Joburg

JOSHCO
JOHANNESBURG SOCIAL HOUSING COMPANY

INTEGRATED ANNUAL REPORT 2022/23


WE
DELIVER
AFFORDABLE
AND SUSTAINABLE
SOCIAL HOUSING
IN JOBURG

CONTENTS

Lufhereng
where dreams take root

Abbreviations and Acronyms

ACOSEC	Acting Company Secretary
AFS	Annual Financial Statement
AG	Auditor-General
AGM	Annual General Meeting
AGSA	Auditor-General South Africa
AOPO	Audit of Predetermined Objectives
ARC	Audit and Risk Committee
ASB	Accounting Standard Board
BAC	Bid Adjudication Committee
B-BBEE	Broad-Based Black Economic Empowerment
BEC	Bid Evaluation Committee
BPR	Business Process Re-engineering
CCMA	Commission for Conciliation, Mediation and Arbitration
CCTV	Closed-Circuit Television
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CoGTA	(Department of) Cooperative Governance and Traditional Affairs
COJ	City of Johannesburg
COO	Chief Operating Officer
COSEC	Company Secretary
CR	Capital Reserves
CRM	Customer Relations Management
CSR	Corporate Social Responsibility
DBSA	Development Bank of Southern Africa
Dev Com	Development Committee
DOA	Delegation of Authority
DTI	Department of Trade and Industry
EAP	Economically Active Population
ED	Executive Director
EE	Employment Equity
EMS	Emergency Management Services
EPWP	Expanded Public Works Programme
EXCO	Executive Committee
GDS	Growth Development Strategy
GEF	Global Environmental Facility
GFIS	Group Forensic and Investigation Services Unit
GRAP	Generally Recognised Accounting Practices
HR	Human Resources
IAR	Integrated Annual Report
ICT	Information and Communication Technology
IDP	Integrated Development Plan
IFRS	International Financial Reporting Standards
IFW	Irregular, Fruitless, and Wasteful

IIA	Institute of Internal Auditors
IIRF	International Integrated Reporting Framework
ISPPIA	International Standards of Professional Practice of Internal Auditing
IT	Information Technology
JMPD	Johannesburg Metropolitan Police Department
JPC	Johannesburg Property Company
KPI	Key Performance Indicator
LLF	Local Labour Forum
ME	Municipal Entity
MFMA	Municipal Finance Management Act
MMC	Member of the Mayoral Committee
MOE	Municipal-Owned Entity
MOI	Memorandum of Incorporation
MPAC	Municipal Public Accounts Committee
MPG	Multiparty Government
MSA	Municipal Systems Act
MTREF	Medium-Term Revenue and Expenditure Framework
NASHO	National Association of Social Housing Organisations
NED	Non-Executive Director
NSD	National Skills Development
NSFAS	National Student Financial Aid Scheme
OC	Occupation Certificate
OHS	Occupational Health and Safety
PAIA	Promotion of Access to Information Act
PFMA	Public Finance Management Act
POPIA	Protection of Personal Information Act, No. 4 of 2013
PWD	People with Disabilities
SARS	South African Revenue Service
SDA	Service Delivery Agreement
SDG	Sustainable Development Goal
S, E&HR	Social, Ethics & Human Resources
SHI	Social Housing Institution
SHRA	Social Housing Regulatory Authority
SLA	Service Level Agreement
SLS	Service Level Standard
SMME	Small, Medium and Micro-sized Entity
SOP	Standard Operating Procedure
TBC	To Be Confirmed
TIA	Traffic Impact Assessment
TID	Technical Indicator
TOD	Transit Oriented Development
UIFW	Unauthorised, Irregular, Fruitless, and Wasteful
VOIP	Voice Over Internet Protocol
WIP	Work In Progress

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 and which 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 as an integral part of efforts to eradicate the housing backlog of the City.

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

Values

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

Customer Focus
At JOSHCO, we hold the customer very dearly to our hearts. We will do everything possible to ensure that we delight our customers in ways they want, and to standards they themselves define.

Efficiency
We strive to become resourceful in the way we do business. We will continuously innovate to better our business processes.

We focus on achieving more from the resources at our disposal.

Respect
We cannot exist or succeed independent of our clients, customers, and partners. We respect every person with whom we interact, and strive to treat our customers in a highly respectful and dignified manner.

JOHANNESBURG SOCIAL HOUSING COMPANY

CORE DIVISIONS

Housing Development	Housing Management

SUPPORT FUNCTIONS

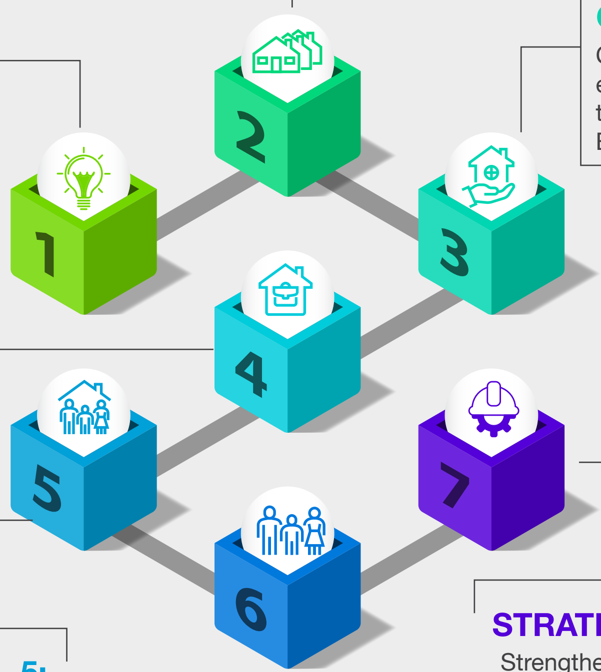
Finance, Legal, Human Resources, Planning & Strategy, Marketing & Communication, Revenue, Supply Chain, ICT, Risk & Compliance

JOSHCO's Strategic Goals

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

STRATEGIC GOAL 1:
Become a financially sustainable entity.

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



STRATEGIC GOAL 4:
Effectively manage social housing projects.

STRATEGIC GOAL 7:
Strengthen governance and compliance.

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

STRATEGIC GOAL 6:
Become a customer-centric company.

Table 1: Key Strategic Goals/Objectives

No.	Short-Term Objectives	Medium-Term Objectives	Long-Term Objectives	Impacted Outcomes
1.	Achieve financial breakeven point.	Ensure sound financial management, sustainability, and good governance.	Become a financially sustainable entity.	Self-sustained entity with less reliance on the City subsidy.
2.	Develop social housing units at expected standards.	Footprint across the seven regions of the CoJ.	Develop social housing projects within transport corridors, Inner-City, and Greenfield (including suburbs and economic hubs).	Provision of decent yet affordable rental units to the citizens of Johannesburg, while building communities.
3.	Provide well-defined job packages for local labourers and support for Small, Medium, and Micro-sized Enterprises (SMMEs).	Increase access to Expanded Public Works Programme (EPWP) jobs and SMME support in our capital projects.	Contribute towards economic development through Broad-Based Black Economic Empowerment (B-BBEE).	SMMEs supported, jobs created, and continued contribution made to the economy of Johannesburg.
4.	Always achieve 98% and above occupancy rate.	Have proper property-management system that improves effectiveness.	Effectively manage social housing projects.	Creation of a city in which citizens live, play, and work.
5.	Implement additional safety and security measures at projects.	Improve 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 Customer Relations Management (CRM) system.	Provide CRM that supports service delivery.	Become a customer-centric company.	Customer and stakeholder satisfaction.
7.	Achieve no less than 95% compliance with core legislation in the Regulatory Universe.	Inculcate a 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 has been 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 its performance against the budget. It promotes accountability to the local community for the decisions that the entity made throughout the financial year. It provides information that is considered to be of material significance in creating and preserving short-, medium-, and long-term value.

The basis of this Integrated Annual Report (IAR) is to provide a more cohesive and efficient approach to corporate reporting. This requires that 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 that is used to communicate the performance of the entity, focusing on matters, both positive and negative, that are material to the range of stakeholders. We endeavour to focus on both qualitative and quantitative matters that are material to the operations and strategic objectives of the organisation.

SUMMARY OF THE ORGANISATION'S MATERIALITY-DETERMINATION PROCESS

JOSHCO's ability to create value and achieve its strategic objectives is influenced by the external environment, as well as by risks and opportunities. We determine material matters by assessing these factors, linking them to legitimate stakeholder interests and concerns, and aligning them with the organisation's strategy. In determining material matters, we are guided by the organisation'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 to achieving strategic goals.

Risk management is crucial in determining reportable information and achieving company objectives. The company outlines how governance should respond to risk matters.

SUMMARY OF SIGNIFICANT FRAMEWORKS AND LEGISLATION USED TO PREPARE THIS REPORT

- Section 121 of Municipal Finance Management Act, No. 56 of 2003 (MFMA)
- Section 46 of Municipal Systems Act, No. 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, No. 71 of 2008
- King IV Report on Governance for South Africa 2016
- Joburg 2040 Growth Development Strategy (GDS)
- Integrated Development Plan (IDP)

ASSURANCE PROCESS FOR THE INTEGRATED ANNUAL REPORT

Principle 5 of the King IV Report requires that the governing body ensures that stakeholders can assess the organisation's performance and prospects. Good corporate governance requires a review and authorisation structure for truthful financial reporting. JOSHCO's governance structures guide and assure the Integrated Report's assurance process, which provides an authoritative and credible view of the entity's financial position to the Board and Council of the CoJ. The Board is ultimately responsible for approving the IAR each financial year.

The Board of Directors has conducted its oversight responsibility on the compilation of the IAR to ensure the integrity and credibility of the report. After careful consideration, the Board has 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
Date of Approval:

Bongani Radebe
Acting Chief Executive Officer
Date of Approval:

Bridgette Mbonambi
Chairperson of the Board
Date of Approval:

Anthea Leitch
MMC: Human Settlement
Date of Approval:

Chapter 1
Leadership and Corporate Profiles

Strategic Goal: 7

Stakeholder Interested: MMC

Cllr Anthea Leitch
MMC: Human Settlement

...JOSHCO will be playing an utterly transformative role in our society, and all areas of our city, not just the Inner City, will look very different from how they look now.

SECTION 1:

MMC'S FOREWORD

As I write these words, it is with sober and deep reflection on the fire that occurred in Marshalltown at 80 Albert Street on 31 August 2023, which claimed 77 lives. Although that building is not owned or managed by JOSHCO, it is a structure that could have seen a different fate had the building been cleared and refurbished for social, affordable or student accommodation.

The recent spike in interest in the epidemic of hijacked buildings, particularly in our inner city, has highlighted the extent of the problem. It is a devil's brew of urban decay, as vulnerable people find themselves at the mercy of slumlords in hijacking cartels. Many of these people still end up paying some form of rental, which is often higher than what they might have paid to a Social Housing Institution such as JOSHCO.

The Inner City can be seen as either an insurmountable problem or an ongoing opportunity, and there are still reasons to choose the latter view since this is the one area of our metro that was carefully planned as a dense urban zone to rival any other metro on earth. It is part of our heritage, and we have a duty to restore the Inner City to a liveable, safe, clean and desirable space instead of letting it descend into a gigantic slum.

In addition, if we think that we will be able to limit the contagion to the Inner City, then we are fooling ourselves. Already we can see similar signs in Randburg and other regions of our city, where opportunistic syndicates are repeating their "business model" in open defiance of laws and bylaws that find themselves trumped by the ostensible human rights of illegal occupants.

Parliament, as the legislative arm of government, must come on board to pass progressive and more practical legislation to empower us as local government to effect the change that is so desperately needed.

The judiciary needs to help us to seek better interpretations of the law so that we can better balance the rights of citizens to property ownership, a healthy environment, safety and security, privacy, dignity and life itself, along with the right to housing. The right to housing alone is not the only thing that exists in the Bill of Rights.

The administrative arm of government, of which I am a part through political oversight, simply must find ways to work better in a more coordinated approach between national, provincial and local government, with interdisciplinary cooperation and integration.

Only in this way can the departments of home affairs, the police and of Cooperative Governance and Traditional Affairs (CoGTA), along with the various levels of human settlements, Treasury and many more stakeholders come together with an implementable plan to change the face of housing in our city and beyond.

Only in this way can we safeguard both private and public investment in our city and ensure that our efforts are sustained and built upon into the future.

JOSHCO must play a significant role in these solutions, both in the Inner City to improve the face of housing there and through its work in all the other regions to bring social and affordable housing to people looking to integrate into a more equal society that offers residents access to work, education and leisure pursuits.

It has given me great pleasure to initiate and be part of several launches of JOSHCO's One Month, One Building programme since taking office as the human settlements MMC in January this year.

The new units show what the future of JOSHCO is in the City, offering clean, modern and well-equipped homes secured with biometric access, maintenance and caretaking plans, and a new, innovative screening process to sign up tenants.

Whenever we hand over new buildings, though, it is astounding that JOSHCO fields thousands of applications for its units. By my calculation, we often have to turn down 98% of applicants for some of these new buildings, such as what we saw in Lufhereng and Riverside.

The people that we turn down have to live somewhere and I long for the day when the ratio of new applicants is much closer to what is being offered.

We can achieve a better ratio of applicants to available units by maximising JOSHCO's true potential, which I believe we have not even begun to scratch the surface of. I would love to see JOSHCO move to having 100 000 rental units on offer, while currently we are targeting passing the 10 000-unit mark. From there, we need to get to 250 000. At that point, JOSHCO will be playing an utterly transformative role in our society, and all areas of our city, not just the Inner City, will look very different from how they look now.

Yes, a careful reading of this integrated report will highlight numerous concerns and areas for improvement. The debt to JOSHCO must be settled, especially when it is other City and government structures that owe money. Yes, we must improve on our collection rates. And yes, those existing units that need intervention must be repaired and maintained where necessary.

With a capable Board and executive management in place, however, I have no doubt that JOSHCO will not only improve its audit outcomes but also its service-delivery mandate in the year to come.

Cllr Anthea Leitch
MMC: Human Settlement

Bridgette Mbonambi
Chairperson: Board of Directors

The journey ahead will not be without its challenges, but we embrace them with vigour and a shared sense of purpose.

SECTION 2:

CHAIRPERSON'S FOREWORD

As the new chairperson of JOSHCO, reading through last year's IAR with a fresh set of eyes is for me a motivation to stay positive about what this entity is still capable of achieving.

Most state-owned entities in South Africa are by now familiar with the challenges of balancing their responsibility of delivering on their public mandates of basic service delivery while also meeting targets of empowerment through preferential procurement and employment equity, ensuring local economic development occurs for residents and SMMEs, and keeping labour happy. They have to achieve all of these tasks while keeping to the stringent requirements of the PFMA and MFMA.

This, of course, all has to happen in the greater socio-economic context of low growth, ballooning public debt, widening deficits, the struggle against state capture and corruption, and shrinking revenues, especially in the municipal context.

In short, we are being expected to do more with less. But that is something we should arguably always strive to do, regardless of the greater context.

JOSHCO's public mandate is one that we simply cannot afford to fail at. The entity is positioned to carry out the incredibly important task of filling the gap in society between those who have the means to live reasonably comfortably and those who are truly vulnerable. Social housing answers the questions of how to win the battle against slumlords, address the historical challenge of apartheid spatial planning and, on a more personal level, simply give individuals and smaller families a leg up in life as they try to make their way in a tough urban environment like Johannesburg.

For this reason, as the Board of JOSHCO, we will have to practise some tough love in the face of some of the current facts. It isn't acceptable that such a high number of our tenants are defaulting on their rents. By design, we are charging less than people would have to pay in the open market, since social housing is structured around a government subsidy – but we cannot sustain the social housing model by ultimately charging nothing. JOSHCO must target self-sustainability, not to make profits but to pour its revenues back into creating more social housing in a virtuous cycle that should also reduce our reliance on any subsidies from the City of Johannesburg.

That being said, it isn't acceptable that JOSHCO continues to carry inter-city debts owing to it, which raise doubts, unnecessarily so, about its going-concern status. The question of a company's liquidity and ability to trade prudently is one that its Board should be concerned with at all times, and next year's integrated report must tell a very different story from the one we are grappling with now.

I am conscious that JOSHCO is in the midst of implementing a turnaround strategy that can already be assessed. It is important that we remain agile in our thinking as the Board to move proactively to tweak our strategy, when necessary. But we should not be so reactive that we don't allow our plans to develop as they should. Throughout, we are determined to uphold the highest standards of transparency, accountability and integrity.

With the above in mind, let us never forget that social housing represents more than just bricks and mortar; it symbolises the promise of dignity, inclusivity and opportunity for all. It is an expression that we live in a caring country. It is our collective responsibility to ensure that every resident has access to safe, affordable and quality housing. This mission is at the heart of JOSHCO's existence.

Johannesburg will always exemplify the challenges and opportunities inherent in urban development. It represents the best and the worst of South Africa's past, but hopefully not of its future. As JOSHCO's Board, our commitment to addressing these challenges is unwavering, and we pledge to work tirelessly to create vibrant and sustainable communities in which our residents can thrive. Our focus must extend beyond merely providing shelter to a focus on boosting economic growth, equality and social cohesion. We will collaborate with the other agencies of government, our stakeholders and the private sector to leverage our resources and expertise to ensure that our vision for inclusive, dignified housing becomes a reality.

As I write this, the Springboks are playing in the World Cup in France, and that team has for the past few years always approached their task with the understanding that what they are doing is greater than the team or the sport alone. JOSHCO must have the same pride in and enthusiasm for its efforts.

The journey ahead will not be without its challenges, but we embrace them with vigour and a shared sense of purpose.

I would like to invite all the City's residents to join us in shaping the future of housing in Johannesburg. Together we can create a city where every individual, regardless of background or circumstances, has a place to call home.

I would like to thank our dedicated team for their work in bringing us this far – from the executive management right down to those who change the light bulbs and fix the leaky taps. I'd also like to thank our partners all along the social housing value chain, particularly the Social Housing Regulatory Authority and the Department of Human Settlements. Most of all, I'd like to thank the people of Johannesburg, who inspire us.

Thank you for entrusting us with this vital task. Together we can restore the shine to the City of Gold.

Bridgette Mbonambi
Chairperson: Board of Directors

Mr Bongani Radebe
Acting Chief Executive Officer

SECTION 3:

CHIEF EXECUTIVE OFFICER'S REPORT

It gives me pleasure to present the Johannesburg Social Housing Company's (JOSHCO) 2022/2023 IAR to stakeholders. JOSHCO continues to provide Johannesburg residents with high-quality services by offering social housing and reasonably priced rental properties. The organisation fulfils its goal while abiding by the laws and regulations that control municipal organisations, such as the MFMA, MSA, and King principles. The governing body should make sure that the reports that the organisation issues allow stakeholders to make educated judgements about the organisation's performance and its short-, medium-, and long-term prospects, according to the King Report's Fifth Principle.

"JOSHCO has continually made good strides in revenue optimisation, with a total of six of our properties with outdoor advertising."

KEY PERFORMANCE HIGHLIGHTS

JOSHCO has completed 936 social housing units across five projects (Abel – 155, Durban Street – 102, Lufhereng – 407, Roodepoort – 92, and Riverside View – 180). We have surpassed our core targets by developing a further 555 social housing units for the financial year. Tenanting has resumed in some of these projects whilst others are to be launched in the new financial year. This positive trajectory demonstrates our commitment to sustainable human settlement and to making significant strides in the Social Housing Institutions (SHI) landscape in Africa, aligning with the City's Growth Development Strategy (GDS) 2040.

JOSHCO's first student accommodation, Dakalo, has maintained a 100% occupancy rate and generated a total of R1 267 641.48 for the financial year. JOSHCO has developed a student precinct based on the Smart-City approach, providing a safe, secure, and technologically advanced environment for students. The entity has acquired the Nederberg building, which is currently undergoing refurbishment and will serve as additional student accommodation in close proximity to institutions of higher learning.

JOSHCO has continually made good strides in revenue optimisation, with a total of six of our properties with outdoor advertising. This, along with our many other revenue-enhancement initiatives, means that we are certain the entity will improve its financial performance.

STATUS OF THE ORGANISATION

The company has put in a lot of effort to make sure that its risk-management strategies are effective, in order to maintain its operations, despite various factors that could pose risks to its business. As the accounting officer, I acknowledge the concerns raised by the Auditor General in the 2021/22 report. The organisation has received a qualified audit opinion, which has prompted the executives to work diligently towards improving the situation in the upcoming year.

Our organisation experienced changes in leadership at both the management and shareholder levels owing to shifts in administration and a number of resignations. Unfortunately, this resulted in some instability within the organisation. However, we were able to stabilise the management team by appointing new individuals to the positions of CEO, COO, EM: Corporate Service and Company Secretary (COSEC). Despite these efforts, we have still experienced losses in the Executive Committee (EXCO) team, but we plan to fill these positions in the upcoming financial year.

WAY FORWARD

Load-shedding in South Africa during the last financial year had a significant impact on the economy and on residents, compounded by high unemployment and inflation rates that affected household spending. As a result, some tenants struggled to pay rent, leading to a decrease in rental collection. To help tenants cope, the organisation held engagement sessions in which alternative rental options were offered.

The entity's project pipeline for the 2023/24 financial year considers the City's Transit Oriented Development (TOD) Corridor path/Priority Housing development areas. Considering these areas will result in JOSHCO leveraging on the infrastructure investment that the City plans to make in the corridors. With its allocated budget, the entity is capable of delivering affordable rental units on a large scale through turnkey projects.

Mr Bongani Radebe
Acting Chief Executive Officer

SECTION 4:

CHIEF FINANCIAL OFFICER'S REPORT

Nontobeko Ndimande, CA (SA)
Chief Financial Officer

JOSHCO has continually made good strides in revenue optimisation, with a total of six of our properties with outdoor advertising.

As the CFO of JOSHCO, my role is to provide a perspective on the entity's financial performance for the financial year ended 30 June 2023. The entity continues to see poor financial performance primarily as a result of our low revenue-collection levels and high operating costs. The overall revenue for the year ended 30 June 2023 decreased by 13% from the previous financial year, as we decreased our execution of projects on behalf of other departments, which reduced the management fees by 49%.

OVERVIEW OF REVENUE COLLECTION FOR THE YEAR

The revenue collection target for the 2022/2023 financial year was set at 80% (compared to 90% in 2021/2022). The entity has performed 23% behind the budgeted target, as we collected 61% for the financial year. This is a slight improvement from the 56% collected in the previous financial year. Low collection levels continue to be primarily influenced by City referral stock.

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 will occur). The organisation continued to face financial challenges and recorded a deficit of R373.2 million compared to the previous financial year (2022: R145.6 million). Some of the noted financial items for the year under review are as follows:

- Revenue from the rental of facilities and equipment decreased by 2% to R179 million (from 2022: R182 million).
- Interest received from banking and outstanding debtors increased by 85% to R26.4 million (from 2022: R14.3 million).
- Rendering of service (management fees) decreased by 49% to R53.6 million (from 2022: R104.5 million).
- Total expenditure increased by 36% to R684.2 million (from 2022: R503.4 million). The biggest contributors to the increase are finance costs, bad debts write-off, security services, and utilities.

- Total administrative cost increased by 43% to R282.6 million (2022: R199.3 million). This was caused by high repairs & maintenance costs, security costs, and utility costs.
- The loans to shareholders balance, which is the sweeping bank account balance, is in overdraft and decreased by 2% to R1.113 billion (2022: R1.133 billion) owing to a decrease in projects executed on behalf of CoJ departments.
- Receivables from exchange transactions dropped by 23% to R1.29 billion (2022: R1.47 billion) as fewer projects were executed on behalf of other departments in the year under review.

CAPITAL EXPENDITURE

Capital expenditure is directed towards developing, renovating, and upgrading the rental stock. At the end of the financial year, the organisation had spent 101% of the total budget of R399 million.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

Areas of procurement in JOSHCO relate to capital expenditure (CAPEX) on the development of housing units and capital projects executed on behalf of other departments, and to operational expenditure (OPEX) on the maintenance of housing units, other administrative functions, and OPEX executed on behalf of other departments. For these areas, i.e., CAPEX and OPEX, JOSHCO has achieved 92% and 98% 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 2023 amounted to R1.095 billion, of which the spend on 51% Black-Owned companies was R1.026 billion.

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 organisation 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 R373 million, largely influenced by high finance costs, bad debts write-off and administrative costs. JOSHCO currently depends on a subsidy from the CoJ over the medium term. The Board of Directors and Management intend to become self-sufficient in managing the rental stock. To achieve this, JOSHCO has implemented an electronic system for the take-on of tenants and rental-collection turnaround strategy, which has seen an improvement in collections.

ACCOUNTING PRINCIPLES

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

CONCLUSION

The organisation continues to implement the turnaround strategies identified in the turnaround plan and some have started to yield results. Management will continue to implement cost-reduction strategies and income-generation and -collection strategies in the 2023/24 financial year. The entity has an improved audit outcome from a qualified audit in 2021/22 to an unqualified audit for this financial year. This is due to the efforts of all staff involved in the audit and annual financial statements (AFS) processes.

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

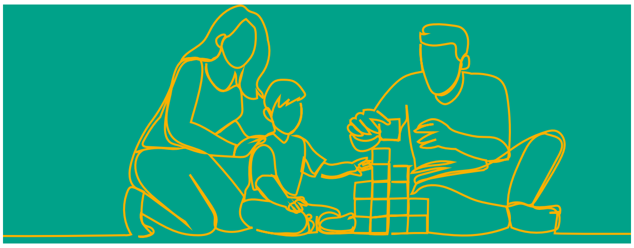
ABOUT JOSHCO

The Johannesburg Social Housing Company SOC Ltd (JOSHCO) was established in November 2003 as one of the entities of the City of Johannesburg (CoJ) Municipality. JOSHCO's mandate is to provide and manage affordable rental housing for the lower-income market as an integral part of efforts to eradicate the CoJ housing backlog. JOSHCO is a registered Social Housing Institution (SHI) and is accredited by the Social Housing Regulatory Authority (SHRA). The core business of JOSHCO includes: the development of social and affordable rental housing, housing management, and the refurbishment, conversion, and management of Inner-City buildings as social housing units.

The entity endeavours to fulfil the requirements of an SHI and upgrade to full accreditation status by developing units that meet the social housing criteria. Our mandate allows us to develop affordable rental units that are 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 organisation was also given the task of creating and overseeing student housing as part of corporate diversification. In the 2020–21 financial year, the first student accommodation facility, with 182 beds, opened in the Inner City. In the 2022–23 financial year, the entity has resumed the refurbishment of the Nederberg student accommodation, which will be a welcome addition to the student-accommodation portfolio.

As a Municipal-Owned Entity (MOE), JOSHCO is required to 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 five-year Integrated Development Plan (IDP).



SECTION 6:

KEY STRATEGIC OBJECTIVES

JOSHCO derives its mandate from its parent municipality, the CoJ, through a council resolution on the establishment of such an entity in accordance with the Municipal Systems Act, 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, which also outlines the expected link to planning frameworks, including strategies and an IDP. This report has taken cognisance of the guiding principle and has provided a link to the value proposition that the entity will offer.

The Board has determined strategic objectives that are in line with CoJ priorities, as stated in the IDP, in order to carry out the entity's vision. The City's residents will live in a progressive setting guided by the values of openness, inclusivity, and good governance, according to the new administration. Seven strategic objectives that were in line with the Multiparty Government (MPG) objectives were approved by the Mayoral Committee as the cornerstone of this strategic orientation.

JOSHCO's strategic objectives aim to give realisation to the CoJ's short-, medium- and long-term plans. The objectives also guided the interventions and programmes that the entity implemented in the period under review. Table 2 below outlines the alignment with the CoJ Mayoral priorities and MPG objectives. The objectives are listed and broken down into short-, medium- and long-term objectives in Table 1 above and elaborated on in Chapter 3, Section 3.

Table 2: Strategic Objectives as Aligned with the Mayoral Priorities and MPG Objectives as at 30 June 2023

Multiparty Government (MPG) Objectives	Mayoral Priorities	JOSHCO Strategic Objectives	JOSHCO Strategic Outcomes
• Ensure hygienic environment • Access to electricity	1. A City that gets the basics right	• To become a customer-centric company • To effectively manage social housing projects	• Improved quality of JOSHCO project buildings through assessments of building conditions and ongoing maintenance • Achievement of all Service Level Standards (SLSs), as per Service Delivery Agreement • Prepaid vending solution at projects (six projects in 2022/23) • Well-maintained and clean JOSHCO properties • Alignment with SHRA's requirements, as regulator
• Tough on crime	2. A safe and secure City	• To maintain a quality and safe living environment for all JOSHCO tenants	• Secured projects that guarantee tenant and JOSHCO staff safety, through: » Access controls » Biometrics and Closed-Circuit Television (CCTV) installations
• Sustainable housing • Keeping communities in good health	3. A caring City	• To become a customer-centric company • To develop social housing projects within transport corridors, the Inner-City and Greenfield (including suburbs and economic • hubs)	• Student accommodation delivered in Regions F and D • Rooftop gardens in all suitable buildings to increase food security for the tenants and contribute to a smart City • Early childhood centres in projects to support children's development while building a community

Multiparty Government (MPG) Objectives	Mayoral Priorities	JOSHCO Strategic Objectives	JOSHCO Strategic Outcomes
• Job creation and investment in the local economy	4. A business-friendly City	• To contribute towards economic development through Small, Medium and Micro-sized Entity (SMME) support and job creation	• Upliftment of communities through the provision of financial and non-financial support to local SMMEs on construction projects • Skills development and job creation through EPWP • programme
• Reclaim public spaces • Combat illegal immigration	5. An inclusive City	• To develop social housing projects within transport corridors, the Inner-City and Greenfield (including suburbs and economic hubs) • To become a customer-centric company • To effectively manage social housing projects	• Large-scale delivery of social housing and affordable housing units across the City • Development of student accommodation precinct • Preserved and well-maintained buildings that meet acceptable living conditions
• Governance in the interest of people and of reducing corruption • Institutional reconfiguration • Affordable services and tariffs	6. A well-run City	• To become a financially sustainable company • To strengthen governance and compliance • To become a customer-centric company	• A solvent company by end of 2024/25 FY • Improved revenue collection • Diversification of revenue stream (student accommodation, outdoor advertising, management fee, other mechanisms) • An unqualified Audit Opinion • Sound reputation in terms of payment of suppliers within 30 days • Effective and efficient business processes • Improved tenant satisfaction, through proactive tenant education and engagement programme • Customer-satisfaction targets achieved and improved • Improved visibility of JOSHCO brand • A high-performance culture – reflected in an engaged, motivated and performance-oriented workforce • Accurate and reliable performance information • Good governance and compliance improved, via: » Fraud-prevention plan and strategy, fraud awareness, and fraud-risk management » Comprehensive risk and compliance programme and awareness » Robust internal-control environment • Legislative compliance

Multiparty Government (MPG) Objectives	Mayoral Priorities	JOSHCO Strategic Objectives	JOSHCO Strategic Outcomes
• Initiatives that transition the City a	7. A smart City	• To maintain a quality and safe living environment for all JOSHCO tenants	• Social housing projects that are smart and environmentally friendly, through design (including alternative energy solutions and rainwater harvesting) • Smart electricity metering system in all properties • Rooftop gardens in all suitable buildings to increase food security for the tenants while contributing to a smart City
		• Become a customer-centric company	• Improved application and leasing processes, supported by a fully operational JOSHCO App • Seamless business continuity, supported by • Effective backup and disaster-recovery systems

VALUE-CREATION PROCESS FOR THE YEAR ENDED 30 JUNE 2023

INPUT

FINANCIAL RESOURCES
- R399 million capital budget allocation.
- R616 million operating expenditure.
- R168.5 million employees' costs.

MANUFACTURED CAPITAL
- 36 rental-accommodation buildings.
- 1 student accommodation building and 1 under refurbishment

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

HUMAN CAPITAL
- 502 total number of employees.
- 22 bursaries awarded

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 Sustainable Development Goals (SDGs).
- Seven IDP priorities, driven through four clusters.

TOP 5 RISKS
- 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

OPPORTUNITIES
- 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 SMME support.

OUTPUT

STRATEGIC PRIORITIES

Well-Run City
A clean, honest City that puts its people first

City That Gets the Basics Right
Create and maintain public spaces for all to enjoy

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

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

A Caring City
Care for the most vulnerable

Smart City
Maximise the use of technology

A Safe and Secure City
Safety of citizens is non-negotiable in the City

OUTPUTS/PROGRAMMES

- R178.9 million in rental revenue.
- 936 units completed.
- 970 EPWP jobs created.
- Over 30% of CAPEX spent on SMMEs.
- 98% occupancy rate.
- R1 267 641.48 generated through student accommodation for the FY.

ECONOMIC SUSTAINABILITY

- Improved company revenue.
- 970 people received income through EPWP programme.
- SMMEs benefited financially from JOSHCO projects.

SOCIAL SUSTAINABILITY

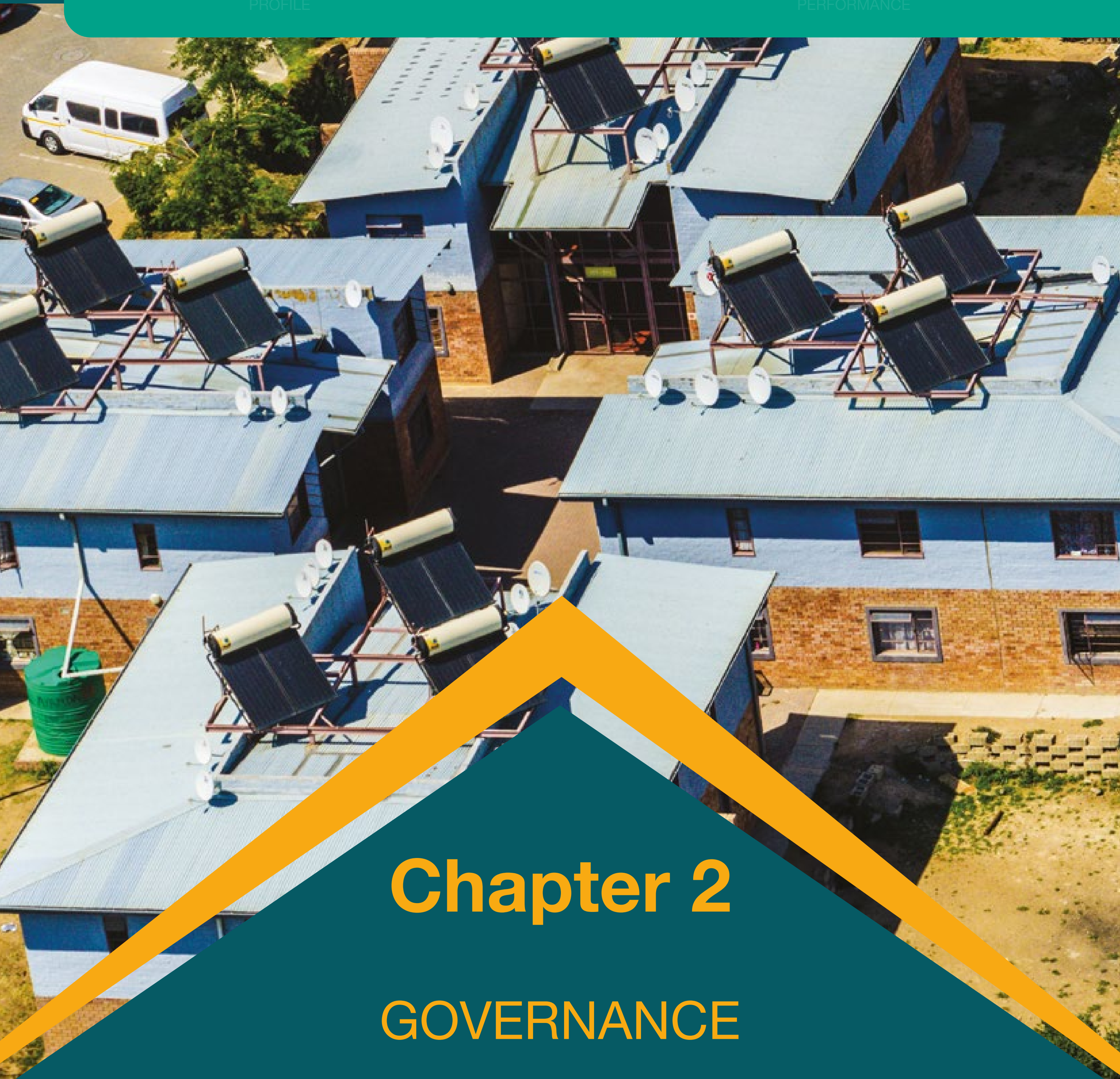
- The provision of rental relief programmes for tenants affected various factors as part of our social support.
- 8899 households benefited from affordable and decent units.
- 182 students have safe, secure accommodation.

ADMINISTRATIVE SUSTAINABILITY

- 61% rental collection or payment.
- Unqualified Audit Opinion obtained after Auditor-General South Africa (AGSA) audit conduct.

ENVIRONMENTAL SUSTAINABILITY

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



Chapter 2

GOVERNANCE

Strategic Goals: 7

Stakeholders Interested:

SECTION 1:

CORPORATE GOVERNANCE STATEMENT

ETHICAL, EFFECTIVE LEADERSHIP AND CORPORATE CITIZENSHIP

The Board of Directors reports to the Shareholder through the Member of the Mayoral Committee (MMC) for the Department of Human Settlements in the City. The Board provides leadership that is directed by respect for ethical beliefs and values, and for the dignity and rights of others. Responsible leadership that is characterised by the values of responsibility, accountability, fairness, and transparency has been a defining characteristic of the entity since its inception. The fundamental objective has always been to do business ethically, while building a sustainable company that recognises the short-, medium-, and long-term impact of its activities on the economy, society, and the environment. JOSHCO complies with the requirements of the Companies Act, 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 for overseeing its implementation. During this process, the Board balances the interests of stakeholders and ensures that the entity's long-term economic, social and environmental sustainability is achieved.

CORPORATE GOVERNANCE

The entity applies the governance principles that are contained in the King IV report, the Companies Act, and the City's Governance Framework. The Board and Executive Committee (EXCO) recognise, 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 mandate of the Audit and Risk Committee (ARC). 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 an agreement with the Shareholder that documents mandated key performance measures and indicators. Furthermore, the Board approves the company's annual corporate plan.

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 strategic direction of the entity.

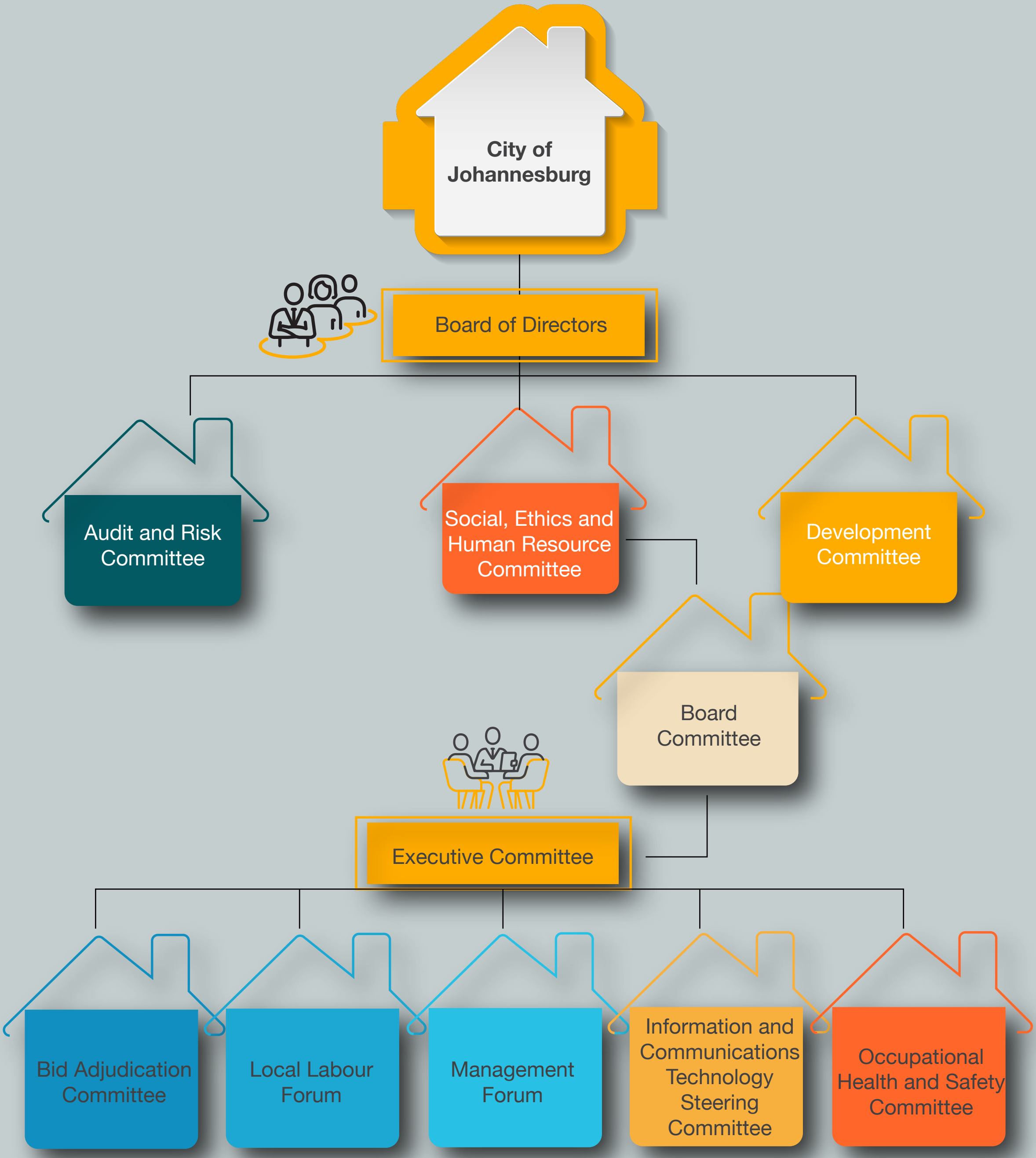
Pursuant to the formation of a new political term of office, the Shareholder held an AGM on 01 March 2023, at which the existing Board was appointed.

COMPLIANCE WITH LAWS, RULES, CODES, AND STANDARDS

The Board subscribes to Principle 13 of the King IV report, which provides guidance for the Board on how it should govern its responsibilities towards compliance with applicable laws, and identifies which non-binding rules, codes, and standards the organisation has adopted. The Board is accountable for compliance and governs this through the assessment of the entity's compliance with applicable legislation. Through the ARC, the Board oversees compliance throughout the entity.

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

GOVERNACE STRUCTURE



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 that was held on 01 March 2023. The Board is presided over by the Non-Executive Director (Chairperson) Mr Sydney Jacob James, who was appointed together with ten Non-Executive Directors and four Independent Audit Committee members. Table 3 below lists all the Directors that were part of the entity's Board in the financial year. The Board carried out its fiduciary duties diligently in line with the relevant legislation and the King IV principles from the date of its appointment.

Ms Sesupo Bridgette Mbonambi

(Board Chairperson)

*Appointed on 25 August 2023

Non-Executive Director

Board Member

Female

Qualifications

- BA in Industrial Psychology and Political Science

Composition of the JOSHCO Board as at 30 June 2023

Mr Simon Clarke
*Appointed on 01 March 2023

Non-Executive Director

Board Member
Development Committee

Male

Qualifications
- BA degree in Psychology

Ms Yolandi Erasmus
*Appointed on 01 March 2023

Non-Executive Director

Board Member
ARC Member
Social, Ethics & HR Committee

Female

Qualifications
- LLB

Mr Sepheu Masemola
*Appointed on 01 March 2023

Non-Executive Director

Board Member
ARC Member
Social, Ethics & HR Committee

Male

Qualifications
- Bachelor of Commerce
- Certificate in Business Accounting

Mr Tabane Manene
*Appointed on 01 March 2023

Non-Executive Director

Board Member
Development Committee

Male

Qualification
Diploma in Local Government
- National Diploma in Law
- Programme in Customer Service

Mr Andries Smith
*Appointed on 01 March 2023

Non-Executive Director

Board Member
Social, Ethics & HR Committee

Male

Qualification
- Bachelor of Laws

Ms Marilise Francis
*Appointed on 01 March 2023

Non-Executive Director

Board Member
Development Committee

Female

Qualifications
- Bachelor of Arts in Behavioural Sciences

Mr Terry Tselane
*Appointed on 01 March 2023

Non-Executive Director

Board Member
Social, Ethics & HR Committee

Male

Qualifications

- Bachelor of Arts in Industrial Sociology

Mr Jacques Watson
*Appointed on 01 March 2023

Non-Executive Director

Board Member
ARC Member
Development Committee

Male

Qualifications

- BSC in Computer Science

Ms Simphiwe Mnisi
*Appointed on 01 March 2023

Non-Executive Director

Board Member
Social, Ethics & HR Committee

Female

Qualifications

- Diploma in Project Management

Ms Jacelyn Scott
*Appointed on 01 March 2023

Non-Executive Director

Board Member
Social, Ethics & HR Committee

Female

Qualifications

- BCom Management
- BCom Honours (Candidate)

Mr Molapane Mothotoana

Executive Director
(CEO)

Male

Qualifications

- N.D. Municipal Administration
- BTech Public Management,
- MTech Public Management

Ms Nontobeko Ndimande

Executive Director
(CFO)

Female

Qualifications

- CA (SA)

Independent Audit Members

Mr Bongani Radebe
Executive Director
(Acting CEO)

Male

Qualifications

- Senior Management Development Programme
- Postgraduate Diploma in Management (Security)
- Baccalaures Iuris (B IURIS)
- MFMA
- Diploma in Criminal Justice & Forensic Investigations
- Master of Management Degree

Adv Geraldene Chaplog-Louw
*Appointed on 01 March 2023

Independent Audit Committee Member

Female

Qualifications

- LLB
- BA PPEL (Philosophy, Political Science, Economics, Law)
- Diploma Corporate Governance
- Associate General Accountant (SAICA)
- ACG/ACIS Associated Chartered Governance/ Chartered Secretary

Mr Victor van der Merwe
*Appointed on 01 March 2023

Independent Audit Committee Member

Male

Qualifications

- National Certificate in Insurance

Ms Pilekile Boloto Lefothe
*Appointed on 01 March 2023

Independent Audit Committee Member

Female

Qualifications

- National Senior Certificate

Table 3: Composition of the JOSHCO Board for the Financial Year 2022/23

Member(s)	Capacity	Gender	Status	Qualifications
Ms Gaby Boikanyo (Board Chairperson)	Non-Executive Director Board Member	F	*Retired on 01 March 2023	BSc Computer Science; N.D. Analytical Chemistry IoDSA Being A Director Part 1-4 IoDSA Financial Insights for Non-Financial Directors
Mr Theodore Dhlamini	Non-Executive Director Board Member Development Committee	M	*Retired on 01 March 2023	National Certificate Vocational (N4) in the following disciplines: Certificate in Engineering and Hand Skills, Certificate in Leadership Training, Certificate in Project Management, Certificate in Group Control & Certificate in Computer Literacy Post-Graduate Diploma in Management (NQF Level 8) specialising in General Management, Marketing Management, Economics, Financial Management Operations, Operations and Innovations Management and Business Research
Mr Jason Sobekwa	Non-Executive Director Board Member ARC Member	M	*Retired on 01 March 2023	Bachelor of Accounting Science Postgraduate Diploma in Financial Management
Mr Moerane Maimane	Non-Executive Director Board Member Social, Ethics & HR Committee	M	*Retired on 01 March 2023	Chartered Director Diploma in Public Administration Bachelor of Public Administration Master of Business Administration
Mr Xolani Dlwathi	Non-Executive Director Board Member Social, Ethics & HR Committee Development Committee	M	*Retired on 01 March 2023	Diploma in Theology Bachelor of Theology Master of Theology Certificate for Leadership
***Mr Themba Mamba**	Non-Executive Director Board Member Social, Ethics & HR Committee	M	*Resigned on 09 December 2022	Higher Certificate in Criminal Justice, Grade A+ Armed Response – Psira Certificate in Security Officer's Training
Mr Aboubakur Taoussi	Independent Audit Committee Member	M	*Retired on 25 July 2023	National Diploma in Health and Safety

Member(s)	Capacity	Gender	Status	Qualifications
Mr Sydney James (Board Chairperson)	Non-Executive Director	M	*Retired on 10 August 2023	Programme in Financial Management Diploma in Business Management Master of Business Administration
Dr Kentse Sesele	Non-Executive Director Board Member Social, Ethics & HR Committee	F	*Retired on 01 March 2023	PHD (2020) Master of Town and Regional Planning (1994) BSocial Science (1987) (Hon) Local Economic Development (2009) and Programme Management Certificates: Executive Development Programme (1996) Diploma Advanced Business Programme (1996) Environmental Impact Assessment (1994)
Mr Karabo Modipane	Non-Executive Director Board Member Development Committee	M	*Retired on 01 March 2023	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
Mr Sumesh Varghese	Non-Executive Director Board Member Development Committee	M	*Retired on 01 March 2023	BEng (Electronics & Communications) Visvesvaraya Technological University NQF Level 8 – SAQA Verified
Independent Audit Members				
Mr Lesetsa Matshekga	Independent Audit Committee Member	M	*Retired on 01 March 2023	MBA, BCom Honours Finance, BCom Economics
Mr Moshupi Mokgobinyane	Independent Audit Committee Member	M	*Retired on 01 March 2023	Master's degree in Accounting Science, BCom Accounting, BCom Honours Accounting
Mr Ernest Khosa	Independent Audit Committee Member	M	*Retired on 01 March 2023	Higher Diploma in Company Law, Bachelor of Arts, BA Honours, Master of Science and LLB

BOARD DIVERSITY

The Board comprises qualified men and women who are dedicated to the course of building a resilient and sustainable entity. The composition of the Board is the prerogative of the Shareholder, which appoints the Board members according to the skills mix required to drive the entity's mandate. In terms of diversity, the existing Board comprises four Coloured South African, four Black South African, and three White South African members. Regarding gender diversity, four members are females and seven are males. The members are from different age groups, which reflects the level of innovation that the Board brings to the entity.

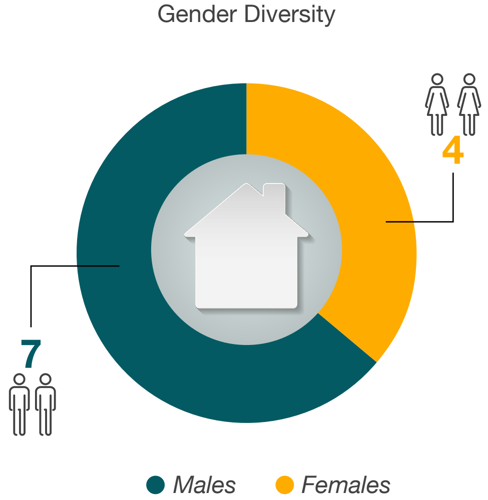


Figure 1: Gender Diversity

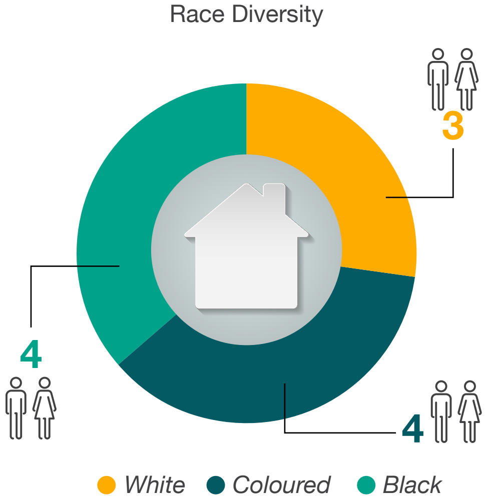


Figure 2: Race Diversity

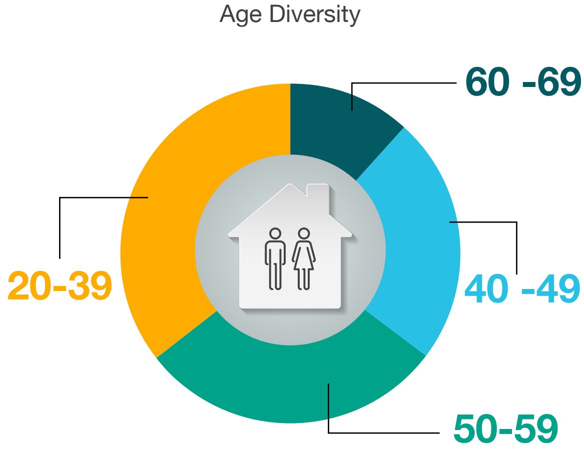


Figure 3: Age Diversity

BOARD AND COMMITTEE MEETING ATTENDANCE

During the year under review, the Board held ten meetings in total. The meetings included four annual ordinary meetings and six special Board meetings that were called for critical issues. The Development Committee (Dev Com) held four meetings; the ARC held eight meetings, comprising four quarterly and four special meetings; and the Social, Ethics & Human Resources Committee (S, E&HR) held four meetings respectively.

Table 4 below provides details of the attendance of members at various meetings.

Table 4: Number of Board and Sub-Committee Meetings as at 30 June 2023

Board Directors	Board			Audit and Risk			Development			Social and Ethics		
	Attendance	Absent	Apologies	Attendance	Absent	Apologies	Attendance	Absent	Apologies	Attendance	Absent	Apologies
Number of Meetings	10			8			4			4		
***Ms Gaby Boikanyo**	6	-	-	-	-	-	-	-	-	-	-	-
***Mr Jason Sobekwa**	6	-	-	5	-	-	-	-	-	-	-	-
***Dr Kentse Sesele**	6	-	-	-	-	-	-	-	-	3	-	-
***Mr Theodore Dhlamini**	6	-	-	-	-	-	3	-	-	-	-	-
***Mr Xolani Dlwathi**	6	-	-	-	-	-	3	-	-	3	-	-
***Mr Karabo Modipane**	6	-	-	-	-	-	3	-	-	-	-	-
***Mr Sumesh Varghese**	6	-	-	-	-	-	3	-	-	-	-	-
***Mr Moerane Maimane**	6	-	-	-	-	-	-	-	-	3	-	-
***Mr Themba Mamba**	5	-	-	-	-	-	-	-	-	3	-	-
***Mr Ernest Khosa**	-	-	-	5	-	-	-	-	-	-	-	-
***Mr Lesetsa Matshekga**	-	-	-	5	-	-	-	-	-	-	-	-
***Mr Moshupi Mokgobinyane**	-	-	-	4	1	-	-	-	-	-	-	-
Mr Molapane Mothotoana (CEO)	5	-	-	5	-	-	3	-	-	3	-	-
Ms Nontobeko Ndimande (CFO)	8	-	2	7	-	1	3	-	1	3	-	1
Mr Bongani Radebe	3	-	-	3	-	-	1	-	-	1	-	-
Mr Sydney James	4	-	-	-	-	-	-	-	-	-	-	-
Mr Sepheu Masemola	4	-	-	3	-	-	-	-	-	1	-	-
Mr Simon Clarke	4	-	-	-	-	-	1	-	-	-	-	-
Ms Marilise Francis	4	-	-	-	-	-	1	-	-	-	-	-
Mr Tabane Manene	4	-	-	-	-	-	1	-	-	-	-	-
Ms Yolandi Erasmus	4	-	-	3	-	-	-	-	-	1	-	-
Mr Terry Tselane	3	-	1	-	-	-	-	-	-	1	-	-
Mr Andries Smith	4	-	-	-	-	-	-	-	-	1	-	-
Mr Jacques Watson	4	-	-	2	-	-	1	-	-	-	-	-
Ms Simphiwe Mnisi	4			-	-	-	-	-	-	1	-	-
Ms Jacelyn Scott	3			-	-	-	-	-	-	1	-	-
Adv. Geraldine Chaplog- Louw	-	-	-	3	-	-	-	-	-	-	-	-
Mr Aboubakr Taoussi	-	-	-	3	-	-	-	-	-	-	-	-
Ms Pilekile Boloto	-	-	-	3	-	-	-	-	-	-	-	-
Mr Victor van Der Merwe	-	-	-	3	-	-	-	-	-	-	-	-

Table 5: King IV Compliance on Corporate Governance Principles as at 30 June 2023

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 their 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's quarterly meetings held with the MMC of Human Settlement. **Competency:** The Board ensured that it has adequate knowledge of the organisation and the industry under which it falls – inclusive of laws and regulations that govern the industry.
Principle 2: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	✓	The Board adopted an ethics policy that supports the ethical culture of the organisation. 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 with its obligation of ensuring that the organisation fulfils its mandate of development and management of affordable rental units and social housing.
Principle 4: The governing body should appreciate that the organisation's core purpose, its 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 organisation is governed under the corporate objectives of the organisation and the business plan. Further to the management of performance, the Board was apprised of the organisation'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 focal point and custodian of corporate governance in the organisation.	✓	The roles, responsibilities, and conduct of the Board are governed by the MOI of the organisation. Four quarterly ordinary meetings were held during the year as prescribed in the Board Charter.
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 11 non-executive directors. The CoJ applied Principle 7 during the selection and appointment of the directors, inclusive of gender diversity.

King IV Principle	Status Evaluation	Comment
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 (ARC); • Social, Ethics and Human Resources Committee (S, E&HR); 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 conducted the annual Board evaluation in November 2022.
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 policy, which delegates certain powers to the CEO as per the provisions of the MFMA that relate 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 throughout the financial year through the ARC Risk Plan. The Board held a risk assessment workshop at the beginning of the financial year, and in May 2023.
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 the ARC, whose Committee Chair reports to the Board on the information technology (IT) activities on a quarterly basis.
Principle 13: The governing body should govern compliance with applicable laws and adopted non-binding rules, codes, and standards in a way that supports the organisation being both ethical and a good corporate citizen.	✓	The Board has executed Principle 13 throughout the financial year via the ARC. The Committee Chair reports to the Board on a quarterly basis on the activities of organisational compliance. The COSEC has ensured that all statutory compliance documents were submitted to statutory bodies in the financial year.
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 organisation has a remuneration policy that governs organisational practices related to remuneration. The Shareholder, through its remuneration policy, determines remuneration for the Board and sub-committees.
Principle 15: The governing body should ensure that assurance services and functions enable effectiveness, control environment, and that these support the integrity of information for internal decision-making and of the organisation'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 ARC, which is the statutory committee as required by section 166 of the MFMA.

King IV Principle	Status Evaluation	Comment
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 in respect of 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 responsibility throughout the financial year. Three Board committees were established in line with the City's Group Policy on the Governance of the Group Advisory Committees, Municipal Entities (ME) Boards of Directors, and the ARC. The Board approved terms of references of the committees with clear delegations. The entity's operation management is delegated to the CEO. The Board is satisfied that it fulfilled its responsibility in accordance with the charter, and that the sub-committees have executed their delegated duties.

The entity, through the S, E&HR Committee, addresses issues related to the ethical conduct of the company and its employees in line with the City's Code of Conduct (the Code), which has been fully endorsed by the Board. 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 a conflict of interest 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 non-executive directors (NEDs):

- Audit and Risk Committee;
- S, E&HR Committee; and
- Development Committee.

AUDIT AND RISK COMMITTEE

Section 166 of the MFMA (Act No. 56 of 2003) requires every municipal entity to have an Audit Committee. The ARC was formed in line with the aforementioned provision of the MFMA and Companies Act (Act No. 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;
- Identifying financial, business, and operational risk areas of the company, to be covered in the scope of internal and external audits;
- Ensuring that the company's Accounting Officer has put in place appropriate internal control systems;
- Monitoring and reviewing the effectiveness of the Internal Audit function;
- Overseeing the relationship of the company with the Auditor General of South Africa;
- Reviewing the consistency of, and any changes to, the accounting policies of the company – both on a year-on-year basis, and across the company and the CoJ;

- Reviewing the company's arrangements for its employees to raise concerns in confidence and in absolute confidentiality about possible wrongdoing or improprieties in financial reporting and in other matters;
- Monitoring and reviewing 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 providing to the Board of Directors an authoritative and credible view of the performance of the company;
- Monitoring implementation of the policy and plan for risk management taking place by means of risk management systems and processes;
- Overseeing that the risk management plan is widely disseminated throughout the company and integrated into the day-to-day activities of the company;
- Ensuring that risk-management assessments are performed on a continuous basis;
- Ensuring that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks;
- Expressing a formal opinion on the effectiveness of the system and process of risk management; and
- Reviewing reporting concerning risk management that is to be included in the integrated report for its being timely, comprehensive, and relevant.

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 in terms of the function and performance of the Internal Audit.

Key areas of focus during the reporting period were:

- IT, Risk Management, and Strategy
- Finance Reporting (AFS 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 (No. 71 of 2008), and the MSA (read with Regulation 43 of the Companies Regulations, 2011).

The Committee's mandate is set out in its terms of reference and includes the following:

- Reviewing reporting concerning risk management that is to be included in the integrated report for its being timely, comprehensive, and relevant;
- Overseeing the setting and administering of remuneration at all levels in the company;
- Overseeing the establishment of a remuneration policy that will promote the achievement of strategic objectives and encourage individual performance;
- Reviewing the outcomes of the implementation of the remuneration policy for whether the set objectives are being achieved;
- Ensuring that all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued;
- Considering the results of the evaluation of the performance of the CEO and other executive directors (both as directors and as executives) in determining remuneration;
- Selecting an appropriate comparative source when comparing remuneration levels;
- Advising on the remuneration of non-executive directors;
- Managing development and succession plans for executive levels;
- Making recommendations to the Board where necessary or taking approved action within its delegated authority;
- Creating social and economic development, including establishing the organisation's standing in terms of the goal and purpose of the UN Global Compact principles, recommendations regarding corruption, the Employment Equity Act, and Broad-Based Black Economic Empowerment;
- Encouraging good corporate citizenship, including the promotion of equality and contribution to the development of communities;
- Preserving the environment, while promoting health and public safety;
- Fostering healthy, productive, and sound customer relations;
- Engaging in fair, lawful labour and employment practices;
- Bringing matters to the attention of the Board in a timely manner, as the occasion requires.
- Reporting to the Shareholder at the AGM on matters within its mandate.

Key areas of 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

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 the achievement of the organisation's strategic objectives well.

DEVELOPMENT COMMITTEE

The Dev Com was constituted through shareholder approval, a process that was guided by the City's Group Policy on the Governance of the Group Advisory Committees, Municipal Entities (ME) Boards of Directors and the ARC. The mandate of the Committee is set out in its terms of reference and includes the following:

- To approve new development reports at the detailed investigation stage and to give approval to proceed with the development, i.e., design and business plan development stage;
- To recommend to the Board the 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 the risk/return relationship in 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 of focus during the reporting period:

- Oversight of implementation of capital projects
- Approval of Project Management on behalf of the City departments and entities
- Oversight of CAPEX spend
- Oversight of Property Management

SPECIAL BOARD RESOLUTION

The Board resolves to approve the following as recommended by the Audit and Risk Committee:

- Annual Financial Statements for the 2021/2022 Financial Year.

The Board resolves to approve the following report as recommended by the Audit and Risk Committee, subject to inputs from the Board:

- Draft Integrated Annual Report for the 2021/2022 Financial Year.

The Board resolves to approve the following report as recommended by the Audit and Risk Committee, subject to inputs from the Board:

- Report – Reversal of interest on sweeping bank balance

The Board resolves to note the following reports as presented:

- Auditor General's Audit Strategy and Engagement Letter for the upcoming audit
- Internal Audit's Review Report on Annual Financial Statements and Integrated Annual Report

BOARD ASSESSMENT

The King IV report recommends evaluation of the Board, its committees, Chairperson, and key Executives on an annual basis. The assessment aims to assist in the identification of any training needs that the members require to strengthen the Board in carrying out its fiduciary duties. It is further recommended that an overview of the process should be disclosed in the integrated report. The City as the sole shareholder conducts Board assessments across all entities annually. The JOSHCO assessment was conducted in November 2022 through a process where members completed self-assessment questionnaires. These were analysed and the results presented by the City through the Group Governance Department.

COMPANY SECRETARY FUNCTION

The appointment and responsibilities of the Company Secretary are guided by the Companies Act. During June 2023, the Board appointed 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. During the financial year officials in an acting capacity executed the Company Secretary role. These officials were suitably 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 the Company Secretary and Acting Company Secretaries maintained an arm's-length relationship with the Executive Committee, the Board, and the individual Non-Executive Directors.

CHIEF FINANCIAL OFFICER (CFO) AND THE FINANCE FUNCTION

The annual assessment also allowed for the ARC to assess the competency, effectiveness, expertise, and experience of the CFO and the outcomes reflected that the Committee is satisfied that the CFO possesses the necessary and appropriate skills to execute the requisite responsibilities. The assessment also considered the appropriateness of the expertise, and adequate staffing of the finance function, and concluded that 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 should report functionally to the Audit and Risk Committee. As part of the annual assessment, the ARC 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 Internal Audit performed its function diligently.

DIRECTORS AND PRESCRIBED OFFICERS' REMUNERATION

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

Table 6: Prescribed Directors' Remuneration as at 30 June 2023

Type of Meeting	Fees: July 2022 – 30 June 2023
Board	
Chairperson – Meeting	R16 000
Member – Meeting	R12 000
Audit and Risk Committee	
Chairperson – Meeting	R10 000
Member – Meeting	R8 000
Social, Ethics, and Human Resource Committee	
Chairperson – Meeting	R10 000
Member – Meeting	R8 000
Development Committee	
Chairperson	R10 000
Member – Meeting	R8 000

Table 7: Board of Directors' Remuneration as at 30 June 2023

Name	Designation	Remuneration
Mr Theodore Dhlamini	Non-Executive Director	R146 000.00
Mr Xolani Dlwathi	Non-Executive Director	R108 000.00
Mr Moerane Maimane	Non-Executive Director	R96 000.00
Mr Themba Mamba	Non-Executive Director	R64 000.00
Ms Gaby Boikanyo	Non-Executive Director	R172 000.00
Mr Jason Sobekwa**	Non-Executive Director	R256 000.00
Dr Kentse Sesele	Non-Executive Director	R162 000.00
Mr Karabo Modipane	Non-Executive Director	R96 000.00
Mr Sumesh Varghese	Non-Executive Director	R96 000.00
Mr Andries Smith	Non-Executive Director	R68 000.00
Mr Sydney James	Non-Executive Director	R96 000.00
Mr Sepheu Masemola**	Non-Executive Director	R114 000.00
Mr Simon Clarke	Non-Executive Director	R82 000.00
Ms Yolandi Erasmus	Non-Executive Director	R74 000.00
Mr Terry Tselane	Non-Executive Director	R56 000.00
Ms Simphiwe Mnisi	Non-Executive Director	R68 000.00
Mr Jacques Watson	Non-Executive Director	R84 000.00
Mr Tabane Manene	Non-Executive Director	R68 000.00
Ms Marilise Francis	Non-Executive Director	R68 000.00
Ms Jacelyn Scott	Non-Executive Director	R68 000.00
Total		**R2 042 000.00**

Table 8: Independent Audit Committee Members' Remuneration as at 30 June 2023

Name	Designation	Remuneration
Mr Moshupi Mokgobinyane	Independent Audit Committee Member	R32 000.00
Mr Lesetsa Matshekga	Independent Audit Committee Member	R56 000.00
Mr Ernest Khosa**	Independent Audit Committee Member	R40 000.00
Mr Victor van der Merwe	Independent Audit Committee Member	R32 000.00
Ms Pilekile Boloto Lefothe	Independent Audit Committee Member	R32 000.00
Adv. Geraldene Chaplog-Louw	Independent Audit Committee Member	R32 000.00
Mr Aboubakr Taoussi	Independent Audit Committee Member	R32 000.00
Total		**R256 000.00**

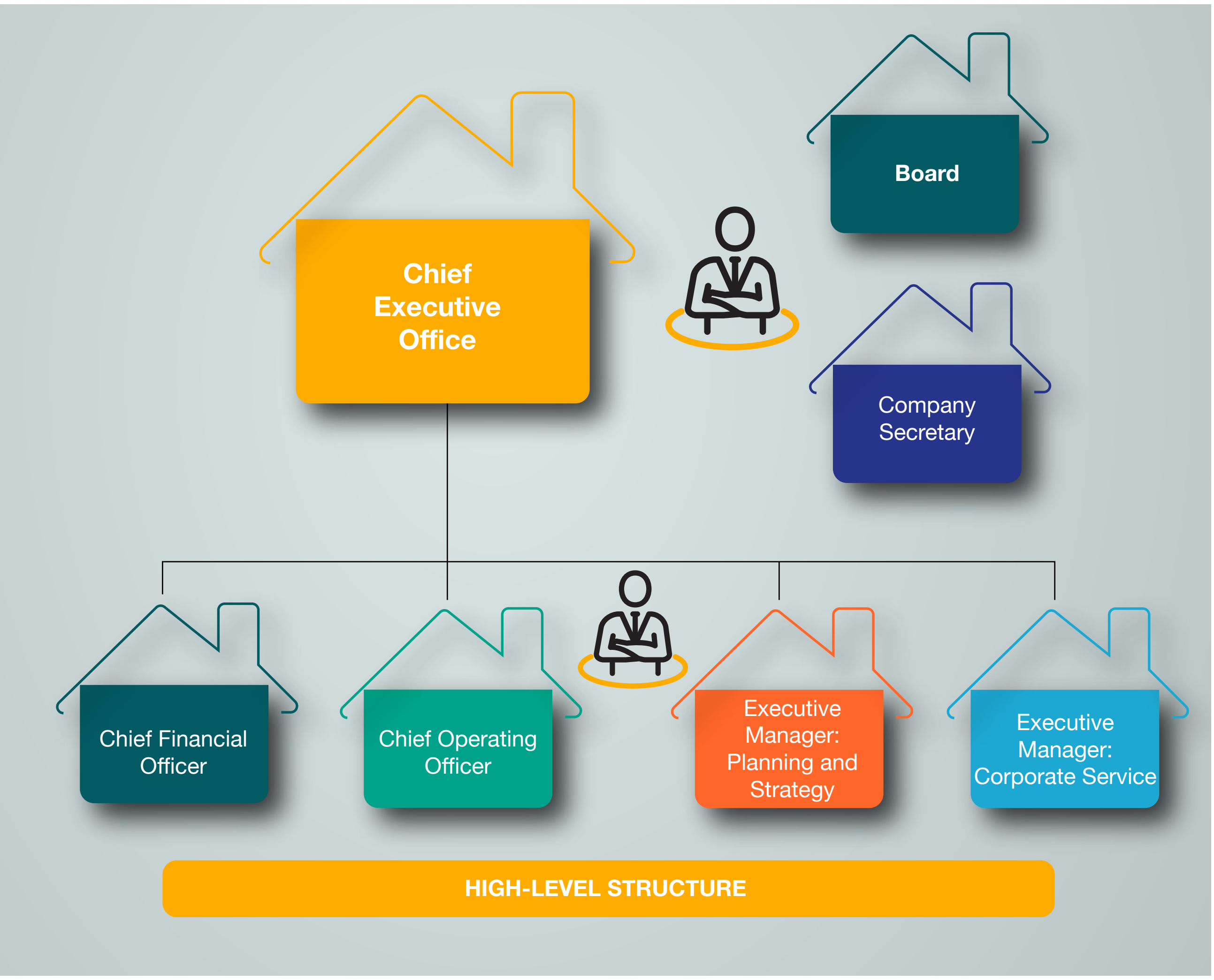
*Note:** Member fees included attendance of the City's Group Audit and Group Risk Committee.*

Table 9: Executive Management's Remuneration as at 30 June 2023

Name	Designation	Basic Salary / Package Cash Remainder	Acting, Travel, Housing and other Allowances	Medical Aid, Pension fund and other Contributions	Total
Mr Molapane Mothotoana	CEO	R1 612 405.00	R114 158.00	R54 559.00	R1 781 122.00
Ms Nontobeko Ndimande	CFO	R1 517 859.00	R16 035.00	R44 018.00	R1 577 912.00
Ms Livhalani Nemaungani	EM: Planning and Strategy	R812 109.00	R174 935.00	R82 156.00	R1 069 200.00
Ms Nkululeko Magubane	EM: Housing Development	R1 689 011.00	R6 595.00	-	R1 695 606.00
Ms Nokwazi Mtshali	EM: Corporate Services	R1 039 907.00	-	R196 154.00	R1 236 061.00
Mr Ronald Mutheiwana	EM: Housing Management	R767 179.00	R48 000.00	R141 162.00	R956 341.00
Mr Themba Mathibe	Chief Operations Officer	R1 130 086.00	R235 900.00	R253 731.00	R1 619 717.00
Mr Immanuel Burton	Company Secretary	R76 953.00	-	947.00	R77 900.00

SECTION 2:

JOSHCO HIGH-LEVEL ORGANISATIONAL STRUCTURE



SECTION 3:

GOVERNANCE OF STAKEHOLDER RELATIONS

Section 2 of the Social Housing Act specifies that the Social Housing Institution (SHI) must facilitate the involvement of residents and important stakeholders through consultation, information sharing, education, training, and skills transfer. In this way, the SHI will empower residents, and prioritise the needs of low- to medium-income households with respect to the development of social housing. The entity is committed to delivering long-term, sustainable business performance and to developing meaningful stakeholder relations given the cyclical nature of the industry. The stakeholders of JOSHCO are presented in Table 10 below, along with a description of their importance to the company and a measure of their influence.

The organisation is aware that its potential to develop and endure depends on the quality of its interactions with its stakeholders. Throughout the financial year, stakeholders were adequately involved in discussions about problems that interested them, and decisions were made with their invaluable input in mind.

Table 10: Stakeholder Matrix

Stakeholder	Impact	Interest	Role of JOSHCO Towards the Stakeholder	Engagement Platforms with Stakeholders
Shareholder: City of Johannesburg	High	High	• Social housing-implementing agent of the City • Ensuring that the delivery of services is aligned with the Service Level Standard (SLS) signed with the City	• Participation in the City's sustainable cluster • Performance reporting in line with the MSA and City framework • Attendance of all strategic meetings at which JOSHCO is required to be present – such as those under Section 79 which is a legislative and oversight committee for Human Settlements, 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	• Attendance of community meetings convened by the political leadership • Frequent and ongoing reporting on burning issues • 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 related to the business of JOSHCO • Ensuring that the Board is well equipped and informed about the performance of the entity it serves	• 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	• Submitting all compliance reports as per the MFMA and Treasury regulation • Submitting the AFS timeously for audit purposes • Adhering 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

Stakeholder	Impact	Interest	Role of JOSHCO Towards the Stakeholder	Engagement Platforms with Stakeholders
Labour	High	High	• Providing training to Local Labour Forum (LLF) members • Affording sufficient time to labour representatives, so that they can 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 Continued LLF meetings
The Media	High	Moderate	• Providing the media with good-news stories on the work performed by JOSHCO • Conducting site/project visits to showcase the milestones achieved	• Ongoing building of the JOSHCO brand through media partnerships that have already been formed
JOSHCO Contractors and Service Providers	High	Moderate	• Empowering JOSHCO service providers through equitable distribution of work (rotation) • Ensuring that service providers are paid within the 30-day period to enable them to be sustainable	• Bi-monthly service-provider meetings • Workshops with new service providers to educate them on the business of JOSHCO and its SLS
JOSHCO Tenants	High	High	• Ensuring that JOSHCO properties are well maintained both inside and out • Meeting the SLS turnaround times • Hosting tenant workshops for new tenants • Providing employment opportunities through the EPWP programme • Providing accurate bills at a reasonable time to tenants • Through the provision of security services, ensuring that JOSHCO project environments are safe	• Meetings with tenant committees to address other issues that affect tenants • Conducting project ratings and customer satisfaction surveys • Embarking of community development initiatives
The Community	High	High	• Providing information on the application process • Educating the community on how to report fraudulent activities	• Continued engagements through social media, print, and local radio stations
CoJ Housing Core/National Government	High	Moderate	• Providing the department with information related to social housing matters, e.g., development of units and housing management	• Signing of service level agreements (SLAs) with the department regarding institutional arrangements • Quarterly reporting on deliverables related to social housing matters

Stakeholder	Impact	Interest	Role of JOSHCO Towards the Stakeholder	Engagement Platforms with Stakeholders
Funders, e.g., Social Housing Regulatory Authority (SHRA)	Moderate	Moderate	• Utilising the funding for the purpose for which it was intended • Funders can report on JOSHCO's achievements/ deliverables (as a funding beneficiary)	• Sourcing more funding to promote and develop social housing • Quarterly reporting on deliverables related to social housing matters • Regular meetings with funders to address shortcomings, where necessary
Other Municipal Owned Entities (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 with MOEs and departments, e.g., roads, storm water and sewerage services, with Joburg Water	• Regular engagements with the relevant MOEs and departments
Other Stakeholders, e.g., 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	• Obtaining accreditation for provision of student accommodation • Always ensuring compliance	• Meetings to discuss accommodation requirements • Email communications about reopening of institutions
Students	High	Moderate	• Providing student accommodation that meets the student accommodation criteria • Ensuring the health and safety of students while they are in JOSHCO facilities • Making 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

SECTION 4:

RISK MANAGEMENT AND INTERNAL CONTROLS

KING IV REPORT PRINCIPLE 11: RISK GOVERNANCE

The enterprise-wide risk management method used by JOSHCO places particular focus on departmental cooperation to manage the company's wide range of risks as a whole. In the context of risk, control, and governance, the entity is committed to continually enhancing compliance, managing risks, and sustaining good governance. This is essential for managing the entity's finances and ensuring that resources are used effectively, efficiently, and to their fullest financial potential.

This is accomplished by continuously examining, evaluating, and monitoring the processes used to reduce recognised operational and strategic risks.

RISK MANAGEMENT COMMITMENT

JOSHCO has a dedicated risk management function that is headed by the Executive Manager of Business Planning and Strategy. This function manages and supports the overall organisational risk management procedure, which covers compliance management, fraud and corruption, business continuity, and related whistleblowing services.

The organisation has an approved risk management framework, policy, and strategy that guide the risk management process. It also has the effective Audit and Risk Committee (ARC) of the Board, which provides oversight on risk management and the organisation's control environment.

INTERNAL CONTROL

The organisation bases its strategy for risk management on well-established governance procedures that rely on both individual accountability and group monitoring, as well as extensive reporting. Continuous risk assessments are carried out to discover new risks that could have a detrimental influence on the achievement of organisational goals in recognition of the complex and evolving risk environment.

Risk assessments were continuously conducted during the 2022/2023 financial year to identify and manage potential risks that might negatively impact the achievement of the strategic and operational objectives of the organisation.

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; the Public Sector Risk Management Framework of 1 April 2010; and the COSO Integrated Risk Management Framework. JOSHCO recognises that the management of risks is an integral part of sound management and therefore adopts a comprehensive approach to risk management. The features of this approach are outlined in JOSHCO's Risk Management Policy and Framework.

JOSHCO recognises that risk management requires a team-based approach for effective application across the organisation. 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 management is embedded within JOSHCO, the Board delegates the responsibility for managing risks to management. Management then ensures that all risks that affect its areas of responsibility are identified and mitigated to acceptable levels.

ORGANISATIONAL RISK ARCHITECT

Board of Directors

- Provides overall governance of risk responsibility.
- Sets risk tolerance levels and risk appetite.
- Sets risk tone and approves strategic risks.
- Reports to the Shareholder on the risk management activities of the organisation.
- Provides advice to the Audit and Risk 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 in all processes.
- Reviews risk profile monthly.
- Prepares routine risk management reports.
- Analyses business environment against uncertainty.
- Prepares policy and recommends to the Audit and Risk Committee.
- Identifies emerging risks and sets risk controls.
- Facilitates combined assurance.
- Implements Committee recommendation(s).

Implementation of Board recommendation(s)
Reporting of risk information to the Board

Table 11 depicts the residual risk results against the risk identified for the year ended 30 June 2023.

Table 11: Analysis of the Organisational Residual Risk as at 30 June 2023

No.	Risk Description	Residual Risk Rating as at 1 July 2022	Risk Mitigation Movement	Residual Risk Rating as at 30 June 2023	Comments
1.	Inability to continue as a going concern	Very High	↔	Very High	All mitigation actions implemented. The residual risk remained very high owing to non-achievement of the risk appetite and tolerance level. More robust mitigation actions for 2023/24 FY were identified that focus on the reduction of the high cost identified as the root cause of the underperformance of ratios.
2.	Failure to deliver capital projects on time and within budget	High	↔	High	All mitigation actions implemented. The residual risk remained high owing to project stoppage outside the appetite and tolerance levels. More robust actions identified to reduce this risk in 2023/24 FY and improve on-time and within-budget project delivery.
3.	Lack of cooperation by SMMEs	Medium		High	All mitigation actions implemented. The residual risk moved from medium to high because there were issues with some SMMEs during Quarter 4.
4.	Minimal/ Inadequate stakeholder and customer relations management	High	↓	Medium	All mitigation actions implemented. The risk moved from high to medium. Customer queries and complaints were resolved within seven days.
5.	Increased health, safety and security incidents in JOSHCO projects	Medium		Very High	All mitigation actions implemented. The residual risk moved from medium to very high owing to an increased number of health and safety incidents on JOSHCO properties that were outside the tolerance level.
6.	Business interruption	High	↔	High	All mitigation actions implemented. The risk remains high owing to some suspicious emails and a number of electricity interruptions at head office. A new generator has been installed.
7.	Inaccurate and unreliable performance information	High	↓	Medium	All mitigation actions implemented. The residual risk moved from high to medium owing to no inaccurate reporting during the FY. The risk is within appetite and has a tolerance level of zero.
8.	Failure to develop, attract, and/or retain talent	High	↔	High	All mitigation actions implemented. The residual risk remains high, as a number of Senior Management personnel left the organisation during the FY, which is outside the risk appetite and tolerance level of the organisation. A robust retention and succession plan is required.

No.	Risk Description	Residual Risk Rating as at 1 July 2022	Risk Mitigation Movement	Residual Risk Rating as at 30 June 2023	Comments
9.	Fraud and corruption	Medium	↔	Medium	All mitigation actions implemented. A minimal number of fraud and corruption cases were reported; however, the majority of the cases were closed owing to a lack of evidence.
10.	Dilapidation of tenanted buildings	Medium	↔	Medium	All mitigation actions implemented. The maintenance plan target was achieved. The risk is within the organisation's appetite and tolerance levels.

EMERGING RISK AS AT 30 JUNE 2023

The regularisation and renewal of rental leases were met with resistance by tenants at various projects, some of whom claimed to have signed rent-to-own lease agreements, according to JOSHCO officials. As there are no lease agreements in place and tenants are not paying their rent, the risk could lead to further downgrades by the SHRA.

Transferring the City referral and former employees' hostel stock back to the City is one control that could reduce the chance of the risk materialising because tenant resistance to rent payment is mainly being encountered in City staff hostels.

SECTION 5:

ANTI-FRAUD AND CORRUPTION

The Board carried out its anti-fraud and corruption responsibilities in accordance with Principle 1 of the King IV Report, 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 to addressing issues related to past corporate governance breaches, in order to restore the entity's reputation and to improve its financial and operational sustainability. A zero-tolerance approach is taken towards fraud and corruption.

The following approaches were implemented in the financial year:

- Public, tenant, and staff awareness campaigns were conducted.
- Radio and social media platforms were utilised to raise awareness about imposters posing as JOSHCO agents.
- The anti-fraud and corruption policy and strategy were strengthened.
- The focus on consequence management was enhanced.
- Investigations were commissioned and/or disciplinary actions instituted against employees with allegations of misconduct.

In collaboration with the Group Forensic and Investigation Services (GFIS), the Risk and Compliance Unit held targeted workshops in areas that were categorised as high risk, such as Supply Chain Management, Leasing and the Human Resource Department.

Owing to the centralisation of the investigation function at the City under the GFIS, all reported cases of fraud, maladministration, and corruption were referred there for further investigation. The GFIS registered five cases in the 2022–23 financial year, of which two were closed after investigation and three remained active. The entity will be furnished with a report once investigations are concluded on cases that are in progress as shown in Table 12 below.

Table 12: Cases Under Investigation as at 30 June 2023

GFIS-No	Date Registered	Allegation	Status
GFIS-41/08/2022	2022/08/18	Alleged online scam where unknown criminal is impersonating the CEO.	Closed: Undetected
GFIS-26/09/2022	2022/09/14	Alleged fraud and corruption where there are fraudulent debits.	In progress
GFIS-20/11/2022	2022/11/13	Alleged supply of fraudulent quotations from a contractor.	Closed: Unfounded
GFIS-10/11/2023	2023/03/07	Alleged fraud and corruption by JOSHCO official related to the Alex Project.	In Progress
GFIS-19/11/2024	2023/03/15	Alleged fraud and corruption taking place at City Deep flats.	In Progress

SECTION 6:

ICT GOVERNANCE

KING IV REPORT 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 of the Information and Communication Technology (ICT) function to the ARC, which ensures that ICT governance is in place. The Committee also assesses the ICT risk and monitors implementation of controls by management.

Management's role is to develop and implement policies, frameworks, and strategies once approval has been granted by the Board. The ICT policy was reviewed and approved for implementation in the first half of the financial year. The entity's ICT governance is aligned with the legislation and frameworks that guide the ICT standards of operations, such as the COBIT Framework and ISO 20000 and 27001.

2022/23 ICT PERFORMANCE

ICT continued to play the strategic role of transforming the organisation into a more digitised and automated entity. A number of projects were initiated in the financial year. JOSHCO ICT installed network infrastructure in the head office, which was successfully delivered as per the required scope and within budget. Furthermore, the ICT department installed UPS backup to power the servers, network switches, Wi-Fi access points, and printers during power outages caused by load-shedding and cable theft, amongst other incidents. This project will enhance the entity's network availability and minimise the intermittent disruptions that were experienced previously.

An ICT infrastructure upgrade project that had commenced in the previous financial year was completed. The entity was operating on outdated ICT infrastructure with servers that were out of life prior to the initiation of this project. The completion of this work will significantly contribute to the uptime of the entity's systems and applications. The entity has also deployed the tools that are available from the Microsoft Enterprise contract with the City to track and monitor its ICT infrastructure timeously.

To date, by taking advantage of the Microsoft Enterprise Agreement, JOSHCO ICT has migrated from Exchange on-premises to Microsoft 365; introduced Microsoft Intune to manage all laptops and mobile devices; developed and hosted the JOSHCO Intranet on SharePoint; and is in the process of deploying an online Supplier Database Solution.

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 financial year. The App has numerous modules, which include potential tenants, existing tenants' portal, customer services, events and notice portal, and reporting module, to name a few.

With the Customer Service Enhancement Strategy, the entity recognised that the maximum use of innovative solutions is a key instrument for ensuring that JOSHCO can empower its tenants with access to information, provide easy and convenient interactions with the organisation's personnel, and enable staff to meet the needs and expectations of key stakeholders – the customers. With the App, the entity envisages being able to reach and sustain higher levels of quality and 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 through the implementation of VPN, Microsoft Intune, Microsoft Quick Assist, and a Voice Over Internet Protocol (VOIP) technology that offered employees a platform from which to make and receive calls through an App installed on their laptops. The drive to digital transformation supports JOSHCO's ICT vision of building 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 a changing operating environment. With all the innovative systems that were mostly implemented in response to the 2020 national lockdown brought about by the COVID-19 pandemic, the workforce can access information, transact, and collaborate with both internal and external stakeholders from anywhere, while retaining a high level of security.

JOSHCO's ICT department has implemented a fully managed Disaster Recovery site, which is tested quarterly, to ensure business continuity in case of a disaster. The entity has not experienced any downtime that has affected its operations during the testing of the infrastructure. This is a significant milestone, given the entity's history of continuous business interruptions.
In 2022, JOSHCO initiated a project to comprehensively document and diagrammatically map out its standard operating procedures (SOPs) to reflect its existing operational activities and systems. After capturing the SOPs, the company decided to employ business process re-engineering (BPR) practices and continuous improvement methodologies to improve operations, increase efficiency and efficacy, and adapt to the rapidly changing business environment.

BPR involves eliminating redundant steps, automating manual tasks, reducing bureaucracy, and streamlining workflows. This requires a deep commitment from management and the involvement of employees at all levels. One of the key principles of BPR is customer-centricity, and by employing BPR, JOSHCO is focusing on meeting customer needs and delivering value. This often means reorganising processes to reduce turnaround times, improve stakeholder communication, introduce performance metrics on processes to be measured, and enhance customer service. The approach also emphasises the use of technology to enable process improvements, which sometimes involves implementing new software systems, automation tools, or data analytics to support decision-making. However, a challenge with BPR is striking the right balance between radical change and incremental improvement.

During its deeper analysis, JOSHCO discovered many manual and paper-based processes that present a range of disadvantages, including inefficiency, high costs, error-proneness, limited accessibility, security risks, and environmental concerns. Continuous improvement methodologies are designed to systematically identify areas for improvement, analyse root causes of problems, and implement solutions. By employing BPR and continuous improvement approaches effectively, JOSHCO aims to drive sustained organisational excellence. The initial BPR effort can now serve as a catalyst for change, setting the stage for a culture of continuous improvement. Continuous improvement, in turn, can help to fine-tune and optimise the processes redesigned during BPR, ensuring that they continue to deliver value and meet customer expectations. This ensures that JOSHCO remains adaptable and responsive to evolving market and technology conditions.

In addition to the above key projects implemented, the ICT department was able to conduct a laptop audit to identify the need for updated laptops. The outcomes indicated that there are employees that are utilising laptops that are out of life, which poses a security risk to the company. Owing to budget constraints, 50 laptops were procured and issued to those employees without these tools of the trade.

Phase one of the Fibre Build project has been completed, making JOSHCO buildings in this phase ready for fibre connectivity. Tenants can now utilise the existing infrastructure to set up their own Wi-Fi installations.

FUTURE FOCUS

The entity acknowledges that the maturity of the ICT function is not at a level that the entity requires in order to thrive. Consequently, a number of initiatives are planned for the 2023–24 financial year to improve the ICT environment. The following are projects that will be implemented in the new financial year:

- Implementation of an Electronic Document Management solution
- Enhancement of the JOSHCO website
- Investment in skilled human capital for critical ICT roles

The projects will be prioritised according to 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 achievement of the entity's strategic objectives. The ICT department aims to reduce the need for natural capital through the continuous adoption of cloud technologies to minimise reliance on the on-site server-processing facilities.

The sector has experienced a large number of cyber-attack incidents in recent years because of the disruption caused by the COVID-19 lockdown, which resulted in criminals taking advantage of weak controls as companies implemented remote operations. JOSHCO was not immune to cyber-attack attempts, with the security measures in place indicating attempts that were not successful. In response to this challenge, the entity has invested in a security model that will protect it holistically and cater for its systems, people, and processes.

SECTION 7:

COMPLIANCE WITH LAWS AND REGULATIONS

KING IV REPORT PRINCIPLE 13: COMPLIANCE GOVERNANCE

An organisation's compliance with industry laws, rules, and standards, as well as with corporate and regulatory policies and obligations, is ensured through the complex discipline of compliance management. The organisation employs EXCLAIM! Compliance software to keep track of whether pertinent laws are being followed. Other tools, such as compliance risk management strategies, are utilised in addition to EXCLAIM! to identify, evaluate, and track JOSHCO's level of compliance with pertinent regulatory requirements that are a part of its operations. Twenty-eight Acts and regulations were determined to be applicable to JOSHCO's operations as of the end of the fourth quarter and are listed on the Regulatory Universe. Below are some of the core Acts and regulations 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, No. 85 of 1993

Construction Regulations

The entity managed to comply fully with 22 Acts, reaching 100% compliance, while six Acts are still not at the 100% compliance level for the reasons outlined in Table 13 below. The COVID-19 Occupational Health and Safety Measures in Workplaces Directive has been withdrawn and thus was not assessed in this quarter. It has now been removed from the Compliance Universe.
In comparison with the previous financial year, the entity has improved its compliance matters despite not achieving the ideal result of 100% compliance with all applicable legislation. Monitoring the variance in compliance and putting controls in place to address non-compliance are key to achieving our targeted performance.

Table 13 below lists the six Acts for which the entity is below 100% compliance, together with the remedial actions implemented to address the variance.

The Company's Act has reached 100% compliance as the Company Secretary (COSEC) has now been appointed, after the post was vacant for over 12 months. JOSHCO has made significant efforts to ensure that the organisation complies with the Social Housing Act and regulations.

In this quarter, special attention was given to compliance to remedy our accreditation status with the Regulator. While there has been a decline in the compliance of certain provisions, a significant number of these can be remedied in the next quarter. The entity has drawn up an action plan that aims to monitor progress in addressing provisions that the entity is still not fully compliant with. This tool is being utilised as a constant reminder for Acts' owners to implement the recommendations provided in the plan.

Table 13: Acts and Regulations that are Below the 100% Compliance Level as at 30 June 2023

Act Name	Q1	Q2	Q3	Q4	Comments	
1. Companies Act	100%	100%	94.4%	100%		
2. Employment Equity Act	100%	100%	71.5%	92.2%	1. Employment Equity (EE) Plan not submitted on required date. 2. Salary disparities have still not been resolved.	
3. Local Government Municipal Finance Management Act – Municipal Regulations on Minimum Competency Levels	100%	100%	76.5%	76.5%	The variance relates to the requirement for senior managers, the supply chain manager, and officials to meet the competency levels for financial and supply chain management.	
4. Municipal Finance Management Act	100%	76.5%	94.2%	94.2%	The variances that have been identified relate to the AG's findings about the preparation of the AFS as well as supply chain management.	
5. Protection of Personal Information Act, No. 4 of 2013 (POPIA)	76.1%	93.0%	93.0%	93.0%	1. The variance relates to the following: 2. A written contract has not been concluded between JOSHCO and service providers to ensure that service providers that process personal information for JOSHCO establish and maintain the security measure referred to in section 19. 3. A personal information impact assessment has not been conducted. 4. Internal awareness sessions regarding the provisions of the Act, regulations made in terms of the Act, codes of conduct, and information obtained from the Regulator have not been conducted	

	Remedial Action	Act Owner	Progress Made on Remedial Action	Timeframe
	1. Appointment of the Company Secretary (COSEC) to be finalised.	COSEC office	The COSEC has been appointed.	05 June 2023
	Table EE plan to the new Board for approval and submit to the Department of Labour.	EM: Corporate Services	1. A mediation specialist has been appointed to deal with the MOGALE report of income differentials. The process is to be finalised at the end of the second quarter of the new financial year.	31 December 2023
	All newly appointed executives are to be enrolled in the MFMA programme.	EM: Corporate Services	The CEO and EM: Corporate Services have been enrolled in the programme. The COO is to be enrolled in the next financial year on 1 July 2023 with the University of Pretoria.	31 March 2024
	1. Implement web-based audit action plan. 2. Establish an internal control checklist for expenditure management. 3. Review compliance risk management plan to reflect Audit findings.	Chief Financial Officer (CFO)	1. Action plan developed by Internal Audit. Weekly action plan meetings are held to track progress. 2. The office of the CFO is currently putting together an interim AFS to ensure compliance. 3. Internal Audit will conduct a preliminary audit of the interim AFS for quality assurance.	31 August 2023
	1. Service Level Agreements to be amended to include POPIA obligations. 2. The service provider on site to conduct personal information impact assessment. 3. Internal awareness sessions to be conducted in the next quarter. 4. A compliance risk management plan to be reviewed to re-assess the risk of non-compliance.	Company Secretary	1. JOSHCO applied to the Information Regulator to process information for lease applications. All leases are POPIA compliant and the regulator does random sampling on a quaterly basis to check our leases for compliance. 2. There has been a significant improvement with respect to POPIA, with a move from 76.1% to 93% compliance. 3. The COSEC was appointed in June 2023. As the Act owner, the COSEC will be charged with ensuring the act is 100%.	30 June 2023

Act Name	Q1	Q2	Q3	Q4	Comments	
6. Rental Housing Act, No. 50 of 1999	96.3%	96.3%	93.3%	93.3%	The variance relates to the subletting of units by tenants without JOSHCO's consent.	
7. Social Housing Act, No. 16 of 2008 and Social Housing Regulations	87.0%	87.0%	87.0%	87.0%	The variance relates to the following: 1. JOSHCO's accreditation has been downgraded by the regulator owing to non-compliance on an ongoing basis with the criteria that qualify JOSHCO for full accreditation. 2. JOSHCO does not comply with section 14(2) of the Social Housing Act, which states that an SHI must at all times function in compliance with: iii. (i) the provisions of this Act; iv. (ii) the national building regulations under the National Building Regulations and Building Standards Act, 1977 (Act 103 of 1977); v. (ii) 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) vi. (iii) the provisions of the Rental Housing Act, 1999 (Act 50 of 1999). 3. The content of the lease agreement and proposed changes are not strictly adhered to by all parties.	

	Remedial Action	Act Owner	Progress Made on Remedial Action	Timeframe
	1. An 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. 2. JOSHCO, through the Housing Management Department, has embarked in a process of regularising qualifying tenants in line with the Act. The process will continue until all JOSHCO units are occupied by lawful tenants only.	EM: Housing Management	1. Biometric systems have been installed in all 20 projects. 2. Lease renewals are being conducted across all JOSHCO projects. There is, however, resistance at several projects. 3. Three evictions will be conducted this quarter at Roodepoort. More evictions of non-paying tenants are to follow in the next financial year.	30 September 2023
	1. The National Building Regulations and Building and Standards Act need to be included in the Regulatory Universe and assessed for compliance. 2. JOSHCO must engage tenants on issues regarding enforcement of lease agreements.	EM: Housing Management	1. JOSHCO has submitted all accreditation requirements to the SHRA for review of its accreditation status. Compliance is regularly monitored by the SHRA. 2. JOSHCO re-submitted a report to the SHRA responding to all Compliance, Accreditation and Tenant Audit findings and requested the SHRA to reassess its accreditation, based on the report.	30 September 2023

Chapter 3

SERVICE-DELIVERY PERFORMANCE

Strategic Goals: 1, 2, 4, 5

Stakeholders Interested:

SECTION 1:

SERVICE-DELIVERY HIGHLIGHTS AND ACHIEVEMENTS

This chapter outlines the entity's operations, along with any difficulties encountered, potential solutions, and plans for dealing with underperformance. The organisation created a business plan that was in line with the objectives of the City and took into account the shareholder agreement and service delivery contract that had been signed with the Shareholder. The highlights and accomplishments of the financial year 2022/2023 are presented below.

SERVICE-DELIVERY HIGHLIGHTS

TENANTING

- The entity continues to improve the tenanting process, where units that were vacated are filled within a short time to maintain a vacancy rate of not more than 2%. Tenanting resumed in the financial year at Lufhereng, which saw 407 units available, with 92 units available at Legae. Tenanting continues in other projects, and all projects are managing attrition.

OUTDOOR ADVERTISING

- The entity continues to enhance revenue streams, with a total of six properties generating revenue through outdoor advertising space within the properties.

PROJECT DEVELOPMENT

- The entity has completed a total of 936 units that are ready for occupation in this financial year. A further 555 units have developed and are awaiting final completion in the new financial year.

SAFETY ENHANCEMENT AT PROJECTS

- Section 2(1) of the Social Housing Act provides that Social Housing Institutions (SHIs) must afford residents the necessary dignity and privacy by providing them with a clean, healthy, and safe environment. Safe living spaces contribute to an improved quality of life. The entity has embarked upon a project to install biometrics to control access to the properties in order to enhance safety and security.

VACANCY RATE

The entity was able to create organisational stability by filling most of the executive positions, with the appointment of the Chief Executive Officer (CEO), Chief Operations Officer (COO), Executive Manager: Corporate Service, and the Company Secretary (COSEC). Filling these positions will aid in providing much-needed leadership at JOSHCO.

AUDIT OPINION

- Unqualified audit opinion

SECTION 2:

SERVICE-DELIVERY CHALLENGES

RENTAL COLLECTION

The entity continued to experience a low collection rate throughout the financial year for reasons that included low rental collection across all projects. JOSHCO previously did not distinguish between City-owned stock and SHRA-funded stock. From the City-owned stock that JOSHCO is managing on behalf of the Human Settlements Department, it has former staff hostels, temporary emergency accommodation, and COVID-19 displacement accommodation. The dynamics of this stock affect the entity's collection levels. Collection closed the year at 57%, which is 1% higher than for the previous financial year. The entity has embarked on a tenant-engagement drive in collaboration with the SHRA and CoJ Human Settlements Department to educate tenants about different housing programmes, including the importance of rental payment in social housing.

The debt-collection companies appointed are proceeding with the collection of all debt of above 60 days. JOSHCO 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.

SHRA ACCREDITATION

The company was downgraded by the Regulator from being fully accredited to being conditionally accredited following underperformance on four of the five Key Performance Indicators (KPIs) that SHIs are required to accomplish and the failure to comply fully with some of the compliance requirements. Management is making significant strides to fill the gaps identified so that the company can recover to full accreditation status. Regular meetings are being held with SHRA representatives to track the development of the recommended action plan to rectify underperformance.

SECTION 3:

RESPONSE TO STRATEGIC DIRECTION

As highlighted in Table 1 and under Section 6 of Chapter 1, JOSHCO has seven strategic objectives or goals that drive its mandate. The objectives are aligned with the CoJ's long-term plan. JOSHCO's mandate directly responds to the CoJ priority of "An inclusive city". This section provides examples of how the entity has contributed to the achievement of the set objectives.

STRATEGIC GOAL 1: Become a financially sustainable entity.
The focus is on working towards a JOSHCO that is resilient and self-sustainable.
Details of this focus are presented in Chapter 5.

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

The focus of this goal is on the development of social and affordable rental units that benefit the qualifying citizens of Johannesburg. Details of the progress made in achieving this goal are presented in Chapter 3.

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

This is covered in Chapter 5.

STRATEGIC GOAL 4: Effectively manage social housing projects.
The focus of this goal is on ensuring that the tenanted properties are well managed and maintained to an acceptable standard. Highlights are provided in Chapter 3.

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

This goal focuses on ensuring that projects are well managed, which includes being safe, secure, and well maintained. Details are found in Chapter 3, Section 6.

STRATEGIC GOAL 6: Become a customer-centric company.

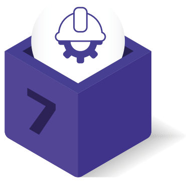
JOSHCO prides itself on its commitment to serving people within acceptable turnaround times.
Details of how this goal is being achieved are presented in Chapter 3, Section 4 and Section 6.

STRATEGIC GOAL 7: Strengthen governance and compliance.

The organisation strives to achieve clean governance. Details are presented in Chapter 2 and Chapter 6.

Table 14: Strategic Goals and their Achievement

Strategic Goal/ Objectives	2020/21 Achievements	2021/22 Achievements	2022/23 Achievements
1	-Debt-collection company appointed and assisted to collect 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 was developed and approved by Board. -The management fee from work conducted on behalf of other City departments contributed significantly to entity revenue. -Service provider appointed to commence with the outdoor advertisement project.	-Debt-collection company has collected R6.6 million ending this FY. -Six JOSHCO facilities have outdoor advertising that generates revenue. -Application of the cost-containment policy is ongoing to ensure we mitigate high-cost drivers
2	-112 units reached completion stage. -559 units were completed without services connection. -Three turnkey sites were launched and handed over to developers.	-349 units were completed and awaited finalisation of compliance documents in order to commence with tenanting. -210 units were developed to a level where they were completed apart from connections to services	-555 units have been developed. -936 units have been completed in the FY and are ready for occupation. -Tenanting is ongoing for various projects.
3	-9% of CAPEX was spent on SMMEs. -552 EPWP job opportunities were created. -86% and 83% of OPEX and CAPEX procurement recognition spent on at least 51% Black-Owned companies.	-503 EPWP job opportunities were created. -10.65% of CAPEX was spent on SMMEs.	-970 EPWP opportunities have been created. -Over 30% of CAPEX has been spent on SMMEs for the FY.
4	For the preservation of properties, the following maintenance work was carried out: -R21 685 553 spent on 5998 reactive maintenance jobs. -R11 352 326 was spent on planned maintenance.	-Conditional assessment of all tenanted properties was carried out in the FY. -A 98.26% occupancy rate was achieved.	-The entity currently has an occupation rate of 98.20% across its projects. -Both proactive and reactive maintenance has been conducted to ensure adequate response to our tenants and infrastructure.
5	-Assessment of security measures such as biometrics and CCTV cameras was conducted, and procurement was activated.	-One property was installed with window burglar guards. -Twenty properties were installed with a biometrics system.	-Four properties have been installed with a biometrics system and cameras.

Strategic Goal/ Objectives	2020/21 Achievements	2021/22 Achievements	2022/23 Achievements
	-Intensified tenant education in collaboration with revenue, risk, and housing management units. -Six out of seven SLSs were achieved. -Continued with the implementation of rental relief. -Full capacitation of the EXCO team, which brings stability within the organisation. -A number of initiatives aimed at supporting tenants were implemented. This included handing educational packs to children and handing COVID relief food parcels to 40 families.	-Robust tenant- engagement sessions were conducted across tenanted projects. -Online system (JOSHCO App) developed to provide easy access to JOSHCO's application process. The system will be finalised at the beginning of the new FY.	-The online system (JOSHCO App) has been launched; this system has seen a seamless application process. -All SLSs have been met. -JOSHCO stakeholders have embarked on the regularising of tenants.
	-Functional Board for the FY to provide strategic direction and oversight. -18 Acts and regulations were at 100% compliance by the end of the FY.	-Functional Board for the FY to provide strategic direction and oversight. -24 Acts and regulations were at 100% compliance by the end of the FY.	-The entity has a new Board from 1 March 2023 and there has been an efficient transition. -28 Acts and regulations were at 100% compliance by the end of the FY.

PROFILING OF PROJECTS IMPLEMENTED IN THE 2022/23 FINANCIAL YEAR

The City allocated a capital budget of R498 million at the beginning of the financial year. However, the budget was reduced to R399 million during mid-year budget adjustment. In the financial year, JOSHCO has 17 active projects, which were approved in the 2022/2023 Business Plan. Seven of these projects are in the planning stage and ten of the projects are at the implementation stage.

COMPLETED PROJECTS

Lufhereng Social Housing Development

Riverside Social Housing Development

Abel Street Social Housing Development

Roodepoort Social Housing Development

PROJECTS UNDER DEVELOPMENT

Nancefield Station

This 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 units, consisting of 64 one-bedroom units, 104 two-bedroom units and four units that are designed to accommodate people with disabilities (PWD). This phase of construction is anticipated to be finalised by the first quarter of this new financial year.

Princess Plot

This development is located in the City of Johannesburg, Region C, Ward 73, which is in Roodepoort, and consists of a total of 333 social housing units. The unit typology includes 100 one-bedroom units and 233 two-bedroom units. Of the 233 two-bedroom units, the property has 28 units that are high spec. to allow an open market, outside of the social housing requirements. The building has four units that are designed to accommodate PWD. The project is at 92% completion at the end of this financial year.

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 flats with shared ablution facilities on five floors of an eight-storey high-rise building, while the bottom three floors will be used for commercial tenants. The project will be occupied by citizens that meet the qualifying criteria for social housing units.

Devland Golden Highway

This project is progressing well at 83% completion and is expected to be completed in the first quarter of the next financial year.

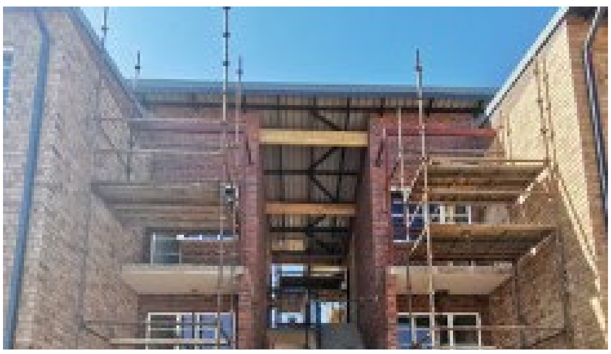


Table 15: Capital Projects

Project	Total Unit Yield	2022/23 Unit Yield	2022/23 Budget R'000	At 30 June Actual Expenditure R'000	% Spend	
Abel Road Phase 2	155	155	Nil (budgeted from existing stock upgrades)	-	100%	
Booysens Street Inner-City Conversion	40	0	Nil (budgeted from existing stock upgrades)	-	100%	
Casa Mia Phases 1 & 2	80	0	Nil (budgeted from existing stock upgrades)	R0	0%	
Devland Golden Highway	333	162	R32 732	R32 588	99.5%	
Inner-City Buildings	Various	Various	R10 881	R10 881	100%	
Existing Stock Upgrades	Various	Various	R27 418	R27 418	100%	
Lufhereng	40	407	R50 578	R50 578	100%	
Nancefield Station	372	0	R101 515	R106 561	104%	
Princess Plot	333	0	R18 750	R20 421	108%	
Randburg Selkirk	145	0	R7 854	R7 854	100%	
Roodepoort Phase 2	92	92	-	-	99%	
Turn Key 1: Region A (Riverside)	1108	180	R54 351	R54 080	100.5%	
Turn Key 1: Region D (Jeppestown)	1041	0	R69 049	R70 009	101%	
Turn Key 3: Region B (Rivonia)	1031	0	R12 213	R12 213	100%	
Total			**R399 008**	**R403 865**	**101%**	

	Actual Start Date	Planned Completion Date	30 June 2023 Plan	30 June 2023 Actual
	09/04/2019	25/04/2022	Completion of occupation certificate (OC) and fire snag list	Project completed and approved for occupation.
	To be determined once the main contractor is appointed	To be determined once the main contractor is appointed	Completion of Stage 3 designs	Stage 3 designs completed. The Professional team is finalising tender-specification documents for appointment of contractors.
	To be determined once the main contractor is appointed	To be determined once the main contractor is appointed	Completion of project brief and scoping terms of reference for professional team Completion of eviction process and appointment of professional team	Project brief and scoping terms of reference for professional team completed. Professional team was appointed. Eviction project has not yet been finalised. There are constant engagements with the City's MOEs regarding the process of eviction- of illegal occupants and strategy.
	14/11/2022	20/07/2023	Delivery of 162 units completed without services (works in progress)	Project progress is at 83%; 162 units have been completed without services.
	-	-	-	-
	-	-	-	-
	01/09/2019	04/11/2022	Project handover, training and project launch	Project was handed over and launched for tenanting.
	04/05/2021	02/01/2023	Resuming of site activities as project is suspended owing to non-performance	Site activities resumed. Project progress is 75% complete. A total of 180 units have been completed without services.
	01/11/2019	30/07/2023	Resuming of site activities as project is suspended owing to non-performance	Project progress is 92% complete.
	TBC (once contractor is appointed)	TBC (once contractor is appointed)	Completion of stage 3 and stage 4 redesign	Stages 3 and 4 designs complete.
	2/08/2019	30/08/2021	Project handover, training and project launch	Project completed and launched.
	24/03/2022	07/12/2023	First 180 units completed and ready for occupation	First 180 units completed and ready for occupation.
	TBC (once contractor is appointed)	TBC (once contractor is appointed)	Completion of stage 3 designs and Traffic Impact Assessment (TIA)	Stage 3 designs approved. TIA completed.
	TBC (once contractor is appointed)	TBC (once contractor is appointed)	Completion of stage 2 designs	Project is under litigation. JOSHCO in the process of termination.

SECTION 4:

PERFORMANCE AGAINST SERVICE-LEVEL STANDARDS

The City signed a Service Delivery Agreement (SDA) with all its entities in which it outlines its expectations, including the Service Level Standard (SLS) that entities are expected to adhere to when rendering services. The SLS aims to improve efficiency when the constituency of Johannesburg receives services from the Municipality through its entities.

The following are the seven standards that the Shareholder expects the entity to adhere to:

1. 98% accurate bills of all active customers;
2. 96% of maintenance requests attended to within seven working days of the logged call (revised to 14 working days through the mid-year deviation);
3. Routine building maintenance once per year and as and when required;
4. Outcome of an enquiry to be sent to applicants within five days;
5. Outcome of an application communicated within seven days (revised to ten working days through the mid-year deviation);
6. Acknowledgement and response within 24 hours of a complaint being logged; and
7. Resolution within five working days of logged call.

Having met all SLSs, overall performance has improved in comparison to the prior year's performance. Throughout the financial year, the entity made progress toward meeting the reactive maintenance criterion. With the goal of improving service delivery, management is working actively with the Board to reduce disjointed procedures.

Table16: Performance Against Service-Level Standards

Core Service	Service Level Standard Target	Q 1	Q 2	Q 3	Q 4	2022/23	Evidence	Variance	Variance Explanation
Billing of customers	98% accurate bills of all active customers	98.1%	98.5%	99%	99%	98.05%	Dated and signed prebilling monthly report for each project. Approved tariff report	None	None
Attending to requests for maintenance	96% of maintenance requests attended to within 14 working days of the logged call	97.98%	100%	100%	100%	99.49%	MDA Property Manager (currently MRI Real Estate Software) report on jobs logged	+3.49%	None
Routine building maintenance	Once per year and as and when required	100%	100%	Not due for reporting	Not due for reporting	100%	Approved Service Plan for 2022/23 submitted once during Quarter 1 or when reviewed; and MDA/jobs report	None	None
Application for rental housing	Outcome of enquiry to be sent to applicants within five days	1 day	1 day	1 day	1 day	1 day	Email database and emails	None	None
Application of rental housing	Outcome of application communicated within ten working days	5 days	3 days	1 day	1 day	2.5 days	Dated and signed tracking document or App report and SMS report	None	None
Resolution of complaints	Acknowledgement and response within 24 hours of complaint being logged	24 hours	24 hours	24 hours	24 hours	24 hours	Automated emails	None	None
Resolution of complaints	Resolution within five working days of logged call	1 day	1 day	1 day	1 day	1 day	Monthly spreadsheet with a summary of all queries addressed for the reportable month; and emails	None	None

SECTION 5:

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

JOSHCO had 27 Key Performance Indicators (KPIs) that are embedded in the entity's Business Plan for the 2022-23 financial year. These KPIs are measured to ensure that the objectives were achieved.

The entity achieved 66% of its predetermined objectives in the 2022-23 financial year.

Legends:

(red)	Not achieved
(gold)	Partially achieved
(green)	Achieved

Table 17: Variance Report as at 30 June 2023

No.	Annual Target	Actual	Variance	Future Control Measures
1.	Current Ratio: 1:1	0.64	-0.36	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 non-achievement of ratios.
2.	Solvency Ratio: 1:1	0.66	-0.34	The failure to meet this target was caused by ongoing losses, which were mostly incurred as a result of high provisions for bad debts and high operational expenses, particularly utility expenditures. The entity's income is insufficient to pay its costs of operation. As a result, the CoJ is relied upon to provide subsidies to compensate for losses. Future control measures include the following: • Increase in management-fee income earned on projects implemented on behalf of other CoJ entities – this strategy was derailed with the halting of work on behalf of the Department of Human Settlements because of the high outstanding balance owed to the entity. During Q 4 of 2023, work to be performed on behalf of the CoJ Department of Transport to undertake projects on its behalf commenced. An increase in the management fee charge from up to 7% to up to 10% for the 2023/24 financial year has been proposed. • Outdoor advertising – adverts have been placed on our structures and the entity continues to add more adverts. Strategies to reduce expenditure are as follows: Staff costs: The management of staff overtime costs by line managers, and managers' intervention in their departments to reduce leave balances by ensuring their subordinates take mandatory leave.

No.	Annual Target	Actual	Variance	Future Control Measures
3.	Cost coverage ratio	-631 days	-681 days	o Non-performance is due to low cash balances and an overdraft from settlement of suppliers prior to receiving claims from the departments we are executing projects on behalf of. • The Department of Human Settlements and JOSHCO are constantly in engagements over the debt owed by the department to the entity. The matter of the outstanding balance with Human Settlements is being resolved by the ED, COO, CFO, and project managers from both the department and entity. • Regular engagements are ongoing with CoJ departments to follow up on outstanding invoices. The Finance department is working with the office of the COO to ensure timeous submission of invoices to the departments we are executing projects on behalf of.
4.	Remuneration to OPEX expenditure of less than 40%	25%	+15%	
5.	80% collection in respect of debtors	57%	-23%	Mitigation procedures: • The process of handing over all the City Owned Public Stock from JOSHCO's books back to the CoJ Department of Human Settlements is ongoing. • To improve on collection, the JOSHCO Executive Committee (EXCO) has taken a decision to streamline all property management functions under the Housing Management Department. The process is being finalised through the organisational design process. • The company uses the services of debt-collecting companies to collect debt of over 90 days and above R10 000. • The entity has a joint partnership with Kazang Connect (Easy Pay Money Market) for a cashless pay solution that provides a quick, easy and convenient way to pay.
6.	30% spent of CAPEX for SMMEs	37%	7%	
7.	100% spent on operating budget against approved operating budget	224%	+124%	
8.	50% reduction in unauthorised, irregular, fruitless, and wasteful (UIFW) expenditure incurred	-47%	-97%	The instances of UIFW expenditure are currently under investigation, and we expect a write-off from the Board in Q2.
9.	100% of valid invoices paid within 30 days of invoice receipt	62%	-38%	The MFMA requires that Municipal Entities (MEs) pay suppliers within 30 days. In the current quarter ended 30 June 2023, only 51% of valid invoices were paid within 30 days. This was the result of the CoJ Treasury limiting the funds allocated to entities for supplier payments weekly.
10.	100% CAPEX budget spent	100%	+1%	

No.	Annual Target	Actual	Variance	Future Control Measures
11.	No. of Social Housing units developed	555	+34	
12.	No. of Social Housing units completed	936	+41	
13.	700 jobs created for the unemployed through EPWP programmes	970	+270	
14.	Unqualified audit opinion	Achieved		
15.	98% occupancy rate	98%		
16.	Two properties received major maintenance upgrade	Three properties	+1	
17.	Three properties installed with prepaid electricity meters	Three properties	-	
18.	Four properties installed with Wi-Fi	Six properties	+2	
19.	Less than three reported incidents per project	Two incidents reported in one quarter in five projects	-	
20.	95% compliance with laws and regulations	96.98%	+1.2%	
21.	100% implementation of corrective action against identified risks	100%	-	
22.	100% resolution of Internal Audit findings	98%	-2%	Internal Audit continues to monitor previous AGSA and Internal Audit findings on a weekly basis to assess evidence provided by management and select new samples for testing to verify that internal controls are working as intended.
23.	100% resolution of AG findings	75%	-25%	Internal Audit provides weekly feedback to management about the status of previous AGSA and Internal Audit findings to indicate whether the findings have been resolved or not resolved, based on evidence provided by management or new samples tested by the auditors.
24.	5% employee vacancy rate	12.1%	7.1%	The moratorium on the recruitment of staff affected the pace of recruitment. The moratorium has since been lifted and recruitment will be intensified in the new financial year.
25.	50% customer satisfaction rating	54.3%	+4.3%	
26.	70% employee satisfaction rating	72%	+2%	
27.	100% achievement of service standards	100%	-	

It must be noted that quarters 2 (two) and 3 (three) are understated, and the target was not met for quarter two.

Table 18*: Organisational Performance Results as at 30 June 2023

Key Performance area	Key Performance Indicator	Baseline 2021/22	2022/23 Target	2022/23 Actual	Variance	Evidence and Means of Verification
Objective: Become a financially sustainable entity.						
Financial sustainability	Current Ratio (Cumulative)	Current ratio 0.80:1	Current Ratio 1:1	0.64	0.36	Monthly management accounts/AFS
	Solvency Ratio (Cumulative)	Solvency ratio 0.82:1	Solvency Ratio 1:1	0.66	-0.34	Monthly management accounts/AFS
	Cost coverage ratio (Cumulative)	-235 days	50 Cost coverage ratio 1:1	-631 days	-681 days	Monthly management accounts/AFS
	Remuneration to OPEX	32%	Remuneration to OPEX up to 40%	25%	+15%	Monthly management accounts/AFS Management account report
	% collection in respect of current debtors	56% collection in respect of current debtors	80% collection in respect of current debtors	57%	-23%	MDA system; list of JOSHCO projects; financial summary; final billing report. Tenant age analysis/ tenancy schedule; and invoices or bank statements
	% spent on operating budget against approved operating budget	100% spent on operating budget against approved operating budget	100%	221%	+121%	% spent on operating budget against approved operating budget
	% reduction in UIFW expenditure incurred	New indicator	50%	-47%	-97%	Quarterly management accounts and AFS SCM report on UIFW expenditure
Objective: Contribute towards economic development through SMME support and job creation.						
Job creation	Number of jobs created for the unemployed through EPWP programme (cumulative)	503 jobs created for the unemployed through EPWP programme	700 jobs created for the unemployed through EPWP programme	970	+270	Service provider: register and payroll. Attendance register/ timesheet; proof of payment; ID; and employment contract

Key Performance area	Key Performance Indicator	Baseline 2021/22	2022/23 Target	2022/23 Actual	Variance	Evidence and Means of Verification
Economic development	30% of construction CAPEX spent on SMMEs	10.65% of construction CAPEX spent on SMMEs	30% of construction CAPEX spent on SMMEs	37%	+7%	Departmental expenditure report; invoices
	% of valid invoices paid within 30 days of invoice receipt	99.88% of valid invoices paid within 30 days of invoice receipt	100% of valid invoices paid within 30 days of invoice receipt	62%	-38%	Purchase master; bank statements; invoices register; and remittance for service providers
Objective: Develop social housing projects within transport corridors, the Inner-City and Greenfield (including suburbs and economic hubs).						
Social housing development	No. of social housing units developed	210 social housing units developed for disadvantaged beneficiaries	521	555	+34	Independent professional report on milestone progress signed and dated within the financial year
	No. of social housing units completed	0	895	936	+41	Completion certificate/ occupation certificates
	% capital budget spent (cumulative)	94% capital budget spent	100% capital budget spent	101%	+1%	Board-approved CAPEX report and valid invoices
Objective: Effectively manage social housing projects.						
Effective property management	% occupancy rate	98.26% occupancy rate	98% occupancy rate	98.20%		Property management system-generated report
	Number of properties installed with prepaid electricity meters	New indicator	Three properties	3	None	Signed completion certificate
	Number of properties with Wi-Fi installed	New indicator	Four properties	6	+2	Signed completion certificate
	Number of properties that received major maintenance upgrade	New indicator	Two properties	3	+1	MDA maintenance forms and invoices
	Number of reported incidents per project per quarter	New indicator	Fewer than three reported incidents per project	Five incidents reported in one quarter in five projects		Signed incident reports

Key Performance area	Key Performance Indicator	Baseline 2021/22	2022/23 Target	2022/23 Actual	Variance	Evidence and Means of Verification
Objective: Strengthen governance and compliance.						
Adherence to corporate governance principles	Unqualified audit opinion	Qualified audit opinion	Unqualified audit opinion	Unqualified audit opinion		JOSHCO's Integrated Annual Report and Auditor-General final report
	% compliance with laws and regulations	82% compliance with laws and regulations	95% compliance with laws and regulations	96.98%	+1.2%	Questionnaires supported by evidence and Exclaim! Compliance Universe Toolkit-generated reports
	% implementation of targeted corrective action against identified risks (cumulative)	84% implementation of targeted corrective action against identified risks	100% implementation of targeted corrective action against identified risks	100%	-11%	Strategic Risk Register, and approved risk report submitted to Group Risk
Corporate governance	% resolution of Internal Audit findings	74% resolution of Internal Audit findings	100% resolution of Internal Audit findings	98%	-2%	Internal Audit tracking reports submitted to EXCO as well as the Audit and Risk Committee (ARC). Internal Audit reports for both Internal Audit and AG findings
	% resolution of AG audit findings	33% resolution of AG audit findings	100% resolution of AG findings	75%	-25%	Internal Audit tracking reports submitted to EXCO as well as the ARC. Internal Audit reports for both Internal Audit and AG findings
Objective: Become a customer-centric company.						
Customer-centric company	% employee vacancy rate	New indicator	5% employee vacancy rate	12.1%	7.1%	The approved organogram that reflects funded position and SAP report that shows positions filled
	% customer satisfaction rating	50% customer satisfaction rating	50% customer satisfaction rating	54.3%	+4.3%	Survey conducted by service provider. Customer satisfaction survey report and questionnaires or survey instruments
	% employee satisfaction rating	New indicator	70% employee satisfaction rating	72%	+2%	Survey conducted by service provider. Customer satisfaction survey report and questionnaires or survey instruments

*We do not track the strategic goal 'Improve safety and security of all tenants in JOSHCO projects' under organisational performance. Instead, it is tracked under the predetermined objectives, which is why it is not included in the table above.5

PROPERTY MANAGEMENT

TENANTING AND ALLOCATION FUNCTION OF RENTAL UNITS

The ability of the entity to draw in and keep reputable tenants is crucial to its continued existence and sustainability. All renters go through an induction process during which the roles and obligations of each party are explained. Additionally, tenants receive instructions about what is permitted in the rental units. Building vacancies are carefully maintained to comply with SHRA regulations that allow no more than a 2% vacancy rate.

Table 19: Property Occupancy Rate as at 30 June 2023

	Project Name	No. of Units	Occupancy	Occupancy %
1.	AA House	252	251	99.60%
2.	African Diamond	61	52	85.24%
3.	Antea	409	358	87.53%
4.	Bellavista Infill	36	34	94.44%
5.	Bothlabela	521	520	99.80%
6.	Chelsea	80	76	95%
7.	Citrine Court	79	75	94.93%
8.	City Deep New	329	325	99%
9.	City Deep Old	425	414	97.64%
10.	Devland	255	252	98.82%
11.	Dobsonville	502	499	99.40%
12.	Diepkloof	148	145	97.97%
13.	Europa House	167	164	98.20%
14.	Fleurhof Ph. 1	452	443	98.00%
15.	Fleurhof Ph. 2	252	250	99.20%
16.	Hoek Street	265	260	98.11%
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	100	98.03%
25.	Orlando West	44	44	100%
26.	Pennyville (Flats)	198	191	96.46%
27.	Pennyville Rooms	564	563	99.82%
28.	Phoenix House	135	133	98.51%
29.	Rashers' Building	95	95	100.00%
30.	Roodepoort	432	430	99.54%
31.	Selby Rooms	19	19	100%
32.	Selby Units	256	253	98.82%

	Project Name	No. of Units	Occupancy	Occupancy %
33.	Textile Building	162	151	93.20%
34.	Turffontein	525	524	99.80%
35.	Union Square	341	341	100.00%
	Total	**9 056**	**8 893**	**98.20%**

Annual Occupancy Level Comparison

Table 20: Annual Comparison of Occupancy Rate

No.	Financial Year	Number of 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%
5.	2022/2023	9 056	8 893	163	98.20%

Regularisation Process

The organisation has started the process of making sure that each JOSHCO tenant has a legitimate lease agreement. To emphasise the value of having a legally binding lease agreement in place, effective tenant-engagement workshops have been set up. Additionally, tenants are informed of the many services provided by JOSHCO and the regulatory body, SHRA, for legitimate tenants. These products include vouchers for incentives and rental-relief payments.

Table 21 below reflects progress made in the financial year.

Table 21: Lease-Renewal Status as at the End of June 2023

Lease-Renewal Programme	
Inner-City Projects	1 062
Greenfield Projects	1 105
Total Renewed Leases	**2 167**

MAINTENANCE FUNCTION HIGHLIGHTS

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

- Common-area maintenance
- Vacancy reinstatement maintenance
- Planned maintenance
- Reactive maintenance

In order to improve efficiency and manage maintenance costs, JOSHCO's Executive Committee adopted a hybrid maintenance model that will see the entity using both the insourced maintenance team and outsourced contractors. The insourced maintenance team was established in August 2022. The Housing Management Department re-arranged the portfolio structure so that the first phase of the insourced maintenance team was easily implemented in the Inner-City projects.

Unplanned Maintenance

Unplanned maintenance, also referred to as "reactive maintenance", occurs when the failure of a building component requires immediate attention. This type of maintenance 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 this maintenance preserves the tenant's comfort and convenience. The response by the entity in ensuring unplanned maintenance has been excellent, given the current financial climate, with the entity achieving its SLS for reactive maintenance.

Planned Maintenance

Planned maintenance work is carried out at predetermined intervals 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.

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

The need for 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 element, or service is below the acceptable standard.

Maintenance Costs and Service Level Standards (SLS)

In the financial year to June 2023, a total of R52 723 012 was spent on building repairs and maintenance against a budget of R23 416 117, resulting in 113% spent. A total of 6189 reactive jobs were logged and R36 259 974 was spent on these jobs. In addition, an amount of R18 142 117 was spent on planned maintenance programmes for the year.

Figure 4 below provides a trend analysis of the service type per quarter for the year ending 30 June 2023.

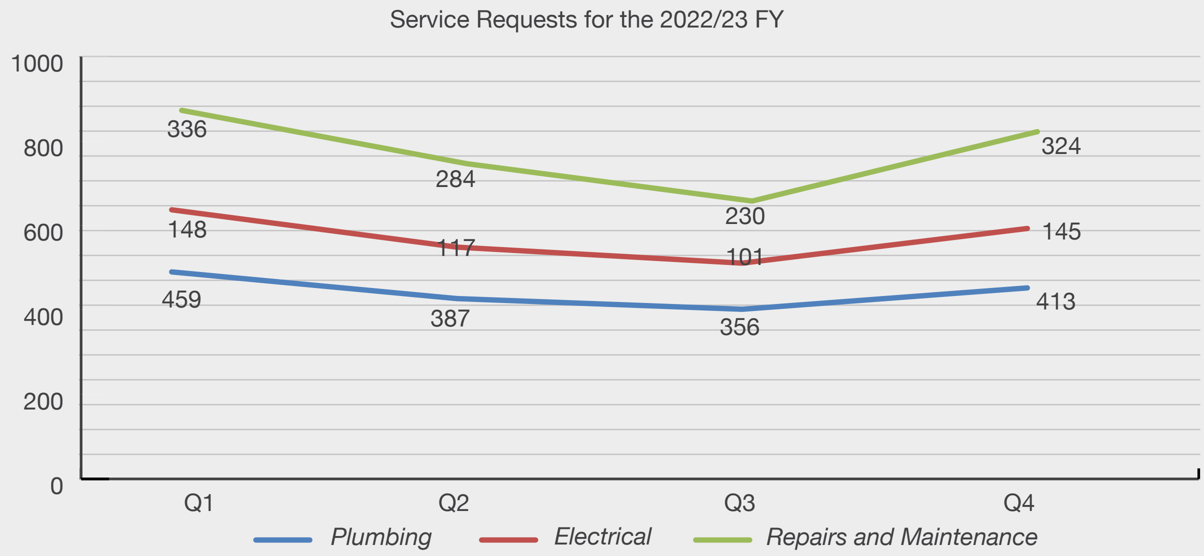


Figure 4: Service Type Trend Analysis

As shown in Figure 4, more than half of the maintenance jobs for the financial year related to plumbing. These jobs were the result of blockages to drainage systems; ageing infrastructure in converted hostel projects; and the need to replace geysers that had burst at the end of their life span and were out of warranty; repair and replace leaking water-supply piping; and replace sanitary fittings that had failed at the end of their life span. Major repair and maintenance programmes were launched to bring the infrastructure to optimal functionally.

Planned Maintenance

Planned maintenance programmes have consequently been given greater priority and will aim to ensure that 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 the 2021/22 financial year. The detailed condition reports and maintenance plans were presented for budgeting purposes, and, after approval, a plan was developed for implementation. This saw various maintenance programmes developed to address the outcomes of the conditional assessments.

The following report provides a breakdown of the planned maintenance executed from the 2018 to 2023 financial years.

Table 22: Planned Maintenance 2018/2019–2023

Financial Year	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Total	**R2 909 658**	**R8 236 851**	**R11 352 326**	**R16 463 039**	**R18 142 117**

Student Accommodation

The entity is currently utilising a building now named Dakalo, in the Inner City as a pilot project for student accommodation. The building, with 182 beds, is completely occupied, which indicates that the initiative is progressing rapidly. For a period of three years, a management firm with experience in managing student housing has been hired to administer the programme while passing the necessary skills to internal staff members for a seamless transition once the firm's contract has expired. Students from all over the nation who are attending higher education institutions in Johannesburg's Inner City have lived in the building. More students are enrolling in institutions than the institutions themselves can handle, which has increased demand for housing. The National Department of Higher Learning conducted a study in 2010 that showed that in terms of universities alone, institutions are providing accommodation for only 20% of their students. This has resulted in students residing in unsafe accommodation while paying exorbitant rental fees. The City has identified this accommodation gap and resolved to provide a solution through its entity (JOSHCO). The entity is furthering its reach on student accommodation with the refurbishment of the Nederberg building in the Inner City, which is also targeted for student accommodation.

Dakalo accommodation in Braamfontein provides students with affordable accommodation when compared to the average rental charged in and around Braamfontein. The entity has generated revenue amounting to R767 641.48 from Dakalo in this financial year. The entity has plans to convert more Inner-City buildings into student accommodation. The accommodation houses 182 students that are paying rental that ranges from R3 959 to R4 387 per month, depending on the type of unit. The majority of students are paying through the National Student Financial Aid Scheme (NSFAS), while the remainder pay through either bursaries or self-funding.

The entity has set an ambitious target of delivering 10 000 beds in the next few years, with the entity already having commenced with the Dakalo student accommodation. This is planned to be achieved through the development of further student accommodation precincts that offer a safer, secure, and technologically enabled environment, based on the Smart-City approach. Practically, biometric access controls and CCTV cameras will ensure the safety of the student community. 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.
- To build a diverse student profile that reflects the demographics of the South African society.

Expanded Public Works Programme (EPWP)

JOSHCO supports the EPWP programme through the creation of job opportunities and the provision of 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 the EPWP programme City wide. An annual target of 700 EPWP jobs was agreed upon with JOSHCO at the beginning of the financial year and 970 EPWP jobs were created during the year under review, which exceeded the set target.

Going forward, JOSHCO is expected to contribute towards the City's EPWP target of creating 14 750 jobs in the 2023/24 financial year. The entity has taken cognisance of the projects that will be implemented and their dynamics and has reached an agreement to increase its annual target for the 2023/24 financial year to 720 jobs. Projects under construction were assessed to determine the number of jobs each project will create. Furthermore, the programme will be structured in such a way that it creates additional jobs through its OPEX spending. EPWP jobs will mainly be created at the head office and at tenanted projects for cleaning and maintenance-related works.

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

SMME Support

Small, Medium, and Micro-sized Enterprises (SMMEs) play a critical role in absorbing labour and skills development in local economies. In a country that has a high unemployment rate, along with poverty and inequality that affect the youth, SMMEs are a critical catalyst for addressing these challenges. The City has encouraged all its entities to align their objectives with its priorities, one of which is a business-friendly city. To meet the business-friendly city priority, the City has deemed it valuable to improve the ease of doing business for the formal sector and to direct support services to SMMEs as part of its economic recovery strategy, helping more people get a foot in the door.

JOSHCO's strategic goal 3 (see Chapter 3, Section 3) is aimed at contributing towards this priority through supporting SMMEs and creating jobs. The target of spending 30% of construction expenditure on SMMEs was set at the beginning of the financial year, with over 30% achieved against this target by the end of the financial year. The projects that were at the implementation stage allocated work-packages that ranged from brickwork, plastering, plumbing, electrical, civil works, and earthworks to general builders' works to SMMEs. The following projects contributed by creating work packages for SMMEs:

- Lufhereng
- Princess Plot
- Nancefield
- Riverside View
- 106 Claim Street
- City Deep
- 50 Durban Street

SMME-Support Strategy

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

Furthermore, the Development Department collaborates with JOSHCO's internal stakeholder team to determine a more collaborative and collective approach to the implementation of the entity's approved policy on local SMME participation. JOSHCO management has further approved the implementation of local SMME support through financial and non-financial methods as follows:

Financial: This involves linking with project funders so that local SMMEs are able to raise capital funding for the work packages that are allocated to them.

Non-financial: Project-level assistance is provided 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 assistance as critical to the situation faced by several SMMEs on projects, where the lack of understanding of the effect of a "fit & supply package" at times results in the acceptance by SMMEs of "labour-only packages".

SECTION 6:

PUBLIC SATISFACTION WITH MUNICIPAL SERVICES

The entity has four core values that all employees pride themselves on achieving and that they embrace when serving their customers, both existing and potential tenants. The values centre on the Batho Pele principles, in terms of which JOSHCO advocates transparency, respect, a customer-centric focus, and efficiency. The entity has executed its mandate with the aim of providing services of a high standard in line with the SLSs that were agreed upon with the City. The customer services employees strive to attend to queries and complaints timeously. Annually, the entity utilises a customer satisfaction survey to measure the tenants' satisfaction level regarding the services that they receive. The 2022/23 satisfaction survey was conducted successfully, with the entity reaching all of its portfolios to ascertain their customer satisfaction. The target in the 2022/23 financial year was 50% across all projects and the entity managed to reach this target. The tenant-engagement sessions that were held provided management with a view of a number of issues that the tenants were not satisfied with. A committee to track and respond to the issues was established and all issues have been attended to.

SECTION 7:

RECOMMENDATIONS AND PLANS FOR THE NEXT FINANCIAL YEAR

DEVELOPMENT OF UNITS

The entity has developed a business plan for the next financial year that outlines a number of interventions and programmes that will be implemented towards achieving its strategic objectives and ultimately the mandate of providing social housing units. The City's focus for capital investment in the 2023/24 Medium-Term Revenue and Expenditure Framework (MTREF) is balanced between ensuring that the current infrastructure and facilities are properly maintained and functional, and ensuring that adequate investment is made to respond to urbanisation and growth needs.

As an entity, JOSHCO recommends CAPEX allocation of approximately R1,8 billion for the next three financial years in order to complete the projects that are in a multi-year pipeline, including the turnkey projects. The entity has the capacity to develop more than 3000 units over three financial years through turnkey projects that provide units on a large scale. Projects such as Lufhereng have reached completion whilst Nancefield, Princess Plot, and Riverside View have the potential to reach completion in the next financial year. The completion of these projects will result in more than 1000 families benefiting from safe, secure, and well-located accommodation at an affordable price.

STUDENT ACCOMMODATION

The entity will continue with its student accommodation programme with plans to commence the refurbishment of the Smit building in the 2023/24 financial year, whilst the Nederberg building refurbishment is already underway to ensure a further reach on student accommodation. These institutions are within a 10 km radius of two prominent institutions of higher learning. There is a budget allocation of over R30 million for student accommodation in the 2023/24 financial year that will be utilised for finalising the preconstruction stage. This stage will include a feasibility study, project concept, project design development and design documentation, plans approval, and contracting. Owing to budget constraints, the entity will also explore partnerships with the private sector to fast track the number of student accommodation units delivered.

PROPERTY MANAGEMENT

The leasing of properties under JOSHCO's administration is crucial for the company's continued existence. Therefore, it is essential for the sustainability of the company that the properties are managed properly to guarantee that they continue to be appealing. Managing a property will cover running the property's operations, such as selecting tenants and making arrangements for security, cleaning, repairs, and upkeep. 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 the property-management requirement and the results are used to:

- Determine the physical state of the project;
- Ascertain any maintenance shortcomings; and
- Inform the long-term maintenance plan and budget requirements.

CUSTOMER SERVICE

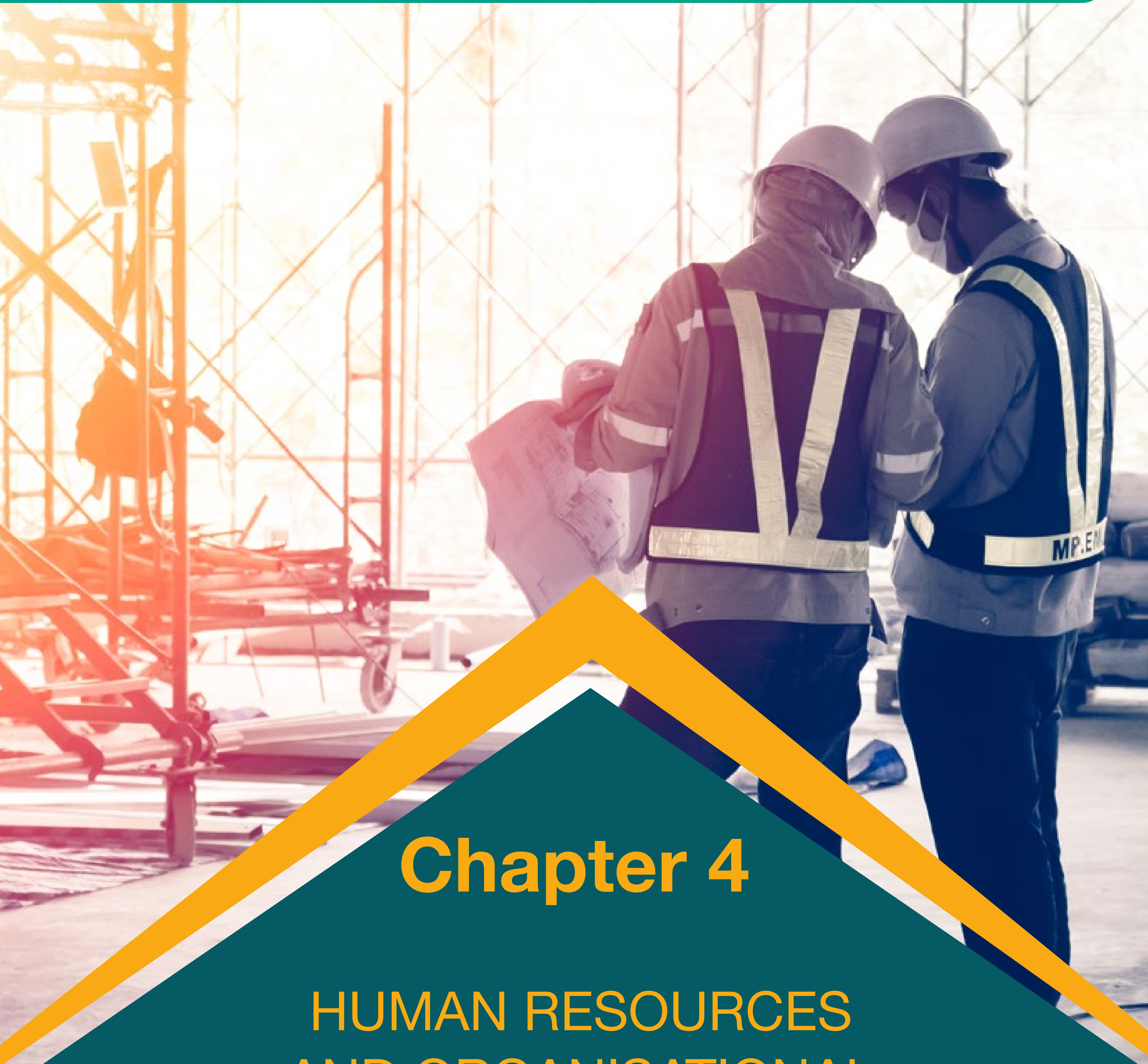
JOSHCO's company principles, which promote a culture of being honest in its operations, treating customers with respect, and continually learning best practices to increase efficiency, are built around the idea that JOSHCO is a customer-centric organisation. Various initiatives that are aimed at strengthening the relationship with both current and potential clients have been implemented. These initiatives include tenant outreach and safety and security.

Tenant Outreach

In the financial year, the organisation set out on a mission to fully comprehend the problems that affected the tenants at the project level. Tenants expressed a variety of worries, some of which were legitimate and required focused effort to address while others were based on perception and for these explanations were given. The initiatives taken to involve tenants are a sign that management and the Board are managing a compassionate organisation.

Safety and Security

In the financial year, safety was prioritised, with various safety measures implemented. To ensure the tenants' safety and security, the entity continued to implement biometric systems and to install security gates and burglar bars for windows across its facilities. The projects are designed to cater for every person, including PWD children, and women, which makes safety particularly



Chapter 4

HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT

Strategic Goals: 7

Stakeholders Interested:

JOSHCO
JOHANNESBURG SOCIAL HOUSING COMPANY

INTRODUCTION

Human resources play an important role in supporting, developing, and creating a friendly culture in the workplace. In addition to many other tasks, the department manages candidate recruitment and on-boarding, training and development, performance management, payroll, and more. It brings all the fundamental principles required to build a welcoming workplace culture. Moreover, the Human Resources (HR) Department takes care of the employees in terms of recognition, benefits, and many other things.

STRATEGY ALIGNMENT AND CHANGE MANAGEMENT

Service delivery has remained at JOSHCO's core even as it has had to accommodate new workplace norms. This year saw the highly anticipated return to work by employees who had been working according to a hybrid model (mainly working from home) owing to the refurbishment of the head office and delays in returning to work caused by COVID-19. Extensive change-management strategies were implemented to institutionalise the change and afford employees the social and professional support needed.

ORGANISATIONAL DESIGN

A skills gap that had plagued JOSHCO for years had led to internal instability, decreased output, and poor employee retention, with numerous issues, including bad organisational design and compensation, contributing to this situation. As a result, JOSHCO appointed a service provider to carry out the entity's organisational design process and provide credible job profiling and a grading system. This saw an improved structure, which has been institutionalised and which the entity continues to implement.

RECORD MANAGEMENT

At JOSHCO, record management means planning, controlling, directing, organising, training, promoting, and other managerial activities involved in record 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), Public Finance Management Act (PFMA), Promotion of Access to Information Act (PAIA), POPI Act, and other applicable laws. The HR team aims to improve record keeping on a continuous basis, with efforts to ensure that a more integrated system is adopted.

SECTION 1:

EMPLOYEE REMUNERATION

EMPLOYEE COMPENSATION

Receiving a salary is a fundamental incentive for employees to work hard and successfully. Employee motivation is a result of compensation. Employees' salaries are a significant source of revenue and affect their style of living. Salaries have an impact on employees' performance and productivity.

EMPLOYEE REMUNERATION (TOTAL COSTS, INCLUDING EXECUTIVES)

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

Table 23: Personnel Cost by Occupational Level as at 30 June 2023

Occupational Level	No. of Employees	Costs to Date
Top Management	3	R4 978 750.57
Executive Managers	4	R5 809 298.88
Middle Managers	30	R28 707 588.20
Skilled, Technicians	120	R55 139 050.71
Semi-Skilled	5	R911 332.26
Internship	9	R1 248 552.74
EPWP	662	R14 880 137.17
Unskilled	349	R54 589 339.00
Total	**1182**	**R166 264 049.53**

SECTION 2:

EMPLOYMENT AND VACANCIES

The organisation has experienced a significant decrease in the recruitment of staff to senior management positions as a result of the moratorium put in place at the inception of the new Multi-Party Government. Vacancies at senior management level contribute 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 24: Employment and Vacancies as of 30 June 2023

Operations /Support	Departments	Approved Headcount	Current Headcount	Vacancies	Temps	Interns
Operations	Housing Development	24	10	6	2	0
	Housing Management	463	437	26	0	5
Support	Office of the CEO	19	10	9	0	0
	Finance, SCM	24	13	11	3	0
	Corporate Services	38	16	22	0	0
	ICT	35	4	31	0	0
	Business Planning and Strategy	20	5	20	0	0
Total		**623**	**495**	**125**	**5**	**5**

STAFF TURNOVER

Table 25 below details the total number of people who left the company for various reasons during the year. The biggest contributors to staff turnover were people whose contracts had expired and those that resigned, mainly because they had found better opportunities. One employee reached retirement age and had to be released. Unfortunately, two employees passed away during the financial year.

Table 25: Reasons for Employee Turnover in 2022/2023

2022/2023	No. of Employees Terminated	% Total of Staff Leaving
Death	2	0.4
Resignation	13	4
Dismissal	-	-
Retirement	3	0.4
Ill health (Incapacity)	1	0.1
Expiry of contract	3	0.4
Total	**22**	**5.5**

SECTION 3:

EMPLOYMENT EQUITY

Employment Equity (EE) is profiled according to gender, disability, race, and salary grade, and by occupational level. The EE targets are aligned with 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 employed, unemployed, and/or seeking employment. This is used to assist employers to analyse their workforce to determine the degree of under-representation of the designated groups.

JOSHCO is required to use the EAP as a guideline 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 Integrated Development Plan (IDP) target, as illustrated in the tables below.

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

Table 26: Employment Equity Profile as at 30 June 2023

Employment Equity Profile													
Occupational Level	Male				Female				Foreign Nat.		Local		Grand Total
	A	C	I	W	A	C	I	W	M	F	M	F	
Top Management	2	0	0	0	1	0	0	0	0	0	2	1	3
Senior (Exec.) Management	0	0	0	0	1	0	0	0	0	0	0	1	1
Professionally Qualified/ Middle Management	15	1	0	2	13	0	1	0	1	1	17	13	32
Skilled Technically and Academically Qualified	47	3	0	0	52	3	1	1	0	0	50	57	107
Semi-Skilled	2	0	0	0	1	0	0	0	0	0	2	1	3
Unskilled	157	2	0	0	188	3	0	0	0	0	159	191	350
Grand Total	**223**	**6**	**0**	**2**	**256**	**6**	**2**	**1**	**1**	**1**	**230**	**264**	**496**

Table 27: People with Disabilities as at 30 June 2023

People with Disabilities													Grand Total
Occupational Level	Male				Female				Foreign National		Total		
	A	C	I	W	A	C	I	W	Female	Male	Female	Male	
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	0	0	0	0	0	0	0	0	0
Skilled Technically and Academically Qualified	1	0	0	0	2	0	0	0	0	0	2	1	3
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	**1**	**0**	**0**	**0**	**2**	**0**	**0**	**0**	**0**	**0**	**2**	**1**	**3**

Comments:

- Recruitment of people of colour is a priority along with ensuring that equal opportunities are given to all races.
- The recruitment processes will be driven towards addressing these challenges.
- It is assumed that there are more employees with disabilities; however, no official disclosures have been made. For this reason, the recruitment of employees with disabilities has been added as a target for the coming financial year.

Table 28: Disability Percentage Standing

Actual Number of Staff with Disabilities	**3**
Total Staff Complement	**496**
Disability Target	**10**
Actual Disability Profile%	**1%**

Table 29: Workforce Profile in terms of Age, Race, Gender, and Foreign National Status as at June 2023

Occupational Level	Age Group	Male				Female				Foreigner		Total
(Below EAP row)		A	C	I	W	A	C	I	W	M	F	
Top Management	18–34	1	0	0	0	0	0	0	0	0	0	1
(Level 1–2)	>35	1	0	0	0	1	0	0	0	0	0	2
	Total	2	0	0	0	1	0	0	0	0	0	3
Senior Management	18–34	0	0	0	0	0	0	0	0	0	0	0
(Level 3–4)	>35	0	0	0	0	1	0	0	0	0	0	1
	Total	0	0	0	0	1	0	0	0	0	0	1
Professional Qualified	18–34	4	0	0	0	3	0	0	0	0	0	7
(Level 5–6)	>35	11	1	0	2	8	0	1	0	1	1	25
	Total	15	1	0	2	13	0	1	0	1	1	32
Skilled Technical	18–34	11	1	0	0	22	1	0	1	0	0	36
(Level 7–8)	>35	36	2	0	0	30	2	1	0	0	0	71
	Total	47	3	0	0	52	3	1	1	0	0	107
Semi-Skilled	18–34	0	0	0	0	0	0	0	0	0	0	0
(Level 9–10)	>35	2	0	0	0	1	0	0	0	0	0	3
	Total	2	0	0	0	1	0	0	0	0	0	3
Unskilled	18–34	53	0	0	0	28	0	0	0	0	0	81
(Level 11)	>35	104	2	0	0	160	3	0	0	0	0	269
	Total	157	2	0	0	188	3	0	0	0	0	350
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
	Total	223	6	0	2	256	6	2	1	1	1	496

Table 30: Percentage Standing on Race and Gender

Occupational Level	Age Group	Male				Female				Foreigner		Total
(Below EAP row)		A	C	I	W	A	C	I	W	M	F	
Top Management	18–34	50%	0	0	0	0	0	0	0	0	0	50%
(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	0	0	0	0	50%	0	0	0	0	0	100%
	Total	0	0	0	0	50%	0	0	0	0	0	100%
Professional Qualified	18–34	57%	0%	0%	0%	43%	0%	0%	0%	0	0	100%
(Level 5–6)	>35	44%	4%	0	8%	32%	0	4%	0	4%	4%	100%
	Total	50%	4%	0%	8%	37%	0%	4%	0%	4%	4%	
Skilled Technical	18–34	30%	3%	0	0	61%	3%	0	3%	0	0	100%
(Level 7–8)	>35	51%	28%	0	0	42%	28%	14%	0	0	0	100%
	Total	40%	15%	0%	0	51%	15%	14%	3%	0	0	100%
Semi-Skilled	18–34	0	0	0	0	0	0	0	0	0	0	0
(Level 9–10)	>35	6%	0	0	0	3%	0	0	0	0	0	100%
	Total	6%	0	0	0	3%	0	0	0	0	0	100%
Unskilled	18–34	65%	0	0	0	34%	0	0	0	0	0	100%
(Level 11)	>35	37%	7%	0	0	59%	1%	0	0	0	0	100%
	Total	51%	7%	0	0	46%	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

During the financial year, there was a large uptake of training initiatives, and many employees applied for and were awarded bursaries for further study.

Table 31: 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	3	3	1	-
Executive Management	1	3	1	-
Middle Management	32	47	-	5
Skilled Technical and Academically Qualified	107	135		14
Semi-Skilled	3	2	-	-
Unskilled	350	130	-	4

Training Interventions for 2022/23

- Various training interventions were delivered during the reporting period:
- The company held an Organisational Culture and Change Management session which was attended by over 220 employees from all EE levels.
- Over 85 employees attended the Health and Safety Training, which included emergency evacuation, fire-fighting and First Aid level 1 training.
- Department-specific training was run, which included Tax Faculty, Skills Development Facilitator, and SAP (HR system) training.
- A total of 24 employees attended the Business Report Writing training course, while 63 employees attended the Grievance and Disciplinary Action Procedures course.
- A total of 23 employees were awarded bursaries to further their studies, ranging from certificate programmes to post-graduate programmes.

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 eight interns were given an employment opportunity during the 2022/23 financial year.

SECTION 5:

PERFORMANCE MANAGEMENT

This section presents the status of the performance management of the entity, which is in line with approved performance policies. JOSHCO has a well-embedded, standardised performance-management policy and procedure for setting performance objectives. The policy and procedure are aligned with the entity's business and divisional plans.

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

Table 32: Performance Management 2022/23 Financial Year

Department	Eligible Staff	Performance Agreements Submitted	Outstanding
Office of the CEO (Execs, Internal Audit, Legal, and COSEC)	15	14	1
Office of the COO (Housing Management, Housing Development, Stakeholder Management, ICT)	426	66	360
Business Planning and Strategy	6	6	0
Finance (Revenue, SCM, and Finance Core)	34	10	24
Corporate Services (HR, Comms, CC)	17	17	0
Total	**498**	**113**	**385**

Comments:
The percentage of employees that signed performance agreements was just below 30%. This was the result of organised labour taking the position that they would not sign scorecards. By Quarter 4, the situation had improved, albeit only slightly.

SECTION 6:

DISCIPLINARY MATTERS AND OUTCOMES

LABOUR MANAGEMENT

The relationship between labour and management is viewed as particularly important for nurturing, engaging, and managing the workforce. Local Labour Forum (LLF) meetings continued to be held, to ensure ongoing engagement with stakeholders on all internal matters from both the employer and employees' side. Furthermore, a letter of suspension from the regional office of SAMWU for one of their union representatives was received in the last half of the financial year. Communication with the regional offices of the recognised unions continued and was maintained.

Table 33: Disciplinary Matters as at 30 June 2023

Sanction	No. of Employees
Verbal Warning	0
Written Warning	0
Final Written Warning	0
Dismissal	0
Suspension	3
Demotion	2
Total	5

Comments:
The entity rolled out educational programmes to assist management in presiding over grievances.

Table 34: Grievances Matters as at 30 June 2023

Grievances	No. of Cases
FY 2022/2023	11

Comments:
The entity received 11 grievances in the financial year. Two were finalised, with nine still in progress.

Matters at the Bargaining Council/CCMA
JOSHCO had one referral to the CCMA, with the award in favour of JOSHCO. Additionally, JOSHCO had four referrals to the Bargaining Council, with one awarded against JOSHCO; however, the employer has since applied for a review of this matter in the labour court.

Employee Wellness
The entity went on tender to procure the services of a wellness programme service provider. ICAS was the appointed to address the social and professional needs of the entity's employees through a wellness programme. The programme has commenced and there has been a healthy uptake of the programme by employees. The wellness programme includes, amongst other things, the following:

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

JOSHCO employees 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 organisation's approved leave-management and regulation of hours' policy. Provision is also made for 80 sick days over a three-year period. Table 35 and Figure 5 below present the entity's overall leave usage in detail.

Table 35: Overall Company Leave Analysis as at 30 June 2023

Type of Leave	Total	% Leave Taken
Annual	2 831.17	75.57
Sick Paid/ No Certificate	426.94	11.40
Special Paid Leave	45	1.20
Family Responsibility Leave	46.94	1.25
Study Leave and Exam	110.43	2.95
Long Service	10	0.27
Absent Without Leave	172	4.59
Suspension Unpaid	2	0.05
Unpaid Leave	3	0.08
Maternity Leave Paid/ Unpaid	99	2.64
Total	**3 746.48**	**100.00%**

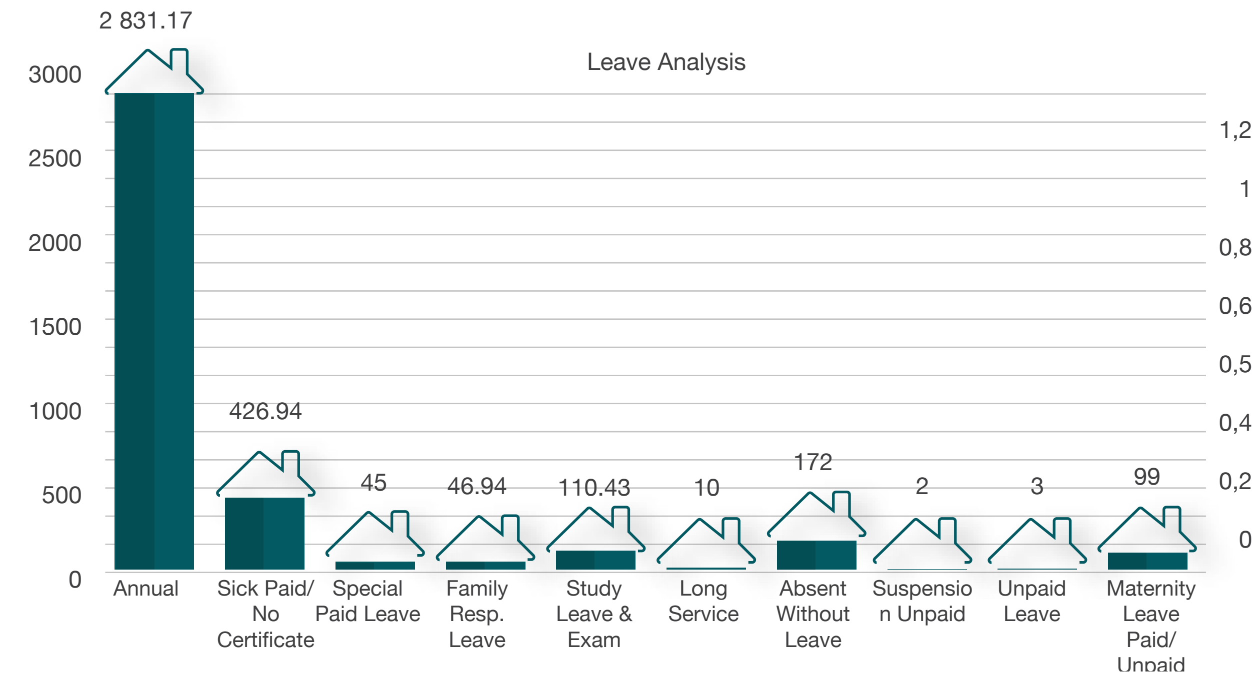


Figure 5: Leave Analysis

Comments:

- Annual leave is the most utilised provision, which is viewed as positive, as it reduces company liability and employees get to take needed breaks.
- The entity implemented the Employee Self Service system in this financial year; this has seen a positive leave count.
- The entity also implemented a leave encashment system, which allows employees to cash out a maximum of ten days.

SECTION 8:

EMPLOYEE BENEFITS

JOSHCO provides medical aid and a provident fund as a benefit. This benefit 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 for the 2022/23 FY. This means that these employees will be eligible for two study-leave days to prepare for an exam and an additional day to write the exam.

SECTION 9:

OCCUPATIONAL HEALTH AND SAFETY PROGRAMMES

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 reducing health and safety risks and to ensuring that health and safety laws are being followed.

HEALTH AND SAFETY ACTIVITIES AND INCIDENTS REPORTED

During this financial year, training of emergency team members such as fire fighters, first aiders and safety representatives was conducted to improve emergency preparedness and response in order to comply with the Occupational Health and Safety (OHS) Act, No. 85 of 1993, and Regulations. Safety meetings and awareness sessions were rolled out during the period under review.

REGULATION 28 COMPLIANCE

Policy Statement
Owing to changes in management, the Health and Safety Policy Statement was revised and communicated to the employees.

Risk Assessment
Non-compliance with the 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.

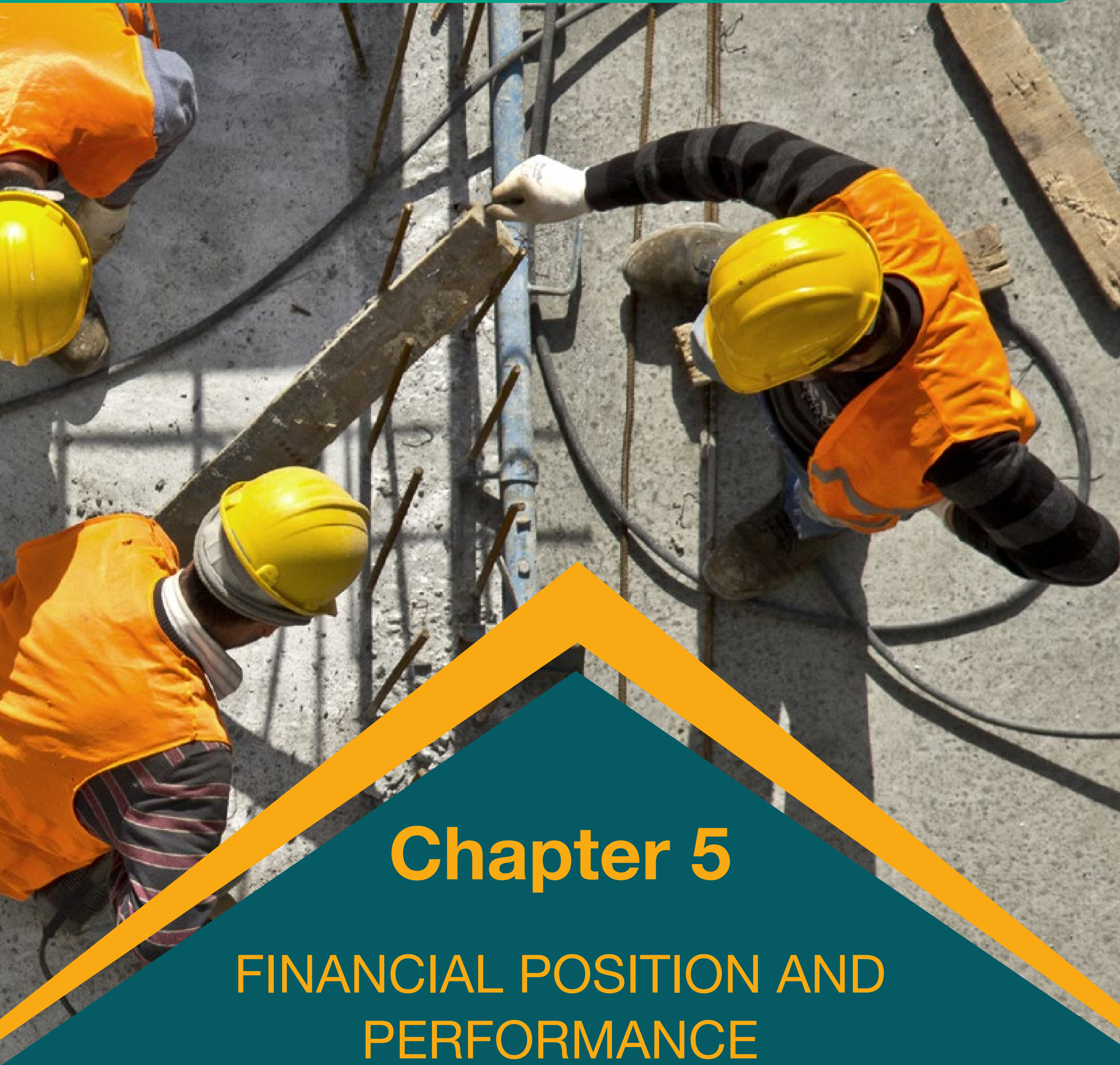
SECTION 10:

CORPORATE SOCIAL RESPONSIBILITY

JOSHCO embraces corporate social responsibility (CSR) as a business strategy that compels the entity to make a concentrated effort to conduct its operations in ways that improve rather than harm the society and 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.

- Regarding anti-corruption, the entity has adopted a zero-tolerance stance on 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 and to hear out concerns regarding maintenance and discuss rental collection.
- A total of 22 employees were given the 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 based on creating communities through tenanted projects rather than just renting out housing.



Chapter 5

FINANCIAL POSITION AND PERFORMANCE

Strategic Goals: 2, 3

Stakeholders Interested:

SECTION 1:

STATEMENT OF FINANCIAL POSITION AND HIGH-LEVEL NOTES

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

ASSETS

An analysis of the financial position as at 30 June 2023 is reflected in the paragraphs below and in Table 36.

Table 36: Statement of Financial Position for the Year ended 30 June 2023

Description	30-June-23	30-June-22 Restated	Variance	Variance %
	R'000	R'000	R'000	
Assets				
Current Assets				
Inventories	220	233	(13)	-6%
Loans to shareholders	2 975	2 975	0	0%
Current tax receivable	9 140	50	9 090	18180%
Receivables from exchange transactions	1 303 452	1 472 266	(168 814)	-11%
Receivables from non-exchange transactions	5 524	4 251	1 273	30%
VAT receivable	3 082	3 918	(836)	-21%
Cash and cash equivalents	202 023	189 265	12 758	7%
Total Current Assets	**1 526 415**	**1 672 957**	**(146 542)**	**-9%**
Non-current Assets				
Property, plant, and equipment	32 373	10 784	21 589	200%
Intangible assets	6 919	9 369	(2 450)	-26%
Investment in joint venture	21 770	20 438	1 332	7%
Total Non-current Assets	**61 062**	**40 591**	**20 471**	**50%**
Total Assets	**1 587 477**	**1 713 548**	**(126 071)**	**-7%**
Liabilities				
Current Liabilities				
Loans to shareholder	1 112 952	1 132 764	(19 812)	-2%
Borrowings – DBSA	2 744	2 352	392,00	17%
Finance lease obligation	370	-	370	100%
Payables from exchange transactions	1 271 221	1 004 039	267 182	27%
	2 387 288	**2 139 154**	**248 134**	**12%**
Non-current Liabilities				
Borrowings – DBSA	7 368	9 008	(1 640)	-18%
Finance lease obligation	472	-	472	100%
Deferred income from non-exchange transactions	178	178	-	0%
	8 018	**9 186**	**(1 168)**	**-13%**
Total Liabilities	**2 395 305**	**2 148 340**	**246 965**	**11%**
Net Assets	(807 828)	(434 792)	(373 036)	86%
Share capital	0,12	0,12	-	0%
Accumulated deficit	(807 828)	(434 792)	(373 036)	86%
Total Net Assets	**(807 828)**	**(434 792)**	**(373 036)**	**86%**

ASSETS

Current assets decreased by 9% (from R1.7 billion to R1.5 billion). Receivables from exchange transactions decreased by 11% as fewer projects were executed on behalf of other departments in the year under review. Current tax receivable increased by R9.1 million as a result of a SARS payment made regarding which an objection was lodged. Post year-end, SARS ruled in JOSHCO's favour. The 30% increase in receivables from non-exchange transactions is due mostly to a payout of employee bursaries for the current year.

Non-current assets increased by 50% (from R40.6 million to R61.1 million). The overall increase is largely the result of purchases of office equipment and IT equipment for the organisation.

LIABILITIES

Current liabilities increased of 12% (from R2.1 billion to R2.4 billion). The current portion of the long-term loan from the DBSA is R2.7 million. Loans from shareholders decreased by 2% as a result of an improved sweeping account balance. At the beginning of the year under review, the entity entered into a contract for the leasing of printers under a finance lease; this resulted in a finance lease obligation.

Non-current liabilities decreased by 13% owing to the movement in the borrowings.

SECTION 2:

STATEMENT OF FINANCIAL PERFORMANCE AND HIGH-LEVEL NOTES

Revenue and expenditure are recorded on the accrual basis of accounting. The financial performance for the period ended 30 June 2023 resulted in a deficit of R373 million, as shown in Table 37 below.

Table 37: Statement of Financial Performance for the Year ended 30 June 2023

Description	Actual	Budget	Variance	Variance %
	R'000	R'000	R'000	
Rentals received	178 951	200 084	(21 133)	-11%
Subsidies	48 004	48 004	-	0%
Management fees	53 585	33 461	20 124	60%
Interest received	26 432	24 265	2 167	9%
Utilities	2 601	-	2 601	100%
Share of surplus from joint venture	1 331	-	1 331	100%
Other income	294	-	294	100%
Total Revenue	**311 198**	**305 814**	**5 384**	**2%**
Governance and staff cost	(168 586)	(157 222)	(11 364)	7%
Debt impairment	(106 728)	-	(106 728)	100%
Depreciation and amortisation	(2 603)	(1 557)	(1 046)	67%
Finance costs	(76 373)	(924)	(75 449)	8165%
Loss on disposal of assets	(38 694)	-	(38 694)	100%
Share of loss from joint venture	(5 846)	-	(5 846)	100%
Repairs and maintenance	(86 599)	(42 581)	(44 018)	103%
Security services	(35 445)	(7 937)	(27 508)	347%
Utilities	(89 497)	(69 093)	(20 404)	30%
Administrative	(73 863)	(26 500)	(47 363)	179%
Total Expenditure	**(684 235)**	**(305 814)**	**(378 421)**	**124%**
Operating Deficit for the Year	**(373 038)**	**-**	**(373 038)**	**100%**

REVENUE

The entity's revenue is derived from the streams as shown in the table below.

Table 38: Revenue Streams as at 30 June 2023

Description	Actual	Budget	Weighting % (Actual)
	R'000	R'000	
Rentals received	178 951	200 084	58%
Subsidies	48 004	48 004	15%
Management fees	53 585	33 461	17%
Interest received	26 432	24 265	8%
Utilities	2 601	-	0.8%
Share of surplus from joint venture	1 331	-	0.4%
Other income	294	-	0.1%
Total Revenue	**311 199**	**305 814**	**100%**

Total revenue is 2% (R5.4 million) over budget. The biggest contributor to revenue is rental income for the rental of facilities and equipment, which represents 58% of total actual revenue. The management fees from rendering of services, which make up 17% of total revenue, are over budget. This is because some CAPEX claims for work conducted on behalf of other CoJ departments were higher than anticipated after the budget cut during the mid-year adjustment. Interest income makes up 8% of revenue and is mainly from overdue accounts from tenants. The balance of revenue is from shareholder subsidy, at 15% of total revenue, and other income, including utility recoveries.

Table 39: Revenue Collection

Portfolio	Total Billing	Total Collection	% Collection	Reasons for Under Performance
	R'000	R'000		
Retail Space	2 275,05	(3 997,65)	176%	Target achieved and exceeded
Greenfields	13 902,63	(8 055,27)	58%	1. High rise of unemployment and number of pensioners/ tenants going on retirement
Brownfields	16 681,60	(10 092,24)	60%	2. Increasing demand for ownership and child-headed units whose parents have gone on pension
Former Public Hostels	966,63	(25,15)	3%	3. Culture of non-payment developed from some organised individuals and political formations
City Referral	9 207,31	(4 077,54)	44%	4. High rise of unemployment and number of pensioners/ tenants going on retirement
OVERALL COLLECTION	**43 033,22**	**(26 247,84)**	**61%**	

The company currently makes use of the services of debt-collection companies to collect debt of over 60 days. The performance of the appointed debt-collection companies is shown in Table 40. For the year under review, the companies collected R6.6 million (2.9%) of the R231.1 million handed over to them for collection.

Table 40: Revenue Collection by Debt-Collection Companies

Month	No. of Accounts Handed Over	Amount Handed Over R'000	Amount Collected R'000	% Collection
Jul-22	1 792	87 153	138	0.16%
Aug-22	4 178	263 496	566	0.21%
Sep-22	4 178	268 919	655	0.24%
Oct-22	3 552	222 060	774	0.35%
Nov-22	3 552	222 786	805	0.36%
Dec-22	3 552	222 786	805	0.36%
Jan-23	3 552	231 125	494	0.21%
Feb-23	3 552	231 215	451	0.20%
Mar-23	3 552	239 551	515	0.21%
Apr-23	3 552	235 385	483	0.21%
May-23	3 552	240 879	446	0.19%
Jun-23	3 552	240 808	491	0.20%
TOTAL YEAR TO DATE	**3 552**	**231 125**	**6 623**	**2.87%**

EXPENDITURE

An analysis of major expenses with significant variances between actual and budget is provided in the sections below.

Personnel Costs

- Personnel expenditure is 7% above budget (R11.4 million) owing to the implementation of the EPWP programme, security additional costs (danger allowance) and implementation.

Debt Impairment

- Debt impairment is the result of a low collection rate for the year, which has resulted in a high provision for bad debts and bad debts written off. This is also due to related party debtors that are discounted applying GRAP 104 principles.

Depreciation and Amortisation

- Depreciation is 67% (R1 million) over budget, owing to the purchases of property, plant, and equipment for the revamped head office.

Finance Costs

- Finance costs are 8165% above budget (R75.4 million) owing to interest incurred on a negative sweeping account arising from an overdraft facility with Group Treasury because of delays in receiving payment from projects undertaken on behalf of CoJ entities and departments.

Repairs and Maintenance

- These costs are 103% above budget (R44 million) owing to work done at the various projects to ensure compliance with building standards. Unplanned maintenance work also increased as a result of deteriorating conditions in some buildings, as planned maintenance had not been carried out in the past years because of financial constraints.

Security

- Security costs are 347% above budget (R27.5 million) owing to guarding fees for projects not yet under construction and projects where contractors were terminated.

Utilities

- Utility costs are 30% above budget (R20.4 million) following costs incurred over the available budget. Management has put measures in place to manage the utility bill. Prepaid meters are being rolled out in projects. A flat rate for water will be charged while the water meters are being sourced and installed.

Administrative Costs

- These costs are 179% above budget (R47.4 million) because of continued increases in legal costs for investigations and rental-collection processes; implementation of IT solutions (server setup and data-centre infrastructure) for the system to keep working during load-shedding; and some contracted services as well as eviction costs.

SECTION 3:

CASH FLOW STATEMENT

The cash and cash equivalents balance as at 30 June 2023 is R202 million. The tenant deposit account has a balance of R17.25 million. The SHRA account has a balance of R184.6 million. An amount of R1.1 billion is sitting in overdraft on the sweeping account and is disclosed as a current liability. A detailed statement of cash flows is presented in Table 41 below.

Table 41: Cash Flow Statement as at 30 June 2023

Description	30-June-23	30-June-22 Restated
	R'000	R'000
Cash flows from operating activities		
Receipts		
Sale of goods and services	232 536	286 742
Grants	48 004	54 329
Interest income	26 432	14 312
Other receipts	3 933	2 803
	310 905	**358 186**
Payments		
Employee costs	(163 355)	(158 227)
Suppliers	(381 296)	(854 348)
Finance costs	(76 373)	(35 908)
Taxes paid	(9 090)	-
	(630 113)	**(1 048 483)**
Net cash flows from operating activities	**(319 208)**	**(690 297)**
Cash flows from investing activities		
Purchase of property, plant and equipment	(26 578)	(3 915)
Proceeds from sale of property, plant and equipment	(1 012)	(9 134)
Purchase of other intangible assets	(1 331)	1 100
Movement in investment in joint venture	(28 921)	(11 950)
Net cash flows from investing activities		
Cash flows from financing activities	(2 352)	(2 143)
Net movement on borrowings – DBSA	364 081	721 636
Net movement from shareholder's loan	(841)	-
Net cash flows from financing activities	**360 887**	**719 493**
Net increase/(decrease) in cash and cash equivalents	**12 758**	**17 246**
Cash and cash equivalents at the beginning of the year	189 265	172 019
Cash and cash equivalents at the end of the year	**202 023**	**189 265**

SECTION 4:

CAPITAL PROJECTS AND EXPENDITURE

JOSHCO has been allocated a budget of R399 million funded from external funding sources (Extended Fund Facility) and capital reserves (CR).

As at 30 June 2023, CAPEX expenditure was R403.9 million. This translates into a percentage spend of 101% against a target of 100%, as shown in Table 42 below.

Table 42: Capital Expenditure Spending as at 30 June 2023

Project Description	Approved Budget 2022/23	Adj. Budget 2023	Final Budget Lifting 2022/23	Amount Spent	Balance	% Spend
	R'000	R'000	R'000	R'000	R'000	
Lufhereng Social Housing Project Region D	**73 438**	73 438	50 579	(50 738)	(159)	100%
Randburg Selkirk Social Housing Project Region B	**40 000**	(32 761)	7 855	(7 855)	0	100%
Nancefield Social Housing Project Region D	**74 750**	19 373	101 515	(106 561)	(5 046)	105%
Inner City Buildings Acquisitions	**11 000**	(232)	10 881	(10 767)	114	99%
Marlboro Social Housing Project Region E	**1 537**	(1 537)	-	-	-	0%
Princess Plots Social Housing Project Region C	**51 555**	(32 805)	18 750	(20 267)	(1 517)	108%
EXISTING STOCK REDEVELOPMENT; UPGRADE AND MAJOR MAINTENANCE Renewal Building Alterations JOHANNESBURG F City Wide	**25 000**	6 402	40 181	(38 784)	1 397	97%
Devland Golden Highway Social Housing Project Region D	**28 142**	3 358	32 733	(32 589)	144	100%
Casa Mia Inner-City Building Upgrade Region F	**38 453**	(38 453)	-	-	-	0%
Booysens Street Inner City Conversion	**5 000**	(5 000)	-	-	-	0%
38 Rissik Street (NBS) Inner City Building Conversion	**5 700**	(5 700)	-	-	-	0%
Turn-Key 1: Region A	**50 766**	24 824	54 352	(54 081)	271	100%
Turn-Key 1: Region B	**50 000**	(35 000)	12 214	(12 213)	1	100%
Turn-Key 3: Region D	**43 420**	(2 222)	69 947	(70 00)	(62)	100%
Total	**498 761**	**(99 752)**	**399 009**	**(403 864)**	**(4 855)**	101%

SECTION 5:

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

The following ratios as set out in Table 43 below are considered crucial in measuring the financial stability of the entity.

Table 43: Key Ratio Analysis as at 30 June 2023

Key Performance Indicator	2022/23 Target	Target	Performance	Variance
Achievement of selected profitability and liquidity ratios	Current Ratio 1:1	1:1	0.64	-0.36
	Solvency Ratio 1:1	1:1	0.66	-0.34
	Cost Coverage: 50 days	50 days	-631 days	-681 days
	Remuneration to operational expenditure (OPEX) up to 40%	40%	25%	+15%
	80% collection in respect of current debtors	80%	57%	-23%
	% spent on operating budget against approved operating budget	100%	224%	+124%
% of valid invoices paid within 30 days of invoice receipt	100% of valid invoices paid within 30 days of invoice receipt	100%	62%	-38%
% Capital Expenditure Budget	100% Capital Expenditure Budget	100%	101%	+1%

SECTION 6:

SUPPLY CHAIN MANAGEMENT AND B-BBEE

This section covers deviations on supply chain management (SCM); payments made within 30 days; a report on irregular, fruitless, and wasteful (IFW) expenditure; and due processes.

DEVIATION ON SCM

Table 44: Details of the Deviation Recorded for the Year ended 30 June 2023

Name of Service Provider	User Department	Reason	Amount
Phumelele Real Estate	Corporate Services	Parking space for head office-based employees was needed as there was insufficient parking space available to accommodate all employees. A building close to the office was identified and therefore competitive bidding was impractical.	R1 188 369.00

PAYMENTS WITHIN 30 DAYS

The MFMA requires that MEs pay suppliers within the 30-day period after an invoice has been issued. In the year under review, the entity was faced with cashflow limitations that affected the payment period, resulting in an average of 62% of suppliers being paid within 30 days.

REPORT ON IRREGULAR, FRUITLESS, AND WASTEFUL EXPENDITURE

The entity incurred IFW expenditure, as set out in Table 45 below.

Table 45: IFW Expenditure for the Year ended 30 June 2023

Details	Total IFW Expenditure R'000	Irregular Expenditure R'000	Fruitless and Wasteful Expenditure R'000	Progress on Write-offs
Opening balance	164 489	160 428	4 061	Remaining IFW balance currently under investigation to be submitted to the Board once concluded.
Additions for 2022/23	32 631	31 243	1 388	
Board write-off	(126 413)	(125 110)	(1 303)	
Overspend of the operational budget	212 195	212 195	-	
Expenditure discovered in the current year relation to prior periods	65	-	65	
Interest and penalties reversal	**(3 928)**		**(3 928)**	
Closing balance as at 30 June 2023	**281 806**	**281 524**	**282**	

SUPPLY CHAIN MANAGEMENT DUE PROCESSES

The organisation strives to ensure that the procurement of goods and/or services involves start-up and mature Black-Owned companies, with a view to assisting 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 2023.

Table 46: Summary of Spend on At Least 51% Black-Owned Companies as at 30 June 2023

Period	Total OPEX from Procurement R'000	OPEX on at least 51% Black-Owned Companies R'000	% Spend for the Period
Quarter 1	96 090	91 286	95%
Quarter 2	55 404	55 404	100%
Quarter 3	67 067	67 077	100%
Quarter 4	96 544	96 544	100%
Total for the year	**315 105**	**310 311**	**98%**
Period	**Total CAPEX from Procurement Activities R'000**	**CAPEX to at least 51% Black-Owned Companies R'000**	**% Spend for the Period**
Quarter 1	338 139	304 325	90%
Quarter 2	94 540	89 540	95%
Quarter 3	159 357	138 157	87%
Quarter 4	188 076	183 551	98%
Total for the year	**780 112**	**715 573**	**92%**

SECTION 7:

PENDING LITIGATIONS AND POSSIBLE LIABILITIES

In the financial year under review, JOSHCO had a number of litigations that were still pending and being attended to by the legal department. All cases relate to issues arising from the development of JOSHCO's buildings. Table 47 sets out the nature of the cases that the entity is dealing with.

Table 47: List of Pending Litigations

LITIGATION	STATUS	POSSIBLE LIABILITY
1. Cancellation of property sale agreement	In progress	Legal fees, claim of R6 987 261 consisting of purchase price and transfer costs
2. Claim for damages against previous consultants on Randburg project	In progress	Legal fees, R14 645 680 claim consisting of professional fees and damages
3. Claim for unpaid invoices for work done on the Casa Mia project	Matter finalised	• R713 216.85 spent on legal fees • Esor Construction claim paid: R4 019 239.39
4. Claim for unpaid invoices for work done on the Dobsonville project	In progress	Murray and Dickson claim paid: R3 796 456.85 There is a possible future claim for legal costs and interest
5. Applications for demolitions in respect of illegal structures encroaching on to the Dobsonville social housing project	In progress	Legal fees
6. Various eviction applications	In progress	Legal fees
7. Application for court interdict to stop JOSHCO's Princess Plots project	In progress	Legal fees

LITIGATION	STATUS	POSSIBLE LIABILITY
8. Application to compel JOSHCO to provide the applicants with "RDP houses from any social housing project around the Johannesburg area", to prohibit JOSHCO from evicting the applicants without providing them with RDP houses, and to further prohibit JOSHCO from instituting eviction applications against child-headed units without providing alternative accommodation	In progress	Legal fees
9. Cancellation of Service Level Agreement and claim for damages against service provider that was appointed to develop a property management system/app	In progress	Legal fees, claim of R6 735 312, which is the amount paid to the service provider
10. Court application to compel JOSHCO to convert leases into rent-to-own agreements, and to further prevent JOSHCO from evicting tenants without obtaining "suitable alternative accommodation"	In progress	Legal fees
11. Court application to enforce Sale Agreement signed in respect of JOSHCO's Rivonia Turnkey project	In progress	Legal fees
12. Court application to compel JOSHCO to evict illegal occupants of Casa Mia building or ensure that the building is used for its intended purpose	In progress	Legal fees

SECTION 8:

INSURANCE CLAIMS AGAINST/TO MUNICIPAL-OWNED ENTITY

The entity utilises a group insurance scheme that is managed at 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 insurer since the beginning of the financial year. These claims range from third-party liability to non-motor claims. Table 48 provides details of the insurance claims' status as at the end of June 2023.

Table 48: Insurance Claims for the Year

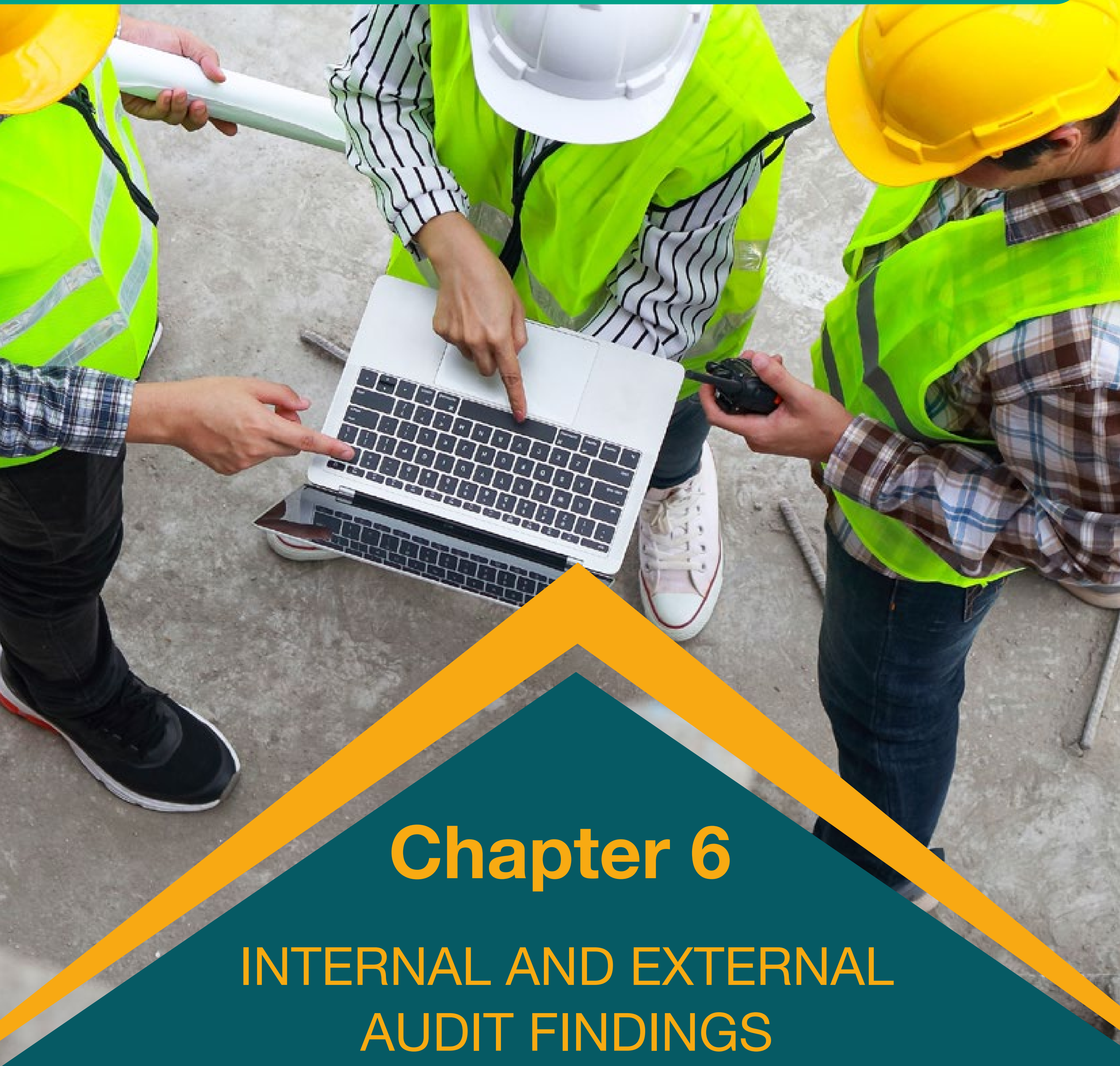
Claim Description	No. of Claims	Status
Third-Party Liability	8	In progress, awaiting feedback from the insurer.
Employee Practice Liability	9	Nine cases are still pending; three cases from the previous financial year that were pending have been closed.
Assets All Risk	14	The open cases are in progress; two new cases that were brought forward were closed during the course of the financial year.

SECTION 9:

STATEMENT ON AMOUNTS OWED BY AND TO GOVERNMENT

Table 49: Amounts Owed by or to Departments and Public Entities as at 30 June 2023

Name of Department	Amounts Owed/(Owing) R'000	Account Status
City of Johannesburg: Sweeping account	**(1 112 952)**	180 days overdue
City of Johannesburg: Housing	**844 624**	180 days overdue
City of Johannesburg: Treasury	**5 958**	180 days overdue
City of Johannesburg: COO Office	**10 990**	Current
City of Johannesburg: CAM	**107 872**	90 days overdue
City of Johannesburg: Health Department	**23 840**	30 days
City of Johannesburg: GEF	**1 314**	90 days overdue
City of Johannesburg: Community Development	**87 228**	180 days overdue
City of Johannesburg: Legislature	**23 812**	180 days overdue
City of Johannesburg : Transport	**2 621**	Current
City of Johannesburg: JMPD	**46 576**	120 days overdue
City of Johannesburg: EMS	**27 279**	120 days overdue
City of Johannesburg: ENV	**100**	180 days overdue
City of Johannesburg- Social Development	**1 814**	90 days overdue
City of Johannesburg: Licencing	**9 945**	Current
Total	**1 193 973**	



Chapter 6

INTERNAL AND EXTERNAL AUDIT FINDINGS

Strategic Goals: 3, 7

Stakeholders Interested:

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 2022–2023, the Internal Audit function continued and provided independent assurance that the entity's risk management, governance, and internal control processes are operating effectively.

INTERNAL AUDIT INDEPENDENCE AND OBJECTIVITY

The legislation that guides Internal Audit operations recommends that the function be independent of management and functionally report directly to the Audit and Risk Committee (ARC). In accordance with the International Standards of Professional Practice of Internal Auditing (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 the influence or control of 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 its 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.

PROGRESS ON INTERNAL AUDIT PLAN FOR 2022/2023

For the financial year 2022–2023, the approved Internal Audit Plan has 13 full audits and five continuous audits, making the total number of audits 18. Internal Audit completed 17 of the audits planned for the 2022–2023 financial year, with only one audit still at reporting stage by 30 June 2023.

Table 50: Planned Audit Completed as at 30 June 2023

No.	Planned Audits	Quarter				Progress
		Q1	Q2	Q3	Q4	
1	Recruitment and Termination Audit			X		Completed
2	Health and Safety Audit		X			Completed
3	Review of the AFS	X				Completed
4	Review of the Interim Financial Statements				X	Reporting Stage
5	Supply Chain Management Audit			X		Completed
6	Revenue and Debtors Management Audit				X	Completed
7	Financial Discipline Review			X		Completed
8	Tender Probity Review	X	X	X	X	Continuous
9	Housing Development Audit		X			Completed
10	Housing Maintenance and Portfolio Management Audit				X	Completed
11	Leasing Management Audit	X				Completed
12	Performance Information Review	X		X		Completed
13	Risk Management Audit		X			Completed
14	Business Continuity Audit	X			X	Completed
15	Service Level Standard Review	X	X	X	X	Continuous
16	Follow-up on Internal Audit Findings	X	X	X	X	Continuous
17	Follow-up on AG Findings	X		X	X	Continuous
18	UIFW Expenditure Investigations	X	X	X	X	Continuous

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." Monitoring the resolution of Internal Audit findings and recommendations should be included in the organisation's Internal Audit Plan, and it should be considered a significant control step in any Internal Audit activity.

The entity closed the financial year with a total of 126 audit findings that were raised by internal audits throughout the financial year. Management managed to resolve 123 findings, translating to 98%.

Table 51: Audit Findings Raised by Internal Audit as at 30 June 2023

Departments	Total Findings	Total Resolved as per Management	Total Findings Resolved	Total Findings Not Resolved
Finance and SCM	24	24	23	1
Chief Operating Office (COO)	57	56	57	0
Planning and Strategy	11	9	9	2
CEO	3	3	3	0
Human Capital Management	28	28	28	0
Company Secretary	3	3	3	0
Total	126	123	123	3
%	100%	98%	98%	2%

SECTION 3:

PROGRESS ON RESOLUTION OF EXTERNAL AUDIT FINDINGS

In the 2022/23 Financial Year, JOSHCO achieved an unqualified audit opinion. The table below shows the Auditor General opinion status for the past five years.

Table 52: AGSA Outcomes Over the Years

Audit Year	2018/2019	2019/2020	2020/21	2021/22	2022/23
Audit Opinion	Unqualified Audit	Unqualified Audit	Unqualified Audit	Qualified	Unqualified Audit

The AGSA raised twenty three (23) findings in the 2022/23 audit report, which were made up of four (4) matters affecting the auditor's opinion. JOSHCO showed a positive outcome in the 2022/23 FY by achieving an unqualified audit opinion from achieving a qualified audit opinion in 2021/22.

Table 53: Audit Findings Raised by AGSA in the 2021/2022 Financial Year

AG Classification	Total Findings	Resolved	Not Resolved
Matters affecting the auditor's opinion	4	0	0
Other important matters	12	0	02
Administrative matters	7	0	0
Total	**23**	**0**	**0**
%	100%	0%	0%

AUDIT RESULTS FOR THE 2022/23 FINANCIAL YEAR

JOSHCO obtained an unqualified opinion for the year under review which is a positive audit outcome when compared to the previous financial year as it obtained a qualified 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 54: Summary of AGSA Findings for 2022/2023 FY - Feb 2024

AG Classification	Total Findings	Resolved	Not Resolved
Matters that will be reported in the auditor's report and should be addressed urgently	5	1	4
Matters that should be addressed to prevent material misstatements in the financial statements or material findings on the annual performance report and compliance with legislation in future; also includes matters that significantly affected auditee performance	23	2	21
Matters that do not have a direct impact on the audit outcome or a significant impact on auditee performance, but were communicated to assist with improving processes and mitigating risks	10	3	7
Total	**38**	**6**	**32**
%	100%	75%	25%

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 on an annual basis. The report forms the basis of the Audit and Risk Committee's (ARC) report. Internal controls refer to the policies, practices, and systems that the organisation has put in place to:

- Provide reasonable assurance that the organisation will achieve its objectives;
- Prevent fraud and corruption from occurring;
- Protect resources from waste, loss, theft, or misuse; and
- Ensure that resources are used efficiently and effectively.

INTERNAL AUDIT INDEPENDENCE AND OBJECTIVITY

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.

Internal Audit activity is not under the influence or control of 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 its 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 2023/2024 financial year. However, the department head is a Certified Internal Auditor with the IIA, and the Internal Audit Department operates in terms of ISPPA. Internal quality assessment is continuously performed in terms of Standard 1300 of the ISPPIA.

THE INTERNAL AUDIT RESPONSIBILITY FOR INTERNAL CONTROLS

The Internal Audit evaluates the adequacy and effectiveness of the internal control systems. In assessing these systems, 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 Internal Audit results support the organisation in achieving its goals in the short-, medium-, and long term. The risk-based approach ensures that the Internal Audit function focuses on the financial sustainability of the organisation and areas that are material for the stakeholders.

MANAGEMENT RESPONSIBILITY FOR INTERNAL CONTROLS

Management is responsible for establishing and maintaining an appropriate internal control system for the prevention and detection of irregularities. Management should also ensure that controls in place will assist the organisation to achieve its objectives.

JOSHCO'S INTERNAL CONTROL

The JOSHCO's internal control system requires significant improvement to provide reasonable assurance that the entity's goals will be economically, effectively, and efficiently achieved. In line with the MFMA, the ISPPIA issued by the IIA, and the King Code Report on Corporate Governance, Internal Audit provides the ARC and management with quarterly internal audit reports in terms of its approved annual Internal Audit Plan.

Internal Audit reports issued in the 2022–2023 financial year noted material deficiencies in the internal control system.

CONCLUSION

On the basis of the audits performed in the 2022/2023 financial year, Internal Audit concludes that internal controls within JOSHCO are generally adequate but ineffective for providing reasonable assurance that the company's objectives will be achieved.

However, if management implements Internal Audit recommendations and management action plans, the adequacy and effectiveness of JOSHCO internal controls will improve.

APPENDICES

Appendix A: Recommendations of the Audit and Risk Committee for the 2022/23 Financial Year

Date of Meeting	Subject	Resolution	Status (Implemented/ Not Implemented)
08 July 2022	State of the Organization Q4 Report	The Committee resolved to recommend the report to the Board for approval.	Implemented
	Risk Management Q4 Report	The Committee recommended the Risk Management Report to the Board for approval.	Implemented
	Compliance Q4 Report	The Committee recommended the Compliance Report to the Board for approval.	Implemented
	Finance, Revenue and SCM Q4 Report	The Committee resolved to recommend the report to the Board for approval.	Implemented
	Internal Audit Q4 Report	The Committee resolved to recommend the report to the Board for approval.	Implemented
25 August 2022	Audit Strategy and Engagement Letter	The Committee resolved to approve the Engagement Letter and Audit Strategy subject to possible future changes to the scope. It was requested that ACOSEC share any further changes with the Committee.	Implemented
	Draft AFS 2021/22	The Committee resolved to recommend the draft AFS to the Board for approval.	
	Interest Reversal Report	The Committee resolved to recommend the report to the Board for approval.	Implemented
	Draft Annual Report 2021/22	The Committee resolved to recommend the Draft Annual Report to the Board for approval subject to outstanding items being incorporated (MMC and Chairperson's Forward).	Implemented

Date of Meeting	Subject	Resolution	Status (Implemented/ Not Implemented)
24 October 2022	State of the Organization Q1 Report	The Committee resolved to recommend the report to the Board for approval.	Implemented
	Finance, Revenue and SCM Q1 Report	The Committee resolved to recommend the report to the Board for approval.	Implemented
	Risk Management Q1 Report	The Committee resolved to recommend the report to the Board for approval.	Implemented
	ICT Q1 Report	The Committee resolved to recommend the report to the Board for approval.	Implemented
	ICT Policy	The Committee resolved to recommend the ICT Policy to the Board for approval.	Implemented
	Compliance Q1 Report	The Committee resolved to recommend the report to the Board for approval.	Implemented
	Internal Audit Q1 Report	The Report was recommended to the Board for approval.	Implemented
	Delegation of Authority (DOA) Framework	It was resolved that the DOA be recommended to the Board for approval subject to changes.	Implemented
28 November 2022	Audit Report and Management Report	Audit and Management reports must go through a round robin process for approval subject to changes. Management must submit a post body action plan to assist with monitoring the implementation of improvement plan. In the next engagement on closing out, audit findings from the action plan should be presented as the final draft. Management to draft a report providing reasons for continuing with current workload.	Implemented
	AFS 2021/22	It was resolved that the final AFS will be circulated and approved by means of a round robin.	Implemented
	Annual Integrated Report	The Committee recommended the report to the Board for approval.	Implemented
	Revenue Policy Manual	The Committee resolved to recommend the policy manual to the Board for approval.	Implemented
	SCM Policy	The policy was recommended to the Board for approval.	Implemented

Date of Meeting	Subject	Resolution	Status (Implemented/ Not Implemented)
11 January 2023	State of the Organization Q2 Report	The report was recommended to the Board for approval.	Implemented
	Finance, Revenue and SCM Q2 Report	The report was recommended to the Board for approval.	Implemented
	Risk Management Q2 Report	The report was recommended to the Board for approval.	Implemented
	ICT Q2 Report	The report was recommended to the Board for approval.	Implemented
	Compliance Q2 Report	The report was recommended to the Board for approval.	Implemented
	Internal Audit Q2 Report	The report was recommended to the Board for approval.	Implemented
05 April 2023	AG Management Letter	The Committee noted the AG Management letter.	Implemented
	Business Plan FY 2022/23	The Business Plan FY 2022/23 was recommended to the Board for approval.	Implemented
	JOSHCO Strategic Plan	The JOSHCO Strategic Plan was recommended to the Board for approval.	Implemented
	State of the Organization Q3 Report	The Committee recommended the report to the Board for approval	Implemented
	Finance, Revenue and SCM Q3 Report	The Committee recommended the report to the Board for approval.	Implemented
	Draft Revenue Management Report	The Committee recommended the report to the Board for approval.	Implemented
	Risk Management Report	The Committee recommended the report to the Board for approval.	Implemented
	ICT Q3 Report	The Committee recommended the report to the Board for approval.	Implemented
	Compliance Q3 Report	The Committee recommended the report to the Board for approval.	Implemented
	Internal Audit Q3 Report	The Committee recommended the report to the Board for approval.	Implemented
	Legal Q3 Report	The Committee recommended the report to the Board for approval.	Implemented
	Finance Management Policies and Procedures	The Committee recommended the policies and procedures to the Board for approval.	Implemented
	SCM Policy	The Committee recommended the policy to the Board for approval.	Implemented
	Revenue Policy	The Committee recommended the policy to the Board for approval.	Implemented
	Asset Management Policy	The Committee recommended the policy to the Board for approval.	Implemented
27 June 2023	Report on JOSHCO's Unauthorised, Irregular, Fruitless and Wasteful Expenditure (UIFWE)	The Committee recommended the report to the Board for approval to write off the UIFWE.	Implemented

Appendix B: Disclosure of Financial Interest by Executive Team

Name	Position	Description of Interest Declared
Molapane Mothotoana	Chief Executive Officer	Nothing declared
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	Chief Operations Officer	Shares – Barloworld
Nokwazi Mtshali	Executive Manager: Corporate Services	Nothing declared
Bongani Radebe	Chief Executive Officer	Nothing declared

Appendix C: Capital Projects for the Current Year

Table A1: Capital Expenditure Budget for the 2022/2023 Financial Year

Project Description	Approved Budget 2022/23	Adj. Budget 2023	Final Budget Lifting 2022/23	Amount Spent	Balance	% Spend
	R'000	R'000	R'000	R'000	R'000	
Lufhereng Social Housing Project Region D	73 438	73 438	50 579	-50 738	-159	100%
Randburg Selkirk Social Housing Project Region B	40 000	-32 761	7 855	-7 855	0	100%
Nancefield Social Housing Project Region D	74 750	19 373	101 515	-106 561	-5 046	105%
Inner City Buildings Acquisitions	11 000	-232	10 881	-10 767	114	99%
Marlboro Social Housing Project Region E	1 537	-1 537	-	-	-	0%
Princess Plots Social Housing Project Region C	51 555	-32 805	18 750	-20 267	-1 517	108%
EXISTING STOCK REDEVELOPMENT; UPGRADE AND MAJOR MAINTENANCE Renewal Building Alterations Johannesburg F City Wide	25 000	6 402	40 181	-38 784	1 397	97%
Devland Golden Highway Social Housing Project Region D	28 142	3 358	32 733	-32 589	144	100%
Casa Mia Inner City Building Upgrade Region F	38 453	-38 453	-	-	-	0%
Booysens Street Inner City Conversion	5 000	-5 000	-	-	-	0%
38 Rissik Street (NBS) Inner City Building Conversion	5 700	-5 700	-	-	-	0%
Turn-Key 1: Region A	50 766	24 824	54 352	-54 081	271	100%
Turn-Key 1: Region B	50 000	-35 000	12 214	-12 213	1	100%
Turn-Key 3: Region D	43 420	-2 222	69 947	-70 009	-62	100%
Total	**498 761**	**-99 752**	**399 009**	**-403 864**	**-4 855**	**101%**

Appendix D: Pipeline of Capital Projects for the Next Three Financial Years

Table A2: Capital Expenditure Budget for the 2023/2024 Financial Year

JOSHCO DEVELOPMENT PROGRAMME						
Financial Year: 2023–2024						
Strategic Objective: Sustainable Development	**Projects**	**Programme**	**Project Unit Yield**	**WIP Units: 2023/24**	**Completed Units 2023/24**	**Financial Year Budget: 2023–24 (R)**
Soweto Corridor	Nancefield Station	Greenfields	372	0	372	30 000 000
	Golden Highway/ Devland		333	0	162	12 000 000
SUB-TOTAL			**705**	**-**	**534**	**42 000 000**
JHB CBD and Surrounds	Existing Stock Redevelopment, Upgrade and Major Maintenance	Brown Fields	0	0	0	11 000 000
	Rissik Street		250	0	0	35 000 000
	Abel Street		102	0	0	25 000 000
	Casa Mia		250	0	0	5 000 000
	Booysens		76	50	0	45 000 000
	280 Smit Street (Student Accommodation)		300	0	0	20 000 000
	Malvern		300	0	0	1 500 000
SUB-TOTAL			**1 278**	**50**	**0**	**142 500 000**
Mining Belt	Princess Plots	Greenfields	333	0	333	37 500 000
SUB-TOTAL			**333**	**0**	**333**	**37 500 000**
Alexandra-Marlboro, Sandton-Randburg, Midrand	Lombardy East	Greenfields & Turnkeys	502	0	0	2 000 000
	Randburg/Selkirk		570	40	0	38 500 000
	Marlboro Social Housing Dev.		200	0	0	1 000 000
	Region A: Riverside View Project		1108	180	0	209 000 000
	Region D: Jeppestown Turnkey Project		1130	0	0	20 000 000
SUB-TOTAL			**3 510**	**220**	**0**	**270 500 000**
GRAND TOTAL			**5 826**	**270**	**867**	**492 500 000**

Table A3: Capital Expenditure Budget for the Year 2024/2025

JOSHCO DEVELOPMENT PROGRAMME						
Financial Year: 2024–2025						
Strategic Objective: Sustainable Development	**Projects**	**Programme**	**Project Unit Yield**	**WIP Units: 2024/25**	**Completed Units 2024/25**	**Financial Year Budget: 2024–25 (R)**
Soweto Corridor	Golden Highway/ Devland	Green fields	333	0	0	60 000 000
SUB-TOTAL			**333**	**0**	**0**	**60 000 000**
JHB CBD and Surrounds	Inner-City Acquisition/ Conversion (Student Accommodation)	Brownfields	0	0	0	38 000 000
	Existing Stock Redevelopment, Upgrade and Major Maintenance		0	0	0	36 000 000
	Rissik Street		250	50	0	4 000 000
	Abel Street		102	0	102	5 000 000
	Casa Mia		250	0	0	60 000 000
	Booysens		76	0	76	5 000 000
	280 Smit Street (Student Accommodation)		300	0	0	40 000 000
	Malvern		300	80	0	1 500 000
SUB-TOTAL			**1278**	**130**	**178**	**189 500 000**
Alexandra-Marlboro, Sandton-Randburg, Midrand	Lombardy East	Greenfields & Turnkeys	502	0	0	70 000 000
	Randburg/Selkirk		570	0	145	40 000 000
	Marlboro Social Housing Dev.		200	0	0	1 000 000
	Region A: Riverside View Project		1108	200	190	106 034 176
	Region D: Jeppestown Turnkey Project		1130	200	0	20 000 000
SUB-TOTAL			**3510**	**400**	**335**	**237 034 176**
GRAND TOTAL			**5121**	**530**	**513**	**486 534 176**

Table A4: Capital Expenditure Budget for the Year 2025/2026

JOSHCO DEVELOPMENT PROGRAMME						
Financial Year: 2025–2026						
Strategic Objective: Sustainable Development	**Projects**	**Programme**	**Project Unit yield**	**WIP Units: 2025/26**	**Completed Units 2025/26**	**Financial Year Budget: 2025–26 (R)**
Soweto Corridor	Golden Highway/Devland	Greenfields	333	171	0	55 000 000
Empire Perth Road	Frank-Brown		500	0	0	3 500 000
SUB-TOTAL			**833**	**171**	**0**	**58 500 000**
JHB CBD and Surrounds	Inner-City Acquisition/ Conversion (Student Accommodation)	Brownfields	0	0	0	15 000 000
	Existing Stock Redevelopment, Upgrade and Major Maintenance		0	0	0	36 000 000
	Park Chambers Project		80	0	0	1 500 000
	Casa Mia Social Housing		250	250	0	5 000 000
	280 Smit Street (Student Accommodation)		300	0	300	60 000 000
	Malvern		300	0	0	40 000 000
SUB-TOTAL			**930**	**250**	**300**	**157 500 000**
Alexandra-Marlboro, Sandton-Randburg, Midrand	Lombardy East	Greenfields & Turnkeys	502	0	0	80 000 000
	Randburg/Selkirk		570	100	0	60 000 000
	Marlboro Social Housing Dev.		200	0	0	45 000 000
	Region A: Riverside View Project		1108	0	264	10 000 000
	Kelvin Social Housing Project		502	0	0	2 000 000
	Region D: Jeppestown Turnkey Project		1130	0	250	50 000 000
SUB-TOTAL			**4012**	**100**	**514**	**247 000 000**
GRAND TOTAL			**5775**	**521**	**814**	**463 000 000**

Appendix E: Municipal Entity Performance Schedule

IDP Priority	Performance
An Inclusive City	936 units completed and being tenanted 555 units developed to a level where they only require connection to services

Report of the auditor-general to the 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

Opinion

1. I have audited the financial statements of the Johannesburg Social Housing Company (SOC) Limited set out on pages 130 to 203, which comprise the statement of financial position as at 30 June 2023, 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, the financial statements present fairly, in all material respects, the financial position of the Johannesburg Social Housing Company (SOC) Limited as at 30 June 2023 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 opinion

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

4. 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.

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

Emphasis of matters

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

Restatement of corresponding figures

7. As disclosed in notes 37 to the financial statements, the corresponding figures for 30 June 2022 were restated as a result of an error in the financial statements of the municipal entity at, and for the year ended, 30 June 2023.

Material impairment

8. As disclosed in note 4 to the financial statements, the receivables from exchange transactions balance was impaired. The allowance for impairment of trade receivables amounted to R399 131 007 (2022-23) and R314 899 870 (2021-22) of total receivables from exchange transactions.

Other matters

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

Unaudited disclosure note

10. 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

11. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the 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.

12. 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.

Responsibilities of the auditor-general for the audit of the financial statements

13. 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.

14. 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

15. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected objectives presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

16. I selected the following objectives presented in the annual performance report for the year ended 30 June 2023 for auditing. I selected objectives that measure the municipal entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Objective	Page Number	Purpose
Objective 3 - develop social housing projects within the transport corridors, inner-city and green fields (including suburbs and economic hubs).	6	The purpose of the objective is to deliver social housing and affordable housing units across the city and develop student accommodation precinct.
Objective 6 - maintain quality and safe living environment for all JOSHCO tenants.	19-21	The purpose of the objective is to Improve quality of JOSHCO project buildings through building conditions assessments, and ongoing maintenance and preserve well-maintained buildinQs that meet acceptable living conditions.

17. I evaluated the reported performance information for the selected objectives against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the municipal entity's planning and delivery on its mandate and objectives.

18. I performed procedures to test whether:
    - the indicators used for planning and reporting on performance can be linked directly to the municipal entity's mandate and the achievement of its planned objectives
    - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements.

- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets/measures taken to improve performance.

19. I performed the procedures for the purpose of reporting material findings only and not to express an assurance opinion or conclusion

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

Other matter

21. I draw attention to the matter below.

Achievement of planned targets

22. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or underachievement.

Report on compliance with legislation

23. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the municipal entity's compliance with legislation.

24. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

25. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the municipal entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

26. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements

27. 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 of assets, liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were corrected, resulting in the entity receiving an unqualified audit opinion.

Expenditure management

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

29. Reasonable steps were not taken to prevent irregular expenditure amounting to R252 052 282 as disclosed in note 30 to the annual financial statements, as required by section 95(d) of the MFMA.

30. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R1 453 250 as disclosed in note 31 to the annual financial statements, in contravention of section 95(d) of the MFMA.

31. Money owed by the municipal entity was not always paid within 30 days, as required by section 99(2)(b) of the MFMA.

Procurement and contract management

32. Some of the contracts were awarded to bidders based on points given for legislative requirement that were not stipulated in the original invitation for bidding, in contravention of SCM regulations 21 (b) and 28(1)(a)(i) and the Preferential Procurement Regulations.

33. Some of the contracts 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. Similar non-compliance was also reported in the prior year.

34. Some of the construction contracts were awarded to contractors that were not registered with the CI DB in accordance with section 18(1) of the CI DB Act.

Other information in the annual report

35. The accounting officer is responsible for the other 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 referred to does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported on in this auditor's report.

36. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

37. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

38. 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

39. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

40. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the opinion and the material findings on the annual performance report and the material findings on compliance with legislation included in this report.

41. Management of the municipal entity did not have adequate and sufficient monitoring and reviewing controls to ensure that financial reports submitted for auditing were accurate, complete and supported by valid audit evidence and that action plans developed were adequately implemented.

42. Management did not adequately review and monitor compliance with applicable laws and regulations as evidenced by the non-compliance matters identified.

Auditor-General

Johannesburg
30 November 2023

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected objectives and on the municipal entity's compliance with selected requirements in key legislation.

Financial statements

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 controls
- 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
- conclude on the appropriateness of the 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 municipal entity 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

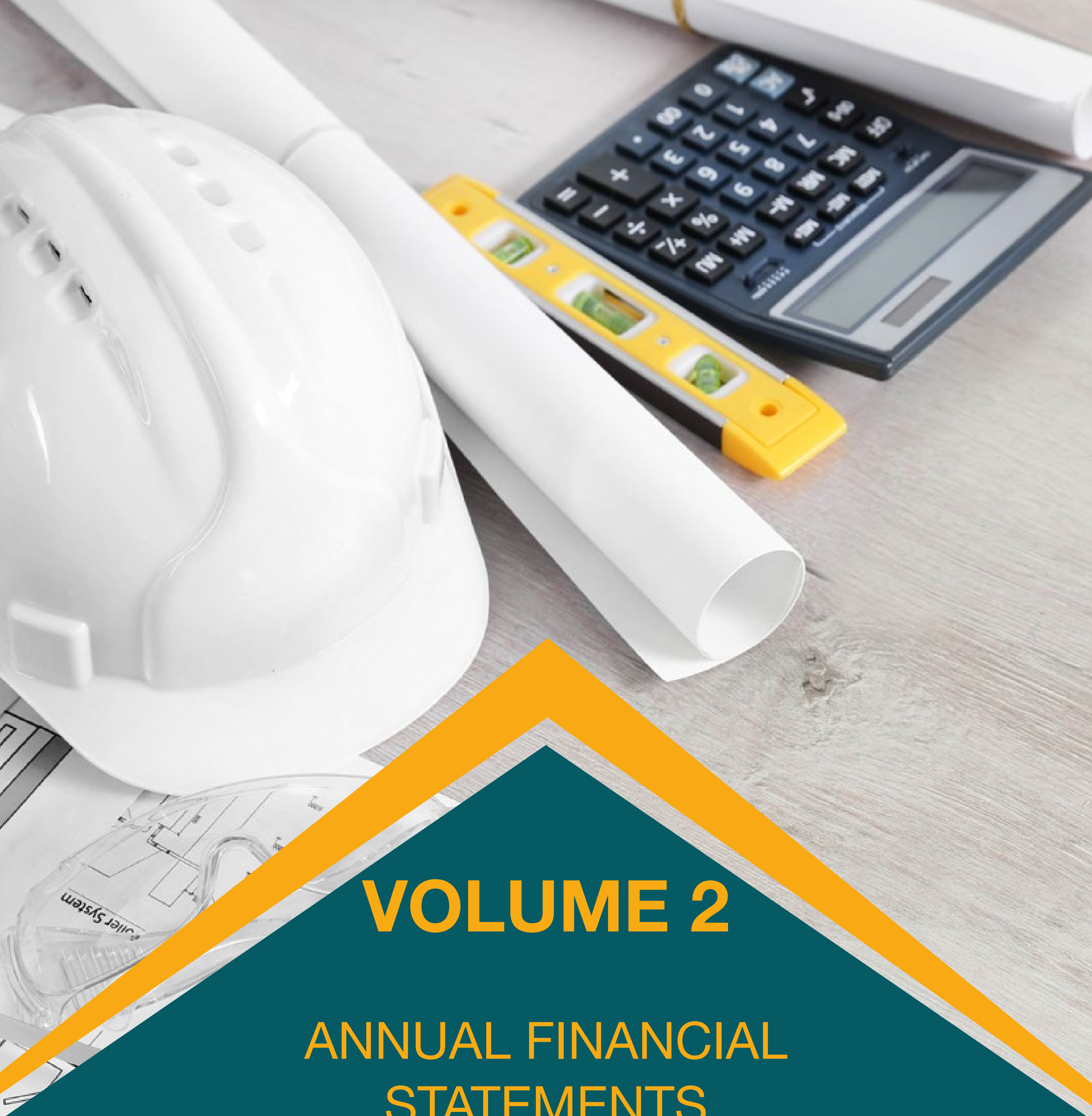
I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence and 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.

Compliance with legislation - selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act no. 56 of 2003	99(2)(b); 99(2)(c), 95(d); 87(8); 87(6)(c); 122(1); 126(2)(b); 133(1)(a); 133(1)(c)(i); 133(1)(c)(ii) 97(h); 97(e); 97(f); 96(2)(a); 96(2)(b; 99(2)(9) 102(1); 102(2)(a); 172(3)(a) 87(5)(b); 88(1)(a) 116(2)(b); 116(2)(c)(ii); 112 (1)U)
Municipal Supply Chain Management Regulations	12(1)(c), 16(a), 17(a)& (c); 17(a) & 17(b); 13(c); 43; 19(a) &(b); 36(1)(a); 12(3); 27(2)(a)&(e); 22(1)(b) & 22(2); 28(1)(a)(i); 21(b); 29(1) (a) & (b), 29(5)(a)(ii) & (b)(i); 38(1)(d)(ii) & (g)(iii); 38(1)(e.); 38(1)(g)(i); 38(1)(g)(ii); 32; 5; 44; 46(2)(f)
Municipal budget and reporting regulation	73(1); 73(2); 75(1); 75(2);
Companies Act	46(1)(a); (b); (c); 112(2)(a); 45(2); 45(3)(a)(ii); 45(3)(b)(i); 45(3)(b)(ii); 45(4); 45(2)
Municipal investment regulation	3(2); 3(3); 6; 7; 12(2); 12(3); 90(1); 90(2)(a); 90(2)(b)
Financial Misconduct regulation	5(4); 6(8)(b); 10(1)
PRECCA	34(1)
Municipal Systems Act	93B(a); 5(2), 7(1) & (2); 5(1) and 5A(1) & (2).
PPPFA	2(1)(a); 2(1)(f);
PPR 2017	6(1) and 7(1); 6(8), 7(8), 10(1)&(2) & 11 (1); 5(1) & 5(3); 5(6); 5(7); 9(1); 8(5)
PPR 2022	4(1) and 5(1); 4(4) & 5(4)
CIDB	18(1); 17; 25(7 A)



VOLUME 2

ANNUAL FINANCIAL STATEMENTS

GENERAL INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	JOSHCO is appointed as the preferred implementing agent for social 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. Madonna Rangaka
COMPANY REGISTRATION NUMBER	2003/008063/30
LEVEL OF ASSURANCE	These annual financial statements will be 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 provincial legislature:

Director's Responsibilities and Approval

The directors are required by the Municipal Finance Management Act (Act 56 of 2003) 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 Recognised 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 managementin 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 entityis 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 pages 130 to 203, which have been prepared on the going concern basis, were approved by the board on 30 November 2023:

Ms. Bridgette Mbonambi
Chairperson

Mr Bongani Radebe
Acting Chief Executive Officer

Directors' and Audit Committee's Report

The directors submit their report for the year ended 30 June 2023.

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 2023 there were no major changes in the activities of the business.

The financial position of the company shows a net liability position of (R807 828 425) (2022 net liability (R434 791 862)). Deficit for the year of the entity was 373,247,471 (2022: deficit145,615,009), after taxation of R- (2022: (R -.)

3. GOING-CONCERN

We draw attention to the fact that at 30 June 2023, the entity had an accumulated (deficit) of (808,039,455) and that the entity's total liabilities exceed its assets by (808,039,335).

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 thatwould 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 Annual General Meeting on the 1st of March 2023. The following members served under the JOSHCO Board during the year ended 30 June 2023:

Name of Board Members	Membership	Effective Date	Retired/Resign/ Separation Date
Mr. Sydney Jacob James (Chairperson)	Non-Executive Director	Appointed 01 March 2023	July 2023
Ms. Marillise Calsey Francis	Non-Executive Director	Appointed 01 March 2023	To Date
Mr. Andries Jacobus Smith	Non-Executive Director	Appointed 01 March 2023	To Date
Mr. Simon Clarke	Non-Executive Director	Appointed 01 March 2023	To Date
Ms. Jacelyn Scott	Non-Executive Director	Appointed 01 March 2023	To Date
Ms. Yolandi Erasmus	Non-Executive Director	Appointed 01 March 2023	To Date
Mr. Jacques Watson	Non-Executive Director	Appointed 01 March 2023	To Date
Mr. Simon Sepheu Masemola	Non-Executive Director	Appointed 01 March 2023	To Date
Mr. TerryTselane	Non-Executive Director	Appointed 01 March 2023	To Date
Mr. Tabane Manene	Non-Executive Director	Appointed 01 March 2023	To Date
Ms. Simphiwe Pretty Mnisi	Non-Executive Director	Appointed 01 March 2023	To Date
Ms. Nontobeko Ndimande	Chief Financial Officer and Executive Director	Appointed on the 17 September 2018	To Date
Mr. Sello Molapane Mothotoana	Chief Executive Officer and Executive Director	Appointed on 30 May 2022	To Date
Mr. Victor Van Der Merwe	Independent Audit Committee Member	Appointed 01 March 2023	To Date
Mr. Abubakr Taoussi	Independent Audit Committee Member	Appointed 01 March 2023	To Date
Adv. Geraldine Chaplog-Louw	Independent Audit Committee Member	Appointed 01 March 2023	To Date
Ms. Pilekile Lefothe	Independent Audit Committee Member	Appointed 01 March 2023	To Date

Mr Bongani Radebe is acting CEO of the entity as at 01 April 2023 to date.
In August 2023, Ms. Bridgette Mbonambi was appointed as Chairperson of the Board of Directors.

The following members were retired and/ or resigned under the above mentioned resolution on 01 March 2023:

Name of Board Members	Membership	Effective Date	Retired/Resign/ Separation Date
Ms. Grace Boikanyo (Chairperson)	Non-Executive Director	Re-appointed on the 11 February 2022	Retired 01 March 2023
Mr. Themba Mamba	Non-Executive Director	Re-appointed on the 11 February 2022	Resigned 09 December 2022
Mr. Moerane Maimane	Non-Executive Director	Re-appointed on the 11 February 2022	Retired 01 March 2023
Mr. Jason Sobekwa	Non-Executive Director	Re-appointed on the1 1 February 2022	Retired 01 March 2023
Mr. Xolani Dlwathi	Non-Executive Director	Re-appointed on the 11 February 2022	Retired 01 March 2023
Mr. Theodore Dhlamini	Non-Executive Director	Re-appointed on the 11 February 2022	Retired 01 March 2023
Dr. Kentse Sesele	Non-Executive Director	Re-appointed on the 11 February 2021	Retired 01 March 2023
Mr. Karabo Modipane	Non-Executive Director	Appointed on the 11 February 2022	Retired 01 March 2023
Mr. Sumesh Varghese	Non-Executive Director	Appointed on the 11 February 2022	Retired 01 March 2023
Mr. Moshupi Mokgobinyane	Independent Audit Committee Member	Re-appointed on the 11 February 2022	Retired 01 March 2023
Mr. Ernest Khosa	Independent Audit Committee Member	Re-appointed on the 11 February 2022	Retired 01 March 2023
Ms. Lesetsa Matshekga	Independent Audit Committee Member	Re-appointed on the 11 February 2022	Retired 01 March 2023

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:
  - 11 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 10 times during the financial year ended 30 June 2023. Development Committee met 4 times, Social, Ethics & HR Committee met 4 times, Audit and Risk Committee met 8 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				
Ms. Grace Boikhanyo* (Chairperson)*	6	-	-	-
Mr. Themba Mamba**	5	-	-	3
Mr. Moerane Maimane*	6	-	-	3
Mr. Jason Sobekwa*	6	-	5	-
Mr. Xolani Dlwathi*	6	3	-	3
Mr. Theodore Dlamini*	6	3	-	-
Dr. Kentse Sesele*	6	-	-	3
Mr. Ernest Khosa *	-	-	5	-
Mr. Moshupi Mokgobinyane*	-	-	4	-
Mr. Karabo Modipane	6	3	-	-
Mr. Sumesh Varghese*	6	3	-	-
Mr. Lesetsa Matshekga*	-	-	5	-
Mr. Bongani Radebe (Acting CEO)	3	1	3	3
Mr. Sello Molapane Mothotoana	5	3	5	3
Ms. Nontobeko Ndimande (CFO)	8	3	7	3
Mr. Sydney Jacob James (Chairperson)***	4	-	-	-
Ms. Marillise Calsey Francis***	4	1	-	-
Mr. Tabane Manene***	4	1	-	-
Mr. Andries Jacobus Smith***	4	-	-	1
Mr. Simon Clarke***	4	1	-	-
Mr. Omphemetse Mokgosi***	-	-	-	-
Ms. Yolandi Erasmus***	4	-	3	1
Mr. Jacques Watson***	4	1	2	-
Mr. Simon Sepheu Masemola***	4	-	3	1
Mr. Terry Tselane***	3	-	-	1

Director/Member	Board	Development	Audit and Risk	Social Ethics & HR
Mr. Jacelyn Scott	3	-	-	1
Ms. Simphiwe Pretty Mnisi***	4	-	-	1
Mr. Victor Van Der Merwe***	-	-	3	-
Adv. Geraldine Chaplog-Louw***	-	-	3	-
Ms. Pilekile Lefothe***	-	-	3	-
Mr. Aboubakr Taoussi***	-	-	3	-

The acting CEO, Bongani Radebe, attended 3 Board meetings, 3 Audit & Risk Committee meetings, 1 Development Committee meeting and 1 Social Ethics and HR meeting.

** Director retired on 01 March 2023*
***Director resigned on 09 December 2022*
**** Director appointed on 01 March 2023*

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 166of the Municipal Finance Management Act.

For the year ended 30 June 2023 the committee met 8 times and was constituted as follows:

Director/Member	Role
Mr. Victor Van Der Merwe***	Independent Audit Committee Member
Ms. Pilekile Lefothe***	Independent Audit Committee Member
Adv. Geraldine Chaplog-Louw***	Independent Audit Committee Member
Mr. Aboubakr Taoussi***	Independent Audit Committee Member
Mr. Moshupi Mokgobinyane*	Independent Audit Committee Member
Mr. Ernest Khosa**	Independent Audit Committee Member
Mr. Lesetsa Matshekga*	Independent Audit Committee Member
Mr. Simon Sepheu Masemola	Independent Audit Committee Member
Ms. Yolandi Erasmus	Independent Audit Committee Member
Mr. Jacques Watson	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.*
** Director retired on 01 March 2023*
***Director resigned on 09 December 2022*
**** Director appointed on 01 March 2023*

Development Committee

For the year ended 30 June 2023, the committee met 4 times and was constituted as follows:

Director	Role
Mr. Theodore Dhlamini	Non-executive director
Mr. Xolani Dlwathi	Non-executive Director
Mr. Sumesh Varghese	Non-executive Director
Mr. Karabo Modipane	Non-executive Director
Mr. Simon Clarke	Non-executive Director
Mr. Tabane Manene	Non-executive Director
Mr. Jacques Watson	Non-executive Director
Ms. Marillise Calsey Francis	Non-executive Director

*.

Social and Ethics and Human Resource Committee

For the year ended 30 June 2023 the committee met 4 times and was constituted as follows:

Director	Role
Mr. Moerane Maimane	Non-executive Director
Mr. Simphiwe Mhlongo*	Non-executive Director
Dr. Kentse Sesele	Non-executive Director
Mr. Themba Mamba	Non-executive Director
Mr. Xolani Dlwathi	Non-executive Director
Ms Yolandi Erasmus	Non-executive Director and Chairperson
Ms Jacelyn Scott	Non-executive Director
Mr. Andries Smit	Non-executive Director
Ms. Simphiwe PrettyMnisi	Non-executive Director
Mr. TerryTselane	Non-executive Director
Mr. Simon Masemola	Non-executive Director

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	1,331,311

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 surplus from the joint venture in its financial statements amounting to (R1 331 311.30) (2022: deficit R872 192,75). 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 Africaare the external auditors in terms of the section 92 of the MFMA and the Public Audit Act.

16. AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee [ARC] of the Johannesburg Social Housing Company SOC Ltd (JOSHCO) is pleased to present its report for the financial year ended 30 June 2023.

ARC Responsibility
The ARC was established in terms of Section 166 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003, as amended) (MFMA) read with circular 65 published by the National Treasury, as well as the Companies Act 71 of 2008 as amended.

The purpose of the ARC is to assist the Board in fulfilling its oversight responsibilities and advise the Accounting Officer on matters relating to internal controls, reliability, and accuracy of financial reporting and operational information, risk management and governance, including ICT governance.

The ARC hereby confirms that it has adopted formal terms of reference as its charter and has regulated its affairs in compliance therewith in discharging all its responsibilities as contained therein.

Effectiveness of Internal Control
The systems of internal control are designed for management (in the first and second lines of defence) to provide reasonable assurance regarding the safeguarding of assets, efficient management of liabilities and working capital, accuracy and reliability of financial information, the effectiveness of core operations to deliver on the statutory mandate of JOSHCO, its compliance with legal and regulatory provisions, as well as standing policies.

From the various reports of the independent Internal Audit assurance provider operating in the third line of defence, the ARC has recommended further enhancement in the internal control environment of JOSHCO. In this regard, the Accounting Officer has committed to address the root causes identified also by the regulatory auditors and monitor the adequacy of managements' corrective controls towards avoiding repeat findings going forward.

To this end, the ARC is geared to work with management to achieve and maintain clean audit objectives in the ensuing years.

Quality of In-Year Management

The ARC duly considered the quarterly in-year reports tabled by the Accounting Officer and Executive management and subsequently recommended their approval by the Board. The ARC wishes to express its appreciation to Management for the quality of reports tabled and for the robust engagements.

Compliance with Legal and Regulatory Provisions

The ARC remains concerned with the repeat findings in particular related to overspending on the budget due to changes in operational imperatives and payments beyond 30 days. Accordingly, the ARC has implored the Accounting Officer to engage the shareholder through the Board towards arresting the root causes that negatively impact reliable cashflow projections and thereby avoid repeat non-compliance.in the ensuing financial years.

Internal Audit

In addition to the information on Internal Audit reflected in section 1 pages 107 - 127 of the Integrated Annual Report, the ARC hereby wishes to express its satisfaction with the level of assurance provided by the Internal Audit function. The ARC also commends the Internal Audit function for the completing planned projects and encourages the function to pursue further engagements with executive management towards securing 100% implementation of audit recommendations in due time.

Risk Management Function

The ARC is responsible for the oversight of the risk management function and considers the risk management reports quarterly. The risk management function operated satisfactorily during the year.

Evaluation of Audited Annual Financial Statements

The ARC has:

- reviewed and discussed the Management Report from the Auditor-General of South Africa with the Accounting Officer and Executive Management;
- reviewed the appropriateness of the accounting policies and practices; and
- reviewed and discussed with management the audited Annual Financial Statements.

The ARC resolved, on 27 November 2023 to accept the conclusions of the Auditor General on the Annual Financial Statements of JOSHCO and to embrace the final Management Report of the Auditor-General of South Africa. To this end, the ARC recommended approval of the audited Annual Financial Statements read together with the report of the Auditor-General by the Accounting Officer and the Board.

Audit and Risk Committee
27 November 2023

The Audit and Risk Committee [ARC] of the Johannesburg Social Housing Company SOC Ltd (JOSHCO) is pleased to present its report for the financial year ended 30 June 2023.

Audit Committee Members and Attendance

The Audit Committee consists of the members listed hereunder and they have met 8 times during the year.

Name of Audit Committee Members	Audit Committee		
	Attendance	Absent	Apologies
Mr. Victor Van DerMerwe	3		
Ms. Pilekile Boloto	3		
Ms. Geraldine Louw	3		
Mr. Aboubakr Taoussi	3		
Mr. Moshupi Mokgobinyane	4	1	
Mr. Jason Sobekwa	5		
Mr. Lesetsa Matshekga	5		
Mr. Ernest Khosa	5		
Mr. Simon Sepheu Masemola	3		
Ms. Yolandi Erasmus	3		
Mr. Jacques Watson	2		

Audit Committee Responsibility

The ARC was established in terms of Section 166 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003, as amended) (MFMA) read with circular 65 published by the National Treasury, as well as the Companies Act 71 of 2008 as amended. The ARC hereby confirms that it has adopted formal terms of reference as its charter and has regulated its affairs in compliance therewith to discharged all its responsibilities as contained therein.

The purpose of the ARC is to assist the Board in fulfilling its oversight responsibilities and advise the Accounting Officer on matters relating to internal controls, adequacy, reliability, and accuracy of financial reporting and operational information, risk management and governance, including ICT governance.

Effectiveness of Internal Control

The systems of internal control are designed for management (in the first and second lines of defence) to provide reasonable assurance regarding the safeguarding of assets, efficient management of liabilities and working capital, accuracy and reliability of financial information, the effectiveness of core operations to deliver on the statutory mandate of JOSHCO, its compliancewith legal and regulatory provisions, as well as standing policies. From the various reports of the independent Internal Audit assurance provider, the ARC has recommended further enhancement in the internal control environment of JOSHCO and the Accounting Officer has committed to address the root causes identified in relation to the reported deficiencies in internal controls. The ARC is committed to assist the Board in working with management towards returning to an unqualified audit opinion in the first place and secondly to set the radar on a clean audit opinion in the ensuing years.

Quality of In-Year Management

The ARC duly considered the quarterly in-year reports tabled by the Accounting Officer and Executive management and subsequently recommended their approval by the Board.The ARC wishes to express its appreciation to Management for the quality of reports tabled and for the robust engagements.

Compliance with Legal and Regulatory Provisions

The ARC remains concerned with the reported instances of irregular expenditure in particular as related to overspending on the budget due to changes in operational imperatives. However, the ARC has implored the Accounting Officer to engage the shareholder through the Board towards avoiding repeat instances in the ensuing financial years.

Internal Audit

In addition to the information on Internal Audit reflected in the Integrated Annual Report, the ARC hereby wishes to express its satisfaction with the level of assurance provided by the Internal Audit function. The ARC also commends the Internal Audit function for the percentage completion achieved in the year under review.

Risk Management Function

The ARC is responsible for the oversight of the risk management function and considers the risk management reports quarterly.The risk management function operated satisfactorily during the year.

Evaluation of Audited Annual Financial Statements

The ARC has:

- reviewed and discussed the Management Report from the Auditor-General of South Africa with the Accounting Officer and Executive Management;
- reviewed the appropriateness of the accounting policies and practices; and
- reviewed and discussed with management the audited Annual Financial Statements**.**

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. Madonna Rangaka
Acting Company Secretary

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	2	219,592	232,875
Loans to shareholders	3	2,974,818	2,974,818
Current tax receivable	26	9,139,564	49,706
Receivables from exchange transactions	4	1,287,282,284	1,472,266,117
Receivables from non-exchange transactions	5	5,524,193	4,250,781
VAT receivable	13	3,928,876	3,917,732
Cash and cash equivalents	6	202,023,316	189,265,252
		1,511,092,643	**1,672,957,281**
Non-Current Assets			
Property, plant and equipment	7	32,342,022	10,783,629
Intangible assets	8	6,918,992	9,368,751
Investments in joint ventures	9	21,769,606	20,438,295
		61,030,620	**40,590,675**
Total Assets		**1,572,123,263**	**1,713,547,956**
Liabilities			
Current Liabilities			
Loans from share holders	3	1,112,952,480	1,132,763,667
Borrowings - DBSA	10	2,743,780	2,351,671
Finance lease obligation	12	369,974	-
Payables from exchange transactions	11	1,256,078,736	1,004,038,848
		2,372,144,970	**2,139,154,186**
Non-Current Liabilities			
Borrowings - DBSA	10	7,367,935	9,007,835
Financeleaseobligation	12	471,893	-
Unspent conditional grants and receipts	14	177,800	177,800
		8,017,628	**9,185,635**
Total Liabilities		**2,380,162,598**	**2,148,339,821**
Net Assets		**(808,039,335)**	**(434,791,865)**
Share capital / contributed capital	16	120	120
Accumulated surplus		(808,039,455)	(434,791,982)
Total Net Assets		**(808,039,335)**	**(434,791,862)**

** See Note 37 & 38*

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Rendering of services		53,585,195	104,486,834
Rental of facilities and equipment		178,950,727	181,989,784
Utility Recoveries		2,601,323	1,016,143
Other income		293,500	1,669,010
Interest received	22	26,432,131	14,312,148
Total revenue from exchange transactions		**261,862,876**	**303,473,919**
Revenue from non-exchange transactions			
Taxation revenue			
Share of surpluses or deficits from associates or joint ventures accounted for using the equity method		1,331,311	-
Transfer revenue			
Government grants & subsidies		48,003,996	54,329,000
Total revenue from non-exchange transactions		**49,335,307**	**54,329,000**
Total revenue	17	**311,198,183**	**357,802,919**
Expenditure			
Employee related costs	19	(168,586,050)	**(156,216,597)**
Debt impairment	21	(109,496,145)	**(108,007,370)**
Depreciation and amortization	23	(2,813,977)	**(2,296,131)**
Impairment loss	42	(5,846,342)	**-**
Finance costs	24	(76,372,524)	**(35,908,357)**
Bad debts written off	20	(38,694,089)	**(230,798)**
Loss on disposal of assets		-	**(509,855)**
Share of deficits from joint venture		-	**(872,193)**
Administrative costs	18	**(282,636,527)**	**(199,376,627)**
Total expenditure		**(684,445,654)**	**(503,417,928)**
Deficitfor the year		**(373,247,471)**	**(145,615,009)**

** See Note 37 & 38*

Statement of Changes in Net Assets

Figures in Rand	Sharecapital/ Contributed Capital	Accumulated Surplus/Deficit	Total Net Assets
Opening balance as previously reported	120	(317,197,712)	(317,197,592)
Adjustments Prior year adjustments 37	-	28,020,739	28,020,739
Balance at 01 July 2021 as restated*	**120**	**(289,176,973)**	**(289,176,853)**
Changes in net assets Deficit for the year	-	(145,615,009)	(145,615,009)
Total changes	-	(145,615,009)	(145,615,009)
Opening balance as previously reported	120	(446,750,327)	(446,750,207)
Adjustments Prior year adjustments 37	-	11,958,343	11,958,343
Restated* Balance at 01 July 2022 as restated*	**120**	**(434,791,984)**	**(434,791,864)**
Changes in ne assets Deficit for the year	-	**(373,247,471)**	**(373,247,471)**
Total changes	-	(373,247,471)	(373,247,471)
Balance at 30 June 2023	**120**	**(808,039,455)**	**(808,039,335)**
Note(s)	16		

** See Note 37 & 38*

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		229,149,348	286,741,653
Grants		48,003,996	54,329,000
Interest income		26,432,131	14,312,148
Other receipts		5,252,553	2,803,304
Net cash flows from transactions on behalf of COJ		268,777,624	-
		577,615,652	358,186,105
Payments			
Employeecosts		(173,635,631)	(158,227,242)
Suppliers		(255,409,970)	(854,347,699)
Financecosts		(76,372,524)	(35,908,357)
Taxpaid		(9,089,858)	-
		(514,507,983)	(1,048,483,298)
Net cash flows from operating activities	25	**63,107,669**	**(690,297,193)**
Cash flows from investing activities			
Purchase of property, plant and quipment	7	(26,577,802)	(3,915,462)
Purchase of other intangible assets	8	(1,011,540)	(9,134,463)
Movement in investments(incl.Controlled entities, JVs & Assoc)		(1,331,311)	1,100,000
Net cash flows from investing activities		**(28,920,653)**	**(11,949,925)**
Cash flows from financing activities			
Net movement on borrowings - dbsa		(1,247,791)	(2,142,673)
Net movement on shareholders'l oan		(19,811,187)	721,635,645
Finance lease payments		(369,974)	-
Net cash flows from financing activities		**(21,428,952)**	**719,492,972**
Net increase/(decrease) in cash and cash equivalents		**12,758,064**	**17,245,854**
Cash and cash equivalents at the beginning of the year		189,265,252	172,019,398
Cash and cash equivalents at the end of the year	6	**202,023,316**	**189,265,252**

The accounting policies on pages 18 to 36 and the notes on pages 37 to 68 form an integral part of the annual financial statements.

** See Note 37 & 38*

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis						
Figures in Rand	**Approved Budget**	**Adjustments**	**Final Budget**	**Actual Amounts Oncomparable Basis**	**Difference Actual Between Final Budget and Actual**	**Reference**
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rendering of services	75,727,000	(42,266,000)	**33,461,000**	53,585,195	**20,124,195**	32
Rental of facilities and equipment	200,084,000	-	**200,084,000**	178,950,727	**(21,133,273)**	32
Recoveries	-	-	**-**	2,601,323	**2,601,323**	32
Other income	-	-	**-**	293,500	**293,500**	32
Interest received-investment	14,681,000	9,584,000	**24,265,000**	26,432,131	**2,167,131**	32
Total revenue from exchange transactions	**290,492,000**	**(32,682,000)**	**257,810,000**	**261,862,876**	**4,052,876**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	57,588,000	(9,583,000)	**48,004,000**	48,003,996	**(4)**	32
Total revenue	**348,080,000**	**(42,265,000)**	**305,814,000**	**309,866,872**	**4,052,872**	
Expenditure						
Personnel costs	(157,222,000)	-	**(157,222,000)**	(168,586,050)	**(11,364,050)**	32
Debt impairment	(30,600,000)	30,600,000	-	(109,496,145)	**(109,496,145)**	32
Depreciation and amortisation	(1,557,000)	-	**(1,557,000)**	(2,813,977)	**(1,256,977)**	32
Impairment loss/ Reversal of -impairments	-	-	-	(5,846,342)	**(5,846,342)**	
Finance costs	(1,672,000)	748,000	**(924,000)**	(76,372,524)	**(75,448,524)**	32
Bad debts written off	-	-	-	(38,694,089)	**(38,694,089)**	
Administrative costs	(155,250,000)	9,138,000	**(146,112,000)**	(282,636,527)	**(136,524,527)**	32
Total expenditure	**(346,301,000)**	**40,486,000**	**(305,815,000)**	**(684,445,654)**	**(378,630,654)**	
Operating deficit	**1,779,000**	**(1,779,000)**	-	**(374,578,782)**	**(374,578,782)**	
Share of surpluses or deficits -from associates or joint ventures accounted for using the equity method		-	-	1,331,311	**1,331,311**	32
Deficit before taxation	**1,779,000**	**(1,779,000)**	-	**(373,247,471)**	**(373,247,471)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**1,779,000**	**(1,779,000)**	-	**(373,247,471)**	**(373,247,471)**	

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.

Accounting Policies

1.3 Significant Accounting Judgements and Key sources of Estimation Uncertainty (continued)

Trade Receivables, Project Debtors, Related Party Debtors, Loans And Receivables (continued)

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
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 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

Accounting Policies

1.4 Property, Plant and Equipment (continued)

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	5 - 7 Years
Motor vehicles	4 - 7 Years
Office equipment	5 - 7 Years
IT equipment	3 - 5 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 residual value 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.

The residual value of all other assets with a cost less than 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.

Accounting Policies

1.4 Property, Plant and Equipment (continued)

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.

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	2 - 5 years
Intangible assets	2 - 5 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

Accounting Policies

1.6 Conditional Grants and Receipts (continued)

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.

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.

Accounting Policies

1.8 Financial Instruments (continued)

Loans to / (from) Group Companies (continued)

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. 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.

Accounting Policies

1.8 Financial Instruments (continued)

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.

Accounting Policies

1.9 Statutory Receivables (continued)

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.

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.

Accounting Policies

1.10 Tax (continued)

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.

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.

Accounting Policies

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.

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).

Accounting Policies

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.

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.

Accounting Policies

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.

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.

Accounting Policies

1.17 Employee Benefits (continued)

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.

1.18 Provisions and Contingencie (continued)

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.

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.

Accounting Policies

1.20 Revenue from Exchange Transactions (continued)

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.

Accounting Policies

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.

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.

Accounting Policies

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.

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

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.

Accounting Policies

1.25 Accounting by Principals and Agents Identification (continued)

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;

(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

(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.

Accounting Policies

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.

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

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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 2022 to 30 June 2023.

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.

Accounting Policies

1.34 Related Parties (continued)

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.

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.

Accounting Policies

2. INVENTORIES

Figures in Rand	2023	2022
Consumable stores	219,592	232,875

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

3. LOANS TO SHAREHOLDERS IMPAIRED

Sweeping account - Interest bearing	(1,112,952,480)	(1,132,763,667)
Terms and conditions		
Interest on Non - Sweeping Bank Accounts	2,974,818	2,974,818
Terms and conditions	2,974,818	5,958,169
	(1,109,977,662	**(1,129,788,849)**

The loan from shareholders mainly comprises of settlement of City of Johannesburg department invoices by JOSHCO as at 30 June 2023.

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	2,974,818
Current liabilities	(1,112,952,480)	(1,132,763,667)
	(1,109,977,662)	**(1,129,788,849)**

Loans to Shareholders Impaired

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

Sweeping Account

Loans at beginning of the year	(1,132,763,667)	(414,268,968)
Net receipts/(payments) during the year	19,811,187	(718,494,699)
	(1,112,952,480)	**(1,132,763,667)**

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.

Notes to the Annual Financial Statements

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Figures in Rand	2023	2022
Trade Receivables	27,458,932	21,471,035
Sundry Deposits	99,927	99,927
Sundry Debtors	150,127,430	9,269,057
Related Party Debtors	1,109,595,995	1,441,426,098
	1,287,282,284	**1,472,266,117**

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 R77,737,659.83 (2022: R36,503,895.85)

Trade Receivables Past Due But Not Impaired

As at 30 June 2023, 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 2023, 13,279,446 (2022:11,434,028) were past due but not impaired.

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

1 month past due	13,279,446	11,434,028

Trade Receivables Impaired

The amount of the provision was (399,131,007) as of 30 June 2023 (2022: (314,899,870)).

Trade Receivables	426,589,939	336,370,905
Less: Provision for bad debt	(399,131,007)	(314,899,870)
Net Trade Receivables	27,458,932	21,471,035
Reconciliation of provision for impairment of trade receivables		
Opening balance	(314,899,870)	(220,263,349)
Provision for bad debt	(84,231,138)	(94,636,521)
	(399,131,008)	**(314,899,870)**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Sundry debtors	5,524,193	4,250,781

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	7,053	5,057
Bank balances	202,016,263	189,260,195
	202,023,316	**189,265,252**

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 bank balances includes 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 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
STANDARD BANK - Current Deposit account - 197750	17,456,524	16,354,142	15,735,874	17,456,524	16,354,142	15,735,874
STANDARD BANK - Current Account - 197769	184,560,505	172,905,479	156,280,986	184,560,505	172,905,479	156,280,986
STANDARD BANK - Current Account - 197726	1,398	3,700	-	1,398	3,700	-
STANDARD BANK - Current Account - 197718	(2,164)	(2,610)	(2,743)	(2,164)	(2,610)	(2,743)
Total	**202,016,263**	**189,260,711**	**172,014,117**	**202,016,263**	**189,260,711**	**172,014,117**

Notes to the Annual Financial Statements

7. PROPERTY, PLANT AND EQUIPMENT

	2023			2022		
	Cost / Valuation	Accumulated Depreciation and Accumulated Impairment	Carrying Value	Cost / Valuation	Accumulated Depreciation and Accumulated Impairment	Carrying Value
Land	177,799	-	177,799	177,799	-	177,799
Furniture and fixtures	2,020,960	(811,252)	1,209,708	6,659,953	(2,894,527)	3,765,426
Motor vehicles	61,497	(56,735)	4,762	350,640	(300,342)	50,298
Officeequipment	5,808,320	(857,093)	4,951,227	1,079,030	(314,249)	764,781
IT equipment	9,940,928	(3,234,615)	6,706,313	5,473,402	(1,629,674)	3,843,728
Office furniture	5,770,538	(1,595,557)	4,174,981	-	-	-
Workinprogress	15,117,232	-	15,117,232	2,181,597	-	2,181,597
Total	**38,897,274**	**(6,555,252)**	**32,342,022**	**15,922,421**	**(5,138,792)**	**10,783,629**

Reconciliation of Property, Plant and Equipment-2023

	Opening balance	Additions	Reclassification	Depreciation	Impairment Loss	Total
Land	177,799	-	-	-	-	177,799
Furniture and fixtures	3,765,426	2,250	(706,268)	(289,827)	(1,561,873)	1,209,708
Motor vehicles	50,298	-	-	(45,536)	-	4,762
Offic eequipment	764,781	2,546,885	2,283,097	(572,054)	(71,482)	4,951,227
IT equipment	3,843,728	4,687,092	3,068,848	(1,455,193)	(3,438,162)	6,706,313
Office furniture	-	4,224,343	706,268	(400,608)	(355,022)	4,174,981
Work in progress	2,181,597	15,117,232	(2,181,597)	-	-	15,117,232
	10,783,629	**26,577,802**	**3,170,348**	**(2,763,218)**	**(5,426,539)**	**32,342,022**

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**

Pledged as Security

There are no assets pledged as security:

Notes to the Annual Financial Statements

8. INTANGIBLE ASSETS

	2023			2022		
	Cost / Valuation	Accumulated Amortisation and Accumulated Impairment	Carrying value	Cost / Valuation	Accumulatedcarrying Value Amortisation and Accumulated Impairment	
Computer software, other	581,469	(397,789)	183,680	4,224,008	(579,029)	3,644,979
Intangible assets under development	6,735,312	-	6,735,312	5,723,772	-	5,723,772
Total	**7,316,781**	**(397,789)**	**6,918,992**	**9,947,780**	**(579,029)**	**9,368,751**

Reconciliation of Intangible Assets - 2023

	Opening Balance	Additions	Reclassification	Amortisation	Impairment Loss	Total
Computer software, other	3,644,979	-	(3,170,348)	(50,758)	(240,193)	183,680
Intangible assets under development	5,723,772	1,011,540	-	-	-	6,735,312
	9,368,751	**1,011,540**	**(3,170,348)**	**(50,758)**	**(240,193)**	**6,918,992**

Reconciliation of Intangible Assets - 2022

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

Intangible assets in the process of being constructed or developed

Cumulative Expenditure Recognised in the Carrying Value of Intangible Assets

First in Rand	2023	2022
Computer software, internally generated (JOSHCO App)	6,735,312	5,723,772

Notes to the Annual Financial Statements

8. INTANGIBLE ASSETS (continued)

First in Rand	2023	2022
Carrying value of Intangible assets that is taking a significantly longer period of time to complete than expected		
Computer software, internally generated (JOSHCO App)	5,723,772	5,723,772
The delays in finalising the JOSHCO App are due to poor performance by service provider. The matter is now in the courts as JOSHCO is seeking to recover the payments made to the service provider (Refer to Contingencies note)		
	5,723,772	**5,723,772**

9. INTERESTS IN OTHER ENTITIES

Investments in Joint Ventures

Name of Company	Listed/ Unlisted	% Ownership Interest 2023	% Ownership Interest 2022	Carrying Amount 2023	Carrying Amount 2022
JOSHCO Madulamoho Joint Venture (JMJV)	Unlisted	55.00 %	55.00 %	21,769,606	20,438,295

The carrying amount of the joint venture has shown net movement amounting to R1 331 311 (2022 *Restated: (R872 193).

*The JMJV AFS had restatements to their 2022 deficit, therefore the carrying amount and 2022 share of deficit was also restated

Principal Activities and Reporting Dates of Joint Venture

Name of Entity	Principal Activity	Reporting Date	Period of Results Included
JOSHCO Madulamoho Joint Venture	55%	2023/06/30	1 July 2022 to 30 June 2023

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.

Reconciliation of Investment in Joint Venture

Opening balance	20,438,295	22,410,488
Share of profit / (deficit) from Joint Venture	1,331,311	(872,193)
Change in net assets	-	(1,100,000)
	21,769,606	**20,438,295**

Notes to the Annual Financial Statements

10. BORROWINGS - DBSA

Figures in Rand	2023	2022
At amortised cost		
Development Bank of Southern Africa	10,111,715	11,359,506

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	7,367,935	9,007,835
Current liabilities		
At amortised cost	2,743,780	2,351,671

11. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	254,040,603	224,920,222
Payments received in advance	14,031,412	10,332,397
Accrued leave pay	9,775,725	14,916,113
Consumer deposit received	17,561,103	15,927,905
Other creditors	5,220,415	4,847,256
Payroll liabilities	387,536	296,729
Related Party Creditors	955,061,942	732,798,226
	1,256,078,736	**1,004,038,848**

12. FINANCE LEASE OBLIGATIONS

Minimum lease payments due		
- within one year	425,646	-
- in second to fifth year inclusive	496,587	-
	922,233	-
less: future finance charges	(80,366)	-
Present value of minimum lease payments	**841,867**	**-**
Present value of minimum lease payments due		
- within one year	369,974	-
- in second to fifth year inclusive	471,893	-
	841,867	**-**
Non-current liabilities	471,893	-
Current liabilities	369,974	-
	841,867	-

Notes to the Annual Financial Statements

12. FINANCE LEASE OBLIGATIONS (continued)

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	2023	2022
Receivable	3,928,876	3,917,732

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.

15. FINANCIAL INSTRUMENTS DISCLOSURE

Categories of Financial Instruments

2023

Financial assets

	At Amortised Cost	Total
Loans to economic entities	2,974,818	2,974,818
Trade and other receivables from exchange transactions	1,287,282,284	1,287,282,284
Receivables from non-exchange transactions	5,524,193	5,524,193
Cash and cash equivalents	202,023,316	202,023,316
	1,497,804,611	**1,497,804,611**

Financial liabilities

Borrowings - DBSA Loan	10,111,715	10,111,715
Loans from shareholders	1,112,952,480	1,112,952,480
Trade and other payables from exchange transactions	1,245,915,475	1,245,915,475
Finance lease obligations	369,974	369,974
	2,369,349,644	**2,369,349,644**

Notes to the Annual Financial Statements

15. FINANCIAL INSTRUMENTS DISCLOSURE (continued)

2022

Financial Assets

	At Amortised Cost	Total
Loans to shareholders	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		
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	988,826,006	988,826,006
	2,132,949,179	**2,132,949,179**

16. SHARECAPITAL / CONTRIBUTED CAPITAL

Figures in Rand	2023	2022
Authorised		
1000 Ordinary shares of R1 each or par value of R1000	1,000	1,000
Issued		
Ordinary	120	120

17. REVENUE

Rendering of services	53,585,195	104,486,834
Rental of facilities and equipment	178,950,727	181,989,784
Utility recoveries	2,601,323	1,016,143
Other income	293,500	1,669,010
Interest received	26,432,131	14,312,148
Share of surplus from joint venture	1,331,311	-
Government grants & subsidies	48,003,996	54,329,000
	311,198,183	**357,802,919**

Notes to the Annual Financial Statements

17. REVENUE (continued)

Figures in Rand	2023	2022
The amount included in revenue arising from exchanges of goods or services are as follows:		
Rendering of services	53,585,195	104,486,834
Rental of facilities and equipment	178,950,727	181,989,784
Utility recoveries	2,601,323	1,016,143
Other income	293,500	1,669,010
Interest received	26,432,131	14,312,148
	261,862,876	**303,473,919**
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Share of surplus from associates or joint ventures	1,331,311	-
Transfer revenue		
Subsidy received from shareholder	48,003,996	54,329,000
	49,335,307	**54,329,000**

Notes to the Annual Financial Statements

18. ADMINISTRATIVE EXPENSES

Figures in Rand	2023	2022
Advertising	1,559,962	974,780
Auditors remuneration	2,339,242	2,156,686
Bank charges	46,895	63,997
Cleaning and Gardening	1,092,441	1,460,571
Collection costs	1,517,113	2,406,964
Community Development	-	1,210,482
Computer expenses	1,806,365	2,391,886
Conferences and seminars	106,060	14
Consumables	7,110,457	59,834
Discount allowed	5,533,020	1,074,955
Electricity	29,871,830	27,522,295
Entertainment	96,846	242,459
Equipment Hire	452,956	599,293
Fuel and oil	50,525	37,731
Gas	396,805	-
Insurance	3,440,474	3,422,066
Management fees	-	3,687,949
Placement fees	135,565	28,704
Postage and courier	1,960	-
Printing and stationery	1,512,741	371,858
Project maintenance costs	86,599,227	53,067,441
Project planning and consulting	39,025,753	12,416,098
Protective clothing	303,809	-
Refuse	2,750,639	4,035,542
Royalties and license fees	2,526,141	2,238,023
Security (Guarding of municipal property)	35,444,995	23,983,003
Subscriptions and membership fees	421,655	733,168
Telephone and fax	1,519,165	2,237,789
Tenant allocation	2,000	4,000
Training	491,876	396,057
Travel - local	3,140	2,447
Water and Sanitation	56,476,870	52,550,535
	282,636,527	**199,376,627**

Notes to the Annual Financial Statements

19. PERSONNEL COSTS

Figures in Rand	2023	2022
Acting allowances	605,957	126,473
Bargaining Council	62,748	60,193
Bonus	6,143,927	5,688,507
Directors remunerations	2,322,000	2,690,000
Employee related costs : Medical aid contributions	4,687,079	4,151,443
Employee related costs : Salaries and wages	126,896,850	113,549,612
Employee related costs : Temporary staff	126,681	-
Housing benefits and allowances	227,459	1,676,919
Leave pay provision charge	(1,084,319)	1,928,637
Overtime payments	6,116,561	5,326,680
Pension fund contributions	16,269,312	15,057,349
SDL	1,431,879	1,284,940
Shift allowance	2,262,834	2,573,994
Travel, motor car, accommodation, subsistence and other allowances	1,478,411	1,176,908
UIF	1,038,671	924,942
	168,586,050	**156,216,597**
Remuneration of Chief Executive Officer		
Mr. Sello Molapane Mothotoana		
Annual Remuneration	1,612,405	-
Acting, Travel, housing and other allowances	114,158	-
Medical aid, Pension fund and other contributions	54,559	2,882,635
	1,781,122	**2,882,635**
Mr. Victor Rambau+		
Annual Remuneration	-	2,868,460
Acting, Travel, housing and other allowances	-	14,176
	-	**2,882,636**
Remuneration of Chief Financial Officer		
Ms. Ndimande Nontobeko		
Annual Remuneration	1,517,859	1,371,204
Acting, Travel, housing and other allowances	16,035	-
Medical aid, Pension fund and other contributions	44,018	51,696
	1,577,912	**1,422,900**

Notes to the Annual Financial Statements

19. PERSONNEL COSTS (continued)

Figures in Rand	2023	2022
Remuneration of executive directors		
Mr. Mavhungu Mutheiwana	956,341	1,181,775
Mr. Nkululeko Magubane+	1,695,606	1,370,200
Ms. Livhalani Nemaungani*	1,069,200	1,248,464
Ms. Xolisile Njapha*	-	659,462
Mr. Themba Mathibe	1,619,717	-
Ms. Nokwazi Mtsali	1,236,061	-
Mr. Immanuel Burton	77,900	-
	6,654,825	**4,459,901**

As at 01 July 2023, the positions of Mr M Mutheiwana and Mr N Magubane are no longer classified as executive positions.

**Resigned*
+Mutual Separation

Remuneration of non executive directors		
Mr. T Dhlamini	146,000	240,000
Mr. T Mamba	64,000	196,000
Mr. M Maimane	96,000	192,000
Mr. S Mhlongo	-	102,000
Mr. S Dlwathi	108,000	218,000
Mr. B Makhanya	-	108,000
Ms. G Boikhanyo	172,000	258,000
Mr. E Motloung	-	108,000
Mr. S Bhengu	-	106,000
Mr. J Sobekwa	-	236,000
Ms. D Raphuti	-	106,000
Dr. K Sesele	162,000	230,000
Mr. N Bangisi	-	114,000
Mr. S Varghese	96,000	76,000
Mr. K Modipane	96,000	88,000
Mr. S James	96,000	-
Mr. T Tselane	56,000	-
Mr. M Tabane	68,000	-
Ms. Y Erasmus	74,000	-
Ms. M Francis	68,000	-
Mr. A Smith	68,000	-

Notes to the Annual Financial Statements

Mr. O Mokgosi	12,000	-
Ms. J Scott	68,000	-
Mr. J Watson	84,000	-
Mr. S Masemola	114,000	-
Mr. S Clarke	82,000	-
Mr. S Mnisi	68,000	-
	1,798,000	**2,378,000**

Remuneration of Audit Committee Members		
Mr. M Mokgobinyane	32,000	64,000
Mr. L Matshekga	56,000	82,000
Mr. E Khosa	40,000	166,000
Mr. J Sobekwa	256,000	-
Mr. V Van Der Merwe	32,000	-
Mr. A Taoussi	32,000	-
Ms. G Chaplog-Louw	32,000	-
Mr. Pilekile Boloto	32,000	-
	512,000	**312,000**
Mr. Mavhungu Mutheiwana		
Annual Remuneration	767,179	1,100,170
Acting, Travel, housing and other allowances	48,000	24,000
Medical aid, Pension fund and other contributions	141,162	57,605
	956,341	**1,181,775**
Mr. Nkululeko Magubane		
Annual Remuneration	1,689,011	1,370,200
Acting, Travel, housing and other allowances	-	-
Medical aid, Pension fund and other contributions	6,595	-
	1,695,606	**1,370,200**

Figures in Rand	2023	2022

Notes to the Annual Financial Statements

Ms. Livhalani Nemaungani		
Annual Remuneration	812,109	948,575
Acting, Travel, housing and other allowances	174,935	124,954
Medical aid, Pension fund and other contributions	82,156	174,935
	1,069,200	**1,248,464**
Ms. Xolisile Njapha		
Annual Remuneration	-	527,186
Acting, Travel, housing and other allowances	-	3,000
Medical aid, Pension fund and other contributions	-	129,276
	-	**659,462**
Mr. Themba Mathibe		
Annual Remuneration	1,130,086	-
Acting, Travel, housing and other allowances	235,900	-
Medical aid, Pension fund and other contributions	253,731	-
	1,619,717	**-**
Ms. Nokwazi Mtsali		
Annual Remuneration	1,039,907	-
Acting, Travel, housing and other allowances	-	-
Medical aid, Pension fund and other contributions	196,154	-
	1,236,061	**-**
Mr. Immanuel Burton		
Annual Remuneration	76,953	-
Acting, Travel, housing and other allowances	-	-
Medical aid, Pension fund and other contributions	947	-
	77,900	**-**

20. BAD DEBT WRITTEN OFF

Bad debts written off	38,694,089	230,798

Bad debt written off and discount allowed relate to trade debtors.

21. DEBT IMPAIRMENT

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
Debt impairment	109,496,145	108,007,370
Debt impairment consists of the following catagory of debtors:		
Trade receivables	84,231,138	94,636,521
Related party debtors	25,265,007	10,387,498
Loan to shareholder	-	2,983,351
	109,496,145	**108,007,370**

22. INVESTMENT INCOME

Interest revenue		
Interest earned - Outstanding debtors	26,432,131	14,312,148

23. DEPRECIATION AND AMORTISATION

Property, plant and equipment	2,552,307	2,190,976
Intangible assets	50,760	105,155
	2,603,067	**2,296,131**

24. FINANCE COSTS

Trade and other payables	-	130,187
Interest paid - Borrowings	894,036	996,794
Interest paid - Sweeping account	75,478,488	34,781,376
	76,372,524	**35,908,357**

Notes to the Annual Financial Statements

25. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS/(DEFICIT)

Figures in Rand	2023	2022
Surplus/(deficit)	(373,247,471)	(133,656,666)
Non cash movements:		
Depreciation and amortisation	2,813,977	2,296,131
Loss on disposal of assets	-	509,855
(Surplus) / Deficit from equity accounted investments	(1,331,311)	896,677
Finance costs-Finance leases	80,172	31,525
Interest income	(26,432,131)	-
Finance costs	76,327,524	-
Impairment loss	5,846,342	-
Debt impairment	109,496,145	-
Bad debts written off	38,694,089	230,798
Discount allowed	5,533,020	-
Changes in working capital:		
Inventories	13,283	158,713
Receivables from exchange transactions	184,983,833	(722,232,510)
Receivables from non-exchange transactions	(1,273,412)	(1,737,672)
Payables from exchange transactions	252,039,888	164,331,595
VAT	(11,144)	(1,125,639)
Effect of expenditure incurrec on behalf of COJ	(212,162,356)	-
Finance lease	(471,893)	-
DBSA Loan	2,141,826	-
	63,107,669	**(690,297,193)**

Notes to the Annual Financial Statements

26. TAX RECEIVABLE

Figures in Rand	2023	2022
Balance due to / (from) at beginning of the year	(49,706)	(49,706)
Taxation levied on re-assesssed previous tax periods, finalised in current year by Receiver (SARS)	7,918,569	-
Interest and penalties charged on prior period tax levied	1,171,288	-
Payments made in the current year	(9,089,857)	-
Taxation, Penalties and Interest reversed - Objection allowed by SARS	(9,089,857)	-
Balance due to / (from) at end of the year	**(9,139,564)**	**(49,706)**

During the 2023 financial year, SARS had issued an additional assessment for the 2020 year, charging JOSHCO interest and penalties as well. JOSHCO appealed the assessment and made payment to avoid incurring further interest and penalties. The appeal was successful and therefore, the amounts charged for tax, interest and penalties were due to be refunded to the entity from SARS

27. COMMITMENTS

Commitments in respect of capital expenditure:

Authorised and contracted for	
• Property, plant and equipment	2,303,494,1522,808,986,395
Total capital commitments	
Approved and contracted for	2,303,494,1522,808,986,395
Total commitments	
Total commitments	
Authorised capital expenditure	2,303,494,1522,808,986,395

This committed expenditure relates to fixed assets and will be financed by government grants, available bank facilities, retained surpluses andfunds internally generated.

Notes to the Annual Financial Statements

28. RELATED PARTIES

Relationships	City of Johannesburg Metropolitan Municipality
Controlling entity	Madulamoho JMJV Refer to note 9
Joint ventures	Refer to note 19
Members of key management	Pikitup Johannesburg (SOC) Ltd
Entities under common control	City Power Johannesburg (SOC) Ltd Johannesburg Water (SOC) Ltd Johannesburg Development Agency (SOC) Ltd Johannesburg Roads Agency (SOC) Ltd Joburg Market (SOC) Ltd Johannesburg Metropolitan Bus Services (SOC) Ltd Metropolitan Trading Company (SOC) Ltd Joburg Theatres (SOC) Ltd Johannesburg City Parks and Zoo NPC Ltd Joburg Tourism (SOC) Ltd Johannesburg Property Company (SOC) Ltd

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
Related party balances		
Amounts included in loans and receivables from exchange transactions with related parties		
City of Johannesburg Metropolitan Municipality	1,193,291,824	1,483,888,145
CityPower (SOC) Ltd	45,675	-
Amounts included in Loans and Trade Payables from exchange transactions with related partiesregarding related parties		
City of Johannesburg Metropolitan Municipality	(2,052,871,676)	(1,865,739,691)
Joburg Theatres (SOC) Ltd	(8,954)	-
Joburg Market (SOC) Ltd	(90,807)	-
Johannesburg Metropolitan Bus Services (SOC) Ltd	(16,560)	-
Metropolitan Trading Company (SOC) Ltd	(15,117,232)	-
Related party transactions		
Income from related parties		
City of Johannesburg Metropolitan Municipality	101,589,195	158,421,192
Expenditure with related parties		
City of Johannesburg Metropolitan Municipality	(75,478,488)	(34,781,376)
Pikitup Johannesburg (SOC) Ltd	(2,391,860)	(4,180,735)
City Power Johannesburg (Pty) Ltd	(27,272,359)	(24,921,518)
JohannesburgWater(Pty)Ltd	(54,007,918)	(47,921,819)
Joburg Theatres (SOC) Ltd	(126,512)	-
Metropolitan Trading Company (SOC) Ltd	(13,145,419)	-

Related Partytransaction 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.

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 reducethe cost of capital.

There are no externally imposed capital requirements.

There have been no changes to what the entitymanages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Notes to the Annual Financial Statements

29. RISK MANAGEMENT (continued)

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 2023 and 2022, the entity's borrowings of R10 111 715 (2022; R11 359 506) 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.

Financial assets exposed to credit risk at year end were as follows:

Figures in Rand	2023	2022
Receivables from exchange transactions	1,228,789,718	1,512,356,479
Loans to shareholders	2,760,641	2,974,818

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

30. IRREGULAR EXPENDITURE

Opening balance as previously reported	160,427,670	128,216,762
Opening balance	160,427,670	128,216,762
Add: Irregular Expenditure - current	31,242,789	11,423,958
Add: Irregular Expenditure - overspending of operational budget	212,195,209	20,640,880
Add: Irregular Expenditure - Identified in the current year but relate to prior year	-	146,070
Less: Amount written off	(125,110,013)	-
Closing balance	**278,755,655**	**160,427,670**

Incidents/cases identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Incorrect scorring of bidders	Irregular expenditure to be investigated	31,242,789	11,423,958
Three written quotations not invited	Irregular expenditure to be investigated	-	146,070
Overspending of operational budget	Irregular expenditure to be investigated	212,195,209	20,640,880
		243,437,998	**32,210,908**

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	4,060,634	1,175,013
Expenditure relating to the current year	1,387,925	2,890,191
Expenditure written off	(1,302,624)	(4,570)
Interest and penalties reversal*	(3,928,800)	-
Discovered during the current year relating to prior year	65,325	-
	282,460	**4,060,634**

Fruitless and wasteful expenditure incurred in the prior year that 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 as well as SARS penalties that were being disputed by the entity.

***Interest and Penalties Reversal**

Notes to the Annual Financial Statements

31. FRUITLESS AND WASTEFUL EXPENDITURE (continued)

The total interest and penalties reversed comprises of the following

1. SARS Tax Penalties and Interest

The 2022 fruitless and wasteful expenditure that was incurred as a result of interest charged by suppliers due to outstanding invoices was reversed during the 2023 financial year. In addition, after the end of the financial year, prior the finalisation of the AFS, JOSHCO received correspondance from SARS regarding the dispute that was filed. JOSHCO was successful in their review, and SARS has reversed the interest and penalties charged and declared amounts paid are refundable to JOSHCO.

2. Interest Paid to Supplier

During the current year, interest on overdue invoice (R2,7 million) that was paid to a supplier (incurred in 2022 financial year) was subsequently reversed, and therefore the fruitless and wasteful expenditure was also reversed.

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

Impracticability

The following deviations were due to emergencies as per regulation 36 of the supply chain management regulation:

Name of Service Provider	Description of Deviation	2023	2022
Belemandi Consulting	Extension of Scope – board committee meetings taking longer than allocated time	-	4,938
Phumelele Real Estate	Parking space for head office-based employees. There are insufficient parking spaces available to accommodate all employees. A building near the office was identified and therefore competitive bidding was impractical.	1,188,359	-
		-	-
Total		1,188,359	4,938

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.

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**

Notes to the Annual Financial Statements

32. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

In addition to the deviations above, the following goods and services were procured from utilising a contract of another organ of state (i.e. The parent Municipality). Due to the instruction issued by the parent Municipality to utilise Panel of attorneys procured through CoJ SCM process for legal servicesrequired by entities, it was therefore impractical for JOSHCO to procure the following legal services through normal procurment processes

Name of Supplier	Desription of Services	2023	2022
Kunene Ramapala INC.	Debt Collection	2 955 487,85	5 106 250,00
Madiba Motsai Masitenyane & Githiri Attorneys	Demolition applications for proprties at Dobsonville	129 626,25	-
Magagula Attorneys	UISP	2 875 000,00	5 031 250,00
Mncedisi Ndlovu & Sedumedi Attorneys	Legal Fees	45 554 104,84	43 038 157,00
Ncube Inc Attorneys	UISP & Legal fees	10 618 394,38	2 875 000,00
Padi Inc Attorneys	Evictions and Recoveries	1 047 540,91	1 484 310,42
Poswa incorporated	UISP	2 875 000,00	5 031 250,00
Ramatshila-Mugari Attorneys	UISP	2 875 000,00	5 031 250,00
TP Khoza Attorneys	Evictions and Recoveries	719 935,57	1 445 413,68
Twala Incorporated	Registration of notational deeds of sevitude of restained on SHRA funded projects	40 886,00	75 573,65
Nchupentsang Attorneys	Legal Fees	2 055 614,09	618 827,05
Anderson Mmamadi Salane Attorneys	UISP	3 350 979,25	5 031 250,00
BW Pumla Nkosi Attorneys	UISP	3 171 613,75	5 031 250,00
Finger Attorneys	Legal Fees	1 136 465,75	-
Gildenhuys Malatjie Inc	Evictions and Recoveries	20 542,35	435 310,90
Khumalo Masondo Attorneys	Debt Collection	258 484,69	-

Notes to the Annual Financial Statements

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 above budget by 1% (R305 million budget vs R309 million actual income) mainly due to the following reasons:

1. Rental of facilities and equipment is 11% below budget. The impact is from outdoor advertising and reduction on rental tarriff that was adjusted in Quarter four.
2. Rendering of services is 60% above budget due to an increase management fees earned from upgrades, repairs and maintenance spending on behalf of CoJ departments.
3. Recoveries amounted to R2,6 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 9% above budget due to low collection levels of tenant debtors who are being charged interest on long outstanding rentals due to JOSHCO.
6. Share of surplus from associates and joint ventures is as a result of JOSHCO's 55% share of profits earned from the JOSHCO Madulamoho Joint Venture, who have reported a surplus for the 2023 financial year.

Total expenses variances:
Total expenditure is over budget by 122% (R305,8 million budget vs R674 million actual expenditure) mainly due to the following reasons:

1. Employee related costs is 7% above budget due to implemantation of EPWP program
2. Debt impairment and bad debts written off is due to low rental collection leading to higher provision for bad debts. In addition, it is caused by related party debtors that are discounted applying GRAP 104 principles.
3. Depreciation and amortisation is more than buget due to sharp increase in purchase of computer equipment and software due to aging technology and furniture for the revamped head office.
4. Finance costs is significantly more than budget due to interest charged on sweeping account which is in overdraft largely due to claims for work done on behalf of CoJ Departments not being settled timeously.
5. Administrative expenses are 95% above budget, which is caused by increases to repairs and maintenance 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 continues to be above budget. The overspending is also as a result of increase in legal fees for investigations and rental collection and eviction process, and implementation of IT solutions as well as a rise in security costs for projects under construction.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a result of decrease in rendering of services, increase in interest received, a reduction in subsidies, bad debt written off and reallocation of debt impairment.

34. NEW STANDARDS AND INTERPRETATIONS

34.1 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2023 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:

Notes to the Annual Financial Statements

35. AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN SERVICE OF THE STATE

SCM regulation 45 states that, the notes to the annual financial statement of a municipality or municipal entity must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or have been in the service of the state in the previous 12 months.

During the year ended 30 June 2023, the details of awards made by JOSHCO are as follows

Details of Award Made

Name of Supplier	Phumelele Real Estate
Capacity in which that person is in the service of the state	Closefamily member in Department of Education and Johannesburg Development Agency
Amount of award	R1 188 369

36. CONTINGENCIES

JOSHCO has engaged several legal firms for the evictions and recovery of arrear rent at various JOSHCO buildings. Due to the tedious court process, a reliable estimate of the amount to cannot be determined.

JOSHCO is currently involved in various legal disputes against the below companies Details of the contingecies are as follows:

Figures in Rand	2023	2022
Contigent liabilities	653,378	653,378
1. Gosiame Development Consultants (Pty) Ltd - Damage Claim for loss of income relating to professional services rendered at Randburg Selkirk project		
2. Renaissance Security and Cleaning T/A Topo Security Services	298,594	27,852
3. ESOR Construction - legal fees from for construction work done on the Casa Mia refurbishment project	-	170,000
4. Murray and Dickson (Pty) Ltd - claim for work done on the Dobsonville project	-	1,219,849
5. SMEC South Africa (Pty) Ltd - interest on overdue professional and legal fees	-	157,136
	951,972	**2,228,215**
Contigent assets		
1. Solidaire Contrction (Pty) Ltd - failure by service provider to perform as per JBCC contract	-	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 a result on non-performance	14,645,680	14,645,680
4. QuickProp Systems (Pty) - damages suffered as a result of non- perfromance	6,735,312	-
	28,368,253	**33,068,149**

Notes to the Annual Financial Statements

37. 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

2023

	Note	As Previously Reported	Correction of Error	Restated
Sundry debtors 2022		49,359,419	(11,982,827)	37,376,592
Sundry debtors 2021 and earlier*		39,406,642	(28,020,739)	11,385,903
Interest in joint ventures		20,413,811	24,484	20,438,295
Accumulated surplus		(394,812,900)	39,979,082	(434,791,982)
		(285,633,028)	-	**(365,591,192)**

***Sundry debtors 2021 and earlier**
The 2021 balance was restated by R10 140 672, and restatements relating to earlier financial years totals to R17 880 067

Statement of Financial Performance

2023

	Note	As Previously Reported	Correction of Error	Restated
Water and Sanitation (Municipal charges)		40,567,708	11,982,827	52,550,535
Share of deficits from joint venture		896,677	(24,484)	872,192
Surplus for the year		**41,464,385**	**11,958,343**	**53,422,727**

37.1. Prior Period Errors Adjustments

Sundry Debtors:

The sundry debtors balance was reviewed and it was noted that there is an error where municipal charges were treated as receivables. Therefore the prior period was adjusted by R11 982 827 against 2022 municipal charge with the remaining balance of R28 107 534,93 adjusted against Accumulated surplus as it relates to periods prior to 2022 financial year

Interest in Joint Ventures

The JMJV audited financial statements for 2023 had a restatement to the deficit, therefore JOSHCO has restated the interest in joint ventures carrying value with its share (55%) of the effect of the restatement.

Water & Sanitation (Municipal Charges)

The error of incorrect treatment of municipal charges as sundry debtors has resulted in the correction of the 2022 movement being restated with the movement of 2022. The remaining R28 107 534,93 relates to periods

Share of Deficits from Joint Venture

The JMJV audited financial statements for 2023 had a restatement to the deficit, therefore JOSHCO has restated the share of deficits from joint venture with its share (55%) of the effect of the restatement.

Notes to the Annual Financial Statements

38. PRIOR PERIOD ERROR DISCLOSURE

The review of the disclosed transactions resulted in the below discosure adjustments relating to prior year:

Figures in Rand	2023	2022
Financial Instruments disclosure (Financial liabilities)		
Trade and other payables from exchange transactions as previously reported	-	1,512,356,479
Adjustments	-	(15,212,842)
Restated prior year balance	-	1,497,143,637

Adjustment made to prior year balance of financial instruments, specifically trade and other payables from exchange transactions (financial liabilities) is due to prior period error identified through the audit process where certain liabilities that did not meet the criteria were included in the balance of the 2022 audited financial statements

Figures in Rand	2023	2022
Commitments		
Previously reported 2022 balance		2,848,769,566
Adjustments		(39,783,171)
Restated 2022 balance		**2,808,986,395**

Management reviewed the commitment balance and the review resulted in an adjustment of R(39,783,171) to restate the 2022 commitments balance

39. RECONCILIATION BETWEEN BUDGET AND STATEMENT OF FINANCIAL PERFORMANCE

Reconciliationofbudgetsurplus/deficitwiththesurplus/deficitinthe statementoffinancialperformance:

Net deficit per the statement of financial performance	(373,247,471)	(145,615,009)
Adjusted for:		
Depreciation and amortisation	2,813,977	2,296,131
Impairments recognised / reversed	109,496,145	108,007,370
Loss on the diposal of assets	-	509,855
Share of (surplus)/deficits from joint ventures	(1,331,311)	896,677
Bad debt written off	38,694,089	230,798
Discount Allowed	5,533,020	1,074,955
Impairment loss	5,846,342	-
Net deficit per approved budget	**(212,195,209)**	**(32,599,223)**

40. 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.

Notes to the Annual Financial Statements

41. 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.

Reportable Segments were not aggregated for reporting purposes as the segments operate throughout the city and no specific geographic locations. In addition, the reportable segments have different characteristics of goods and services that are provided in each segment. Reportable segments and non-reportable segments are reconciled to the totals as per the financial statements.

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

Reportable segment	Goods and/or services
Housing Management	Rental of facilities and equipment
Housing Development	Rendering of services

Segment Surplus or Deficit, Assets and Liabilities

2023

Revenue	Housing Management	Housing Development	Total
Rental of facilities and equipment	178,950,728	-	178,950,728
Utility recoveries	2,601,323	-	2,601,323
Interest received	26,432,131	-	26,432,131
Rendering of services	-	53,585,195	53,585,195
Total segment revenue	**207,984,182**	**53,585,195**	**261,569,377**
			-
Revenue reconciling items			
Other income			293,500
Subsidy received from shareholder			48,003,996
Share of surplus from joint ventures accounted for using the equity method			1,331,311
Total revenue reconciling items			**49,628,807**
Entity's revenue			**311,198,184**

Notes to the Annual Financial Statements

41. SEGMENT INFORMATION (continued)

Revenue	Housing Management	Housing Development	Total
Expenditure			
Employee related costs	83,435,080	11,672,307	95,107,387
Debt impairment	81,463,196	25,265,007	106,728,203
Finance costs	-	75,478,488	75,478,488
Bad debts written off	38,694,089	-	38,694,089
Administrative costs	205,444,083	11,254,899	216,698,982
Total segment expenditure	**409,036,448**	**123,670,701**	**532,707,149**
Total segmental surplus/(deficit)			**(271,137,774)**
Expenditure reconciling items			
Employee related costs			(68,692,496)
Depreciation & amortisation			(2,603,066)
Administrative costs			(68,692,496)
Impairment loss			(5,846,342)
Finance costs			(894,036)
Total revenue reconciling items			**49,628,807**
Entity's surplus (deficit) for the period)			**(373,036,561)**
Assets			
Receivables from exchange transactions	27,458,932	1,109,595,995	1,137,054,927
Investment in associates (equity method)	21,769,606	-	21,769,606
Loans to shareholder	2,974,818	-	2,974,818
Cash and cash equivalents	17,456,524	184,560,505	202,017,029
Total segment assets	**69,659,880**	**1,294,156,500**	**1,363,816,380**
Assets reconciling items			
Inventory			219,592
Current tax receivable			9,139,564
VAT receivable			3,081,550
Property, plant and equipment			32,373,321
Intangible assets			6,918,992
Receivables from exchange transactions			166,397,040
Receivables from non-exchange transactions			5,524,193
Cash and cash equivalents			6,287
Total assets as per Statement of financial Position			**1,587,476,919**

Notes to the Annual Financial Statements

41. SEGMENT INFORMATIOn (continued)

Revenue	Housing Management	Housing Development	Total
Liabilities			
Borrowings - DBSA	-	10,111,715	10,111,715
Payables from exchange transactions	36,812,930	1,224,245,291	1,261,058,221
Loans from shareholder	-	1,112,952,480	1,112,952,480
Deferred income	-	177,800	177,800
Total segment liabilities	**36,812,930**	**2,347,487,286**	**2,384,300,216**
Liabilities reconciling items			
Finance lease obligation			841,867
Accrued leave pay			9,775,725
Payroll related liabilities			387,536
Total liabilities as per Statement of financial Position			**2,395,305,344**
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	-	104,486,834	104,486,834
Total segment revenue	**197,318,075**	**104,486,834**	**301,804,909**
Revenue reconciling items			
Other income			1,669,010
Subsidy received from shareholder			54,329,000
Total revenue reconciling items			55,998,010
Entity's revenue			**357,802,919**
Expenditure			
Employee related costs	84,945,128	10,777,814	95,722,942
Debt impairment	94,636,521	10,387,498	105,024,019
Finance costs	-	34,781,375	34,781,375
Administrative costs	141,299,971	12,919,964	154,219,935
Bad debts written off	230,798	-	230,798
Total segment expenditure	**321,112,418**	**68,866,651**	**389,979,069**
Total segmental surplus/(deficit)			**(88,174,160)**

Notes to the Annual Financial Statements

41. SEGMENT INFORMATION (continued)

Revenue	Housing Management	Housing Development	Total
Expenditure reconciling items			
Employee related costs			(60,493,654)
Loss on disposal of assets			(509,855)
Share of deficit from Joint Venture			(872,193)
Administrative costs			(45,156,694)
Debt impairment			(2,983,351)
Finance costs			(1,126,982)
Depreciation & amortisation			(2,296,131)
			55,998,010
Total revenue reconciling items			
Entity's surplus (deficit) for the period			**(145,615,009)**
Receivables from exchange transactions	21,471,035	1,441,426,098	1,462,897,133
Loans to shareholder	2,974,818	-	2,974,818
Investment in joint ventures (equity method)	20,413,811	-	20,413,811
Cash and cash equivalents	16,354,142	172,905,479	189,259,621
Total segment assets	**61,213,806**	**1,614,331,577**	**1,675,545,383**
Inventory			232,875
Current tax receivables			49,706
VAT receivables			3,917,732
Cash and cash equivalents			5,631
Receivables from exchange transactions			9,368,984
Receivables from non-exchange transactions			4,250,781
Property, plant and equipment			10,783,629
Intangible assets			9,368,751
Total assets as per Statement of financial Position			**1,713,523,472**
Liabilities			
Borrowings - DBSA	-	11,359,506	11,359,506
Payables from exchange transactions	31,107,558	957,718,444	988,826,002
Loans from shareholder	-	1,132,763,667	1,132,763,667
Deferred income	-	177,800	177,800
Total segment liabilities	**31,107,558**	**2,102,019,417**	**2,133,126,975**
Accrued leave pay			14,916,113
Payroll related liabilities			296,729
Total liabilities as per Statement of financial Position			**2,148,339,817**

Notes to the Annual Financial Statements

41. SEGMENT INFORMATION (continued)

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies, except that pension expense for each segment is recognised and measured on the basis of cash payments to the pension plan.

42. IMPAIRMENT LOSS

Figures in Rand	2023	2022
Impairments		
Property, plant and equipment	5,606,148	-
Intangible assets	240,193	-
	5,846,341	**-**

Supplementary Information

Figures in Rand	2023	2022
1. MFMA Additional Disclosure		
UIF	1,038,671	924,942
SDL	1,431,879	1,284,940
Pension Fund Contributions	16,269,312	15,057,349
Medical Aid Contributions	4,687,079	4,151,443
Auditors remuneration	2,339,242	2,156,686
	25,766,183	**23,575,360**

*See Note 38

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