Board ensured that it has adequate knowledge of the organisation and the industry under which it falls- including laws and regulations governing the industry.
Principle 2: The governing body should govern the organisation's ethics to support establishing an ethical culture.	✓	An ethics policy was adopted by the Board, which supports the entity's ethical culture. Further to that, an Ethics position was created under the COSEC office.
Principle 3: The governing body should ensure that the organisation is, and is seen to be, a responsible corporate citizen.	✓	The Board continued its obligation to ensure that the entity fulfils its mandate of developing and managing affordable rental units and social housing.
Principle 4: The governing body should appreciate that the entity's core purpose, risks and opportunities, strategy, business model, performance, and sustainable development are all inseparable elements of the value creation process.	✓	The Board executed its obligation by ensuring that the entity is governed under the corporate objectives of the entity and the business plan. Further to management of performance, the Board was apprised of the entity's solvency, liquidity, and going concern status.
Principle 5: The body should ensure that reports issued by the organisation enable stakeholders to make an informed assessment of the organisation's performance and its short-medium-and long-term prospects.	✓	The Board had regular interactions with its stakeholders and funders - particularly the Social Housing Regulatory Authority (SHRA) - in accordance with the yearly statutory reporting timelines.
Principle 6: The governing body should serve as the organisation's focal point and custodian of corporate governance.	✓	The MOI of the entity governs the Board's roles, responsibilities, and conduct. Four ordinary quarterly meetings were held during the year as prescribed in the Board Charter.

King IV Principle	Status Evaluation	Comment
Principle 7: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity, and independence for it to discharge its governance roles and responsibilities objectively and effectively.	✓	The Shareholder, The COJ Metropolitan Municipality, appointed 9 Non-Executive Directors. The COJ applied principle 7 during the selection and appointment of the directors, inclusive of gender diversity.
Principle 8: The governing body should ensure that its arrangement for delegation within its own structures promotes independent judgement and assists with balance of power and effective discharge of its duties.	✓	The Board has delegated certain responsibilities to its committees through the approved Committee Terms of Reference. These are reviewed and approved by the Board on an annual basis. Sub-Committees include: • Audit and Risk Committee; • Human Resource, Social and Ethics Committee; and • Development Committee.
Principle 9: The governing body should ensure that the evaluation of its own performance and that of its Committees, its Chair and its individual members, support continued improvement in its performance and effectiveness	✓	The City has conducted the annual Board evaluation in November 2021.
Principle 10: The governing body should ensure that the appointment of and delegation to management contribute to role clarity and the effective exercise of authority and responsibility.	✓	The Board adopted the Delegations of Authority, which delegates certain powers to the CEO as per the provisions of the MFMA relating to the delegations of the Accounting Officer. This further contains delegation from the CEO to its Executives.
Principle 11: The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	✓	The Board has executed principle 11 through the ARC Risk Plan throughout the financial year. The Board held a risk assessment workshop at the beginning of the FY.
Principle 12: The governing body should govern technology and information in a way that supports the organisation in setting and achieving its strategic objectives.	✓	The Board has executed principle 12 throughout the financial year through its Audit and Risk Committee, in which the Committee Chair reports to the Board on the activities of information technology on a quarterly basis.

King IV Principle	Status Evaluation	Comment
Principle 13: The governing body should govern compliance with applicable laws and adopt non-binding rules, codes and standards in a way that supports the organisation to be both an ethical and a good corporate citizen.	✓	The Board has executed principle 13 throughout the financial year via its Audit and Risk Committee. The Committee Chair reports to the Board on a quarterly basis on the activities of organisational compliance. The Company Secretary has ensured that all statutory compliance documents were submitted to statutory bodies.
Principle 14: The governing body should ensure that the organisation remunerates fairly, responsibly, and transparently, to promote the achievement of strategic objectives and positive outcomes in the short, medium, and long term.	✓	The entity has a remuneration policy that governs organisational practices related to remuneration. Through its remuneration policy, the Shareholder determines the remuneration of Board and Sub-Committee Members.
Principle 15: The governing body should ensure that assurance services and functions environment, and that these support the integrity of information for internal decision-making and of the entity's external reports.	✓	A combined assurance process has been adopted by the Board, which includes the Internal Audit function, Auditor-General and management of risk. The assurance providers report to the Board through the Audit and Risk Committee, which is the statutory committee required by the Section 166 of the MFMA.
Principle 16: In the execution of its governance roles and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests, and expectations of material stakeholders in the best interest of the organisation over time.	✓	The Board has ongoing engagements with the Shareholder and funders. It understands that communication with stakeholders regarding financial and non-financial information is vital. Such open interaction is actively pursued.
Principle 17: The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote the good governance and the creation of value by the companies in which it invests.	N/A	Not applicable.

ROLES AND FUNCTIONS OF BOARD COMMITTEES

The Board has diligently performed its roles and responsibilities throughout the financial year. Three Board Committees were established in line with the provisions of the MFMA and the City's Group Policy on Governance: the Group Advisory Committee, Municipal Entity's Board of Directors and ARC. The Board approved the terms of references of the Committees with clear delegations. The entity's operation management is delegated to the CEO. The Board is content that it fulfilled its responsibility in accordance with the charter and that the sub-committees have executed their delegated duties.

Through the Social and Ethics Committee, the entity addresses issues relating to the ethical conduct of the company and its employees in line with the City's Code of Conduct (the Code) which the Board has fully endorsed. It is a requirement for any Director and Executive Manager at any meeting of the Board of Directors and Board Committees to declare an interest and sign a register to that effect. Should such a conflict exist, the Director or Executive Manager concerned is recused from the proceedings.

The following committees have been formed by the Board and are chaired by NEDs

- Audit and Risk Committee;
- Social, Ethics and HR Committee; and
- Development Committee.

The Board has a prerogative to seek expert advice from the external parties should need arise. No external advice was sought during the FY. There is however, there is a standing invitation for Shareholder representatives to be part of the meetings and provide advice when necessary.

Audit and Risk Committee

Section 166 of the MFMA (Act 56 of 2003) requires every municipal entity to have an Audit Committee. The ARC was formed in line with the provision above of the MFMA and Companies Act (Act 71 of 2008).

The mandate of the Committee, as delegated by the Board of Directors in the Audit and Risk Charter aligned with section 166 of the MFMA, includes:

Financial Reporting and Reliability of Financial Information.

- Business Planning and Budget Implementation.
- Identify the Company's financial, business, and operational risk areas, to be covered in the scope of internal and external audits.
- Ensure that the Company's Accounting Officer has established appropriate internal control systems.
- Monitor and review the effectiveness of the Internal Audit function.
- Oversee the relationship of the Company with the Auditor General of South Africa.
- Review the consistency of, and any changes to, the Company's accounting policies - both on a year-on-year basis and across the Company and the COJ.
- Review the Company's arrangements for its employees to raise concerns in confidence and absolute confidentiality about possible wrongdoing or improprieties in financial reporting and other matters.
- Monitor and review the performance information provided by the Company against the approved business plan, the City's Integrated Development Plan, and the Growth and Development Strategy, and provide to the Board of Directors an authoritative and credible view of the Company's performance.
- Monitor implementation of the policy and risk management plan by means of risk management systems and processes.
- Oversee that the risk management plan is widely disseminated throughout the Company and integrated into the day-to-day activities of the Company.
- Ensure that risk management assessments are performed continuously.
- Ensure that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks.
- Express a formal opinion on the effectiveness of the system and process of risk management; and
- Review reporting concerning risk management that is to be included in the integrated report for its timeliness, comprehensiveness and relevance.

The ARC is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period including the oversight role it played on the function and performance of the Internal Audit.

Key Areas of Focus During the Reporting Period were:

- IT, Risk Management, and Strategy.
- Finance Reporting (Annual Financial Statements and Budget).
- Audit (internal and external).
- Governance and Compliance (Annual Report, IT/Risk/Finance/SCM Policies).

Social, Ethics, and Human Resource Committee

The S, E & HR Committee is a statutory committee that was constituted in terms of section 72(4) of the Companies Act (71 of 2008) and the MSA (read with Regulation 43 of the Companies Regulations, 2011).

The Committee mandate is set out in its terms of reference and, inter alia, includes the following:

- Review reporting concerning risk management that is to be included in the integrated report for its timeliness, comprehensiveness and relevance.
- Oversee the setting and administering of remuneration at all levels in the Company.
- Oversee the establishment of a remuneration policy that will promote the achievement of strategic objectives and encourage individual performance.
- Review the outcomes of the implementation of the remuneration policy for whether the set objectives are being achieved.
- Ensure that all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued.
- Consider the results of evaluating the performance of the CEO and other executive directors (both as directors and as executives) in determining remuneration.
- Select an appropriate comparative source when comparing remuneration levels.
- Advise on the remuneration of non-executive directors.
- Manage development and succession plans for executive levels.
- Make recommendations to the Board where necessary or take approved action within its delegated authority.
- Create social and economic development, including the entity's standing regarding the goal and purpose of UN Global Compact principles, recommendations regarding Corruption, the Employment Equity Act, and Broad-Based Black Economic Empowerment.
- Encourage good corporate citizenship, including the promotion of equality and contribution to the development of communities.
- Preserve the environment while promoting health and public safety.
- Foster healthy, productive, and sound customer relations.
- Engage in fair, lawful labour and employment practices.
- To draw matters to the attention of the Board in a timely manner, as the occasion requires.
- To report to the Shareholder at the AGM on matters within its mandate.

The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period. Furthermore, the committee is satisfied that the HR policies support achieving the entity's strategic objectives.

Key areas at focus during the reporting period:

- Organisational Design
- Human Capital strategy
- Salary increments and benchmarking
- Committee terms of reference and
- Policy reviews
- Performance agreements review, and signing of performance contracts
- EE Compliance and Corporate citizenship
- Organisational Health and safety matters
- Stakeholder relations
- Employee wellness

Development Committee

The DevCom has constituted through shareholder approval, a process which was guided by the City's Group Policy on the Governance of the Group Advisory Committees, Municipal Entities Boards of Director and ARC. The mandate of the Committee is set out in its terms of reference and, inter alia, includes the following:

- To approve new developments based on detailed investigation stage and to give the approval to proceed with the development, i.e. design and business plan development stage.
- To recommend to the Board approval of new engagements in developments where appropriate.
- To evaluate proposed financing mechanisms where external financing is required and
- To set benchmarks to be used to evaluate risk/ return relationship on significant projects to be undertaken by the company.

The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period

Key areas at focus during the reporting period:

- Oversight of capital projects' implementation
- Approvel Project Management on behalf of the City departments and entities
- Oversight of CAPEX Spend
- Oversight on Property Management

SPECIAL BOARD RESOLUTION

The Board passed a number of ordinary resolutions throughout the FY. There was only one special resolution that was passed as follows:

1. Date: 13 June 2022: Resolution No. 13 – Appointment of Organisational Design champion.

The NED was appointed as a champion to work closely with management on the finalisation of the OD project. The resolution assisted in fast-tracking the process that concluded at the end of the FY.

BOARD ASSESSMENT

King IV report recommends an annual evaluation of the Board, its committees, Chairperson and key Executives on an annual basis. The assessment assists in the identification of any training needs that the members require to strengthen the Board when carrying out its fiduciary duties. Further, the integrated report should disclose an overview of the process. The City, as the sole shareholder, conducts Board assessments across all entities annually. The JOSHCO assessment was conducted in November 2021 through a process where members completed self-assessment questionnaires which were analysed.

COMPANY SECRETARIAL FUNCTION

The appointment and responsibilities of the Company Secretary are guided by the Companies Act. The Board had a competent and qualified Company Secretary that was responsible for developing systems and processes to enable the Board to discharge its functions effectively and efficiently until her resignation at the end of January 2022. The Board sourced the services of the Company Secretary from the City, where an official was seconded to maintain stability. In consultation with the Chairperson, the Acting Company Secretary ensured that the implementation of the Board work plan was adhered to, the contents of the agenda were relevant to the Board's decision-making and communicated the Board's resolutions throughout the organisation in a timely and appropriate manner. The officials that executed the Company Secretary role for the FY were qualified to perform the duties in accordance with the applicable legislation and were considered by the Board to be fit and proper for the position. The incumbents did not fulfil any Executive Management function and were not Directors.

The Board is therefore satisfied that both Company Secretaries maintained an arm's-length relationship with the Executive Committee, the Board, and the individual Non-Executive Directors.

Declaration by the Company Secretary in respect of Section 88(2) (e) of the Companies Act:

CHIEF FINANCIAL OFFICER AND THE FINANCE FUNCTION

The annual assessment also allowed the ARC to assess the competency, effectiveness, expertise, and experience of the Chief Financial Officer (CFO). The outcomes reflected that the committee is satisfied that the necessary and appropriate skills are met to execute the requisite responsibilities. The assessment also considered the appropriateness of the expertise and adequate staffing of the finance function, and there is a need to capacitate the function in the future to ensure continued operations.

CHIEF AUDIT EXECUTIVE

Section 165 of the MFMA provides that the internal audit function should be independent of management and report functionally to the Audit committee. As part of the annual assessment, the ARC has assessed the effectiveness, expertise, and experience of the Internal Audit Manager and is satisfied that he possesses the appropriate skills to execute the requisite responsibilities.

The Committee has noted the implementation of the annual audit plan and is satisfied with the progress made. It was noted that the internal audit performed its function diligently.

"In my capacity as the Company Secretary of JOSHCO, I hereby declare, in terms of Section 88(2) (e) of the Companies Act 71 of 2008, as amended, I certify that 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."

DIRECTORS AND PRESCRIBED OFFICER'S REMUNERATION

The Board fees are prescribed by the Shareholder and are regulated through the Group Policy on Governance of Municipal Entities (ME), Board of Directors and Independent Audit Committee.

TABLE 6: PRESCRIBED DIRECTORS' REMUNERATION AS AT 30 JUNE 2022.

Type of Meeting	Fees: 10 Feb 2021 – September 2021	Fees: October 2021 – 30 June 2022
Board		
Chairperson – Meeting	R16 000	R16 000
Member – Meeting	R12 000	R12 000
Audit and Risk Committee		
Chairperson – Meeting	R8 000	R10 000
Member – Meeting	R6 000	R8 000
Social, Ethics, and Human Resource Committee		
Chairperson – Meeting	R8 000	R10 000
Member – Meeting	R6 000	R8 000
Development Committee		
Chairperson	R8 000	R10 000
Member – Meeting	R6 000	R8 000

TABLE 7: BOARD OF DIRECTORS REMUNERATION AS AT 30 JUNE 2022.

Name	Designation	Remuneration
Mr Theodore Dhlamini	Non-Executive Director	R240 000
Mr Xolani Dlwathi	Non-Executive Director	R218 000
Mr Siphiwe Mhlongo	Non-Executive Director	R102 000
Mr Moerane Maimane	Non-Executive Director	R192 000
Mr Themba Mamba	Non-Executive Director	R196 000
Ms Sibongile Bhengu	Non-Executive Director	R106 000
Ms Brenda Makhanya	Non-Executive Director	R108 000
Ms Gaby Boikanyo	Non-Executive Director	R258 000
Mr Jason Sobekwa**	Non-Executive Director	R236 000
Ms Eugenia Motloung	Non-Executive Director	R108 000
Mr Nikelo Bangisi	Non-Executive Director	R114 000
Ms Debbie Raphuti	Non-Executive Director	R106 000
Dr Kentse Sesele	Non-Executive Director	R230 000
Mr Karabo Modipane	Non-Executive Director	R88 000
Mr Sumesh Varghese	Non-Executive Director	R76 000
Total		**R2 378 000**

TABLE 8: INDEPENDENT AUDIT COMMITTEE MEMBERS' REMUNERATION AS AT 30 JUNE 2022.

Name	Designation	Remuneration
Mr Moshupi Mokgobinyane	Independent Audit Member	R64 000
Mr Lesetsa Matshekga	Independent Audit Member	R82 000
Mr Ernest Khosa **	Independent Audit Member	R166 000
Total		**R312 000**

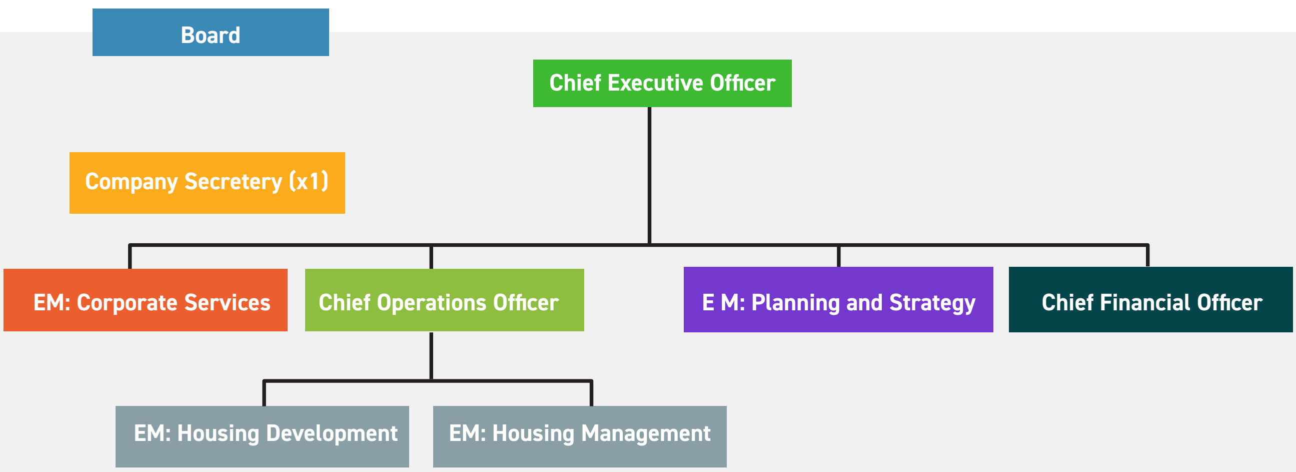
Note:
*** Member fees included the attendance of the City's Group Audit and Group Risk Committee.*

TABLE 9: EXECUTIVE MANAGEMENT'S REMUNERATION AS AT 30 JUNE 2022

Name	Designation	Basic Salary (R)	Leave Pay (R)	
Mr Victor Rambau	CEO	1 565 000,00		
Ms Nontobeko Ndimande	CFO	1 371 204,00		
Ms Livhalani Nemaungani	EM: Strategy and Planning	911 790,10		
Ms Nkululeko Magubane	EM: Housing Development	1 370 200,00		
Ms Kedumetsi Mokhampanyane	EM: Corporate Services	1 027 649,97	257 597,59	
Mr Ronald Mutheiwane	EM: Housing Management	904 121,96	9 605,20	
Ms Xolile Njapha	Company Secretary	527 185,75	137 369,54	

SECTION 2:

JOSHCO HIGH-LEVEL ORGANISATIONAL STRUCTURE



High-level structure

	Acting Allowance	Lumpsum & Others	Travel and Housing Allowances	Contribution to Medical Aid	Contribution to Pension	Total
	14 176,25	1 244 458,75	60 000,00			2 882 635,87
				51 696,00		1 422 900,00
			216 663,64	22 136,40	97 873,86	1 248 200,00
						1 370 200,00
						1 285 248,00
			72 000,00		196 028,16	1 181 775,32
						659 462,29

SECTION 3:

GOVERNANCE OF STAKEHOLDER RELATIONS

Section 2 of the Social Housing Act provides that in giving priority to the needs of low to the medium-income household in respect of social housing development, the SHI must facilitate the involvement of residents and key stakeholders through consultation, information sharing, education, training and skills transfer to empower residents. Given the revolving nature of the business, the entity is determined to deliver long-term, sustainable business performance and grow meaningful stakeholder relations. The table below lists some of JOSHCO's stakeholders with an indication of their level of impact, power and interest in the business.

The entity has taken cognisance that its growth and sustainability depend on its relationship with its stakeholders. Stakeholders were engaged adequately on issues of interest throughout the FY, and their valuable inputs were considered when decisions were made.

Stakeholder	Interest	Impact	Symbol or Number	Role of JOSHCO Towards the Stakeholder	Engagement Platforms with Stakeholders
Shareholder: City of Johannesburg	High	High		• Social Housing implementing agent of the City. • Ensure that the delivery of services is aligned with the Service Level Standard (SLS) signed with the city.	• Participate in the City's sustainable cluster. • Performance reporting is in line with the MSA and City framework. • Attend all strategic meetings at which JOSHCO is required to be present – such as those under section 79, Group oversight committees, and Mayoral and Council meetings.
Political Leadership: MMC, Ward Councillors	High	High		• Service delivery: achieving the political mandate of delivering planned social housing units; • Promoting local SMMEs; • Inner city regeneration and converting all hostels to family units; and • Job creation in previously disadvantaged communities.	• Attending community meetings convened by the political leadership. • Frequent and ongoing reporting on the burning issue. • Regular meetings with ward councillors to discuss construction and allocations in their respective wards. • Quarterly meetings between JOSHCO's representatives and the MMC.
Board of Directors	High	High		• Ensuring that Governance Protocols and standards are adhered to. • Advising the Board on important matters relating to the business of JOSHCO. • Ensuring that the Board is well equipped and informed about the performance of the entity they serve.	• Quarterly reporting on the performance results of the entity. • Constant updates to the Board via emails and other forms of communication. • Scheduling and convening quarterly meetings with the Board.
Auditor-General	High	High		• Submit all compliance reports as per the MFMA and Treasury regulations. • Submit the annual financial statements timeously for audit purposes. • Adhere to any request within a prescribed time.	• Audit preparation meetings. • During and Post-Audit meetings through the audit steering committee. • Invited as and when required for Board meetings.
Labour	High	High		• Providing training to Local Labour Forum (LLF) members. • Affording sufficient time to labour so they may meet with their union members as agreed. • Meeting between Labour and Management through the LLF to address matters of importance between staff and management.	• Constant updates on follow-up matters. • Continue to hold LLF meetings.

Stakeholder	Interest	Impact	Symbol or Number	Role of JOSHCO Towards the Stakeholder	Engagement Platforms with Stakeholders
The Media	High	Moderate		• Provide the media with good-news stories on the work performed by JOSHCO. • Conduct site/project visits to showcase the milestones achieved.	• To continue building the JOSHCO brand through media partnerships that have already been formed.
JOSHCO Contractors and Service Providers	High	Moderate		• Empowering our service providers through equitable distribution of work (rotation). • Ensuring that our service providers are paid within the 30-day period to enable them to sustain themselves.	• Bi-monthly service provider meetings. • Workshops with new service providers to educate them on the business of JOSHCO and our SLS.
JOSHCO Tenants	High	High		• Ensure that JOSHCO properties are well maintained both inside and out. • Meet the services level standard turnaround times. • Host tenant workshops for new tenants. • Employment opportunities through EPWP. • Providing accurate bills at a reasonable time to tenants. • Through the provision of security services, ensure that the safety of project environments.	• Meetings with tenant Committees to address other issues affecting tenants. • Project ratings and customer satisfaction surveys. • Community Development initiatives. • Customer satisfaction survey.
The Community	High	High		• Provide information on the application process. • Educate the community on how to report fraudulent activities. • Entity attend IDP public participation to outline its plans	• Continued engagements through social media, print, and local radio stations. • Public participation meetings at Regions
COJ Housing Core/Provincial and National Government	High	Moderate		• Providing Departments with information relating to social housing matters, e.g. development of units and housing management.	• The signing of SLAs with the department for institutional arrangements. • Quarterly reporting on deliverables relating to social housing matters.
Funders, e.g., SHRA	Moderate	Moderate		• Utilising the funding for the purpose for which it is intended. • Funders are able to report on JOSHCO's achievements/ deliverables (as funding beneficiaries).	• Sourcing more funding to promote and develop social housing. • Quarterly reporting on deliverables relating to social housing matters. • Regular meetings with funders to address shortcomings, where necessary

Stakeholder	Interest	Impact	Symbol or Number	Role of JOSHCO Towards the Stakeholder	Engagement Platforms with Stakeholders
Other MOEs and Departments.	Moderate	Moderate		• Enhancing the waste-management programmes in partnerships with MOEs such as Pikitup. • Enhancing energy efficiency programmes in partnership with MOEs such as Pikitup and Eskom/City Power. • Engaging on bulk services, e.g., roads, storm water and sewer, with Joburg Water.	• Regular engagements with the relevant MOEs and departments.
Other Stakeholders, e.g., the National Association of Social Housing Organisations (NASHO) and South African Housing Foundation.	Low	Moderate		• Annual Affiliation. • Regular engagement for improvements and promotion of social housing.	• Regular meetings to address shortcomings, where necessary.
Institutions of Higher Learning.	Moderate	Low		• Obtain accreditation for student accommodation provision. • Always ensure compliance.	• Meetings to discuss accommodation requirements. • Email communications about the reopening of institutions.
Students.	High	Moderate		• Provision of student accommodation that meets the student accommodation criteria. • Ensure the health and safety of students while they are in our facilities. • Make available all the benefits that are part of the student accommodation package.	• Regular meetings with the management company to address student challenges and JOSHCO's expectations. • Utilising social media platforms for announcements and advertisements.

RISK MANAGEMENT AND INTERNAL CONTROLS

PRINCIPLE 11: RISK GOVERNANCE

JOSHCO employs an enterprise-wide risk management approach where emphasis is placed on cooperation among departments to manage the entity's range of risks as a whole. The entity is committed to continuously strengthening compliance, managing risks, and upholding good governance within the risk, control and governance environment. This is fundamental to the management of the entity's finances and the assurance that the use of the resources is effective, efficient and realises optimum value for money.

The above is achieved through continuous monitoring, reviewing and evaluating mechanisms to mitigate identified strategic and operational risks.

RISK MANAGEMENT COMMITMENT

JOSHCO has a dedicated risk management function Headed by the Executive Manager of Business Planning and Strategy. It coordinates and supports the overall organisational risk management process, which includes business continuity, fraud and corruption, related whistleblowing services and compliance management.

The entity has an approved risk management framework, policy and strategy that guides the risk management process. It also has an effective Audit & Risk Committee in the Board that provides oversight on risk management and the entity's control environment.

INTERNAL CONTROL

The entity's approach to risk management is based on established governance processes that rely on both individual responsibility and collective oversight, supported by comprehensive reporting. In acknowledgement of the complex and changing risk environment, continuous risk assessments are conducted to identify emerging risks that could have a negative impact on the realisation of organisational goals.

JOSHCO has adopted an enterprise-wide approach to risk management. Risk assessments were continuously conducted during the 2021/22 financial year to identify and manage potential risks that may negatively impact the achievement of the strategic and operational objectives of the entity.

RISK MANAGEMENT STRATEGY

JOSHCO's Board of Directors is committed to a process of risk management that is aligned to the principles of good governance as supported by the Municipal Finance Management Act No 1 of 1999, Public Sector Risk Management Framework adopted on 1 April 2010 and the COSO Integrated Risk Management Framework. JOSHCO recognizes that managing risks is an integral part of sound management and therefore adopts a comprehensive approach to managing risk. The features of this approach are outlined in JOSHCO's Risk Management Policy and Framework.

JOSHCO recognizes that risk management requires a team-based approach for effective application across the organization. In line with the principles of the King IV Report, the Board has the ultimate responsibility for the management of risks within JOSHCO.

In ensuring that risk is embedded within JOSHCO the Board delegates the responsibility of managing the risks to management. Management then ensures that all risks affecting their areas at responsibility are identified and mitigated to acceptable levels.

Board of Directors

- Overall governance of risk responsibility.
- Set risk tolerance levels and risk appetite.
- Sets risk tone and approves strategic risks.
- Reports to shareholder on risk management activities of the entity.
- Provides advice to the Committee.

Audit and Risk Committee

- Receives routine risk management reports.
- Monitors risk control implementation progress.
- Recommends policy to the Board for approval.
- Approves a risk-based internal audit plan.
- Provides advice to Management.
- Implements Board recommendation(s).

Executive Committee

- Ensures risk management is embedded into all processes.
- Reviews risk profile monthly.
- Prepares routine risk management reports.
- Analyses business environment against uncertainty.
- Prepares policy and recommends to Committee.
- Identifies emerging risks and sets risk controls.
- Facilitates combined assurance.
- Implements Committee recommendation(s).

➡ **Implementation of Board recommendation(s)**

➡ **Implementation of Board recommendation(s)**

Table 11 depicts the residual risk results against the risk identified for the year ended 30 June 2022.

The following legends are applied to denote the progress of risk mitigation.

Legend	Explanation
↑	Risk mitigation plans not on track, key implementation targets missed and requires immediate management attention for review and sound corrective measures.
↔	No movement and requires immediate management attention for review and sound corrective action.
→	Minimal progress achieved but on track for implementation.
↓	Significant progress achieved and on track for complete implementation of mitigation plan by target date.

TABLE 11: ANALYSIS OF THE ORGANISATIONAL RESIDUAL RISK AS AT 30 JUNE 2022

No	Risk Description	Residual Risk Rating as at 1 July 2021	Risk mitigation Movement	Residual Risk Rating as at 30 June 2022	Comments
1	Inability to continue as a going concern.	High		Very High	The residual risk moved from high to very high due to non-achievement of the risk appetite and tolerance level. More robust mitigation actions for 2022/23 FY were identified, focusing on the reduction of the high cost identified as the root cause of the underperformance of ratios.
2	Governance failures	Medium		Low	The residual risk moved from medium to low due to no Audit finding raised on the governance risk. The risk was managed within appetite and tolerance levels.
3	Failure to deliver capital projects on time and within budget.	High		High	The residual risk remained high due to Projects' stoppage, which is outside the appetite and tolerance levels.
4	Lack of cooperation by SMMEs	High		Medium	The residual risk moved from high to medium because there were no issues with SMMEs. The risk was managed within appetite and tolerance levels.
5	Minimal Stakeholder and Customer Relations Management	Medium		High	The risk moved from medium to high due to the increased number of stakeholder incidents and non-achievement of the appetite and tolerance level of resolving complaints within 7 days.
6	Theft, Injuries, vandalism, and Fatalities	Medium		High	The residual risk moved from medium to high due to increased fraud and corruption, theft and damage to property outside the tolerance level.
7	Cyber attack	Medium		Medium	There has been minimal progress because no cyber-attack incident was reported within the appetite and tolerance levels. It is critical to indicate that the responsible department is in the process of procuring more advanced security licenses as a way of strengthening the firewall.
8	Business Interruption	Medium		Very High	The residual risk moved from medium to very high due to the high number of email downtimes outside the appetite and tolerance levels.
9	Inaccurate and unreliable performance information	Medium		High	The residual risk moved from medium to high due to inaccurate reporting, which was outside the appetite and tolerance level of Zero.
10	Failure to develop, attract and/or retain talent.	High		High	The residual risk remains high; 12% of the Senior Management left the organization during the financial year, which is outside the appetite and tolerance level. A robust retention and succession plan is required.

No	Risk Description	Residual Risk Rating as at 1 July 2021	Risk mitigation Movement	Residual Risk Rating as at 30 June 2022	Comments
11	Fraud and corruption	Medium	→	Medium	The residual risk remained medium due to a lack of confirmation/ prima-facie evidence to confirm fraud by GFIS. However, one (1) act of fraud was reported, which is outside tolerance levels.
12	Dilapidation of tenanted buildings	Medium	→	High	The residual risk moved from medium to high due to a decline in the implementation of the maintenance plan against the appetite and tolerance levels.

Residual Risk Heat Map as at 30 June 2022

The heat map shows the residual risk movement throughout the FY and forms part of the risk intelligence required as a basis for sound decision-making against strategic initiatives. Most of the residual risk remained high in the year, and the risk horizon has been set for short, medium, and long-term risks.

EMERGING RISK AS AT 30 JUNE 2022

The regularisation and renewal of rental leases was met with resistance by tenants at various projects, some of whom claimed to have signed rent-to-own leasing agreements according to JOSHCO officials. Because there are no lease agreements in place and tenants are not paying their rent, the risk could lead to further downgrades by SHRA. However, the effort to transfer the city referral and former employees' hostel stock back to the City is one control that can reduce the chance of the risk materialising because resistance is mainly in City staff hostels.

ANTI-FRAUD AND CORRUPTION

The Board carried out its antifraud and corruption responsibilities in accordance with Principle 1 of King IV, which states that the governing body is responsible for the governance of ethics within the organisation. The Board has expressed its commitment to rooting out fraud and corruption and addressing issues related to past corporate governance breaches to restore the entity's reputation and improve its financial and operational sustainability. A zero-tolerance approach is taken towards fraud and corruption.

The following approaches were implemented in the FY

- Public, tenant and staff awareness campaigns were conducted
- Radio and social media platforms were utilised to raise awareness about imposters posing as JOSHCO agents
- Strengthening anti-fraud and corruption policy and strategy enhancing the focus on consequence management
- Commissioning investigations and/or instituting disciplinary actions against employees with allegations of misconduct.

During the year under review, the service provider was appointed to erect fraud and corruption awareness signages at projects to intensify the entity's prevention strategy. The signages also provide the tenants and public with a platform to understand the process and channels available to report any suspicious act of corruption or fraud.

Internally, the risk and compliance unit, in collaboration with GFIS, held targeted workshops in areas categorised as high risks, such as Supply Chain Management, Leasing and Human Resource department.

Due to the centralisation of the investigation function at City under GFIS, all reported cases of fraud, maladministration and corruption were referred there for further investigation. There were eight cases that GFIS registered in the FY, of which three (3) were closed after investigations and five (5) remained active. The entity will be furnished with a report once investigations are concluded on cases in progress, as per the table below.

TABLE 12: CASES UNDER INVESTIGATION AS AT 30 JUNE 2022

GFIS_no	Date Registered	Allegation	Status
19/12/2020	2020/12/08	Alleged fraud and corruption in issuing of flats/ units at JOSHCO-by-JOSHCO employee.	Case reported to SAPS
GFIS-27/09/2021	2021/09/20	Fraudsters posing as agents of JOSHCO or convincing the unsuspecting public that they are JOSHCO employees. These fraudsters are taking sums of money from the public in return for what they te rm an "application fee."	In progress
GFIS 12/11/2021	2021/11/02	Moja TV shooting.	In progress
GFIS 39/12/2021	2021/12/15	Alleged maladministration with regard to recruitment.	In progress
GFIS 5/05/2022	2022/05/04	Alleged corruption, where some entities and individuals are using pseudo names in attempts to commit fraud.	In progress

SECTION 6:
ICT GOVERNANCE

PRINCIPLE 12: TECHNOLOGY AND INFORMATION GOVERNANCE

Principle 12 states that the governing body (Board) should govern technology and information in a way that supports the organisation in setting and achieving its strategic objectives. The Board has delegated the oversight over the ICT function to the ARC, ensuring that the ICT governance is in place. The Committee also assesses the ICT risk and monitors management's implementation of controls.

Management's role is to develop and implement policies, frameworks and strategies once the Board has granted approval. The ICT policy was reviewed and approved for implementation in the first half of the FY. The entity's ICT governance is aligned with the legislation and frameworks that guide the ICT standards of operations.

2021/22 ICT PERFORMANCE

ICT continued to play a strategic role in transforming the entity into a more digitised and automated entity. Several projects were initiated in the FY. The service provider was appointed to run and deploy networks at the Joshco Head Office. The service provider has delivered the network infrastructure successfully as per the required scope. The service provider is also responsible for the bandwidth and internet service provision (ISP) services. This project will enhance the entity's network availability and minimise intermittent disruptions that were experienced previously.

The implementation of an ICT infrastructure upgrade project that commenced in the previous FY was completed. The entity was operating on outdated ICT infrastructure with servers that were out of their life prior to the initiation of this project. Completing this work will significantly contribute to the uptime of the entity's systems and applications. The entity has also deployed tools available from the Microsoft Enterprise contract with the City to track and monitor its ICT infrastructure on time.

The development of the JOSHCO App, which is intended to improve efficiency in key processes such as tenanting, billing, maintenance and customer services, commenced in the FY. The App has seven modules: potential tenants, existing tenants portal, customer services, events and notice portal, supplier management and reporting module.

In the Customer Service Enhanced Strategy implementation, the entity recognised that the maximum utilisation of innovative solutions is a key instrument to ensuring that JOSHO can empower its tenants with access to information, provide easy and convenient interactions with the organization's personnel as well as enable staff to meet the needs and expectations of key stakeholders – the customers. With the App, the entity envisages reaching and sustaining higher levels of quality, customer-focused delivery of social housing by putting customers at the centre of its operations.

The entity, through the ICT department, continued to support remote operations by implementing Microsoft 365 and Voice Over Internet Protocol (VOIP) technology which offered employees a platform to make and receive calls through an App installed on their laptops. The drive to digital transformation supports JOSHCO's ICT vision to build an agile organisation. Agility requires the right technology platforms and systems that enable the organisation to be innovative and rapidly adapt to changing business needs and operating environments. With all the innovative systems that were mostly implemented in response to the 2020 national lockdown, the workforce can access information, transact, and collaborate with internal and external stakeholders from anywhere while retaining a high level of security.

In addition to the implementation of key projects above, the ICT was able to conduct a laptop audit to identify the need for a refresh. The outcomes have indicated that employees are utilising laptops that are out of lifespan which might pose a security risk to the company. Due to budget constraints, fifty (50) laptops were procured and issued to those employees that lacked them.

Future focus

The entity acknowledges that the maturity level of the ICT function is not at a level that ensures the entity requires to thrive. Several initiatives are planned for the 2023 FY intended to improve and stabilise the ICT environment. The following are projects that will be implemented in the next FY.

- Implementation of an Electronic Document Management solution;
- Move exchange to Microsoft 365;
- Enhancement of a public-facing website;
- Implementation of an intranet and extranet;
- Rolling out of fibre optic (WIFI) in JOSHCO projects;
- Investing in skilled human capital in critical ICT roles; and
- Implementation of head office access control and queuing system for walk-in centre.

Prioritisation in the implementation of projects will be based on the level of risk exposure that the entity experiences. The implementation of the above initiatives will improve the ICT environment and contribute significantly to supporting the vement of the entity's strategic objectives. The ICT aims to reduce the need for human capital through the continuous adoption of cloud technologies to minimise reliance on on-site server processing facilities.

The sector has experienced a large number of cyber-attack incidents in recent years due to the disruption caused by the lockdown, resulting in criminals taking advantage of weak controls as companies were implementing remote operations. JOSHCO was not immune to cyber-attack as indicated by unsuccessful attempts. In response to this challenge, the entity has invested in a security model that provides holistic protection.

SECTION 7: COMPLIANCE WITH LAWS AND REGULATIONS

PRINCIPLE 13: COMPLIANCE GOVERNANCE

Compliance Management is a multifaceted discipline that ensures that an organisation complies with industry legislation, regulations and standards, as well as corporate and regulatory policies and requirements. The entity uses the EXCLAIM! Compliance software to monitor compliance with relevant legislation. In addition to the use of EXCLAIM! Other mechanisms such as compliance risk management plans are used to identify, assess and monitor JOSHCO's level of compliance with relevant regulatory requirements that form part of its operations. At the end of the fourth quarter, thirty (30) Acts and regulations were identified as applicable to JOSHCO's operations and appear on the Regulatory Universe. Below are some of the core legislation that the entity complies with:

- Construction Industry Development Board Act, No. 38 of 2000.
- Social Housing Act, No.16 of 2008.
- Housing Act, No.107 of 1997
- Local Government Municipal Finance Management Act, No. 56 of 2003.
- Occupational Health and Safety Act - Construction Regulations.

The entity managed to comply fully with 24 out of 30 Acts, while 5 Acts are still lagging due to various reasons outlined in the table below. Management is closely monitoring the variance and putting controls to address noncompliance. Compared with the previous FY, the entity has improved on compliance matters despite not reaching the ideal results of 100% adherence to applicable legislation. The entity ended the previous FY with nineteen (19) out of twenty-seven (27) applicable legislation at 100% compliance.

The table below reflects the five Acts below 100% compliance together with remedial actions implemented to address the variance.

TABLE 13: LEGISLATION THAT IS BELOW 100% COMPLIANT AS AT 30 JUNE 2022.

Act Name	2020/21	2021/22	Comments	
1. Companies Act, No. 71 of 2008	98.9%	98.9%	The variance relates to the absence of documents/ records based on previous audit findings. The Act requires documents/records to be kept for a period of 7 years.	
2. Local Government Municipal Finance Management Act - Municipal Regulations on Minimum Competency Levels	68.7%	76.5%	The Variance relates to: • Competency assessments of all financial officials and supply chain management officials are undertaken in terms of regulation 16 of the • Local Government: Regulations on Appointment and Conditions of Employment of Senior Managers in order to identify and address gaps in competency levels of those officials, as part of the recruitment process not conducted. • Persons appointed as financial officials or supply chain management officials do not meet the minimum competency level in the unit standards in a competency area required for the position in terms of the Regulations, the municipal entity must ensure that the attainment of that minimum competency level is within the timeframes set out in regulation 15, and included in the person's- • (i) employment contract which must also state that, if it is not attained within the applicable period, the employment contract will terminate automatically within one month after the applicable period; and (ii) performance agreement as a performance target if such agreement is required	
3. Protection of Personal Information Act, No. 4 of 2013	72.7%	6.1%	An in-depth assessment of the act using some of the tools provided by the City as well as through scrutinization of the act has exposed several variances that require immediate attention	

	Remedial Action	Act Owner	Progress Made on Remedial Action	Timeframe
	Proper document management.	Company Secretary	Record keeping as required by the act with regard to Board documentation has improved. However, non-compliance will remain until 7 years lapse.	Full compliance with the section will be reached in 2023.
	• Training to be provided for supply chain officials. Training to be rolled out in 2 financial years because of budgetary considerations. Some supply chain management officials are currently enrolled for their undergraduate degrees and may meet the necessary competency level once completed. • All adverts for Supply Chain officials, Finance Managers, and Executive Managers include requirements for applicants to meet the required standard or obtain the minimum levels within 18 months as per the regulation. This is to be added to their performance agreements and contracts. • Competency assessments will be conducted for all Finance and SCM officials and Senior Managers to address gaps.	EM: Corporate Services	• All Executive Managers and some Supply Chain Managers successfully completed the training and have met the competency levels. • Other supply chain management officials are currently busy with undergraduate qualifications. However, those with minimum qualifications will be enrolled with Wits.	30 June 2023
	The Company Secretary to appoint a service provider to do a gap analysis	Company Secretary	The Compliance Department has handed over compliance with the Act to the Company Secretary, who will now be the Act Owner responsible for ensuring compliance with the act.	30 September 2022

Act Name	2020/21	2021/22	Comments	
4. Rental Housing Act, No. 50 of 1999	96,3%	96.3%	The variance relates to the subletting of units by tenants without JOSHCO's consent.	
5. Social Housing Act 16 of 2008 / Regulations	78.2%	87.0%	The Variance relates to: Accreditation that has been downgraded by the regulator. Non-compliance on an ongoing basis with the criteria which qualify them for accreditation. i. Non-compliance, at all times, to function in compliance with-the provisions of this Act. ii. The national building regulations under the National Building Regulations and Building Standards Act, 1977 (Act 103 of 1977). iii. The technical standards imposed by the National Home Builders Registration Council under the Housing Consumer Protection Measures Act, 1998 (Act 95 of 1998); (No Occupancy Certificates) iv. The provisions of the Rental Housing Act, 1999 (Act 50 of 1999) the content of its lease agreement and proposed changes are not strictly adhered to by all parties. v. Change of incorporation has not been submitted to the regulator.	

	Remedial Action	Act Owner	Progress Made on Remedial Action	Timeframe
	• Occupancy Audit will be conducted quarterly per Portfolio by the appointed service provider. The renewal of leases will also be used to identify subletting cases. • Through the Housing Management Department, the Entity has embarked on a process of regularising qualifying tenants in line with approved policies. The process will continue until all JOSHCO units are occupied only by lawful tenants.	EM: Housing Management	The process of installation of Biometric systems in 20 tenanted projects was completed on 21 December 2021. The enrolment of tenants into the system is underway. Currently, 12 of 20 (60%) have been completed in the following projects: it is envisaged that enrolment will be done by the end of July 2022. • In May and June 2022, the Housing Management team conducted tenant verifications and lease renewals at Kliptown Square and Turffontein. A number of tenants objected in Kliptown Square, claiming that they initially signed rent-to-buy lease agreements. • Stakeholder engagements with tenants are currently being conducted in several projects to address the lease renewal and regularization challenges.	30 September 2022
	1. The National Building Regulations and Building and Standards Act be included in the Regulatory universe and assessed for compliance. 2. The change in incorporation from PTY LTD to SOC LTD is to be tabled to shareholders for ratification. Once finalised, the change will be submitted to SHRA.	EM: Housing Management	1. The entity has developed a strategy to address the issues of non-compliance that have led to the downgrading of accreditation. The strategy will be a working document to be monitored by the Compliance Department monthly until the regulator upgrades the accreditation. 2. Stakeholder engagements with tenants are currently being conducted in several projects to address the lease renewal and regularization challenges.	30 September 2022

CHAPTER 3

SERVICE DELIVERY PERFORMANCE

Strategic Goal: 1, 2, 4, 5.

Stakeholders Interested:

Impacted Capitals: Financial, Manufactured, Natural & Human Capital

SECTION 1:

SERVICE DELIVERY HIGHLIGHTS AND ACHIEVEMENTS

This chapter focuses on presenting the entity's operations together with challenges encountered, the way forward and plans intended to address underperformance. The entity developed its business plan, which was aligned with the City's priorities and took cognisant of the shareholder compact and the service delivery agreement that was signed with the Shareholder. Below are some of the highlights and achievements for the 2021/22 FY.

SERVICE DELIVERY HIGHLIGHTS

TENANTING

The entity continued to improve the tenanting process, and vacated units were filled within a short time to maintain a vacancy rate of not more than 2% which is in line with the Social Housing Act requirement. There was no new building that required tenanting in the FY under review.

- The entity's first student accommodation, Dakalo, was tenanted to full capacity. The accommodation has a total of 182 beds that range between R3 959 and R4 387 per month, depending on unit typology. The entity has received a donation from Metro Wired for a computer lab, study area, and TV room revamp and equipment such as computers, projectors, desks, chairs and TV. The donation will assist students in focusing on their studies in a more student-friendly environment.

PROJECTS DEVELOPMENT

- JOSHCO held a sod-turning event on 22 March 2022 at one of its upcoming Turnkey Projects, Riverside View. The event was led by the COJ Mayor, the MMC of Human Settlement, together with the chairperson of the Board. The project is progressing well and is anticipated to reach completion by the end of 2022/23 FY.
- Roodepoort and Abel Street projects were completed during the FY and tenanting of units will commence once compliance documents are received.

ECO-FRIENDLY INITIATIVES

- The entity has embarked on initiatives aimed at contributing to eco-friendly properties. Antea, Bellavista, Citrine Court and Klipspruit buildings were retrofitted with LED lights in communal areas. A solar system was installed at Citrine Court to support the communal area.

SAFETY ENHANCEMENT AT PROJECTS

- Section 2(1) of The Social housing Act provides that SHI must afford residents the necessary dignity and privacy by providing the residents with a clean, healthy and safe environment. The provision of a conducive living space contributes to creating a quality living environment. The entity has embarked on a project to install biometrics to control access to the properties. One project (AA House) was fitted with burglar windows as a way to improve safety and security at JOSHCO properties.

AUDIT OPINION

- The entity has received qualified audit opinion which is a regress from the opinion it received in the previous financial years.

SECTION 2:

SERVICE DELIVERY CHALLENGES

RENTAL COLLECTION

The entity continued to experience low collection rate throughout the FY due to, among others, the negative impact of the national lockdown on tenants and demand for ownership. Collection closed the year at 56%, which is 2% lower than the previous FY. The entity has embarked on tenant engagement drives in collaboration with SHRA and the COJ Human Settlement Department to educate tenants about different housing programmes, including the importance of rental payment in social housing.

Four (4) debt collection companies have been sourced to assist the entity in collecting arrears from tenants. Three of the four companies were appointed in the last quarter of the FY, and the full benefit of the service will be realised in the 2023 FY.

SHRA ACCREDITATION

The entity was downgraded from being fully accredited to conditionally accredited by the regulator due to underperformance on four of the five indicators that SHI is expected to achieve and failure to fully meet some compliance conditions. However, management is working tirelessly to close the gaps to regain accreditation status. Meetings are held with the SHRA representatives continuously to monitor progress on implementing the proposed action plan to address underperformance.

BUSINESS DISRUPTION

The entity experienced intermittent ICT disruption throughout the FY due to mainly network breakdown and electricity loadshedding. To remedy the network challenge, a service provider was procured to manage the provision of network services and this has transferred the risk to a third party.

FILLING OF POSITIONS

The new political regime in the City brought a moratorium on filling positions. The moratorium was issued at the end of the second quarter and remained standing for the last half of the FY. This has affected the timeous filling of management positions.

Furthermore, the entity lost the CEO through mutual separation while the COSEC and Executive Manager for Corporate services through resignations in the third quarter. However, the Board requested for assistance, and was provided with resources by the City to manage stability in the entity's leadership. Recruitment of these three positions was deemed critical by the Board resulting in the process being initiated before the year-end. Capacitation is envisaged in the first quarter of the new FY.

SECTION 3:

RESPONSE TO STRATEGIC DIRECTION

As highlighted in one of the sections in chapter 1, the entity has seven strategic objectives that drive its mandate. The objectives are aligned with COJ's long-term plan. The mandate of the entity directly responds to the COJ priority on "An Inclusive City". Below is an illustration of how the entity has contributed to achieving the set objectives.

STRATEGIC GOAL 1:
Become a financially sustainable company.

The focus is on working towards JOSHCO being resilient and self-sustainable.

Details are in chapter 5.

STRATEGIC GOAL 2:
Develop social housing projects within transport corridors, Inner City and Greenfield (including suburbs and economic hubs).

The focus is on developing social and affordable rental units that benefit the qualifying citizens of Johannesburg. The detail of progress is outlined in chapter 3.

STRATEGIC GOAL 3: Contribute towards economic development through Broad-Based Black Economic Empowerment.

Chapter 3

STRATEGIC GOAL 4:
Effectively manage Social Housing projects

The focus is to ensure that the tenanted properties are well managed and maintained to an acceptable standard. Highlights are in chapter 3.

STRATEGIC GOAL 5:
Improve the safety and security of all tenants in JOSHCO projects.

The focus remains on ensuring that projects are well managed, which includes being safe, secure, and well maintained. Details on chapter 3, section 6.

STRATEGIC GOAL 6:
Become a customer-centric company.

JOSHCO prides itself on its commitment to serving people within acceptable turnaround times.

Details on chapter 3, section 4 and section 6.

STRATEGIC GOAL 7:
Strengthen governance and compliance.

The entity strives to achieve clean governance. Details are in chapters 2 and chapter 6.

TABLE 14: STRATEGIC GOALS AND ACHIEVEMENT

Strategic Goal/ Objectives	2020/21 Achievements	2021/22 Achievements
STRATEGIC GOAL 1	• Debt collection company appointed and assisted in collecting R8 million by the end of the FY. • Revenue strategies, such as outdoor advertisements and project management on behalf of other City departments, were initiated.	• Cost containment policy developed and approved by Board. • Management fee from work done on behalf of other City departments contributed significantly to entity revenue. • Service provider appointed to commence with the outdoor advertisement project.
STRATEGIC GOAL 2	• 112 units reached the completion stage. • 559 are completed without a service connection. • Three turnkey sites were launched and handed over to developers.	• 349 units were completed and await finalisation of compliance documents such as Occupation. Certificates in order to commence with tenanting • 210 units were developed to a level where they are left with connections to services.
STRATEGIC GOAL 3	• 9% of CAPEX was spent on SMME. • 552 EPWP job opportunities were created. • 86% and 83% of OPEX and CAPEX procurement recognition were spent on at least 51% of black-owned companies.	• 503 EPWP job opportunities were created • 10.65% of the capex was spent on SMMEs.
STRATEGIC GOAL 4	• For preservation of properties, the following maintenance work was done: » R21 685 553 spent on 5998 reactive maintenance jobs. » R11 352 326 was spent on planned maintenance.	• Building conditional assessment of all tenanted properties was done in the FY. • 98.26% occupancy rate achieved.
STRATEGIC GOAL 5	• Assessment of security measures such as biometrics and CCTV cameras was conducted, and procurement was activated.	• One property was installed with burglar windows. • Twenty (20) properties were installed with biometrics system.
STRATEGIC GOAL 6	• Intensified tenant education in collaboration with revenue, risk, and housing management units. • Six out of seven (7) SLS were achieved. • Continue with the implementation of the rental relief. • Full capacitation of the EXCO team brings stability to the Organisation. • A number of initiatives aimed at supporting tenants were implemented. This includes handing children educational packs and giving COVID relief food parcels to 40 families.	• Robust tenants engagements sessions were conducted across tenanted projects. • Online system (JOSHCO App) was developed to easy access JOSHCO's application process. The system will be finalised beginning of the FY.
STRATEGIC GOAL 7	• Functional Board for the FY to provide strategic direction and oversight. • 18 pieces of legislation were at 100% compliance by the end of the FY.	• Functional Board for the FY to provide strategic direction and oversight. • 24 pieces of legislation were at 100% compliance by the end of the FY.

PROFILING OF PROJECTS IMPLEMENTED IN 2021/22 FY

The City has allocated a capital budget of R468 million at the beginning of the FY. However, the budget was reduced to R428 million during the mid-year budget adjustment. Thirteen projects were running at different stages of construction throughout the FY. Two projects that commenced in previous years have been completed and awaiting finalisation of paperwork for the entity to start with tenanting. Tenanting on the two properties is envisaged to take place in the first half of the 2023 FY. The two properties have a total of 349 units, translating to 349 households benefiting from decent, well-located and affordable accommodation.

Nancefield

The development is located in the City of Johannesburg, Region D, Ward 25, which is in Soweto. The project will yield 836 units in total once the entire development is completed. The phase that is currently under development has a total of 372 consisting of 64 one (1) bedroom units, 304 two (2) bedroom units and four (4) units that are designed to accommodate people with disabilities.

Princess Plot

The Development is located in the City of Johannesburg, Region C, Ward 73, which is in Roodepoort, consisting of a total of 333 Social Housing units. The unit typology includes 100 one (1) bedroom units and 233 two (2) bedroom units. Of the 233 two bedroom units, 28 high-spec units will be open to the market, outside the Social Housing requirements. The building has four (4) units that are designed to accommodate people with disabilities.

Claim Street

This building was previously used as office space, with retail shops on the ground floor that are currently tenanted. It was converted into Social Housing units that will yield a total of 80 units upon completion. The units are composed of Bachelor units with shared ablution facilities on 5 floors of an 8-storey high-rise building. The bottom 3 floors will be used for commercial tenants. The project will be occupied by citizens that meet the qualifying criteria for Social Housing Units.

TABLE 15: CAPITAL PROJECT

Project	Total Unit Yield	2021/22 Unit Yield	2021/22 Budget R'000	At 30 June Actual Expenditure R'000	% Spend	Actual Start Date	
Abel Road	262	0	R2 500	R2 405	96%	18/04/2017	
Booysens Street Inner City Conversion	250	0	R1 000	R1 000	100%		
Casa Mia (Phase 1 & 2)	80	0	R500	R0	0%	15/06/2017	
Devland Golden Highway	333	0	R18 410	R16 582	90%	11/10/2019	
Inner City Buildings	200	0	R32 000	R26 621	83%		
Lufhereng	407	90	R101 290	R98 931	98%	01/09/2019	
Nancefield Station	372	0	R88 000	R87 386	99%	01/11/2019	
Princess Plot	333	120	R120 955	R116 750	97%	01/09/2019	
Randburg Selkirk	145	0	R5 000	R4 903	97%	20/11/2020	
Roodepoort Phase 2	92	92	R4 600	R4 576	99%	2/08/2019	
Turn Key1: Region A (Riverside)	350	0	R145 530	R144 432	99%		
Turn Key1: Region B (Jeppestown)	500	0	R61000	R60 998	100%		
Turn Key3: Region D (Rivonia)	400	0	R47 300	R47 300	100%		
Total			**R628 085**	**R611 883**	**97%**		

Planned Completion Date	30 June Plan	30 June Actual
25/04/2022	Completion of substructure to all 15 blocks, brickwork to all blocks with one block with roof covers.	Completion of substructure to 14 blocks and brickwork to 13 blocks. Roof delayed due to roof spec change.
To be determined once the main contractor is appointed	Appointment of professional team. Completion of concept and feasibility. Completion of site rezoning.	The appointment of the professional team was concluded. Concept and feasibility were completed. Rezoning application submitted, expecting approval in August 2022.
30/06/2022	Completion of the project brief and scoping terms of reference for professional team. Completion of the eviction process and appointment of a professional team.	Project brief and scoping terms of reference for professional team completed. Professional team was appointed. Eviction project has not yet been finalized. There are constant engagements with the City's MOEs regarding the process and strategy of eviction of illegal occupants.
To be confirmed once a new contractor who will complete the works has been appointed	Completion of phase 2.1. Obtaining Works completion and Occupation Certificates.	The Developer has been terminated for non-performance due to financial constraints. Team is compiling a tender specification for a replacement contractor.
TBC		
28/04/2023	Completion of project. Obtaining Works completion and Occupation Certificates.	80% progress achieved. Landscaping and connection of services completed.
31/03/2023	Completion of substructure to all 15 blocks, brickwork to all blocks with one block with roof covers.	Completion of substructure to 14 blocks and brickwork to 13 blocks. Roof delayed due to roof spec change.
01/09/2022	Complete and submit subdivision and consolidations application for approval. Reach practical completion for the whole development.	Subdivision and consolidations are still under review. Approval is expected in August. Practical completion not achieved and is projected to be achieved at the end of September 2022.
19/11/2021	Completion of stage 3 and stage 4 redesign. Approval of SDP and section 7(6) application.	Stage 3 & 4 Designs done.
30/08/2021	Practical completion to be reached by the end of June.	Practical completion was not achieved as final certificate was not received. Project is at 99%.
TBC	Completion of the land transfer process. Approval of SHRA grant.	SHRA application was finalized and submitted and is pending approval. SHRA has written to the National Department of Human Settlement to get support and approval of deviation from the exact demarcated rezoning with regard to Diepsloot. Land transfer process in progress and will be concluded next financial year.
TBC	Completion of land procurement and transfer process.	The land has been identified, and the procurement and transfer process is in progress.
TBC	Completion of stage 2 to stage 4 design. Approval. Complete and submit rezoning and application for approval.	Stage 2 designs have been completed. Stage 3 designs are partially complete, with the wet service engineering designs outstanding. Full stage 3 approval is expected end of July 2022. Rezoning and SDP applications submitted and pending responses from the relevant departments.

PERFORMANCE AGAINST SERVICE LEVEL STANDARDS

The City signed a SDA with all its entities outlining its expectation, including the service level standards that entities are expected to adhere to when rendering services. The SLS aim to improve efficiency when the constituency of Johannesburg receives services from the municipality through its entities.

The following are the seven standards the Shareholder expects JOSHCO to adhere to:

- 98% accurate bills of all active customers.
- 96% of maintenance requests attended within seven working days of the logged call (revised to 14 working days through mid-year deviation).
- Routine building maintenance once per year and as when required.
- Outcome of enquiry to be sent to the application within five days.
- Outcome of the application communicated within seven days (revised to 10 working days through mid-year deviation).
- Acknowledgement and response within 24 hours of the complaint being logged, and
- Resolution within five working days of logged call.

Compared with the previous year, the overall performance has dropped slightly; from achieving six out of seven SLS to achieving five. The entity struggled with the achievement of reactive maintenance standards throughout the FY. This was due to a fragmented approach to implementing maintenance requests. Management makes a concerted effort in support of the Board to streamline fragmented processes to improve service delivery. The entity is also in the process of digitisation of key processes such as tenanting. The success of these initiatives, including robust tenant engagements that has commenced in the FY, will restore the entity's reputation.

TABLE16: PERFORMANCE AGAINST SERVICE LEVEL STANDARDS.

Core Service	Service-Level Standard Target	2020/21	2021/22	Evidence	Variance	Variance Explanation	Mitigations
Billing of customers.	98% accurate bills of all active customers.	98%	98.05%	Dated and signed pre-billing monthly report for each project and tariffs schedule.	+0.5%	None	None
Attending to requests for maintenance.	96% of maintenance requests were attended to within 14 working days of the logged call.	96.06%	84.27%	MDA/jobs report.	-11.73%	The variance was due to the delays in processing the maintenance request and appointment of service providers.	A panel of maintenance was established to fast-track maintenance work. The use of the panel will commence in the first quarter of 2022/23.
Routine building maintenance.	Once per year, and as and when required.	70%	91.7%	Service Plan submitted once during quarter 1 or when reviewed, and MDA/jobs report.	-30%	Variance was due to a limited budget. Some of the planned maintenance activities had to be deferred to the next FY.	Only budgeted maintenance will be included in the Annual Plan.
Application for rental housing.	Outcome of the enquiry to be sent to applicant within 5 days.	1 day	1.5 day	Monthly spreadsheet with a summary of all queries attended to for the reportable month, and e-mails.	+3.5	None	None
Applicant for rental housing.	Outcome of the application was communicated within 10 working days.	7 days	3 days	Dated and signed tracking document, and SMS report.	+7	None	None
Resolution of complaints.	Acknowledgement and response within 24 hours of complaint being logged.	24 hours	22 hours	Automated e-mails.	N/A	None	None
Resolution of complaints.	Resolution within 5 working days of logged call.	1 day	1 day	Monthly spreadsheet with a summary of all queries attended to for the reportable month, and e-mails.	+4	None	None

SECTION 5:

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

The entity has 21 annual Key Performance Indicators (KPIs) in the 2021/22 FY that were measured to ensure that the objectives are achieved. Of the 21 targets set, five (5) were achieved and 16 were not achieved.

Table 17: Variance Report as at 30 JUNE 2022.

<table>
<tr><th>No</th><th>Annual Target</th><th>Actual</th><th>Variance</th><th>Future Control Measures</th></tr>
<tr><td>1.</td><td>Current Ratio: 1:1.</td><td>0.80:1</td><td>-0.20</td><td rowspan="2">The non-performance of this target is attributed to high provision for bad debts and high operating costs, mainly utility costs. The entity is also in an overdraft position that contributes to the non-achievement of ratios.

The entity does not generate sufficient income to cover its operating expenses. It is focusing on revenue enhancement activities in order to improve the entity's financial sustainability as follows:
• Increase in management fee income earned on projects implemented on behalf of other COJ entities – this strategy is progressing well; the entity is 23% above the year's projections.
• Student accommodation – a share of the collections has been transferred to JOSHCO. An addendum to the contract is currently being drafted to ensure timeous collection of monies due to the entity. Conclusion is expected in Q1 of FY2022/23.
• Outdoor advertising – the appointed service provider has developed the building wrap structures for advertisement at AA House and is now in the process of developing the Union Square Building. The following are the next developments proposed:
1. MBV
2. African Diamond
3. Raschers and
4. Phoenix House.

The second implementation phase will be signing leases with the marketing companies for utilising the space.

The entity has a challenge of high expenditure. Strategies to reduce expenditure are as follows:

• The process of installation of Biometric systems in 20 JOSHCO projects was completed on 21 December 2021.
• The enrolment of tenants into the system is underway. Currently, 12 of 20 (60%) have been completed. It is envisaged that enrolment will be done by the end of July 2022. JOSHCO is in the process of procurement for the storage of the data.</td></tr>
<tr><td>2</td><td>Solvency Ratio: 1:1.</td><td>0.82:1</td><td>-0.18</td></tr>
</table>

No	Annual Target	Actual	Variance	Future Control Measures
				• Staff costs: management intervention in their departments reduces leave balances by ensuring their subordinates take mandatory leave. Negotiations are underway with union representatives for the selling of leave for qualifying employees. • Provision for bad debts – refer to mitigations for debt collection below. • Finance costs – refer to cost coverage mitigations below. • Repairs and maintenance – refer to Section 2.2 of chapter 5. • Security - refer to Section 2.2 of chapter 5. • Utilities – the entity has appointed a service provider to provide a vending solution. Dobsonville and Turffontein are now fully operating on the JOSHCO vending programme. JOSHCO is building the capacity to take over the vending programme after the three-year contract. The insourced maintenance team has been prepared to service the customers as and when required. The challenges in relation to the appointed service provider have been addressed and the system for vending has been developed and MTC will be providing smart meters when required by the service provider. As per the statement of collection from the service provider, JOSCHO will received R600 000 from the service provider for the two properties. JOSCHO Management has started the process of creating a panel of service providers to provide water meters, water vending solution and additional electricity meters. This panel should be concluded by end of July 2022.
3	50 days cost coverage.	-235 days	-285 days	Non-performance is due to low cash balances and an overdraft due to settlement of suppliers prior to receiving claims from the departments that the entity is executing projects on behalf of. The highest outstanding balance from the entities that JOSHCO is executing projects on behalf of, is from the Department of Human Settlement. Human Settlement Department (COJ) has undertaken to pay approximately R300 million of the outstanding balance of R924 million due to JOSHCO by 31st August 2022. The Executive Director of Human Settlement Department has been requested to provide a plan for the new financial year on how the department will settle the invoices due to JOSHCO that are not disputed. Project managers have been employed in the Office of the COO to support the work undertaken on behalf of the COJ departments. These project managers will also be responsible to follow up on payments due to JOSHCO and resolve any disputes from the invoices. Regular engagements are to be held with COJ departments to follow up on outstanding invoices. Finance department is working with the Office of the COO to ensure timeous submission of invoices to departments that JOSHCO is executing projects on behalf. The Finance manager will co-ordinate monthly meetings with the project team to track payment of invoices due to JOSHCO. Invoices for any department owing JOSHCO more than 60 days will be escalated to CFO for intervention. Amounts owing 90 days plus to be escalated to the CEO for engagement with the Executive Directors of those departments.

No	Annual Target	Actual	Variance	Future Control Measures
4	90% collection in respect of debtors.	56%	-34%	Mitigation: • There has been a process undertaken to remove all the City-owned Public Stock from JOSHCO's books back to the City's Human Settlement department; this is in line with the shareholder resolution in this region. The properties that JOSHCO will be managing on behalf of the City will not form part of SHRA funded portfolio or reporting. The rental collection will be on account of HSD. • To improve collection, the JOSHCO Executive Committee has decided to streamline all property management functions under the Housing Management Department. The Organisational Design process has been finalised. • To deal with the long outstanding debt, the entity has sourced an additional 4 debt collectors to assist with debt collection. JOSHCO has grouped its properties into four portfolios. Each portfolio will have a debt collector who will focus on that respective portfolio and the payment to the debt collector is performance driven, they will only claim for the percentage of the payment recovered. The existing debt collectors will be assigned to the City's referral stock. • JOSHCO will now send bulk SMS's to encourage payment arrangements, collection of the monthly statements at the site offices or get the statements emailed to them. • The numerous discount vouchers available per JOSHCO's policy will continue to be offered to tenants. • The tenant engagement programme is currently being rolled out in collaboration with SHRA to deal with all post-tenanting matters.
5	30% spent of CAPEX on SMMEs.	10,65%	-19,35%	1. Social Facilitators were appointed in some projects. 2. Engagement/open days have been arranged for SMME's on projects to engage various stakeholders within the Built Environment to be capacitated on how to implement and allocate resources on site. 3. The SMMEs payment in the fourth quarter improved greatly after wet trades had been done at Lufhereng and Nancefield Social Housing Developments.
6	483 Social Housing units developed.	210	-273	Underperformance was due to some of the following reasons: stoppages resulting from SMMEs challenges. However, a total of 210 units were delivered in the following projects: • Lufhereng has achieved 90 units. • Princes Plot achieved 120 units. Mitigation: JOSHCO will focus on more engagements through the office of the MMC for Human Settlement with ward Councilors. SMME desks have been set up at projects that are under construction.
7	349 Social Housing units completed.	0	349	The projects that were targeted to yield 349 units are completed however completion certificates were not issued within the FY. These units are delivered through the Abel Street and Rooderpoort Projects. Mitigation: The entity has engaged the Development Planning Department requesting prioritisation of the applications.

No	Annual Target	Actual	Variance	Future Control Measures
8	95% capital budget spent (cumulative).	94%	-1%	The variance was as a result of the KPI, which was only tracking CAPEX spend on Social Housing projects whereas the other portion was spent on the refurbishment of the Head Office. Going forward, a clear distinction will be made during planning.
9	Unqualified audit opinion.	Qualified Opinion		The qualified opinion was due to three findings that affected the opinion. Management will compile a comprehensive audit action plan to address the findings and ensure that proper controls are put in place to prevent repeat findings.
10	95% compliance to laws and regulations.	82%	-13%	Underperformance is as per the results of 5 Acts that are still below 100%. This includes key acts such as the Social Housing Act, Rental Act and POPI Act. The entity has put in place a Compliance Steering Committee to track progress on SHRA compliance issues to remedy the shortcomings and improve accreditation. For POPIA, the entity has sourced consultants' services to conduct a gap analysis and make recommendations. In the meantime, the City has provided a tool used to assess provision of the Act.
11	95% implementation of corrective action against identified risks.	84%	-11%	Underperformance was due to some of the mitigations that were not fully implemented such as installation of burglars and CCTV cameras. To mitigate this, provision was made in the next FY budget. Furthermore, during the 2022/23 risk workshop, robust mitigation actions were identified for implementation in the next FY.
12	95% implementation of corrective action against internal audit findings.	74%	-21%	The underperformance is due to several findings that are still open due to a lack of budget finances to implement the corrective measures. Budget provision was made for those controls that require additional budget. Furthermore, the agreement was made that all executives must have a KPI relating to audit outcomes in their scorecards.
13	100% implementation of corrective action against external audit findings.	33%	-67%	The interim financial statements were prepared. However, internal audit raised findings on the interim financial statements and could not clear the AG findings. The final financial statements to be submitted to the AG should clear the outstanding findings after the internal audit review. As part of the year-end process, management will have additional officials reviewing the AFS and Internal Audit will perform AFS reviews prior to submission to AGSA. Furthermore, an agreement was reached that executives must have KPI on audit outcome in their scorecards. To address SCM related findings, all SCM officials should undergo training to ensure they understand all SCM and National Treasury requirements.
14	95% employee occupancy rate.	90%	-5%	The variance is a result of the moratorium placed on recruitment. The entity has received the approval to recruit for the CEO, COO, Company Secretary, Executive Manager, Corporate Services and the Senior Manager ICT. Recruitment processes are underway. The entity awaits the approval of additional positions affected by the moratorium. The entity has a total of 39 positions being currently recruited for.

No	Annual Target	Actual	Variance	Future Control Measures
15	85% customer satisfaction rating.	0%	-85%	Underperformance was due to delays in the formation of specifications that needed to be aligned with SHRA requirements. The tender was finalised, however only two projects were completed by end of the FY. The entity will continue with the survey in the new FY as it is important to understand the tenants perception and issues of concern. Going forward the customer satisfaction survey will be conducted on a quarterly basis per portfolio.
16	70% employee satisfaction rating.	0%	-70%	The entity had initially planned to utilise the City's Microsoft license in conducting the survey. Mitigation: The entity then decided to communicate with its workforce using a different survey strategy that focused on employee perceptions on job satisfaction. The survey's results cannot be generalised because only 11.8% of the staff component participated. To mitigate this and ensure that the survey is released early starting in the third quarter of the next FY, the proper safeguards have been put in place.


One part
gin.
Three parts
you.

Table 18: Organisational Performance Results as at 30 June 2021

Key Performance Area	Key Performance Indicator	Baseline 2019/20	2021/22 Target	
Objective: Become a financially sustainable entity.				
Financial Sustainability	Current Ratio (Cumulative)	Current Ratio 0.75:1	Current Ratio 1:1	
	Solvency Ratio (Cumulative)	Solvency Ratio 0.83:1	Solvency Ratio 1:1	
	Cost coverage ratio (Cumulative)	New	50 Cost coverage ratio	
	Remuneration to Operational Expenditure (OPEX) up to 40% (Cumulative)	New	Remuneration to Operational Expenditure (OPEX) up to 40%	
	% Collection in respect of current debtors	61% Collection in respect of current debtors	90% Collection in respect of current debtor	
Objective: Contribute towards economic development through SMME support and job creation.				
Job Creation	Number of jobs created for the unemployed through EPWP programme (Cumulative)	185 number of jobs created for the unemployed through EPWP programme	500 number of jobs created for the unemployed through EPWP programme	
Economic Development	30% of construction CAPEX spent on SMME's	30% of construction CAPEX spent on SMME's	30% of construction CAPEX spent on SMME's	
	% of valid invoices paid within 30 days of invoice receipt	99.5% of valid invoices paid within 30 days of invoice receipt	100% of valid invoices paid within 30 days of invoice receipt	
Objective: Develop Social Housing projects within transport corridors, Inner City and Greenfield (including suburbs and economic hubs).				
Social Housing Development	No of Social Housing units developed	330 No of Social Housing units developed for the disadvantage beneficiaries	483	
	No of Social Housing units completed	New	349	
	% Capital budget spent (Cumulative)	69% Capital budget spent	95% capital budget spent	
Objective: Effectively managed social housing projects.				
Effective Property Management	% Occupancy rate	96% Occupancy rate	98% Occupancy rate	
	Number of building conditional assessment concluded (Cumulative)	New	10 Buildings conditional assessment	
Objective: Strengthen governance and compliance.				
Adherence to Corporate Government Principles	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion	
	% Compliance to law and regulation	89% Compliance to law and regulation	95% Compliance to laws and regulations	
	% Implementation of targeted corrective action against identified risks (Cumulative)	50% Implementation of targeted corrective action against identified risks	95% Implementation of targeted corrective action against identified risks	

2021/22 Actual	Variance	Evidence and Means of Verification
0.80:1	-0.20	Monthly management accounts/ annual financial statements.
0.82: 1	-0.18	Monthly management accounts/ annual financial statements.
-235 days	-285 days	Monthly management accounts/ annual financial statements.
32%	+8%	Monthly management accounts/ annual financial statements. Management account report.
56%	-34%	MDA System. List of JOSHCO projects. Financial summary. Final billing report. Tenant age analysis/tenancy schedule; and invoices or bank statements.
503	+3	Service provider-register and payroll. Attendance register/timesheet, proof of payment, ID, and employment contract.
10.65%	-19.35%	Departmental expenditure report and invoices.
99.88%	Achieved	Purchase master. Bank statements, Invoices register, and Remittance for service providers.
210	-273	Independent professional report on milestone progress signed and dated within the financial year.
0	-349	Completion Certificate/ Occupation certificates.
94%	-1%	Board approved Capital Expenditure report and valid invoices.
98.26%	+0.26%	Property management system generated report.
22	+12	Professional signed building conditional assessment reports.
Qualified opinion		JOSHCO's Integrated Annual Report and Auditor General final report.
82%	-13%	Questionnaires supported by evidence and Exclaim Compliance Universe Toolkit Generated Reports.
84%	-11%	Strategic Risk Register, and approved risk report submitted to Group Risk.

Key Performance Area	Key Performance Indicator	Baseline 2019/20	2021/22 Target	
Objective: Become a financially sustainable entity.				
Corporate Governance	% Implementation of targeted corrective action against internal audit findings		95% Implementation of targeted corrective action against internal audit findings	
	% Implementation of targeted corrective action against external audit findings		100% Implementation of targeted corrective action against external audit findings	
Customer Centric	95% Employee occupancy rate	New	95%	
	% Customer satisfaction rating	66.74% Customer satisfaction rating	85% Customer satisfaction rating	
	% Employee satisfaction rating	New	70% Employee satisfaction rating	

PROPERTY MANAGEMENT

TENANTING AND ALLOCATION FUNCTION OF RENTAL UNITS

The existence and sustainability of the entity highly depend on its ability to attract and retain quality tenants. All tenants are taken through induction where responsibilities of both parties are outlined. Tenants education focusing on what is acceptable in the properties is also provided. Vacancies within the buildings are well managed to ensure compliance with SHRA regulation of not more than 2% vacancy allowed.

TABLE 19: PROPERTY OCCUPANCY RATE AS AT 30 JUNE 2022

No.	Project Name	Units No.	Occupancy	Occupancy (%)
1.	AA House	252	250	99.20%
2.	African Diamond	61	49	80.32%
3.	Antea	409	358	87.53%
4.	Bellavista Infill	36	36	100.00%
5.	Bothlabela	521	520	99.80%
6.	Chelsea	80	79	98.75%
7.	Citrine Court	79	79	100%
8.	City Deep New	329	328	99.69%
9.	City Deep Old	425	415	97.64%
10.	Devland	255	254	99.60%
11.	Dobsonville	502	499	99.40%
12.	Diepkloof	148	146	98.64%
13.	Europa House	167	165	98.80%
14.	Fleurhof Ph. 1	452	445	98.45%

	2021/22 Actual	Variance	Evidence and Means of Verification
	74%	-21%	Internal audit tracking reports are submitted to Executive Committee (EXCO) and the Audit and Risk Committee. Internal audit reports.
	33%	-67%	Internal audit tracking reports are submitted to Executive Committee (EXCO) and the Audit and Risk Committee. Internal audit reports.
	90%	-5%	The approved organogram that reflects funded position and SAP Report that shows positions filled.
	0%	85%	Survey conducted by service provider. Customer satisfaction survey report, and Questionnaires or survey instruments.
	0%`	70%	Survey conducted by service provider. Customer Satisfaction Survey Report, and Questionnaires or Survey instruments.

No.	Project Name	Units No.	Occupancy	Occupancy (%)
15.	Fleurhof Ph. 2	252	251	99.60%
16.	Hoek Street	265	257	97.98%
17.	Jabulani	54	54	100%
18.	Klipspruit (Beds)	54	54	100%
19.	Kliptown Golf C	936	929	99,25%
20.	Kliptown Square	478	475	99.37%
21.	La Rosabel	50	49	98.00%
22.	MBV	188	185	98.40%
23.	Orlando Ekhaya 2	190	185	97.36%
24.	Orlando Ekhaya 1	102	101	99.01%
25.	Orlando West	44	44	100%
26.	Pennyville (Flats)	198	195	98.48%
27.	Pennyville Rooms	564	563	99.82%
28.	Phoenix House	135	133	98.51%
29.	Rashers' Building	95	91	95.78%
30.	Roodepoort	432	431	99.76%
31.	Selby Rooms	19	19	100%
32.	Selby Units	256	253	98.82%
33.	Textile Building	162	144	88.88%
34.	Turffontein	525	525	100%
35	Union Square	341	338	99.12%
	Totals	**9056**	**8899**	**98.26%**

Annual Occupancy Level Comparison

The occupancy rate shows a steady increase for the past three FYs.

TABLE 20: ANNUAL COMPARISON OF OCCUPANCY RATE

No.	Financial Year	Number Units	Occupied	Vacancy	Occupancy Rate
1.	2018/2019	8 327	7 968	359	95,68%
2.	2019/2020	8 698	8 309	389	95.53%
3.	2020/2021	8 827	8 759	68	99.40%
4.	2021/2022	9 056	8 899	157	98.26%

Comments:

- It should be noted that occupation is based on the number of leases signed with tenants. There are projects where more than one household would share two-bedroom units. The actual number of units that the entity has are below 8 899.

Regularisation Process

The entity has commenced, at the beginning of the 2021 calendar year, with the process of ensuring that every tenant of JOSHCO has a valid lease agreement. The process gained momentum in the first half of the FY under review where tenants were co-operative and the majority of those identified were regularised. The second half of the FY was met with resistance since most tenants whose leases had expired were in arrears and had a perception that the entity is using the regularisation process as a strategy to evict them. The robust tenant engagement sessions introduced in the last half of the FY emphasised the importance of having a valid lease agreement in place. Tenants are also educated on various offerings available for legal tenants from JOSHCO and the regulator SHRA. These offerings include rental relief funds and incentives vouchers. The table below reflects progress made in the FY.

Table 21: Regularisation Status as at End of June 2022

Quarter	Identified Irregular Tenants	Regularised	Pending
Quarter 1	90	27	63
Quarter 2	66	64	2
TOTAL	**156**	**91**	**65**

MAINTENANCE FUNCTION HIGHLIGHTS

Maintenance is a component of Property Management, which is a strategy for retaining and growing the value of the building as an asset. Maintenance is therefore important to managing the entire investment in the building and the tenants' satisfaction. Maintenance falls into the following categories:

- Common area maintenance
- Vacancy re-instatement maintenance
- Planned maintenance
- Reactive maintenance

In order to improve efficiency and manage maintenance costs, JOSHCO Executive Committee has adopted the maintenance hybrid model that will see the entity using both the in-sourced maintenance team and the outsourced contractors. The in-sourced maintenance team will start in August 2022. Housing Management has re-arranged the portfolio set up to ease implementation of phase one of the in-sourced in the Inner City project.

Unplanned Maintenance

Unplanned maintenance also referred to as reactive maintenance occurs when the failure of a building component requires immediate attention; it restores the component to operational condition following an unforeseen failure. The bulk of these activities are a response to requests lodged by tenants residing within JOSHCO buildings and preserve the tenant's comfort and convenience.

Planned Maintenance

Planned maintenance work at predetermined intervals is to meet legislative, health and safety, technical or operational reliability considerations, and to preserve the asset and prolong its economic life.

Planned maintenance consists of preventative, legislative, and condition-based maintenance.

Preventative maintenance benefits include minimising the likelihood of building asset failures, health and safety issues and disruptions to service delivery.

Legislative maintenance is maintenance to meet requirements mandated in Acts, Regulations, or any other legal requirements instruments.

Condition-based maintenance is identified as a result of a condition assessment or inspection process. The maintenance work is carried out because the physical condition of a building structure, building elements, or service is below the acceptable standard.

Maintenance Costs & Service Level Standards (SLS)

In the financial year to June 2022 a total of R52 723 012 was spent on building repairs and maintenance against the budget of R46 424 628 resulting in 113% spent. A total of 6189 reactive jobs were lodged and R36 259 974 spent on reactive jobs logged, and an amount of R16 463 039 was spent on planned maintenance programmes for the year.

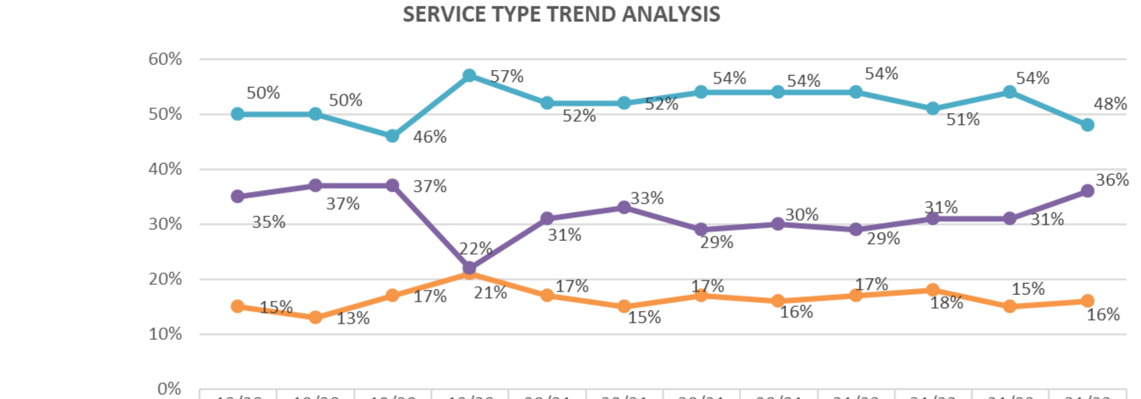
TABLE 22: ANALYSIS OF MAINTENANCE COSTS PER QUARTER AS AT 30 JUNE 2022.

Financial Year	2018/2019	2019/2020	2020/2021	2021/22
Unplanned R&M Costs	R 12 635 544	R 12 278 947	R 21 685 553	R36 259 973
No. of Jobs	4635	4518	5998	6189
No. Units Managed	8276	8454	8855	8899

The total actual maintenance expenditure versus budget variation at the end of the year was over budget by 13%. A higher than anticipated budget was spent on unplanned maintenance jobs. These jobs related to early failure of certain building components, especially water heating systems, resulting in monies that had been allocated for planned maintenance programmes being spent on these essential services.

Challenges still originating from the pandemic and remote working arrangements have impacted the service level turnaround time to attend to maintenance jobs, where the target has not been achieved. Changes however are being introduced to both the processes and approval procedure to improve efficiency and ensure that these targets are achieved going forward.

The chart below provides a trend analysis of the service type per quarter to the year-ending 30 June 2022



	19/20 Q1	19/20 Q2	19/20 Q3	19/20 Q4	20/21 Q1	20/21 Q2	20/21 Q3	20/21 Q4	21/22 Q1	21/22 Q2	21/22 Q3	21/22 Q4
Electrical	15%	13%	17%	21%	17%	15%	17%	16%	17%	18%	15%	16%
Plumbing	50%	50%	46%	57%	52%	52%	54%	54%	54%	51%	54%	48%
Repairs & Maintenace	35%	37%	37%	22%	31%	33%	29%	30%	29%	31%	31%	36%

Figure 4: Service Type Trend Analysis

The trend of jobs per service type remains consistent within a close range of 1% to 4% fluctuation. The only noticeable deviation in trend was attributed to the initial lockdown period of the COVID-19 pandemic where only essential services were permitted. The average for 2021/22 being thirty two percent (32%) of jobs related to general repairs and maintenance, fifty two percent (52%) to plumbing, and seventeen (17%) to electrical.

More than half of maintenance jobs relate to plumbing and are a result of: blockages to drainage systems; aging infrastructure in converted hostel projects; replacement of geysers that burst due to the end of their life span and are therefore out of warranty; repair and replacement of leaking water supply piping; and the replacement of sanitary fittings that have failed due to the end of their life span.

Planned Maintenance

The limitations of available budget for planned maintenance programmes in year 2017-2019 had a significant impact on customer satisfaction ratings, and the deterioration of building's condition was visibly apparent. Planned maintenance programmes have consequently been provided greater priority and will aim to ensure service to tenants is satisfactory and that quality, habitable and safe living conditions are provided. Thorough building condition audits were conducted at all projects during 21/22 financial year. The detailed condition reports and maintenance plans will be presented for budgeting purposes and after approval, a plan developed for implementation.

The following report provides a breakdown of planned maintenance executed from 2018 to 2022FY.

TABLE 23: PLANNED MAINTENANCE 2019-2022.

Project Name	2018/2019	2019/2020	2020/2021	2021/2022
Total	R 2 909 658	R 8 236 851	R11 352 326	R16 463 039

Student Accommodation

The entity has a piloted student accommodation (Dakalo Project) through a building that is located in the inner-city. The programme is progressing swiftly with a building that has 182 beds fully occupied. A management company with expertise in the management of student accommodation was appointed for a period of three (3) years to implement the programme while transferring skills to internal employees for ease of transition upon the end of contract. The building has housed students from across the country who are studying in institutions of higher learning within the inner-city of Johannesburg. Institutions are enrolling more students than they can accommodate, which has led to a higher demand for accommodation. The National Department of Higher Learning did a study in 2010 which showed that, taking into account universities only, these institutions are only catering for 20% of their students with accommodation.

This has resulted in students residing in unsafe accommodation while paying exorbitant rental. The City has identified this gap and resolved to provide a solution through its entity (JOSHCO).

The accommodation has housed 182 students that are paying rental ranging from R3 959 to R4 387 depending on the unit typology.

The majority of students are paying through National Student Financial Aid Scheme (NSFSAS) while the remainder pay through either bursaries or self-funding. Dakalo Accommodation is one of the affordable accommodation units as compared to average rental in and around Braamfontein. The entity has generated revenue amounting to R 805 464.48 in the FY under review. The entity has plans to convert more inner-city buildings into student accommodation.

The entity has an ambitious target of delivering 10 000 beds in the next few years. This is planned to be achieved through a development of a student accommodation precinct that offers quality and safety through a security and technologically enabled environment based on the Smart City approach. Practically, biometric access controls and Closed-Circuit Television (CCTV) cameras will ensure the safety of the student community. The entity will commence with the refurbishment of Smit and Rissik buildings for student accommodation in the 2022/23 FY. The two buildings have the capacity to accommodate approximately 900 beds upon completion and are within 10km radius from the two prominent institutions of higher learning. Additional buildings will be acquired from the City, through the Johannesburg Property Company (JPC), and directly from the market. The entity's primary objectives in providing student accommodation include the following:

- To enhance and facilitate the living and learning experience of students within a diverse student community.
- To contribute to the academic success of previously disadvantaged students, by improving commute time and living conditions.
- To create thriving student communities that foster learning, social cohesion and a growth mindset.
- Build a diverse student profile that reflects the demographics of South African society.

Expanded Public Works Programme (EPWP)

JOSHCO supports the EPWP programme through creation of job opportunities and skills development for poor and unemployed people residing in the vicinity of projects that are under construction. These job opportunities range from skilled work to manual labour (depending on the type of projects) and the existing skills in the community. Furthermore, additional EPWP opportunities are created through major clean up campaigns and minor repair work at tenanted projects.

The Department of Economic Development in the City is entrusted with the responsibility of coordinating EPWP programme City-wide. A target of 500 EPWP jobs was agreed upon with JOSHCO at the beginning of the FY and five hundred and three (503) EPWP jobs were created during the year under review resulting in achievement of the set target. The results showed a slight drop as compared with the previous FY where five hundred and fifty-two (552) job opportunities were created. The entity has a potential to create a large number of labour-intensive jobs. However, most of the projects that were under construction were not at a stage where such employment could be created. It is envisaged that more jobs will be created in the new FY where new projects will be taking off the ground.

Going forward JOSHCO is expected to contribute towards the City's EPWP target of 17 504 in the 2022/23 FY. The entity has taken cognisance of the projects that will be implemented and its dynamics and reached an agreement to increase the annual target with two hundreds (200) jobs raising its 2022/23 EPWP target to seven hundred (700). Projects that are under construction were assessed and a determination of the number of jobs each project will create was made. Furthermore, the programme will be structured in such a way that it creates additional jobs through OPEX spending. This will be mainly EPWP jobs that will be created at the Head Office and at tenanted projects for cleaning and maintenance related works.

The entity plans to coordinate concerted effort from all role players in the project development phase in order to achieve and sustain the target going forward. Project managers were mandated to take the lead in projects under their supervision and work closely with the EPWP champion who will provide guidance in line with the national EPWP framework and guidelines. The entity will also ensure there is fair access to EPWP opportunities and fair allocation of local contracts through a well-coordinated system which will include Ward Councillors.

SMME Support

Small, Medium, and Micro-sized Enterprises (SMMEs) play a critical role in absorbing labour and skills development in the local economies. With a country that has high unemployment rate, poverty and inequality that affect the youth, SMMEs become one of the critical catalysts to address the challenge. The City has encouraged all its entities to align their objectives with its priorities which include a business-friendly city. With this priority in mind, the City regards it important to improve ease of doing business for both the formal and SMME sectors. This is to directly support services to SMMEs as part of its economic recovery strategy.

JOSHCO has an objective aimed at contributing towards this priority through support of SMMEs and job creation. The target to spend 30% of construction expenditure on SMMEs was set at the beginning of the FY and 10,6% was achieved against this target by end of the FY. The projects that were on implementation stages allocated work-packages ranging from Brickwork, Plastering, Plumbing, Electrical, Civil Works, Earthworks and General Builder's Works, to a cost of nearly R 15 million for the financial year. The following are projects that contributed to creating work packages for SMMEs:

- Lufhereng
- Princes Plot
- Nancefield

SMME Support Strategy

JOSHCO embraces the notion that the municipality's role should be that of a facilitator of an environment conducive to the development of business initiatives by community members. Through the Development Department, JOSHCO has engaged its contractors and developers with a view to revise and align project cash flows and construction programmes (to an extent viable) to ensure that, there is maximum local SMME's participation on each project during execution of works. While the work-packages for local SMME's are agreed upon during tender and contracting stage, the main contractors and developers on JOSHCO projects have been instructed to re-align work-streams where local SMME's are involved. This would ensure SMME's involvement at all stages of the project.

Furthermore, the Department will collaborate with the internal Stakeholder Manager to determine opportunities for a more collaborative and collective approach to the implementation of the approved policy on local SMME's participation. JOSHCO Management has further approved the implementation of local SMME's support through financial and non-financial methods as follows:

Financial: linkage with project funders in order for local SMME's to be able to raise capital funding for the work-packages that are allocated to them.

Non-financial: project-level assistance by the JOSHCO Professional team and its main Contractors and Developers in terms of contract management, project resourcing and technical understanding of measurements and claiming processes. JOSHCO views this critical to the solution faced by several SMME's on projects, which results in acceptance of "labour-only packages" at times due to lack of understating the effect of "fit & supply package".

SECTION 6:

PUBLIC SATISFACTION ON MUNICIPAL SERVICES

The entity has five core values that every employee pride themselves and carries when serving the customers, both existing and potential tenants. The values centre around Batho Pele principles wherein JOSHCO advocates for access, transparency, respect, efficiency and a customer focus. The entity executes its mandate with the aim of providing a high standard of services in line with the SLS that were agreed upon with the City. The Customer Service Department strives to attend to queries and complaints timeously. Annually, the entity utilises a customer satisfaction survey to measure tenants' satisfaction level from services that they receive.
The 2021/22 satisfaction survey was not conducted due to unavailability of necessary tools and delays in customising the survey to incorporate SHRA requirements. However, the tenants engagement sessions that were held provided management with a view on a number of issues that the tenants were not satisfied with. A committee that is tracking and responding to the issues was established and all issues are being attended.

SECTION 7:

RECOMMENDATIONS AND PLANS FOR THE NEXT FINANCIAL YEAR AND BEYOND

Development of Units

The entity has developed a business plan for the 2022/23 FY and two outer years outlining a number of interventions and programmes that will be implemented towards achieving its strategic objectives and ultimately the mandate of provision of Social and Affordable Housing units. The City's focus for capital investment in the 2022/23 MTREF is balanced between ensuring that the current infrastructure and facilities are properly maintained and functional, and to ensure adequate investment to respond to urbanisation and growth needs. Therefore, JOSHCO's project pipeline for the next FYs will leverage the City's infrastructure investment and plan in line with the identified Transit Oriented Development (TOD) corridors path.

The entity will be requesting for Capital Budget allocation of approximately R1,8 billion for the next three FYs in order to complete the projects that are in a multi-year pipeline including Turnkey Projects. The entity has a capacity to develop more than 3 000 units in three FYs through Turnkey Projects that provide units at large scale. There are projects such as Princes Plot, Nancefield and Lufhereng that have a potential to reach completion in the next FY. The completion of these projects will translate to more than 1 000 families benefiting from safe, secure and well-located accommodation at affordable rentals.

Student accommodation

The entity will continue with the student accommodation programme wherein it plans to commence with the refurbishment of Smit and Rissik buildings in the 2022/23 FY. The two buildings have the capacity to accommodate approximately 900 beds upon completion and are within a 10km radius from two prominent institutions of higher learning. There is a budget allocation of R10, 7 million for the 2022/23 FY that will be utilised for finalising the pre-construction stage which includes the feasibility study, project concept, project design development and design documentation, plans approval and contracting. The completion of the pre-construction stages will inform the entity on the project cost, grade of the required contractor and the project timelines. Due to budget constraint, the entity will also explore partnerships with the private sector in order to fast-track delivery of student accommodation in numbers.

Property Management

JOSHCO's existence highly depend on the tenanting of properties under its management. Therefore, proper management of the properties to ensure that they remain attractive is critical for the sustainability of the entity. This will include the operations of the property from screening tenants to arranging for security, cleaning, repairs and maintenance. The Social Housing Act (as published in the Government Gazette, 26 January 2012) states that a "comprehensive inspection of housing stock" needs to be conducted "at least every three years". This inspection is aimed at fulfilling this requirement as well as using the results to:

- determine the physical state of projects,
- ascertain any maintenance shortcomings,
- inform long-term maintenance plan and budget requirements.

The entity has conducted the building assessment audit in all the properties under management. Budget provision was made to commence with implementation of the recommendations in the 2023 FY which will contribute to the up-keeping and preservation of the properties. The entity has acknowledged budget limitations which will negatively affect the rate at which the assessment recommendations will be implemented. An additional budget will be motivated for during the mid-year budget adjustment process.

Customer Service

JOSHCO prides itself as an entity that is customer centric and this is embedded in the company values which encourages a culture of being transparent in its operations, attending to customers with respect and continuously learning best practice to improve efficiency. There are various interventions implemented that are centred on improving the relationship with both existing and potential customers. These initiatives, amongst others, include the following:

Tenant Outreach

The entity embarked on a mission to have an in-depth understanding of issues affecting the tenants at projects level. Tenants raised various concerns that some of which were deemed to be genuine and requiring concerted efforts to address; while others were based on perception, clarity in this case was provided. Three projects namely Antea, Chelsea and City Deep were covered in the FY under review with more projects to be covered in the next FY. The efforts made to engage tenants symbolises that management and the Board are running a caring entity.

Safe and Security

JOSHCO's philosophy on the management of social housing is unlike that of other landlords that provide units; its aim is to build a community. The projects are designed to cater for every person including PDW, children and women. Safety is prioritised with various measures being implemented, such as the installation of biometrics systems in 20 projects to manage access control. Additionally, one project was installed with burglars to protect tenants and their belongings.

CHAPTER 4

HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT

Strategic Goal: 7

Stakeholders Interested:

Impacted Capitals: Human and Financial

INTRODUCTION

Human resources play an important role in creating, developing and supporting a collaborative culture in the workplace. In addition to many other tasks, the department manages candidate recruitment and onboarding, training and development, performance management, payroll, and more. It brings all the fundamental principles required to build a welcoming workplace culture. The Human Resource Department takes care of employees in terms of recognition, benefits, and many other aspects.

Strategy Alignment and Change Management

Service delivery has remained at the core for JOSHCO despite making accommodation for new norms of working. This involved a higher than anticipated remote working format, which the City has embraced. Furthermore, the hybrid model which has been presented to the workforce allows those employees who are not required on the frontline of service delivery to execute their daily responsibilities with flexibility as they contribute towards the Golden Start.

Organisational Design

For years, JOSHCO has been plagued with a skills gap that has caused instability in the entity, reduced output, and resulted in low personnel retention. This was a result of a number of factors, including poor organisational design and compensation. JOSHCO then appointed a service provider to conduct an organsational design process, job profiling, and provide a grading system for the entity. The consulting team has undertaken a rigorous organisational design process and has extensively engaged with stakeholders to get input and buy in for the proposed organisational structure to ensure that the business processes are improved.

Records Management

JOSHCO records management proceeds from planning, controlling, directing, organising, training, promoting, and other managerial activities involved in records creation, maintenance and use, and disposition to achieve adequate and proper documentation of the policies and transactions of the entity. The HR Department is required to ensure the handling and maintenance of personnel records in accordance with the National Archives Act, 1996 (Act No. 43 of 1996), PFMA, Promotion of Access to Information Act (PAIA), POPI Act, and other applicable laws. The HR team aims to continually improve record keeping with efforts to ensure that a more integrated system is adopted.

SECTION 1:

EMPLOYEE REMUNERATION

Employee Compensation

Remuneration provides basic attraction to an employee to perform a job efficiently and effectively. Remuneration is one of the factors that can lead to employee motivation. Salaries constitute an important source of income for employees and determine their standard of living. An appropriate salary can effect employee productivity and work performance positively.

The appointment of the organisational structure consultants in the FY 2021/22 revealed a disjuncture in remuneration. JOHSCO has for many years faced a discrepancy in salary bands which has led to a low staff morale. This was caused by the implementation of an inappropriate grading system and subsequent attempt to realign when City salary benchmarks were instituted. This review is ongoing and the outcome is to ensure market related remuneration for all employees.

Employee Remuneration (Total Costs Including Executives)

This section provides the total employee remuneration of all employees that were in JOSHCO's employment during the FY (including the Executive members) as summarised in the table below.

TABLE 24: PERSONNEL COST BY OCCUPATIONAL LEVEL AS AT 30 JUNE 2022

Occupational Level	No. of Employees	Personnel Exp	Costs to Date
Top Management	2	852 514	3 410 056,00
Executive Managers	3	1 261 816,63	5 047 266,52
Mid Man	35	5 850 272,17	23 094 402,27
Skilled, Technicians	104	8 464 337,73	31 654 642,14
Semi-Skilled	2	75 068,07	226 395,61
Internship	4	91 992	423 661,05
EPWP	552	731 500	2 681 000,00
Unskilled	364	9 598 094,86	38 534 497,44
Total	**1066**	**R 26 925 595,40**	**R 105 071 921,03**

SECTION 2:

EMPLOYMENT AND VACANCIES

The organization has experienced a significant decrease in the recruitment of senior management positions. This was due to the moratorium placed at the inception of the new Multi-Party Government administration in November 2021. This contributes to an unstable work environment. It is therefore imperative to fill management positions so that recruitment can follow through to the rest of the staff component.

TABLE 25: EMPLOYEMENT AND VACANCIES AS AT 30 JUNE 2022

Operations / Support	Departments	Approved Headcount	Current Headcount	Vacancies	Temps	Interns
Operations	Housing Development	24	8	16	3	1
	Housing Management	463	436	27	0	3
Support	Office of the CEO	19	12	7	0	0
	Finance, SCM and Revenue	24	18	6	4	0
	Corporate Services	38	19	19	0	0
	ICT	35	3	33	0	0
	Business Planning and Strategy	20	6	14	0	0
Total		**623**	**502**	**122**	**7**	**4**

Total number of occupied positions (Incl. temps % Interns)	Occupancy	Vacancy
Vacancy and Occupancy (Including temps)	502	91
% of total no of posts	85%	15%

Staff Turnover

The turnover table reflects the 20 people whose contracts were terminated due to various reasons during the year. The biggest contributors were people that resigned mainly due to finding better opportunities. The percentage of those that retired is also a cause for concern. The entity had 3 employees that reached their retirement age and had to be released. Unfortunately, 4 employees were deceased during the FY.

TABLE 26: REASONS FOR TURNOVER IN 2021/2022

2021/2022	No of Employees Terminated	% Total of Staff Leaving
Death	4	2%
Resignation	8	4%
Dismissal	-	-
Retirement	3	.15%
Ill health	-	-
Expiry of contract	4	2%
Other	1	.05%
Total	**20**	**6.4%**

SECTION 3:

EMPLOYMENT EQUITY

Employment Equity is profiled according to gender, disability, race, salary grade, and by occupational levels. The employment equity targets are aligned to the country's Economically Active Population (EAP) percentage distribution within the Gauteng region. The EAP includes people from 15 to 64 years of age who are either employed, unemployed, and/or seeking employment. This is used to assist employers in the analysis of their workforce to determine the degree of under-representation of the designated groups.

JOSHCO is required to use the EAP as a guideline, in order to determine the resource allocation and subsequent interventions that are needed to achieve an equitable and representative workforce. It is important to note that the analysis of this section of the report focuses on the Gauteng EAP and IDP targets, as illustrated in the tables below.

JOSHCO's contribution towards the City's social and economic transformation agenda remains on course. As an entity, JOSHCO has always endeavoured to excel and contribute positively to the achievement of Employment Equity (EE) targets. During the year under review, the entity achieved and even exceeded the set percentage as per the City's IDP target. The entity achieved 53% of female representation against a target of 50%.

TABLE 27: EMPLOYMENT EQUITY AS AT 30 JUNE 2022

Employment Equity Profile													G/ Ttl	Racial % Profile	Female Gender % Achievement
Occupational Level	Male				Female				Foreign Nat.		Local				
	A	C	I	W	A	C	I	W	M	F	M	F			
Top Management	1	0	0	0	1	0	0	0	0	0	1	1	2	100%	50%
Senior Management	2	0	0	0	1	0	0	0	0	0	2	1	3	100%	50%
Professionally Qualified / Middle Management	15	0	0	2	8	0	1	0	2	1	17	9	29	85%	35%
Skilled Technically and Academically Qualified	43	3	0	0	56	5	1	1	0	0	46	63	109	99%	57%
Semi-Skilled	2	0	0	0	0	0	0	0	0	0	2	0	2	100%	0%
Unskilled	159	3	0	0	190	5	0	0			162	195	357	100%	55%
	222	6	0	2	256	10	2	1	2	1	230	269	502	99%	54%

TABLE 28: PERSON WITH DISABILITY AS AT 30 JUNE 2022

Employment Equity Profile													Grand Total
Occupational Level	Male				Female				Foreign Nat.		Local		
	A	C	I	W	A	C	I	W	M	F	M	F	
Top Management	0	0	0	0	0	0	0	0	0	0	0	0	0
Senior Management	0	0	0	0	0	0	0	0	0	0	0	0	0
Professionally Qualified / Middle Management	0	0	0	0	1	0	0	0	0	0	3	0	3
Skilled Technically and Academically Qualified	0	0	0	0	1	0	0	0	0	0	1	0	1
Semi-Skilled	0	0	0	0	0	0	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	2	0	0	0	0	0	4	0	4

Comments:

- The recruitment of people of colour remains a priority in ensuring equal opportunities are given to all races.
- The recruitment processes will be driven towards addressing equity target challenges.
- It is presumed that there are more employees with disabilities. However, no official disclosures have come forth.
- The recruitment of employees with disabilities has been prioritised in the coming FY.

TABLE 29: DISABILITY PERCENTAGE STANDING

Actual Number of Staff with Disabilities	4
Total Staff Compliment	502
Disability Target	10
Actual Disability %	1%

TABLE 30: WORKFORCE PROFILE IN TERMS OF AGE, RACE, GENDER AND FOREIGN NATIONAL STATUS AS AT JUNE 2022

Occupational Level (Below EAP Row)	Age Group	Male				Female				Foreign Nat.		Total
		A	C	I	W	A	C	I	W	M	F	
Top Management	18-34	0	0	0	0	0	0	0	0	0	0	0
(Level 1-2)	>35	1	0	0	0	1	0	0	0	0	0	2
	Total	1	0	0	0	1	0	0	0	0	0	2
Senior Management	18-34	0	0	0	0	0	0	0	0	0	0	0
(Level 3-4)	>35	1	0	0	0	2	0	0	0	0	0	3
	Total	1	0	0	0	2	0	0	0	0	0	3
Professional Qualified	18-34	1	0	0	0	2	0	0	0	1	1	5
(Level 5-6)	>35	13	0	0	3	9	0	1	0	1	0	27
	Total	14	0	0	3	11	0	1	0	2	1	32
Skilled Technical	18-34	16	1	0	0	21	0	0	1	0	0	39
(Level 7-8)	>35	27	2	0	0	31	4	1	0	0	0	65
	Total	43	3	0	0	52	4	1	1	0	0	104
Semi-Skilled	18-34	0	0	0	0	0	0	0	0	0	0	0
(Level 9-10)	>35	2	0	0	0	0	0	0	0	0	0	2
	Total	2	0	0	0	0	0	0	0	0	0	2
Unskilled	18-34	62	0	0	0	38	0	0	0	0	0	100
(Level 11)	>35	99	2	0	0	155	3	0	0	0	0	259
	Total	161	2	0	0	193	3	0	0	0	0	359
Temporary	18-34 >35	0	0	0	0	0	0	0	0	0	0	0
	Total	222	5	0	3	259	7	2	1	2	1	502

TABLE 31: PERCENTAGE STANDING ON RACE AND GENDER

Occupational Level (Below EAP Row)	Age Group	Male				Female				Foreign Nat.		Total
		A	C	I	W	A	C	I	W	Male	Female	
Top Management	18-34	0	0	0	0	0	0	0	0	0	0	0
(Level 1-2)	>35	50%	0	0	0	50%	0	0	0	0	0	100%
	Total	50%	0	0	0	50%	0	0	0	0	0	100%
Senior Management	18-34	0	0	0	0	0	0	0	0	0	0	0
(Level 3-4)	>35	33%	0	0	0	67%	0	0	0	0	0	100%
	Total	33%	0	0	0	67%	0	0	0	0	0	100%
Professional Qualified	18-34	20%	0%	0%	0%	40%	0%	0%	0%	20%	20%	100%
(Level 5-6)	>35	48%	0%	0%	11%	33%	0%	4%	0%	4%	0%	100%
	Total	34%	0%	0%	6%	37%	0%	2%	0%	12%	10%	100%
Skilled Technical	18-34	41%	3%	0%	0%	54%	0%	0%	3%	0%	0%	100%
(Level 7-8)	>35	43%	3%	0%	0%	46%	6%	2%	0%	0%	0%	100%
	Total	42%	3%	0%	0%	50%	3%	1%	1%	0%	0%	100%
Semi-Skilled	18-34	0	0	0	0	0	0	0	0	0	0	0
(Level 9-10)	>35	100%	0	0	0	0	0	0	0	0	0	100%
	Total	100%	0	0	0	0	0	0	0	0	0	100%
Unskilled	18-34	62%	0%	0%	0%	38%	0%	0%	0%	0%	0%	100%
(Level 11)	>35	38%	1%	0%	0%	60%	1%	0%	0%	0%	0%	100%
	Total	50%	0%	0%	0%	49%	1%	0%	0%	0%	0%	100%
Temporary	18-34	0	0	0	0	0	0	0	0	0	0	0
	>35	0	0	0	0	0	0	0	0	0	0	0

SECTION 4:

SKILLS DEVELOPMENT AND TRAINING

Maintaining a Skilled and Capable Workforce

A skills audit was embarked upon in the period under review, which is a process that involved every member of the entity's staff, including business unit heads. The entity's Human Resources Department drove the project. The process was intense and participative, ensuring complete buy-in and inclusive outcomes, and led to the formulation of the Workplace Skills Plan, which was submitted to the Services SETA, thereby meeting legislative requirements.

Table 32: Skills Development and Training

Occupational Category	Number of Employees	Training Provided Within the Reporting Period		
		Skills Programmes & Other Short Courses	MFMA Compliance Programme	Bursaries
Top Management	2	-	-	1
Executive Manager	3	-	-	-
Middle Management	35	-	-	7
Skilled Technical and Academically Qualified	105	-	-	29
Semi-Skilled	2	-	-	-
Unskilled	364	-	-	24

Training Interventions for 2021/22

- Seven staff attended Employment Equity Training.
- Induction was held with eighteen employees.
- A fraud and corruption awareness workshop was held for the Human Resources Staff.
- Performance Management and Conditions of Service Information sharing sessions were held for the security officers and cleaners. A total number of 109 attended.

Learnership and Internship Programme

This programme is in line with the National Skills Development (NSD) plan, to which JOSHCO subscribes. The Company offers unemployed youth and graduates the opportunity to acquire workplace skills and experience. A total of 4 (four) interns were given an opportunity for employment during the 2021/22 FY.

SECTION 5:

PERFORMANCE MANAGEMENT

SECTION 5: PERFORMANCE MANAGEMENT

This section provides quarterly reporting on the status of performance management of the entity and is in line with approved performance policies. JOSHCO has a well-embedded, standardised performance management policy and procedure for setting performance objectives that are aligned to the Business and Divisional plans.

Formal performance reviews are conducted bi-annually, and year-end performance scores are the determining factor for a performance reward. Enhanced performance development and coaching approach are being conducted on a continuous basis to ensure that employee performance is consistently reviewed. The table below summarises the submission of performance agreements and reviews per department.

Department	Eligible Staff	Performance Agreements Submitted	Outstanding
Office of the CEO (Exec's, Internal Audit, Legal, Stakeholder & Cosec)	15	6	9
Business Planning & Strategy (IT, Risk & PA)	9	6	3
Housing Management (PMs, HSV, Maintenance & Leasing, Comm Dev, Security)	59	6	53
Housing Development	12	0	12
Finance (Revenue, SCM & Finance Core)	35	4	31
Corporate Services (HR, Comm's, CC)	13	8	5
Total	**143**	**30**	**113**

Comments:

Organised labour declined to contract, citing a number of grievances. As a result, the number of employees who signed their performance contract for the FY was very minimal. There was no performance contracting for the better part of the FY, however as an entity there has been continuous engagements with staff to ensure there is adequate understanding of the performance management system and how it applies.

SECTION 6:

DISCIPLINARY MATTER AND OUTCOMES

Labour Management

The relationship between labour and management is viewed as an important element in nurturing, engaging and managing the workforce. The LLF meetings were held to ensure continuous engagement with stakeholders on all internal matters from the employer and employee's perspective. A letter of suspension from the regional office of SAMWU for one of their union representatives was received in the last half of the FY. Communication with the regional offices of the recognised unions continued and was maintained.

TABLE 34: DISCIPLINARY MATTERS AS AT 30 JUNE 2022

Sanction	No of Employees
Verbal Warning	1
Written Warning	1
Final Written Warning	3
Dismissal	0
Suspension	1
Demotion	1
Total	**7**

Comments:

- As an intervention to capacitate line managers, the Human Resources Department is currently sourcing a service provider to formally train all levels of management on disciplinary matters (presenting and presiding over matters). This will strengthen the manner in which cases are managed.

Grievances	No of Cases
FY 2021/2022	8

Comments:

- A total of eight grievances were lodged for the reporting period, with six finalised and two that are ongoing pending grievances that are being escalated. First seatings have occurred on all matters under consideration.

Employee Wellness

As a responsible employer, the entity has embarked on ensuring that there are programmes that assist employees with health-related challenges and psychosocial stressors which affect work performance. This is aimed at maintaining high productivity levels through the empowerment of employees and managers in the holistic management of employees' health and wellness needs. The wellness programme includes amongst others:

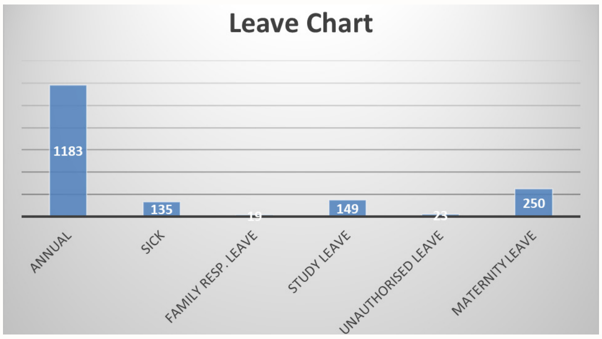
- Health Education
- Supportive Social and Physical Environment
- Integration of the Programme into the Organisation's Structure
- Linking to Related Programmes (Such as Employee Assistance Programmes)
- HIV and AIDS-related programmes
- Work-site Screenings and Education
- Weigh less or gain programmes
- Exercise
- Stress management or resiliency education

SECTION 7:

LEAVE AND PRODUCTIVITY MANAGEMENT

Employees of JOSHCO are entitled to 24 days of leave annually, which may be taken at a time that is convenient for JOSHCO and allowed by management, in accordance with the organization's approved leave management and regulation of hour's policy. There is also a provision for 80 sick days over a three-year period. The tables below show the entity's overall leave usage in detail.

Type of Leave	Total	% Leave taken
Annual	1183	67%
Sick	135	7%
Family Resp. Leave	19	01%
Study Leave	149	8%
Unauthorised Leave	23	03%
Maternity Leave	250	14%
Total	**1759**	



Comments:

- The leave utilization has continued to decrease in the FY. This is due to the continued work-from-home strategy, which contributes to the low uptake of leave.
- Annual leave remains the most utilized provision, which is viewed as a positive, as it reduces liability to the Company, and employees get to take the needed breaks.
- Sick leave utilisation decreased, with the assumption that most employees did not inform the employer when sick due to continued work from home.

SECTION 8:

EMPLOYEE BENEFITS

JOSHCO has medical aid and a provident fund as benefits. It is elective for some levels of occupation as guided by the central subsistence allowance agreement. Further to this, 61 study bursaries have been approved and provided to employees. Employees who are studying are eligible for two study leave days to prepare for the exams and an additional day for the exam day.

SECTION 9:

OCCUPATIONAL HEALTH AND SAFETY

The entity places a high priority on its commitment to the health and safety of both clients and staff. It was recognised that part of the risk management assurance duty is to take a proactive approach to reduce health and safety risks and ensure that health and safety laws are being followed.

Health and Safety Activities and Incidents Reported

During the reporting period, training of emergency team members such as Fire Fighters, First Aiders and Safety Representatives were conducted to improve emergency preparedness and response in order to comply with the Occupational Health and Safety Act and Regulations. Safety meetings and awareness activities were rolled out during the period under review. Covid-19 cases and vaccination, injury on duty (IOD), and fatality cases were reported as follows.

Health and Safety Activities and Incidents Reported

Total Covid-19 Positive Cases	Total Vaccinated Employees	Total Fatalities	Total IOD's
14	77	01	05

9.1 Regulation 28 Compliance

Policy Statement

Due to staff turnover in the entity, the Health and Safety policy statement was revised and communicated to employees.

Risk Assessment

Non-compliance to OHS Act requirements can have legal implications for JOSHCO, such as claims made in the event of any injury, as well as fines imposed on JOSHCO that could lead to financial or even criminal implications.

SECTION 10:

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) is embraced by JOSHCO as a business strategy that compels the entity to make a concentrated effort to conduct its operations in ways that improve rather than harm society and the environment. The entity carried out a variety of CSR efforts during the fiscal year. The emphasis was on contributing to environmental protection, youth development, anti-corruption and workforce support.

- A learnership was offered to unemployed youth that needed exposure to the labour market. Furthermore, a relationship was forged with two institutes of Higher learning with the aim of providing students with experiential opportunities through JOSHCO projects.
- MMC for Housing, Cllr. Mlungisi Mabaso convened the first-ever Youth in Building Summit on June 29, 2022, in collaboration with JOSHCO, with the aim of supporting and encouraging young people in the City of Johannesburg who are interested in the construction industry. Through offering knowledge and experience, this project encourages cognitive growth while simultaneously addressing the challenges that young people encounter in the field.
- The entity has zero tolerance for fraud and corruption. Public awareness sessions were conducted through physical sessions and on social media platforms.
- The entity has driven a massive tenant education campaign to educate tenants on the social and affordable housing offering, to hear out concerns of maintenance and discuss rental collection.
- A total of 61 employees were given a chance to further their studies by being given fully funded bursaries.

When the entity implements programmes and projects, it places the interests of all its stakeholders first in an effort to be a good corporate citizen. The entity's philosophy is on building communities through tenanted projects rather than just renting out housing.

CHAPTER 5

FINANCIAL POSITION AND PERFORMANCE

Strategic Goal: 2, 3

Stakeholders Interested:

Impacted Capitals: Financial and Intellectual

SECTION 1:

STATEMENT OF FINANCIAL POSITION AND HIGH-LEVEL NOTES

This section must be read in conjunction with the Audited Financial Statements for the period reported on.

ASSETS

An analysis of the financial position as at 30 June 2022 is reflected below and in Table 38.

TABLE 38: STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2022

Description	30-Jun-22 R'000	30-Jun-21* R'000	Variance R'000	Variance %
Assets				
Current Assets				
Inventories	233	392	(159)	-41%
Loans to shareholders	2 975	(159)	(2 983)	-50%
Current tax receivable	50	50	-	0%
Receivables from exchange transactions	1,512,356	790,124	722,232	91%
Receivables from non-exchange transactions	4 251	2 513	1 738	69%
VAT receivable	3 918	2 792	1 126	40%
Cash and cash equivalents	189 265	172 019	17 246	10%
	1 713 047	**973 848**	**739 199**	**76%**

Description	30-Jun-22 R'000	30-Jun-21* R'000	Variance R'000	Variance %
Non-current assets				
Property plant and equipment	10 784	9 560	1 224	13%
Intangible assets	9 369	348	9 021	2 592%
Interest in joint venture	20 414	22 410	(1 996)	-9%
Total Non-current assets	**40 566**	**32 319**	**8 247**	**26%**
Total Assets	**1 753 614**	**1 006 167**	**747 447**	**74%**
Liabilities				
Current Liabilities				
Loans from shareholder	1 132 764	414 269	718 495	173%
Borrowings - DBSA	2 352	2 142	2 10	10%
Finance lease obligation	-	508	(508)	-100%
Payables from exchange transactions	1 004 126	839 794	164 332	20%
	2 139 241	**1 256 713**	**882 528**	**70%**
Non-Current Liabilities				
Borrowings - DBSA	9 008	10 365	(1 357)	-13%
Finance lease obligation	-	67	(67)	-100%
Unspent conditional grants and receipts	178	178	-	0%
	9 186	**10 610**	**(1 424)**	**-13%**
Total Liabilities	**2 148 427**	**1 267 322**	**881 104**	**70%**
Net Assets	(394 813)	(261 156)	(133 657)	51%
Share Capital	0.120	0.120	-	0%
Accumulated deficit	(394 813)	(261 156)	(133 657)	51%
Total Net Assets	(394 813)	(261 156)	(133 657)	51%

1.1 Assets

Current assets have increased by R739.2 million (from R973.8 million to R1.713 billion). Receivables from exchange transactions increased by 91% due to high outstanding tenant debtors and high outstanding balances from COJ Departments the entity is executing projects on behalf of. The highest outstanding balance from the entities that JOSHCO is executing projects on behalf of is from the Department of Human Settlements. The Executive Director of Human Settlements has been requested to provide a plan for the new financial year on how the Department will settle the invoices due to JOSHCO, which are not being disputed.

The only material change in the composition of non-current assets is a 2592% increase in intangible assets due to the capitalization of the tenant portal system.

1.2 Liabilities

Loans from shareholders increased by R718.5 million (from R414.3 million to R1.133 billion) due to the entity settling all supplier invoices within 30 days and having long outstanding debtors from the departments that the entity executes projects on behalf of, resulting in a negative sweeping bank balance. Payables from exchange transactions increased by 20% because of additional work done on behalf of other departments. Included in current liabilities is the current portion of the long-term loan from the DBSA.

There has been no change in the composition of non-current liabilities.

SECTION 2:

STATEMENT OF FINANCIAL PERFORMANCE AND HIGH-LEVEL NOTES

Revenue and expenditure are recorded on an accrual basis. The financial performance of the year-ending 30 June 2022 resulted in a deficit of R133.7 million per Table 39 below:

TABLE 39: STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

Description	Actual R'000	Budget R'000	Variance R'000	Variance %
Rental Received	181 990	188 819	(6 829)	-4%
Subsidies	54 329	54 329	-	0%
Management fees	104 487	72 944	31 543	43%
Interest Received	14 312	14 455	(143)	-1%
Utilities	1 016	290	726	250%
Other Income	1 669	1 000	669	67%
Total Revenue	**357 803**	**331 837**	**25 966**	**8%**
Governance and staff cost	(156 217)	(149 878)	(6 339)	4%
Debt Impairment	(108 007)	(29 314)	(78 693)	268%
Depreciation and amortisation	(2 296)	(1 491)	(805)	54%
Finance costs	(35 908)	(1 602)	(34 306)	2141%
Bad debts written off	(231)	-	(231)	100%
Loss on disposal of assets	(510)	-	(510)	100%
Share of loss from joint venture	(897)	-	(897)	100%
Repairs and Maintenance	(53 067)	(38 963)	(14 104)	36%
Security Services	(23 983)	(25 188)	1 205	-5%
Cleaning and Gardening	(1 461)	(1 476)	15	-1%
Administrative	(108 883)	(83 925)	(24 958)	30%
Total Expenditure	**(491 460)**	**(331 837)**	**(159 623)**	**48%**
Deficit for the year	**(133 657)**	**-**	**(133 657)**	**100%**

2.1 Revenue

The entity's revenue is derived from the streams per the table below.

TABLE 40: REVENUE STREAMS AS AT 30 JUNE 2022.

Revenue	Actual R'000	Budget R'000	Weighting
Rentals received	181 990	188 819	51%
Subsidies	54 329	54 329	15%
Management Fees	104 487	72 944	29%
Interest Received	14 312	14 455	4%
Utilities	1 016	290	0.3%
Other Income	1 669	1 000	0.5%
Total	357 803	331 837	100%

The biggest contributor to revenue is rental income making up 51% of total revenue. Total revenue is 8% (R26 million) above budget. The main reason for revenue being above budget is Management fees which are 43% (R31.5 million) above budget due to increased projects on behalf of other departments.

The entity's collection levels continue to decrease. It has collected 56% for current tenant rentals against a collection target of 90% for the current financial year, as shown in Table 41 below. The debt collection company is proceeding with the collection of all debt above 60 days. The entity is also continuing with its internal collection processes. Various settlement discount voucher initiatives will continue to be implemented to encourage tenants to settle long outstanding debt.

TABLE 41: REVENUE COLLECTION

PORTFOLIO	TOTAL BILLING R'000	TOTAL COLLECTION R'000	% COLLECTION	REASONS FOR UNDERPERFORMANCE
Retail Space	2 287	2 170	95%	Shops in the inner-city have defaulted on arrangements made as well as short payments on current rentals. These tenants have been handed over to a debt collecting company for debt recovery and evictions.
Greenfields	16 512	8 654	52%	Delayed court orders for evictions. Debt recovery files opened for defaulting tenants.
Brownfields	21 240	13 032	61%	Delayed court orders for evictions & debt recovery & eviction files opened.
City Referral	3 704	580	16%	Former City Stock with a rising demand for ownership and mobilised group of tenants campaigning for non-rental payments.
OVERALL COLLECTION	43 742	24 437	56%	

The company currently uses the services of one debt collecting company to collect debt over 90 days. An additional four new debt collection companies have been appointed to extend the debt collection resources. The performance of the appointed debt collection company is shown in Table 42. For the year to date, the company has collected R12.4 million (4.8%) from the R259.8 million handed over to them for collection.

TABLE 42: REVENUE COLLECTION

Month	No. of Accounts Handed Over	Amount Handed Over R'000	Amount Collected R'000	% Collection
Jul-21	2 996	126 983	(833)	0.66%
Aug-21	2 988	128 745	(716)	0.56%
Sep-21	2 992	127 864	(774)	0.61%
Oct-21	3 000	137 352	(669)	0.49%
Nov-21	3 000	140 136	(608)	0.43%
Dec-21	3 000	143 691	(519)	0.36%
Jan-22	3 000	147 030	(488)	0.33%
Feb-22	4 887	230 057	(1 686)	0.73%
Mar-22	4 887	252 502	(1 996)	0.79%
Apr-22	4 370	213 034	(1 579)	0.74%
May-22	4 370	229 503	(1 382)	0.60%
Jun-22	4 370	259 763	(1 161)	0.45%
TOTAL YEAR TO DATE	**4 370**	**259 763**	**(12 411)**	**4.78%**

2.2 Expenditure

Analysis of significant variances between budget and actual cost:

a. Governance and Staff Costs

- 4% above budget (R6.3 million) due to overtime costs and a high leave pay provision raised to high leave balances in the current quarter.

b. Debt Impairment

- 268% above budget (R78.7 million) due to a low rental collection rate for the year leading to a higher provision for bad debts. The entity's collections rate for the year is 56% which is influenced by the reasons stated in Section 2.1 above.

c. Finance Costs

- 2141% above budget (R34.3 million) due to interest charged on sweeping account, which is in overdraft.

d. Repairs and Maintenance

- 36% above budget (R14.1 million) due to increased unplanned maintenance as a result of deteriorating conditions in some buildings, as planned maintenance has not been done in years due to financial constraints. The JOSHCO Executive Committee has adopted a hybrid maintenance model that will see JOSHCO using both the insourced maintenance team (handyman, plumber, electrician) and the outsourced contractors. The insourced maintenance team will start in the first quarter of 2022/23. The Housing Management department has re-arranged the portfolio set up to easily implement phase one of the insourced in the inner-city project. All inner-city buildings are now under one portfolio manager who will lead the team. A conditional building assessment has been done to understand the extent of the problem and to direct the budget appropriately.

e. Security

- 5% below budget (R1.2 million) due to effective use of the hybrid model for security (insourced and outsourced) by maximising on resources available.

f. Administrative

- 30% above budget (R25 million) due to an increase in utility costs, legal fees, advertising costs for preparation of sites for outdoor advertising and an increase in tele-communication costs (cell phones and 3G modems) due to staff of the entity still working from home. To manage high utility costs, the entity has appointed a service provider to provide a vending solution. To date, Dobsonville and Turffontein are now fully operating on the JOSHCO vending programme. JOSHCO is building the capacity to take over the vending programme after the three-year contract. The insourced maintenance team has been prepared to service the customers as and when required. Challenges in relation to the appointed service providers have been addressed and the system for vending has been developed. MTC will be providing smart meters as and when required by the service provider. As per the statement of collection from the service provider, JOSHCO will receive R733 495 from the service provider for the two properties. JOSHCO Management has started the process of creating a panel of service providers to provide water meters, water vending solution and additional electricity meters. This panel should be concluded by end of Q1 of 2022/23. The Executive Committee has taken a decision to settle matters out of court to reduce legal fees. Newly appointed debt collection companies have standard litigation rates and tenant matters will only be referred to them and not the wider city panel.

SECTION 3:

CASH FLOW STATEMENT

Cash and cash equivalents balance as at 30 June 2022, is R189.3 million. The tenant deposit account has a balance of R16.2 million. The SHRA account has a balance of R173.1 million. An amount of R1.133 billion is sitting in overdraft on the sweeping account and is disclosed as a current liability. A detailed statement of cash flows is shown in Table 43 below.

TABLE 43: CASH FLOW STATEMENT AS AT 30 JUNE 2022

Description	30-Jun-22 R'000	30-Jun-21 R'000
Cash flows from operating activities		
Receipts		
Sale of goods and services	286 742	134 370
Grants	54 329	19 900
Interest income	14 312	9 960
Other receipts	2 803	1 954
	358 186	**166 185**
Payments		
Employee costs	(158 227)	(144 144)
Suppliers	(854 348)	431 811)
Finance Costs	(35 908)	(7 147)
	(1 048483)	**(583 102)**
Net cash flows from operating activities	**(690297)**	**(416 917)**
Cash flows from investing activities		
Purchase of property, plant and equipment	(3 915)	(2 582)
Purchase of other intangible assets	(9 134)	-
Movement in investment in joint venture	1 100	1 100
Net cash flows from investing activities	**(11 950)**	**(1 482)**
Cash flows from financing activities		
Repayment of borrowings DBSA	(2 143)	(2 143)
Proceeds from shareholders' loan	721 636	426 652
Net cash flows from financing activities	**719 493**	**424 509**
Net increase/(decrease) in cash and cash equivalents	17 246	6 110
Cash and cash equivalents at the beginning of the year	172 019	165 909
Cash and cash equivalents at the end of the year	**189 265**	**172 019**

SECTION 4:

CAPITAL PROJECTS AND EXPENDITURE

JOSHCO has been allocated a budget of R628 million funded from external funding sources (Extended Fund Facility) and capital reserves (CRR). In the year under review, the entity had the following programmes:

- Greenfields projects.
- The Inner-City re-generation programme; and
- Special projects programme.

As at 30 June 2022, Capex expenditure is R614.8 million. This translates into a percentage spend of 97% against a target of 95% per the table below.

TABLE 44: CAPITAL EXPENDITURE SPENDING AS AT 30 JUNE 2022

Project Description	Approved Budget 2021/22	Amount Spent	Balance	% Spend
	R'000	R'000	R'000	
Abel Road Inner City Building Conversion	2 500	2 405	95	96%
Booysens Street Inner City Conversion	1 000	1 000	-	100%
Casamia Inner City Building Upgrade Region F	500	-	500	0%
Devland Golden Highway Social Housing Project Region D	18 410	16 582	1 828	90%
Inner City Buildings Acquisitions	32 000	26 621	5 379	83%
Lufhereng Social Housing Project Region D	101 290	98 931	2 359	98%
Nancefield Social Housing Project Region D	88 000	87 386	614	99%
Princess Plots Social Housing Project Region C	120 955	116 750	4 205	97%
Randburg Selkirk Social Housing Project Region B	5 000	4 903	97	98%
Roodepoort Social Housing Upgrade Region C	4 600	4 576	24	99%
Tum-Key 1: Region A	145 530	144 432	1 098	99%
Tum-Key 1: Region D	61 000	60 998	2	100%
Tum-Key 3: Region B	47 300	47 300	-	100%
	628 085	611 883	16 202	97%

SECTION 5:

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

The following ratios are considered as crucial in measuring the financial stability of the entity:

KEY PERFORMANCE INDICATOR	2021/22 TARGET	TARGET	PERFORMANCE	VARIANCE
Achievement of selected profitability and liquidity ratios	Current ratio 1:1	1:1	0.80	-0.20
	Solvency Ratio 1:1	1:1	0.82	-0.18
	Cost Coverage: 50 days	50 days	-235 days	-285 days
	Remuneration to operational expenditure (OPEX) up to 40%	40%	32%	+8%
	90% collection in respect of current debtors	90%	56%	-34%
% of valid invoices paid within 30 days of invoice receipt	100% of valid invoices paid within 30 days of invoice receipt	100%	100%	-
% Capital Expenditure Budget.	95% Capital Expenditure Budget.	95%	97%	+2%

SECTION 6:

SUPPLY CHAIN MANAGEMENT AND BBBEEE

Deviations, payments within 30 days, report on Irregular, Budget Overspending, Fruitless, and Wasteful Expenditure and Due Processes.

a. DEVIATIONS ON SCM

TABLE 46: THE DETAILS OF THE DEVIATIONS RECORDED FOR THE YEAR ENDED 30 JUNE 2022 ARE AS FOLLOW

Name of service provider	User Department	Reason	Amount
Belmandi Consulting	Company Secretary	Extension of scope – Board Committee meetings taking longer than allocated time.	R4 938
Magate Phala and Associates	Corporate Services	Extension of Scope – New misconduct matters lodged and Magate Phala contract ended before the new matters were concluded, therefore a need for extension of scope was identified and approved for.	R146 600
None	Housing Management Unit	Deviate from normal SCM processes – Advertisement of bid for period shorter than 30 days (Occupancy Audit panel).	N/A

b. PAYMENTS WITHIN 30 DAYS

The MFMA requires that municipal entities pay suppliers within a 30-day period. In the year ending June 2022, a significant number of suppliers were paid within the prescribed period (with a minor number of suppliers paid post the 30-day period – only 8 in the first quarter). Delays in reviewing of invoices were caused by increased workload due to year-end. The finance team has since been capacitated.

c. REPORT ON IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

The entity has incurred irregular expenditure of R20.6 million for overspending on the budget and R11.2 million for procurement that was not in line with regulations. The total Unauthorised, Irregular, Fruitless, and Wasteful Expenditure (UIFW) for the entity as at 30 June 2022 now amounts to R160.4 million. Internal Audit completed investigations on 91% of the irregular expenditure as at the beginning of the financial year. The remainder of the investigations will be concluded in Q1 of 2022/23. New UIFW investigations to commence in Q2 of 2022/23.

All completed investigations have been submitted to MPAC.

d. SUPPLY CHAIN MANAGEMENT

The entity strives to ensure that the procurement of goods and/or services involves start-up and mature Black-Owned companies, with a view to assist in skills capacitation. In the year under review, JOSHCO continued to ensure that Black-Owned companies were involved in the supply of goods and/or services. Below is the quarter-to-quarter analysis for the financial year-ending 30 June 2022.

TABLE 47: SUMMARY OF SPEND ON AT LEAST 51% BLACK-OWNED COMPANIES AS AT 30 JUNE 2022

Period	Total OPEX from Procurement R'000	OPEX on at least 51% Black-Owned Companies R'000	% Spend for the Period
Quarter 1	27 933	26 153	94%
Quarter 2	33 534	30 896	92%
Quarter 3	50 151	40 622	81%
Quarter 4	44 534	36 072	81%
Total for the year	156 152	133 743	86%
Period	**Total CAPEX From Procurement Activities R'000**	**CAPEX to at least 51% Black-Owned Companies R'000**	**% Spend for the Period**
Quarter 1	302 633	255 297	84%
Quarter 2	225 377	165 549	73%
Quarter 3	123 685	119 683	97%
Quarter 4	325 657	265 829	82%
Total for the year	977 352	806 358	83%

SECTION 7:

PENDING LITIGATIONS AND POSSIBLE LIABILITIES

JOSHCO had a number of litigations that are still pending and being attended to by the Legal Department. All cases relate to issues arising from the development of precincts. Below is the nature of cases that we are dealing with:

TABLE 48: LIST OF PENDING LITIGATIONS

LITIGATION	STATUS	POSSIBLE LIABILITY
Cancellation of a property sale agreement	In progress.	Purchase price, transfer costs and legal expenditure incurred in pursuing the claim.
Claim for damages	In progress.	R 13 926 340.53, which is the amount spent on professional fees, R 719 340.00 instituted for damages suffered due to the non-performance and legal costs incurred in pursuing the claim.
Claim for unpaid invoices for work done on the Casa-mia Project	In progress.	The claim for an amount of R 4 019 239.39 plus Legal fees
Claim for unpaid invoices for work done on the Dobsonville Project	In progress.	Interest on invoices at dispute
Applications for demolitions in respect of the illegal structures encroaching onto the Dobsonville social housing project	In progress.	Legal fees
Application for provisional liquidation for unpaid invoices (Dobsonville project)	Matter finalised.	Legal fees
Application for court interdict (Princess Plots Project)	In progress.	Legal costs
Various evictions and recovery of outstanding rental.	In progress.	Legal costs, arrear rent.
Claim for damages caused to motor vehicle at City Deep	Matter finalised.	Claim settled through insurance.

SECTION 8:

INSURANCE CLAIMS AGAINST/TO MOE

The entity utilises a group insurance scheme which is managed by the City. The scheme covers a range of incidents including motor, non-motor and employees and third-party liability. Several claims related to property damage of the JOSHCO managed rental stock have been lodged with the insurance since the beginning of the financial year. These claims range from third party liability and non-motor. Below is the insurance claims status as at end of June 2022:

TABLE 49: INSURANCE CLAIMS FOR THE YEAR

Claim Description	No of Claims	Status
Third Party Liability	1	Claim paid
Employee Practice Liability	3	2 paid and one ongoing
Assets All Risk	6	4 paid and 2 pending

SECTION 9:

STATEMENT ON AMOUNTS OWED BY AND TO GOVERNMENT

TABLE 50: AMOUNTS OWED TO OR BY DEPARTMENTS AND PUBLIC ENTITIES AS AT 30 JUNE 2022

Name of department	Amounts owed/(owing) R'000	Account status
City of Johannesburg: Sweeping account	(1 132 763)	180 days overdue
City of Johannesburg: Housing	924 325	180 days overdue
Gauteng Department of Human Settlements	15 969	180 days overdue
City of Johannesburg: Treasury	5 958	180 days overdue
City of Johannesburg: CAM	414 841	30 days overdue
City of Johannesburg: Health Department	30 474	Current
City of Johannesburg: GEF	541	Current
City of Johannesburg: Community Development	50 312	Current
City of Johannesburg: Legislature	23 812	60 days overdue
City of Johannesburg: JMPD	26 402	Current
City of Johannesburg: EMS	8 242	Current
City of Johannesburg- Social Development	659	Current
City of Johannesburg: Licencing	4 282	Current
Total	**368 772**	

CHAPTER 6

INTERNAL AND EXTERNAL AUDIT FINDINGS

Strategic Goal: 3, 7

Stakeholders Interested:

Impacted Capitals: Financial, Human & Intellectual

SECTION 1:

PROGRESS ON INTERNAL AUDIT PLAN

The Internal Audit's operations are guided by section 165 of the MFMA, together with the International Standards for Professional Practice of Internal Auditing of the Institute of Internal Auditors. For the financial year 2021-2022 the Internal Audit function continued and provided independent assurance that the entity's risk management, governance, and internal control processes was operating effectively and was fully insourced.

Internal Audit Independence and Objectivity

The legislation that guides internal audit operations recommends that the function must be independent of management and functionally report directly to the Audit Committee. In accordance with the ISPPIA, the Chief Audit Executive (Internal Audit Manager) confirms and declares that the Internal Audit Department is independent and objective in carrying out its internal audit activities.

The activity is not under influence or control by Executive Committee members. For the Internal Audit Department, independence is understood as freedom from conditions that threaten its ability or the ability of the Chief Audit Executive to carry out their internal audit responsibilities in an unbiased manner.

Objectivity is defined in the Institute of Internal Auditors (IIA) Standards as an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they have an honest belief in their work product and that the quality of their work is not compromised in any way.

Internal Audit compliance with ISPPIA

The audits were conducted in accordance with ISPPIA, as determined by the IIA and, accordingly, included the consideration of business objectives and the internal controls put in place relative to the inherent risks to assist in determining the nature, timing, and extent of the entity's audit procedures. This consideration entails a detailed study and evaluation of internal controls as the audit intended to provide reasonable assurance thereon.

The Internal Audit Department in JOSHCO was established in May 2020, and it has not performed any external quality assurance reviews. It is anticipated that the department will undergo external quality assurance reviews in the 2022/2023 financial year. However, the Head of the Department is a Certified Internal Auditor with the Institute of Internal Auditors, and the Department operates in terms of ISPPA. Internal quality assessment is continuously performed in terms of Standard 1300 of the ISPPA.

Progress on Internal Audit Plan for 2021/2022

For the financial year 2021-2022, the approved Internal Audit Plan has fifteen (15) full audits and four (4) continuous audits, making the total number of audits nineteen (19). Internal Audit completed all the audits planned for the 2021-2022 financial year.

TABLE 51: THE TABLE BELOW INDICATES THE PLANNED AUDITS THAT WERE COMPLETED AS AT 30 JUNE 2022

No.	Planned Audits	Quarter				Progress
		Q1	Q2	Q3	Q4	
1	HR Audit			X		Completed
2	Stakeholder Management Audit		X			Completed
3	Payroll Management Audit				X	Completed
4	Corporate Governance Audit		X			Completed
5	Review of the Annual Financial Statements	X				Completed
6	Review of the Interim Financial Statements				X	Completed
7	Supply Chain Management Audit			X		Completed
8	Revenue and Debtors Management Audit				X	Completed
9	Review of Joint ventures terms and conditions		X			Completed
10	Tender Probity Review	X	X	X	X	Completed
11	Housing Development Audit	X				Completed
12	Capex Expenditure Review			X		Completed
13	Housing Maintenance and Portfolio Management Audit				X	Completed
14	Performance Information Review	X		X		Completed
15	Fraud Prevention and Detection Audit	X				Completed
16	IT General Control Review		X			Completed
17	Follow-up on Internal Audit Findings	X	X	X	X	Completed
18	Follow-up on AG Findings			X	X	Completed
19	UIFW Investigations Expenditure	X	X	X	X	In progress

SECTION 2:

PROGRESS ON RESOLUTION OF INTERNAL AUDIT FINDINGS

The Institute of Internal Auditors (IIA) standards state, "The Chief Audit Executive must establish and maintain a system to monitor the disposition of results communicated to management." The act of monitoring the resolution of internal audit findings and recommendations should be included in the entity's internal audit plan, and should be considered a significant control step in any internal audit activity.

The entity closed the FY with a total of 107 audit findings that were raised by internal audits throughout the FY. Management managed to resolve seventy-nine (79) findings translating to 74%.

TABLE 52: AUDIT FINDINGS RAISED BY INTERNAL AUDIT AS AT 30 JUNE 2022

Departments	Finding Followed-Up	Total Finding Resolved	Total Finding not Resolved
Finance and Finance	28	23	5
Planning and Strategy	27	21	6
Housing Management	31	25	6
Human Capital Management	8	6	2
Stakeholder Management	5	0	5
Housing Development	5	1	4
Company Secretary	3	3	0
Total	**107**	**79**	**28**
%	100%	74%	26%

SECTION 3:

PROGRESS ON RESOLUTION OF EXTERNAL AUDIT FINDINGS

The table below shows the AG opinion status for the past three years, where a constant result was achieved.

TABLE 53: AGSA OUTCOMES OVER THE YEARS

Audit Year	2018/2019	2019/2020	2020/21	2021/22
Audit Opinion	Unqualified Audit	Unqualified Audit	Unqualified Audit	Pending

The AGSA raised nine (9) findings in the 2020/21 audit report, which were made up of six (6) matters affecting the auditor's opinion, three (3) other important matters and zero (0) administrative matters. The 2020/21 audit result was an improvement from the previous FY, where fourteen (14) findings were raised. Internal Audit performed a follow-up review to determine the closure of findings, and the entity closed the 2021/2022 FY with three (3) of the nine (9) findings closed. The table below provides the status of the resolution of AGSA findings:

TABLE 54: AUDIT FINDINGS RAISED BY AGSA IN THE 2020/2021 FINANCIAL YEAR

AG Classification	Total Findings	Resolved	Not Resolved
Matters affecting the auditor's opinion	6	3	3
Other important matters	3	0	3
Administrative matters	0	0	0
Total	**9**	**3**	**6**
%	100%	33%	67%

Audit Results for the 2021/22 FY

JOSHCO obtained a qualified opinion for the year under review which is a regression in audit outcomes when compared to previous the financial year as it obtained a financially unqualified audit opinion with material findings on compliance with legislation in the previous year to a qualified audit opinion with findings. Below is a table that reflects the breakdown of audit findings:

TABLE: 55 AUDIT FINDINGS RAISED BY AGSA IN THE 2021/22 FINANCIAL YEAR.

AG Classification	Total Findings	Resolved	Not Resolved
Matters affecting the auditor's opinion	3	0	0
Other important matters	18	0	0
Administrative matters	**0**	**0**	**0**
Total	21	0	0
%	100%	0%	0%

SECTION 4:

OVERALL STATE OF INTERNAL CONTROLS

The Statement on Internal Control is an expression of an opinion by the Internal Audit Department on the status of the internal control system of JOSHCO after it has been evaluated. Both King IV and the International Standards of Professional Practice of Internal Auditing (ISPPIA) require the Chief Audit Executive to provide a written assessment of the adequacy and effectiveness of the internal controls and issue a report reflecting any deficiencies that have been mitigated by management. This report forms the basis of the Audit and Risk Committee's Report. JOSHCO has recognised the introduction of King IV and is applying and adhering to the principles of King IV and governance outcomes enunciated in it.

The Internal Audit Department's responsibility on Internal Controls

The Internal Audit Department evaluates the adequacy and effectiveness of the internal control systems. In assessing these, consideration of the abovementioned internal control objectives and the audit evidence obtained during the execution of audits should be used as a basis for the opinion and only completed assurance engagements or projects should be considered for the overall opinion.

The results of internal audit support the entity to achieve its goals in the short, medium, and long-term. The risk-based approach ensures that the internal audit function is focused on the financial sustainability of the entity as well as areas which are material for the stakeholders.

Management responsibility on Internal Controls

Management is responsible for establishing and maintaining an appropriate system of internal controls for the prevention and detection of irregularities and fraud. Management ensures that internal controls enable the entity to achieve its set objectives.

JOSHCO's Internal Control

The JOSHCO's system of internal control requires significant improvement to provide reasonable assurance that the entity's goals will be efficiently, effectively and economically achieved. From the audit reports issued by Internal Audit in 2021-2022 financial year, it was noted that there were material deficiencies in the system of internal control.

Conclusion

Based on the audits performed in the 2021/2022 financial year, Internal Audit can conclude that internal controls within JOSHCO are generally inadequate and ineffective to provide reasonable assurance that the entity's objectives will be achieved. It was noted in the 2021/22 FY Internal Audit there were material deficiencies in the system of internal control. Management has developed an action plan intended to address identified control deficiencies in the medium to long term. The implementation of the action plan will be monitored through the Operation Clean Audit Forum that sits quarterly and is chaired by the CFO. The long-term plan for the entity is to regain the clean audit status that it achieved for eight consecutive years until 2016/17 FY.

APPENDICES

APPENDIX A: RECOMMENDATIONS OF THE RISK & AUDIT COMMITTEE FOR THE 2021/2 FY

Date of Meeting	Subject	Resolution	Status (implemented/not implemented)
07 July 2021	SIU Report	The Committee noted the SIU Report presentation by Moodie and Robertson Attorneys.	Implemented
	Internal Audit Report	The report was noted and approved subject to unconfirmed budget for the deficit in audit hours available (to be given to external consultants.	Implemented
27 August 2021	Annual financial statement for the year-ending 30 June 2021	The Committee recommended the AFS draft to the Board for approval.	Implemented
	Internal Audit Report	The Committee noted the report.	Implemented
	Annual Report 2020/21	The report was recommended to the Board for approval.	Implemented
	AGSA-Audit Strategy and Engagement Letter	The Audit Strategy and Engagement Letter were noted by the Committee.	Implemented
04 October 2021	Internal Audit Report for Quarter 1	The Committee approved the Internal Audit report.	Implemented
	Audit Plan Progress and The Statement on Internal Control	The Committee resolved to approve the report.	Implemented
05 October 2021	Risk Policy	The Risk Policy was recommended to the Board for approval.	Implemented
	ICT Policy	The Policy was withdrawn from the Committee to allow Management to make changes.	
	Fraud and Prevention policy	The Policy was recommended to the Board for approval.	implemented
26 November 2021	Draft Audit report and Draft management Letter	The Committee resolved to take the presentation of the AFS (item 7) first before giving and indication on the audit and Management reports.	
	Final annual financial statements - 2020/21	The Committee resolved to recommend the AFS and the Audit Report to the Board for approval.	Implemented
	Engagement letter addendum for JOSHCO	The Committee noted the addendum as requested.	Implemented
	Annual Report 2020/21	The Committee resolved to recommend the report to the Board subject to the amendments.	Implemented

Date of Meeting	Subject	Resolution	Status (implemented/not implemented)
05 January 2022	Internal Audit Report Q2	The Committee resolved to note the report.	Implemented
	Revenue Policy	The Committee resolved to approve that incorporation of the changes to the policy be recommended to the Board for approval	Implemented
	JOSHCO Risk Management Strategy and Plan – 2021 to 23	The Committee resolved to approve that the plan be recommended to the Board for approval.	Implemented
	JOSHCO Fraud, Prevention and Anti-Corruption Strategy for 2021 – 2023 FYs	The Committee resolved that the Strategy may be presented to the Board for approval, but only after Group Governance had been given an opportunity to give their input.	Implemented
05 April 2022	2020/21 Audit findings Action Plan	The Committee recommended the 2020/21 Audit Findings Action Plan to the Board.	Implemented
	Review of IT Policy	The Committee recommended the IT Policy to the Board for approval.	Implemented
	Internal Audit Report	The Committee resolved that the entity should engage a panel of Probity Audits and that the panel needs to be diverse. The probity reviews need to include elements of costs, whether value is being derived in addition to ensuring that supply chain management processes have been followed. The Committee recommended the Internal Audit Report to the Board	Item to be implemented by the end of Q2 of the 2022/2023 financial year. Implementation

APPENDIX B: DISCLOSURE OF FINANCIAL INTEREST BY EXECUTIVE TEAM

Name	Position	Description of interest declared
Molapane Mothotoana	Acting Chief Executive Officer	Nothing declared
Victor Rambau	Chief Executive Officer	Directorship Cradle Capital Investment
Shares – Redabix		
Kedumetsi Kojane	Executive Manager Corporate Services	Shares – Sasol and Vodacom
Kelelo Holdings (Dormant)		
Livhalani Nemaungani	Executive Manager Planning and Strategy	Shares – Sasol
Nkululeko Magubane	Executive Manager Housing Development	Nothing declared
Ronald Mutheiwana	Executive Manager Housing Management	Nothing declared
Nontobeko Ndimande	Chief Financial Officer	Nothing declared
Themba Mathibe	Acting Chief Operations Officer	Barloworld shares
Nokwazi Mtshali	Acting Executive Manager: Corporate Service	Nothing declared
Count Khumalo	Acting Executive Manager	Directorship – HR Hive

APPENDIX C: CAPITAL PROJECT FOR THE CURRENT YEAR

TABLE 1: CAPITAL EXPENDITURE BUDGET FOR THE 2021/2022 FINANCIAL YEAR

Project Description	Approved Budget 2021/22	Mid-Year Adjustment	Budget lift	Adjusted Budget 2020/21	Amount Spent	Balance	% Spend
	R'000	R'000	R'000	R'000	R'000	R'000	
38 Rissik Street (NBS) Inner City Building Conversion	1 500	-	(1 500)	-	-	-	0%
Abel Road Inner City Building Conversion	24 500	-	(22 000)	2 500	2 405	95	96%
Booysens Street Inner City Conversion	2 000	(500)	(500)	1 000	1 000	-	100%
Casamia Inner City Building Upgrade Region F	2 500	(1 000)	(1 000)	500	-	500	0%
Devland Golden Highway Social Housing Project Region D	80 000	(30 000)	(31 590)	18 410	16 582	1 828	90%
Inner City Buildings Acquisitions	32 000	-	-	32 000	26 621	5 379	83%

Project Description	Approved Budget 2021/22	Mid-Year Adjustment	Budget lift	Adjusted Budget 2020/21	Amount Spent	Balance	% Spend
	R'000	R'000	R'000	R'000	R'000	R'000	
Lufhereng Social Housing Project Region D	76 001	19 999	5 290	101 290	98 931	2 359	98%
Marlboro Social Housing Project Region E	1 000	(1 000)	-	-	-	-	0%
Nancefield Social Housing Project Region D	50 000	10 000	28 000	88 000	87 386	614	99%
Princess Plots Social Housing Project Region C	52 900	68 055	-	120 955	116 750	4 205	97%
Randburg Selkirk Social Housing Project Region B	58 000	(43 000)	(10 000)	5 000	4 903	97	98%
Roodepoort Social Housing Upgrade Region C	4 655	(2 555)	2 500	4 600	4 576	24	99%
Tum-Key 1: Region A	75 530	70 000	-	145 530	144 432	1 098	99%
Tum-Key 1: Region B	75 000	(25 000)	11 000	61 000	60 998	2	100%
Tum-Key 3: Region D	72 500	(45 000)	19 800	47 300	47 300	0	100%
Tum-Key 4: Region G	40 000	(40 000)	-	-	-	-	0%
	648 086	(20 001)	-	628 085	611 883	16 202	97%

APPENDIX D: PIPELINE OF CAPITAL PROJECTS FOR THE NEXT 3 FYs

TABLE 2: CAPITAL EXPENDITURE BUDGET FOR THE 2022/2023 FINANCIAL YEAR

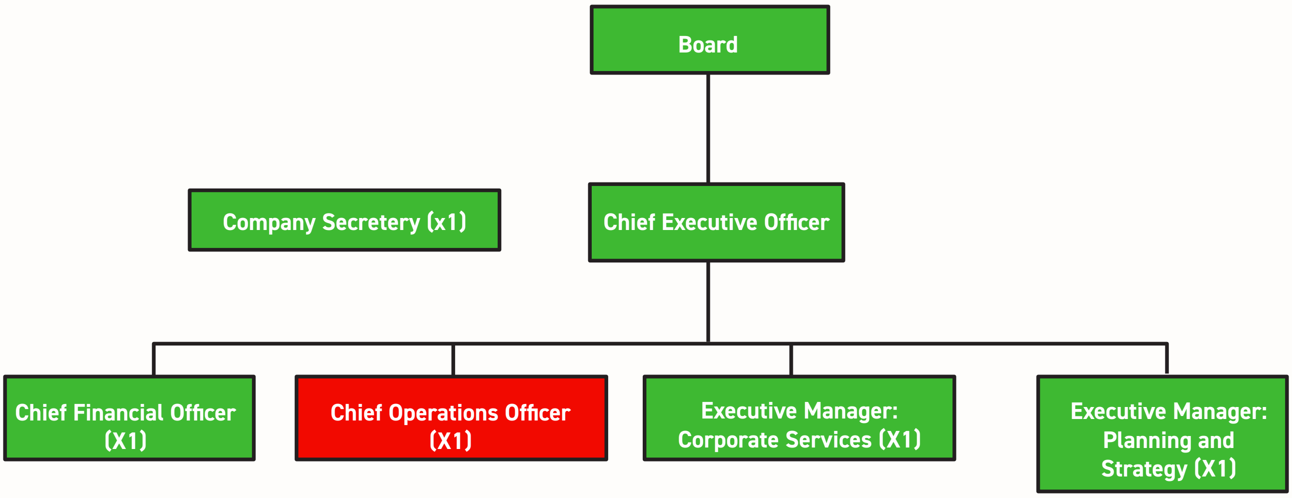
JOSHCO DEVELOPMENT PROGRAMME						
Financial Year: 2022-2023						
Strategic Objective: Pro-Poor Development	Projects	Programme	Total Project Unit yield	Total units for the year 2022/23		Financial year budget: 2022-23
				Complete	In progress	
Soweto-Corridor	Nancefiled Station		372	0	90	50 000 000
	Lufheheng Social Housing		407	407	0	73 438 000
	Golden Highway Social Housing		333	0	87	48 142 000
SUB TOTAL			**1112**	**407**	**177**	**171 580 000**

JOSHCO DEVELOPMENT PROGRAMME						
Financial Year: 2022-2023						
Strategic Objective: Pro-Poor Development	**Projects**	**Programme**	**Total Project Unit yield**	**Total units for the year 2022/23**		**Financial year budget: 2022-23**
				Complete	**In progress**	
Inner-City: CBD to Alexandra along Louis Botha Avenue	Casa Mia	Brownfields, Acquisition and Refurbishment	80	0	50	20 000 000
	Inner City acquisition/ Conversion (Student Accommodation)		0	0	0	11 000 000
	Major Upgrades on existing stock		0	0	0	18 453 000
	Stock Re-capitalisation		0	0	0	25 000 000
	Marlboro Social Housing		300	0	0	1 537 000
	38 Rissik Street (Student Accommodation)		333	0	0	5 700 000
	South Hills Social Housing		500	0	0	15 000 000
	Booysen Place		200	0	0	5 000 000
SUB TOTAL			**1413**	**0**	**50**	**101 690 000**
Mining Belt	Princess Plot Social Housing	Greenfields	333	333	0	51 555 000
SUB-TOTAL			**333**	**333**	**0**	**51 555 000**
Alexandra-Marlboro to Sandton-Randburg	Randburg Social Housing	Turn-Key Developments	145	0	34	19 514 000
	Region C: Edenburg Housing		1031	0	70	43 420 000
	Region A: Riverside View Project		1108	0	100	55 000 000
	Region F: Jeppestown Project		1336	0	90	50 000 000
	Abel Road		1336	155	0	20 000 000
SUB-TOTAL			**4956**	**155**	**294**	**R187 934 000**
GRAND TOTAL			**7814**	**895**	**521**	**R512 759 000**

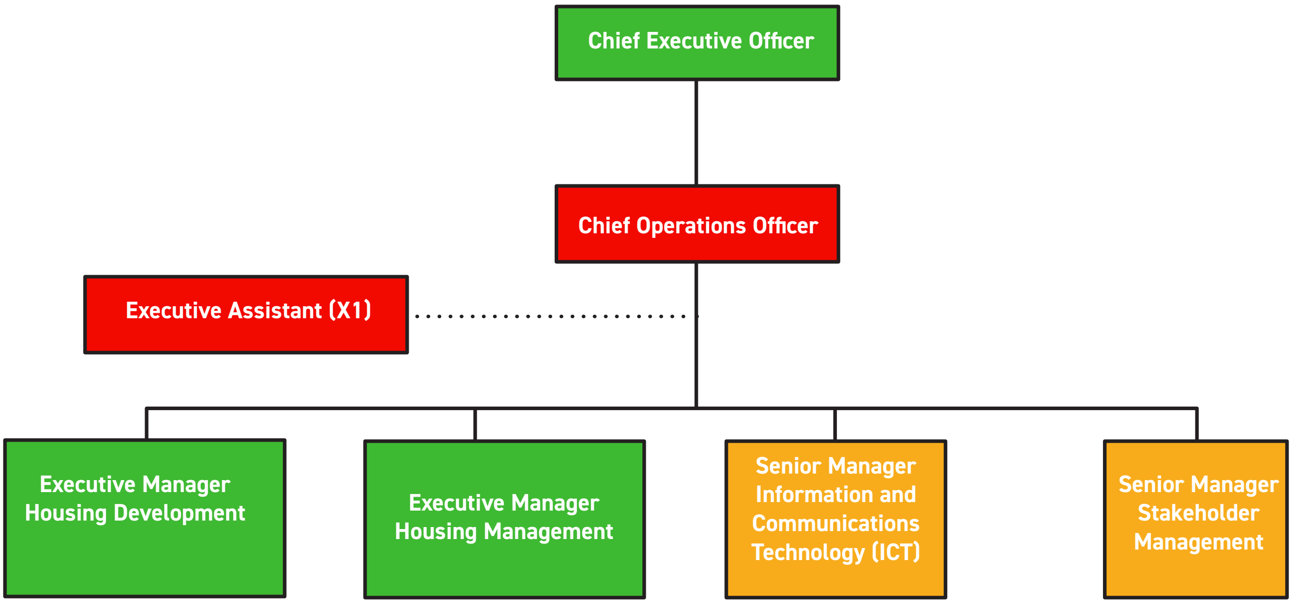
TABLE 3: CAPITAL EXPENDITURE BUDGET FOR THE YEAR 2023/2024

JOSHCO DEVELOPMENT PROGRAMME						
Financial Year: 2022-2023						
Strategic Objective: Pro-Poor Development	Projects	Programme	Total Project Unit yield	Total units for the year 2022/23		Financial year budget: 2022-23
				Complete	In progress	
Soweto-Corridor	Nancefiled Station		372	0	90	50 000 000
	Lufheheng Social Housing		407	407	0	73 438 000
	Golden Highway Social Housing		333	0	87	48 142 000
SUB TOTAL			**1112**	**407**	**177**	**171 580 000**
Inner-City: CBD to Alexandra along Louis Botha Avenue	Casa Mia	Brownfields, Acquisition and Refurbishment	80	0	0	23 000 000
	Inner City acquisition/ Conversion (Student Accommodation)		0	0	0	5 000 000
	Booysen's Place		100	155	0	22 000 000
	280 Smit Street (Student Accommodation)		550	0	100	28 833 000
	38 Rissik Street (Student Accommodation)		333	0	0	17 950 000
	Auckland Park Social Housing		400		0	5 000 000
	Marlboro Social Housing		366	0	100	5 000 000
Mining Belt	Princess Plot Social Housing	Greenfields	333	333	0	7 050 000
SUB-TOTAL			**333**	**333**	**0**	**7 050 000**
Alexandra-Marlboro to Sandton-Randburg	Randburg Social Housing	Turn-Key Developments	145	0	30	16 500 000
	Region B: Social Housing		750	0	71	39 076 000
	Region A: Riverside View Project		1108	0	110	61 152 000
	Region D: Social Housing		950	0	72	40 000 000
	Region G Social Housing		1250	0	150	87 950 000
SUB-TOTAL			**4203**	**0**	**433**	**R244 678 000**
GRAND TOTAL			**6737**	**860**	**633**	**R463 511 000**

APPENDIX E: THIRD TIER ADMINISTRATIVE STRUCTURE



OFFICE OF THE CHIEF EXECUTIVE OFFICER



APPENDIX F: MUNICIPAL ENTITY PERFORMANCE SCHEDULE-

IDP Priority	Performance
An inclusive City	349 units completed and awaiting completion certificate 210 units developed to a level where they are left with connection to services

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

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Johannesburg Social Housing Company (SOC) Limited set out on pages 124 to182, which comprise the statement of financial position as at 30 June 2022, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, except for the effects of the matter described in the basis for qualified opinion section of this report, the financial statements present fairly, in all material respects, the financial position of the Johannesburg Social Housing Company (SOC) Limited as at 30 June 2022, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Companies Act 71 of 2008 (Companies Act).

Basis for qualified opinion

Commitments

3. The entity did not account for commitments in terms of GRAP 17, Property, plant and equipment. The entity incorrectly disclosed commitments on capital assets in progress. Consequently, commitments was overstated by R 38 309 824.

Context for the opinion

4. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.

5. I am independent of the municipal entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other 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.

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

Emphasis of matters

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

Restatement of corresponding figures

8. As disclosed in notes 36 and 37 to the financial statements, the corresponding figures for 30 June 2021 were restated as a result of an error in the financial statements of the municipal entity at, and for the year ended, 30 June 2022.

Material impairment

9. As disclosed in note 4 to the financial statements, the receivables from exchange transactions balance was impaired. The allowance for impairment of trade debtors amounted to R94 636 521 (2021-22) and R69 726 732 (2020-21) of total receivables from exchange transactions.

Other matter

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

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 on it.

Responsibilities of the accounting officer for the financial statements

12. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the MFMA and the 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 municipal entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipal 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 the annual performance report

Introduction and scope

16. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objective presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

17. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipal entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipal entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or 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 objective presented in the municipal entity's annual performance report for the year ended 30 June 2022:

Objectives	Pages in the annual performance report
Objective 3 - develop social housing projects within the transport corridors, inner city and green fields (including suburbs and economic hubs)	72

19. I performed procedures to determine whether the reported performance information was properly presented and 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 this objective:

- Objective 3 – develop social housing projects within the transport corridors, inner-city and green fields (including suburbs and economic hubs)

Other matter

21. I draw attention to the matter below.

Achievement of planned targets

22. Refer to the annual performance report on pages 72 to 75 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 municipal entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

24. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements

25. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a qualified audit opinion.

Expenditure management

26. Expenditure was incurred in excess of the approved budget, in contravention of section 87(8) of the MFMA.

27. Reasonable steps were not taken to prevent irregular expenditure amounting to R32 210 908 as disclosed in note 30 to the annual financial statements, as required by section 95(d) of the MFMA.

Procurement and contract management

28. Some quotations were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of Preferential Procurement Policy Framework Act and 2017 preferential procurement regulations 11.

Strategic planning and performance management

29. The annual performance objectives and indicators were not established by agreement with the parent municipality, as required by section 93B(a) of the Municipal Systems Act.

Other information

30. 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. The other information does not include the financial statements, the auditor's report and those selected objective presented in the annual performance report that have been specifically reported in this auditor's report.

31. 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 on it.

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

33. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

34. 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

35. 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. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion.

36. Management of the municipal entity did not have sufficient monitoring and reviewing controls to ensure that financial reports submitted for auditing were accurate and complete and that action plans developed were adequately implemented.

37. Management did not adequately review and monitor compliance with applicable laws and regulations.

Auditor - General

Johannesburg

30 November 2022

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected objective 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 officer.
- conclude on the appropriateness of the accounting officer'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 relating to events or conditions that may cast significant doubt on the ability of the Johannesburg Social Housing Company (SOC) Limited 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 my 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 operating as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine 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 provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

VOLUME 2

ANNUAL FINANCIAL STATEMENTS

JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd
Annual Financial statements for the year ended 30 June 2022

General Information

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES for social	JOSHCO is appointed as the preferred implementing agent and institutional housing developments in the City of Johannesburg and to a) Manage Council owned rental stock; b) Manage and refurbish staff and public hostels; c) Develop new rental stock and to implement other mutually agreed housing developments; d) Provide housing management services and turnaround strategies.
REGISTERED OFFICE	61 Juta Street Braamfontein 2000
POSTAL ADDRESS	P O Box 16021 New Doornfontein 2028
ECONOMIC ENTITY	Metropolitan Municipal entity
BANKERS	Standard Bank of South Africa Limited (011) 636 9111
AUDITORS	The Auditor General South Africa (AGSA)
ACTING COMPANY SECRETARY	Ms. Jennifer Madiba
COMPANY REGISTRATION NUMBER	2003/008063/07
LEVEL OF ASSURANCE	These financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.

Index

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

The following supplementary information does not form part of the annual financial statements and is unaudited:

Director's Responsibilities and Approval

The directors are required by the Companies Act, 71 of 2008 and Municipal Finance Management Act (Act 56 of 2003) to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the annual financial statements fairly present the state of affairs of the entity and the results of its operations and cash flows for the period and conforms with South African Statements of Generally Recognized Accounting Practice (GRAP). The AGSA is required to express an independent opinion on the annual financial statements and is given unrestricted access to all financial records and related data.

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

The directors acknowledge that they are responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board 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 in the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risks cannot be fully eliminated, the entity endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined policies and procedures.

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

The entity is dependent on the City of Johannesburg Metropolitan Municipality for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the City of Johannesburg Metropolitan Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the company.

Although the directors are primarily responsible for the financial affairs of the entity, they are also supported by the entity's internal auditors and by management.

The annual financial statements set out on page 4 to 63, which have been prepared on the going concern basis, were approved by the board on 30 November 2022:

GBoikanyo

Ms. Gaby Boikanyo
Chairperson

Mr. Molapane Sello Mothotoana
Chief Executive Officer

The directors submit their report for the year ended 30 June 2022.

1. INCORPORATION

The company was incorporated on 2 April 2003 and obtained its certificate to commence business on the same day.

2. REVIEW OF ACTIVITIES

Main business and operations

JOSHCO is appointed as the preferred implementing agent for social and institutional housing developments in the City of Johannesburg Metropolitan Municipality and to:

- manage council owned rental stock;
- manage and refurbish staff and public hostels;
- develop new rental stock and to implement other mutually agreed housing developments; and
- provide housing management services and turnaround strategies.
- project management agent for City of Johannesburg departments and entities.

The Service Delivery Agreement is entered into between the parties with the principal objective of providing a framework within which detailed service delivery plans can be developed and implemented by JOSHCO in a manner which is consistent with, and which will play a part in giving effect to the City's strategic planning processes. It clearly provides, amongst other things, the set of Key performance areas that the entity should deliver on, the service areas where JOSHCO should service, the service level standard that the entity should adhere to when providing services and the roles and responsibilities of both the entity and the parent municipality.

During the year ended 30 June 2022 there were no major changes in the activities of the business.

The financial position of the company shows a net liability position of (R394 812 780) (2021 net liability (R261 156 238)). Deficit for the year of the entity was R 133 656 666 (2021: deficit R 129 462 418), after taxation of R- (2021: (R -.)

3. GOING-CONCERN

We draw attention to the fact that at 30 June 2022, the entity had an accumulated (deficit) of R (394 812 900) and that the entity's total liabilities exceed its assets by R (394 812 780).

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the entity from its Shareholder, the City of Johannesburg Metropolitan Municipality.

4. SUBSEQUENT EVENTS

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

5. DIRECTORS' PERSONAL FINANCIAL INTEREST

For the financial year under review, there have been no related party transactions that JOSHCO engaged in which involved transactions with directors of the organization. Such declarations are also made by individual directors in the official records of the entity.

6. ACCOUNTING POLICIES

The annual financial statements were prepared in accordance with Statements of Generally Recognised Accounting Practice (GRAP) as the prescribed framework by Accounting Standard Board (ASB), including any interpretations of Statements issued by the National Treasury and International Financial Reporting Standards (IFRS).

7. SHARE CAPITAL / CONTRIBUTED CAPITAL

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

8. BORROWING LIMITATIONS

The directors may authorize borrowing by the company subject to approval by the City of Johannesburg Metropolitan Municipality.

9. CHANGES TO ASSETS AND LIABILITIES

There were no significant changes to non-current assets and non-current liabilities.

10. DIRECTORS

The JOSHCO Board was appointed through an ordinary resolution passed at the Special General Meeting on the 10th of February 2021. The following members served under the JOSHCO Board during the year ended 30 June 2022:

Name of Board Members	Membership	Effective Date	Retired/resign date
Mr. Theodore Dhlamini	Non-Executive Director	Re-appointed on the 11 February 2022	To date
Mr. Themba Mamba	Non-Executive Director	Re-appointed on the 11 February 2022	To date
Mr. Moerane Maimane	Non-Executive Director	Re-appointed on the 11 February 2022	To date
Mr. Jason Sobekwa	Non-Executive Director	Re-appointed on the 11 February 2022	To date
Mr. Simphiwe Mhlongo	Non-Executive Director	Re-appointed on the 10 February 2021	15 February 2022
Mr. Xolani Dlwathi	Non-Executive Director	Re-appointed on the 11 February 2022	To date
Ms. Brenda Makhanya	Non-Executive Director	Re-appointed on the 10 February 2021	15 February 2022
Ms. Grace Boikhanyo (Chairperson)	Non-Executive Director	Re-appointed on the 11 February 2022	To date
Ms. Sibongile Bhengu	Non-Executive Director	Re-appointed on the 10 February 2021	15 February 2022
Ms. Nontobeko Ndimande	Executive Director	Appointed on 17 September 2018	To date
Mr Sello Molapane Mothotoana	Executive Director	Appointed on 30 May 2022	To date
Mr. Victor Rambau+	Executive Director	Appointed on 1 July 2019	19 May 2022
Ms Debbie Raphuti	Non-Executive Director	Re-appointed on the 10 February 2021	15 February 2022
Dr. Kentse Sesele	Non-Executive Director	Re-appointed on the 11 February 2022	To date
Ms. Euginia Motloung	Non-Executive Director	Re-appointed on the 10 February 2021	15 February 2022
Mr. Nikelo Bangisi	Non-Executive Director	Appointed on the 10th February 2021	15 February 2022
Mr. Karabo Modipane	Non-Executive Director	Appointed on the 11 February 2022	To date
Mr. Sumesh Varghese	Non-Executive Director	Appointed on the 11 February 2022	To date
Mr. Moshupi Mokgobinyane	Independent Audit Committee Member	Re-appointed on the 11 February 2022	To date
Mr. Ernest Khosa	Independent Audit Committee Member	Re-appointed on the 11 February 2022	To date
Ms. Lesetsa Matshekga	Independent Audit Committee Member	Re-appointed on the 11 February 2022	To date

+Mutual Separation

11. CORPORATE GOVERNANCE

General

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

The Johannesburg Social Housing Company SOC Ltd SOC Ltd confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King IV Report on Corporate Governance for South Africa. The directors confer the responsibilities of management in this respect at Board meetings and monitor the company's compliance with the code on a quarterly basis.

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 by the company, both internally and externally.
- is of a unitary structure comprising:
  - 9 non-executive directors, all of whom are independent directors as defined in the Code; and
  - 2 executive directors, who are the Chief Executive Officer and Chief Financial Officer.

Chairperson and Chief Executive Officer

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

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

Remuneration

The upper limit of the total remuneration for the Chief Executive Officer is determined by the upper limits set for municipalities by the Department of Co-operative Governance and Traditional Affairs (COGTA). The limit of the remuneration of executive managers of the entity are determined by the parent municipality. The Board approves the remuneration within the above- mentioned limits.

Board and Board Sub-Committee meetings

The board of directors has met 13 times during the financial year ended 30 June 2022. Development Committee met 9 times, Social, Ethics & HR Committee met 8 times, Audit and Risk Committee met 9 times.

Non-executive directors have access to all members of management of the company. Attendance at board and sub-committee meetings were as follows:

Director/Member	Board	Development	Audit and Risk	Social Ethics & HR
Total Number of Meetings	13	9	9	8
Theodore Dhlamini (Chairperson)	13	3	-	-
Mr. Themba Mamba	13	6	-	3
Mr. Moerane Maimane	13	-	-	8
Mr. Jason Sobekwa	13	6	2	-
Mr. Simphiwe Mhlongo	9	-	-	5
Mr. Xolani Dlwathi	13	6	-	-
Ms. Brenda Makhanya	9	-	-	5
Ms. Gaby Boikanyo	13	6	-	-
Ms. Sibongile Bhengu	9	-	-	5
Dr. Kentse Sesele	13	6	-	-
Ms. Euginia Motloung	9	-	-	5

Director/Member	Board	Development	Audit and Risk	Social Ethics & HR
Mr. Nikelo Bangisi	9	6	-	-
Ms. Debbie Raphuti	9	-	-	5
Mr. Victor Rambau	12	8	9	7
Ms. Nontobeko Ndimande	13	9	9	8
Mr. Ernest Khosa	9	-	7	-
Mr. Moshupi Mokgobinyane	9	-	9	-
Mr. Karabo Modipane	4	3		
Mr. Sumesh Varghese	3	3		
Mr. Lesetsa Matshekga		-	9	-

Audit and Risk Committee

In terms of Section 166 of the Municipal Finance Management Act, City of Johannesburg Metropolitan Municipality, as a parent municipality, must appoint members of the Audit Committee. Notwithstanding that non-executive director appointed by the parent municipality constituted the municipal entities' Audit Committees, National Treasury policy requires that parent municipalities should appoint further members of the company's audit committees who are not directors of the municipal company onto the audit committee. The City of Johannesburg, as a parent municipality, was satisfied that the Audit Committee of the company is properly constituted to fulfil its role and to advise the Board of its responsibilities as provided in Section 166 of the Municipal Finance Management Act.

For the year ended 30 June 2022 the committee met 9 times and was constituted as follows:

Director/Member	Role
Mr. Moshupi Mokgobinyane*	Independent Audit Committee Member
Mr. Ernest Khosa*	Independent Audit Committee Member
Mr. Lesetsa Matshekga	Independent Audit Committee Member
Mr. Jason Sobekwa*	Independent Audit Committee Member and Chairperson

**Mr. Ernest Khosa was superseded by Mr. Jason Sobekwa as a Chairperson of Audit and Risk Committee as per the Board resolution taken on 11 March 2022.*

Development Committee

For the year ended 30 June 2022, the committee met 9 times and was constituted as follows:

Director	Role
Mr. Theodore Dhlamini	Non-executive director
Mr. Jason Sobekwa*	Non-executive Director
Mr. Xolani Dlwathi	Non-executive Director
Mr. Themba Mamba*	Non-executive Director
Mr. Nikelo Bangisi*	Non-executive Director
Ms. Gaby Boikanyo*	Non-executive Director
Mr. Sumesh Varghese	Non-executive Director
Mr. Karabo Modipane	Non-executive Director
Dr. Kentse Sesele	Non-executive Director

**Mr. Bangisi resigned, Mr. Mamba, Mr. Sobekwa and Ms. Boikanyo were not retained as Development Committee members.*

Social and Ethics and Human Resource Committee

For the year ended 30 June 2022 the committee met 8 times and was constituted as follows:

Director	Role
Mr. Moerane Maimane	Non-executive Director
Mr. Simphiwe Mhlongo*	Non-executive Director
Ms. Sibongile Bhengu*	Non-executive Director
Ms. Brenda Makhanya	Non-executive Director
Ms. Euginia Motloung*	Non-executive Director
Dr. Kentse Sesele	Non-executive Director and Chairperson
Ms. Debbie Raphuti*	Non-executive Director
Mr. Themba Mamba	Non-executive Director
Mr. Xolani Dlwathi	Non-executive Director

Mr. Mhlongo, Ms. Bhengu, Ms. Makhanya, Ms. Eugenia and Ms. Raphuthi resigned. Mr. Maimaine was superseded by Dr. Kentse Sesele as Chairperson of the committee.

Internal audit

The company has an inhouse internal audit function. The internal audit unit is operational, and in compliance with Municipal Finance Management Act (Act 56 of 2003).

12. ECONOMIC ENTITY

The company's parent municipality is The City of Johannesburg Metropolitan Municipality incorporated in South Africa, in terms of the Municipal Systems Act.

13. INTEREST IN JOINTLY CONTROLLED ENTITIES

Name of controlled entity	Country of incorporation if not the RSA	Net surplus (deficit) after tax
JOSHCO Madulamoho Joint Venture (JMJV	South Africa	(896 677)

The JMJV was formed between JOSHCO and Madulamoho Housing in 2006 for the development and continued management of the BG Alexander building. The main transactions between JOSHCO and the JMJV were accounts receivable in respect of provincial subsidies payable by the JMJV to JOSHCO. JOSHCO has also accounted for its 55% share of the deficit from the joint venture in its financial statements amounting to (R896,677.10) (2021: deficit R251,068). The entity is exempt from preparing consolidated financial statements as it is itself a wholly owned controlled entity.

14. BANKERS

Standard Bank Limited.

The management of the treasury function within the municipal entity is managed under the auspices of the City of Johannesburg Metropolitan Municipality Assets and Liabilities Committee and Treasury department.

15. AUDITORS

The Auditor General South Africa are the external auditors in terms of the section 92 of the MFMA and the Public Audit Act.

Audit Committee's Report

We are pleased to present our report for the financial year ended 30 June 2022.

Audit committee members and attendance

The Audit Committee consists of the members listed hereunder and they have met 9 times during the year.

Name of Audit Committee Members	Audit Committee		
	Attendance	Absent	Apologies
Mr. Moshupi Mokgobinyane	9	-	-
Mr. Jason Sobekwa	2	-	-
Mr. Lesetsa Matshekga	9	-	-
Mr. Ernest Khosa	7	2	-

Audit Committee responsibility

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirements of section 166(2) (a) of the MFMA. We further report that we have conducted our affairs in compliance with this charter.

The effectiveness of internal control and risk management

Internal audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and recommended enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General of South Africa (AGSA), it was noted that there were matters reported that indicate deficiencies in the system of internal control. Accordingly, we can report that the system of internal control over financial reporting for the period under review was ineffective. Management is implementing internal audit recommendations and revising internal controls, processes and procedures to strengthen internal controls within the company.

The quality of in year management and monthly/quarterly reports submitted were in terms of the MFMA and the Division of Revenue Act.

Evaluation of financial statements

We have:
- reviewed and discussed the financial statements to be included in the annual report.
- reviewed the applicable accounting policies and practices.
- reviewed the entities compliance with legal and regulatory provisions.

Company Secretary's Certification

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

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that the company has 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.

Ms. Jennifer Madiba
Acting Company Secretary

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	2	232 875	391 502
Loans to shareholders	3	2 974 818	5 958 169
Current tax receivable		49 706	49 706
Receivables from exchange transactions	4	1 512 356 479	790 123 969
Receivables from non-exchange transactions	5	4 250 781	2 513 109
VAT receivable	13	3 917 732	2 792 093
Cash and cash equivalents	6	189 265 252	172 019 398
		1 713 047 643	**973 847 946**
Non-Current Assets			
Property, plant and equipment	7	10 783 629	9 560 384
Intangible assets	8	9 368 751	348 056
Interest in joint ventures	9	20 413 811	22 410 488
		40 566 191	**32 318 928**
Total Assets		**1 753 613 834**	**1 006 166 874**
Liabilities			
Current Liabilities			
Loans from shareholders	3	1 132 763 667	414 268 968
Borrowings - DBSA	10	2 351 671	2 141 827
Finance lease obligations	12	-	508 309
Payables from exchange transactions	11	1 004 125 641	839 794 046
		2 139 240 979	**1 256 713 150**
Non-Current Liabilities			
Borrowings - DBSA	10	9 007 835	10 364 557
Finance lease obligations	12	-	67 485
Unspent conditional grants and receipts	14	177 800	177 800
		9 185 635	**10 609 842**
Total Liabilities		**2 148 426 614**	**1 267 322 992**
Net Assets		**(394 812 780)**	**(261 156 118)**
Share capital / contributed capital	16	120	120
Accumulated surplus		(394 812 900)	(261 156 238)
Total Net Assets		**(394 812 780)**	**(261 156 118)**

Statement of Financial Performance

Figures in Rand	Note(s)	30 June 2022	30 June 2021 Restated*
Revenue			
Revenue from exchange transactions	17		
Rendering of services		104 486 834	63 364 856
Rental of facilities and equipment	17	181 989 784	171 651 221
Utility Recoveries	17	1 016 143	588 060
Other income	17	1 669 010	1 773 901
Interest received	22	14 312 148	9 960 112
Total revenue from exchange transactions		**303 473 919**	**247 338 150**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	17	54 329 000	19 899 999
Total revenue	17	**357 802 919**	**267 238 149**
Expenditure			
Employee related costs	19	(156 216 597)	(150 867 259)
Debt impairment	21	(108 007 370)	(82 010 003)
Depreciation and amortization	23	(2 296 131)	(2 770 063)
Finance costs	24	(35 908 357)	(7 147 117)
Bad debts written off	20	(230 798)	(1 736 541)
Loss on disposal of assets		(509 855)	(74 051)
Share of deficits from joint venture	9	(896 677)	(251 068)
Administrative expenses	18	(187 393 800)	(151 844 465)
Total expenditure		**(491 459 585)**	**(396 700 567)**
Deficit for the year		**(133 656 666)**	**(129 462 418)**

Statement of Changes in Net Assets

Figures in Rand	Share capital / contributed capital	Accumulated surplus	Total net assets
Opening balance as previously reported	120	(109 345 165)	(109 345 045)
Adjustments			
Prior year adjustments	-	(22 348 655)	(22 348 655)
Balance at 01 July 2020 as restated*	**120**	**(131 693 820)**	**(131 693 700)**
Changes in net assets			
Deficit for the year	-	(129 462 418)	(129 462 418)
Total changes	-	(129 462 418)	(129 462 418)
Restated* Balance at 01 July 2021	**120**	**(261 156 234)**	**(261 156 114)**
Changes in net assets			
Deficit for the year	-	(133 656 666)	(133 656 666)
Total changes	-	(133 656 666)	(133 656 666)
Balance at 30 June 2022	**120**	**(394 812 900)**	**(394 812 780)**
Note(s)	16&36		

Cash Flow Statement

Figures in Rand	Note(s)	30 June 2022	30 June 2021 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		286 741 653	134 370 356
Grants		54 329 000	19 899 999
Interest income		14 312 148	9 960 112
Other receipts		2 803 304	1 954 212
		358 186 105	166 184 679
Payments			
Employee costs		(158 227 242)	(144 144 030)
Suppliers		(854 347 699)	(431 810 553)
Finance Costs		(35 908 357)	(7 147 117)
		(1 048 483 298)	(583 101 700)
Net cash flows from operating activities	25	**(690 297 193)**	**(416 917 021)**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(3 915 462)	(2 581 757)
Purchase of other intangible assets	8	(9 134 463)	-
Movement in investment in Joint Venture		1 100 000	1 100 000
Net cash flows from investing activities		**(11 949 925)**	**(1 481 757)**
Cash flows from financing activities			
Repayment of borrowings DBSA		(2 142 673)	(2 142 799)
Proceeds from shareholders' loan		721 635 645	426 651 940
Net cash flows from financing activities		**719 492 972**	**424 509 141**
Net increase/(decrease) in cash and cash equivalents		**17 245 854**	**6 110 363**
Cash and cash equivalents at the beginning of the year		172 019 398	165 909 035
Cash and cash equivalents at the end of the year	6	**189 265 252**	**172 019 398**

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
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rendering of services	37 241 000	36 993 000	**74 234 000**	104 486 834	**30 252 834**	32
Rental of facilities and equipment	188 819 000	-	**188 819 000**	181 989 784	**(6 829 216)**	32
Recoveries	-	-	**-**	1 016 143	**1 016 143**	32
Other income	-	-	**-**	1 669 010	**1 669 010**	32
Interest received - investment	17 161 000	(2 706 000)	**14 455 000**	14 312 148	**(142 852)**	32
Total revenue from exchange transactions	**243 221 000**	**34 287 000**	**277 508 000**	**303 473 919**	**25 965 919**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	14 355 000	39 974 000	**54 329 000**	54 329 000	**-**	32
Total revenue	**257 576 000**	**74 261 000**	**331 837 000**	**357 802 919**	**25 965 919**	
Expenditure						
Personnel costs	(132 091 000)	(17 787 700)	(149 878 700)	(156 216 597)	**(6 337 897)**	32
Debt impairment	(29 314 000)	-	(29 314 000)	(108 007 370)	**(78 693 370)**	32
Depreciation and amortisation	(1 491 000)	-	(1 491 000)	(2 296 131)	**(805 131)**	32
Finance costs	(1 602 000)	-	(1 602 000)	(35 908 357)	**(34 306 357)**	32
Bad debts written off	-	-	-	(230 798)	**(230 798)**	
Administrative costs	(93 078 000)	(56 473 300)	(149 551 300)	(187 393 800)	**(37 842 500)**	32
Total expenditure	**(257 576 000)**	**(74 261 000)**	**(331 837 000)**	**(490 053 053)**	**(158 216 053)**	
Operating deficit	**-**	**-**	**-**	**(132 250 134)**	**(132 250 134)**	
Loss on disposal of assets and liabilities	-	-	-	(509 855)	**(509 855)**	32
Share of surpluses or deficits from associates or joint ventures accounted for using the equity method	-	-	-	(896 677)	(896 677)	32
	-	**-**	**-**	**(1 406 532)**	**(1 406 532)**	
Deficit before taxation	-	-	-	**(133 656 666)**	**(133 656 666)**	
Actual Amount on Comparable - Basis as Presented in the Budget and Actual Comparative Statement		**-**	**-**	**(133 656 666)**	**(133 656 666)**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standard Board (ASB). In the absence of effective Standard of GRAP, Directive 5 dated March 2009 from the ASB provides the continued application of International Financial Reporting Standards (IFRS). The recognition and measurements principles in the GRAP and IFRS statements do not differ as a result in material differences in items presented and disclosed in the financial statements. The annual financial statements are prepared on the historical cost basis except where otherwise stated and accounting policies applied are consistent with the application in previous years except where otherwise stated. The Financial statements fairly present the entity's Financial Position, Financial Performance and Cash Flow as per the requirements of GRAP 1.

1.1 Going concern assumption

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

1.2 Materiality

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

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

1.3 Significant accounting judgements and key sources of estimation uncertainty

In the application of the accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods:

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

Trade receivables, project debtors, related party debtors, loans and receivables

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

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis and individual, based on historical loss and recovery ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

In accounting for the provision for doubtful debts, one of the following principles has been observed:

1. The trade debtor's balance has aged to 60 days and more
2. A collecting agency has advised that the debt is doubtful

Accounting Policies

1.3 Significant accounting judgements and key sources of estimation uncertainty (continued)

3. Normal credit control procedures have not resulted in the collection of the debt
4. Debtor has been liquidated or sequestrated or
5. The tenant leasee no longer occupy the premises for which services were billed

VAT Receivable/(Payable)

The municipal entities is registered with SARS for VAT on the invoice basis in accordance with Section 15(2)(a) of the Value Added Tax Act, 81 of 1991.

1.4 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The following factors were considered to determine the useful life of the assets:
- Expected usage of the asset;
- Expected physical wear and tear of the asset;
- Technical obsolescence; and
- Legal or other limits on the use of the asset

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (i.e., impairment losses are recognised). Gains and losses on disposal of of property, plant and equipment is determined by reference to their carrying amount and are taken into account in determining operating profit.

The residual value and the useful life of each asset are reviewed at each reporting date. The useful life of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Indefinite
Leased assets	Lower of the Lease Period or useful life (3 - 5 Years)
Furniture and fixtures	3 - 8 Years
Motor vehicles	5 - 8 Years
Office equipment	3 - 8 Years
IT equipment	3 - 8 Years
Leasehold improvements	Lower of the Lease Period or Useful life 3 Years

Assets under development and work-in progress are not depreciated.
The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differs from the previous estimates, the change is accounted for as a change in accounting estimate.

The useful life of IT equipment assets such as computers are set at R1 as these items are expected to have negligible sales value at the end of its useful life.

Accounting Policies

1.4 Property, plant and equipment (continued)

The residual value of all other assets with a cost less that R5 000 are estimated at 10% of the cost as this is appropriately the maximum amount expected to be at the end of its useful life.

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.

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.

1.5 Intangible assets

An asset is identified as an intangible asset when it:

- 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, assets or liability.

- arises from the contractual rights or other legal rights, regardless of whether those rights are transferable or separate from JOSHCO 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.

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.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. Amortisation commences when the intangible assets are ready for their intended use.

Accounting Policies

1.5 Intangible assets (continued)

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. 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, other	3 - 8 years
Other Intangible assets	3 - 8 years

1.6 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue 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.

Government grants (including capital grants) are recognised when there is reasonable assurance that:
- the company will comply with the conditions attached to them; and
- the grants will be received

A government grant that becomes receivable as compensation for expenses or deficit already incurred or for the purpose of giving immediate financial support to the company with no future related costs is recognised as income of the period in which it becomes receivable.

Capital grants are recorded as deferred income when they become receivable and are recognised as income on a systematic basis over the periods necessary to match grants with the related costs, which they are intended to compensate. Capital grants on infrastructure property, plant and equipment are credited on a straight-line basis to the Statement of Financial Performance based on the estimated useful life of the relevant infrastructure property, plant and equipment.

1.7 Investment in joint ventures

An interest in a joint venture is carried at cost. The cost of an investment is the aggregate of:
- The fair value of, at the date of acquisition or transfer of functions, of assets given, liabilities incurred or assumed, and equity instruments issued by the entity; and
- Any cost directly attributable to the purchase of the jointly controlled entity.

On initial recognition the investment in a joint venture is recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the surplus or deficit of the investee after the date of acquisition.

Distributions received from the joint venture reduce the carrying amount of the investment.

1.8 Financial instruments

Financial assets and financial liabilities are recognised on JOSHCO's balance sheet when the organisation becomes a party to the contractual provisions of the instrument. All "regular way" purchases and sales of financial assets are initially recognised using trade date accounting. Financial instruments are initially measured at fair value, which includes transaction costs.
Subsequent to initial recognition the instruments are measured as set out below:

Financial assets

JOSHCO's principle financial assets are Loans to group companies, accounts and other receivables, and cash and cash equivalents.

At the end of each reporting period the company assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for- sale.

Accounting Policies

1.8 Financial instruments (continued)

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Loans to / (from) group companies

These include loans to parent municipality, subsidiaries, joint ventures and associates and are recognised initially 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 / (from) parent municipality

These are classified as loans and receivables.

Accounts and Other receivables from exchange transactions
Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in 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 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 allowance 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.

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.

Financial liabilities

JOSHCO's principle financial liabilities are Loans from group companies, accounts and other payables and interest bearing borrowings & overdraft. All financial liabilities are measured at amortised cost, comprising original debts less principle payments and amortisations, except for financial liabilities held for trading and derivative liabilities, which are subsequently measured at fair value.

Loans to / (from) group companies

As noted in the financial assets above.

Accounting Policies

1.8 Financial instruments (continued)

Accounts and other payables

Accounts and other payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rates method.

Interest bearing borrowings and overdraft

Interest bearing borrowings and overdraft are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Gains and losses

Gains and losses arising from a change in the fair value of the financial instrument, other than available-for-sale financial asset, are included in net profit or loss in the period in which it arises. Gains and losses arising from a change in the fair value of available-for-sale financial assets are recognized in equity, until the investment is disposed of or is determined to be impaired, at which time the net profit or loss is included in the net profit or loss for the period.

De-recognition

A financial asset as a portion thereof is derecognised when the organisation realises the contractual rights to the benefits specified in the contract, the rights expire, the organisation surrenders those rights or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition, the difference between the carrying amount of the financial asset and the sum of the proceeds receivable and any prior adjustment to reflect the fair value of the asset that had been reported in equity is included in net profit or loss for the period.

A financial liability as a part thereof is derecognised when the obligation specified in the contract is discharged, cancelled, or expires. On derecognition the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it is included in net profit or loss for the period.

The fair values at which the financial instruments are carried at the balance sheet date have been determined using available market values. Where market values are not available, fair values have been calculated by discounting expected future cash flows at prevailing interest rates. The fair values have been estimated using available market information and appropriate valuation methodologies but are not necessarily indicative of the amounts that the organisation could realise in the normal course of business. The carrying amounts of financial assets and financial liabilities with a maturity of less than one year are assumed to approximate their fair value due to the short-term trading cycle of these assets. Financial assets and financial liabilities are offset if there is any intention to realise the asset and settle the liability simultaneously and a legally enforceable right to offset exists.

1.9 Statutory receivables Identification

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

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

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

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

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The entity recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Accounting Policies

1.9 Statutory receivables Identification (continued)

Initial measurement

The entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

The entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the entity levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Derecognition

The entity derecognises a statutory receivable, or a part thereof, when:
- the rights to the cash flows from the receivable are settled, expire or are waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the entity, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.10 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of 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 end of the reporting period.

Deferred tax assets and liabilities

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

A deferred tax asset is recognised for 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.

Accounting Policies

1.10 Tax (continued)

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.

1.11 Leases

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

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

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.

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.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as income on a month to month basis.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis. The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis. Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

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

1.12 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

Accounting Policies

1.12 Inventories (continued)

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

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

1.13 Events after reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Two types of events can be identified:

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

1.14 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

1.15 Impairment of non-cash-generating assets

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

Non-cash-generating assets are assets other than cash-generating assets.

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.

Accounting Policies

1.15 Impairment of non-cash-generating assets (continued)

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 service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. Useful

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

1.16 Share capital / contributed capital

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

1.17 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions.
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service.
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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 entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments as a result of past performance.

Accounting Policies

1.17 Employee benefits (continued)

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is 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. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost.
- interest cost.
- the expected return on any plan assets and on any reimbursement right recognised as an asset.
- actuarial gains and losses, which shall all be recognised immediately,
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.18 Provisions and contingencies

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

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

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

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

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

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

1.19 Commitments

A commitment is a contract or obligation that is non-cancellable to only cancellable at significant cost, to the extent that the amount has not been recorded elsewhere in the financial statements.

Capital commitments are disclosed in the notes to the annual financial statements.

1.20 Revenue from exchange transactions

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

Accounting Policies

1.20 Revenue from exchange transactions (continued)

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

Rental income is accrued on a time proportionate basis over the period of the lease agreement. Rental paid in advance is recognised as a liability in the statement of financial position.

Provincial Government subsidies for projects undertaken by the Company are recognised when the Company incurs the cost of the project that is subsidised.

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably.
- it is probable that the economic benefits or service potential associated with the transaction will flow to the company.
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest and dividends

Revenue arising from the use by others of company assets yielding interest and dividends is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the company; and
- The amount of the revenue can be measured reliably.
- Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.21 Revenue from non-exchange transactions

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

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

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

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

Services in-kind

Except for financial guaranteed contracts, the entity recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the entity's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the entity disclose the nature and type of services in-kind received during the reporting period.

1.22 Cash flow statement

The cashflow statement is prepared based on the direct method.

1.23 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.24 Borrowing costs

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

1.24 Borrowing costs (continued)

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

Accounting Policies

1.25 Accounting by principals and agents Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the entity is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an entity is a principal, or an agent requires the entity to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The entity assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the entity in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the entity concludes that it is not the agent, then it is the principal in the transactions.

The entity is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the entity has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The entity applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the entity is an agent.

Recognition

The entity, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal- agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The entity, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.26 Deviations

Deviation from, and ratification of minor breaches of, procurement processes:

(1) A supply chain management policy allow the accounting officer—

(a) to dispense with the official procurement processes established by the policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only—
(i) in an emergency;

Accounting Policies

(ii) if such goods or services are produced or available from a single provider only;
(iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
(iv) acquisition of animals for zoos; or
(v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and

1.26 Deviations (continued)

(b) to ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

(2) The accounting officer must record the reasons for any deviations in terms of subregulation (1)(a) and

(b) and report them to the next meeting of the council, or board of directors in the case of a municipal entity, and include as a note to the annual financial statements.

(3) Subregulation (2) does not apply to the procurement of goods and services contemplated in regulation 11(2).

1.27 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.28 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.29 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of 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.

1.30 Irregular expenditure

Irregular expenditure in terms of MFMA refers to expenditure incurred by JOSHCO in contravention of, or that is not in accordance with, a requirement of the MFMA, the Municipal Systems Act, the Public Office Bearers Act, and Supply Chain Management policy of JOSHCO or any of the municipality's by-laws and which has not been condoned.

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.

1.30 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Accounting Policies

1.31 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

1.32 Prior Year Errors

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

Where accounting errors have been identified in the current financial year the correction is made retrospectively as far as it is practical 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 practical and the prior year comparatives are restated accordingly.

1.33 Budget information

The budget is approved by the sole shareholder, the City of Johannesburg Metropolitan Municipality, on the accrual basis by functional classification. The operational budget is prepared using the zero-based budget methodology and applies to the period relevant to the Medium-Term Expenditure Framework. The approved budget covers the fiscal periods 1 July 2021 to 30 June 2022.

JOSHCO present a separate budget statement for public accountability. In the event of variances i.e. where actuals exceed the budgets by more than 1% of total revenue, reasons for such variances are noted on the budget statement. Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.34 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence or be influenced by that person in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

Accounting Policies

1.35 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.36 Presentation currency

These annual financial statements are presented in South African Rand.

1.37 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offseting is required or permitted by a standard of GRAP.

Notes to the Annual Financial Statements

2. INVENTORIES

Figures in Rand	2022	2021
Consumable stores	232 875	391 502

There was no inventory written down in both the current and prior years.

3. Loans to (from) shareholders

Sweeping account - Interest bearing	(1 132 763 667)	(414 268 968)
Interest on Non-Sweeping Bank Accounts	2 974 818	5 958 169
	(1 129 788 849)	**(408 310 799)**

The loan from shareholders mainly comprises of settlement of City of Johannesburg department invoices by JOSHCO as at 30 June 2022.

Interest on non-sweeping bank account is interest from historical accounts that were with Absa Bank before moving to Standard Bank.

Current assets	2 974 818	5 958 169
Current liabilities	(1 132 763 667)	(414 268 968)
	(1 129 788 849)	**(408 310 799)**

Loans to shareholders impaired

As of 30 June 2022, loans to shareholders of R 2 983 351 (2021: R -) were impaired and provided for.

The ageing of these loans is as follows:		
Over 6 months	5 958 169	5 958 169

Reconciliation of provision for impairment of loans to shareholders

Opening balance	5 958 169	5 958 169
Provision for impairment	**(2 983 351)**	-
	2 974 818	**5 958 169**

Sweeping account

Loans at beginning of the year	(414 268 968)	12 032 012
Net receipts during the year	(715 519 926)	(426 300 980)
	(1 129 788 894)	**(414 268 968)**

The City of Johannesburg has an arrangement with all municipal owned entities (MOE's) that the bank accounts will be swept over night to the primary bank account of the City of Johannesburg. The required amounts by the MOE's will be swept back to their accounts when requested. The account bears interest at repo rate, compounded daily.

4. Receivables from exchange transactions

Trade receivables	21 471 035	20 719 927
Sundry Deposits	99 927	99 927
Sundry Debtors	49 359 419	39 406 642
Related party debtors	1 441 426 098	729 897 473
	1 512 356 479	**790 123 969**

Notes to the Annual Financial Statements

4. TAXATION (continued)

Receivables from exchange transactions are initially recognised at fair value and are subsequently measured at amortised cost less impairment losses. Carrying amount approximates fair value.

Trade Receivables
Trade debtors consist of the tenant rentals/levies receivable net of provision. These amounts are receivable as a result of lease agreements between JOSHCO and the tenants.

Sundry Deposits
These deposits are held by the 3rd parties on behalf of JOSHCO.

Sundry Debtors
Sundry debtors consist of utilities for projects under construction and other debtors.

Related Party Debtors
Related party debtors consist of receivables from the City of Johannesburg Municipal departments and other related parties. Related party debtors are disclosed net provision for bad debt amounting to R36,503,895.85 (2021: R26,116,398.00)

Project Debtors
Project debtors consist of the monies owed by provincial government. The total amounts to R15,968,756.79 and has been fully impaired

Trade receivables past due but not impaired

As at 30 June 2022, a portion of trade receivables were impaired and provided for. Trade receivables which are less than 1 month past due are not considered to be impaired. As at 30 June 2022, R11 434 028 (2021: R 9 922 828) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Figures in Rand	2022	2021
1 month past due	11 434 028	9 922 828

Trade receivables impaired

The amount of the provision was R (314 899 870) as of 30 June 2022 (2021: R (220 263 349)).

Trade receivables	336 370 905	240 983 276
Less: Provision for bad debt	(314 899 870)	(220 263 349)
Net trade receivables	21 471 035	20 719 927
Reconciliation of provision for impairment of trade receivables		
Opening balance	(220 263 349)	(150 528 192)
Provision for bad debt	(94 636 521)	(69 726 732)
Other	-	(8 425)
	(314 899 870)	**(220 263 349)**

5. Receivables from non-exchange transactions

Sundry debtors	4 250 781	2 513 109

Sundry debtors consist of bursaries paid to employees.

Notes to the Annual Financial Statements

6. Cash and cash equivalents

Figures in Rand	2022	2021
Cash and cash equivalents consist of:		
Cash on hand	5 057	5 281
Bank balances	189 260 195	172 014 117
	189 265 252	**172 019 398**

Cash and cash equivalents comprise cash on hand, cash managed by the shareholder, deposits held on call with financial institutions, and investments in money market instruments and bank overdrafts.

The company's bank account is "swept" on a daily basis by the City of Johannesburg Metropolitan Municipality in order to facilitate efficient cash-flow management. No cash and cash equivalents (or portions thereof) were pledged as security for any financial liabilities.

Cash on hand consists of petty cash.

The funds held in the prior year related to funds received from Social Housing Regulatory Authority. These funds are held in a separate bank account.

-

Credit quality of cash at bank and short term deposits, excluding cash on hand

The maximum exposure to credit risk is the carrying amount of the cash and cash equivalents as at the reporting date.

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
STANDARD BANK - Current Deposit account - 197750	16 354 142	15 735 874	15 175 950	16 354 142	15 735 874	15 175 950
STANDARD BANK - Current Account - 197769	172 905 479	156 280 986	150 720 087	172 905 479	156 280 986	150 720 087
STANDARD BANK - Current Account - 197726	3 700	-	-	3 700	-	5 019
STANDARD BANK - Current Account - 197718	(2 610)	(2 743)	(2 329)	(2 610)	(2 743)	(2 329)
Total	**189 260 711**	**172 014 117**	**165 893 708**	**189 260 711**	**172 014 117**	**165 898 727**

Notes to the Annual Financial Statements

7. PROPERTY, PLANT AND EQUIPMENT

	2022			2021		
	Cost / Valuation	Accumulated depreciation accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation accumulated impairment	Carrying value
Land	177 799	-	177 799	177 799	-	177 799
Leased assets	-	-	-	1 624 492	(1 021 447)	603 045
Furniture and fixtures	6 659 953	(2 894 527)	3 765 426	7 904 348	(3 302 811)	4 601 537
Motor vehicles	350 640	(300 342)	50 298	350 643	(289 417)	61 226
Office equipment	1 079 030	(314 249)	764 781	1 613 400	(665 434)	947 966
IT equipment	5 473 402	(1 629 674)	3 843 728	5 226 686	(2 057 875)	3 168 811
Work in progress	2 181 597	-	2 181 597	-	-	-
Total	**15 922 421**	**(5 138 792)**	**10 783 629**	**16 897 368**	**(7 336 984)**	**9 560 384**

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Depreciation	Total
Land	177 799	-	-	-	177 799
Leased assets	603 045	-	(96 171)	(506 874)	-
Furniture and fixtures	4 601 537	130 306	(132 705)	(833 712)	3 765 426
Motor vehicles	61 226	-	-	(10 928)	50 298
Office equipment	947 966	174 919	(139 642)	(218 462)	764 781
IT equipment	3 168 811	1 428 640	(132 723)	(621 000)	3 843 728
Work in progress	-	2 181 597	-	-	2 181 597
	9 560 384	**3 915 462**	**(501 241)**	**(2 190 976)**	**10 783 629**

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Depreciation	Total
Land	177 799	-	-	-	177 799
Leased assets	1 144 437	-	-	(541 392)	603 045
Furniture and fixtures	5 121 044	780 699	-	(1 300 206)	4 601 537
Motor vehicles	74 479	-	-	(13 253)	61 226
Office equipment	676 929	472 509	(71 673)	(129 799)	947 966
IT equipment	2 516 025	1 328 549	(2 339)	(673 424)	3 168 811
	9 710 713	**2 581 757**	**(74 012)**	**(2 658 074)**	**9 560 384**

Notes to the Annual Financial Statements

8. PROPERTY, PLANT AND EQUIPMENT (continued)

The following leased assets are included in Property, Plant and Equipment listed above

	2022			2021		
	Cost / Valuation	Accumulated depreciation accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation accumulated impairment	Carrying value
Leased assets	-	-	-	1 624 492	(1 021 442)	603 050

Assets subject to finance lease (Net carrying amount)

Leased assets	-	603 045

8. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated depreciation accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation accumulated impairment	Carrying value
Computer software	4 224 008	(579 029)	3 644 979	902 824	(554 768)	348 056
Intangible assets under development	5 723 772	-	5 723 772	-	-	-
Total	**9 947 780**	**(579 029)**	**9 368 751**	**902 824**	**(554 768)**	**348 056**

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	348 056	3 410 691	(8 614)	(105 154)	3 644 979
Intangible assets under development	-	5 723 772	-	-	5 723 772
Total	**348 056**	**9 134 463**	**(8 614)**	**(105 154)**	**9 368 751**

Reconciliation of intangible assets - 2021

	Opening balance	Disposals	Amortisation	Total
Computer software	460 086	(39)	(111 991)	348 056

9. INTEREST IN JOINT VENTURES

Name of company	Listed / Unlisted	Carrying amount 2022	Carrying amount 2021
JOSHCO Madulamoho Joint Venture (JMVJ)	Unlisted	20 413 811	22 410 488

The carrying amount of the joint venture has shown net deficit amounting to R896,677 (2021: (R251,067)).

Principal activities and reporting dates of joint venture

Notes to the Annual Financial Statements

Name of entity	Principal activity	Reporting date	Period of results included
JOSHCO Madulamoho Joint Venture	55%	2022/06/30	1 July 2021 to 30 June 2022

The JMJV is an investment between JOSHCO and Madulamoho for social rental housing. Investments in joint arrangements were assessed and it was concluded that these agreements should be classified as joint ventures. In performing the assessment, the entity considered the structure of the arrangements, the legal form of any separate vehicle, the contractual terms of the arrangements and other facts and circumstances. The separate annual financial statements of the joint venture are available at the registered office of the entity. There are no contingent liabilities, contingent assets or commitments relating to the joint venture. The joint venture's ability to distribute reserves is not restricted in terms of the joint venture agreement. The JMJV has not been pledged as security.

Figures in Rand	2022	2021
Reconciliation of Investment in Joint Venture		
Opening balance	22 410 488	23 761 555
Share of deficit from Joint Venture	(896 677)	(251 067)
Change in net assets	(1 100 000)	(1 100 000)
	20 413 811	**22 410 488**

10. BORROWINGS - DBSA

Figures in Rand	2022	2021
At amortised cost		
Development Bank of Southern Africa Terms and conditions	11 359 506	12 506 384

JOSHCO has two loans from Development Bank of Southern Africa (DBSA) for City Deep Housing Project an amount of R7 821 487.00 and Roodepoort Social Housing Project for R11 732 231.00. The loan period is for twenty years bearing interest at a fixed interest rate of 8.5% per annum. The borrowing is repayable in 36 equal six monthly instalments totaling R1 070 913.45 with the last redemption date in March 2029.

Non-current liabilities		
At amortised cost	9 007 835	10 364 557
Current liabilities		
At amortised cost	2 351 671	2 141 827

11. Payables from exchange transactions

Trade payables	224 920 219	197 018 706
Payments received in advance	10 332 397	10 395 021
Accrued leave pay	14 916 113	14 231 246
Consumer deposit received	15 927 905	14 730 987
Other creditors	4 934 052	8 589 316
Payroll liabilities	296 729	2 992 241
Related Party Creditors	732 798 226	591 836 529
	1 004 125 641	**839 794 046**

Notes to the Annual Financial Statements

12. Finance lease obligations

Minimum lease payments due		
- within one year	-	539 236
- in second to fifth year inclusive	-	69 102
	-	608 338
Less: future finance charges	-	(32 544)
Present value of minimum lease payments	**-**	**575 794**
Present value of minimum lease payments due		
- within one year	-	508 309
- in second to fifth year inclusive	-	67 485
	-	**575 794**
Non-current liabilities	-	67 485
Current liabilities	-	508 309
	-	**575 794**

The finance lease relates to office and computer equipment. The average lease term is 3 years. The company did not default on any of the interest or capital repayments of the finance lease. Interest rate entity's obligations under finance leases are not secured by the lessor's charge over the leased assets.

13. VAT RECEIVABLES

Figures in Rand	2022	2021
Receivable	3 917 732	2 792 093

These amounts are recievable by the entity as a result of transaction attracting value added tax (VAT) as legislated under the Value Added Tax Act 89 of 1991 from the South African Revenue Services.

The VAT receivables have not been impaired. Joshco is working with South African Revenue Services and the balance is not considered impaired.

14. Unspent conditional grants and receipts

Deferred income from non-exchange transactions comprises of:

Unspent conditional grants and receipts		
Local Government Grant - Roodepoort	177 800	177 800

Local Government Grant - Roodepoort The Grant relates to funds received from the parent municipality for the purchase of land for the Roodepoort development. The grant is secured by land disclosed under property, plant & equipment. The funds will remain in liabilities until the asset is transferred to the City of Johannesburg Metropolitan Municipality.

Notes to the Annual Financial Statements

15. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At amortised cost	Total
Loans to economic entities	2 974 818	2 974 818
Trade and other receivables from exchange transactions	1 512 356 479	1 512 356 479
Receivables from non-exchange transactions	4 250 781	4 250 781
Cash and cash equivalents	189 265 252	189 265 252
	1 708 847 330	**1 708 847 330**

Financial liabilities

	At amortised cost	Total
Borrowings - DBSA Loan	11 359 506	11 359 506
Loans from shareholders	1 132 763 667	1 132 763 667
Trade and other payables from exchange transactions	1 004 125 641	1 004 125 641
	2 148 248 814	**2 148 248 814**

2021

Financial assets

	At amortised cost	Total
Loans to economic entities	5 958 169	5 958 169
Trade and other receivables from exchange transactions	790 123 969	790 123 969
Receivables from non-exchange transactions	2 513 109	2 513 109
Cash and cash equivalents	172 302 407	172 302 407
	970 897 654	**970 897 654**

Notes to the Annual Financial Statements

15. Financial instruments disclosure (continued)

Figures in Rand	2022	2021

Financial liabilities

	At amortised cost	Total
Borrowings - DBSA Loan	11 139 254	11 139 254
Loans from shareholders	414 268 968	414 268 968
Trade and other payables from exchange transactions	839 794 046	839 794 046
Finance lease obligations	575 794	575 794
	1 265 778 062	**1 265 778 062**

16. Share capital / contributed capital

	2022	2021
Authorised		
1000 Ordinary shares of R1 each or par value of R1000	1 000	1 000
Issued		
Ordinary	120	120

17. Revenue

	2022	2021
Rendering of services	104 486 834	63 364 856
Rental of facilities and equipment	181 989 784	171 651 221
Utility recoveries	1 016 143	588 060
Other income	1 669 010	1 773 901
Interest received	14 312 148	9 960 112
Government grants & subsidies	54 329 000	19 899 999
	357 802 919	**267 238 149**

	2022	2021
The amount included in revenue arising from exchanges of goods or services are as follows:		
Rendering of services	104 486 834	63 364 856
Rental of facilities and equipment	181 989 784	171 651 221
Utility recoveries	1 016 143	588 060
Other income	1 669 010	1 773 901
Interest received	14 312 148	9 960 112
	303 473 919	**247 338 150**

	2022	2021
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue Transfer revenue		
Subsidy received from shareholder	54 329 000	19 899 999

Notes to the Annual Financial Statements

18. ADMINISTRATIVE EXPENSES

Figures in Rand	2022	2021
Advertising	974 780	930 397
Auditors remuneration	2 156 686	2 536 462
Bank charges	63 997	62 744
Cleaning and Gardening	1 460 571	3 695 091
Collection costs	2 406 964	2 008 844
Community Development	1 210 482	2 368 181
Computer expenses	2 391 886	745 161
Conferences and seminars	14	239 434
Consumables	59 834	210 624
Discount allowed	1 074 955	460 933
Electricity	27 522 295	34 537 318
Entertainment	242 459	97 084
Equipment Hire	599 293	476 196
Fuel and oil	37 731	36 768
Gas	-	23 401
Insurance	3 422 066	1 207 985
Management fees	3 687 949	1 854 763
Placement fees	28 704	77 271
Printing and stationery	371 858	548 974
Project maintenance costs	53 067 441	33 672 146
Project planning and consulting	12 416 098	2 633 341
Project staff uniform	-	449 011
Protective clothing	-	6 250
Refuse	4 035 542	1 076 900
Royalties and license fees	2 238 023	1 879 511
Security (Guarding of municipal property)	23 983 003	21 667 258
Subscriptions and membership fees	733 168	672 024
Telephone and fax	2 237 789	2 011 693
Tenant allocation	4 000	5 100
Training	396 057	1 158 599
Travel - local	2 447	-
Water and Sanitation	40 567 708	34 495 001
	187 393 800	**151 844 465**

Notes to the Annual Financial Statements

19. PERSONNEL COSTS

Figures in Rand	2022	2021
Acting allowances	126 473	278 928
Bargaining Council	60 193	57 598
Bonus	5 688 507	5 977 452
Covid-19 Allowance	-	413 000
Directors remunerations	2 690 000	3 316 000
Employee related costs : Medical aid contributions	4 151 443	3 143 678
Employee related costs : Salaries and wages	113 549 612	106 715 915
Housing benefits and allowances	1 676 919	1 128 894
Leave pay provision charge	1 928 637	4 343 641
Overtime payments	5 326 680	5 779 253
Pension fund contributions	15 057 349	13 767 491
SDL	1 284 940	785 796
Shift allowance	2 573 994	3 143 218
Travel, motor car, accommodation, subsistence and other allowances	1 176 908	1 211 844
UIF	924 942	804 551
	156 216 597	**150 867 259**

Remuneration of Chief Executive Officer

Mr. Victor Rambau+	2 882 635	2 096 834

Remuneration of Chief Financial Officer

Ms. Ndimande Nontobeko	1 422 900	1 435 171

Remuneration of executive directors

Mr. Mavhungu Mutheiwana	1 181 775	943 937
Mr. Nkululeko Magubane	1 370 200	1 382 120
Ms. Livhalani Nemaungani	1 248 464	1 380 045
Ms. Kedumetse Kojana*	1 285 248	1 382 119
Ms. Xolisile Njapha*	659 462	885 818
	5 745 149	**5 974 039**

**Resigned*
+ Mutual Separation

Notes to the Annual Financial Statements

19. PERSONNEL COSTS (continued)

Figures in Rand	2022	2021
Remuneration of non executive directors		
Mr. T Dhlamini	240 000	390 000
Mr. T Mamba	196 000	254 000
Mr. M Maimane	192 000	298 000
Mr. S Mhlongo	102 000	236 000
Mr. S Dlwathi	218 000	258 000
Mr. B Makhanya	108 000	278 000
Ms. G Boikanyo	258 000	290 000
Mr. T Motloung	108 000	92 000
Mr. S Bhengu	106 000	258 000
Mr. J Sobekwa	236 000	128 000
Ms. D Raphuti	106 000	104 000
Dr. K Sesele	230 000	108 000
Mr. N. Bangisi	114 000	100 000
Mr. S Varghese	76 000	-
Mr. K Modipane	88 000	-
	2 378 000	**2 794 000**

Remuneration of Audit Committee Members		
Mr. M Mokgobinyane	64 000	144 000
Mr. L Matshekga	82 000	80 000
Mr. E Khosa	166 000	102 000
Mr. J Sobekwa	-	196 000
	312 000	**522 000**

20. BAD DEBT WRITTEN OFF

Bad debts written off	230 798	1 736 541

Bad debt written off relate to trade debtors.

21. DEBT IMPAIRMENT

Debt impairment	108 007 370	82 010 003

Debt impairment consists of the following catagory of debtors:		
Trade receivables	94 636 521	69 728 732
Related party debtors	10 387 498	(3 685 486)
Loan to shareholder	2 983 351	-
Project debtors	-	15 968 757
	108 007 370	**82 012 003**

Notes to the Annual Financial Statements

22. INVESTMENT INCOME

Figures in Rand	2022	2021
Interest revenue		
Interest earned - Bank Interest	-	414 148
Interest earned - Outstanding debtors	14 312 148	9 545 964
	14 312 148	**9 960 112**

23. DEPRECIATION AND AMORTISATION

Property, plant and equipment	2 190 976	2 658 072
Intangible assets	105 155	111 991
	2 296 131	**2 770 063**

24. FINANCE COSTS

Trade and other payables	130 187	-
Interest paid - Borrowings	996 794	1 085 658
Interest paid - Sweeping account	34 781 376	6 061 459
	35 908 357	**7 147 117**

25. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS/(DEFICIT)

Surplus/ (deficit)	(133 656 666)	(129 462 418)
Non cash movements:		
Depreciation and amortisation	2 296 131	2 770 063
Loss on disposal of assets	509 855	74 051
Deficit from equity accounted investments	896 677	251 068
Finance costs - Finance leases	31 525	90 631
Bad debts written off	230 798	1 736 541
Movements in provisions	-	(1 220 160)
Changes in working capital:		
Inventories	158 713	(45 745)
Receivables from exchange transactions	(722 232 510)	(529 829 803)
Receivables from non-exchange transactions	(1 737 672)	(388 602)
Payables from exchange transactions	164 331 595	239 313 546
VAT	(1 125 639)	(206 193)
	(690 297 193)	**(416 917 021)**

26. TAX RECEIVABLE

Balance due (to) / from at beginning of the year	49 706	49 706
Balance due to / (from) at end of the year	(49 706)	(49 706)

Notes to the Annual Financial Statements

27. COMMITMENTS

Figures in Rand	2022	2021
Commitments in respect of capital expenditure:		
Authorised and not yet contracted for		
• Property, plant and equipment	2 848 769 566	2 850 097 092
Total capital commitments		
Already contracted for but not provided for	2 848 769 566	2 850 097 092
Authorised operational expenditure		
Total commitments		
Total commitments		
Authorised capital expenditure	2 848 769 566	2 850 097 092

This committed expenditure relates to fixed assets and will be financed by government grants, available bank facilities, retained surpluses and funds internally generated.

28. RELATED PARTIES

Relationships	
Controlling entity	City of Johannesburg Metropolitan Municipality
Joint ventures	Madulamoho JMVJ Refer to note 9
Members of key management	Refer to note 19
Entities under common control	Pickitup Johannesburg (Pty) Ltd City Power Johannesburg (Pty) Ltd Johannesburg Water (Pty) Ltd

Related party balances

	2022	2021
Amount included in loans and receivables from exchange transactions with related parties		
City of Johannesburg Metropolitan Municipality	1 483 888 145	761 972 040
Amounts included in Loans and payables from exchange transactions with related parties		
City of Johannesburg Metropolitan Municipality	(1 864 846 442)	(1 006 283 297)

	2022	2021
Related party transactions		
Income from related parties		
City of Johannesburg Metropolitan Municipality	158 421 192	83 289 238
Expenditure with related parties		
City of Johannesburg Metropolitan Municipality	(34 781 376)	(7 016 272)
Pickitup Johannesburg (Pty) Ltd	(4 180 735)	(1 233 671)
City Power Johannesburg (Pty) Ltd	(24 921 518)	(35 780 942)
Johannesburg Water (Pty) Ltd	(47 921 819)	(40 559 441)

Related Party transaction not at arms length

The approved service delivery agreement between the City of Johannesburg and JOSHCO states that the City shall lease its property at R1 per annum per project.

It further states that JOSHCO shall lease the properties to and collect rental from its tenants at an approved tariff as determined by the City in order to undertake the repairs and maintenance of the lease.

Notes to the Annual Financial Statements

29. RISK MANAGEMENT

Capital risk management

The entity's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, in order to provide returns for shareholder and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The company is a wholly owned subsidiary of the City of Johannesburg Metropolitan Municipality. Risk management is carried out by a central treasury department within the Metro Municipality (City Group treasury).

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 company also receives an annual subsidy from the City of Johannesburg Metropolitan Municipality which mitigates to a large extent the liquidity risk of the company.

Interest rate risk

As the entity has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

The entity's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the entity to fair value interest rate risk.
During 2022 and 2021, the entity's borrowings of R11,139,255 from the Development Bank of Southern Africa, at fixed rate of 8.5% and the loan is denominated in the South African Rand.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, intercompany debtors and other receivables. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter- party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. The company services the widespread public of the metropolitan area. The company is therefore exposed to credit risk. The company is exposed to credit risk as a result of the following: transactions entered into with the public on extended payment terms and long term loans with the City of Johannesburg Metropolitan Municipality. These customers may not be able to produce cash on demand and the company manages these risks by independent checks on the credit quality of debtors and giving long term loans only to City of Johannesburg Metropolitan Municipality in terms of approved policy and credit terms. No changes occurred in the management of these risks from the prior year.

The company policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on surplus / (deficit). The company's interest rate risk arises from interest bearing borrowings and financial service assets. Borrowings issued at floating rates expose the company to cash flow interest rate risk, while fixed rate borrowings expose the company to fair value interest rate risk. As part of the process of managing the company's fixed and floating rate borrowings mix, the interest rate characteristics of new borrowings and refinancing of existing borrowings are positioned according to expected movements in interest rates.

Notes to the Annual Financial Statements

29. RISK MANAGEMENT (continued)

Financial assets exposed to credit risk at year end were as follows:

Figures in Rand	2022	2021
Financial instrument		
Receivables from exchange transactions	1 512 356 479	790 123 969
Loans to shareholders	2 974 818	5 958 169

30. IRREGULAR EXPENDITURE

Figures in Rand	2022	2021
Opening balance as previously reported	128 216 762	80 273 078
Opening balance	**128 216 762**	**80 273 078**
Add: Irregular Expenditure - current	11 423 958	340 868
Add: Irregular Expenditure - overspending of operational budget	20 640 880	42 159 759
Add: Irregular Expenditure - identified in the current year but relate to prior year	146 070	5 443 057
Closing balance	**160 427 670**	**128 216 762**

Incidents/cases identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Three written quotations not invited	Irregular expenditure is currently underinvestigation	146 070	-
Overspending of operational budget	Irregular expenditure is currently under investigation	20 640 880	-
Incorrect calculation of scoring of bidders	Irregular expenditure is currently under investigation	11 598 963	-
		32 385 913	**-**

Cases under investigation

Irregular expenditure incurred in the prior year has not been condoned as some investigations have not been concluded.

31. FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure		
Opening balance	1 175 013	1 175 013
Expenditure relating to the current year	2 890 191	-
Expenditure written off	(4 570)	-
	4 060 634	**1 175 013**

Fruitless and wasteful expenditure incurred in the prior year has not yet written off it is still under investigation. Fruitless and wasteful expenditure incurred in the current year relates to interest and penalties paid on late payment of suppliers and traffic fine.

Notes to the Annual Financial Statements

32. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

In terms of Regulation 36(2) of the Municipal Supply Chain Regulations, the accounting officer must record the reasons for any deviations in terms of sub-regulation (1)(a) and (b) and report them to the next meeting of the board of directors, and include as a note to the annual financial statements.

For the financial year, the following deviations occurred and was approved by the Accounting Officer

Emergency

The following deviations were due to emergencies as per regulation 36 (1) (i) of the supply chain management regulation:

Name of Service Provider	Description of Emergency	2022	2021
Big O Engineering	The procurement of an urgent generator	-	338 100
Dikatshe Consulting	Extension of scope due to emergency (Microsoft exchanger configuration)	-	73 340
Belemandi Consulting	Extension of Scope – board committee meetings taking longer than allocated time	4 938	-
Total		**4 938**	**411 440**

Ratification of minor breaches of procurement and other deviations

Deviation and ratification from the normal procurement processes in terms of regulation 36 (1)(a)(v) and (b) of the municipal supply chain management regulations.

Exclaim Innovation	The appointment of the Risk and Compliance champions and the procurement of additional licences	-	87 400
Egoli Gas	Deviation for the appointment of a single source supplier Egoli gas.	-	116 766
Magate Phala and Associates	Deviate from normal supply chain processes – extension of contract chairing of disciplinary enquiries and provision of labour law opinion.	146 600	-
		-	-
Total		**146 600**	**204 166**

33. STATEMENT OF COMPARISON OF APPROVED BUDGET TO ACTUAL RESULTS (EXPLANATORY NOTES)

Material differences between budget and actual amounts

In terms of accounting policy, variances of 1% of total revenue must be reported and supported with explanations. The following reasons apply to material variances:

Total income variances:

Total revenue is more by 8% (R357.8 million vs R331.8 million) mainly due to the following reasons:
1. Rental of facilities and equipment is 4% below budget due to delayed in occupation of 80 Plein Street project.
2. Rendering of services is Rendering of services is 41% above budget due to an increase management fees earned from upgrades, repairs and maintenance spending on behalf of CoJ departments.
3. Recoveries amounted to R1.01 million for the year due to recoveries charged to tenants mainly arising from implementation of the prepaid electricity vending system at Dobsonville and Turffontein.
4. Other income arises from tender document sold during the year.
5. Interest received is 1% less than budget due to no interest earned from the bank due to overdraft balance maintained during the period as well as less interest charged on oustanding trade debtors.

Notes to the Annual Financial Statements

33. STATEMENT OF COMPARISON OF APPROVED BUDGET TO ACTUAL RESULTS (EXPLANATORY NOTES) (continued)

Total expenses variances:

Total expenditure is over budget by 48% (R490.2 million vs R331.8 million) mainly due to the following reasons:

1. Employee related costs is 4% (R6.3 million) above budget due to overtime costs, high leave pay provision raised to high leave balances in the current year and fixed term employees budget supported by management fees earned from projects.
2. Debt impairment is 268% above budget (R78.6) relates to trade debtors and is above budget due to a low rental collection rate for the year leading to a higher provision for bad debt..
3. Depreciation and amortisation is more than buget due to increase in purchase of computer equipment and software due to aging technology.
4. Finance costs is more than budget due to interest charged on sweeping account which is in overdraft.
5. Administrative expenses are 25% above budget due to repairs and maintenane at 22% above budget (R8.5 million) due to increased unplanned maintenance as a result of deteriorating conditions in some buildings as planned maintenance has not be done in years due to financial constraints. The JOSHCO Executive committee has adopted a hybrid maintenance model that will see JOSHCO using both the insourced maintenance team (handyman, plumber, electrician) and the outsourced contractors. Utilities costs is 17% above budget (R10.3 million) due to utility costs incurred more than available budget. Increase in legal fees, advertising costs for preparation of the sites for outdoor advertising and increase in tele- communication costs (cellphones and 3G modems) due to the entity still working from home.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a result of increase in rendering of services, increase in rental of facilities and equipment and reduction in interest received, increaase in personnel costs and administrative expenses.

34. NEW STANDARDS AND INTERPRETATIONS

34.1 Standards and interpretations not yet effective or relevant

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year, at the date of authorisation of these annual financial statements, the following Standards and Interpretations were in issue but not yet effective:

GRAP 25 Employee Benefits - effective date yet to be determine GRAP 104 Financial Instruments - effective date is 1 April 2025
IGRAP21 effect of past decision on materiality (the effective date is still to be determined by the Minister of Finance)

The new Standards have been not been reviewed by the entity to determine the impact on the financial statements when they become effective.

Notes to the Annual Financial Statements

35. CONTINGENCIES

Figures in Rand	2022	2021
JOSHCO is currently involved in various legal disputes against the below companies.		
Details of contingencies		
Contigent liabilities		
1. Gosiame Development Consultants (Pty) - Damage Claim for loss of income relating to professional services rendered at Randburg Selkirk project	653 378	653 378
2. Renaissance Security and Cleaning T/A Topo Security Services	27 852	91 799
3. ESOR Construction – legal fees from claim for construction work done on the Casa Mia refurbishment project	170 000	377 953
4. Murray and Dickson (Pty) Ltd - claim for work done on the Dobsonville project.	1 219 849	1 219 849
5. SMEC South Africa (Pty) Ltd - Interest on overdue professional and legal fees	157 136	157 136
	2 228 215	**2 500 115**
Contigent assets		
1. Solidaire Construction (Pty) Ltd - failure by service provider to perform as per JBCC contract	11 435 208	11 435 208
2. JEH Properties and Dempster Mckinnon-breach of contract	6 987 261	6 987 261
3. SKN Consulting-damages suffered claim as result on non-performance	14 645 680	14 645 680
	33 068 149	**33 068 149**

36. PRIOR YEAR ADJUSTMENTS

Presented below are those items contained in the statement of financial position and statement of financial performance that have been affected by prior-year adjustments. The prior period was adjusted retrospectively. The impact of the correction of the error(s) can be summarised as follows:

Statement of financial position

2021	Note	As previously reported	Correction of error	Reclassification	Restated
Receivables from exchange transactions	4	802 820 462	(10 183 384)	(2 513 109)	790 123 969
Receivables from non-exchange transactions	5	-	-	2 513 109	2 513 109
Deferred tax	6	22 526 454	(22 526 454)	-	-
Property, plant and equipment	7	8 368 130	1 192 254	-	9 560 384
Payables from exchange transactions	11	836 813 705	2 980 341	-	839 794 046
Accumulated deficit		(225 291 184)	(35 865 054)	-	(261 156 238)
		1 445 237 567	**(64 402 297)**	-	**1 380 835 270**

Notes to the Annual Financial Statements

36. PRIOR YEAR ADJUSTMENTS (continued)

Statement of financial performance

2021	Note	As previously reported	Correction of error	Reclassification	Restated
Rental of facilities and equipment	17	171 631 977	19 244	-	171 651 221
Bad debt written off	20	-	-	(1 736 541)	(1 736 541)
Employee related costs	19	(150 789 306)	(77 953)	-	(150 867 259)
Debt impairment	21	(78 835 984)	(10 202 629)	7 028 610	(82 010 003)
Depreciation and amortisation	23	(2 709 111)	(60 952)	-	(2 770 063)
Administrative expenses	18	(143 358 288)	(3 194 108)	(5 292 069)	(151 844 465)
		(204 060 712)	**(13 516 398)**	**-**	**(217 577 110)**

36.1 Prior period errors adjustments Receivables from exchange transactions:

R2 513 109 reclassification of sundry debtors (bursaries) from receivables from exchange transactions to receivables from non-exchange transactions. R19 244 accounting for student accommodation debtors not recorded in the prior year. R5 950 361 relate to correction of provision for bad debt from related party debtors. R184 233 adjustment to provision for bad debt due to recalculation trade debtors provision. R15 968 756.79 correction for bad debt provision for project debtors that was omitted.

Property, plant, and equipment:

Accounting for student accommodation fixed assets not recorded in the prior year and correction of depreciation for furniture and fittings.

Deferred tax:

Adjustment relates to correcting of deferred tax recognised in the prior year

Payables from exchange transactions:

R4 525 268.93 adjustment due to accounting for student accommodation transactions not recorded in the prior year. R177 799 adjustment due to correction of related party creditors that was overstated.

Accumulated deficit:

Accumulated deficit increased by R20 074 096 as result of the adjustments above.

Rental of facilities and equipment:

R19 244 adjustment due to accounting for student accommodation revenue transactions

Employee related costs:

R77 953 increase due to accounting for student accommodation employee related costs

Debt impairment:

R7 028 610 relates to classification of discount allowed, collections fees, community development expense, project staff uniform, bad debt written off and tenant allocations from debt impairment (other housing management costs) to administrative expenses. R5 950 361 relate to correction of provision for bad debt from related party debtors. R184 233 adjustment to provision for bad debt due to recalculation of trade debtors impairment. R15 968 756.79 correction for bad debt provision for project debtors that was omitted.-

Depreciation and amortisation:

R68 012.49 relates to depreciation arising from accounting for student accommodation fixed assets not recorded in the prior year and R7 060.49 relates to correction of depreciation for furniture and fittings.

Notes to the Annual Financial Statements

36.1 Prior period errors adjustments Receivables from exchange transactions:(continued)

Bad debt written off:

R1 736 541 relates to reclassification of bad debt written off from Debt impairment to be presented separately.

Administrative expenses:

R7 028 610 relates to classification of discount allowed, collections fees, community development expense, project staff uniform, bad debt written off and tenant allocations from debt impairment (other housing management costs) to administrative expenses. R3 194 108 relate to recording of student accommodation expenses not accounted for in the prior year.

36.2 Reclassifications

The following reclassifications adjustment occurred:

Debt impairment

The following transactions which were presented under debt impairment (Other housing management costs) in the prior year were reclassfied to administrative expenses. Classfication of discount allowed, collections fees, community development expense, project staff uniform, and tenant allocations from other housing management costs to administrative expenses. Bad debt written off was reclassified from debt impairmrnt to be dislcosed separate.

Receivables from exchange transactions

An amount of R2 513 109 which was previously presented under sundry debtors relating staff bursaries receivables was reclassified from receivables from exchange transactions to receivables from non-exchange transactions.

Bad debt written off

Bad debt written off was reclassified from debt impairment (other housing management costs) to be presented separate.

Administrative expenses

R70 550 amounts for sewerage and waste disposal was presented separately within the administrative costs in the prior year and reclassified to Water and Sanitation in the current year.

R7 496 relate to repairs and maintenance costs which was incorrectly disclosed under water and sanitation in the prior year. This has been subsequently re-classififed to Project maintenance costs.

37. PRIOR PERIOD ERROR DISCLOSURE

The review of the disclosed transactions resulted in the below discosure adjustments relating to prior year:

Irregular expenditure

Figures in Rand	2022	2021
Opening balance	128 216 762	124 963 945
Adjustments	-	3 252 817
Restated opening balance	**128 216 762**	**128 216 762**

Adjustment made to opening balance of irregular expenditure is due to prior period error adjustment impact on the overspending of operational budget amounting to R 3 252 817.

Commitments		
Opening balance	2 850 097 092	3 209 975 275
Adjustments	-	(359 878 183)
	2 850 097 092	2 850 097 092

Management reviewed the commitment balance and the review resulted to an adjustment of commitment amounting to R 59 878 183)

Notes to the Annual Financial Statements

38. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net deficit per the statement of financial performance	(133 656 666)	(129 462 418)
Adjusted for:		
Depreciation and amortization	2 296 131	2 770 063
Impairments recognised/(reversed)	108 007 370	82 010 003
Loss on the disposal of assets	509 855	74 051
Share of deficits from joint ventures	896 677	251 068
Bad debt write off	230 798	1 736 541
Discount allowed	1 074 955	460 933
Net deficit per approved budget	**(20 640 880)**	**(42 159 759)**

39. In-kind donations and assistance

Joshco Finance department was making use of City of Johannesburg Human Settlement department facility at no cost during the current financial year due to Joshco's head office being under construction.

40. Segment information General information Identification of segments

The entity is organised and reports to management on the basis of two major functional areas: housing management and housing development. The segments were organised around the type of service delivered and the target market.
Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Housing Management	Rental of facilities and equipment
Housing Development	Rendering of services

Notes to the Annual Financial Statements

41. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2022

	Housing Management	Housing Development	Total
Revenue			
Rental of facilities and equipment	181 989 784	-	181 989 784
Utility recoveries	1 016 143	-	1 016 143
Interest received	14 312 148	-	14 312 148
Rendering of services	-	104 786 834	104 786 834
Total segment revenue	**197 318 075**	**104 786 834**	**302 104 909**
Other income			1 668 711
Subsidy received from shareholder			54 329 000
Total revenue reconciling items			**55 997 711**
Entity's revenue			**358 102 620**
Expenditure			
Employee related costs	84 951 806	10 777 817	95 729 623
Debt impairment	94 636 521	13 370 849	108 007 370
Finance costs	-	35 908 357	35 908 357
Administrative costs	150 306 198	4 671 451	154 977 649
Bad debt written off	230 798	-	230 798
Total segment expenditure	**330 125 323**	**64 728 474**	**394 853 797**
Total segmental surplus/(deficit)			**(92 748 888)**
Employee related costs			(60 486 973)
Depreciation & amortisation			(2 296 131)
Administrative costs			(32 416 152)
Loss on disposal of assets			(509 855)
Share of deficit from Joint Venture			(896 677)
Total revenue reconciling items			(99 605 788)
Entity's surplus (deficit) for the period			**(133 836 097)**

Notes to the Annual Financial Statements

Assets			
Receivables from exchange transactions	21 471 035	1 457 215 423	1 478 686 458
Investment in associates (equity method)	20 413 811	-	20 413 811
Loans to shareholder	2 974 818	-	2 974 818
Cash and cash equivalents	16 354 142	172 905 479	189 259 621
Total segment assets	**61 213 806**	**1 630 120 902**	**1 691 334 708**
Inventory			232 875
Current tax receivable			49 706
VAT receivable			3 917 732
Property, plant and equipment			10 783 629
Intangible assets			9 368 751
Receivables from exchange transactions			49 359 419
Receivables from non-exchange transactions			4 250 781
Cash and cash equivalents			5 631
Total assets as per Statement of financial Position			**1 769 303 232**

Notes to the Annual Financial Statements

41. Segment information (continued)

	Housing Management	Housing Development	Total
Liabilities			
Borrowings - DBSA	-	8 995 582	8 995 582
Payables from exchange transactions	31 194 354	960 082 368	991 276 722
Loans from shareholder	-	1 132 763 667	1 132 763 667
Deferred income	-	177 800	177 800
Total segment liabilities	**31 194 354**	**2 102 019 417**	**2 133 213 771**
Accrued leave pay			14 916 113
Payroll related liabilities			296 729
Total liabilities as per Statement of financial Position			**2 148 426 613**
2021			
Revenue			
Rental of facilities and equipment	171 651 221	-	171 651 221
Utility recoveries	588 060	-	588 060
Interest received	9 571 288	-	9 571 288
Rendering of services	-	63 364 856	63 364 856
Total segment revenue	**181 810 569**	**63 364 856**	**245 175 425**
Interest received			389 824
Other income			1 773 901
Subsidy received from shareholder			19 899 999
Total revenue reconciling items			**22 063 724**
Entity's revenue			**267 239 149**
Expenditure			
Employee related costs	80 266 996	11 174 863	91 441 859
Debt impairment	69 726 732	(3 685 486)	66 041 246
Finance costs	-	7 147 117	7 147 117
Administrative costs	114 132 787	10 082 900	124 215 687
Total segment expenditure	**264 126 515**	**24 719 394**	**288 845 909**
Total segmental surplus/(deficit)			**(43 670 484)**
Total revenue reconciling items			22 063 724
Employee related costs			(59 425 400)
Loss on disposal of assets			(74 051)
Share of deficit from Joint Venture			(251 068)
Administrative costs			(27 628 778)
Depreciation & amortisation			(2 770 063)
Entity's surplus (deficit) for the period			**(113 493 661)**
Assets			
Receivables from exchange transactions	20 719 927	745 866 230	766 586 157
Investment in joint ventures (equity method)	22 410 488	-	22 410 488
Cash and cash equivalents	15 735 874	156 280 986	172 016 860
Total segment assets	**58 866 289**	**902 147 216**	**961 013 505**

Notes to the Annual Financial Statements

41. Segment information (continued)

	Housing Management	Housing Development	Total
Inventory			391 502
Loans to shareholder			5 958 169
Current tax receivables			49 706
VAT receivables			2 792 093
Cash and cash equivalents			2 538
Receivables from exchange transactions			39 506 569
Receivables from non-exchange transactions			2 513 109
Property, plant and equipment			9 560 384
Intangible assets			348 056
Total assets as per Statement of financial Position			**1 022 135 631**
Liabilities			
Borrowings - DBSA	-	11 139 255	11 139 255
Payables from exchange transactions	33 715 324	790 400 169	824 115 493
Loans from shareholder	-	414 268 968	414 268 968
Deferred income	-	177 800	177 800
Total segment liabilities	**33 715 324**	**1 215 986 192**	**1 249 701 516**
Payables from exchange transactions			17 223 480
Finance lease obligations			575 795
Total liabilities as per Statement of financial Position			**1 267 500 791**

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

Notes to the Annual Financial Statements

Supplementary Information

1. MFMA Additional Disclosure

Figures in Rand	2022	2021
Employee related costs: UIF	924 942	804 551
Employee related costs: Skills Development Levy	1 284 940	785 796
Employee related costs: Pension Fund Contributions	15 057 349	13 767 491
Employee related costs: Medical Aid Contributions	4 151 443	3 143 678
Auditors remuneration	2 156 686	2 536 462
	23 575 360	**21 037 978**

** See Note 37*
The supplementary information presented does not form part of the annual financial statements and is unaudited

Notes

COMPANY INFORMATION:

(In terms of Section 121 of the Municipal Finance Management Act, 2003
and Section 46 of the Municipal Systems Act, 2000)

JOHANNESBURG SOCIAL HOUSING COMPANY SOC LIMITED / NON-PROFIT COMPANY

Registration Number	: 2003/008063/07
Registered Address	: 61 Juta Street Johannesburg 2094
Postal Address	: P O Box 16021 New Doornfontein Johannesburg 2028
Telephone	: (011) 406-7300
Fax	: 086 240 6691
Website	: www.joshco.co.za
E-mail	: info@joshco.co.za
Bankers	: Standard Bank of SA Limited
Auditors	: Auditor-General