JOHANNESBURG SOCIAL HOUSING COMPANY

INTEGRATED ANNUAL REPORT 2020/21

"WE DELIVER AFFORDABLE AND SUSTAINABLE SOCIAL HOUSING IN JOBURG"

Integrity: Honesty; Principled Behaviour; Transparency; Accountability.

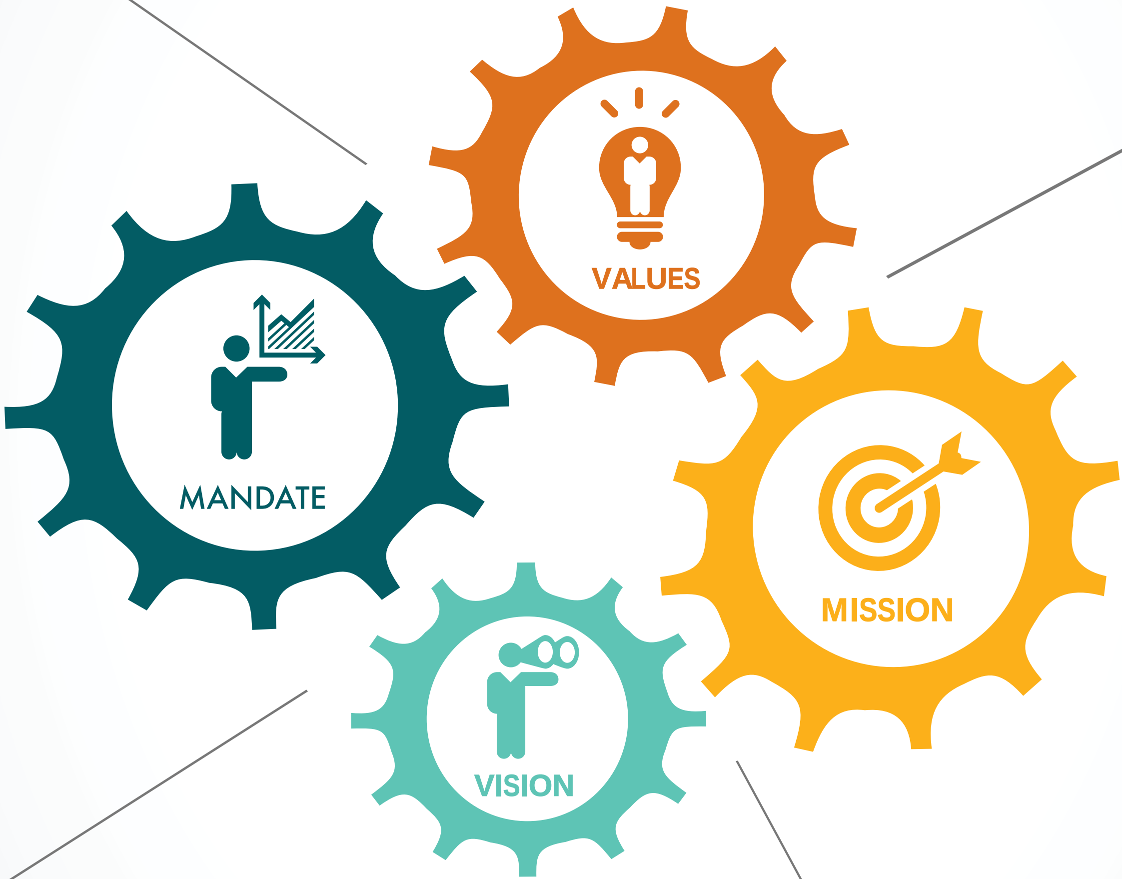
Customer Focus: Listening; Building Relationships; Evaluation and Reflection; Excellence: Productivity; Professionalism.

Innovation: Imagination; Enthusiasm; Boldness; Tenacity.

Teamwork: Goal Orientation; Respect; Communication; Dependability.

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 to access national and provincial grant-funding which a City or department cannot.



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.

To become the best provider of quality, affordable social housing designed to world-class standards that contributes to the City that works.

COMPANY INFORMATION

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

JOHANNESBURG SOCIAL HOUSING COMPANY SOC LIMITED

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

CONTENTS


JOSHCO
JOHANNESBURG SOCIAL HOUSING COMPANY

INTRODUCING THE STAKEHOLDERS

Table 1: KEY STRATEGIC GOALS/OBJECTIVES

NO	SHORT TERM OBJECTIVES	MEDIUM TERM OBJECTIVES	LONG TERM OBJECTIVES	IMPACTED OUTCOMES
1	Develop social housing units at expected standards.	Footprint across the seven regions of 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.
2	Well-defined job packages for local labourers and support of Small, Medium and Micro Enterprises (SMME).	Increase access to jobs and SMME support in our capital project.	Contribute towards economic development through Broad-Based Black Economic Empowerment.	SMME supported, job created, and continued contribution to economic growth.
3	Focus on getting the organisation to a break even point.	Ensure sound financial management, sustainability, and good governance.	Become a financially sustainable company.	Self-sustained entity without compromising service delivery.
4	Assessment of the suitability of buildings and retrofit.	Installation of measures such as solar systems, rainwater harvest, and energy saving lights in all projects.	Contribute to mitigating Climate Change Impact.	Conducive environment to live, work, and play.
5	Implementing 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 which support building communities.
6	Establish a functional CRM System.	Customer Relation management that supports service delivery.	Become a customer-centric company.	Customer and stakeholder satisfaction.
7	Initiatives to Improve employee's moral.	Inculcate the high performance/good governance abiding culture.	Strengthen Governance and Compliance.	Good governance.

ABOUT THIS REPORT

REPORT SCOPE AND BOUNDARY, BASIS FOR INCLUSION AND RESTATEMENTS

This integrated report reviews our financial, operational, environmental, social, and governance performance for the entity from 1 July 2020 to 30 June 2021. It considers our use and impact of the six capitals, and our performance against our strategic objectives. The report is prepared in accordance with the International Integrated Reporting Framework (IIRF) and is a legislative requirement that needs to be fulfilled, as JOSHCO is an entity of the Municipality.

The basis of this Integrated Report 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 we use to communicate the performance of the entity focusing on material matters, both positive and negative, to the range of our stakeholders. We endeavor to focus on both qualitative and quantitative matters 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 its external environment, as well as risks and opportunities. We determine material matters by assessing these factors, linking them to legitimate stakeholder interests and concerns, and aligning these to the strategy. In determining material matters we are also 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 towards the achievement of strategic goals.

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

> *Principle 11 of the King IV Report on corporate governance requires that the Board identify key performance and risk areas as well as associated key performance and risk indicators. This includes areas such as finance, ethics, conduct, compliance, and sustainability. Executives review material matters annually to determine if there has been a change in the likelihood or magnitude of their effect on our business, or if new material matters have emerged. Management is also required to report to the Board on how it has addressed material matters (either internal or external). This provides the Board with assurance that material matters are effectively and timeously attended to.*

QUANTITATIVE MATERIALITY

The term "material" is defined in the Standard of General Recognised Accounting Practice (GRAP) on Presentation of Financial Statements (GRAP 1) as follows:

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.

Detailed in the table below are financial indicators that are indicative of the type of indicators widely used and accepted in the accounting profession as a basis for calculating materiality.

Financial indicators used for calculating materiality

ELEMENT	RANGE TO BE APPLIED ON ANNUAL FIGURES
Revenue	0.5% - 1%
Net Profit before tax	5% - 10%
Total assets	1% - 2%
Total liabilities	1% - 2%

Joshco has assessed its operational activities in terms of the above indicators. Based on the understanding of the nature of the operations, it is our opinion that the category stated below in table reflect the class of transaction most appropriate for the entity in determining the financial statement materiality for the 2020/21 financial year.

Material class in determining materiality

ELEMENT	RANGE TO BE APPLIED ON ANNUAL FIGURES	2019/20		2020/21	
		MINIMUM R'000	MAXIMUM R'000	MINIMUM R'000	MAXIMUM R'000
Budgeted Revenue	0.5% - 1%	910	1,821	1.247	2.494

The following factors were considered in determining materiality levels:

- Net profit before tax will not be appropriate as we do not generate a net profit before tax and are in fact in a deficit position.
- We do not have major assets or liabilities as we are an implementing agency of COJ and our assets do not sit in our books.
- Joshco is a revenue driven business hence budgeted revenue was determined to be the most appropriate class of transaction to use to determine materiality for the 2020/21 financial year.

The overall materiality is therefore set at the upper limit of R2.5 million for the 2020/21 financial year which is a fair representation of quantitative materiality. This encourages accountability for the entity and promotes good governance.

> "JOSHCO's ability to create value and achieve its strategic objectives is influenced by its external environment, as well as risks and opportunities."

QUALITATIVE MATERIALITY

In determining qualitative materiality on the financial statements, the following was taken into consideration:

- Legislative requirements – e.g. Municipal Finance Management Act (MFMA), King IV, Companies Act, Accounting Standards, etc.
- Any item whose omission or misstatement could influence the decisions or actions of the users of the financial statements.
- Any matter that could affect the ability of the entity to continue as a going concern.
- Any activities which are outside of the mandate of the entity or not in line with the approved strategic plan.
- All losses in respect of criminal conduct and the resultant criminal or disciplinary steps taken.
- Material irregular, fruitless and wasteful expenditure.

SUMMARY OF SIGNIFICANT FRAMEWORKS AND LEGISLATIONS USED TO PREPARE THIS REPORT

- Section 121 of Municipal Finance Management Act 56 of 2003 (MFMA)
- Section 46 of Municipal Systems Act 32 of 2000 (MSA)
- National Treasury Circular 63
- Generally Recognised Accounting Practices (GRAP)
- Interpretation of Statements issued by the Accounting Standards Practices Board
- Companies Act 71 of 2008
- King IV Report on Governance for South Africa 2016
- Joburg 2040 Growth Development Strategy (GDS)
- Integrated Development Plan (IDP)

ASSURANCE PROCESS FOR THE INTEGRATED ANNUAL REPORT

Principle 5 of the King IV Report on Corporate Governance requires that the governing body should ensure that the 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. It is good corporate governance practice for the board to ensure that structure of review and authorisation is implemented. This ensures the truthful, factual presentation of the organisation's financial position. JOSHCO's assurance process of the Integrated Report is guided and assured by its governance structures. The Integrated Annual Report is submitted to the ARC for the review of financial information and provides the Board, as well as the Council of the COJ, with an authoritative and credible view of the financial position of the entity. The Board ultimately assumes the responsibility of approving the Integrated Annual Report in each financial year.

APPROVAL:

Nontobeko Ndimande CA(SA)
Chief Financial Officer
Date of Approval:

Theodore Dhlamini
Chairperson of the Board
Date of Approval:

Victor Rambau
Chief Executive Officer
Date of Approval:

Mlungisi Mabaso
MMC: Housing
Date of Approval:

Johannesburg Social Housing Company

CHAPTER

1

LEADERSHIP AND CORPORATE PROFILE

Strategic Goal: 7

Stakeholders Interested:

SECTION 1:

MMC'S FOREWORD

MMC: Housing

The world-wide COVID-19 pandemic continued to pose a challenge as the country experienced different waves. Two COVID-19 waves were experienced within the 2020/21 FY resulting in stringent measures being put in place to ensure adherence to COVID-19 regulations.

JOSHCO was resilient in the implementation of its mandate which included, as part of business diversification, the implementation of programmes such as Temporary Relocation Areas, Upgrading of Informal Settlements Program, Hostel Upgrades, and Student Accommodation. These and other programmes are newly implemented initiatives in the face of adversity – an achievement of which JOSHCO can be immensely proud. I have noted with concern a steady decline in the entity's financial position due to various line expenditure items closed much higher than the budget in the FY, exacerbated by low collection rate. However, I have taken cognisance of the pragmatic strategy that the Board has approved during the FY. The strategy is envisaged to turn around the entity, so that it may become financially sustainable in the medium to long term.

Countrywide we are faced with challenges of unemployment and poverty (amongst others). As government, it is our responsibility to respond to these challenges, and as JOSHCO we are able to do so by means of availing affordable rental housing for the City's residents. It is crucial that we balance service delivery while responding to the needs of our residents. The coming years will witness the entity implementing mega social housing projects that were launched in this current FY at Jeppestown, Rivonia, and Riverside. These are going to be smart developments with accessories such as wi-fi systems for every unit, solar water heating, and heating/cooling cavity walls. All of these developments, together with the smart accessories, are some of the steps taken to ensure that we become a leading social housing provider. We are committed to building a JOSHCO that is sustainable and profitable. The available technology will enable the company to be the best social housing entity on the continent – one that is welcoming and competent to residents of this City.

I am confident that initiatives such as outdoor advertising, as well as many other initiatives that form part of our turnaround strategy, will go a long way to enhance the revenue stream and build the internal capacity of the entity.

> **"I look forward to the year ahead, in which I pledge my complete support to ensuring that the entity takes significant strides towards greatness."**

Finally, I would like to express my gratitude to the Board, Executive team, and the entire JOSHCO staff for their relentless effort in ensuring the implementation of the JOSHCO mandate in such a challenging era. I look forward to the year ahead, in which I pledge my complete support to ensuring that the entity takes significant strides towards greatness.

Cllr Mlungisi Mabaso
MMC: Housing

SECTION 2:

CHAIRPERSON'S FOREWORD

Theodore Dhlamini
Chairperson: Board of Directors

It is my privilege to present the Integrated Annual Report for the period 1 July 2020 to 30 June 2021, on behalf of the Johannesburg Social Housing company (JOSHCO). This is the second Integrated Annual Report released during my tenure as Chairperson of the Board at JOSHCO.

Sustainable economic growth remains a key priority for South Africa, as economic growth stimulates job creation and enhances the quality of life for the Johannesburg Metropolitan Community. The latter part of the 2020/2021 financial year posed great challenges to South Africa as it was experiencing the third wave of the COVID-19 pandemic, and this impacted the stability of the South African economy.

The Board has thus provided strategic direction and oversight, ensuring that JOSHCO operates in a sustainable manner with clear commitment to the socio-economic imperatives of the COJ residents. The Board is on the second year of its term, has continued to provide governance oversight to the organisation, and continues to adhere to the application of the King IV principles. The Board is confident that the organisation's compliance standards are improving. Our governance report demonstrates (as outlined by King IV) how the governance outcomes were achieved. The organisation continued to demonstrate its commitment to making a difference in the human settlement patterns of the COJ by providing low-income families with access to quality rental accommodation that is closer to work and social amenities, thereby improving their quality of life despite the challenges, which were posed by the COVID-19 health crises.

Due to the national lockdown and the outbreak of the COVID-19 pandemic, JOSHCO operations have been greatly affected through a robust decline in rental collection, as some JOSHCO tenants continued to suffer negative financial impacts because of the overall economic impact of the pandemic and mitigation regulations. The lockdown regulations required that South Africans work from home (wherever possible), and this resulted in a direct and negative impact on the livelihoods of many JOSHCO tenants. In support of the regulations, and the health and safety of Johannesburg Citizens, the organisation heeded the National call of the President, and ensured that employees were equipped with the necessary tools to continue to work from home – facilitating efforts to keep employees safe from the effects of the global pandemic.

> **"Organisational performance remains at the heart of the Board and although the organisation did not perform as expected in the year ending 30 June 2021, the Board remains pleased that the entity managed to deliver 609 social housing units. This achievement contributes to the eradication of housing backlog in the city."**

KEY HIGHLIGHTS PERFORMANCE

Organisational performance remains at the heart of the Board and although the organisation did not perform as expected in the year ending 30 June 2021, the Board remains pleased that the entity managed to deliver 609 social housing units. This achievement contributes to the eradication of housing backlog in the city.

The Board approved its turnaround strategy and the business plan in March 2021. These were designed to improve the organisation's performance by, amongst others, introducing new revenue streams and tapping into uncaptured market segments. The Board further launched its mega social housing project in Jeppe's town and Rivonia Sandton to remedy the injustices of the past and allow people within lower income thresholds to reside closer to economic hubs. JOSHCO further reached a milestone by launching student accommodation in Wolmarans building.

KEY POLICY DEVELOPMENTS

A recent administration priority has drawn attention to Inner-City regeneration, with JOHSCO as one of the key delivery agents.

CONCLUSION

I wish to extend my heartfelt thanks and appreciation to the MMC of Housing, and fellow Board members for their ongoing support in the supervision and strategic leadership. My thanks and appreciation are also extended to the Chief Executive Officer, his Executive team, and the JOSHCO staff at large, for giving effect to our strategic and operational plans.

Theodore Dhlamini
Chairperson: Board of Directors

> **"I wish to extend my heartfelt thanks and appreciation to the MMC of Housing and fellow Board members for their ongoing support in the supervision and strategic leadership."**

SECTION 3:

CHIEF EXECUTIVE OFFICER'S REPORT

Victor Rambau
Chief Executive Officer

It is with great pleasure that I report to stakeholders a synopsis of JOSHCO performance for the year under review. I will further highlight some of the challenges we encountered and plans on how we will respond going forward.

The shortage of housing in Johannesburg is a reality that requires a joint effort from both the public and private sectors. JOSHCO is strategically positioned to respond and contribute to addressing the housing shortage, estimated at about 500 000, in Johannesburg. Our mandate as JOSHCO, is to develop and manage social housing units citywide. In implementing our mandate, we endeavour to build social cohesion within our communities through the provision of modern, decent, and safe accommodation that provides tenants with a place to live, work, and play. It is on this basis that our projects are planned closer to economic hubs, social amenities, and transport nodes.

Through our properties, we aim to change the narrative that focuses on social housing provision to the notion of building communities. We will achieve this through community development initiatives that focus on, amongst others, early child development and involvement of tenants in job creation projects.

TURN AROUND STRATEGY

As part of responding to performance challenges brought about by the ever-changing economic dynamics on the back of a global lockdown, JOSHCO has developed a five-year strategy intended to turnaround the organisational performance and improve efficiency. Our strategy focuses on revenue enhancement initiatives while improving operational efficiency, with cost reduction and improved service delivery at the core of our approach.

We are confident that effective implementation of our strategy will have a significant effect, not just on the achievement of our mandate but also on the livelihood of communities around our properties.

Furthermore, our strategy outlines portfolio diversifications envisaged to enhance the company revenue and ensure that the organisation improves on its financial sustainability.

As part of our portfolio diversification, we have fully implemented our first student accommodation through convention and retrofitting of one of our inner city buildings, which is within the vicinity of the institutions of higher learning.

> **"We are confident that effective implementation of our strategy will have a significant effect, not just on the achievement of our mandate but also on the livelihood of communities around our projects."**

RESTORING TRUST

JOSHCO undertook an annual satisfaction survey to measure the level of satisfaction and trust in our services. The results of the survey revealed that only 16% of the sampled population is satisfied with our services.

While we acknowledge and appreciate that the circumstances that our tenants are under may have significantly influenced their perception, we have put in place a robust plan to improve our service-level standards.

Our plan to restore trust with our clients will focus on matters of importance, as per customer feedback. The satisfaction survey will assist JOSHCO to reposition its approach in responding to customers' needs - from an Inward focused approach to an Outside-in Focused approach. In this way, we are placing the voice of our customers before our operational design and structural changes. This will assist JOSHCO in responding to customer requests with precision.

KEY PERFORMANCE HIGHLIGHTS

In recent years JOSHCO has experienced operational challenges, mainly due to global trade shutdown due to COVID-19, which has affected vital priorities such as job creation and efforts to support local economic development. The performance of the organisation provides a clear view of the impact that working from home has, to some extent, negatively impacted on productivity. We have seen a decline in achievement of the annual targets where only four out of 21 were fully achieved, with the majority of targets at more than 50% of the set target. The core business-related targets, such as the development of units and occupancy rate, were achieved. The entity held groundbreaking events launching three turnkey projects planned to deliver more than 3000 units in the next three FYs.

Revenue closed the FY at 7% (R17.9 million) higher than the budget of R249 million. Total expenditure increased by 35% to R383.2 million (from 2020: R283.9 million). The biggest contributors to the increase are staff costs, provision for bad debts, and utilities. As a result, we recorded a deficit of R115.9 million.

AUDIT PERFORMANCE

In the year ending 30 June 2021, management was able to resolve 11 of the 14 external audit findings raised on the 2019/20 FY. This is despite the audit having been concluded in the third quarter of the 2020/21 FY. I would like to commend management for the commitment they put into closing the findings. It is also commendable that the entity has received an unqualified audit opinion for the financial year 2020/21.

FORWARD LOOKING

The global economic shut down as a result of COVID-19 has reshaped how we live, work, and communicate. Our approach to the new way of work will be significantly influenced by how we manage risks in relation to revenue loss, increased cost, as well as the safety of our staff and tenants, without compromising on our service level standards. It goes without saying that caring for our employees will uplift their morale and their commitment to driving and taking ownership of the entity's short-, medium-, and long-term plans.

The development of our housing estates will be aligned to the COJ plans on transit-oriented development. There are a number of buildings that we plan to refurbish in the corridor of freedom paths as part of transit-oriented development. We also have plans to focus on economic hubs within the municipality of Johannesburg.

Victor Rambau
Chief Executive Officer

SECTION 4:

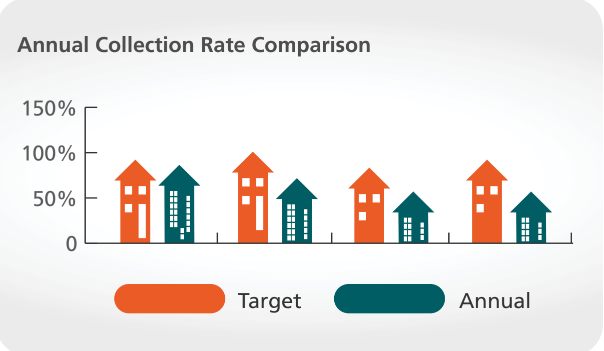
CHIEF FINANCIAL OFFICER'S REPORT

Nontobeko Ndimande CA (SA)
Chief Financial Officer

It is with great pleasure that I provide perspective on JOSHCO's financial performance for the financial year ended 30 June 2021. We continue to see poor financial performance primarily due to our low revenue collection levels, and high operating costs. The overall revenue for the year ended 30 June 2021, grew by 34% from the previous financial year as we are beginning to see results from our revenue improvement strategies.

OVERVIEW OF REVENUE COLLECTION FOR THE YEAR

The revenue collection target for the 2020/2021 financial year was 85% (2019/2020:80%). We have performed 27% behind the budgeted target, as we collected 58% for the financial year. The reduction in the collection levels was largely influenced by the continued strain placed upon our tenants as a result of the pandemic. In terms of annual comparison, a decline is noted from the previous year's collection of 61% to 58%.



FINANCIAL PERFORMANCE

Revenue and expenditure were recorded on the accrual basis of accounting (i.e. transactions are recorded as they occur irrespective of when the related cash movement would take place). The organisation continued to face financial challenges and recorded a deficit of R115.9 million when compared to that of the previous financial year (being 2020: R84.8 million). Some of the noted financial items for the year under review are as follows:

- Revenue from rental of facilities and equipment increased by 14% to R171.6 million (from 2020: R151.2 million);
- Interest received earned from banking and outstanding debtors decreased by 28% to R9.9 million (from 2020: R13.9 million);
- Rendering of service (management fees) increased by 390% to R63.4 million (from 2020: R12.9 million);
- Total expenditure increased by 35% to R383.2 million (from 2020: R283.9 million). The biggest contributors to the increase are staff costs, provision for bad debts and utilities.
- Total administrative cost increased by 26% to R143.4 million (2020: R113.4 million) this was as a result of high outsourced security services and utility costs;
- Loans to shareholders, which is our sweeping bank account balance, decreased by 67% to R5.9 million (2020: R18 million) due to settlement of all outstanding invoices at year end in order to comply with settlement of invoices within 30 days; we have also incurred an overdraft of R414.3 million; and
- Receivables from exchanges transactions rose by 206% to R802.8 million (2020: R262.4 million) due to an increase in outstanding rental debt and amounts due from departments we are executing projects on behalf of.

CAPITAL EXPENDITURE

Capital expenditure is directed towards the development, renovation, and upgrade of rental stock. As at the end of the financial year, the organisation managed to spend 95% of the total budget of R378 million.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

The areas of procurement in JOSHCO relates to capital expenditure (CAPEX) on the development of housing units and capital projects executed on behalf of other departments, as well as operational expenditure (OPEX) on the maintenance of housing units, other administrative functions, and operational expenditure executed on behalf of other departments. For these areas, i.e., CAPEX and OPEX, JOSHCO has achieved 86% and 83% spend on at least 51% black owned companies respectively. JOSHCO's total expenditure (i.e., both capital and operational) for the period ended 30 June 2021, amounted to R1.1 billion – of which the spend on 51% black-owned companies was R940.1 million.

RISK FINANCING

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

GOING CONCERN

The entity has a deficit if R115.9 million largely influenced by high personnel costs, provision for doubtful debts and administrative costs. JOSHCO is currently dependent on a subsidy from the COJ over the medium term. It is the intention of the Board of Directors and Management, to become self-sufficient in the management of the rental stock. In order to achieve this, JOSHCO intends to be more innovative in its systems for the take-on of tenants and rental collections turnaround strategy, which will endeavour to curb current challenges.

> **"We have performed 27% behind budgeted target, as we collected 58% for the financial year."**

ACCOUNTING PRINCIPLES

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

CONCLUSION

The organisation has appointed a debt collector as part of its rental recovery turnaround strategy. In the next financial year, we will be implementing our cost reduction strategies, which we expect to also have a positive effect as we saw with the revenue strategies implemented in the current financial year.

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

JOSHCO was established in November 2003, and received its mandate in March 2004, from the COJ. Our mandate is to develop and manage affordable rental housing for the targeted sector – those who earn a household income of less than R15 000,00 per month. This mandate is in line with the requirements of the social housing Institution (SHI) operations set by the Social Housing Regulatory Authority (SHRA). JOSHCO is a registered Social Housing Institution and is accredited by the SHRA.

We endeavor to fulfil the requirements of an SHI and maintain a fully accredited 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.

As part of business diversification, the entity is participating in the development and management of student accommodation. The 2020/21 FY saw the launch of the first student accommodation in the inner city with plans to develop student accommodation precinct in the near future. This is the direction that the COJ is advocating for.

As a Municipal-Owned Entity, JOSHCO is required to comply with all relevant legislation (i.e., MFMA, MSA, and the Companies Act). JOSHCO's policies and strategies are aligned with the COJ's long-term plans as outlined in GDS 2040, and its 5-year IDP.

CITY OF JOHANNESBURG DEMOGRAPHICS

According to Statistics South Africa (2019),[1] Gauteng has the highest population amongst all the provinces with a population of more than 15 million, with Johannesburg contributing approximately 5.9 million. It further indicated that 81.9% of households in metropolitan areas lived in formal dwellings, while 16.8% lived in informal dwellings and that Johannesburg accounts for 19.1% of those residing in informal dwellings.

Gauteng is expected to receive the largest inflow of people from other countries, approximately 1.64 million in 2021, up from 1.52 million in 2016. It is estimated that Gauteng's population could reach 16.9 million by 2024.[2] This requires COJ to put sufficient plans in place to deal with a challenge of rapid urbanisation. Due to the pandemic, the COJ is anticipating an upsurge in migration, especially domestic migrants that will be in search of socio-economic opportunities. This rapid growth is bound to put a strain in the provision of housing, as more people will need shelters. Our plans have considered these dynamics in trying to cater for the anticipated growth and its impact on the housing demand.

[1] *Stats SA, (2019).General Household Survey*

[2] *City of Johannesburg. Integrated Development plan for the 2020/21 Financial year*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SECTION 6:
KEY STRATEGIC OBJECTIVES

King IV principle 5 provides that the governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short-, medium- and long-term prospects. This report has taken cognisance of this guiding principle and has provided a link of the value proposition that we will offer in the short-, medium-, and long-term. In order to deliver on our vision, we identified strategic objectives that are aligned to COJ priorities as outlined in the IDP. Table 1 outlines our short–, medium-, and long-term objectives.

As part of the Joburg 2040 strategy, the city has four Growth and Development Outcomes that it aims to achieve by 2040 with human and social development, environment and services, economic growth and good governance as key drivers. The GDS gives a view of the Johannesburg of the future. As an entity of the COJ, our strategic goals aim to give realisation to the COJ's long term plans. The objectives also geared the initiatives and programmes that the entity implemented in the financial year under review. The table on the right outlines our alignment with the COJ strategic outcomes.

Table 1: Strategic Objectives as at 30 June 2021

GDS OUTCOMES	GDS OUTPUTS	
1. Improved quality of life and development-driven resilience for all.	1. Reduced poverty and dependency. 2. Food security that is both improved and safeguarded. 3. Increased literacy, skills, and lifelong learning amongst all our citizens. 4. Substantially reduced HIV prevalence and non-communicable diseases, as well as a society characterised by healthy living for all. 5. A safe and secure city. 6. A city characterised by social inclusivity and enhanced social cohesion.	
2. Provide a resilient, liveable, sustainable urban environment that is underpinned by smart infrastructure supportive of a low carbon economy.	Sustainable and integrated delivery of water, sanitation, energy, and waste. 2. Eco-mobility. 3. Sustainable human settlements. 4. Climate change resilience and environmental protection.	
3. An inclusive, job intensive, resilient, competitive, and smart economy that harnesses the potential of citizens.	1. Job-intensive economic growth. 2. Promotion and support to small businesses. 3. Increased competitiveness of the economy. 4. A smart City of Johannesburg, that is able to deliver quality services to citizens in an efficient and reliable manner.	
4. A high-performing metropolitan government that proactively contributes towards and builds a sustainable, socially inclusive, locally integrated, and globally competitive Gauteng City Region.	1. An active and effective citizen-focused Gauteng City Region (GCR). 2. A responsive, accountable, efficient, and productive metropolitan government. 3. A financially and administratively sustainable and resilient city. 4. Meaningful citizen participation and empowerment. 5. Guaranteed customer care, as well as citizen care and service.	

	STRATEGIC PRIORITIES	PRIORITY PROGRAMMES	JOSHCO STRATEGIC GOALS
	Safer City -Response to the COVID-19 Pandemic.	-A safer city by reintroducing ward-based policing {Joburg 10+} and effective by-law enforcement. -Manage displaced communities and homelessness. -Combat drug and substance abuse. -Combat Gender-based violence.	**Strategic Goal 5** Improve safety and security of all tenants in JOSHCO projects.
	-Integrated human settlements. -Sustainable service delivery. -Sustainable environmental development.	-Accelerated and visible service delivery and re-introduction of coproduction in the delivery of basic services. -Impact the housing market including the integration, development and maintenance of hostels and flats. -Combat illegal land invasion and promote regulated land use. -Formalisation of informal settlements and accelerated rapid land release.	**Strategic Goal 1** Develop social housing projects within transport corridors, inner-city, and greenfield (including suburbs and economic hubs). **Strategic Goal 4** Contribute to mitigating climate change impact.
	-Economic growth. -Job opportunity and creation. -Smart city.	Job creation and opportunities. •Development and support of SMMEs.	**Strategic Goal 2** Contribute towards economic development through Broad-Based Black Economic Empowerment.
	-Active and engaged citizenry. -Good governance. -Financial sustainability.	-Improve and strengthen financial position. -Community Based Planning and enhanced community engagement, including Mayoral Imbizos. -Combat corruption, fraud, and maladministration.	**Strategic Goal 3** Become a financially sustainable company. **Strategic Goal 6** Become a customer-centric company. **Strategic Goal 7** Strengthen Governance and Compliance.

VALUE CREATION PROCESS FOR THE YEAR ENDED 30 JUNE 2021

INPUTS

FINANCIAL RESOURCES
- R378 million capital budget allocation.
- R249 million Operating expenditure.
- R105 million employee's costs.

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

INTELLECTUAL CAPITAL
- Joburg 2040 GDS strategy.
- Integrated Development Plan 2016/21.
- Smart City strategy.
- Our strategy and Business Plan.

HUMAN CAPITAL
- 500 Employees.
- 14 staff attended targeted training.

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

NATURAL CAPITAL
- Natural resources consumed Water, land, and Energy (electricity and fuel).

CONTEXT
- Six National Outcomes.
- Six SDGs.
- Joburg 2040 GDS.
- Four GDS Outcomes driven through four clusters.
- Eleven IDP priorities.

TOP 5 RISKS
- Low revenue collection.
- Inadequate capital budget allocation by the City resulting in JOSHCO not being able to meet its business plan target of providing affordable rental and social housing units.
- Increase in construction cost of JOSHCO projects due to international trade restrictions.
- Inadequate Customer Relationship Management.
- Poor public relations with communities.

OPPORTUNITIES
- 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.
- Enhanced support for SMMEs and Cooperatives.

STRATEGY/GDS PRINCIPLES

Economic Sustainability
- Build and grow an inclusive economy.

Administrative Sustainability
- Promote good governance.

Social Sustainability
- Eradicate poverty.
- Achieve social inclusion through support and enablement.

Environmental Sustainability
- Build sustainable integrated human settlements.
- Ensure resource security and environmental sustainability.

OUTPUTS/ PROGRAMMES
- Optimal use of JOSHCO's key assets.
- Contributing to the transit-oriented development by providing social housing with the corridors of freedom.
- Develop a dynamic entrepreneurial spirit and innovation to promote increased investment though SMME support.
- Promote citizen participation and empowerment.
- Enable SMART initiatives in the social housing sector as a game-changing strategy and market penetration.
- Promote human capital development and management.
- Ensure integrated planning that focuses on the provision of the quality social housing.
- Institutionalise strong governance, risk management, and compliance.
- Ensure financial sustainability.
- Promote strategic communications and marketing.
- Ensure positive strategic relations with other capital providers (e.g., SHRA).

OUTCOMES

ECONOMIC SUSTAINABILITY
- R171.6 million in rental revenue.
- 552 EPWP jobs were created.
- 9% of CAPEX spent on SMMEs.
- 86% and 83% of OPEX and CAPEX procurement recognition spent on at least 51% black owned companies.

SOCIAL SUSTAINABILITY
- JOSHCO tenants are provided with infrastructure for early childhood development purposes.
- Provision of rental relief for tenants affected by the lockdown as part of our social support.

ADMINISTRATIVE SUSTAINABILITY
- 58% rental collection/or payment.
- JOSHCO received an unqualified audit opinion

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

CHAPTER

2

GOVERNANCE

Strategic Goal: 7

Stakeholders Interested:

SECTION 1:
CORPORATE GOVERNANCE STATEMENT

I. ETHICAL LEADERSHIP

The Board provides leadership that is directed by respect for ethical beliefs and values, and for the dignity and rights of others. We operate in a highly competitive and changing environment. Therefore, the leadership endeavors to shape the culture of the organisation, so as to support employees' readiness to change. Responsible leadership, characterised by the values of responsibility, accountability, fairness, and transparency, has been a defining characteristic of the entity since the organisation's 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 on the environment. In its deliberations, decisions, and actions, the Board is sensitive to the legitimate interests and expectations of the company's stakeholders.

II. CORPORATE GOVERNANCE

The Board functions within a well-established governance framework and provides guidance and oversight by setting the strategic direction of the organisation, which includes the approval of policy and strategy, and ensures accountability for the organisation's performance. The entity applies the governance principles contained in King IV. 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).

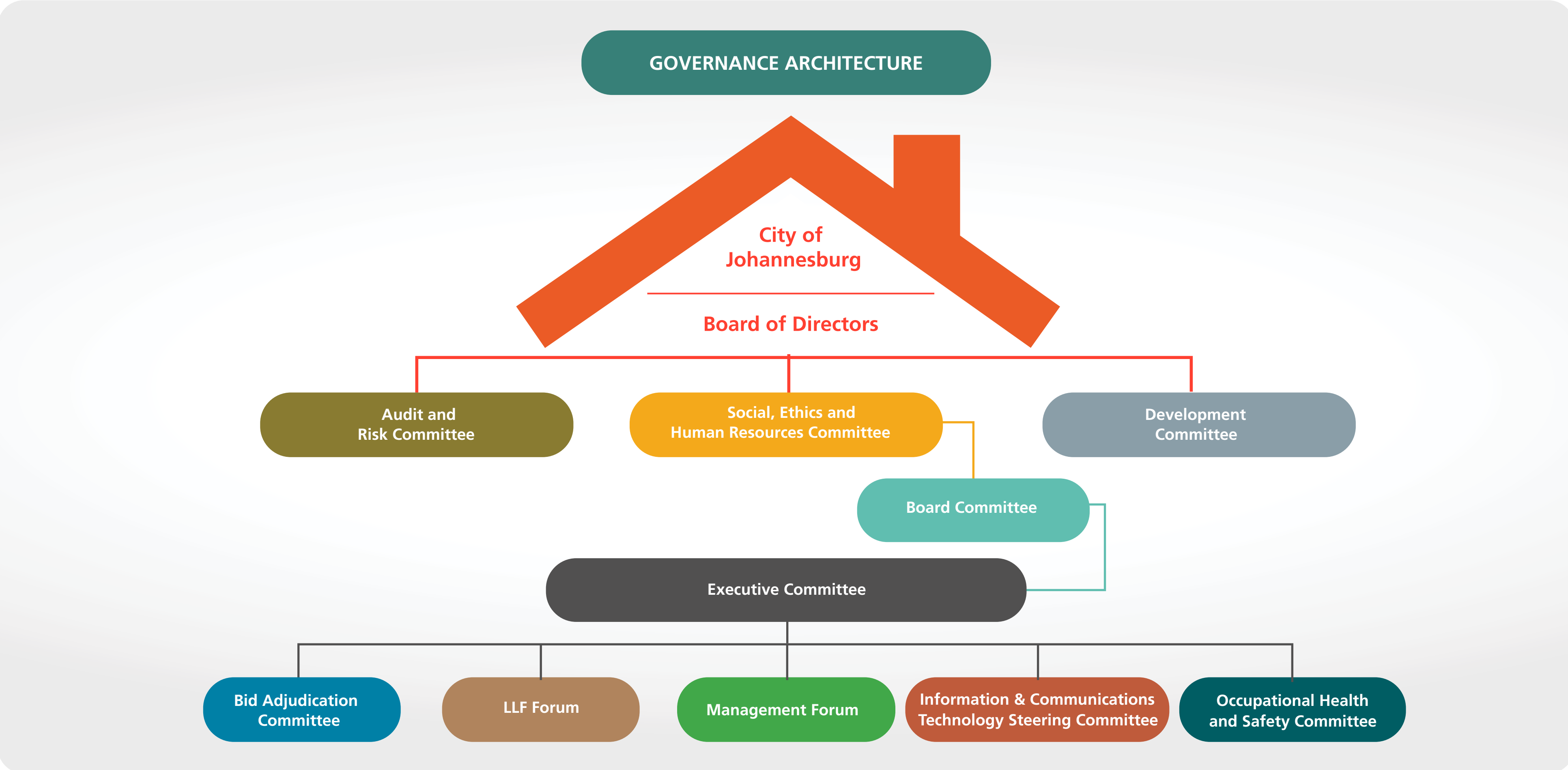
The Board has incorporated the COJ's Corporate Governance Protocol in its Board Charter, which inter alia, regulates its relationship with the COJ as its sole shareholder and parent Municipality in the interests of good corporate governance and good ethics.

III. CORPORATE CITIZENSHIP

The Board and Management recognise that the JOSHCO, as an entity formed under a government structure, has a social and moral structure. As such, it has a social and moral standing in society with all the attendant responsibilities. The Board is therefore responsible for ensuring that the entity protects, enhances, and invests in the wellbeing of the economy, society, and the natural environment. The entity pursues its activities within the limits of social, political, and environmental responsibilities outlined in international conventions on human rights. The organisation is part of society and the economy, and it uses its resources to improve people's lives through job creation and access to affordable housing.

IV. COMPLIANCE WITH LAWS, RULES, CODES, AND STANDARDS

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



BOARD COMPOSITION

The Board of Directors is presided over by an independent Non-Executive Director (Chairperson). Mr T. Dhlamini was appointed the Chairperson of the JOSHCO Board at the Annual General Meeting (AGM) that was held on 10 February 2021. The AGM has appointed 13 Non-Executive Members (NEDs) and two Executive Directors, as members of the JOSHCO board. The 13 members comprised of nine members that were retained from the previous board, and four new appointments. JOSHCO's funder SHRA, and representative of the COJ, have standing invites to JOSHCO Board meetings. Three Independent Audit Committee (IAC) members were appointed to be part of the ARC.

Through its Annual Work Programme, the Board of Directors monitors strategy implementation, and is kept abreast of the achievements and risks associated with the achievement of the strategy. The Board has skills and expertise it offers for the benefit of JOSHCO.

1

MR THEODORE DHLAMINI (BOARD CHAIRPERSON)

Capacity: Executive/ Non-Executive Director: Independent Non-Executive

Race: African

Gender: Male

Age: 52

Term: 11 March 2020 to date

Skills and Expertise: Leadership skills; communication skills; negotiation skills; engineering hand skills; problem-solving skills; and public speaking skills.

Qualifications: National Certificate Vocational (N4) in Engineering and Hand Skills; Certificate in Leadership Training; Certificate in Project Management; Certificate in Group Control; and Post Graduate Diploma in Management.

Membership: IoDSA

2

MR JASON SOBEKWA NON-EXECUTIVE DIRECTOR

Capacity: Executive/ Non-Executive Director: Independent Non-Executive.

Race: African

Gender: Male

Age: 27

Term: 11 March 2020 to date

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

Qualifications: B Accounting, PG Dip: Financial Management and CIMA.

Membership: None

3

MR MOERANE MAIMANE (S, E & HR CHAIRPERSON)

Capacity: Executive/ Non-Executive Director: Independent Non-Executive.

Race: African

Gender: Male

Age: 60

Term: 11 March 2020 to date

Skills and Expertise: Corporate governance, social and ethics; corporate services or shared services; Human resources; and operations management.

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

Membership: None

4

MS GABY BOIKANYO (DEV COM CHAIRPERSON)

Capacity: Executive/ Non-Executive Director: Independent Non-Executive

Race: African

Gender: Female

Age: 51

Term: 11 March 2020 to date

Skills and Expertise: Project Management; Project Risk Assessment and Analysis; Analytical Problem Solving and Troubleshooting; Predictive Analytics; Data Analysis _ SQL Skills; Communication; and Leadership.

Qualifications: B Computer Science, ND Analytical chemistry.

Membership: None

5

MR XOLANI DLWATHI

Capacity: Executive/ Non-Executive Director: Independent Non-Executive.

Race: African

Gender: Male

Age: 47

Term: 11 March 2020 to date

Skills and Expertise: Organisational leadership and management.

Qualifications: Diploma, Honours, and master's degree in theology.

Membership: None

6

MR THEMBA MAMBA

Capacity: Executive/ Non-Executive Director: Independent Non-Executive.

Race: African

Gender: Male

Age: 42

Term: 11 March 2020 to date

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

Qualifications: Higher certificate in supervision.

Membership: None

7

MS SEBONGILE BHENGU

Capacity: Executive/ Non-Executive Director: Independent Non-Executive.

Race: African

Gender: Female

Age: 55

Term: 11 March 2020 to date

Skills and Expertise: Leadership management; conflict resolution; mediation; intervention against gender-based violence.

Qualifications: Certificate in theology.

Membership: None

8

MS BRENDA MAKHANYA

Capacity: Executive/ Non-Executive Director: Independent Non-Executive.

Race: African

Gender: Female

Age: 44

Term: 11 March 2020 to date

Skills and Expertise: Collaboration and teamwork; Professionalism and strong work ethic; Leadership and communication skills; Computer skills; Problem solving; Project management.

Qualifications: Certificate in Business Administration. Certificate in fundamental project management

Membership: IoDSA

9

MR SIPHIWE MHLONGO

Capacity: Executive/ Non-Executive Director: Independent Non-Executive.

Race: African

Gender: Male

Age: 63

Term: 11 March 2020 to date

Skills and Expertise: Stakeholder relations; Public relations; Leadership; and Management.

Qualifications: Diploma in Risk Management.

Membership: None

10

MS DEBBIE RAPHUTI

Capacity: Executive/ Non-Executive Director: Independent Non-Executive.

Race: African

Gender: Female

Age: 63

Term: 10 February 2021 to date

Skills and Expertise: Labour relations; Cooperate governance; Finance management; Governance and accountability of Parliamentary committees; Mentoring and coaching Women and Youth; Monitoring and evaluation.

Qualifications: B Cur et al, PG Dip in strategic diplomacy and transitional justice, Master of Business Administration and Master of public management and governance. Doctor of Philosophy Honoris Causa.

Membership: None

11

MS EUGENIA MOTLOUNG

Capacity: Executive/ Non-Executive Director: Independent Non-Executive.

Race: African

Gender: Female

Age: 51

Term: 10 February 2021 to date

Skills and Expertise: Collecting, analysing, organising, and evaluating information;

Human Resource Management and Practices;

Monitoring, coordinating, and communicating the strategic objectives of the business.

Qualifications: Extended programme UNISA and N Dip Public Relations.

Membership: None

12

DR KENTSE SESELE

Capacity: Executive/ Non-Executive Director: Independent Non-Executive.

Race: African

Gender: Female

Age: 56

Term: 10 February 2021 to date

Skills and Expertise: Policy analysis, development, and implementation; Investment strategy and analysis; Project management; Performance evaluation; Urban management and planning.

Qualifications: B Social Science; Honours in local economic development; Master and PHD in town and regional planning.

Membership: None

13

MR NIKELO BANGISI

Capacity: Executive/ Non-Executive Director: Independent Non-Executive.

Race: African

Gender: Male

Age: 55

Term: 10 February 2021 to date

Skills and Expertise: Supply chain management; Commercial practice; Business ethics; and Negotiation.

Qualifications: B Juris, LLB.

Membership: Member of the Johannesburg Society of Advocates

14

MR VICTOR RAMBAU

Capacity: Executive/ Non-Executive Director: Executive.

Race: African

Gender: Male

Age: 46

Term: 1 July 2019 to date

Skills and Expertise: Strategic planning and management; Regulatory compliance; Finance; Enterprise development; Operations Management; and Statistics.

Qualifications: B Tech Production and Operations, MAP, and MBA.

Membership: None

15

MS NONTOBEKO NDIMANDE

Capacity: Executive/ Non-Executive Director: Executive.

Race: African

Gender: Female

Age: 39

Term: 17 September 2018 to date

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

Qualifications: CA (SA).

Membership: SAICA

MR LESETSA MATSHEKGA

Capacity: Executive/ Non-Executive Director: IAC Member

Race: African

Gender: Male

Age: 41

Term: 11 March 2020 to date

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

Qualifications:
MBA, B Com Honours Finance, B Com Economics.

Membership: None

MR MOSHUPI MOKGOBINYANE

Capacity: Executive/ Non-Executive Director: IAC Member

Race: African

Gender: Male

Age: 43

Term: 11 March 2020 to date

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

Qualifications:
Master's in accounting science, B Com Accounting, B Com Honours Accounting.

Membership: None

MR ERNEST KHOSA (ARC CHAIRPERSON)

Capacity: Executive/ Non-Executive Director: IAC Member

Race: African

Gender: Male

Age: 58

Term: 10 February 2021

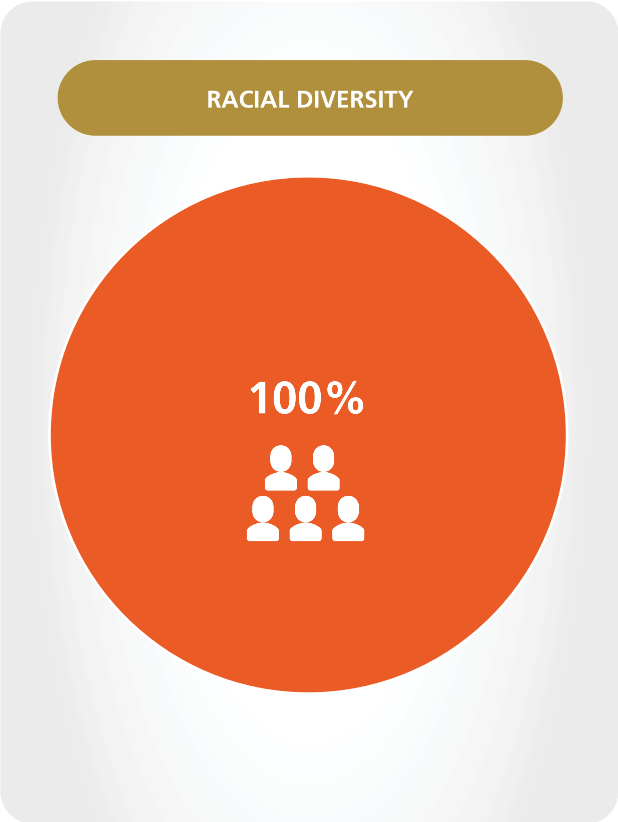
Skills and Expertise:
Development Finance;
Governance;
Organisational development and Strategy;
Risk; and
Corporate law.

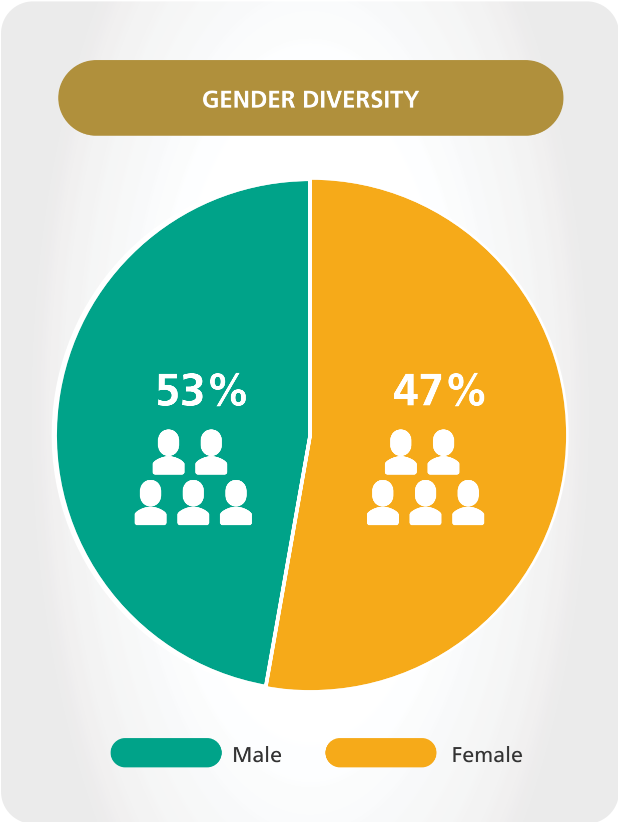
Qualifications:
Higher Diploma in Company Law, Bachelor of Arts, BA Honours, Master of Science and LLB.

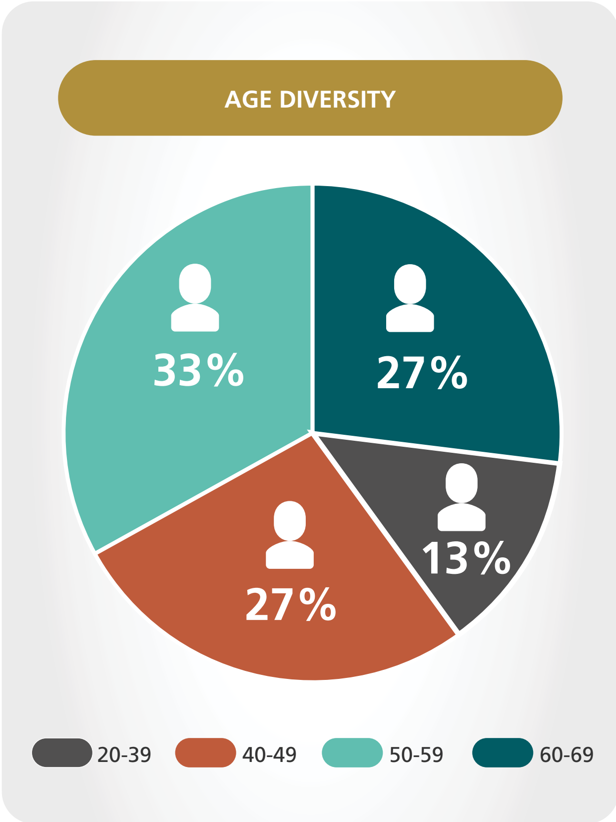
Membership: IoDSA

BOARD DIVERSITY

In terms of race, our board is composed of 100% Black African members. 53% of the members are males and 47% are female. The gender representation is slightly below the acceptable standard of 50%. The majority of our members are between the ages of 50 and 59.







BOARD AND COMMITTEE MEETINGS ATTENDANCES

During the year under review, our board held 14 Board meetings in total. The meetings included the 4 annual ordinary meetings and 10 special board meetings. The Development Committee (Dev Com) attended 7 meetings, Social, Ethics & Human Resources Committee (S, E&HR) held 7 meetings while ARC held 11 meetings.

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

Table 3: Number of Board and Sub Committee Meetings as at 30 June 2021.

DIRECTORS AND INDEPENDENT MEMBERS*	BOARD 14	DEVELOPMENT COMMITTEE 7	HUMAN RESOURCES AND SOCIAL AND ETHICS COMMITTEE 7	ARC 11
Mr Theodore Dhlamini	14			
Mr Xolani Dlwathi	14	7		
Ms Gaby Boikanyo (DevCom Chairperson)	14	7		
Mr Moerane Maimane (S, E& HR Chairperson)	14		7	
Mr Jason Sobekwa	14	7		8
Ms Sebongile Bhengu	13		7	
Ms Brenda Makhanya	14		7	
Mr Sipho Mhlongo	13		6	
Mr Themba Mamba	13	7		
*Mr Nikelo Bangisi	6	2		
*Ms Eugenia Motloung	6		3	
*Ms Debbie Raphuti	6		3	
*Dr Kentse Sesele	6	2		
Mr Victor Rambau	14	6	7	10
Ms Nontobenko Ndimande	14	7	7	11
**Mr Ernest Khosa (ARC Chairperson)	-			3
Mr Moshupi Mokgobinyane	-			11
Mr Lesetsa Matshekga	-			11

Note: The AGM with the Shareholder was held on 10 February 2021, where the new Board of 13 NEDs and 3 IACs were appointed.
* Member joined the Board on 10 February 2021.
** Member is appointed as the Chairperson of ARC per the Board resolution taken on 5 March 2021. Taking over from Mr. Mokgobinyane.

Table 3: King IV Compliance on Corporate Governance as at 30 June 2020.

KING IV PRINCIPLE	STATUS EVALUATION	COMMENT
Principle 1: The governing body should lead ethically and effectively.	✓	**Integrity:** The members avoided conflict of interest by declaring their interest on each each meetings. **Accountability:** Members accounted for their execution of their delegated responsibility by reporting to the shareholder at an Annual General Meeting (AGM) in line with the shareholder compact. In year accountability to the Shareholder is done through Chairpersons quarterly meetings with the MMC of Housing. **Competency:** The Board ensured that it has adequate knowledge of the organisation and the industry with which it falls under, inclusive of laws and regulations governing 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.	✓	An ethics policy was adopted by the Board which supports the ethical culture of the organisation.
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 management of performance, the Board was alerted to 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 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 13 non-Executive directors. The COJ applied principle 7 during the selection and appointment of the directors, inclusive of gender diversity.
Principle 8: The governing body should ensure that its arrangement for delegation within its own structures promotes independent judgement and assists with balance of power and effective discharge of its duties.	✓	The Board has delegated certain responsibilities to its Committees through the approved Committee terms of reference. These are reviewed and approved by the Board on an annual basis. Sub-Committees include: • Audit and Risk Committee; • Human Resource, Social and Ethics Committee; and • Development Committee.

Table 3: King IV Compliance on Corporate Governance as at 30 June 2020 (continued)

KING IV PRINCIPLE	STATUS EVALUATION	COMMENT
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.	✓	Board evaluations are conducted by COJ for members.
Principle 10: The governing body should ensure that the appointment of and delegation to management contribute to role clarity and the effective exercise of authority and responsibility.	✓	The Board adopted the Delegations of Authority which delegates certain powers to the CEO as per the provisions of the MFMA relating to the delegations of 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 via its Audit and Risk Committee, which the Committee Chair reports to the Board on the activities of risk management on the quarterly basis.
Principle 12: The governing body should govern technology and information in a way that supports the organisation in setting and achieving its strategic objectives.	✓	The Board has executed principle 12 throughout the financial year through its Audit & Risk Committee, which the Committee Chair reports to the Board on the activities of information technology on the 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 ethical and a good corporate citizen.	✓	The Board has executed principle 13 throughout the financial year via its Audit and Risk Committee, which the Committee Chair reports to the Board on the activities of organisational compliance on the quarterly basis. The Company Secretary has ensured that all statutory compliance documents were submitted to statutory bodies.
Principle 14: The governing body should ensure that the organisation remunerates fairly, responsibly, and transparently, to promote the achievement of strategic objectives and positive outcomes in the short, medium, and long term.	✓	The organisation has a remuneration policy that governs organisational practices related to remuneration. Remuneration for Board and Sub-Committee is determined by the shareholder through its remuneration policy.
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 Audit and Risk Committee, which is the statutory Committee as required by the MFMA.
Principle 16: In the execution of its governance roles and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests, and expectations of material stakeholders in the best interest of the organisation over time.	✓	The Board continues engagements with the shareholder and funders, and understands that communication with stakeholders in respect of financial and non-financial information is vital and that 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 developed and implemented its roles and functions throughout the financial year. Three Board Committees were established in line with Companies Act, together with principle 8 of King IV code. The Board approved terms of references of the three Committees with clear delegations. The company operation is delegated to the CEO and management. The Board is satisfied that this system of delegation of authority contributes to role clarity. Furthermore, the Board is content that it fulfilled its responsibility in accordance with the charter, and that the sub-committees have executed their delegated duties.

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

The following committees have been formed by the Board and are chaired by NEDs except for the ARC, which is chaired by an IAC Member.

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

Audit and Risk Committee

The ARC is a statutory committee and has been formed in line with the Companies Act (Act 71 of 2008) and the MFMA (Act 56 of 2003).

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

Financial Reporting and Reliability of Financial Information

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

> **"The audit committee was satisfied with the effectiveness of the arrangements for internal audit and there are measures put in place to capacitate the unit."**

Furthermore, the Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period. The audit committee was satisfied with the effectiveness of the arrangements for internal audit and there are measures put in place to capacitate the unit.

Key areas of focus during the reporting period were:

- IT, Risk Management, and Strategy.
- Finance Reporting (annual financial statements and budget).
- Audit (internal and external).
- Governance and Compliance (Annual Report, IT/Risk/Finance/SCM Policies).

Social, Ethics, and Human Resource Committee

Social, Ethics, and Human Resource Committee is constituted as a committee of the Board of JOSHCO in terms of section 72(4) of the Companies Act (71 of 2008), and the MSA (read with Regulation 43 of the Companies Regulations, 2011).

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

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

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

Key areas of focus during the reporting period:

- Human Capital strategy.
- Salary increments and benchmarking.
- Committee terms of reference and Policy reviews.
- Performance incentives, performance agreements review, and signing of performance contracts.
- EE Compliance and Corporate citizenship.
- Succession planning.
- Stakeholder relations.
- Employee wellness.
- HR Policies were reviewed including, and the Disciplinary and Grievance policy.

- There were no significant issues that required the review of the remuneration policy. As such, it was not reviewed and the HR Committee of the board is satisfied that the policy is still up to date and relevant

Development Committee

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

- To approve new developments reports on 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 approval of new engagements in developments where appropriate.
- To evaluate proposed financing mechanisms where external financing is required; and
- To set benchmarks to be used to evaluate risk/ return relationship on significant projects to be undertaken by the company.

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

Key areas of focus during the reporting period:

- JOSHCO capital investment.
- Project Management.
- CAPEX.
- New and current projects management plan for the financial year, and budget.
- Contracts and leases monitoring.

Special Board Resolution

The company passed the following special resolutions during the current year.

1. Date: 5 February 2021: Resolution No. 7(3) – Company Incorporation Certificate.

Request to convert the company registration certificate from Pty Ltd to SOC Ltd (RF) to ensure consistencies with JOSHCO's Memorandum of Incorporation, and to further recommend to the shareholder i.e., parent municipality, to ratify this record of decision that was granted by the Board.

2. Date: 5 February 2021: Resolution No. 8(4) – Amendment of JOSHCO Service Delivery Agreement (SDA).

The Board approved the amendment to the SDA to incorporate the transfer of all properties that were acquired and developed by JOSHCO into the entity's books; and further agreed that the transfer of assets and the plan thereto be approved by the Board prior to the implementation of each phase.

Board Assessment

The Shareholder, through its Group Governance Department, conducted a formal assessment of the Board. The purpose of the assessment was to establish insight into the functionality of the Board, identify gaps, and identify mechanisms to improve its performance. Findings revealed that the Board had been meeting its performance objectives and carrying out its fiduciary duties.

Company Secretarial Function

The Board has appointed a competent and qualified Company Secretary that is responsible for developing systems and processes to enable the Board to discharge its functions effectively and efficiently.

The Company Secretary prepares annual work plans for the Board and its Committees, as informed by the strategic direction of the organisation. In consultation with the Chairperson, the Company Secretary ensures that the contents of the agenda are relevant to the Board's decision-making and communicates the Board's resolutions throughout the organisation in a timely and appropriate manner. The Company Secretary is qualified to perform the duties in accordance with the applicable legislation and is considered by the Board to be fit and proper for the position. The Company Secretary does not fulfil any Executive Management function and is not a Director.

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

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

In my capacity as the Company Secretary of JOSHCO, I hereby declare in terms of Section 88(2) (e) of the Companies Act 71 of 2008, as amended, I certify that the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act, and that all such returns are true, correct, and up to date.

Chief Financial Officer and the Finance Function

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

Chief Audit Executive

The ARC has assessed the effectiveness, expertise, and experience of the Internal Audit Manager, and is satisfied that he possesses the appropriate skills to execute the requisite responsibilities.

The Committee has noted the deliverables made by the Internal Audit unit thus far. Further, the capacity challenges that the unit has experienced, for which mitigation actions are in place to ensure that these challenges are addressed and for key objectives to be met.

Directors and Prescribed Officer's Remuneration

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

Table 5: Prescribed Directors' Remuneration as at 30 June 2021

TYPE OF MEETING	FEES: 17 APRIL 2020 TO 10 FEB 2021	FEES: 10 FEB 2021 – 30 JUNE 2021
Board		
Chairperson – Meeting	R16 000	R16 000
Member – Meeting	R12 000	R12 000
Audit and Risk Committee		
Chairperson – Meeting	R7 000	R8 000
Member – Meeting	R5 000	R6 000
Social, Ethics, and Human Resource Committee		
Chairperson – Meeting	R7 000	R8 000
Member – Meeting	R5 000	R6 000
Development Committee		
Chairperson	R7 000	R8 000
Member – Meeting	R5 000	R6 000

Table 6: Board of Directors Remuneration as at 30 June 2021

NAME	DESIGNATION	REMUNERATION
Mr Theodore Dhlamini	Non-Executive Director	R390 000
Mr Xolani Dlwathi	Non-Executive Director	R258 000
Mr Siphiwe Mhlongo	Non-Executive Director	R236 000
Mr Moerane Maimane	Non-Executive Director	R298 000
Mr Themba Mamba	Non-Executive Director	R254 000
Ms Sebongile Bhengu	Non-Executive Director	R258 000
Ms Brenda Makhanya	Non-Executive Director	R278 000
Ms Gaby Boikanyo	Non-Executive Director	R290 000
Mr Jason Sobekwa	Non-Executive Director	R128 000
Ms Eugenia Motloung	Non-Executive Director	R92 000
Mr Nikelo Bangisi	Non-Executive Director	R100 000
Ms Debbie Raphuti	Non-Executive Director	R104 000
Ms Kentse Sesele	Non-Executive Director	R108 000
Total		**R2 794 000**

Table 7: Independent Audit Committee Members' Remuneration as at 30 June 2021

NAME	DESIGNATION	REMUNERATION
Mr Moshupi Mokgobinyane**	Independent Audit Member	R144 000
Mr Lesetsa Matshekga	Independent Audit Member	R80 000
Mr Ernest Khosa **	Independent Audit Member	R102 000
Mr Jason Sebekwa*	Independent Audit Member	R196 000
Total		**R522 000**

Note:

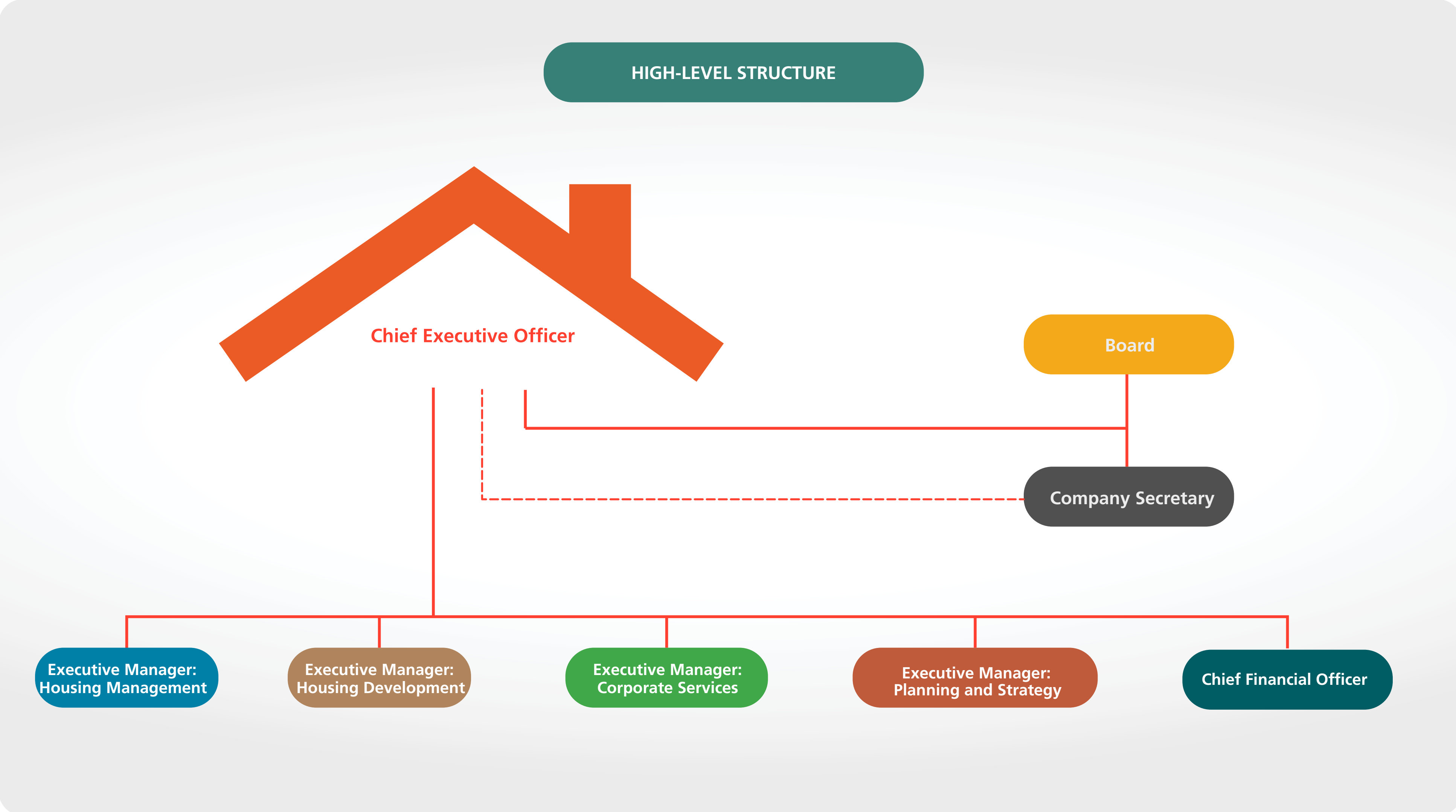
** Member fees included attendance of the City's Group Audit and Group Risk Committee.
* Mr Jason Sobekwa was retired from being a member of ARC post the AGM of 10 February 2021.

Table 8: Executive Management's Remuneration as at 30 June 2021

NAME	DESIGNATION	BASIC SALARY	ACTING ALLOWANCE	BONUSES AND PERFORMANCE RELATED PAYMENTS	TRAVEL AND HOUSING ALLOWANCES	CONTRIBUTION TO MEDICAL	CONTRIBUTION TO PENSION	TOTAL
Mr Victor Rambau	Chief Executive Officer	1 894 741,72	130 092,62		72 000,00			2 096 834,34
Ms Nontobeko Ndimande	Chief Financial Officer	1 385 451,06				49 719,60		1 435 170,66
Ms Livhalani Nemaungani	EM: Strategy and Planning	1 259 029,92				21 290,40	99 725,16	1 380 045,48
Ms Nkululeko Magubane	EM: Housing Development	1 382 119,73						1 382 119,73
Ms Kedumetsi Mokhampanyane	EM: Corporate Services	1 382 118,95						1 382 118,95
Mr Ronald Mutheiwane	Acting EM: Housing Management	652 483,21	103 299,20		72 000,00		116 154,84	943 937,25

SECTION 2:

JOSHCO HIGH-LEVEL ORGANISATIONAL STRUCTURE



SECTION 3:
GOVERNANCE OF STAKEHOLDER RELATIONS

The Board has the responsibility to provide oversight on the effectiveness of stakeholders' engagement while the management of stakeholder relationships is delegated to the Executive Management. Given the nature of our business and that it is revolving, we are determined to deliver long-term, sustainable business performance, and to grow meaningful stakeholder relations. The table below lists some of JOSHCO's stakeholders with an indication of their level of impact, power, and interest in the business.

Stakeholder relations is an integral part of our business. Therefore, understanding and adequately responding to stakeholder interests, power, and impact is crucial to achieving our objectives. The short-, medium-, and long-term vision of JOSHCO is dependent on the maintenance of the relationship that we have with our stakeholders. We have made it our culture to attend to our stakeholders with the necessary respect and determination.

Table 9: Stakeholder Table

STAKEHOLDER	SYMBOLS OR NUMBER	IMPACT	INTEREST	
Shareholder: City of Johannesburg		High	High	
Political Leadership: MMC, Ward Councillors		High	High	
Board of Directors		High	High	
Auditor-General		High	High	
Labour		High	High	
The Media		High	Moderate	
JOSHCO contractors and service providers		High	Moderate	

	ROLE OF JOSHCO TOWARDS THE STAKEHOLDER	ENGAGEMENT PLATFORMS WITH STAKEHOLDERS
	• Social Housing implementing agent of the city. • Ensure that the delivery of services is aligned with the Service Level Standard (SLS) signed with the city.	• Participate in the city's sustainable cluster. • Performance reporting in line with the MSA and City framework. • Attend all strategic meetings at which JOSHCO is required to be present – such as those under section 79, Group oversight committees, mayoral and Council meetings.
	• Service Delivery: Achieving the political mandate of delivering planned social housing units; promoting local SMMEs; Inner city regeneration and converting all hostels to family units; and job creation in previously disadvantaged communities.	• Attending community meetings convened by the political leadership. • Frequent and ongoing reporting on 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.
	• Ensuring that Governance Protocols and standards are adhered to. • Advising the Board on important matters relating to the business of JOSHCO. • Ensuring that the Board is well equipped and informed about the performance of the entity they serve.	• Quarterly reporting on the performance results of the entity. • Constant updates to the Board via emails and other forms of communication. • Scheduling and convening quarterly meetings with the Board.
	• Submit all compliance reports as per the MFMA and Treasury regulation. • Submit the annual financial statements timeously for audit purposes. • Adhere to any request within a prescribed time.	• Audit preparation meetings. • During and Post Audit meetings through the audit steering committee. • Invited as and when required for Board meetings.
	• Providing training to Local Labour Forum (LLF) members. • Affording sufficient time to Labour, so that they may meet with their union members as agreed. • Meeting between Labour and Management through the LLF to address matters of importance between staff and Management.	• Constant updates on follow up matters. • Continue to hold LLF meetings.
	• Provide the media with good-news stories on the work performed by JOSHCO. • Conduct site/project visits to showcase the milestones achieved.	• To continue building the JOSHCO brand though media partnerships that have already been formed.
	• Empowering our service providers through equitable distribution of work (rotation). • Ensuring that our service providers are paid within the 30-day period to enable them to sustain themselves.	• Bi-monthly service provider meetings. • Workshops with new service providers to educate them on the business of JOSHCO and our SLS.

STAKEHOLDER	SYMBOLS OR NUMBER	IMPACT	INTEREST
JOSHCO Tenants		High	High
The Community		High	High
COJ Housing Core/National Government		High	Moderate
Funders e.g., SHRA		Moderate	Moderate
Other MOEs and Departments		Moderate	Moderate
Other Stakeholders e.g., National Association of Social Housing Organisations (NASHO) and South African Housing Foundation		Low	Moderate
Institutions of Higher Learning		Moderate	Low
Students		High	Moderate

	ROLE OF JOSHCO TOWARDS THE STAKEHOLDER	ENGAGEMENT PLATFORMS WITH STAKEHOLDERS
	• Ensure that our properties are well maintained both inside and out. • Meet the services level standard turnaround times. • Host tenant workshops for new tenants. • Employment opportunities through EPWP. • Providing accurate bills at a reasonable time to our tenants. • Through the provision of security services, ensure that our project environments are safe.	• Meetings with tenant Committees to address other issues affecting tenants. • Project ratings and customer satisfaction survey. • Community Development initiatives. • Customer satisfaction survey.
	• Provide information on the application process. • Educate the community on how to report fraudulent activities.	• Continued engagements through social media, print, and local radio stations.
	• Providing the department with information relating to social housing matters e.g., development of units and housing management.	• Signing of SLAs with the department for institutional arrangements. • Quarterly reporting on deliverables relating to social housing matters.
	• Utilising the funding for the purpose for which it is intended. • Funders are able to report on JOSHCO's achievements/deliverables (as a funding beneficiary).	• Sourcing more funding to promote and develop social housing. • Quarterly reporting on deliverables relating to social housing matters. • Regular meetings with funders to address shortcomings, where necessary.
	• Enhancing the waste-management programmes in partnerships with MOEs such as Pikitup. • Enhancing energy efficiencies programmes in partnership with MOEs such as Pikitup and Eskom/City Power. • Engaging on bulk services e.g., roads, storm water, and sewer, with Joburg Water.	• Regular engagements with the relevant MOEs and departments.
	• Annual Affiliation. • Regular engagement for improvements and promotion of social housing.	• Regular meetings to address shortcomings, where necessary.
	• Obtain accreditation for student accommodation provision. • Ensure compliance at all times.	• Meetings to discuss accommodation requirements. • Email communications about re-opening of institutions.
	• Provision of student accommodation that meet the student accommodation criteria. • Ensure the health and safety of students while they are in our facilities. • Make available all the benefits that are part of student accommodation package.	• Regular meeting 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

PRINCIPLE 11: RISK GOVERNANCE

The Board retains overall accountability for the governance of risk and is committed to effective risk management in pursuit of our strategic objectives. The JOSHCO ARC governs risk on behalf of the Board. It reviews and assesses the integrity of the risk management processes. The Board works closely with the Committee to ensure that these processes comply with the relevant governance requirements and standards.

The JOSHCO Executive Committee is the owner of risks, and is responsible for entrenching risk management, supported by the Enterprise Risk Management Function, which is the custodian of the risk management framework. The Enterprise Risk Management Function is a risk management culture and facilitates risk management and integration across the business.

RISK MANAGEMENT COMMITMENT

JOSHCO understands its responsibility to balance risk and reward while pursuing its goals. JOSHCO understands that effective risk-management unlocks opportunities that may have otherwise not been possible. The Entity is firmly committed to robust risk management as a fundamental pillar of business sustainability. The Entity is exposed to financial, political, legal, regulatory, technology, health and safety, among other risks, that could affect the achievement of its objectives.

JOSHCO views risk management as a continuous, proactive, and systematic process, built on robust principles and practices in a risk-intelligent entity, informing its decisions and actions to deal with and benefit from uncertainties.

INTERNAL CONTROL

An Independent Internal Auditor undertakes the assessment of the internal control environment to aid risk best practices on an annual basis. All recommendations made by the auditor are considered at Executive Management, Audit and Risk Committee, and Board of Directors meetings through the report of the Committee Chairperson. The Board remains focused and robust in driving an effective and efficient control environment.

> **"The JOSHCO Executive Committee is the owner of risks, and is responsible for entrenching risk management, supported by the Enterprise Risk Management Function, which is the custodian of the risk management framework."**

RISK MANAGEMENT STRATEGY

JOSHCO's strategy is to manage risks that may affect business sustainability in the internal and external environments. Our risk management process enables us to manage our risk profile within our risk appetite.

JOSHCO's risk universe is its industry-specific risk environment and includes the sources of risks to which it may be exposed. This represents the minimum scope of application of its risk management processes and is segmented into three levels relating to its purpose, strategy, and operational realities. The risk universe is continuously reviewed and updated, ensuring that it accurately represents the strategic and operational environments. Each identified risk is anchored to the relevant operational, strategic, and purpose activity – enabling decision-makers to contextualise and understand the interconnectedness between activities and risks.

Risk appetite and tolerance defines various levels of risk that allows JOSHCO to escalate and deal with risk aligned to the delegation of authority. Risk appetite constitutes the amount of risk that the Entity is willing to onboard in pursuit of its goals, which, if breached, may detract from its achievement of strategic objectives and targets. Risk tolerance is the level of risk that, if breached, may materially harm the Entity's reputation and delivery of its mandate.

RISK ESCALATION METHODOLOGY

The City Risk Framework provides guidance on which risks should be escalated to the various governance Committees within the organisation. The ARC assesses, evaluates, monitors, and advises the Board on the adequacy of the organisation's risks responses and how Management is able to best deal with the risk for the achievement of the set objectives.

ORGANISATIONAL RISK ARCHITECT

JOSHCO
JOHANNESBURG SOCIAL HOUSING COMPANY

Board of Directors

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

Audit and Risk Committee

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

Executive Committee

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

Legends:

Implementation of Board recommendation(s)

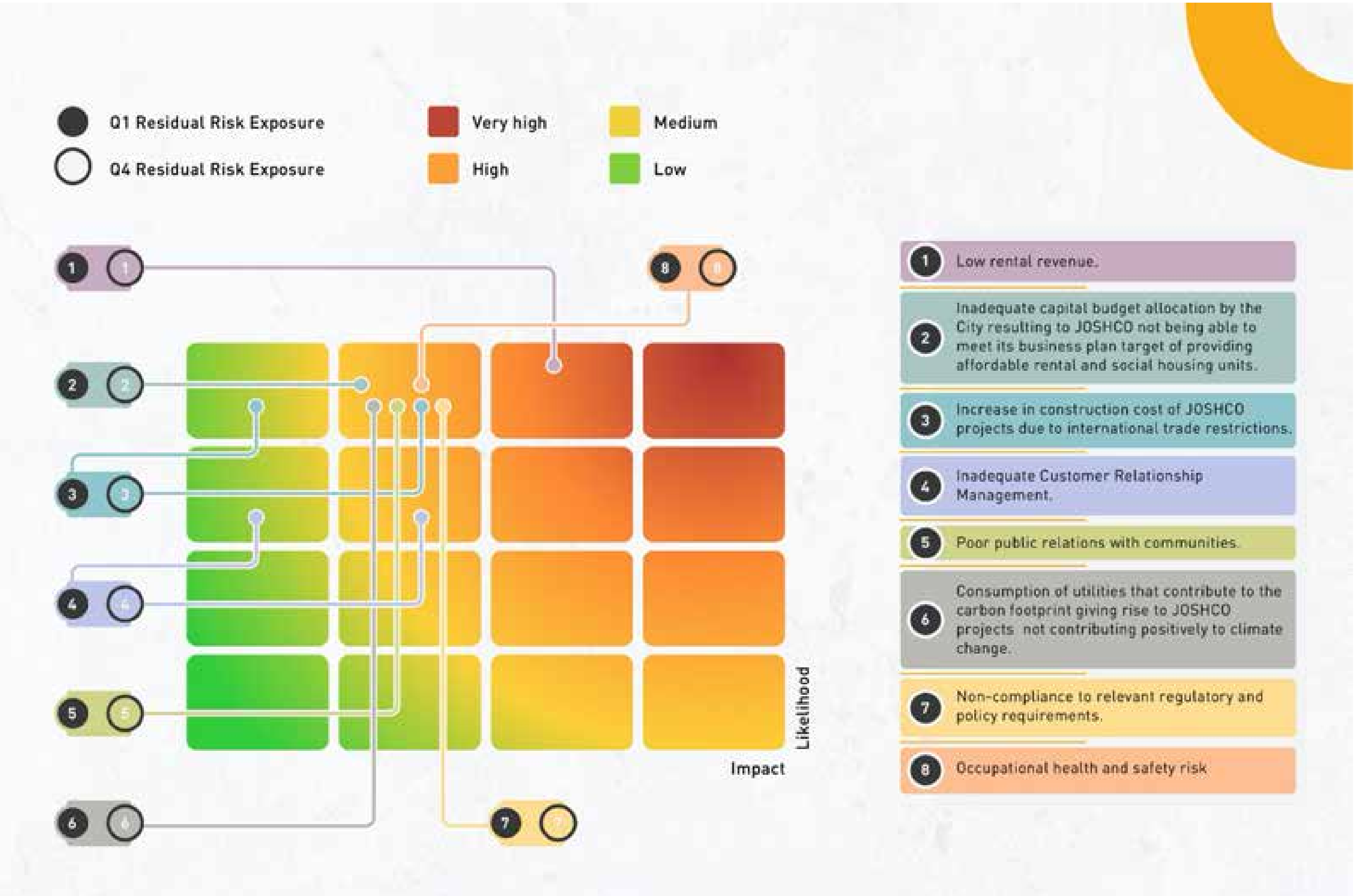
Reporting of risk information to the Board

Table 10 depicts the residual risk results against the risk identified for the year ended 30 June 2021

NO	RISK DESCRIPTION	RESIDUAL RISK RATING AS AT 1 JULY 2020	RISK MITIGATION MOVEMENT	RESIDUAL RISK RATING AS AT 30 JUNE 2021	COMMENTS
1	Low rental revenue.	High	→	High	The residual risk remained high because of the non-achievement of the annual target of 80% revenue collection. However, slight progress has been made in terms of rental collection of historical debt. This is due to the appointment of a debt collector, and a revenue collection drive.
2	Inadequate capital budget allocation by the City resulting in JOSHCO being unable to meet its business plan target of providing affordable rental and social housing units.	Medium	↔	Medium	Residual risk remained high, as net liabilities continued to exceed net asset at the end of the financial year.
3	Increase in construction cost of JOSHCO projects due to international trade restrictions.	Low	→	Medium	The residual risk moved from low to medium due to project stoppages and the effects of the COVID-19 pandemic.
4	Inadequate Customer Relationship Management.	Low	→	Medium	The residual risk moved from low to medium due to a high number of complaints, and delays in setting up of the JOSHCO call centre, which resulted in service delivery protest at JOSHCO's head office, as well as at a number of rental project sites.
5	Poor Public Relations with communities.	Medium	↔	Medium	There has been minimal progress due to delays in the appointment of Stakeholder Relations Manager, as well as delays in the Development of the Stakeholder Relations Strategy and Plan.
6	Consumption of utilities that contribute to the carbon footprint - giving rise to JOSHCO projects not contributing positively to climate change.	Medium	↔	Medium	The residual risk remained unchanged due to delays in procurement of goods and services, and the appointment of service providers.
7	Non-compliance to relevant regulatory and policy requirements.	Medium	↔	Medium	There has been minimal progress in implementation of compliance controls due to delays in the procurement of additional licenses for the Exclaim system and training of Risk Champions.
8	Occupational health and safety risk.	Medium	↔	Medium	Although the organisation did not record any fatalities in the year to June 2021, the residual risk remained medium as the measures to install burglar proofing, Biometric Access Control systems, and CCTV cameras in the existing projects will only be undertaken in the new financial year. This is due to delays in the appointment of a service provider.

Residual Risk Heat Map as at 30 June 2021

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



EMERGING RISK AS AT 30 JUNE 2021

Emerging risks influence the organisation's ability to operate efficiently. When emerging risks are identified, risk control measures must be implemented so that the organisation may respond positively. In the year to June 2021, Due to the COVID-19 pandemic, JOSHCO implemented a working from home policy which gave rise to overreliance on Information, Communication, and Technology (ICT). The organisation has experienced an IT Business interruption due to poor IT infrastructure and loadshedding. The emerging risk that the organisation is currently facing is the risk of cyber-attacks, which have increased in South Africa and around the globe since the emergence of the COVID-19 pandemic. The effect of cyber-attacks may be disruption on business continuity, service delivery, and loss of information, which may be compromised by the intruders and give rise to non-compliance with the POPIA – resulting in penalties being imposed by the Information Regulator, as well as suffering significant reputational damage.

The organisation has responded to the risk by upgrading its IT infrastructure and improving its Information Security system. Actions that are more robust are underway to tighten the information security of the organisation, which include human resource capacity in the ICT.

Furthermore, JOSHCO is in the process of developing a business continuity management system that is in compliance with the ISO 22301 standard.

SECTION 5:
ANTI-FRAUD AND CORRUPTION

PRINCIPLE 1: ETHICAL LEADERSHIP

In accordance with Principle 1 of the King IV, the governing body is responsible for the governance of ethics within the organisation. JOSHCO's ethics is underpinned by its values as outlined at the beginning of the report under JOSHCO at a glance. A zero-tolerance approach is taken towards fraud and corruption in a bid to uphold good corporate governance, and a culture of integrity and an honest work ethic is embedded across the organisation. Notwithstanding the COVID-19 challenges, JOSHCO continued with the anti-fraud and corruption awareness campaign across all project sites, as well as at head office.

During the year under review, JOSHCO executed two public fraud and corruption awareness campaigns intended to educate the public about its position in relation to fraud and corruption, and the process of reporting transgressions. The campaigns were a result of few fraudulent act, such as fraudulent advertisements of social housing in JOSHCO letterhead that were identified on social media and reported to Group Forensic and Investigations Services (GFIS) for further investigations.

The campaigns also provided the public with a platform to understand the process and channels that they need to follow when applying for social housing units in trying to protect the public from fraudsters that pose as JOSHCO on social media. The campaigns were extended to tenanted projects with visits to six project sites, where tenants were educated about matters of fraud and corruption.

Internally, the risk and compliance unit, in collaboration with GFIS, held workshops with different business units as a constant reminder of how employees should conduct themselves in their daily operations. The workshops commenced with high-risk units such as SCM, Leasing, and Revenue Units. The campaigns are ongoing and will be intensified in the upcoming financial years.

Furthermore, JOSHCO subscribes to the Protected Disclosure Act, and the Prevention and Combatting of Corrupt Activities Act. The fraud hotline number is 0800 002 587.

FRAUD INVESTIGATIONS

The City has centralised the fraud and investigation function at GFIS and as a city entity, JOSHCO depends on the services of GFIS for investigation of all allegations of fraud and corruption that are reported through the COJ hotline, or that are identified via the media platform. For the financial year 2020/21, GFIS has provided the investigation report with the following cases and status:

Table 11: fraud cases reported

FRAUD CASES REPORTED THROUGH HOTLINE
4 cases have been reported through to GFIS in the FY.
3 cases were closed due to insufficient evidence.
1 case still in progress.

PROCUREMENT POLICY

Procurement of goods and services is an integral part of the delivery of services to the citizens of Johannesburg by JOSHCO. A detailed procurement policy is in place and was reviewed during the 2020/21FY. The policy ensures that effective checks and balances are in place, and promotes the segregation of duties, accountability, and transparency in the supply chain processes. JOSHCO employees are requested to complete and submit the declaration of interest at the start of each financial year as one of the control measures introduced to identify financial interest. Once all declarations are received, processed, and evaluated, any employee who has an outside interest in any supply chain vendor, or if there exists a conflict of interest as a result, is recused from any bid process.

Tenders are monitored by three committees - Bid Specification, Bid Evaluation, and Bid adjudication Committee. JOSHCO's philosophy towards the tender processes has always been that of public adjudication to maintain a transparent award process. All three committees maintain records of their proceedings in the form of reports and minutes.

SECTION 6:
ICT GOVERNANCE

PRINCIPLE 12: TECHNOLOGY AND INFORMATION GOVERNANCE

ICT Governance maintains focus on ensuring that the organisation's IT systems sufficiently support and enable the achievement of the organisation's strategies and objectives. In the year under review, the Board adopted principles as outlined in the King IV Report on Corporate Governance for South Africa 2016, in which 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 this function to the Audit and Risk Committee. The committee's oversight role is to liaise with and assist management to identify financial, business, and operational risk areas that are to be covered in the scope of internal and external audits. It also assesses the risk of ICT information as it relate to the integrity of financial information to ensure that financial information is free of material inaccuracies and that it truthfully represents the financial affairs of the organisation.

The EXCO's role is to ensure that the ICT strategy, policies, and procedures are implemented and adhered to. The Committee is also tasked with the review (through internal audits) of the application and constancy of the execution and maintenance of all strategies, policies, procedures relating to the ICT function. In doing so, the Committee acts as an assurance provider.

2020/21 ICT PERFORMANCE

In accordance with the technology landscape that is transforming the way the company engages with its customers, owing to digital transformation, ICT continues to play a crucial role in supporting JOSHCO's vision and objectives. Through digitalisation and automation, the business units are constantly updated with a focus on reducing complexity while enhancing ICT security. The three-year ICT Strategic Plan was developed aiming to shift the ICT focus from being a support function to a strategic driver, with emphasis on transforming the JOSHCO into a digital workforce. Within the next three Financial Years, we will embark on a major drive to transform the JOSHCO into a mobile, agile, and innovative workforce. The information and technology services that are always available, accessible, secure, and reliable are at the heart of this function, laying the groundwork for all other activities. By introducing technology to boost JOSHCO's efficiency and effectiveness, the ICT also provides strategic insight and support.

> "Within the next three Financial Years, we will embark on a major drive to transform the JOSHCO into a mobile, agile, and innovative workforce."

In the previous Financial Year (2019/20), JOSHCO embarked on a major drive to transform into a mobile, agile, and innovative workforce through the adoption and implementation of Microsoft 365, and implementation of remote working. In addition to the Microsoft 365 cloud technologies, a Voice Over Internet Protocol (VOIP) technology was implemented. This system allows employees to make and receive landline calls from their computers through any internet connection. The drive to digital transformation supports JOSHCO's ICT vision to build an agile organisation. Agility requires the right technology platforms and systems that would enable the organisation to be innovative and rapidly adapt to changing business needs and a changing operating environment. The adoption of technologies that enabled this vision has proved invaluable during the national lockdown caused by the COVID-19 pandemic. JOSHCO was able to transition from an office-based workforce to a fully functional remote workforce. The workforce can access information, transact, and collaborate with both internal and external stakeholders from anywhere, while retaining a high level of security. In addition, the technology allowed the organisation to rapidly adapt business processes to enable and support the remote work model.

Security monitoring of the ICT environment is critical to defending the entity against cyber threats. The Security and Network Operations Centre (SNOC) is key to the monitoring function through pro-active monitoring and alerting. Our ICT infrastructure and network connectivity has been a challenge at times, due to load shedding and aging infrastructure, which could not always handle the traffic and high demand of users being 100% reliant on technology use. However, this has given the company an opportunity to upgrade the ICT infrastructure and install back up power. JOSHCO managed to upgrade the production environment, build a new database, implement a full functioning end-to-end Disaster Recovery solution and back-up solution hosted on cloud computing. Even though there have been challenges with service delivery, the ICT function has matured considerably over the past year, and continuous enhancements are being made to further improve the overall service.

Future focus

- Digitisation and automation of business processes for increased effectiveness and efficiency, through the implementation of JOSHCO App.
- Implementation of an Electronic Document Management solution.
- Enhancement of a public-facing website.
- Implementation of an intranet and extranet.
- Implementation of ICT strategic initiatives that will enhance the efficiency of the core business.
- Develop of Enterprise Architecture.
- Investing in skilled human capital on critical ICT roles; and
- Enhancing and automating security tools and operations to maintain and improve JOSHCO's information security posture.

The achievement of the above is reliant primarily on financial, intellectual, and human capital. The implementation of the above initiatives will result in stronger intellectual capital using optimised and efficient business processes, while reducing the need for natural capital through the continuous adoption of cloud technologies to replace on-site server processing facilities. The initiatives are aimed at creating shared value between ICT and its internal and external stakeholders, with the employees benefitting from a more efficient technology and secure business environment.

> "JOSHCO managed to upgrade the production environment, build a new database, implement a full functioning end-to-end Disaster Recovery solution and back-up solution hosted on cloud computing."

With the number of cyber-attacks escalating globally, as a result of cyber criminals taking full advantage of the disruptions caused by COVID-19, the role of information security has become more important in ensuring that JOSHCO's ICT environments, and remote workers are monitored on a 24/7 basis. Due to that, cyber-attacks and threats are constantly evolving, it is critical that the applied security model protects the entity holistically and caters for the systems, people, and processes. Traditional security models create complexity and barriers that are counterproductive and not user-friendly. In year 2021/22, the focus will be on aligning the ICT Strategy to the overall JOSHCO Strategy and creating value by embarking on projects that allow the entity to fulfil its mandate.

> "In year 2021/22, the focus will be on aligning the ICT Strategy to the overall JOSHCO Strategy and creating value by embarking on projects that allow the entity to fulfil its mandate."

SECTION 7:
COMPLIANCE WITH LAWS AND REGULATIONS

PRINCIPLE 13: COMPLIANCE GOVERNANCE

JOSHCO's combined assurance is not complete without compliance monitoring and assessment. With risk and audit as part of the organisation's combined assurance process, it provides both management and the Board with reasonable assurance about the organisation's commitment to a sound regulatory environment. Our entity uses the EXCLAIM! Compliance software to monitor compliance with relevant legislation. 27 Acts/regulations are applicable to JOSHCO's operations and appear on the Regulatory Universe. The following are some of the Acts applicable to JOSHCO:

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

The FY closed with 19 out of the 27 legislations at 100% compliance. This is a decrease by six legislations as compared to the previous FY where 25 acts were at 100% compliance. The decline was due to the compliance assessment process that was intensified during the year under review.

The table below reflects the assessed Acts and regulations and the level of compliance with action plans on the Acts that are below 100% compliance level. JOSHCHO strives to comply with core legislations.

ACT NAME	2019/20	2020/21	COMMENTS	REMEDIAL ACTION	RESPONSIBLE DEPT	PROGRESS MADE ON REMEDIAL ACTION	TIMEFRAME
Companies Act, No. 71 of 2008.	100%	98.94%	The variance relates to the absence of documents/ records based on previous audit findings. The Act requires documents/ records to be kept for a period of seven years.	Proper document management.	Office of the Company Secretary	Record keeping has been improved. However, non-compliance will remain until seven years lapses.	Full compliance with the section will be reached 2023.
Electronic Communications and Transactions Act, No. 25 of 2002.	100%	92.31%	The variance relates to: JOSHCO not having an electronic document filing and issuing system. The process is performed manually.	Obtain electronic document filing and issuing system.	ICT	The initial timeframe of June 2021, was intended for the development of specifications for procurement of a document management system, and the specifications have been developed. However, JOSHCO noted that the Microsoft 365 has a module on document management. Engagements were initiated with the City to grant JOSHCO with licences to utilise the module, since the management of Microsoft is at a group level. The City has agreed and indicated that there will be no cost implications to the Entity. Therefore, it is no longer necessary to source the system as the City has already procured it. The implementation is expected to commence in Q1 of the upcoming financial year.	31 September 2021
Local Government Municipal Finance Management Act – Municipal Regulations on Minimum Competency Levels.	100%	68.75%	The variance relates to the requirement for senior managers and supply chain officials to meet competency levels for financial and supply chain management.	Employer to ensure that all senior managers obtain the competency levels as required by the Act.	Corporate Services	All senior managers who do not meet the requirements in terms of the regulations have been enrolled in the Municipal Executives Financial Management Programme at Wits University. The course was planned to be completed by mid-2021. However, due to COVID-19 regulations, WITS has put the course on hold until the beginning of August. Therefore, the completion date will be guided by these circumstances. The revised timeframe for completion of the course is December 2021.	December 2021

ACT NAME	2019/20	2020/21	COMMENTS	REMEDIAL ACTION	RESPONSIBLE DEPT	PROGRESS MADE ON REMEDIAL ACTION	TIMEFRAME
Occupational Health and Safety Act - Construction Regulations.	100%	93.10%	The variance relates to missing evidence on sections marked as "compliant" on the compliance questionnaire.	Outstanding evidence to be submitted.	Housing Development	Although the Development department has Safety Plans on site before commencing with construction activities, some sections of the Act are related to the main Contractor's compliance on site and are monitored through monthly safety audits conducted by a Health and Safety practitioner. Safety audits to be made available going forward	30 September 2021
Promotion of Access to Information Act, No. 2 of 2000 - Public Bodies.	88.8%	88.8%	The variance relates to the non-registration of Information Officers with the Regulator.	JOSHCO to register Information Officers with the regulator.	Corporate Services Office of the CEO.	The information Regulator has finalised the registration process. JOSHCO has completed and submitted the forms and awaits a response.	31 July 2021
Protection of Personal Information Act, No. 4 of 2013 (POPIA).	92.5%	72.73%	The variance relates to the failure to conduct a Personal Information (PI) impact assessment to ensure that adequate measures and standards exist in order to comply with the conditions for the lawful processing of personal information. The variance further relates to the non-registration of Information Officer/s with the Information Regulator.	Need for functional document management system. Information Management Officer must be appointed.	Office of the CEO.	The initial timeframe of June 2021 was intended for the development of specifications for procurement of document management system, and the specifications have been developed. However, JOSHCO noted that the Microsoft 365 has a module on document management and engagements were initiated with the City to grant JOSHCO licences to utilise the module since the management of Microsoft is at a group level. The City has agreed and indicated that there will be no cost implications to the Entity. Therefore, it is no longer necessary to source the system as the City has already procured the system. The implementation is expected to commence in Q1of the upcoming financial year. With POPI being effective as of 1 July 2021, we are in the process of putting measures in place including getting a service provider to assist with impact assessment and related activities to ensure compliance. All this will commence in the first quarter of 2021/22	Considering the complexity of this act full compliance is planned for Q4

ACT NAME	2019/20	2020/21	COMMENTS	REMEDIAL ACTION	RESPONSIBLE DEPT	PROGRESS MADE ON REMEDIAL ACTION	TIMEFRAME
Rental Housing Act, No. 50 of 1999.	100%	96.3%	The variance relates to the subletting of units by tenants without JOSHCO's consent.	JOSHCO, through the Housing Management department, has embarked on a process of regularising qualifying tenants in line with approved policies. The process will continue until only lawful tenants occupy all JOSHCO units.	Housing Management.	Regularisation is an ongoing process and tenants who fail to qualify and refuse to vacate the units will be handed over for evictions. 300 Addendums to lease have been signed to renew leases. JOSHCO is receiving applications from illegal occupants to be regularised.	30 September 2021
Social Housing Act, No.16 of 2008.	100%	78.26%	The variance relates to the non-appointment of a manager responsible for the day-to-day management of the social housing institution and that if the position is vacant, it must be filled within three months of the existence of the vacancy. The variance further relates to missing evidence on section marked "compliant" on the compliance questionnaires.	Appointment of EM: Housing Management should be prioritised.	Housing management/ Housing Development.	The position was advertised in March 2021. Candidates have been interviewed and are currently undergoing assessment. Recruitment process is almost complete, and appointment is envisaged in the Q1 of the 2021/22 FY.	Information is overdue.

CHAPTER

3

SERVICE DELIVERY PERFORMANCE

Strategic Goal: 1, 2, 4, 5.
Stakeholders interested:

SECTION 1:
SERVICE DELIVERY HIGHLIGHTS AND ACHIEVEMENTS

This chapter focuses on presenting the annual performance of the entity together with challenges encountered, way forward and plans intended to address underperformance. The Entity had an approved business plan that was implemented throughout the financial year with predetermined deliverables and milestones that it aimed to achieve. The business plan is embedded on the mandate that has been formalised with COJ through the signing of the SDA and the Shareholder compact. Below are some of the highlights and achievements for the 2020/21 FY.

PROJECTS LAUNCHED

- The City's Department of Housing and JOSHCO delivered the official groundbreaking of the Temporary Relocation Area at Marlboro and Marlboro Gardens on Friday, 3 July 2020. This was aimed at relocating residents/families and people living under COVID-19 high risk environments, to newly constructed Temporary Relocation Areas also known as temporary emergency units.

- MMC for Housing officially launched the beginning of the Jeppestown Social Housing Development on Tuesday, 15 December 2020. This project is one of the City's Turnkey projects that will yield 1336 units upon completion. The development responds to the need for decent and affordable housing within the inner city.

- The MMC for Housing and JOSHCO officially held a groundbreaking of the Rivonia Social Housing Development on 14 April 2021. The Rivonia development is located in Region E – Edenburg Township. The development responds to the need for affordable, decent housing around Midrand, Fourways and the surrounding areas and upon completion, it will yield 1031 units.

TENANTING

- We have finalised and fully tenanted the Plein street property that is known as Union Square. The property is located adjacent to the Noord Taxi rank terminal in the CBD of Johannesburg. It has 344 units that are comprised of bachelors, one beds, and two bedrooms.

- JOSHCO has implemented the first student accommodation under COJ. The service provider was appointed to retrofit and manage Wolmarans project on behalf of JOSHCO for a period of three years whilst building internal capacity. The MMC of Housing launched the building on 26 May 2021, while unveiling its official name – Dakalo. The building has a capacity to accommodate 181 beds, and currently has 29 students that are either self-funding, on bursaries, or paying through NFSAS.

DEVELOPMENTS OF UNITS

The total number of 609 units were delivered in the following projects:

- 112 units have reached occupation level resulting in the project obtaining occupation certificate and tenanted. The building was fully tenanted by the end of the FY translating to 344 families enjoying the benefits of decent and affordable housing.
- Golden Highway has delivered 162 units without connection to services.
- Lufherheng Social Housing delivered 255 units without connections.
- 106 Claim Street delivered 48 units without connections to services; and
- 50 Durban Street delivered 32 units without connections services.

ECO FRIENDLY INITIATIVES

The country is already experiencing the effect of climate change through an increase in temperature and rain variability. In support of the notion that the country's development is dependent on climate-sensitive sectors, the City has decided to contribute through climate change initiatives such as green buildings etc. JOSHCO has also taken a stand to contribute its share through ensuring that it focuses on eco-friendly buildings. An initiative has been introduced that will see most of the buildings utilising solar systems, installing rainwater harvesting systems, as well as the installation of lower electricity-consuming lightbulbs. In the year under review, JOSHCO was able to install a rainwater-harvesting system at one of its properties. This initiative will be intensified in the 2021/22 FY.

SAFETY ENHANCEMENT AT PROJECTS

The safety of tenants is a high-priority for the property management team. The year under review saw JOSHCO capacitating the Security department internally, as opposed to being solely dependant on a third party. Through collaboration of the security and housing management units, JOSHCO commenced with the project of installation of biometrics, CCTV cameras, and burglar doors at high rising buildings. These initiatives will provide tenants with safer communities that are free from crime, and will allow young families to raise their children in a child-friendly environment.

FILLING OF KEY VACANCIES

Various key positions were filled in the year to June 2021. The only Executive Manager position that was vacant for over a year was filled towards the end of the FY.

AUDIT OPINION

It is commendable for the entity to receive an Unqualified Audit opinion. We pride ourselves for managing to maintain the status and not regress. Plans are in place to take JOSHCO to Clean Audit in the near future.

SECTION 2:
SERVICE DELIVERY CHALLENGES

The entity continued to experience the impact of COVID-19 in the FY under review through the absence of infected and exposed employees, both internal and contracted, and the ripple effect of the COVID-19 lockdown regulations on tenants' ability to honor their rental obligation. As an organisation, measures such as remote operation, and procurement of PPE for essential employees were implemented. This was in a bid to minimise the impact of the pandemic on the operation.

RENTAL COLLECTION

Collection has shown a declining trend from the beginning of the financial year. JOSHCO closed the year with a 58% collection rate, as compared to the 61% in the previous FY. The FY commenced with an economy that was going through a recession with almost all sectors performing in the negative. This together with the effect of the national lockdown regulations, put much strain on the livelihood of tenants. The effects of the national lockdown regulations continue to be seen, as many tenants have requested an extension to the payment holiday. This is a result of many tenants not yet receiving full salaries (as for pre-COVID-19).

A debt collecting company was appointed in August 2020, to assist with the collection of debt that exceeded 60 days. At the time of reporting the company had collected R8.4 million that has positively contributed to JOSHCO's book. The second phase that is set to commence at the start of 2021/22 FY will be to hand-over all tenants who have defaulted on acknowledgement of debt agreements entered, as well as those tenants who have not entered any payment arrangement for amounts over 90 days in arrears.

As a way of encouraging tenants that are able to afford the rental costs, various settlement discount vouchers for tenants who sign AOD's (Acknowledgement of Debt) for payment of their arrears was introduced. JOSHCO has intensified revenue drives at projects to attend to billing queries while educating tenants on the importance of paying rent.

> **"JOSHCO has intensified revenue drives at projects to attend to billing queries while educating tenants on the importance of paying rent."**

BUSINESS DISRUPTION

The country in general experienced frequent load shedding as a direct result of ageing power plants that have led to recurring breakdowns. Load shedding has affected the labour force productivity. This is largely due to interference experienced with network services, and in some instances, the server itself has been affected. JOSHCO was not immune to this as intermittent ICT disruptions have been experienced throughout the financial year, mainly due to server disruptions caused by aging infrastructure and damage exacerbated by load shedding. These challenges resulted in employees failing to connect to the server while working remotely. To minimise the efect, the organisation embarked on an infrastructure upgrade and procurement of a power backup solution that takes effect when load shedding is experienced.

DEMAND OF OWNERSHIP

Demand for ownership of units is ongoing. Tenants have formed committees that advocate for ownership of units. This is against the Social Housing Act which provides that households within the specific income-bracket on a rental basis should occupy units and it promote tenants' progression, which allows tenants to move out of social housing scheme when they start to afford alternative housing options. JOSHCO has intensified its tenant education efforts, and new tenants undergo an orientation induction that informs them of the roles and responsibilities of both parties. Furthermore, different platforms such as social media and radio were utilised to educate the society about social housing, with emphasis on rental units not having an option for ownership.

SMMEs UPRISING

JOSHCO's philosophy has always been that its capital projects should leave a positive impact through the upliftment of the communities within the vicinity. This is achieved through creation of jobs and support provided to the SMMEs. In the year under review, work stoppages were experienced at a number of projects due to SMMEs unrest, which was caused largely by work package disputes with the main contractors. The ripple effect of this was the delay to the implementation of projects that, in some instances, triggered extension of time cost. A plan is being implemented to educate the SMMEs on work packages, in order to reduce disputes that are experienced post appointment stage.

SECTION 3:
RESPONSE TO STRATEGIC DIRECTION

As highlighted under section 6 of chapter 1, we have seven strategic objectives that drives our mandate. The objectives are aligned to the COJ's GDS 2040 strategic outcomes and strategic priorities. Our mandate directly responds to the COJ priority on integrated human settlement.

STRATEGIC GOAL 1: Develop social housing projects within transport corridors, inner-city and Greenfield (including suburbs and economic hubs).
The focus is on development of social and affordable rental units that benefit the qualifying citizens of Johannesburg. The detail of progress is outlined in chapter 3, section 3 (table 13).

STRATEGIC GOAL 2: Contribute towards economic development through Broad-Based Black Economic Empowerment.
Chapter 3 section 6 and chapter 5, section 6.

STRATEGIC GOAL 3: Become a financial sustainable company.
The focus is on working towards the JOSHCO that is resilient and self-sustainable.
Details in on chapter 5.

STRATEGIC GOAL 4: Contribute to mitigating Climate Change Impact.
JOSHCO plays its part in contributing to climate change mitigation. Little progress was made due to the eco-friendly initiatives only being introduced in the financial year. Highlights on chapter 3, section 1and table 17.

STRATEGIC GOAL 5: Improve safety and security of all tenants in JOSHCO projects.
The focus remains on ensuring that projects are well managed, which includes being safe, secure, and well maintained. Details on chapter 3 section 6.

STRATEGIC GOAL 6: Become a customer-centric company.
JOSHCO prides itself on its commitment to serving people within acceptable turnaround times.
Details on chapter 3 section 4 and section 6.

STRATEGIC GOAL 7: Strengthen Governance and Compliance.

Table 13: strategic goals and achievement

STRATEGIC GOAL/ OBJECTIVES	2019/20 ACHIEVEMENTS	2020/21 ACHIEVEMENTS
STRATEGIC GOAL 1	-24 units were completed. -306 are completed without services connection. -Procurement of developers for turnkey projects finalised.	-112 units reached completion stage. -559 are completed without services connection. -Three turnkey sites were launched and handed over to developers.
STRATEGIC GOAL 2	-11% of CAPEX was spent on SMMEs. -185 EPWP job opportunities were created. -35.5% and 58% of procurement recognition spent on at least 51% black-owned companies.	-9% of CAPEX was spent on SMME. -552 EPWP job opportunities were created. -86% and 83% of OPEX and CAPEX procurement recognition spent on at least 51% black-owned companies.
STRATEGIC GOAL 3	Revenue enhancement strategies initiated.	-Debt collection company appointed and assisted to collect R8 million by end of the FY. -Revenue strategies, such as outdoor advertisements, were implemented.
STRATEGIC GOAL 4	None.	-Assessment of suitability of projects to install rainwater harvesting systems at projects was done. -One project was installed with solar systems.
STRATEGIC GOAL 5	-Insourcing of securities and cleaners was completed, and positively contributes to the preservation of JOSHCO's buildings. -R12 278 947 spent on 4 518 reactive maintenance jobs. -R8 236 851 spent on planned maintenance.	-Assessment of security measures such as biometrics, CCTV cameras was conducted and procurement activated. -R21 685 553 spent on 5 998 reactive maintenance jobs. -R11 352 326 was spent on planned maintenance.
STRATEGIC GOAL 6	-Quarterly tenant education at project level. -Four of seven approved SLS were achieved. -Introduced rental relief for tenants that were negatively affected by national lockdown. -The new team of EXCO was appointed – including the CEO.	-Intensified tenant education in collaboration with revenue, risk, and housing management units. -Six out of seven (7) SLS were achieved. -Continue with the implementation of the rental relief. -Full capacitation of the EXCO team, which brings stability within the organisation. -Number of initiatives aimed at supporting tenants were implemented. This includes handing educational packs to children, and handing over of COVID relief food parcels to 40 families.
STRATEGIC GOAL 7	-Functional Board for the FY to provide strategic direction and oversight. -25 legislations were at 100% compliance by end of the FY.	-Functional Board for the FY to provide strategic direction and oversight. -18 legislations were at 100% compliance by end of the FY.

CAPITAL PROJECTS IMPLEMENTED IN 2020/21 FY

JOSHCO received capital budget allocation of R378 million to implement 18 projects that were at different stages of construction with three turnkey projects that have commenced within the FY. Table 13 on the left provides the breakdown of the budget allocation per project, expenditure and the status at end of June 2021. Some highlights of work done in the FY are documented on the right.

Lufherheng Social Housing

Lufherheng Social Housing

The objective of this development is to provide social housing within the COJ's mixed-housing development. The project is in progress to complete and deliver 407 units in the first quarter of financial year 2022/23. Once complete, the project will present social housing opportunities available to 407 qualifying beneficiaries with income ranging between R3 500 to R15 000 per month.

Golden Highway Social Housing

JOSHCO is currently implementing phase two of the Golden Highway Social Housing development, which consists of 333 one- and two-bedroom units, scheduled for completion in May 2022. This project is strategically positioned within the corridor of freedom aimed mainly at accommodating Soweto residents. The project is currently in progress towards completion of these units.

2-16 Abel Street, Hillbrow

Construction work was done at Abel project with the budget of R19,9 million spent during the year under review. It is a Brownfield property located within the Inner-City, Region F, and consists of three buildings and two portions of potential development land. The current phase of the project under development is nearly complete, in preparation for hand-over for tenanting. The three sections of the development will yield a total of 257 units once complete in financial year 2021/22.

Table 14: Capital project

PROJECT	TOTAL UNIT YIELD	2020/21 UNIT YIELD	2020/21 BUDGET R000	AT 30 JUNE ACTUAL EXPENDITURE R000	% SPEND	ACTUAL START DATE	PLANNED COMPLETION DATE
106 Claim Street	80	48	R0.00	R0	0%	21/11/18	18/11/2021
38 Rissik Street	300	-	R550,000	R0	0%	01/01/19	30/06/2023
80 Plein Street	344	112	R13,000,000	R11,517,160	94.5%	13/08/2018	17/04/2020
Abel Road	275	0	R20,000,000	R19,950,185	99.7%	18/04/2017	30/06/2018
Booysens Street Inner City Conversion	250	0	R500,000	R0	0%		
50 Durban Street	102	32	0	0	0	01/10/18	31/08/2021
Casa Mia Phase (1&2)	80	0	R2,000,000	R0	0%	15/06/2017	30/06/2022
Devland Golden Highway	333	162	R71,000,000	R70 952,292	100%	11/10/2019	10/12/2021
Inner City Buildings	200	0	R8 500 000	R8 269,151	97,3%		
JOSHCO House	0	0	R30,000,000	R29,366,783	97.9%	16/11/2020	30/066/2021
Lufhereng	407	255	R75,000,000	R73 903,724	97.9%	01/09/2019	30/08/2022

	30 JUNE PLAN	30 JUNE ACTUAL
	Development of units, but not yet connected to services i.e., Electricity, plumbing and Mechanical.	Project is almost complete. The final electric installation, snagging, and commissioning is underway at the time of reporting.
	Appointment of Professional team.	Not achieved. Re-packaging the project for student accommodation development, instead of a previous procurement approach.
	Project Complete.	Achieved.
	Development of phase 2 units through Builder's works.	Achieved.
	Procurement and appointment of Professional team.	Achieved. The Professional team was successfully appointed for the project as planned, and has commenced with Initiation stage of planning.
	Planned to reach practical completion.	The contractor experienced cash-flow related challenges at almost completion. Outstanding works being re-packages in order to procure a new contractor to take over the project.
	The project had been on hold during the financial year. JOSHCO had to procure and appoint a Professional team to commence with project re-packaging.	Achieved. The Project Professional team was appointed and has commenced with the Initiation stage of pre-construction planning. Initiation stage will include project assessment and re-packaging processes during Q1 of 2021/22 financial year.
	Contractor on site to start with substructure works.	Achieved.
	Major-upgrades and renovations of existing stock within the Inner City.	Planned activities were achieved through the renovations and up-grade works concluded within the programme.
	Renovations and up-grade of JOSHCO House as a Head office for the Entity.	Not achieved. The Practical Completion for the project is set at August 2021. The project has gained good progress after the building was made un-occupied by the Client, in order for the contractor to better proceed.
	Commencement of construction (Builder's Works Substructure).	Achieved. The project has achieved the targeted 255 units that are on 70% completion stage.

PROJECT	TOTAL UNIT YIELD	2020/21 UNIT YIELD	2020/21 BUDGET R000	AT 30 JUNE ACTUAL EXPENDITURE R000	% SPEND	ACTUAL START DATE	PLANNED COMPLETION DATE	
Nancefield Station.	372	0	R14,000,000	R13,327,436	95.2%	01/11/2019	27/02/2023	
Princess Plot	333	0	R20,000,000	R19 937,217	99.7%	01/09/2019	30/11/2021	
Randburg Selkrik	650	0	R6,942,000	R6 690,562	28.7%	20/11/2020	30/11/2022	
Roodepoort Phase 2	92	0	R16,000,000	R15,925,266	99.5%	2/08/2019	30/08/2021	
Special Projects Programme	0	0	R39 058 000	R29,789,012	76.3%	01/04/2021	30/09/2021	
Turn Key1: Region F: Jeepestown	1336	0	R20,950,000	R18,980,00	90.6%	01/01/2021	01/01/2024	
Turn Key1: Region B: Rivonia Social Housing	1031	0	R20,000,000	R19,999,953	100%	01/01/2021	01/01/2024	
Turn Key3: Region A: Riversands	1108	0	R20,000,00	R19,971,234	99.9%	01/01/2021	31/01/2024	
TOTAL	**7191**	**609**	**R 378 000 000**	**R358 579,979**	**95%**			

	30 JUNE PLAN	30 JUNE ACTUAL
	Finalisation of a financially feasible alignment of the project, in terms of reduced number of units that can be delivered within the appointment amount of the Contractor.	Achieved.
	Commencement of construction (Builder's Works).	Achieved Construction process is underway. The main Contractor has commenced with earthworks on site.
	Commencement of Construction.	Achieved.
	Progress on the development social units, but not connected to services.	Project in progress to reach completion stage. Achieved
	Assessment and design for electrical upgrades and Solar Energy-efficiency installation at Roodepoort (Tshiedzani project).	The service provider has been appointed. The installations could not be completed before the end of financial year. This was due to time spent on feasibility assessment.
	Appointment of a Developer, submission of pre-construction Engineering Services designs to Local Authority for assessment and approval.	The Developer has been appointed. Engineering services designs have been submitted to Local Authority, COJ.
	Appointment of a Developer, submission of pre-construction Engineering Services designs to Local Authority for assessment and approval.	The Developer has been appointed. Engineering services designs have been submitted to Local Authority, COJ.
	Appointment of a Developer, submission of pre-construction Engineering Services designs to Local Authority for assessment and approval.	The Developer has been appointed. Engineering services designs have been submitted to Local Authority, COJ.

SECTION 4:
PERFORMANCE AGAINST SERVICE LEVEL STANDARDS

The entity has a set of seven SLS that have been agreed with the shareholders and formalised through the signing of the SDA. The SLS needs to be adhered to when delivering services to the constituency of Johannesburg. JOSHCO had an opportunity to amend two of its standards during the mid-year review process with the aim of improving efficiency and effectiveness in service delivery. The amended standards were the turnaround period of attending to maintenance from seven working days to 14 days – taking into account the sourcing of three quotations – and the second standard being the turnaround time of communication of applications outcomes that was increased from seven days to 10 working days. This turnaround measures the entire process from the time a potential tenant submits an application to communication of the outcomes.

In comparison with the previous year, the overall performance has improved from achieving four standards in the 2019/20 FY to achieving six out of seven. JOSHCO's commitment to delivering services, while adhering to turnaround time, will positively influence how the citizens and its existing tenants perceive the organisation – and will ultimately boost its reputation.

The only standard that was not achieved is the routine maintenance that is undertaken monthly. The challenge experienced in this regard was that tender feed-back time is extensive and that there is a lack of time to restart the process. This challenge will be address by attending to all administration work well in advance to allow enough time to readvertise where there are challenges. The following are the seven standards that the shareholder expects the organisation to adhere to.

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

Table15: Performance Against Service Level Standards

CORE SERVICE	SERVICE-LEVEL STANDARD TARGET	2019/20	2020/21	EVIDENCE	VARIANCE	VARIANCE EXPLANATION	MITIGATIONS
Billing of customers.	98% accurate bills of all active customers.	96.8%	98%	Dated and signed pre-billing monthly report for each project, and tariffs schedule.	None	None	None
Attending to requests for maintenance.	96% of maintenance request attended to within 14 working days of the logged call.	91.2%	96,06	MDA/jobs report.	None	None	None
Routine building maintenance.	Once per year, and as and when required.	67%	70%	Service Plan submitted once during quarter 1 or when reviewed, and MDA/jobs report.	-30%	Underperformance is attributed to lack of proper planning and COVID-19 lockdown disrupted the business operation.	To provide the supply chain management unit with detailed planned maintenance schedule on time and make the necessary follow-ups to ensure that the time frame is adhered to.
Application for rental housing.	Outcome of enquiry to be sent to applicant within 5 days.	3 days	1 day	Monthly spreadsheet with a summary of all queries attended to for the reportable month, and e-mails.	+4	None	None
Applicant for rental housing.	Outcome of the application communicated within 10 working days.	4 days	7 days	Dated and signed tracking document, and SMS report.	+3	None	None
Resolution of complaints.	Acknowledgement and response within 24 hours of complaint being logged.	24 Hours	24 hours	Automated e-mails.	N/A	None	None
Resolution of complaints.	Resolution within 5 working days of logged call.	5 days	1 day	Monthly spreadsheet with a summary of all queries attended to for the reportable month, and e-mails.	+4	None	None

SECTION 5:

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

The organisation had 19 annual Key Performance Indicators (KPIs) in the 2020/21 financial year, which resulted in 21 targets being set. The number of KPIs achieved against the planned KPIs reflect the overall performance of the organisation. Four (4) against 21 targets were achieved. Below is the table that reflects the salient features.

Table 16: Variance Report as at 30 JUNE 2021

NO	ANNUAL TARGET	ACTUAL	VARIANCE	FUTURE CONTROL MEASURES
1.	Current Ratio: 1:1	0.78:1	-0.22	The non-performance of this target is due to continued losses being incurred largely due to a high provision for bad debts and high operating costs. The entity's 5-year strategic plan which focuses on revenue enhancement activities in order to improve our financial sustainability is under implementation: • Increase management fee income earned on project implemented on behalf of other COJ entities – year to date JOSHCO has earned R63.4 million versus (R12.9 million earned in prior year). JOSHCO continues to engage and evaluate other interests for the use of our panels from other COJ entities. • Student accommodation – pilot phase under implementation. • Outdoor advertising – tender to appoint a service provider to manage the outdoor advertising is in progress at advertisement stage. We anticipate appointing a service provider by the end of quarter 1 of 2021/22. • Prepaid vending system – service provider appointed to assist with reduction of utilities costs and transferring of costs to users. The implementation expected Quarter 1 of 2021/22.
2	Solvency Ratio: 1:1	0.82:1	-0.18	
3	50 days cost coverage.	-71 days	-121 days	Under-performance is due to low cash balances and an overdraft as at 30 June 2021. This is due to settlement of supplier invoices prior to receiving claims from the COJ Departments the entity executes projects on behalf of and the Corporate Asset Management (CAM) department. We settle all invoices with our suppliers within 30 days. The largest outstanding balance is with the Department of Housing. There is a weekly meeting between our finance team, project managers and Housing's finance team to expedite the payment of invoices. Engagement continues between all other departments to track the payment of invoices in order to improve our cash balances.

NO	ANNUAL TARGET	ACTUAL	VARIANCE	FUTURE CONTROL MEASURES
4	85% collection in respect of debtors.	58%	-29%	Non-achievement of this target is due to continued low rental collection across all projects. We are still seeing the effects of the national lockdown as many tenants have requested an extension to the payment holiday, as they are still not getting their full salaries. Debt collecting company collected R8.4 million since the first month of operations in August 2020. The second phase of the handover is all tenants who have defaulted on acknowledgement of debt agreements entered into and those who have not entered into any payment arrangement for amounts over 90 days in arrears. These will be done across all projects. The entity is continuing with implementing its collection processes. Evictions will be executed once regulations allow for their execution. Various settlement discount vouchers for tenants who sign AOD's (Acknowledgement of Debt) for payment of their arrears. Weekly site offices schedules for Credit controllers to consult with tenants and accommodate Debt collections company agents as well for further consultations. Revenue drive implemented, and we've so far visited five projects on a one-on-one consultation basis and the feedback was positive
5	9 properties installed with electricity systems.	1	-8	Non-achievement of the target was due to lack of appointment of suitably qualified service providers within JOSHCO Panel of Contractors. The Bids resulted in a Non-responsive Bid and the specification had to be revised and re-tendered, resulting into further delays. The bidder will be appointed in quarter 1 of the 2021/22 FY to implement the programme within Inner City properties.
6	30% spent of CAPEX on SMMEs.	9%	-21%	Bulk of Capital expenditure was directed to projects that were not necessarily on activities that involve SMMEs, i.e., land acquisition & development and design stage. As a result, we could not reach 30% of CAPEX on SMMEs target. Most of these projects including the turnkey will gain momentum in the new FY and more SMMEs will benefit from the CAPEX spent.
7	2 properties installed with rainwater system.	1	-1	Underperformance was caused by delays on finalisation of the feasibility that was conducted to assess the suitability of eco-friendly systems at projects. Only one project was installed with rainwater system and the project will gain momentum in the new FY.
8	1 property installed with solar panels.	0	-1	Underperformance was caused by delays on finalisation of the feasibility that was conducted to assess the suitability of eco-friendly systems at projects. A service provider is appointed for the solar installation project, planning to commence on the first project within the first quarter of the new financial year.
9	Unqualified audit opinion.	Unqualified audit opinion		

NO	ANNUAL TARGET	ACTUAL	VARIANCE	FUTURE CONTROL MEASURES
10	95% compliance to laws and regulations.	62%	-33%	Under performance is due to number of Acts that are not 100% compliant for various reasons. Some of the actions are dependent on third parties i.e., delay in finalisation of the registration process of Information Officers by the regulator. Going forward, the action plan will be a standing item at EXCO meetings, with the aim of holding the respective heads of departments to account and obtaining regular feedback as to the non-compliance in their respective spaces. This should continue until the matter is closed.
11	95% implementation of corrective action against identified risks.	50%	-45%	Underachievement is mainly due to delays in planned mitigation controls, such as installation of CCTV cameras at projects, solar systems, and delays in commencement of business reengineering. All these initiatives will commence in Q1 of the 2021/22 FY. Going forward, the risk register will be a standing item in all EXCO meetings in order to identify actions that are lagging and address these in a timely manner.
12	100% implementation of corrective action against internal audit findings.	54%	-46%	Underperformance was due to number of findings that were not certified as closed by the internal audit due to the design of control being properly executed. This is especially the case in critical business areas such as housing management and revenue management. In the new financial year, JOSHCO will be introducing OPCA forum that will be dealing with all the unresolved findings and suggesting the best way to resolve them. The forum will consist of all EXCO members and an Internal Audit Manager. The forum will identify the root causes of the findings and allocate a suitable person to resolve the finding.
13	100% implementation of corrective action against external audit findings.	82%	-18%	The under-achievement is mainly because the external audit was concluded in March 2021, giving the entity three months to address the findings. As part of the year-end plan, JOSHCO has identified controls to be implemented during annual financial statement preparations. Interim financial statements have been prepared and reviewed by Internal Audit and issues identified there are currently being addressed as part of year plan. Adequate review of annual financial statements by different stakeholders will be a priority.

NO	ANNUAL TARGET	ACTUAL	VARIANCE	FUTURE CONTROL MEASURES
14	100% filling of vacancies from middle management to Executive Management.	50%	-50%	Underperformance was due to the positions that were activated for recruitment process, but 90 days lapsed before the filling of those positions. Going forward, Management will submit a plan with timeframes for filling of vacancies in order to intensify planning of the recruitment process.
15	85% customer satisfaction rating.	16%	-69%	71% Not sure about JOSHCO services. 13% were not satisfied. The target is to work on the 71% to be on the satisfaction side through: Integrated stakeholder engagement programme Tenants' education program in collaboration with customer relations management department. Development of a chart box providing 24/7 updated info on most frequently asked questions.
16	85% employee satisfaction rating.	41%	-44%	The results of the survey surfaced employee dissatisfaction and also satisfaction on some of the aspects. An action plan is being drawn out to address the dissatisfactions and to amplify areas where employees have commended the organisation. Given that is the first survey, the results will be used as a basis point for the next survey to be run in the last quarter of FY2022.
17	662 No of social and affordable housing developed for the disadvantaged beneficiaries	609 units	-53	Underperformance was due to units that did not reach the stage that they were targeted to reach. The KPI has been split into two with one focusing on completed units and the other on units that are complete without services to avoid double reporting. The unit responsible for the KPI supports reporting on Completion and Progress stages and will ensure to keep an accurate record of units reported under Progress stage to avoid potential duplicate reporting on unit.

Table 17: Organisational Performance Results as at 30 June 2021

STRATEGIC OBJECTIVE	KEY PERFORMANCE AREAS	KEY PERFORMANCE INDICATOR	BASELINE (2019/20 RESULTS)	INITIAL TARGET AS PER BUSINESS PLAN
Become a financially sustainable entity.	Financial Sustainability.	Achievement of selected profitability and liquidity ratios.	Current Ratio 0.76:1	Current Ratio: 1:1
			Solvency 0.83:1	Solvency Ratio: 1:1
			New	50 days cost coverage.
		% Collection in respect of current debtors.	61% collection in respect of debtors.	85% collection in respect of debtors.
		% Occupancy rate.	96% occupancy rate	
Contribute towards economic development through Broad-Based Black Economic Empowerment.	Economic Development	Number of jobs created for the unemployed through the EPWP programme.	185 number of jobs created through the EPWP programme.	910 number of jobs created through the EPWP programme.
		% Of CAPEX spent on SMME.	11% spent of CAPEX on SMME	30% spent of CAPEX on SMME.
		% Of valid invoices paid within 30 days of invoice receipt.	99.5% valid invoices paid within 30 days of invoice receipt.	100% valid invoices paid within 30 days of invoice receipt.
Develop Social housing projects within the transport corridors, Inner City and Green Fields (including suburbs and economic hubs).	Social Housing Development.	Number of social and affordable housing units developed.	330 number of social and affordable housing developed.	648 No of social and affordable housing developed.
		% Capital budget spent on rental social housing infrastructure.	68% Capital budget spent on rental of social housing infrastructure.	95% capital budget spent on rental of social housing infrastructure.
Contribute to mitigating climate change impact.	SMART and eco-friendly projects.	Number of properties installed with prepaid electricity meters.	New	9 properties installed with either pre-paid water, electricity systems or solar panels.
		Number of properties installed with rainwater systems.	New	2 properties installed with rainwater system.
		Number of properties installed with solar panels.	New	9 properties installed with either pre-paid water, electricity systems or solar panels.

	TOTAL TARGET FOR THE YEAR 2020/21	2020/21 ACTUAL	VARIANCE	MEANS OF VERIFICATION
	Current Ratio: 1:1	0.78:1	-0.22	Management account/annual financial status.
	Solvency Ratio: 1:1	0.82:1	-0.18	
	50 days cost coverage.	-71 days	-121 days	Management account report.
	85% collection in respect of debtors.	58%	-27%	MDA System; List of JOSHCO projects; Financial Summary; Final billing report; Tenant Age Analysis/tenancy schedule; and Invoices or bank statements.
	98% occupancy rate.	99.6%	1.6%	System generated occupation report.
	910 number of jobs created through the EPWP programme.	552	-358	Service provider – Register and Payroll Attendance Register/timesheet, proof of payment, ID, and employment contract.
	30% spent of CAPEX on SMME	9%	-21%	Departmental expenditure report; Invoices.
	100% valid invoices paid within 30 days of invoice receipt.	100%	None	Purchase master; Bank statements; Invoices register; and Remittance for service providers.
	662 No of social and affordable housing developed.	609 units	-53	Completion certificate for completed units Dated and signed professional reports for units completed without services.
	95% capital budget spent on rental of social housing. infrastructure.	95%	None	CAPEX expenditure report, and valid Invoices.
	9 properties installed with prepaid electricity meters.	1	-8	Signed and dated Departmental report on the installation or upgrade of prepaid meters.
	2 properties installed with rainwater system.	1	-1	Signed and dated Departmental report on the installation of rainwater harvest system.
	1 property installed with solar panels.	0	-1	Signed and dated Departmental report on the installation of solar systems.

STRATEGIC OBJECTIVE	KEY PERFORMANCE AREAS	KEY PERFORMANCE INDICATOR	BASELINE (2019/20 RESULTS)	INITIAL TARGET AS PER BUSINESS PLAN	
Strengthen governance and compliance.	Adherence to corporate governance principles.	Unqualified audit opinion.	New	Unqualified audit opinion.	
		% Compliance to laws and regulations.	89% compliance to laws and regulations	95% compliance to laws and regulations.	
		% Implementation of corrective actions against identified risks.	50% implementation of corrective action against identified risks.	95% implementation of corrective action against identified risks.	
		% Implementation of corrective action against audit findings.	New	100% implementation of corrective action against internal audit findings.	
			New	100% implementation of corrective action against external audit findings.	
		% Filling of vacancies from middle management to Executive Management.	New	100% filling of vacancies from middle management to Executive Management.	
Become a customer centric company.	Stakeholder Centric.	% Customer satisfaction rating.		85% customer satisfaction rating.	
		% Employee satisfaction rating.		85% employee satisfaction rating.	

NB:609 units developed of with 112 have reached completion, and 497 developed without connections to services.

	TOTAL TARGET FOR THE YEAR 2020/21	2020/21 ACTUAL	VARIANCE	MEANS OF VERIFICATION
	Unqualified audit opinion.	Unqualified audit opinion.	0	JOSHCO's IAR and Auditor-General final reports.
	95% compliance to laws and regulations.	62%	-33%	Questionnaire s supported by evidence and Exclaim Compliance Universe Toolkit generated reports.
	95% implementation of corrective action against identified risks.	50%	-45%	Strategic Risk Register, and approved risk report submitted to Group Risk.
	100% implementation of corrective action against internal audit findings.	54%	-46%	Internal audit tracking reports submitted to Executive Committee (EXCO) as well as the Audit and Risk Committee. Internal audit reports.
	100% implementation of corrective action against external audit findings.	82%	-18%	Audit tracking reports submitted to Executive Committee (EXCO) as well as the Audit and Risk Committee.
	100% filling of vacancies from middle management to Executive Management.	50%	-50%	Approved organizational structure, advertisement, and appointment report.
	85% customer satisfaction rating.	16%	-69%	Survey conducted by service provider; Customer satisfaction survey report; and Questionnaires or survey instruments.
	85% employee satisfaction rating.	41%	-44%	Survey conducted by service provider; employee satisfaction survey report; and Questionnaires or survey instruments.

PROJECTS MAINTAINANCE

Tenanting and Allocation Function of Rental Units

JOSHCO's competitive advantage is attributed to the ability to secure capital budget from the COJ, its high level of customer care, and experienced team in the core processes such as tenanting, allocation, and retention of tenants through providing decent yet affordable units while building a community. JOSHCO's principle has always been aligned to Batho Pele principles in that it places its existing and potential tenants first. The organisation's dedication to serving tenants has supported a high tenant retention level for extended durations, and allowed it to maintain an occupancy rate that is above the SHRA benchmark of 97%.

NO.	PROJECT NAME	UNITS NO.	UNTENANTABLE UNITS	TENANTABLE UNITS	VACANT UNITS	OCCUPIED	OCCUPANCY RATE
1.	AA House	253	0	253	0	253	100%
2.	African Diamond	61	0	61	3	58	95.08%
3.	Antea	302	0	302	0	302	100%
4.	Bellavista Infill	36	0	36	0	36	100%
5.	Bothlabela	520	0	520	0	520	100%
6.	Chelsea	80	0	80	0	80	100%
7.	Citrine Court	79	0	79	4	75	97.94%
8.	City Deep New	329	0	329	0	329	100%
9.	City Deep Old	380	0	380	0	380	100%
10.	Devland	255	0	255	0	255	100%
11.	Dobsonville	502	0	502	2	500	99.60%
12.	Diepkloof	146	0	146	0	146	100%
13.	Europa House	167	0	167	2	165	98.80%
14.	Fleurhof Ph. 1	452	2	450	2	448	99.50%
15.	Fleurhof Ph. 2	252	0	252	2	250	99.21%
16.	Hoek Street	265	0	265	0	265	100%
17.	Jabulani	54	0	54	0	54	100%
18.	Klipspruit (Beds)	40	2	38	2	36	95.00%
19.	Kliptown Golf C	934	0	934	1	933	99,89%
20.	Kliptown Square	478	0	478	3	475	99.37%
21.	La Rosabel	51	1	50	0	50	100%
22.	MBV	188	7	181	0	181	100%
23.	Orlando Ekhaya 2	190	0	190	0	189	100%
24.	Orlando Ekhaya 1	102	0	102	0	102	100%

NO.	PROJECT NAME	UNITS NO.	UNTENANTABLE UNITS	TENANTABLE UNITS	VACANT UNITS	OCCUPIED	OCCUPANCY RATE
25.	Orlando West	44	0	44	0	44	100%
26.	Pennyville (Flats)	198	0	198	0	198	100%
27.	Pennyville Rooms	492	1	491	6	485	98.78%
28.	Phoenix House	134	0	133	1	134	99.25%
29.	Rashers' Building	96	0	96	1	95	98.96%
30.	Roodepoort	432	0	432	2	430	99.54%
31.	Selby Rooms	19	0	19	0	19	100%
32.	Selby Units	268	2	266	4	262	98.50%
33.	Textile Building	162	0	162	16	146	90.12%
34.	Turffontein	525	0	524	1	524	100%
35	Union Square	341	0	341	0	341	100%
	Totals	8827	15	8812	53	8759	99.40%

Annual Occupancy level comparison

The occupancy rate shows a steady increase from the 2018/19 FY rate where it had dropped from 97,97% that was reported the previous year. The occupancy rate for the year under review is at 99.40%

NO.	FINANCIAL YEAR	NUMBER UNITS	OCCUPIED	VACANCY	OCCUPANCY RATE
1.	2017/2018	7059	6916	143	97,97%
2.	2018/2019	8327	7968	359	95,68%
3.	2019/2020	8698	8309	389	95.53%
4.	2020/2021	8827	8759	68	99.40%

Regularisation process

JOSHCO embarked on the process of regularising tenants that reside in our properties without valid lease agreements. The unavailability of lease agreements was caused by various reasons ranging from child-headed units, where the leaseholder is deceased or is a former City employee who retired and returned to their home province. 157 units were identified as occupied by tenants without valid lease agreements. Of the 157, 44 were processed, approved, and lease agreements were signed. The balance of 109 is currently being processed. The delay was due to intermittent stoppage during different waves of COVID 19 since the process requires physical interaction period.

Maintenance Function Highlights

Maintenance is a fundamental part of strategic asset management. JOSHCO's building assets must be well maintained to support service delivery. Maintenance must be viewed in the overall context of the ability of the building asset to support service delivery in terms of physical condition, functionality, capacity, environmental performance, and alignment with service demand. The long-term benefits of good maintenance including:

- Assets will perform better.
- Asset life will be extended.
- Operating costs will be reduced.
- Community members will have a favourable perception of government services.

Maintenance costs represent a significant proportion of the total cost of owning the facility; it is a key component of Property Management and pivotal to the management of the entire investment of the building. Maintenance actions focus on service delivery obligations, maintenance priorities, availability of resources and performance management. Maintenance falls into the following categories:

- Planned maintenance.
- Reactive maintenance.
- Common area and grounds maintenance.
- Vacancy reinstatement maintenance.

Unplanned Maintenance

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

> **"Unplanned maintenance, also referred to as reactive maintenance, occurs when the failure of a building component requires immediate attention; it restores the component to operational condition following an unforeseen failure."**

Planned Maintenance

Planned maintenance work at predetermined intervals is to meet legislative, health, and safety, technical or operational reliability considerations, and to preserve the asset and prolong its economic life. Planned maintenance consists of preventative, legislative, and condition-based maintenance. The benefit of preventative maintenance includes minimising the likelihood of building asset failures, health and safety issues and disruptions to service delivery. Legislative maintenance is maintenance to meet requirements mandated in Acts, Regulations, or any other legal requirements instrument. Condition-based maintenance is identified as a result of a condition assessment or inspection process. The maintenance work is carried out because the physical condition of a building structure, building elements, or service is below the acceptable stand.

Maintenance Costs & Service Level Standards (SLS)

In the financial year to June 2021 a total of R33 037 879 was spent on building repairs and maintenance. A total of 5 998 reactive jobs were lodged and R21 685 553 spent on reactive jobs logged, and an amount of R11 352 326 was spent on planned maintenance programmes for the year.

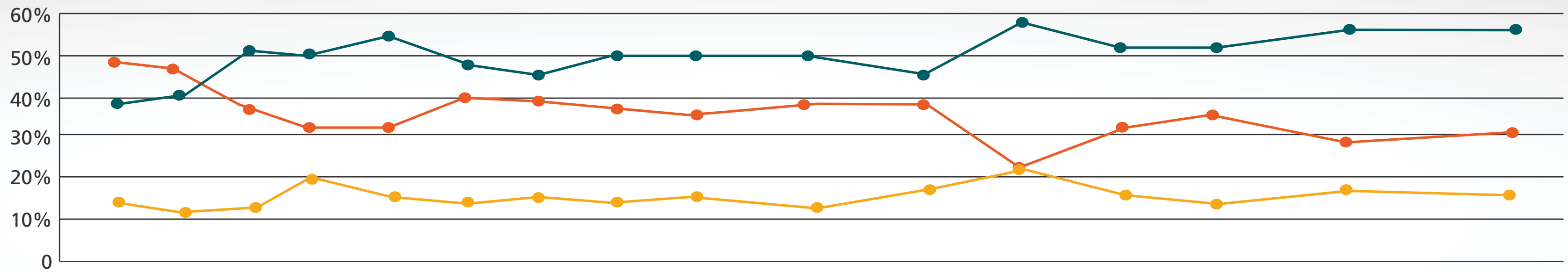
The SDA key performance indicator of 96% that relates to the number of maintenance cases closed within turnaround time was adjusted from seven working days to 14 working days, and a result of 96.5% (5 730 of 5 998 jobs) was achieved for the year.

FINANCIAL YEAR	2017/2018	2018/2019	2019/2020	2020/2021 BUDGET	2020/2021
Unplanned R&M Costs	R 10 473 967	R 12 635 544	R 12 278 947	R 21 657 499	R 21 685 553
No. of Jobs	5 646	4 635	4 518	5 998	5 998
No. Units Managed	7 001	8 276	8 454	8 855	8 855

The maintenance expenditure was closely monitored during the financial year with the closing actual versus budget variation at the end of year being less than 1%. During the 2017/2018 and 2018/2019 years an operation deficit caused JOSHCO to implement costs containment measures which restricted the spending on building repairs and maintenance. In the 2019/2020 financial year, the annual budget was reduced, as funds were required and reallocated to respond to the COVID-19 pandemic. No budgetary restrictions were imposed during the 2020/2021 financial year permitting the full budget to be applied towards service delivery.

The below chart provides a trend analysis of the service type per quarter to the year ending 30 June 2021

SERVICE TYPE TREND ANALYSIS



	17/18 Q1	17/18 Q2	17/18 Q3	17/18 Q4	18/19 Q1	18/19 Q2	18/19 Q3	18/19 Q4	19/20 Q1	19/20 Q2	19/20 Q3	19/20 Q4	20/21 Q1	20/21 Q2	20/21 Q3	20/21 Q4
Electrical	13%	11%	12%	18%	14%	13%	15%	14%	15%	13%	17%	21%	17%	15%	17%	16%
Plumbing	38%	41%	51%	50%	54%	47%	46%	50%	50%	50%	46%	57%	52%	52%	54%	54%
Repairs & Maintenance	49%	48%	37%	32%	32%	40%	39%	36%	35%	37%	37%	22%	31%	33%	29%	30%

Electrical Plumbing Repairs & Maintenance

The trend of jobs per service type remains consistently within a close range of 1% to 4% fluctuation. The only noticeable deviation in trend was attributed to the initial lockdown period of the COVID-19 pandemic where only essential services were permitted. The average for 2020/021 being thirty one percent (31%) of jobs related to general repairs and maintenance, fifty two percent (52%) to plumbing, and seventeen (17%) to electrical.

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

Planned Maintenance

The limitations of the available budget for planned maintenance programmes in year 2017-2019 had a significant impact on customer satisfaction ratings, and the deterioration of building's condition was visibly apparent. Planned maintenance programmes have consequently been provided greater priority and will aim to ensure service to tenants is satisfactory and that quality, habitable and safe living conditions are provided. JOSHCO Management is committed to ensuring that the service standards and the obligations made to its residents are honoured.

The following report provides a breakdown of planned maintenance executed from 2018 to 2021FY for various projects.

PROJECT NAME	2017/2018	2018/2019	2019/2020	2020/2021
OHSA	R841 709	R85 353	R622 981	R88 339
Fire Equipment	R547 846	R785 012	R405 940	R1 236 293
EPWP Programme				R704 568
AA House		R354 185	R49 886	R516 542
African Diamond		R23 238		R28 549
Antea	R76 292	R250 833	R711 099	R747 923
Bellavista Infill		R129 111	R7 399	R147 426
Booysens				R41 532
Bothlabela			R50 148	R243 843
Casa Mia	R24 558			
Chelsea	R114 654	R24 611	R87 490	R43 966
Citrine Court				R35 275
Citrine Court		R341 089	R108 375	
City Deep	R277 924	R32 835	R97 848	R630 156
Devland		R37 000	R2 583 567	
Diepkloof	R358 848			
Dobsonville				R299 357
Europa House	R115 910	R140 595	R91 965	R158 332
Fleurhof Junction	R316 090	R146 736	R674 995	R766 416
Fleurhof Riverside	R243 642	R202 800	R59 337	R197 827
Hoek Street		R23 102	R243 848	R391 153
Jabulani				R89 085
Klipspruit			R495 465	
Klipspruit				R101 534

PROJECT NAME	2017/2018	2018/2019	2019/2020	2020/2021
Kliptown Golf Course		R18 580	R18 031	R53 769
Kliptown Square		R47 018	R911 989	
La Rosabel	R63 348		R27 412	R75 694
MBV	R26 669		R129 078	R266 185
NBS	R54 502	R26 000	R63 800	
Orlando Ekhaya	R225 694	R31 650	R419 880	R229 621
Orlando West	R22 126	R109 323	R14 347	R70 318
Pennyville	R60 878		R108 029	R1 185 447
Phoenix House			R12 709	R46 354
Raschers	R20 736	R25 230		
Selby Village	R167 159	R75 357	R8 220	R70 715
Textile House			R15 528	R79 378
Tshedzani Flats	R296 275		R42 750	R1 836 673
Turffontein			R174 734	R916 048
Union Square				R54 006
GRAND TOTAL	**R3 854 860**	**R2 909 658**	**R8 236 851**	**R11 352 326**

Expanded Public Works Programme (EPWP)

The EPWP has its origins in Growth and Development Summit of 2003. The summit agreed that public works programmes can provide poverty and income relief through temporary work for the unemployed to carry out socially useful activities. The Programme is a key government initiative, which contributes to Government Policy Priorities in terms of decent work and sustainable livelihoods. It further aims to ensure that a significant number of the unemployed is drawn into productive work and gain skills while they work.

JOSHCO, as part of our Capital Development Programme and in terms of Council Policy, ensures that job opportunities are created for the local community where projects are implemented. These job opportunities range from skilled work to manual labour (depending on the type of projects) and the existing skills in the community. In large projects, Community Participation Goals (CPG) are set, where the main contractors are required to source services from the local sub-contractors. 552 EPWP jobs were created during the year under review a significant increase from the 336 jobs that were created the previous FY. A portion of the 552 jobs was created through labour intensive opportunities at tenanted projects, which includes cleaning.

The organisation remains committed to the creation of jobs in the upcoming years as it will be implementing turnkeys' projects that have the capability to create more semi and unskilled opportunities.

SMME Support

Small, Medium, and Micro-sized Enterprises (SMMEs) have been identified as productive drivers of inclusive economic growth and development in South Africa and around the world. SMMEs are major sources of employment and drivers of growth in the local economy; they are considered as important drivers for reducing unemployment, especially since the formal sector continues to shed jobs. The COJ has a priority to support an inclusive economic growth though SMMEs support and job creation and we strive to contribute to this priority by spending a percentage of our budget on SMMEs. In line with procurement of project with a value in excess of R50 million and above, JOSHCO allocates at least 30% of the project value to local SMMEs of where the project is implemented. Once the main Contractor is on site, local SMMEs are then procured and allocated sub-contracts for various work-packages for implementation.

During the financial year, the projects that were on implementation stages allocated work-packages ranging from Brickwork, Plastering, Plumbing, Electrical, Civil Works, Earthworks and General Builder's Works, ranging nearly R18 million for the financial year. The following are projects that contributed to creating work packages for SMMEs.

Golden Highway Social Housing project: 18 SMMEs have been contracted on the project in financial year 2020/21, with a works value of approximately R5.8 million.

Princess Plot Social Housing project: 11 local SMMEs have been appointed during the financial year on the project. The project had been delayed extensively due to a dispute between local SMMEs and main Contractor. The dispute matters were resolved during quarter three of the financial year and contracting proceeded. Although the dispute between local SMMEs and main contractor greatly affected the project progress, there is good progress and better working contractual relationship between the parties, which has resulted in a project progressing well.

Lufherheng Social Housing project: Several SMMEs were supported through this project. Although the project had been progressing well, some challenges relating to SMMEs dispute arose during quarter three of the financial year resulting in the project blockage. The challenges were resolved, and work continues.

Future focus

EPWP plans

JOSHCO embraces the upliftment of local economy and it makes use mainly of its capital projects for this purpose. A number of projects, including turnkey projects, will be at construction stage from the 2021/22 FY. These projects have potential to create both long-term and short-term job opportunities for the communities that are within the vicinity. The organisation continues to ensure that its projects provide avenue for labour absorption, skills development, and income transfers to poor households, in the short- to medium-term.

With the projects that are commencing implementation in the next FY, we envisage to create not less than 3000 EPWP jobs in the next three FY. This number will contribute to the COJ target of the creating 13 380 EPWP jobs by 2022/23 FY. Furthermore, our EPWP programme will be structured in such a way that we create additional jobs through the OPEX spending. This will be mainly EPWP jobs that we will be created at the head office and at tenanted projects for cleaning and maintenance related works.

SMME expenditure Enhancement strategy

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

Furthermore, the department will collaborate with our internal Stakeholder Manager in order to determine the more collaborative and collective approach to the implementation of our approved policy on Local SMMEs Participation. JOSHCO Management has further approved the implementation of local SMMEs support through financial and non-financial methods as follows:

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

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

SECTION 6:

PUBLIC SATISFACTION ON MUNICIPAL SERVICES

JOSHCO uses the satisfaction survey as a tool to measure customer perceptions of our products and services as well as their level of trust and commitment to the business. The outcomes of the survey are used to identify gaps and to craft strategies to mitigate negative sentiment about its services. The customer is the most important asset in the organisation and their views concerning the services provided are valued. The annual target of the 2020/2021 FY customer satisfaction rating was 86% and have only received a satisfaction rating of 16%. The low rating is attributed to COVID-19 challenges that have resulted in slow response to tenants' expectations on service delivery.

JOSHCO is committed to regaining the trust of the tenants in the upcoming FY through initiatives that it plans to implement in projects – including planned maintenance and repairs across our entire project.

SECTION 7:

RECOMMENDATIONS AND PLANS FOR THE NEXT FINANCIAL YEAR

JOSHCO plans to have a footprint in all seven regions of COJ. It is currently dominant in four regions, and with the demand for housing outstripping the supply, JOSHCO deems it necessary to increase its units and spread across the City. In order to intensify the focus on its mandate of developing and managing social housing units, JOSHCO plans to implement projects that will see COJ investing no less than R2.1 billion to develop 3.345 social and affordable rental units in the City over the next three financial years – of which the bulk of the units will be delivered through the implementation of turnkey projects. The organisation has targeted four turnkey projects in Rivonia, Northriding, Diepsloot (in proximity to the bustling Steyn City), and Jeppestown with three already launched for commencement in the 2020/21 FY.

The strategy on the development of social housing focuses on areas that have active economic activities whilst not losing site of the COJ mandate that requires priority to be given to the transit-oriented development, which aims to bridge the spatial inequality gap. We have several buildings that are earmarked for development along the corridors of freedom in order to fulfil the COJ plans. As part of penetrating into other regions and being within the vicinity of economic hubs, JOSHCO continues with market demand and supply studies in the Midrand, Randburg, and Fourways economic hubs and suburbs. The future products will yield impactful cost and time saving for home seekers. Research by Lionjanga and Venterlow (2017)[3] indicates that low income residents of the COJ residing in the peripheries of the city travel more than 25km on average to look for work, suffering a significant financial and travel time burden. Therefore, beneficiaries of the JOSHCO units will will benefit from residing in areas that are close to economic activities. As part of the COJ and in the housing sector, JOSHCO's aim is to contribute towards changing the spatial setup, which will result in increasing productivity as people travel distance would be shortened significantly. Building the joburg that people would want to live, work and play.

JOSHCO has started with the development and management of student accommodation. With the COJ considering to officially expand JOSHCO's mandate to include student accommodation, the organisation has planned an ambitious (but much-needed) target of having a minimum of 10.000 student beds in the next five years. The plan is to identify and acquire buildings that are close to institutions of higher learning and develop student accommodation precincts. For the plans to materialise, JOSHCO will require budget allocation that matches the plans.

Property Management and Maintenance

At JOSHCO, property maintenance is considered an integral part of the overall protection and upkeep of our properties. Maintenance was kept at a minimum in the past three years due to budgetary constraints. In the 2021/22 FY, we are commencing with a process of Building Condition Audit which intends to identify maintenance required to keep the buildings at an acceptable standard. During the year under review, we have finalised the appointment of a service provider to undertake the audit of all our properties. The Social Housing Act (as published in the Government Gazette, 26 January 2012) states that a "comprehensive inspection of housing stock" needs to be conducted "at least every three years". This inspection is aimed at fulfilling this requirement as well as using the audit results to:

- ascertain the current condition of the project,
- ascertain any maintenance shortcomings,
- prepare a suitable long-term maintenance plan, and
- prepare budgets for the required maintenance.

The audit report will detail the audit process and the findings thereof including photographic evidence of the current state of the properties. Suitable maintenance actions and their priorities will be proposed within the deliverables, and these will in turn be costed in a separate Long-term Maintenance Plan per property. The inspection is conducted in order to ensure that the life-span assumptions of buildings and building elements are correct or whether they need to be adjusted. The Building Condition Audits will inform the maintenance plan and the budget required. This will in turn ensure that our properties are preserved for long-term use.

[3] *Lionjanga N and Venterlow C, (2017). Time-series analysis of accessibility in the city of Johannesburg. 36th Southern African Transport Conference (SATC 2017)*

CHAPTER

4

HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT

Strategic Goal: 7

Stakeholders interested:

INTRODUCTION

The Human Resource Business Unit is concerned with the attraction, development, and retention of talent. JOSHCO's human resources strategy is aimed at creating an environment conducive to the achievement of this objective. The development of employees remains one of the organisation's key priorities, given the scarcity of skills in the built environment, the organisation's 2020/2021 financial year focus was the development of critical competencies, and adaptation to the new ways of working influenced by the health scare the country and the world is dealing with currently.

Strategy Alignment and Change Management

This new way of working necessitated a change management process aimed at supporting and fostering of sustainable organisational alignment to the business plan and driving employee performance towards the same goals. The organisation is focused on becoming one of the best companies to work for, through the inculcation of a high-performance culture and establishment of high-performance teams. Management had to ensure that departmental goals and its achievement are done through the remote way of working however maintaining the standard of the delivery products.

Organisational Design

The year saw little if not much movement of the organisational structure, however required that some roles in the leasing department seek improved ways of functioning and streaming the business processes to accommodate that. To support the new revenue diversification strategy of assisting other external COJ departments with project Management eight new fixed-term positions had to be created with the plan of funding them from the projects themselves. The Security structure was then officially incorporated into the structure that was signed off by the Board in 2019.

Records Management

As per the requirements of the National Archives Act, 1996 (Act No. 43 of 1996), PFMA, Promotion of Access to Information Act (PAIA), POPI Act, and various applicable legislations, JOSHCO must ensure proper care and management of employee records. A new filing system has been developed and implemented by the HR team. The system is in line with best practices and assists in the ease of administration of confidential documents. For this implementation, taking into account the exponential growth that the business experienced through insourcing, the entity had to purchase new files to accommodate the additional headcount.

SECTION 1:
EMPLOYEE REMUNERATION

Employee Compensation

In the 2018/2019 FY, the organisation embarked on a job grading exercise. The exercise came with a number of recommendations, which included the alignment of positions. Furthermore, a number of employees benefited financially due to the grading system. During the reporting period, employees, especially from the Supervisory levels, received salary adjustments with back-pay. These adjustments also affected positively on the employee's provident fund amounts, which meant that the entity contributed even more to the employee's retirement funds.

Employee remuneration (total costs including executives)

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

Table 22: Personnel Cost by Occupational Level as at 30 June 2021

OCCUPATIONAL LEVEL	NO. OF 'EES	PERSONNEL EXP	COSTS TO DATE
Top Management	2	R852 514	R3 410 056,00
Executive Managers	3	R1 261 816,63	R5 047 266,52
Mid Man	35	R5 850 272,17	R23 094 402,27
Skilled, Technicians	104	R8 464 337,73	R31 654 642,14
Semi-Skilled	2	R75 068,07	R226 395,61
Internship	4	R91 992	R423 661,05
EPWP	552	R731 500	R2 681 000,00
Unskilled	364	R9 598 094,86	R38 534 497,44
Total	1066	R26 925 595,40	R105 071 921,03

SECTION 2:
EMPLOYMENT AND VACANCIES

During the past two financial years, the organisation has seen a massive recruitment of senior positions. Cost control measures continued to be put in place by ensuring that only critical positions are filled however not compromising the operational demand of delivery. This has resulted in the entity closing the FY with the vacancy rate of 15% which is slightly higher than the norm of 10%

The organisation did, however, facilitate the filling of the 12 vacancies, and continued to observe the social distancing by instituting virtual interactions throughout the whole process of recruitment and managing the vacancies.

Table 23: Employment and Vacancies as at 30 June 2021

SKILLS LEVEL	JOB LEVEL	2018/19		2019/20		2020/21			
		NO. OF POSTS	NO. OF EMPLOYEES	NO. OF POSTS	NO. OF EMPLOYEES	NO. OF POSTS	NO. OF EMPLOYEES	VACANCIES (FULL TIME EQUIVALENT) NO.	VACANCIES (AS A % OF TOTAL) %
Professionally Qualified	D-E	29	25	49	39	49	37	12	2%
Senior Technicians	C-D	84	67	156	93	160	102	58	9.8%
Semi-Skilled	B- C	9	7	12	2	12	2	10	1.69%
Unskilled	B	4	3	370	368	370	359	11	1.86%
TOTAL		**126**	**102**	**587**	**493**	**591**	**500**	**91**	**15%**

TOTAL NUMBER OF OCCUPIED POSITIONS (INCL. TEMPS % INTERNS)	OCCUPANCY	VACANCY
Vacancy and Occupancy (Including temps)	500	91
% of total no of posts	85%	15%

Staff Turnover

The turnover table reflects the 14 people that were terminated due to various reasons during the year. The biggest contributors were people that went on retirement and those that resigned mainly due to finding better opportunities. The organisation had five employees that reached their retirement age and had to be released. Unfortunately, one employee was laid to rest during the financial year.

Table 24: Reasons for Turnover in 2020-21

2020/2021	NO OF EMPLOYEES TERMINATED	% TOTAL OF STAFF LEAVING
Death	1	7%
Resignation	5	36%
Dismissal	2	14%
Retirement	5	36%
Ill health	0	0%
Expiry of contract	1	7%
Other	0	0%
TOTAL	**14**	**100%**

SECTION 3:

EMPLOYMENT EQUITY

Employment Equity is profiled according to gender, disability, race, salary grade, and by occupational levels. The employment equity targets are aligned to the country's Economically Active Population (EAP) percentage distribution within the Gauteng region. The EAP includes people from 15 to 64 years of age who are either employed, unemployed, and/or seeking employment. This is used to assist employers in the analysis of their workforce to determine the degree of under-representation of the designated groups. JOSHCO is required to use the EAP as a guideline, in order to determine the resource allocation and subsequent interventions that are needed to achieve an equitable and representative workforce. It is important to note that the analysis of this section of the report focuses on the Gauteng EAP and IDP 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 Employment Equity (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 achievement, against a target of 50%.

Table 25: Employment Equity as at 30 June 2021

EMPLOYMENT EQUITY PROFILE													G/ TOTAL	RACIAL % ACHIEVEMENT	FEMALE GENDER % ACHIEVEMENT
OCCUPATIONAL LEVEL	MALE				FEMALE				FOREIGN NAT.		LOCAL				
	A	C	I	W	A	C	I	W	M	F	M	F			
Top Management	1	0	0	0	1	0	0	0	0	0	1	1	2	100%	50%
Senior Management	1	0	0	0	2	0	0	0	0	0	1	2	3	100%	67%
Professionally Qualified / Middle Management	14	0	0	3	11	0	1	0	2	1	17	12	32	81%	38%
Skilled Technically and Academically Qualified	43	3	0	0	50	4	1	1	0	0	46	56	102	99%	55%
Semi-Skilled	2	0	0	0	0	0	0	0	0	0	2	0	2	100%	0%
Unskilled	161	3	0	0	193	2	0	0	0	0	164	195	359	100%	54%
TOTAL	**222**	**6**	**0**	**3**	**257**	**6**	**2**	**1**	**2**	**1**	**231**	**266**	**500**	**99%**	**53%**

Table 26: Person with Disability as at 30 June 2021

OCCUPATIONAL LEVEL	PERSONS WITH DISABILITIES												GRAND TOTAL
	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	1	0	0	0	0	0	3	0	3
Skilled Technically and Academically Qualified	0	0	0	0	1	0	0	0	0	0	1	0	1
Semi-Skilled	0	0	0	0	0	0	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	2	0	0	0	0	0	4	0	4

Comments:

- Recruitment of people of colour remains a priority and ensuring equal opportunities are given to all races.
- Our recruitment processes will be driven towards addressing these challenges.
- It is presumed that there are more of employees with disability; however, no official disclosures have come forth. This influenced the addition of recruiting of employees with disabilities in the coming financial year.

Disability percentage standing

ACTUAL NUMBER OF STAFF WITH DISABILITIES	4
Total Staff Compliment	500
Disability Target	10
Actual Disability %	1%

Table 27: Workforce Profile in terms of Age, Race, Gender and Foreign National Status as at June 2021

OCCUPATIONAL LEVEL (BELOW EAP ROW)	AGE GROUP	MALE				FEMALE				FOREIGNER		TOTAL
		A	C	I	W	A	C	I	W	M	F	
Top Management	18-34	0	0	0	0	0	0	0	0	0	0	0
(Level 1-2)	35	1	0	0	0	1	0	0	0	0	0	2
	Total	1	0	0	0	1	0	0	0	0	0	2
Senior Management	18-34	0	0	0	0	0	0	0	0	0	0	0
(Level 3-4)	35	1	0	0	0	2	0	0	0	0	0	3
	Total	1	0	0	0	2	0	0	0	0	0	3
Professional Qualified	18-34	1	0	0	0	2	0	0	0	1	1	5
(Level 5-6)	35	13	0	0	3	9	0	1	0	1	0	27
	Total	14	0	0	3	11	0	1	0	2	1	32
Skilled Technical	18-34	16	1	0	0	21	0	0	1	0	0	39
(Level 7-8)	35	27	2	0	0	29	4	1	0	0	0	63
	Total	43	3	0	0	50	4	1	1	0	0	102
Semi-Skilled	18-34	0	0	0	0	0	0	0	0	0	0	0
(Level 9-10)	35	2	0	0	0	0	0	0	0	0	0	2
	Total	2	0	0	0	0	0	0	0	0	0	2
Unskilled	18-34	62	0	0	0	38	0	0	0	0	0	100
(Level 11)	35	99	2	0	0	155	3	0	0	0	0	259
	Total	161	2	0	0	193	3	0	0	0	0	359
Temporary	18-34	0	0	0	0	0	0	0	0	0	0	0
	35	0	0	0	0	0	0	0	0	0	0	0
	Total	0	0	0	0	0	0	0	0	0	0	0
		222	**5**	**0**	**3**	**257**	**7**	**2**	**1**	**2**	**1**	**500**

Table 28: Percentage Standing on Race and Gender

OCCUPATIONAL LEVEL (BELOW EAP ROW)	AGE GROUP	MALE				FEMALE				FOREIGNER		TOTAL
		A	C	I	W	A	C	I	W	M	F	
Top Management	18-34	0	0	0	0	0	0	0	0	0	0	**0**
(Level 1-2)	35	50%	0	0	0	50%	0	0	0	0	0	**100%**
	Total	50%	0	0	0	50%	0	0	0	0	0	**100%**
Senior Management	18-34	0	0	0	0	0	0	0	0	0	0	**0**
(Level 3-4)	35	33%	0	0	0	67%	0	0	0	0	0	**100%**
	Total	33%	0	0	0	67%	0	0	0	0	0	**100%**
Professional Qualified	18-34	20%	0%	0%	0%	40%	0%	0%	0%	20%	20%	**100%**
(Level 5-6)	35	48%	0%	0%	11%	33%	0%	4%	0%	4%	0%	**100%**
	Total	34%	0%	0%	6%	37%	0%	2%	0%	12%	10%	**100%**
Skilled Technical	18-34	41%	3%	0%	0%	54%	0%	0%	3%	0%	0%	**100%**
(Level 7-8)	35	43%	3%	0%	0%	46%	6%	2%	0%	0%	0%	**100%**
	Total	42%	3%	0%	0%	50%	3%	1%	1%	0%	0%	**100%**
Semi-Skilled	18-34	0	0	0	0	0	0	0	0	0	0	**0**
(Level 9-10)	35	100%	0	0	0	0	0	0	0	0	0	**100%**
	Total	100%	0	0	0	0	0	0	0	0	0	**100%**
Unskilled	18-34	62%	0%	0%	0%	38%	0%	0%	0%	0%	0%	**100%**
(Level 11)	35	38%	1%	0%	0%	60%	1%	0%	0%	0%	0%	**100%**
	Total	50%	0%	0%	0%	49%	1%	0%	0%	0%	0%	**100%**
Temporary	18-34	0	0	0	0	0	0	0	0	0	0	**0**
	35	0	0	0	0	0	0	0	0	0	0	**0**
	Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

SECTION 4:

SKILLS DEVELOPMENT AND TRAINING

Maintaining a skilled and capable workforce

The review period witnessed the embarkation of a skills audit process; a process, which involved every member of the organisation's staff, inclusive of business unit, heads. The organisation's human resources department drove the project. The process was intense and participative, ensuring complete buy-in and inclusive outcomes, and led to the formulation of the Workplace Skills Plan, which was submitted to the Services SETA, thereby meeting legislative requirements.

Table 29: Skills Development and Training

OCCUPATIONAL CATEGORY	NUMBER OF EMPLOYEES	TRAINING PROVIDED WITHIN THE REPORTING PERIOD		
		SKILLS PROGRAMMES & OTHER SHORT COURSES	MFMA COMPLIANCE PROGRAMME	BURSARIES
Top Management	2	-	2	-
Executive Manager	3	0	2	-
Middle Management	35	1	1	12
Skilled Technical and academically Qualified	105	3	0	20
Semi-Skilled	2	0	0	0
Unskilled	364			12

Training Interventions for 2020/21

- Security guards were all trained on screening and dealing with identified cases for COVID -19.
- MFMA- in total 4 Executive members and 1 Middle Managers have been enrolled for the course during this reporting period.
- One employee attended the MIE (integrity and reference checks) training.
- One employee attended the annual Labour Law Conference.
- Induction was held with eighteen employees.
- Eighteen employees attended sexual harassment workshop.
- Four employees (middle managers), attended the Facilities Management training online.
- Four HR Personnel attended SAP training provided by the COJ.

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 six interns were given an opportunity for employment during the 2020/21 FY. Of these interns, one has since obtained permanent employment within the business.

On boarding of New Employees

The on-boarding programme is aimed at introducing new employees into JOSHCO's staff compliment. The programme comprises of a two-day programme that includes a meet-and-greet with the CEO, a comprehensive programme of introduction into the various departments within JOSHCO, as well as the opportunity to visit the projects developed by the company. The programme was refreshed during the reporting period.

SECTION 5:
PERFORMANCE MANAGEMENT

SECTION 5: PERFORMANCE MANAGEMENT

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

Formal performance reviews are conducted bi-annually, and year-end performance scores are the determinant 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 and reviewed. The table below summarises the submission of performance agreements and reviews, per department.

Table 30: Performance Management 2020/21 Financial Year

DEPARTMENT	ELIGIBLE STAFF MEMBERS	PERFORMANCE AGREEMENTS SUBMITTED	OUTSTANDING
Office of the CEO	7	6	1
Business Planning & Strategy	4	4	0
Housing Management	50	42	8
Housing Development	8	7	1
Finance & SCM	10	7	2
Revenue	18	16	2
Corporate Support & HR	12	9	3

Comments:

The numbers above exclude the cleaners and the security officers who total 368. A discussion with labour to customise the process for this discretionary level is still underway to ensure that the performance expected is captured precisely and clear for all.

Employee Performance Assessments

JOSHCO achieved 50% in respect of employee performance contracting, this due to the working from home strategy that could not apply to all employees consistently throughout the year, which therefore meant the assessment would follow on the trend as above. Those who are above 60 years old, those with comorbidities and those whose jobs cannot be done from home were excluded from the process.

SECTION 6:
DISCIPLINARY MATTER AND OUTCOMES

Labour Management

The relationship between labour and Management is viewed as a very important relationship to nurture, engage, and manage the workforce. The LLF meetings continued wherever possible. To ensure continuity however, with the suspension of five employee union representatives, this halted the official meetings. Communication with the regional offices of the recognised unions continued and was maintained.

Table 31: Disciplinary Matters as at 30 June 2021

SANCTION	NO OF EMPLOYEES
Verbal Warning	2
Written Warning	1
Final Written Warning	0
Dismissal	2
Suspension	10
Demotion	2
Total	17

Comments:

- Focus on employee discipline has increased especially due to awareness and confidence of line managers to discipline.
- As an intervention to capacitate line managers, HR developed a handbook in the previous financial year, and organised two-day workshops to socialise concepts of dealing with day-to-day employee issues as well enforcement of discipline in the workplace.

Table 32: Grievances Matters as at 30 June 2021

Grievances	No. of Cases
FY 2020/2021	8

Comments:

A total of eight grievances were lodged or the reporting period, with six finalised and two that are ongoing

Pending grievances are as a result of escalations to the next steps, however, they have had the first seating.

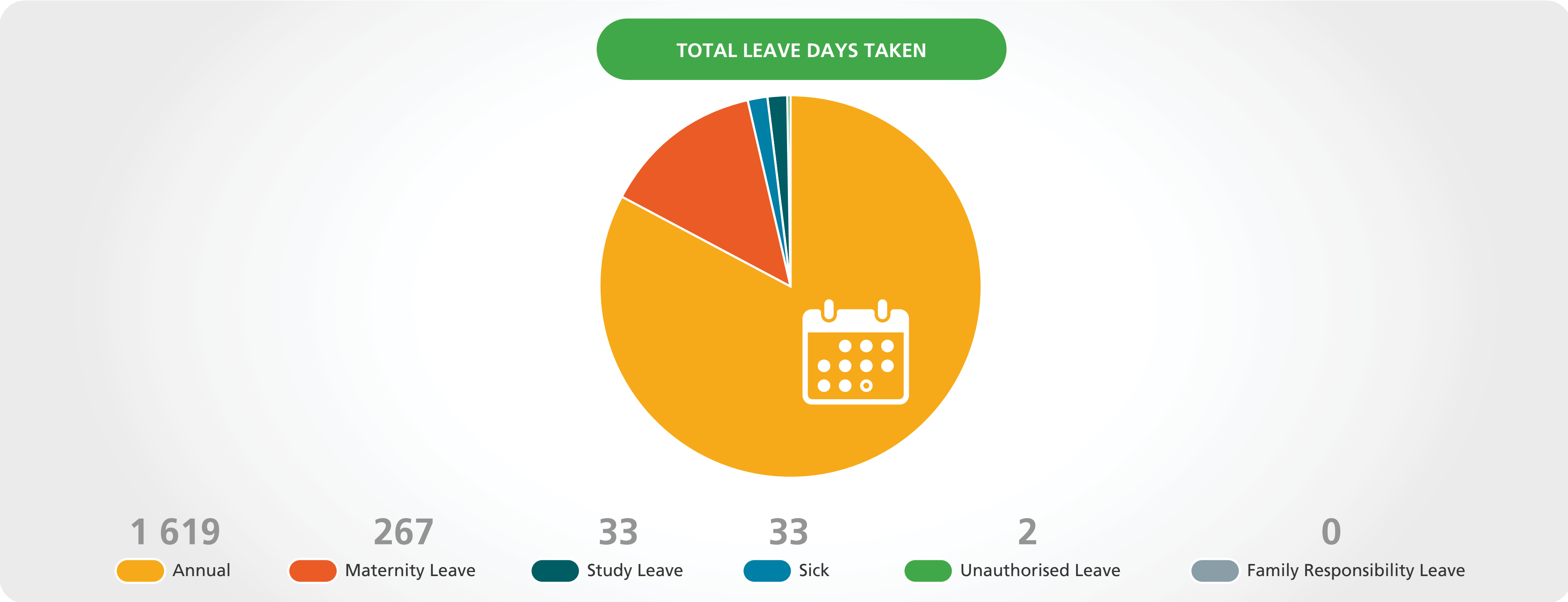
SECTION 7:
LEAVE AND PRODUCTIVITY MANAGEMENT

In line with the approved Leave Management and Regulation of Hour's Policy, JOSHCO employees are entitled to 24 days leave per annum to be taken at a time convenient to JOSHCO and agreed upon by Management. A provision of 80 sick leave days in a three-year cycle is also included. The tables below provide a detailed overall utilisation of leave within the entity.

Table 33: Overall Company Leave Analysis as at 30 June 2021

TYPE OF LEAVE	TOTAL LEAVE DAYS TAKEN	% LEAVE DAYS TAKEN
Annual	1619	83%
Sick	33	2%
Family Responsibility Leave	0	0%
Study Leave	33	2%
Unauthorised Leave	2	0%
Maternity Leave	267	14%
Total	1954	

Picture: 13 Leave Management



Comments:

- The leave utilisation decreased by 25% compared to the last financial year. This could be due to the Work-from-Home strategy as mostly people are at home.
- Annual leave remains the most utilised provision which is viewed a positive, as it reduces liability to the company and employees get to take the needed breaks.
- Sick leave utilisation decreased by 10%, with the assumption that mostly employee didn't inform the employer when sick as they are working from home.
- Only three (3) employees went on maternity leave in this period.

SECTION 8:
EMPLOYEE BENEFITS

JOSHCO has medical aid and provident fund as a benefit. It is elective for some levels of occupation as guided by the central subsistence allowance agreement. Further to this, 38 study bursaries have been approved and provided to the employees. This then means employees will be eligible for 2 study leave days to write the exams as well.

SECTION 9:
OCCUPATIONAL HEALTH AND SAFETY

JOSHCO's Employee Wellness Programme is regarded as critical, especially given the challenging demands of the working environment considering challenges associated with the COVID-19 pandemic. In response to the observation of the COVID-19 regulations, the programme focused more on information dissemination and mostly on the containment, prevention and home treatment of infections. While the key focus was on the unprecedented world pandemic, we also ensured that our programme encompass awareness and education on other communicable diseases such as HIV and AIDS, and Cancer.

Covid Management

Ongoing meetings, awareness, planned campaigns, and interventions were rolled out during the review period, ensuring the organisation's safety programme continued to play a vital part in ensuring that staff are well informed and encouraged to stay safe – both at the office and at home.

TOTAL COVID -19 POSITIVE CASES	TOTAL RECOVERIES	TOTAL NOT YET RECOVERED (ACTIVE CASES)	TOTAL FATALITIES	TOTAL DIRECT CONTACTS SENT FOR TESTING
54	53	00	01	247

9.1Regulation 28 Compliance

Policy Statement
The organisation's policy statement is in line with the policy requirements and has included measures for management of a pandemic.

Risk Assessment
The Health and Safety Officer of the organisation successfully conducted the risk assessment. The Department of Labour conducted a compliance site visit during the third quarter and was satisfied with the measures that have been put in place with regards to COVID-19 regulation observation.

The Safety Plan
Not only did the plan require that the organisation implement contingencies for emergencies, but it also required that a forecasted approach be taken on interventions, in the event that the situation remains unchanged for the remainder of the calendar year. The plan was reviewed and reported on a quarterly basis to ensure adherence.

Table 35: COVID-19 Control Measures Implementation Plan as at 30 June 2021

COVID -19 IMPLEMENTATION				
MEASURES	DESCRIPTIONS	IN PLACE	NOT IN PLACE	COMMENTS
1. Hazard identification 2. Access control	• Risk assessments • Suspend the use of biometric system	✓ ✓		Done for all properties. Done.
	• Screening of workers conducted at the entry	✓		Done.
3. Training	• Induction	✓		Induction programme amended to include detailed COVID-19 wellness tips.
	• Behavioral change, Do's and Don'ts of PPE, Social Distancing, Coughing Etiquette, Identification of symptoms			Training arranged with the city nurses. Awaiting the full return of employees for training to be provided.
4. Engineering controls	• Ventilation	✓		Aircons have been serviced. The building has sufficient ventilation.
	• Physical barriers and demarcations		✓	Reception area, Health and Safety offices and ground floor at Head Office to use floor demarcations and install glass protected cubicles.
	• Adaptation of Work station to maintain Social distancing	✓		Social distancing demarcation measures have been implemented in the offices, most employees are working staggered hours, others working from home.
	• Isolation room designated			Given that part of the building is being renovated, the City's isolation room is being utilised.

COVID -19 IMPLEMENTATION				
MEASURES	DESCRIPTIONS	IN PLACE	NOT IN PLACE	COMMENTS
5. Administrative control.	• Minimizing contact.	✓		All physical customer contact Centre have been halted until further notice. All communication is through social media and other communication mediums.
	• Rotation and shift work.	✓		A Leasing and Revenue department has been identified to rotate staff given the seating proximities in the office.
	• Work-at-home Strategies.	✓		All key employees have been provided with electronic and communication devices to enable working from home.
	• Communication and information strategies.	✓		Information is dispatched periodically from a central point in the communications office.
	• Role of health and Safety committees and representatives.	✓		Very clearly communicated and managed by the Organisational Health and Safety (OHS) specialist.
	• Reporting of incidents for regulatory purposes.	✓		Registers are kept on site for when reporting is needed.
6. Hygiene and safe practices.	• Cleaning and disinfectants. • Sanitisation.	✓		The cleaners rotate schedules so that surfaces are cleaned at higher frequencies.
	• Hand washing and the use of hand sanitisers.	✓		These were provided for all employees. Each property location was also equipped with these for use on premises.
	• Personal hygiene.	✓		Constant communication and regular reminders were issued, in relation to the importance of, and requisite personal hygiene measures.
7. PPE.	• Cloth Masks.	✓		Cloth masks have been provided to every employee. Cleaning masks for cleaners have been provided.
	• Gloves.	✓		All cleaners and security guards have been provided with gloves.
8. Provision of safe transport for employees.	• Personal hygiene.	✓		Communication promoting personal hygiene was periodically issued to staff. Hand sanitisers dispatched to all employees.
	• Social distancing.	✓		Any meetings, when held at the office, are kept to a minimum (ensuring sufficient social distancing).
	• Arrangements to minimise exposure associated with commuting.			Head Office cleaners are being transported to and from the office. All other employees are encouraged to work from home.

SECTION 10:
CORPORATE SOCIAL RESPONSIBILITY

JOSHCO embraces corporate social responsibility (CSR) as part of its business model and make concerted effort to operate in ways that enhance rather than degrade society and the environment it operate in.

There are number of CSR initiatives that we implemented in the FY. The focus was on contribution into protecting the environment, youth training and development, anti corruption and workforce support.

- Installation of Solar systems and rain water harvesting systems at projects to promote environmental friendly properties. JOSHCO uses this initiatives to contribute towards addressing the effect of climate change. The other benefit to the entity is that the shift toward renewable energy sources like solar panels at our tenanted properties might result in lower electricity costs over time.
- Learnership was offered to the unemployed youth that needed exposure in the labour market. Furthermore, we have forged relationship with two institute of Higher learning with the aim of providing students with experiential opportunity through JOSHCO projects.
- The organisation has distributed educational packs to the primary school children that reside in some of our properties during the national lock down.
- Number of empoyees were afforded an opportunity to further their studies through granting them company bursaries
- With regard to anit corruption, the entity has a zero tolerance approach to fraud and corruption. Public awareness was conducted through physical sessions and on social media platforms.

JOSHCO strives to be a good corporate citizen through prioritising the interest of all its stakeholders when implementing our programmes and projects. We endeavor to serve communities and have employees that believe in our mission of not just providing a unit to rent but build communities through our projects.

CHAPTER

5

FINANCIAL POSITION AND PERFORMANCE

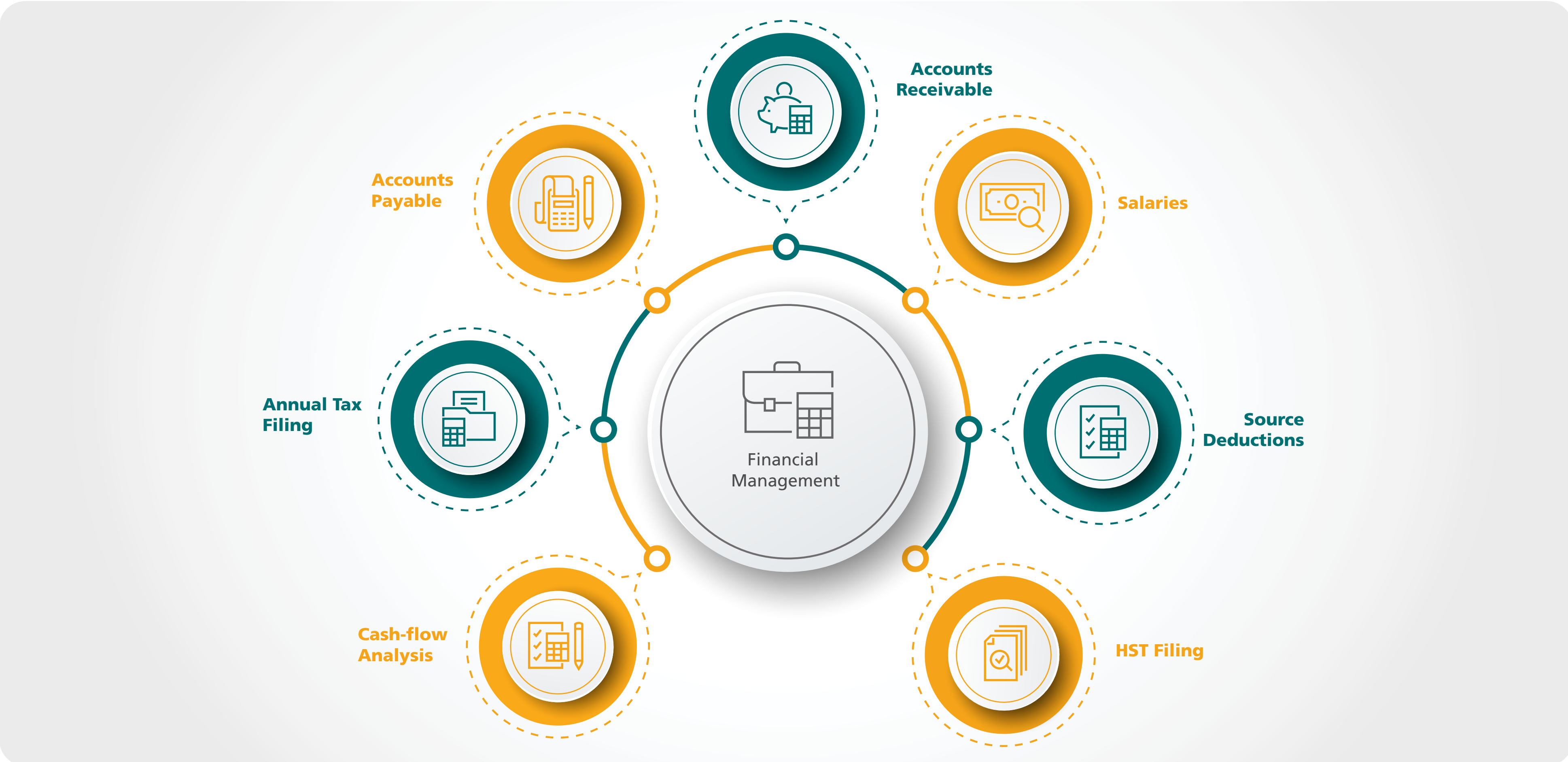
Strategic Goal: 2, 3

Stakeholder Interested:

SECTION 1:

STATEMENT OF FINANCIAL POSITION AND HIGH-LEVEL NOTES

ASSETS



An analysis of the financial position as at 30 June 2021 is reflected below and in Table 36.

Table 36: Statement of Financial Position for the year ended 30 June 2021

DESCRIPTION	30-JUN-21 R'000	30-JUN-20* R'000	VARIANCE R'000	VARIANCE %
Assets				
Current Assets				
Inventories	392	346	46	13%
Loans to shareholders	5,958	17,990	(12,032)	-67%
Current tax receivable	50	50	0	0%
Receivables from exchange transactions	802,820	262,419	540,318	202%
VAT receivable	2,792	2,586	206	8%
Cash and cash equivalents	172,019	165,909	6,110	4%
	984,031	449,299	534,732	119%
Non-current assets				
Property, plant, and equipment	8,368	9,711	(1,330)	-14%
Intangible assets	348	460	(112)	-24%
Investment in joint venture	22,410	23,762	(1,352)	-6%
Deferred tax	22,526	22,526	0	0%
Total Non-current assets	53,653	56,459	(2,806)	-5%
Total Assets	1,037,684	505,758	531,926	105%

DESCRIPTION	30-JUN-21 R'000	30-JUN-20* R'000	VARIANCE R'000	VARIANCE %
Liabilities				
Current Liabilities				
Loans to shareholder	414,269	-	414,269	100%
Borrowings - DBSA	2,142	2,142	0	0%
Finance lease obligation	508	587	(79)	-13%
Payables from exchange transactions	836,814	600,481	236,249	39%
	1,253,733	603,209	650,524	108%
Non-Current Liabilities				
Borrowings - DBSA	8,997	11,140	(2,143)	-19%
Finance lease obligation	67	576	(509)	-88%
Deferred Income from non-exchange transactions	178	178	0	0%
	9,243	11,894	(2,651)	-22%
Total Liabilities	1,262.976	615,103	647,873	105%
Net Assets	(225,291)	(109,345)	(115,946)	106%
Share Capital	0.12	0.12	-	0%
Accumulated deficit	(225,291)	(109,345)	(115,946)	106%
Total Net Assets	(225,291)	(109,345)	(115,946)	106%

*Restated

1.1 Assets

Current assets have increased by R534.7 million (from R449.3 million to R984 million). The significant change is a 67% decrease in loans to shareholders as a result of invoices for work executed on behalf of other departments being settled before funds are received from the departments in order to ensure that suppliers are paid within 30 days. Another significant change is a 206% increase in receivables from exchange transactions due to high outstanding rental debtors as collection levels continue to decrease. Another contributing factor is outstanding amounts from other departments - mostly the Department of Housing. The entity continues to engage with the departments to implement processes to shorten the payment periods to prevent further strain on the cashflow.

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

1.2 Liabilities

Loans from shareholders increased from R0 mil to R414.3 million, due to settlement of suppliers before getting payment from the departments for which JOSHCO executes projects on behalf of. Payables from exchange transactions increased by 39% as a result of an increase in related party creditors (salaries and municipal charges), and a high leave pay accrual. Included in current liabilities is the current portion of the long-term loan from the DBSA.

SECTION 2:

STATEMENT OF FINANCIAL PERFORMANCE AND HIGH-LEVEL NOTES

JOSHCO has medical aid and provident fund as a benefit. It is elective for some levels of occupation as guided by the central subsistence allowance agreement. Further to this, 38 study bursaries have been approved and provided to the employees. This then means employees will be eligible for two study leave days to write the exams as well.

Table 37: Statement of Financial Performance for the year ended 30 June 2021

DESCRIPTION	ACTUAL	BUDGET	VARIANCE	VARIANCE %
	R'000	R'000	R'000	
Rental Received	171,632	175,860	(4,228)	-2%
Subsidies	19,900	19,900	-	0%
Management fees	63,365	42,829	20,536	48%
Interest Received	9,960	7,660	2,300	30%
Utilities	588	707	(119)	-17%
Other Income	1,774	2,413	(639)	-26%
Total Revenue	267,219	249,369	17,850	7%
Governance and staff cost	(150,789)	(127,282)	(23,507)	18%
Other project related cost	(78,836)	(28,107)	(50,729)	180%
Depreciation and amortisation	(2,709)	(1,430)	(1,266)	89%
Finance costs	(7,147)	(1,536)	(5,611)	365%
Loss on disposal of assets	(74)	-	(74)	100%
Share of loss from joint venture	(251)	-	(251)	100%
Repairs and Maintenance	(33,376)	(47,587)	14,211	-30%
Security Services	(21,473)	(3,714)	(17,759)	478%
Cleaning and Gardening	(3,683)	(4,176)	493	-12%
Administrative	(84,826)	(35,537)	(49,289)	139%
Total Expenditure	(383,165)	(249,369)	(133,796)	54%

DESCRIPTION	ACTUAL	BUDGET	VARIANCE	VARIANCE %
	R'000	R'000	R'000	
Operating (Deficit)/Surplus before taxation	(115,946)	-	(115,946)	100%
Taxation	-	-	-	0%
Operating (Deficit)/Surplus after taxation	(115,946)	-	(115,946)	100%

2.1 Revenue

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

Table 38: Revenue Streams as at 30 June 2021.

REVENUE	ACTUAL	BUDGET	WEIGHTING
	R'000	R'000	
Rentals received	171,632	175,860	64%
Subsidies	19,900	19,900	7%
Management Fees	63,365	42,829	24%
Interest Received	9,960	7,660	4%
Utilities	588	707	0.2%
Other Income	1,774	2,413	1%
Total	267,219	249,369	100%

The biggest contributor to revenue is rental income making up 64% of total revenue. Total revenue is 7% (R17.9 million) above budget. The main reason is due to the 48% (R20.5 million) increase in management fees earned on projects undertaken on behalf of other COJ departments. The rental received is 2% (R4.2 million) lower than anticipated due to delayed occupancy of the 80 Plein Street and 50 Durban Street projects. 80 Plein Street has been tenanted in the fourth quarter.

The entity continues to be affected by the pandemic and collected 58% for tenant rentals against a collection target of 85% for the current financial year. A debt collecting company was appointed in August 2020, and contributed positively to the collection of outstanding debt over 90 days. The debt collecting company has collected a cumulative amount of R8 million. The table below shows a breakdown of the revenue collection.

Table 39: Revenue Collection

PORTFOLIO	% COLLECTION	REASONS FOR UNDER PERFORMANCE
Brownfields	69%	COVID-19 payment holiday, job and income losses.
Greenfields	65%	COVID-19 payment holiday, job and income losses.
Former Hostels	74%	Beds not replaced once tenants move out. Remaining tenants on salary deductions.
City Referral Stock	-8%	Demand for ownership on the rise, claims to have stopped paying rent after 4 years and take ownership.
Retail Space	80%	Some tenants trading operations has been reduced due to lockdown, requested 40% rent cut for the period of lockdown. There have been offered 30% on >90 days balances.
OVERALL COLLECTION	58%	

2.2 Expenditure

Analysis of significant variances between budget and actual cost:

a) Governance and Staff costs
   - 18% above budget (R23.5 million) due to a higher wage bill than budgeted as a result of insourced security guards not fully budgeted due to constraints on the budget. Non-executive directors' remuneration is R2.2 million above budget.

b) Other Project Related Costs
   - 180% above budget (R50.7 million) due to a low rental collection rate for the year leading to a higher provision for bad debts. Our rental collections rate has declined to 58%, which was significantly influenced by the effects of the pandemic on our tenants. Management conducted revenue drives during the fourth quarter to engage with tenants to try and improve our collection rate. The result of the engagements is expected to influence collection in the new financial year.

c) Finance costs
   - 365% above budget (5.6 million) due our sweeping bank account being in overdraft. The largest contributing factor is outstanding amounts from other departments, mostly the Department of Housing. The entity continues to engage with the departments to implement processes to shorten the payment periods to prevent further strain on the cashflow.

d) Repairs and Maintenance
   - 30% below budget (R14.2 million) due to slow implementation of the maintenance programme.

e) Security
   - 478% above budget (R17.8 million) due to a need to supplement insourced security guards with outsourced security services as we do not have sufficient security guards to implement the shift system and there were new buildings taken over by Housing Management. There were additional tactical security requirements to execute eviction orders and prevent illegal occupation of our units.

f) Cleaning and Gardening
   - 12 % below budget (R493 thousand) as a result of spending being less than budgeted, for cleaning and gardening services mainly for the head office which is currently under construction.

g) Administrative
   - 139% above budget (R49.3 million) due to inadequate budget available to accommodate utilities as there are budget constraints. A tender for a prepaid vending solution has been awarded to a service provider to assist with recouping of utilities from tenants. Where there are no pre-paid meters, the Housing Management department is engaging with City Power for the installation.

SECTION 3:

CASH FLOW STATEMENT

Cash and cash equivalents balance as at 30 June 2021, is R172 million. The tenant deposit account has a balance of R15.7 million. The SHRA account has a balance of R156.3 million. An amount of R414,3 million is sitting in overdraft on the sweeping account and is disclosed as a current liability. A detailed statement of cash flows is shown in Table 38 below.

Table 40: Cash Flow Statement as at 30 June 2021

DESCRIPTION	30-JUN-21	30-JUN-20
	R'000	R'000
Cash flows from operating activities		
Receipts		
Sale of goods and services	134,370	160,326
Grants	19,900	19,098
Interest income	9,960	13,891
Other receipts	1,954	3,600
	166,185	196,915
Payments		
Employee costs	(144,144)	(107,613)
Suppliers	432,126	(137,114)
Finance Costs	7,147	(1,173)
	(583,417)	(245,899)
Net cash flows from operating activities	(417,232)	(48,984)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,329)	(7,050)
Purchase of other intangible assets	-	(138)
Movement in investment in joint venture	1,100	1,100

DESCRIPTION	30-JUN-21	30-JUN-20
	R'000	R'000
Net cash flows from investing activities	(229)	(6,088)
Cash flows from financing activities		
Repayment of borrowings DBSA	(2,143)	(948)
Proceeds from shareholders' loan	425,714	65,574
Net cash flows from financing activities	423,571	64,625
Net increase/(decrease) in cash and cash equivalents	6,110	9,553
Cash and cash equivalents at the beginning of the year	165,909	156,356
Cash and cash equivalents at the end of the year	172,019	165,909

SECTION 4:

CAPITAL PROJECTS AND EXPENDITURE

JOSHCO has medical aid and provident fund as a benefit. It is elective for some levels of occupation as guided by the central subsistence allowance agreement. Further to this, 38 study bursaries have been approved and provided to the employees. This then means employees will be eligible for two study leave days to write the exams as well.

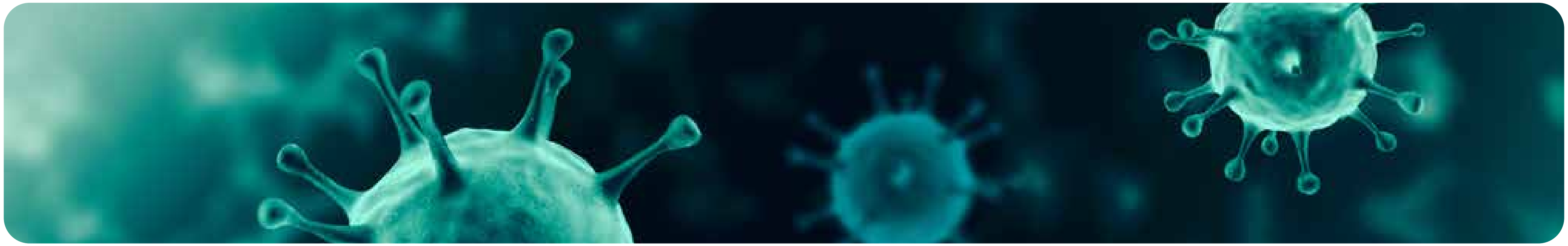
- Greenfields projects.
- The Inner-City re-generation programme; and
- Special projects programme.

As at 30 June 2021, CAPEX expenditure is R358.6 million. This translates into a percentage spend of 95% against a target of 95% per the table below.

Table 41: Capital Expenditure Spending as at 30 June 2021.

PROGRAMME	BUDGET ALLOCATION	SPEND TO DATE	BALANCE	% PERFORMANCE AGAINST SPEND
	R'000	R'000	R'000	
Greenfields - Economic Hubs	60,950	58,951	1,999	97%
Greenfields - Turnkey developments	203,442	200,736	3,230	99%
Inner City	74,550	69,103	4,602	93%
Special Projects Programme	39,058	29,789	9,269	76%
TOTAL	378,000	358,580	19,420	95%

The effects of COVID-19 were felt by the construction industry across the country amid the national lockdown, which prohibited the organisation to continue with construction activities as normal. Only under level 4 of the national lockdown (post the third quarter) was the organisation able to continue with planned construction activities.



SECTION 5:

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

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

Table 42: Key Ratio Analysis as at 30 June 2021

KEY PERFORMANCE INDICATOR	2020/21 TARGET	TARGET	PERFORMANCE	VARIANCE	MITIGATION ACTION
Achievement of selected profitability and liquidity ratios*	Current ratio 1:1	1:1	0.78:1	-0.22	The non-performance of this target is due to continued losses being incurred largely due to a high provision for bad debts and high operating costs. The Entity's five-year strategic plan which focuses on revenue enhancement activities in order to improve our financial sustainability is under implementation as follows: Increase in management fee income earned on projects implemented on behalf of other COJ entities as at 30 June 2021 – from R12.9 million in the previous financial year to R63.4 million in the current financial year. JOSHCO continues to engage and evaluate other interests for the use of our panels from other COJ entities. Student accommodation – pilot phase is currently under implementation Outdoor advertising – tender to appoint a service provider to manage the outdoor advertising is in progress at advert stage. The organisation anticipates appointing a service provider by the end of quarter 1 of 2021/22. Prepaid vending system – service provider appointed to assist with reduction of utilities costs and transferring of costs to users. The implementation to commence in Quarter 1 of 2021/22.
	Solvency Ratio 1:1	1:1	0.82:1	-0.18	

KEY PERFORMANCE INDICATOR	2020/21 TARGET	TARGET	PERFORMANCE	VARIANCE	MITIGATION ACTION
	Cost Coverage: 50 days.	50 days	-71 days	-121 days	Non-performance is due to low cash balances and an overdraft because of settlement of suppliers prior to receiving claims from the Department of Housing (Housing) and the Corporate Asset Management (CAM) department mainly. JOSHCO is meeting with COJ Housing weekly to track the payment of invoices from Housing and CAM to improve our cash balances.
	85% collection in respect of debtors.	85%	58%	-27%	Non-achievement of this target is due to continued low rental collection across all projects. The effects of the lockdown are still prevalent, as many tenants have requested an extension to the payment holiday as they are still not getting their full salaries. Debt collecting company collected R8 million since the first month of operations in August 2020. The second phase of the handover is all tenants who have defaulted on acknowledgement of debt agreements entered into, and those who have not entered into any payment arrangement for amounts over 90 days in arrears. These will be done across all projects. The organisation is continuing with the implementation of its collection processes. Evictions will be executed once regulations allow for evictions to be executed. Various settlement discount vouchers initiatives will continue to be implemented as they have proven to contribute positively to the collections.
% of valid invoices paid within 30 days of invoice receipt.	100% of valid invoices paid within 30 days of invoice receipt.	100%	100%	-	Achieved.

SECTION 6:
SUPPLY CHAIN MANAGEMENT AND BBBEEE

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

a) DEVIATIONS ON SCM

Table 43: The details of the deviations recorded for the year ended 30 June 2021 are as follows.

NAME OF TENDER	USER DEPARTMENT	REASON	SUPPLIER NAME	AMOUNT
The urgent procurement of Generator.	Housing Management.	City Power failure affecting tenant in one of the best-performing projects.	Big O Engineering	R338,100
Extension of scope due to emergency (Microsoft exchanger configuration.	Business Planning and Strategy.	Emails and server down.	Dikatshe Consulting	R73,340
The appointment of the Risk and Compliance champions and the procurement of additional licences.	Business Planning and Strategy.	Additional licences for risk and compliance champions.	Exclaim Innovation	R87,400
Deviation for the appointment of a single source supplier Egoli gas.	Housing Management.	Single source supplier.	Egoli Gas	R116,766

b) PAYMENTS WITHIN 30 DAYS

The MFMA requires that Municipal entities pay suppliers within the 30-day period. In the year to June 2021, a significant number of suppliers were paid within the prescribed period (with a minor number of suppliers paid post the 30-day period). Delays were caused by the extended time for the verification of banking details for suppliers who had changed their business bank accounts. Additional delays were a result of several financial officials working from home due to COVID-19.

c) REPORT ON IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

The entity has incurred irregular expenditure of R38.9 million for overspending on the budget and R340 868 for an insurance contract with AON. The total Unauthorised, Irregular, Fruitless, and Wasteful Expenditure (UIFW) for the entity as at 30 June 2021 now amounts to R124.9 million. Internal Audit completed 14 UIFW Expenditure investigations amounting to R50.3 million. UIFW Expenditure currently under investigation amount to R31.2 million. It is anticipated that most of the investigations under investigation will be concluded on 31 December 2021.

Of the UIFW Expenditure that investigation has been concluded, R50.3 million has been submitted to the MPAC sub-committee for write-off. Another R62.3 million is going through internal remedial action, and it is anticipated to be submitted to the MPAC sub-committee by 31 December 2021.

D) SUPPLY CHAIN MANAGEMENT

The organisation strives to ensure that procurement of good and/or services involves start-up and mature Black-Owned companies, with a view to assist in skills capacitation. In the year under review, JOSHCO continued to ensure that Black-Owned companies were involved in the supply of goods and/or services. Below is the quarter-to-quarter analysis for the financial year ending 30 June 2021.

PERIOD	TOTAL OPEX FROM PROCUREMENT R'000	OPEX ON AT LEAST 51% BLACK OWNED COMPANIES R'000	% SPEND FOR THE PERIOD
Quarter 1	27 933	26 153	94%
Quarter 2	33 534	30 896	92%
Quarter 3	50 151	40 622	81%
Quarter 4	44 534	36 072	81%
Total for the year	156 152	133 743	86%
PERIOD	TOTAL CAPEX FROM PROCUREMENT ACTIVITIES R'000	CAPEX TO AT LEAST 51% BLACK OWNED COMPANIES R'000	% SPEND FOR THE PERIOD
Quarter 1	302 633	255 297	84%
Quarter 2	225 377	165 549	73%
Quarter 3	123 685	119 683	97%
Quarter 4	325 657	265 829	82%
Total for the year	977 352	806 358	83%

SECTION 7:
PENDING LITIGATIONS AND POSSIBLE LIABILITIES

JOSHCO had number of litigations that are still pending and being attend to by the legal department. All cases relate to issues arising from the development of our buildings. Below is the nature of cases that we are dealing with.

NATURE	NUMBER OF CASES
Land purchase dispute	1
Contractual dispute	8
Land use dispute	8
Eviction	170

SECTION 8:

INSURANCE CLAIMS AGAINST/TO MOE

The COJ has an umbrella insurance cover for all City Departments and Entities. The insurance covers all City properties inclusive of furniture and fittings, which is described as non-motor and motor insurance as well. The properties managed by JOSHCO are underwritten under the same umbrella insurance. A number of claims related to property damage of the JOSHCO managed rental stock have been lodged with the insurance since the beginning of the financial year. These claims range from property damage to group personal accident, which are injury on duty claims. Below is the insurance claims status as at end of June 2021.

Table 46: Insurance claims for the Year

CLAIM DESCRIPTION	NO OF CLAIMS	STATUS
Group personal Accident	6	Payment pending
SASRIA Claims	2	Claims paid
Employee practice Liability	6	Payment pending
Assets all risk	9	1 closed and 8 pending

SECTION 9:

STATEMENT ON AMOUNTS OWED BY AND TO GOVERNMENT

NAME OF DEPARTMENT	AMOUNTS OWED/(OWING) R'000	ACCOUNT STATUS
City of Johannesburg: Sweeping account	(414,268)	Current
City of Johannesburg: Treasury	5,958	180 days overdue
City of Johannesburg: Health Department	17,483	Current
City of Johannesburg: GEF	2,328	Current
City of Johannesburg: Community Development	2,242	Current
City of Johannesburg: Housing	529,484	120 days overdue
City of Johannesburg: CAM	204,476	Current
Gauteng Department of Human Settlements	15,969	180 days overdue
Total	363,672	

CHAPTER

6

INTERNAL AND EXTERNAL AUDIT FINDINGS

Strategic Goal: 3, 7

Stakeholders Interested:

SECTION 1:
PROGRESS ON INTERNAL AUDIT PLAN

For the financial year 2020-2021, JOSHCO's Internal Audit function was fully insourced. The role of internal audit function is to provide independent assurance that JOSHCO's risk management, governance, and internal control processes are operating effectively. The internal audit function followed the International Standards for Professional Practice of Internal Auditing of the Institute of Internal Auditors in performing its activities.

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.

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

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

Internal Audit compliance with ISPPIA

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

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

Progress on Internal Audit Plan for 2020/2021

For the financial year 2020-2021, the approved Internal Audit Plan has ten (10) full audits and four (4) continuous audits, making the total number of audits fourteen (14). Internal Audit completed all the audits planned for the 2020-2021 financial year.

Table 48: The table below indicates the planned audits that were completed for the period as at 30 June 2021.

NO.	PLANNED AUDITS	QUARTER	STATUS			
		Q1	Q2	Q3	Q4	
1	Recruitment and Termination Audit				X	Completed
2	Review of the Annual Financial Statements	X				Completed
3	Review of the Interim Financial Statements				X	Completed
4	Supply Chain Management and Payments Audit				X	Completed
5	Tender Probity Review - Above 5 million	X	X	X	X	Continuous
6	Revenue Management Audit		X			Completed
7	Housing Development Audit	X				Completed
8	Housing Leasing Management Audit	X				Completed
9	Housing Maintenance and Portfolio Management Audit		X			Completed
10	Performance of Information Review	X			X	Completed
11	Risk Management Audit			X		Completed
12	Compliance Review		X			Completed
13	Follow-up on Internal Audit Findings	X	X	X	X	Completed
14	Follow-up on AG Findings			X	X	Completed

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 thought of as a significant control step in any internal audit activity.

As of 30 June 2021, the total number of internal audit findings for the year 2020/2021 were 107. Internal Audit followed up 101 findings and six findings were not followed-up as they were not yet due. On the assessment of evidence provided, Internal Audit concluded that 55 (51%) of the findings are resolved, and 46 (43%) findings are not resolved.

Table 49: Audit findings raised by Internal Audit as at 30 June 2021

DEPARTMENTS	TOTAL FINDINGS	FINDINGS RESOLVED	FINDINGS NOT FOLLOWED UP	FINDINGS NOT RESOLVED
Finance	28	9	3	16
Planning and Strategy	22	17	0	5
Housing Management	37	14	3	20
Human Capital Management	5	5	0	0
CEO's Office	3	3	0	0
COSEC	1	1	0	0
Housing Development	11	6	0	5
Total	107	55	6	46
%	100%	51%	6%	43%

SECTION 3:

PROGRESS ON RESOLUTION OF EXTERNAL AUDIT FINDINGS

JOSCHO obtained an unqualified audit opinion with material findings for the year ended June 2020. The audit opinion has been constant for the last 3 financial years. Below table indicates the AGSA opinion for the last five years.

Table 50: AGSA outcomes over years

AUDIT YEAR	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Audit Opinion	Clean Audit	Clean Audit	Unqualified Audit	Unqualified Audit	Unqualified Audit

The AGSA Management Letter for 2019/2020 had 14 audit findings, which were made up of 7 Matters affecting the auditor's opinion, 7 other important matters and 0 Administrative matters. Internal Audit performed follow-up review to determine whether management has put proper controls to resolved finding raised by AGSA. The table below indicates the resolution of AGSA findings.

Table 50: Audit findings raised by AGSA in 2019/2020 Financial year

AG CLASSIFICATION	TOTAL FINDINGS	FINDING RESOLVED	FINDINGS NOT RESOLVED
Matters affecting the auditor's opinion	7	5	2
Other important matters	7	6	1
Administrative matters	0	0	0
Total	14	11	3
%	100%	79%	21%

Remedial action taken to address prior year issues and preventative measures

JOSHCO obtained an unqualified audit opinion with material findings for the year ended 30 June 2020.

JOSHCO resolved all the AGSA audit findings relating to misstatements of the financial statements by end of the audit, therefore there were no uncorrected misstatements.

JOSHCO has a comprehensive action plan in place that details corrective measures implemented to prevent repeat findings.

SECTION 4:

OVERALL STATE OF INTERNAL CONTROLS

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

The Internal Audit Department's responsibility on Internal Controls

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

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

Management responsibility on Internal Controls

Management is responsible for establishing and maintaining an appropriate system of internal controls for the prevention and detection of irregularities and fraud. Management ensure that internal controls will enable to organisation to achieve its set objective.

JOSHCO's Internal Control

The JOSHCO's system of internal control require significant improvement to provide reasonable assurance that the entities goals will be economically, effectively, and efficiently achieved. From the audit reports issued by Internal Audit in 2020-2021 financial year, it was noted that there were material deficiencies in the system of internal control.

Conclusion

Based on the audits performed in the 2020/2021 financial year, Internal Audit can conclude that internal controls within JOSHCO are generally inadequate and ineffective to provide reasonable assurance that the company's objectives will be achieved.

> **"The results of internal audit support the organisation to achieve its goals in the short, medium, and long-term."**

Appendix A: Recommendations of the Risk & Audit Committee for the 2020/21 Financial Year

DATE OF MEETING	SUBJECT	RESOLUTION	STATUS (IMPLEMENTED/NOT IMPLEMENTED)
10 July 2020	Amendment of 2019/20 Internal Audit Plan	That the amended plan was approved by the Committee.	Implemented
10 July 2020	Internal Audit Charter	That the Charter was approved by the Committee	Implemented
10 July 2020	Internal Audit Methodology	That the Audit methodology was approved by the Committee.	Implemented
10 July 2020	Annual Internal Audit Plan and Three-Year Rolling Plan	That the plan was approved by the Committee.	Implemented
12 OCTOBER 2020	Annual Financial Statements 2019/20 1st Draft	That the AFS 2019/20 were recommended by the Committee to the Board for approval	Implemented
12 OCTOBER 2020	Annual Report 2019/20 1st Draft	That the Annual Report 2019/20 was recommended by the Committee to the Board.	Implemented
12 OCTOBER 2020	Finance Department Policies	That the below policies were recommended to board for approval; Supply chain policy. Revenue policy. Cost containment policy. Finance Management policies and Procedures Manual.	Implemented
25 November 2020	The AG SA Audit Strategy for 2019/20 FY	The audit strategy was approved by the committee with a budgeted audit fee for 2019/20 amounted to R2 326 305 (Including VAT) vs R2 194 478 from the previous year.	Implemented
	External audit engagement letter	Engagement letter was approved by the committee.	Implemented
19 March 2021	Final Annual Financial Statement	ARC noted the adjusted annual financial statements and recommended the adjusted financial statements for the year ended 30 June 2020 to the Board for approval.	Implemented
19 March 2021	Final Annual integrated report	The Annual report 2019/20 was recommended to the Board for approval.	Implemented
12 April 2021	Committee Terms of References	The Committee recommended the Audit and Risk terms of reference for FY 2021/22 to the Board for approval.	Implemented
5 May 2021	Strategic risk register FY 2020/21 and 2021/22	The Committee recommended the strategic risk register 2021/22 to the Board for approval.	Implemented

Appendix B: Disclosure of Financial Interest by Executive Team

NAME	POSITION	DESCRIPTION OF INTEREST DECLARED
Victor Rambau	CEO	Member of CC and Director: Cradle Capital Investment Directorship: Rebadix
Nontobeko Ndimande	CFO	Nothing declared
Kedumetsi Kojane	EM: Corporate Services	Sasol Shares Directorship: Kelethu Holdings (domant)
Ronald Mutheiwana	EM: Housing Management	Nothing declared
Nkululeko Magubane	EM: Housing Development	Nothing declared
Nemaungani Livhalani	EM: Planning & Strategy	Sasol shares

Appendix C: Capital Project for the current year

Capital Expenditure Budget for the 2020/2021 Financial Year

PROJECT DESCRIPTION (AS PER JSIP)	APPROVED BUDGET 2020/21	MID-YEAR ADJUSTMENT	BUDGET LIFT	ADJUSTED BUDGET 2020/21	AMOUNT SPEND	BALANCE	% SPEND
	R'000	R'000	R'000	R'000	R'000	R'000	%
106 Claim Street Inner City Building Conversion Region F	5 000	-	(5 000)	-	-	-	-
38 Rissik Street (NBS) Inner City Building Conversion	4 550	(4 000)		550	-	550	0,0%
80 Plein Street Inner City Building Conversion Region F	10 000	3 000		13 000	11 517	1 483	88,6%
Abel Road Inner City Building Conversion Region F	10 000	10 000		20 000	19 950	50	99,8%
Booysens Street Inner City Conversion	5 000	(4 500)		500	-	500	0,0%
Casamia Inner City Building Upgrade Region F	5 000	(3 000)		2 000	-	2 000	0,0%
Devland Golden Highway Social Housing Project Region D	33 000	28 000	10 000	71 000	70 952	48	99,9%
Inner City Buildings Acquisitions	16 000	(3 500)	(4 000)	8 500	8 262	238	97,2%
JOSHCO House	30 000			30 000	29 367	633	97,9%
Lufhereng Social Housing Project Region D	31 000	28 000	16 500	75 500	73 904	1 596	97,9%
Nancefield Social Housing Project Region D	18 000	(4 000)		14 000	13 327	673	95,2%
Princess Plots Social Housing Project Region C	40 000	(20 000)		20 000	19 806	194	99,0%
Randburg Selkirk Social Housing Project Region B	40 442	(17 500)	(16 000)	6 942	6 691	251	96,4%
Roodepoort Social Housing Upgrade Region C	20 000	(4 000)		16 000	15 925	75	99,5%
Special Projects Programme	24 058	16 500	(1 500)	39 058	29 789	9 269	76,3%

PROJECT DESCRIPTION (AS PER JSIP)	APPROVED BUDGET 2020/21	MID-YEAR ADJUSTMENT	BUDGET LIFT	ADJUSTED BUDGET 2020/21	AMOUNT SPEND	BALANCE	% SPEND
	R'000	R'000	R'000	R'000	R'000	R'000	%
Turn-Key 1: Region A	25 950	(5 000)		20 950	18 980	1 970	90,6%
Turn-Key 1: Region B	20 000			20 000	20 000	0,05	100,0%
Turn-Key 3: Region D	20 000			20 000	19 761	239	98,8%
Turn-Key 4: Region G	20 000	(20 000)		-		-	-
	378 000	-	-	378 000	358 232	19 768	95%

Appendix D: Pipeline of Capital Projects for the next 3 Financial Year

Table 1: Capital Expenditure Budget for the 2021/2022 Financial Year

REF	PROJECT DESCRIPTION (AS PER JSIP)	JSIP NO.	PROJECT TOTAL UNITS	UNITS ANNUAL DELIVERY	2021/2022 APPROVED BUDGET	ADJUSTED BUDGET
					R000	R000
1	Lufhereng Social Housing	2323	407	192	40,000	106,000
2	Nancefield Social Housing	2359	372	124	35,000	60,000
3	Princess Plots Social Housing Project	3794	333	214	25,000	118,000
4	Selkirk Social Housing Project New Housing	2353	145	85	50,000	50,000
5	Inner City affordable rental housing JOH	2419	0	0	32,000	11,000
6	Inner City affordable rental housing JOH	2419	0	0	32,000	0
7	Golden highway Social Housing project Ne	3885	333	60	42,000	90,000
12	Casamia Renewal Building Alterations	4046	89	50	20,000	2,000
13	38 Rissik Street (NBS) Inner City	22470	300	0	20,000	1,500
15	Booysens Street Inner City Conversion	22469	150	90	35,000	3,500
16	Abel Road Inner City Building Conversion	22297	257	257	0	24,500
17	Marlboro Social Housing	3535	650	0	14,750	5,000
19	280 Smit Street	22282	0	0	25,000	0
21	Tum-Key 1: Region F	23366	1031	190	42,500	115,950
22	Tum-Key 1: Region F	23367	668	195	32,500	95,000
23	Tum-Key 3: Region A	23368	616	193	24,500	105,000
24	Tum-Key 4: Region G	23369	642	95	35,650	85,000
	Total		5993	1745	505,900	872,450

Financial Year: 2022/2023

Table 2: Capital Expenditure Budget for the Year 2022/2023

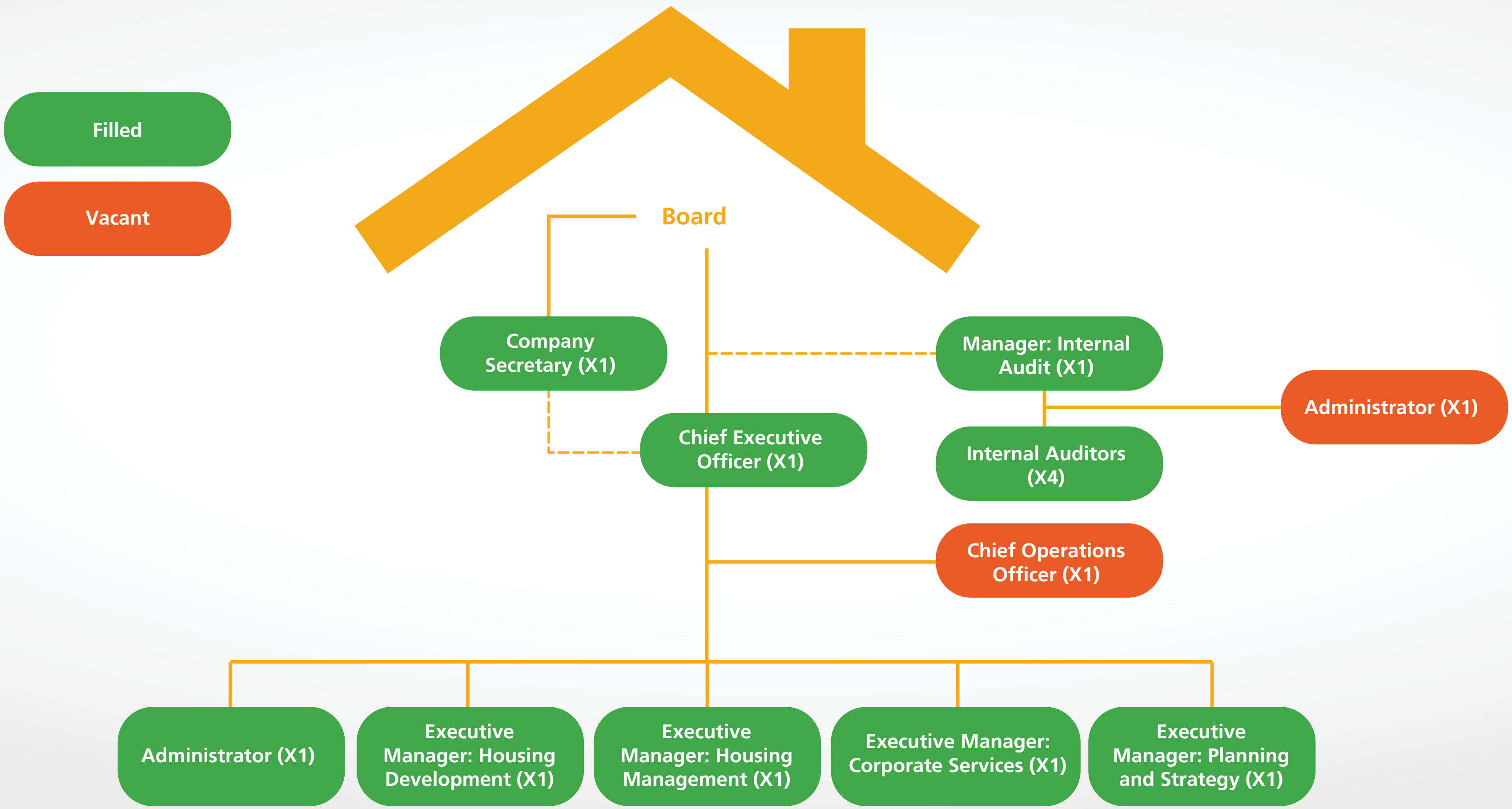
REF	PROJECT DESCRIPTION (AS PER JSIP)	JSIP NO.	PROJECT TOTAL UNITS	UNITS ANNUAL DELIVERY	2022/2023 APPROVED BUDGET R000	ADJUSTED BUDGET R000
1	Lufhereng Social Housing	2323	407	60	30,000	45,000
2	Nancefield Social Housing	2359	372	80	35,000	50,000
3	Princess Plots Social Housing Project New	3794	333	120	35,000	70,690
4	Selkirk Social Housing Project New Housing	2353	145	33	35,000	20,000
5	Inner City affordable rental housing JOH	2419	0	27	0	11,000
6	Golden highway Social Housing project Ne	3885	333	60	35,000	20,000
12	Casamia Renewal Building Alterations	4046	89	90	35,000	60,000
13	38 Rissik Street (NBS) Inner City Bu	22470	300	120	25,700	2,500
14	Auckland Park Social Housing	4134	566	0	8,000	0
15	Booysens Street Inner City Conversion	22469	150	60	73,790	25,000
16	Abel Road Inner City Building Conver	22297	257	0	0	24,500
17	Marlboro Social Housing	3535	650	30	25,500	25,000
19	280 Smit Street	22282	0	0	30,000	0
21	Tum-Key 1: Region F	23366	1031	200	30,000	120,500
22	Tum-Key 1: Region F	23367	668	220	32,700	101,450
23	Tum-Key 3: Region A	23368	616	200	30,000	100,500
24	Tum-Key 4: Region G	23369	642	250	41,000	95,450
	Total		6559	1550	501,690	771,590

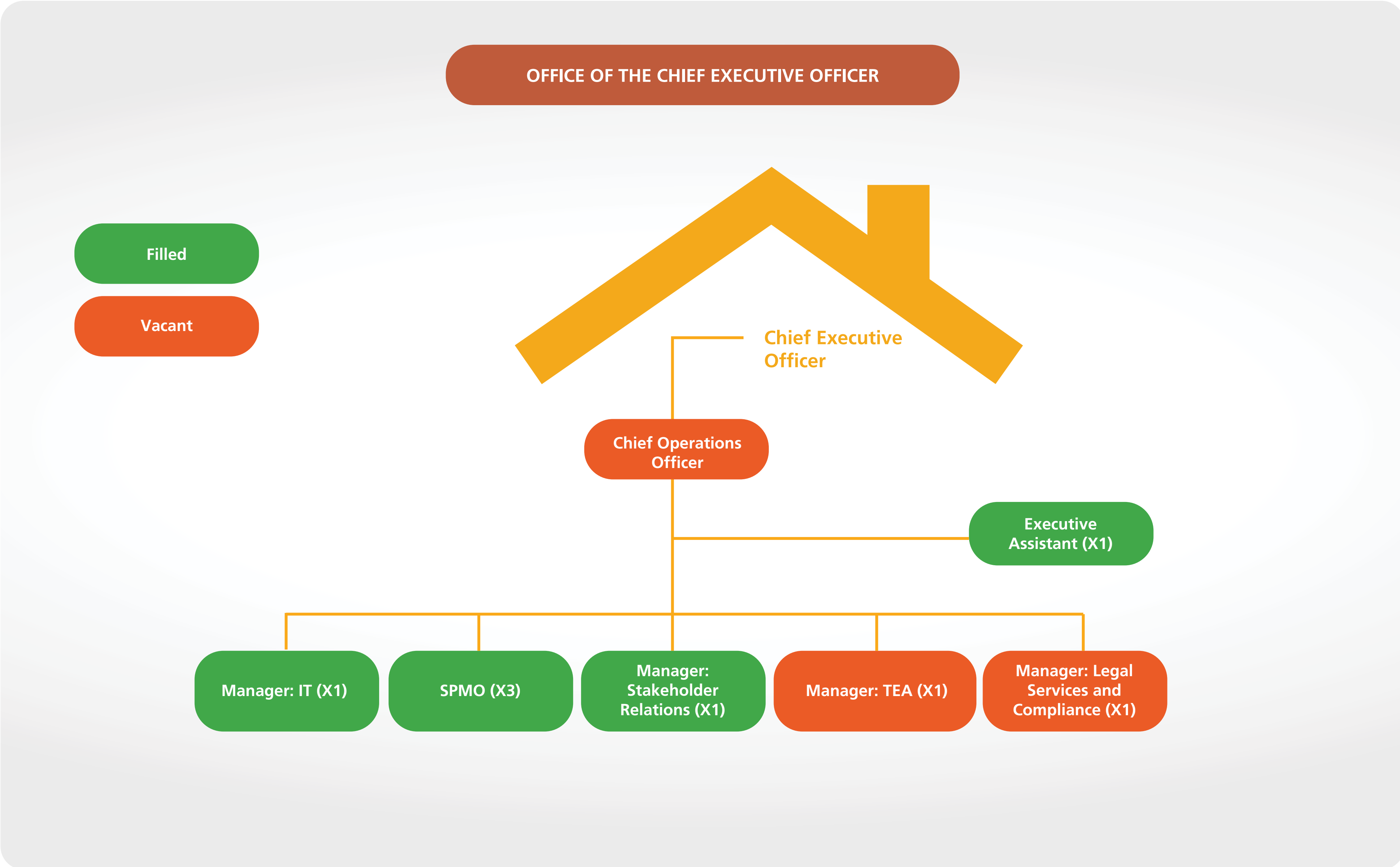
Financial Year: 2023/2024

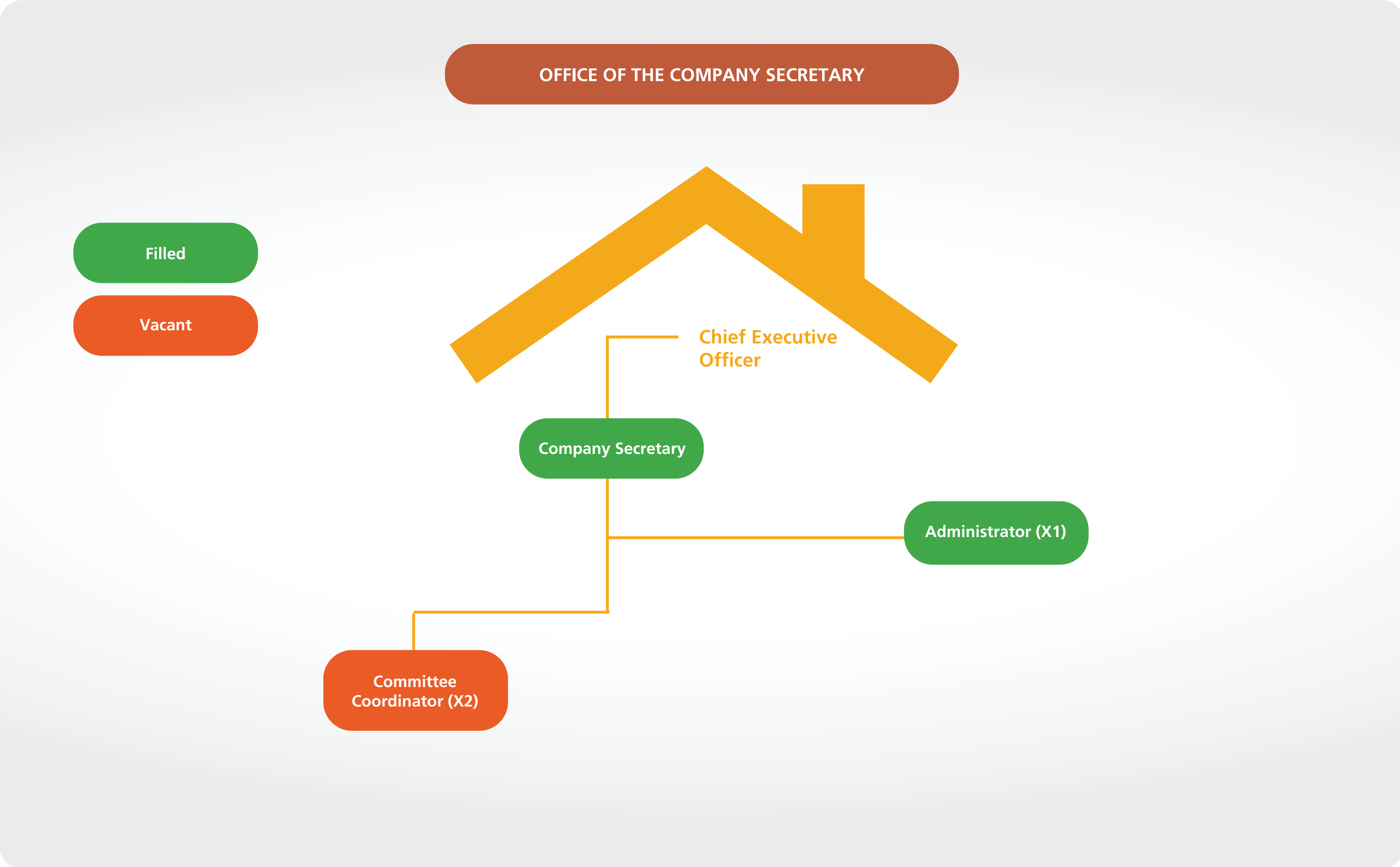
Table 3: Capital Expenditure Budget for the Year 2023/2024

REF	PROJECT DESCRIPTION (AS PER JSIP)	INSERT JSIP NO.	PROJECT TOTAL UNITS	UNITS ANNUAL DELIVERY	2023/24 APPROVED BUDGET R000	ADJUSTED BUDGET R000
1	Nancefield Social Housing	2359	372	200	112,000	112,000
2	Selkirk Social Housing Project New Housing	2353	145	60	100,000	100,000
3	Inner City affordable rental housing JOH	2419	333	60	5,000	5,000
4	Golden highway Social Housing project Ne	3885	300	0	0	0
5	Casamia Renewal Building Alterations	4046	150	90	23,000	23,000
6	38 Rissik Street (NBS) Inner City Building	22470	300	180	67,950	67,950
7	Auckland Park Social Housing Project Region B	4134	0	Project canned	20,000	0
8	Booysens Street Inner City Conversion	22468	200	100	37,000	37,000
9	Marlboro Social Housing Project Region E	3535	550	87	50,000	50,000
10	Tum-Key 1: Region E	23366	1031	300	97,078	97,078
11	Tum-Key 1: Region F	23367	668	350	90,000	100,000
12	Tum-Key 3: Region A	23368	616	255	90,000	100,000
13	Tum-Key 4: Region C	23369	642	250	90,000	90,000
	Total		4590	1932	782,028	782,028

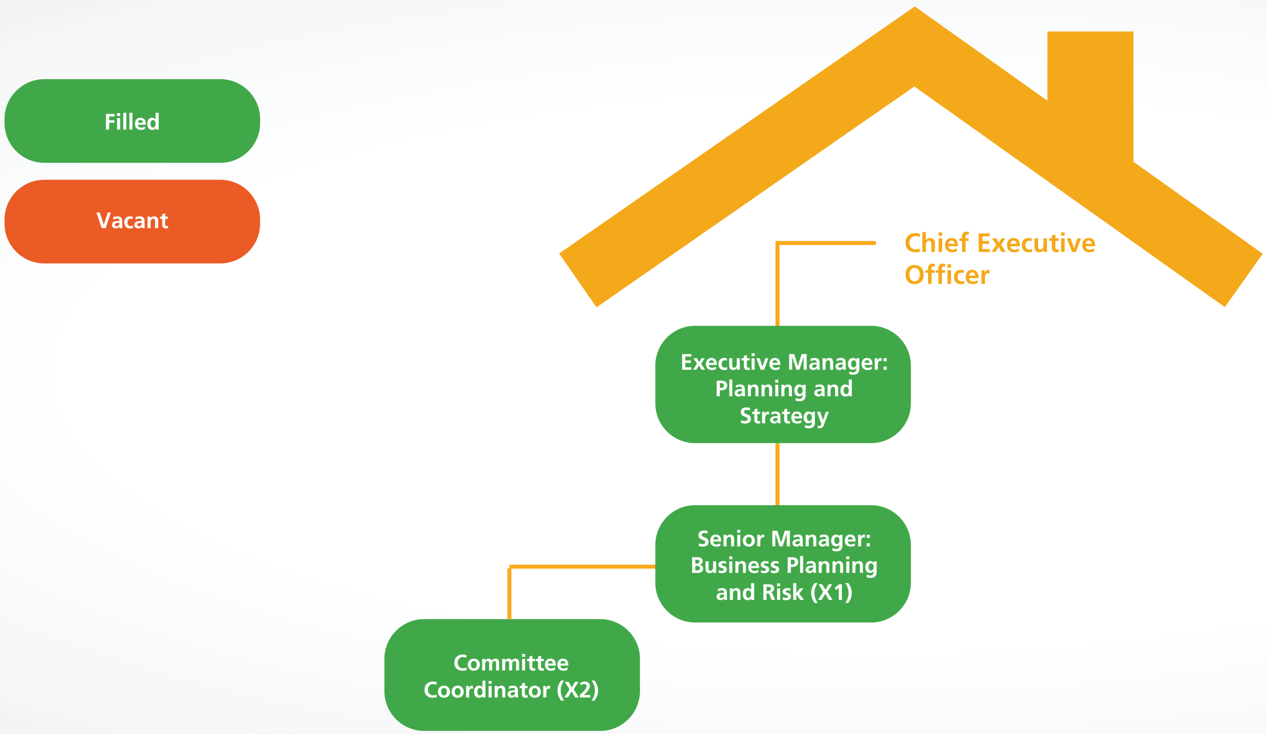
APPENDIX E: THIRD TIER ADMINISTRATIVE STRUCTURE

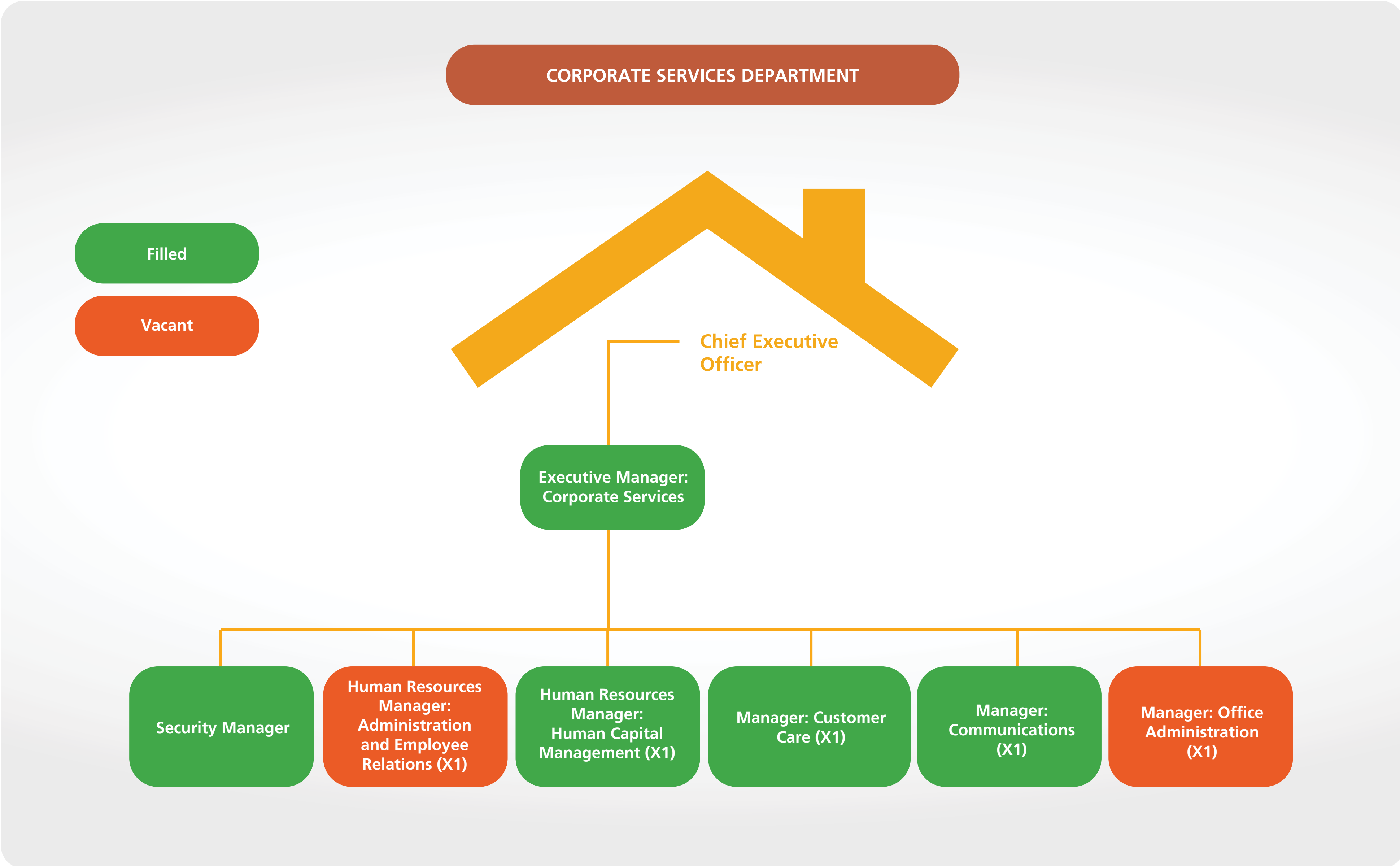


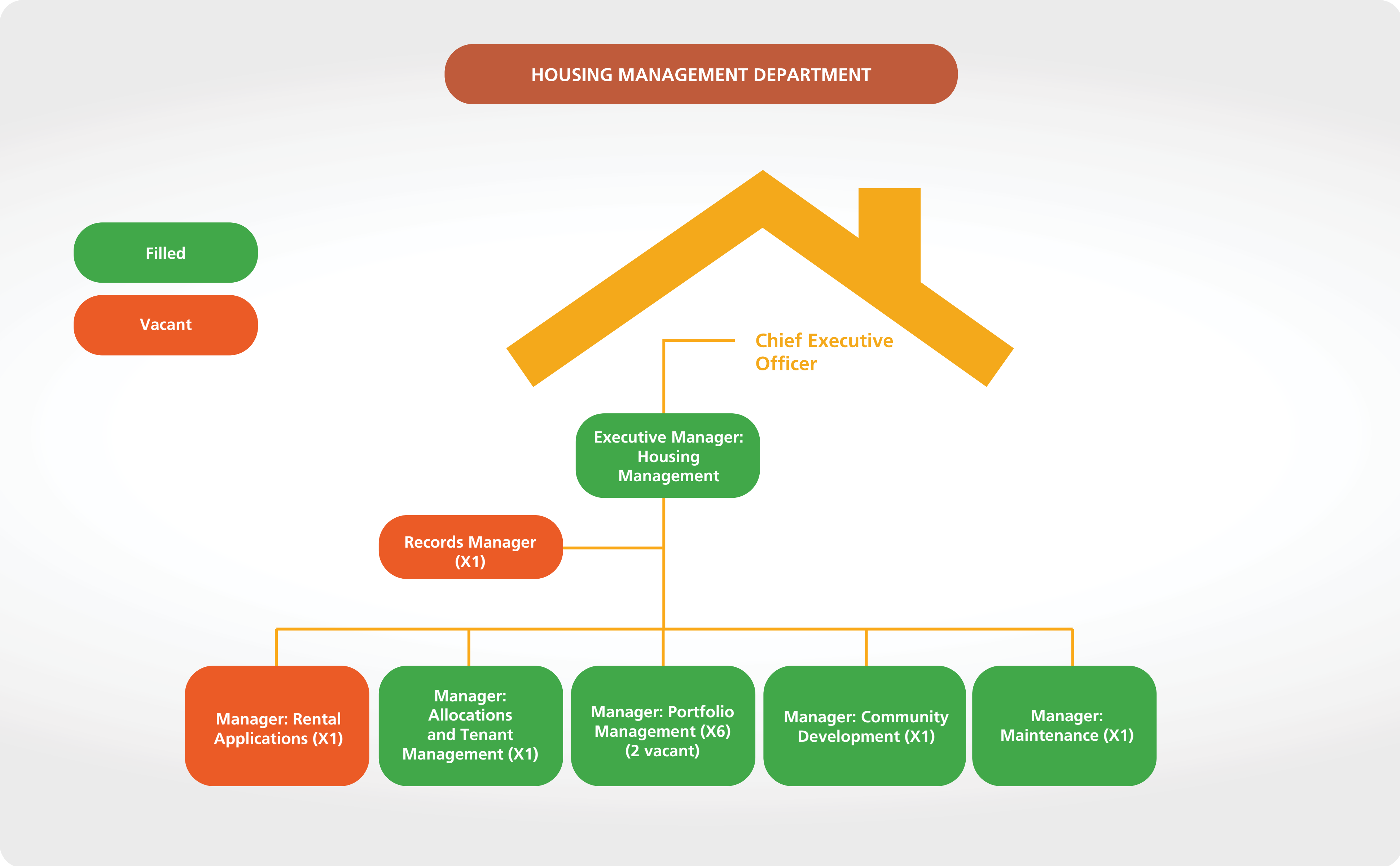

OFFICE OF THE CHIEF EXECUTIVE OFFICER
Filled
Vacant
Chief Executive Officer
Chief Operations Officer
Executive Assistant (X1)
Manager: IT (X1)
SPMO (X3)
Manager: Stakeholder Relations (X1)
Manager: TEA (X1)
Manager: Legal Services and Compliance (X1)

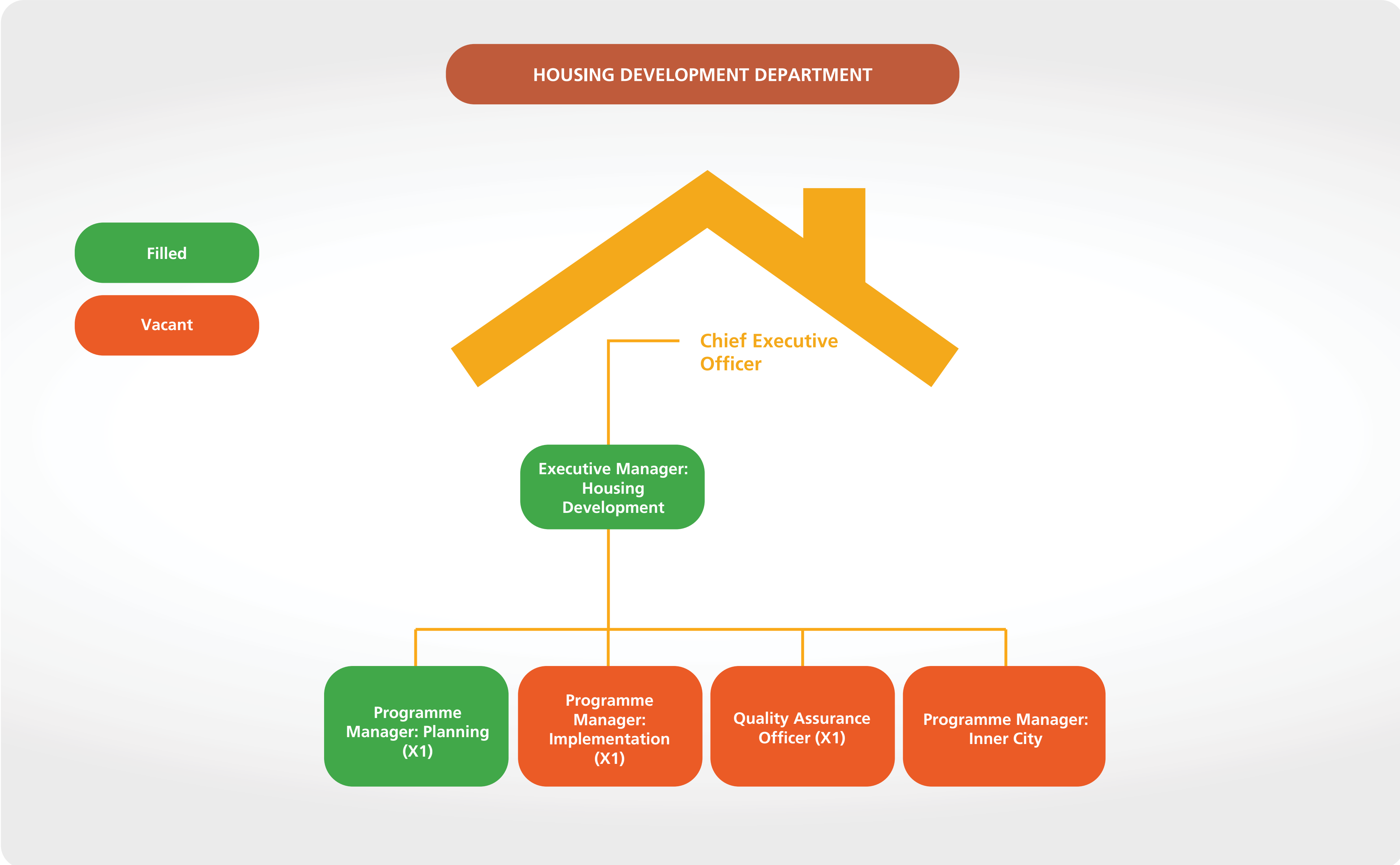

OFFICE OF THE COMPANY SECRETARY
Filled
Vacant
Chief Executive Officer
Company Secretary
Administrator (X1)
Committee Coordinator (X2)

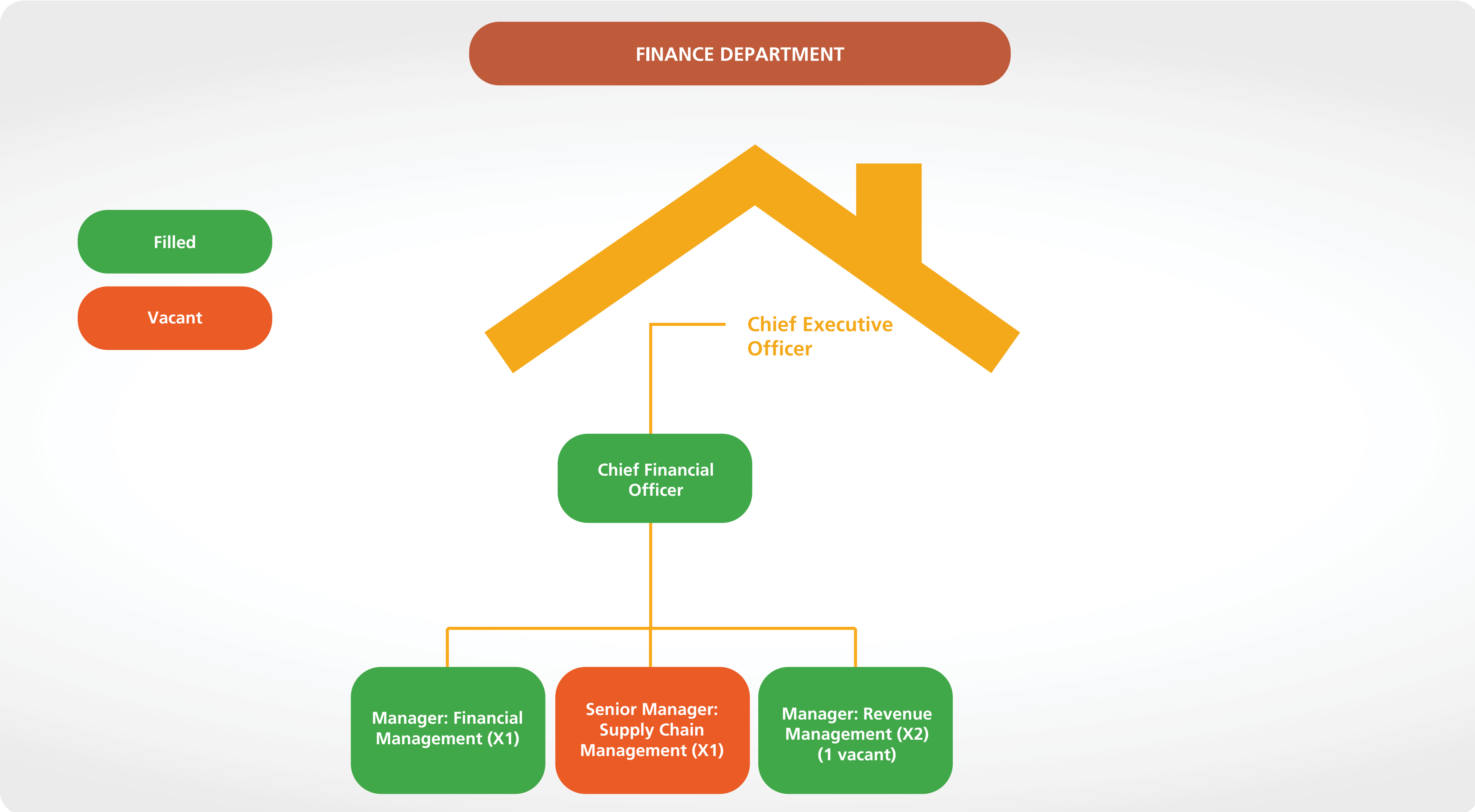
PLANNING AND STRATEGY DEPARTMENT




CORPORATE SERVICES DEPARTMENT
Filled
Vacant
Chief Executive Officer
Executive Manager: Corporate Services
Security Manager
Human Resources Manager: Administration and Employee Relations (X1)
Human Resources Manager: Human Capital Management (X1)
Manager: Customer Care (X1)
Manager: Communications (X1)
Manager: Office Administration (X1)


HOUSING MANAGEMENT DEPARTMENT
Filled
Vacant
Chief Executive Officer
Executive Manager: Housing Management
Records Manager (X1)
Manager: Rental Applications (X1)
Manager: Allocations and Tenant Management (X1)
Manager: Portfolio Management (X6) (2 vacant)
Manager: Community Development (X1)
Manager: Maintenance (X1)


HOUSING DEVELOPMENT DEPARTMENT
Filled
Vacant
Chief Executive Officer
Executive Manager: Housing Development
Programme Manager: Planning (X1)
Programme Manager: Implementation (X1)
Quality Assurance Officer (X1)
Programme Manager: Inner City



Appendix F: Municipal Entity Perfomance Schedule

IDP PRIORITY	PERFORMANCE
Integrated Human Settlement	609 social housing units were developed against the annual target of 662 units. This is an increase from the 297 units reported in the previous FY.

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 147 to 203 , which comprise the statement of financial position as at 30 June 2021, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with 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 2021, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Companies Act 71 of 2008 (the Companies Act).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of 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 note 38 to the financial statements, the corresponding figures for 30 June 2020 were restated as a result of an error in the financial statements of the municipal entity at, and for the year ended, 30 June 2021.

Material impairment

8. As disclosed in note 4 to the financial statements, the receivables from exchange transactions balance has been impaired. The allowance for impairment of trade debtors was R220 079 116 (2019-20: R150 528192), which represents 91.30% (2019-20: 89,30%) of total receivables from exchange transactions. The contribution to the allowance for Impairment was R69 542 499 (2019-20: R52 596 1760).

Other matter

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

Unaudited disclosure notes

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 SA Standards of GRAP and the requirements of the MFMA and the Companies Act, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 uniess the appropriate governance structure either intends to liquidate the municipal entity or to cease operations, or has no realistic alternative but to do so.

Auditor-generai's responsibilities 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

Introduction and scope

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

16. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipal entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipal entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

17. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected strategic objective presented in the municipal entity's annual performance report for the year ended 30 June 2021:

STRATEGIC OBJECTIVES	PAGES IN THE ANNUAL PERFORMANCE REPORT
Strategic objective 3 - develop social housing projects within the transport corridors, inner city and green fields (including suburbs and economic hubs)	76-79

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

19. I did not identify any material findings on the usefulness and reliability of the reported performance information for this strategic objective:

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

Other matter

20. I draw attention to the matter below.

Achievement of planned targets

21. Refer to the annual performance report on pages 76-79 for information on the achievement of planned targets for the year.

Report on the audit of compliance with legislation

Introduction and scope

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

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

Annual financial statements

24. 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 current assets and disclosures identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Consequences management

26. Some of the irregular expenditure incurred by the municipal entity was not investigated to determine if any person was liable for the expenditure, as required by municipal budget and reporting regulations 75(1).

Other information

27. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act. The other information does not include the financial statements, the auditor's report and those selected strategic objective presented in the annual performance report that have been specifically reported in this auditor's report.

28. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

29. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected strategic objective presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Internal control deficiencies

31. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

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

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

Johannesburg
30 November 2021

Auditor - General

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence


8.21%
9.08%
6.84%
2.76%
8.21%
9.08%
6.84%
2.76%

VOLUME

2

ANNUAL FINANCIAL STATEMENTS

DIRECTOR'S RESPONSIBILITIES AND APPROVAL
FOR THE YEAR ENDED 30 JUNE 2021

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

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

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

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

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

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

The financial statements set out on page 148 to 203, which have been prepared on the going concern basis, were approved by the board on 29 November 2021 and were signed on their behalf by:

Mr. Theodore Dhlamini
Chairperson

Mr. Victor Rambau
Chief Executive Officer

DIRECTOR'S AND AUDIT COMMITTEE'S REPORT
FOR THE YEAR ENDED 30 JUNE 2021

Director's and Audit Committee's Report

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

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

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.

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 2021 there were no major changes in the activities of the business.
The financial position of the company shows a net liability position of (R225 291 065) (2020 net liability (R109 345 065). Deficit for the year of the entity was R115 946 020 (2020: deficit R84 804 592), after taxation of R0.00 (2020: (R (370 538).

3. GOING-CONCERN

We draw attention to the fact that at 30 June 2021, the entity had an accumulated (deficit) of R (225 291 185) and that the entity's total liabilities exceed its assets by R (225 291 065).

The 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 (note 35), which significantly affect the financial position of the company or the results of its operations that would require adjustments to or disclosure in the financial statements.

5. DIRECTORS' PERSONAL FINANCIAL INTEREST

For the financial year under review, there have been no related party transactions that JOSHCO engaged in which involved transactions with Directors of the organization. Such declaration 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.

DIRECTOR'S AND AUDIT COMMITTEE'S REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021

10. DIRECTORS

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

NAME OF BOARD MEMBERS	MEMBERSHIP	EFFECTIVE DATE	RETIRED/RESIGN DATE
Theodore Dhlamini (Chairperson)	Non-Executive	Re-appointed on the 10th February 2021	To date
Mr Themba Mamba	Non-Executive	Re-appointed on the 10th February 2021	To date
Mr Moerane Maimane	Non-Executive	Re-appointed on the 10th February 2021	To date
Mr Jason Sobekwa	Non-Executive	Re-appointed on the 10th February 2021	To date
Mr Simphiwe Mhlongo	Non-Executive	Re-appointed on the 10th February 2021	To date
Mr Xolani Dlwathi	Non-Executive	Re-appointed on the 10th February 2021	To date
Ms Brenda Makhanya	Non-Executive	Re-appointed on the 10th February 2021	To date
Ms Grace Boikhanyo	Non-Executive	Re-appointed on the 10th February 2021	To date
Ms Sibongile Bhengu	Non-Executive	Re-appointed on the 10th February 2021	To date
Ms. Nontobeko Ndimande	Executive Director	Appointed on 17 September 2018	To date
Mr. Victor Rambau	Executive Director	Appointed on 1 July 2019	To date
Ms Debbie Raphuti	Non-Executive	Appointed on the 10th February 2021	To date
Dr Kentse Sesele	Non-Executive	Appointed on the 10th February 2021	To date
Ms Euginia Motloung	Non-Executive	Appointed on the 10th February 2021	To date
Mr Nikelo Bangisi	Non-Executive	Re-appointed on the 10th February 2021	To date
Mr. Moshupi Mokgobinyane	Independent Audit Committee Member	Re-appointed on the 10th February 2021	To date
Mr Ernest Khosa	Independent Audit Committee Member	Re-appointed on the 10th February 2021	To date
Ms. Lesetsa Matshekga	Independent Audit Committee Member	Re-appointed on the 10th February 2021	To date

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:
  - 13 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 14 times during the financial year ended 30 June 2021. Development Committee met 7 times, Social, Ethics and HR Committee met seven times, Audit and Risk Committee met 11 times.

DIRECTOR'S AND AUDIT COMMITTEE'S REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021

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	14	7	11	7
Theodore Dhlamini (Chairperson)	14	–	–	–
Mr Themba Mamba	14	7	–	–
Mr Moerane Maimane	14	–	–	7
Mr Jason Sobekwa	14	7	8	–
Mr Simphiwe Mhlongo	13	–	–	6
Mr Xolani Dlwathi	14	7	–	–
Ms Brenda Makhanya	14	–	–	7
Ms Grace Boikhanyo	14	7	–	–
Ms Sibongile Bhengu	13	–	–	7
Dr Kentse Sesele	6	2	–	–
Ms Euginia Motloung	6	–	–	3
Mr Nikelo Bangisi	6	2	–	–
Ms Debbie Raphuti	6	–	–	3
Mr Victor Rambau	14	6	10	7
Ms Nontobeko Ndimande	14	7	11	7
Mr Ernest Khosa	4	–	3	–
Mr Moshupi Mokgobinyane	9	–	11	–
Mr Lesetsa Matshekga	3	–	11	–

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

For the year ended 30 June 2021 the committee met 11 times and was constituted as follows:

DIRECTOR/MEMBER	ROLE
Mr Moshupi Mokgobinyane*	Independent Audit Committee Member and Chairperson
Mr Ernest Khosa	Independent Audit Committee Member and Chairperson
Mr Lesetsa Matshekga	Independent Audit Committee Member
Mr Jason Sobekwa^	Independent Audit Committee Member

** Mr Mokgobinyane was superseded by Mr Khosa as a Chairperson of Audit and Risk Committee as per the Board resolution taken on 5 March 2021.*

^ Mr Sobekwa was not retained as Audit and Risk Committee member as per board resolution taken on 5 March 2021

Development Committee

For the year ended 30 June 2021, the committee met 7 times and was constituted as follows:

DIRECTOR	ROLE
Ms Gaby Boikanyo	Non-executive director and Chairperson
Mr Jason Sobekwa	Non-executive Director
Mr Xolani Dlwathi	Non-executive Director
Mr Themba Mamba	Non-executive Director
Mr Nikelo Bangisi	Non-executive Director
Dr Kentse Sesele	Non-executive Director

DIRECTOR'S AND AUDIT COMMITTEE'S REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021

Social and Ethics and Human Resource Committee
For the year ended 30 June 2021 the committee met 7 times and was constituted as follows:

DIRECTOR	ROLE
Mr Moerane Maimane	Non-executive Director and Chairperson
Mr Simphiwe Mhlongo	Non-executive Director
Ms Sibongile Bhengu	Non-executive Director
Ms Brenda Makhanya	Non-executive Director
Ms Euginia Motloung	Non-executive Director
Ms Debbie Raphuti	Non-executive Director

Internal audit
The company has an inhouse internal audit function. The internal audit unit is operational, and this is 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 income (loss) after tax
JOSHCO Madulamoho Joint Venture (JMJV	South Africa	(456 487)
JOSHCO Madulamoho Joint Venture share of deficit		(R251,068)

Name of Jointly controlled entity	*Net Deficit*
JOSHCO Madulamoho Joint Venture (JMJV)	(R456,487)

The JMJV was formed between JOSHCO and Madulamoho Housing in 2006 for the development and continued management of the BG Alexander building. The main transactions between JOSHCO and the JMJV were accounts receivable in respect of provincial subsidies payable by the JMJV to JOSHCO. JOSHCO has also accounted for its 55% share of the deficit from the joint venture in its consolidated financial statements amounting to (R251,068) (2020: Surplus R607,090). The entity is exempt from preparing consolidated financial statements as it is itself a wholly owned controlled entity.

14. SPECIAL RESOLUTIONS

The company passed the following special resolutions during the current year.

Date: 5 February 2021: Resolution No. 7(3) – Company Incorporation Certificate

Request to convert the company registration certificate from private company **(Pty Ltd)** to State Owned company **(SOC Ltd (RF)** to ensure consistency with JOSHCOs Memorandum of Incorporation and to further recommend to the shareholder (i.e. parent municipality to ratify) this record of decision was granted by the Board.

Date: 5 February 2021: Resolution No. 8(4) – Amendment of JOSHCO Service Delivery Agreement

The Board approved the amendment to the service delivery agreement to incorporate the transfer of all properties that were acquired and developed by JOSHCO into the entity's books; and further agreed that the transfer of assets and the plan thereto be approved by the Board prior to implementation of each phase.

15. AUDITORS

The Auditor-General South Africa are the external auditors as required by the MFMA and the Public Audit Act.

AUDIT COMMITTEE'S REPORT

We are pleased to present our report for the financial year ended 30 June 2021.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee consists of the members listed hereunder and they have met 11 times during the year.

NAME OF AUDIT COMMITTEE MEMBERS	AUDIT COMMITTEE		
	ATTENDANCE	ABSENT	APOLOGIES
Mr Moshupi Mokgobinyane	11	–	–
Mr Jason Sobekwa	8	–	–
Mr Lesetsa Matshekga	11	–	–
Mr Ernest Khosa	3	–	–

AUDIT COMMITTEE RESPONSIBILITY

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

THE EFFECTIVENESS OF INTERNAL CONTROL AND RISK MANAGEMENT

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

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

EVALUATION OF FINANCIAL STATEMENTS

We have:

- Reviewed and discussed the financial statements to be included in the annual report.
- Reviewed the applicable accounting policies and practices.
- Reviewed the entities compliance with legal and regulatory provisions.
- Reviewed significant adjustments resulting from the audit.

We concur with and accept the AGSA's report on the financial statements and are of the opinion that the audited financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

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. Xolisile Nontobeko Njapha
Company Secretary

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021
FOR THE YEAR ENDED 30 JUNE 2021

FIGURES IN RAND	NOTE(S)	2021	2020 RESTATED*
Assets			
Current Assets			
Inventories	2	391 502	345 671
Loans to shareholders	3	5 958 169	17 990 181
Current tax receivable		49 706	49 706
Receivables from exchange transactions	4	802 820 462	262 418 673
VAT receivable	13	2 792 093	2 585 900
Cash and cash equivalents	5	172 019 398	165 909 035
		984 031 330	**449 299 166**
Non-Current Assets			
Property, plant and equipment	6	8 368 130	9 710 713
Intangible assets	7	348 057	460 086
Interest in joint ventures	8	22 410 488	23 761 556
Deferred tax	9	22 526 454	22 526 454
		53 653 129	**56 458 809**
Total Assets		**1 037 684 459**	**505 757 975**

** See Note 38 & 39*

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021 (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021

FIGURES IN RAND	NOTE(S)	2021	2020 RESTATED*
Liabilities			
Current Liabilities			
Loans from shareholders	3	414 268 968	–
Borrowings – DBSA	10	2 141 827	2 141 827
Finance lease obligation		508 309	586 849
Payables from exchange transactions	11	836 813 707	600 480 500
		1 253 732 811	**603 209 176**
Non-Current Liabilities			
Borrowings – DBSA	10	8 997 428	11 140 227
Finance lease obligation		67 485	575 837
Unspent conditional grants and receipts	14	177 800	177 800
		9 242 713	**11 893 864**
Total Liabilities		**1 262 975 524**	**615 103 040**
Net Assets		**(225 291 065)**	**(109 345 065)**
Share capital / contributed capital	16	120	120
Accumulated surplus		(225 291 185)	(109 345 185)
Total Net Assets		**(225 291 065)**	**(109 345 065)**

** See Note 38 & 39*

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2021

FIGURES IN RAND	NOTE(S)	2021	2020 RESTATED*
Revenue			
Revenue from exchange transactions			
Rendering of services	17	63 364 856	12 939 960
Rental of facilities and equipment	17	171 631 977	151 150 439
Utility Recoveries	17	588 060	502 904
Other income (Exchange transaction)	17	1 773 901	496 776
Interest received	23	9 960 112	13 890 782
Total revenue from exchange transactions		**247 318 906**	**178 980 861**
Revenue from non-exchange transactions			
Other			
Share of surplus from joint ventures accounted for using the equity method	8	–	607 090
Transfer revenue			
Government grants & subsidies	17	19 899 999	19 098 000
Total revenue from non-exchange transactions		**19 899 999**	**19 705 090**
Total revenue	17	**267 218 905**	**198 685 951**
Expenditure			
Employee related costs	19	(150 789 306)	(113 577 739)
Other housing management costs	22	(78 835 984)	(53 944 232)
Depreciation and amortization	24	(2 709 111)	(1 550 953)
Finance costs	25	(7 147 117)	(1 173 025)
Loss on disposal of assets		(74 051)	(177 400)
Share of deficits from joint ventures accounted for using the equity method	8	(251 068)	–
Administrative	18	(143 358 288)	(113 437 732)
Total expenditure		**(383 164 925)**	**(283 861 081)**
Deficit before taxation		**(115 946 020)**	**(85 175 130)**
Taxation	26	–	370 538
Deficit for the year		**(115 946 020)**	**(84 804 592)**

** See Note 38 & 39*

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2021

FIGURES IN RAND	SHARE CAPITAL / CONTRIBUTED CAPITAL	ACCUMULATED SURPLUS	TOTAL NET ASSETS
Opening balance as previously reported	120	(30 102 665)	(30 102 545)
Adjustments			
Prior year adjustments	–	5 562 072	5 562 072
Balance at 01 July 2019 as restated*	**120**	**(24 540 593)**	**(24 540 473)**
Changes in net assets Surplus for the year	–	(84 804 592)	(84 804 592)
Total changes	–	(84 804 592)	(84 804 592)
Restated* Balance at 01 July 2020	**120**	**(109 345 165)**	**(109 345 045)**
Changes in net assets Surplus for the year	–	(115 946 020)	(115 946 020)
Total changes	–	(115 946 020)	(115 946 020)
Balance at 30 June 2021	**120**	**(225 291 185)**	**(225 291 065)**
Note(s)	16		

** See Note 38 & 39*

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2021

FIGURES IN RAND	NOTE(S)	2021	2020 RESTATED*
Cash flows from operating activities			
Receipts			
Sale of goods and services		134 370 356	160 326 225
Grants		19 899 999	19 098 000
Interest income		9 960 112	13 890 782
Other receipts		1 954 212	3 600 306
		166 184 679	**196 915 313**
Payments			
Employee costs		(144 144 030)	(107 612 657)
Suppliers		(432 125 843)	(137 113 808)
Finance costs		(7 147 117)	(1 173 025)
		(583 416 990)	**(245 899 490)**
Net cash flows from operating activities	27	**(417 232 311)**	**(48 984 177)**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(1 328 549)	(7 050 191)
Purchase of other intangible assets	7	–	(138 000)
Movement in investment in Joint Venture		1 100 000	1 100 000
Net cash flows from investing activities		**(228 549)**	**(6 088 191)**
Cash flows from financing activities			
Repayment of borrowings DBSA		(2 142 799)	(948 454)
Proceeds from shareholders' loan		425 714 022	65 573 752
Net cash flows from financing activities		**423 571 223**	**64 625 298**
Net increase/(decrease) in cash and cash equivalents		**6 110 363**	**9 552 930**
Cash and cash equivalents at the beginning of the year		165 909 035	156 356 105
Cash and cash equivalents at the end of the year	5	**172 019 398**	**165 909 035**

** See Note 38 & 39*

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2021

BUDGET ON CASH BASIS						
FIGURES IN RAND	APPROVED BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL AMOUNTS ON COMPARABLE BASIS	DIFFERENCE BETWEEN FINAL BUDGET AND ACTUAL	REFERENCE
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rendering of services	15 949 000	30 000 000	**45 949 000**	63 364 856	**17 415 856**	35
Rental of facilities and equipment	168 867 000	6 993 000	**175 860 000**	171 631 977	**(4 228 023)**	35
Recoveries	–	–	–	588 060	**588 060**	35
Other income	–	–	–	1 773 901	**1 773 901**	35
Interest received – investment	10 366 000	(2 706 000)	**7 660 000**	9 960 112	**2 300 112**	35
Total revenue from exchangetransactions	**195 182 000**	**34 287 000**	**229 469 000**	**247 318 906**	**17 849 906**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants and subsidies	19 900 000	–	**19 900 000**	19 899 999	**(1)**	35
Total revenue	**215 082 000**	**34 287 000**	**249 369 000**	**267 218 905**	**17 849 905**	
Expenditure						
Personnel costs	(99 844 210)	(27 437 790)	**(127 282 000)**	(150 789 306)	**(23 507 306)**	35
Other housing managementcosts	(14 211 000)	(13 896 000)	**(28 107 000)**	(78 835 984)	**(50 728 984)**	35
Depreciation and amortisation	(1 430 000)	–	**(1 430 000)**	(2 709 111)	**(1 279 111)**	35
Finance costs	(1 536 000)	–	**(1 536 000)**	(7 147 117)	**(5 611 117)**	35
General Expenses	(98 060 790)	7 046 790	**(91 014 000)**	(143 358 288)	**(52 344 288)**	35
Total expenditure	**(215 082 000)**	**(34 287 000)**	**(249 369 000)**	**(382 839 806)**	**(133 470 806)**	
Operating deficit	–	–	–	(115 620 901)	**(115 620 901)**	
Loss on disposal of assets and liabilities	–	–	–	(74 051)	**(74 051)**	35
Share of surpluses or deficits from associates or joint ventures accounted for using the equity method	–	–	–	(251 068)	**(251 068)**	35
	–	**–**	**–**	**(325 119)**	**(325 119)**	
Deficit before taxation	**–**	**–**	**–**	**(115 946 020)**	**(115 946 020)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**–**	**–**	**–**	**(115 946 020)**	**(115 946 020)**	

ACCOUNTING POLICIES

1. PRESENTATION OF 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 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 Consolidation Interests in joint ventures

The Joint venture relates to the BG Alexandra property of which the shareholding is as follows:

– JOSHCO SOC Ltd	55%
– Madulamoho (Pty) Ltd	45%
– Total	100%

Madulomaholo (Pty) Ltd have a 35-year lease over the property BG Alexandra from Gauteng Department of Human Settlements (previously Gauteng Provincial Housing Department) and which commenced in September 2006. JOSHCO through its shareholders, has obtained capital funding to renovate the property and to which the leasehold improvement must be depreciated over the remaining period of the lease.

An interest in a jointly controlled company is accounted for using the equity method, except when the investment is classified as held-for-sale in accordance with Standard of GRAP on non-current asset held-for-sale and discontinued operations. Under the equity method, interest in jointly controlled entities are carried in the consolidated statement of financial position at a cost adjusted for post-acquisition changes in the company's share net assets of the company, less any impairment deficits on transactions between the company and a joint venture are eliminated to the extent of the company's interest therein.

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 and loans and receivables

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

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, 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 debtors 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.

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

VAT Receivable/(Payable)

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

1.4 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

The following factors were considered to determine the useful life of the assets:

– Expected usage of the asset;
– Expected physical wear and tear of the asset;
– Technical obsolescence; and
– Legal or other limits on the use of the asset

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

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

ITEM	AVERAGE USEFUL LIFE
Land	Indefinite
Leased assets	Lower of the Lease Period or useful life (3 – 5 Years)
Furniture and fixtures	3 – 8 Years
Motor vehicles	5 – 8 Years
Office equipment	3 – 8 Years
IT equipment	3 – 8 Years
Leasehold improvements	Lower of the Lease Period or Useful life 3 Years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectation s differs from the previous estimates, the change is accounted for as a change in accounting estimate.

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

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

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

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

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

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

ACCOUNTING POLICIES

1.4 Property, plant and equipment (continued)

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.
The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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

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

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

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

1.5 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; and
- arises from the contractual rights or other legal rights, regardless 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	3 – 8 years
Other intangible assets	3 – 7 years

1.6 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the entity has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Government grants (including capital grants) are recognised when there is reasonable assurance that:

- the company will comply with the conditions attached to them; and
- the grants will be received.

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

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

1.6 Conditional grants and receipts (continued)

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.

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, as well as 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.

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.

ACCOUNTING POLICIES

1.8 Financial instruments (continued)

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.

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 Tax

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

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

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

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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.

1.10 Leases

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

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

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

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

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

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

Operating leases – lessor

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

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

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

Operating leases – lessee

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

1.11 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.

1.12 Events after reporting date

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

Two types of events can be identified:

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

1.13 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.

ACCOUNTING POLICIES

1.13 Impairment of cash-generating assets (continued)

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.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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

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

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

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

1.14 Share capital / contributed capital

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

1.15 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits are recognised in the period in which the service is rendered and are not discounted.

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

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

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. The company's retirement benefit plan is managed by the parent municipality.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments, which is disclosed in note 29.

1.18 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.

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.

Management fees paid by the City of Johannesburg Metropolitan Municipality to the company to manage the properties owned by the City of Johannesburg Metropolitan Municipality are recognised once the annual budget of the City of Johannesburg Metropolitan Municipality has been approved.

Project implementation fees, which are paid by the City of Johannesburg Metropolitan Municipality to the company and other contractors to manage the construction of new housing projects, are recognised at various stages of project implementation. The fee is determined on the construction cost of the project that will be developed or partly developed in the financial year until the construction of the project is complete.

Provincial Government subsidies for projects undertaken by the Company are recognised when the Company incurs the cost of the project that is subsidised.
Interest income is accrued on a time basis, by reference to the principal outstanding, and at the effective interest rate applicable.

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

Interest and dividends

Revenue arising from the use by others of company assets yielding interest and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the company; and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

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

1.19 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.

ACCOUNTING POLICIES

1.19 Revenue from non-exchange transactions (continued)

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.

1.20 Cash flow statement

The cashflow statement is prepared based on the direct method.

1.21 Investment income

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

1.22 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.

1.23 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

The entity is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

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

Recognition

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

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

1.24 Comparative figures

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

1.25 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.

1.26 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.

1.27 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.

1.28 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.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

1.29 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

ACCOUNTING POLICIES

1.29 Budget information (continued)

budget methodology and applies to the period relevant to the Medium Term Expenditure Framework. The approved budget covers the fiscal periods 1 July 2020 to 30 June 2021.

JOSHCO presents 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.

1.30 Related parties

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

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

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

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

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

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

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

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

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the

entity's financial statements to understand the effect of related party transactions on its financial statements.

1.31 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.

1.32 Presentation currency

These annual financial statements are presented in South African Rand.

1.33 Offsetting

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

FIGURES IN RAND	2021	2020
2. INVENTORIES		
Consumable stores	391 502	345 671

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

3. LOANS TO (FROM) SHAREHOLDERS		
Sweeping account – Interest bearing	(414 268 968)	12 032 012
Interest on Non-Sweeping Bank Accounts	5 958 169	5 958 169
	(408 310 799)	**17 990 181**

The loan from shareholders mainly comprises of settlement of COJ Housing department and CAM invoices by JOSHCO as at 30 June 2021.

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

Current assets	5 958 169	17 990 181
Current liabilities	(414 268 968)	–
	(408 310 799)	**17 990 181**

Sweeping account		
Loans at beginning of the year	12 032 012	77 605 764
Receipts	(420 342 811)	(65 573 752)
	(408 310 799)	**12 032 012**

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.

Interest on the sweeping account is linked to the bank prime rate.

FIGURES IN RAND	2021	2020
4. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Trade debtors	20 884 916	18 104 652
Sundry Deposits	99 927	118 091
Sundry Debtors	41 919 750	29 138 149
Related party debtors	739 915 869	215 057 781
	802 820 462	**262 418 673**

Trade Debtors

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 bursaries, 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

Trade and other receivables past due but not impaired

As of 30 June 2021, a portion of trade and other receivables were impaired and provided for.Trade and other receivables which are less than 1 month past due are not considered to be impaired. At 30 June 2021, R9 922 828 (2020: R9 422 403) were past due but not impaired.

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

	2021	2020
1 month past due	9 922 828	9 422 403

Trade and other receivables impaired

As of 30 June 2021, trade and other receivables of R (220 079 116) (2020: R (150 528 192)) were impaired.

FIGURES IN RAND	2021	2020
4. RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)		
Trade debtors	240 964 032	168 632 844
Less: Impairment of trade debtors	(220 079 116)	(150 528 192)
Trade debtors balance	20 884 916	18 104 652
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	150 528 172	96 586 977
Provision for impairment	69 542 499	52 596 176
Other	8 445	1 345 019
	220 079 116	**150 528 172**
5. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Cash on hand	5 281	10 308
Bank balances	172 014 117	165 898 727
	172 019 398	**165 909 035**

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

Cash on hand consists of petty cash.

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

Credit quality of cash at bank and short term deposits, excluding cash on hand
The maximum exposure to credit risk is the carrying amount of the cash and cash equivalents as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

FIGURES IN RAND	2021	2020

5. CASH AND CASH EQUIVALENTS (CONTINUED)

The entity had the following bank accounts

ACCOUNT NUMBER/DESCRIPTION	BANK STATEMENT BALANCES			CASH BOOK BALANCES		
FIGURES IN RAND	30 JUNE 2021	30 JUNE 2020	30 JUNE 2019	30 JUNE 2021	30 JUNE 2020	30 JUNE 2019
SBSA 197750 Deposit	15 735 874	15 175 950	14 303 550	15 735 874	15 175 950	14 303 550
SBSA 197769-COJ JOSHCO FLEURHOF	156 280 986	150 720 087	142 055 842	156 280 986	150 720 087	142 055 842
SBSA 197726-COJ JOSHCO MAIN	–	–	–	–	5 019	–
SBSA 197718-COJ JOSHCO CHARGES	(2 743)	(2 329)	(3 383)	(2 743)	(2 329)	(3 383)
Total	**172 014 117**	**165 893 708**	**156 356 009**	**172 014 117**	**165 898 727**	**156 356 009**

6. PROPERTY, PLANT AND EQUIPMENT

FIGURES IN RAND	2021			2020		
	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
Leased assets	1 624 492	(1 021 447)	603 045	1 624 492	(480 055)	1 144 437
Furniture and fixtures	7 123 649	(3 266 541)	3 857 108	7 123 649	(2 002 605)	5 121 044
Motor vehicles	350 643	(289 417)	61 226	350 643	(276 164)	74 479
Office equipment	902 256	(395 488)	506 768	1 593 886	(916 957)	676 929
IT equipment	4 334 612	1 172 428	3 162 184	4 335 850	(1 819 825)	2 516 025
Total	**14 513 451**	**(6 145 451)**	**8 368 130**	**15 206 319**	**(5 495 606)**	**9 710 713**

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliation of property, plant and equipment – 2021

FIGURES IN RAND	OPENING BALANCE	ADDITIONS	DISPOSALS	DEPRECIATION	TOTAL
Land	177 799	–	–	–	177 799
Leased assets	1 144 437	–	–	(541 392)	603 045
Furniture and fixtures	5 121 044	–	–	(1 263 936)	3 857 108
Motor vehicles	74 479	–	–	(13 253)	61 226
Office equipment	676 929	–	(71 673)	(98 488)	506 768
IT equipment	2 516 025	1 328 549	(2 339)	(680 051)	3 162 184
	9 710 713	**1 328 549**	**(74 012)**	**(2 597 120)**	**8 368 130**

Reconciliation of property, plant and equipment – 2020

FIGURES IN RAND	OPENING BALANCE	ADDITIONS	DISPOSALS	DEPRECIATION	TOTAL
Land	177 799	–	–	–	177 799
Leased assets	592 457	997 202	–	(445 222)	1 144 437
Furniture and fixtures	992 074	4 567 000	–	(438 030)	5 121 044
Motor vehicles	107 942	–	–	(33 463)	74 479
Office equipment	541 260	243 918	(57)	(108 192)	676 929
IT equipment	1 661 158	1 242 071	(198)	(387 006)	2 516 025
Leasehold improvements	192 241	–	(177 128)	(15 113)	–
	4 264 931	**7 050 191**	**(177 383)**	**(1 427 026)**	**9 710 713**

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

FIGURES IN RAND	2021			2020		
	COST/ VALUATION	ACCUMULATED DEPRECIATION	CARRYING VALUE	COST/ VALUATION	ACCUMULATED DEPRECIATION	CARRYING VALUE
Leased assets	1 624 492	(1 021 447)	603 045	1 624 492	(480 055)	1 144 437

Assets subject to finance lease (Net carrying amount)

Leased assets	603 045	1 144 437

FIGURES IN RAND	2021	2020

7. INTANGIBLE ASSETS

	2021			2020		
FIGURES IN RAND	COST/ VALUATION	ACCUMULATED AMORTISATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE	COST/ VALUATION	ACCUMULATED AMORTISATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE
Computer software	**1 072 129**	**(724 073)**	**348 057**	**1 627 112**	**(1 167 026)**	**460 086**

Reconciliation of intangible assets – 2021

	OPENING BALANCE	DISPOSALS	AMORTISATION	TOTAL
Computer software	460 086	(39)	(111 990)	348 057

Reconciliation of intangible assets – 2020

	OPENING BALANCE	ADDITIONS	DISPOSALS	AMORTISATION	TOTAL
Computer software	446 031	138 000	(16)	(123 929)	460 086

FIGURES IN RAND	2021	2020

8. INTEREST IN JOINT VENTURES

NAME OF COMPANY	LISTED / UNLISTED	CARRYING AMOUNT 2021	CARRYING AMOUNT 2020
JOSHCO Madulamoho Joint Venture (JMVJ)	Unlisted	22 410 488	23 761 556

The carrying amount of the joint venture has shown net surplus/(deficit) (R251,067) (2020: R607,090).

Principal activities and reporting dates of joint venture

NAME OF ENTITY	PRINCIPAL ACTIVITY	REPORTING DATE	PERIOD OF RESULTS INCLUDED
JOSHCO Madulamoho Joint Venture	55%	2021/06/30	1 July 2020 to 30 June 2021

The JMJV is an investment between JOSHCO and Madulamoho for social rental housing. 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		
Net asset at the begining of the year	23 761 555	24 254 465
Share of surplus/(deficit) from Joint Venture	(251 067)	607 090
Change in net assets	(1 100 000)	(1 100 000)
	22 410 488	**23 761 555**

FIGURES IN RAND	2021	2020
9. DEFERRED TAX		
Deferred tax asset		
The deferred tax assets as detailed below will be offset against future taxable income.		
Reconciliation of deferred tax asset/(liability)		
At beginning of year	22 526 454	22 155 916
Movement in temporary differences	–	370 538
	22 526 454	**22 526 454**
Unrecognised deferred tax asset	61 674 772	32 625 230
Deductible temporary differences not recognised as deferred tax assets		
10. BORROWINGS – DBSA		
At amortised cost		
Development Bank of Southern Africa	11 139 255	13 282 054
Terms and conditions		

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.

	2021	2020
Non-current liabilities		
At amortised cost	8 997 428	11 140 227
Current liabilities		
At amortised cost	2 141 827	2 141 827

FIGURES IN RAND	2021	2020
11. PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade payables	197 018 708	155 126 518
Payments received in advance	10 395 021	9 530 177
Accrued leave pay	14 231 246	9 454 132
Accrued finance costs	1 367 129	281 471
Consumer deposit received	14 730 987	15 415 520
Other creditors	4 064 047	4 699 172
Payroll liabilities	2 992 241	1 124 079
Related Party Creditors	592 014 328	404 849 431
	836 813 707	**600 480 500**

12. PROVISIONS

Reconciliation of provisions – 2021

Reconciliation of provisions – 2020

FIGURES IN RAND	OPENING BALANCE	UTILISED DURING THE YEAR	TOTAL
Performance Bonus	1 220 160	(1 220 160)	–

13. VAT RECEIVABLES

VAT	2 792 093	2 585 900

14. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Deferred income from non-exchange transactions comprises of:

Unspent conditional grants and receipts		
Local Government Grant – Roodepoort	177 800	177 800

Local Government Grant – Roodepoort The Grant relates to funds received from the parent municipality for the purchase of land for the Roodepoort development. The grant is secured by land disclosed under property, plant & equipment. The funds will remain in liabilities until the asset is transferred to the City of Johannesburg Metropolitan Municipality.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

FIGURES IN RAND	2021	2020
15. FINANCIAL INSTRUMENTS DISCLOSURE		

Categories of financial instruments

2021

Financial assets

FIGURES IN RAND	AT AMORTISED COST	TOTAL
Loans to (from) shareholder	5 958 169	5 958 169
Receivables from exchange transactions	802 820 462	802 820 462
Cash and cash equivalents	172 019 398	172 019 398
	980 798 029	**980 798 029**

Financial liabilities

FIGURES IN RAND	AT AMORTISED COST	TOTAL
Borrowings – DBSA Loan	11 139 254	11 139 254
Loans from shareholders	414 268 968	414 268 968
Payables from exchange transactions	836 730 277	836 730 277
Finance lease obligations	575 794	575 794
	1 262 714 293	**1 262 714 293**

2020

Financial assets

FIGURES IN RAND	AT AMORTISED COST	TOTAL
Loans to (from) shareholder	17 990 181	17 990 181
Receivables from exchange transactions	262 418 673	262 418 673
Cash and cash equivalents	165 909 035	165 909 035
	446 317 889	**446 317 889**

FIGURES IN RAND	2021	2020

15. FINANCIAL INSTRUMENTS DISCLOSURE (CONTINUED)

Financial liabilities

FIGURES IN RAND	AT AMORTISED COST	TOTAL
Borrowings – DBSA Loan	13 282 054	13 282 054
Payables from exchange transactions	600 480 500	600 480 500
Finance lease obligations	1 162 686	1 162 686
	614 925 240	**614 925 240**

16. SHARE CAPITAL/CONTRIBUTED CAPITAL

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	63 364 856	12 939 960
Rental of facilities and equipment	171 631 977	151 150 439
Utility recoveries	588 060	502 904
Other income	1 773 901	496 776
Interest received – investment	9 960 112	13 890 782
Share of surplus from associated and joint ventures	–	607 090
Government grants & subsidies	19 899 999	19 098 000
	267 218 905	**198 685 951**

FIGURES IN RAND	2021	2020
17. REVENUE (CONTINUED)		
The amount included in revenue arising from exchanges of goods or services are as follows:		
Rendering of services	63 364 856	12 939 960
Rental of facilities and equipment	171 631 977	151 150 439
Utility recoveries	588 060	502 904
Other income	1 773 901	496 776
Interest received – investment	9 960 112	13 890 782
	247 318 906	**178 980 861**
The amount included in revenue arising from non-exchange transactions is as follows:		
Other revenue		
Share of surplus from associates or joint ventures	–	607 090
Transfer revenue		
Subsidy received from shareholder	19 899 999	19 098 000
	19 899 999	**19 705 090**

FIGURES IN RAND	2021	2020
18. ADMINISTRATIVE EXPENSES		
Advertising	710 511	741 260
Auditors remuneration	2 536 462	2 892 062
Bank charges	58 576	73 828
Cleaning and Gardening	3 683 075	4 929 420
Computer expenses	628 397	603 704
Project planning and consulting	2 582 091	7 737 511
Consumables	210 624	511 706
Entertainment	97 084	84 662
Equipment Hire	431 396	510 990
Insurance	1 207 985	1 200 351
Conferences and seminars	239 434	151 004
Lease rentals on operating lease	–	1 468 109
Fuel and oil	36 768	27 641
Placement fees	77 271	69 165
Postage and courier	–	138 085
Printing and stationery	550 868	400 683
Protective clothing	6 250	–
Project maintenance costs	33 376 316	29 433 705
Royalties and license fees	1 879 511	1 669 161
Security (Guarding of municipal property)	21 472 797	14 485 921
Subscriptions and membership fees	671 574	506 503
Telephone and fax	2 010 353	1 865 292
Training	1 158 599	177 175
Travel – local	–	38 000
Electricity	34 129 548	12 664 234
Gas	23 401	-
Sewerage and waste disposal	70 550	38 084
Water and Sanitation	34 431 947	29 951 513
Refuse	1 076 900	1 067 963
	143 358 288	**113 437 732**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

FIGURES IN RAND	2021	2020
19. PERSONNEL COSTS		
Employee related costs: Salaries and wages	106 637 962	82 630 373
Shift allowance	3 143 218	–
Employee related costs: Temporary staff	–	163 782
Employee related costs: Medical aid contributions	3 143 678	2 217 436
Bargaining Council	57 598	43 861
Housing benefits and allowances	1 128 894	187 818
Overtime payments	5 779 253	5 585 584
Bonus	5 977 452	1 842 605
Travel, motor car, accommodation, subsistence and other allowances	1 211 844	869 892
Directors remunerations	3 316 000	1 335 650
UIF	804 551	528 369
SDL	785 796	919 230
Leave pay provision charge	4 343 641	6 997 034
Pension fund contributions	13 767 491	10 075 292
Acting allowances	278 928	180 813
Covid-19 Allowance	413 000	–
	150 789 306	**113 577 739**

FIGURES IN RAND	2021	2020
20. DIRECTORS REMUNERATION		
Non-Executive Directors		
Mr T. Dhlamini	390 000	60 000
Mr T. Mamba	254 000	30 000
Mr M. Maimane	298 000	44 000
Mr S. Mhlongo	236 000	42 000
Mr S. Dlwathi	258 000	42 000
Ms B. Makhanya	278 000	42 000
Ms G. Boikanyo	290 000	44 000
Mr N. Tshindane	–	84 000
Mr T. Mafokane	–	96 000
Prof. K. Wall	–	78 000
Mr E. Motloung	92 000	-
Ms S. Bhengu	258 000	30 000
Mr J. Sobekwa	128 000	54 000
Ms D. Raphuti	104 000	–
Dr B. Sesele	108 000	–
Prof. W.D. Twala	–	78 000
Mr D. Mohuba	–	78 000
Mr T. Bolani	–	78 000
Mr M. Khubayi	–	84 000
Mr N. Bangisi	100 000	–
Mr T. Mlangeni	–	96 000
	2 794 000	**1 060 000**
Audit Committee Members		
Mr M. Mokgobinyane	144 000	32 000
Mr J. Sobekwa	196 000	54 000
Mr L. Matshekga	80 000	12 000
Mr T. Motloung	–	180 000
Mr L. Mabuza	–	30 000
Mr R. Hill	–	20 915
Mr E. Khosa	102 000	–
	522 000	**328 915**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

FIGURES IN RAND	2021	2020
21. EXECUTIVE AND SENIOR MANAGERS SALARIES		
Executive Directors – Mr. Victor Rambau		
Annual remuneration	2 096 834	1 969 379
Executive Directors – Ms. Nontobeko Ndimande		
Annual remuneration	1 435 171	1 433 526
Executive Managers and Senior Managers		
Mr M. Mutheiwana^	943 937	212 526
Mr N. Magubane	1 382 120	1 384 396
Ms X. Njapha	885 818	803 097
Ms P. Mazibuko*	–	946 615
Ms K. Mokhampanyane	1 382 119	1 384 396
Ms L. Nemaungani	1 380 045	1 382 715
	5 974 039	**6 113 745**

** Resigned*
^ Acting

FIGURES IN RAND	2021	2020
22. OTHER HOUSING MANAGEMENT COSTS		
The following amounts relate to project costs incurred at various projects:		
Bad debts	71 807 374	52 596 176
Discount allowed	460 933	–
Collection fees	2 008 844	1 000 613
Community Development	2 368 180	169 447
Project staff uniform	449 012	130 238
Bad debt written off	1 736 541	–
Tenant allocation	5 100	47 758
	78 835 984	**53 944 232**
23. INVESTMENT REVENUE		
Interest revenue		
Bank Interest	414 148	5 315 966
Interest earned – Outstanding debtors	9 545 964	8 574 816
	9 960 112	**13 890 782**
24. DEPRECIATION AND AMORTISATION		
Property, plant and equipment	2 597 121	1 427 024
Intangible assets	111 990	123 929
	2 709 111	**1 550 953**
25. FINANCE COSTS		
Interest paid	7 147 117	1 173 025

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

FIGURES IN RAND	2021	2020
26. TAXATION		
Major components of the tax income		
Current	–	
Local income tax – current period		(370 538)
Reconciliation of the tax expense		
Reconciliation between accounting surplus and tax expense.		
Accounting surplus/(deficit)	(115 946 020)	(85 175 130)
Tax at the applicable tax rate of 28% (2020: 28%)	(32 464 886)	(22 436 606)
Tax effect of adjustments on taxable income	–	
Temporary differences		41 440 180
Tax losses carried forward	32 464 886	(19 374 112)
	–	**(370 538)**
27. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS/(DEFICIT)		
Surplus/ (deficit)	(115 946 020)	(84 804 592)
Non cash movements:		
Depreciation and amortisation	2 709 111	1 550 953
Loss on disposal of assets	74 051	177 400
Surplus from equity accounted investments	251 068	(607 090)
Movements in operating lease assets and accruals	–	(28 759)
Movements in provisions	–	(1 220 160)
Movement in tax receivable and payable	–	(473 348)
Changes in working capital:		
Inventories	(45 745)	(110 040)
Receivables from exchange transactions	(540 401 789)	(149 770 880)
Payables from exchange transactions	236 333 206	187 716 290
VAT	(206 193)	(1 413 951)
	(417 232 311)	**(48 984 177)**

FIGURES IN RAND	2021	2020
28. TAX LIABILITY		
Balance due (to)/from at beginning of the year	49 706	(423 642)
Payments made in the current year	–	473 348
Balance due to/(from) at end of the year	**(49 706)**	**(49 706)**
29. COMMITMENTS		
Commitments in respect of capital expenditure:		
Total capital commitments		
Already contracted for but not provided for	3 209 975 275	1 829 085 015
Authorised operational expenditure		
Total commitments		
Total commitments		
Authorised capital expenditure	3 209 975 275	1 831 203 506
30. RELATED PARTIES		
Related party balances		
Trade and other receivables		
City of Johannesburg Metropolitan Municipality	761 972 040	246 079 820
Pickitup	–	637 354
Trade and other payables		
City of Johannesburg Metropolitan Municipality	1 006 283 297	400 241 846
MTC	–	14 406

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

FIGURES IN RAND	2021	2020
30. RELATED PARTIES (CONTINUED)		
Related party transactions		
Revenue		
City of Johannesburg Metropolitan Municipality	83 289 238	37 353 926
Expenditure		
City of Johannesburg Metropolitan Municipality	(7 016 272)	(1 202 937)
EMS	–	(110 648)
Pickitup Johannesburg (Pty) Ltd	(1 233 671)	(1 032 829)
City Power Johannesburg (Pty) Ltd	(35 780 942)	(14 799 164)
Johannesburg Water (Pty) Ltd	(40 559 441)	(26 619 787)
MTC	–	(12 527)

Related Party transaction not at arms length
The approved service delivery agreement between the City of Johannesburg and JOSHCO states that the City shall lease its property at R1 per annum per project.

It further states that JOSHCO shall lease the properties to and collect rental from its tenants at an approved tariff as determined by the City in order to undertake the repairs and maintenance of the lease.

31. RISK MANAGEMENT

Capital risk management
The entity's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, in order to provide returns for shareholder and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

There are no externally imposed capital requirements.

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

31. 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 2021 and 2020, the entity's borrowings of R11,139,255 from the Development Bank of Southern Africa, at fixed rate of 8.5% and the loan is denominated in the South African Rand.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, intercompany debtors and other receivables. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter- party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. The company services the widespread public of the metropolitan area. The company is therefore exposed to credit risk. The company is exposed to credit risk as a result of the following: transactions entered into with the public on extended payment terms and long term loans with the City of Johannesburg Metropolitan Municipality. These customers may not be able to produce cash on demand and the company manages these risks by independent checks on the credit quality of debtors and giving long term loans only to City of Johannesburg Metropolitan Municipality in terms of approved policy and credit terms. No changes occurred in the management of these risks from the prior year.

The company policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on surplus/(deficit). The company's interest rate risk arises from interest bearing borrowings and financial service assets. Borrowings issued at floating rates expose the company to cash flow interest rate risk, while fixed rate borrowings expose the company to fair value interest rate risk. As part of the process of managing the company's fixed and floating rate borrowings mix, the interest rate characteristics of new borrowings and refinancing of existing borrowings are positioned according to expected movements in interest rates.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

FIGURES IN RAND	2021	2020

31. RISK MANAGEMENT (CONTINUED)

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

Financial instrument	2021	2020
Receivables from exchange transactions	802 820 462	262 418 673
Loans to shareholders	5 958 169	17 990 181

32. IRREGULAR EXPENDITURE

Opening balance as previously reported	**80 273 078**	**48 094 189**
Correction of prior period error	-	220 730
Opening balance	**80 273 078**	**48 314 919**
Add: Irregular expenditure – current	340 868	7 698 554
Add: Irregular expenditure – current -overspending of operational budget	38 906 942	24 259 605
Add: Irregular expenditure identified in the current year relating to the prior year	5 443 057	
Closing balance	**124 963 945**	**80 273 078**

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

	Disciplinary steps taken/criminal proceedings		
Irregular insurance contract at COJ	The COJ is no longer using the contract	340 868	–

Cases under investigation

Irregular expenditure incurred in the prior year has not been condoned as investigations have not been concluded. In the current year, irregular expenditure of R340 868 for AON insurance contract.

33. FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure

Opening balance	1 175 013	1 137 076
Expenditure relating to the current year	–	37 937
	1 175 013	**1 175 013**

Fruitless and wasteful expenditure incurred in the prior year has not been condoned as it is still under investigation.

FIGURES IN RAND	2021	2020

34. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

In terms of Regulation 36(2) of the Municipal Supply Chain Regulations, the accounting officer must record the reasons for any deviations in terms of sub-regulation (1)(a) and (b) and report them to the next meeting of the board of directors, and include as a note to the annual financial statements.

For the financial year, the following deviations occurred and was approved by the Accounting Officer

Emergency

The following deviations were due to emergencies as per regulation 36 (1) (i) of the supply chain management regulation:

NAME OF SERVICE PROVIDER	DESCRIPTION OF EMERGENCY	2021	2020
Big O Engineering	The procurement of an urgent generator	338 100	–
Dikatshe Consulting	Extension of scope due to emergency (Microsoft exchanger configuration)	73 340	–
		–	–
		–	–
Total		**411 440**	**–**

Ratification of minor breaches of procurement and other deviations

Deviation and ratification from the normal procurement processes in terms of regulation 36 (1)(a)(v) and (b) of the municipal supply chain management regulations.

NAME OF THE SUPPLIER	DESCRIPTION OF MINOR BREACH	2021	2020
Zoom Photography	Board and EXCO photoshoot for annual report rescheduled due to electrical fault on that day that was not foreseen. An additional shoot had to be arranged on a different date.	–	16 445
Lacomora Trading	Procurement of sanitizers for COVID 19 prevention.	–	30 464
Group LMS	Procurement of wall mounted sanitizers. Amount is within the 7 day quote process, however due to urgency of the matter the quote request was less than seven days.	–	49 785
Limgroup consulting	Correction of tender award amount incorrectly calculated.	–	1 074 225
Empinent Investment	Restoration of electricity at Selby Project. The tenant had no electricity and only one contractor managed to be on site.	–	6 000
Vukani Technologies	Procurement of Executive Laptop.		25,429
Lufhereng Development Company	Lufhereng Social Housing Project Region D – contract that was arranged by other organs of the state.		209,029,660

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

FIGURES IN RAND		2021	202
34. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (CONTINUED)			
Urban Dynamics Gauteng	Devland – Goldern Highway – contracts that were arranged by other organs of the state.		241,095,613
Kwatloe Projects JV Pro Power	Retrofitting, furnishing and managing JOSHCO student Accommodation by 1 March 2020.	–	975 607
Exclaim Innovation	The appointment of the Risk and Compliance champions and the procurement of additional licences.	87,400	
Egoli Gas	Deviation for the appointment of a single source supplier Egoli gas.	116,766	
Total		**204 166**	**461 081 229**

35. BUDGET DIFFERENCES

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 was over of budget by 7% (R267.2 million vs R249.3 million) mainly due to the following reasons:
1. Rental received is 2% below budget due to delayed occupation of 80 Plein Street project.
2. Rendering of services is 48% above budget due to an increase managemen fees earned from construction, repairs and maintenance spending on behalf of COJ Housing department.
3. Recoveries amounted to R558 000 for the year due to recoveries charged to tenants.
4. Other income is more than budget due to insurance claim received.
5. Interest received is 30% more than budget due to more interest charged on outstanding debtors.

Total expenses variances:
Total expenditure is over budget by 54% (R383.2 million vs R249.4 million) mainly due to the following reasons:
1. Personnel costs 18% over budget due to insourcing of securities and cleaning workers which is more than the budgeted amount.
2. Other project management costs mainly comprises of bad debt provision which is above budget due to a low rental collection rate for the leading to a higher provision for bad debts.
3. Depreciation and amortisation is 89% more than budget due to additions of assets
4. Finance costs is more than budget due to interest charged on sweeping account.
5. Administrative expenses are 58% above budget due to higher than budgeted utility costs, increase in security costs relating to projects under construction.

Changes from the approved budget to the final budget
The changes between the approved and final budget are a result of increase in rendering of services, increase in rental of facilities and equipment and reduction in interest received, increaase in personnel costs and other housing management costs.

FIGURES IN RAND	2021	2020

36. NEW STANDARDS AND INTERPRETATIONS

36.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year:

STANDARD/ INTERPRETATION:	EFFECTIVE DATE: YEARS BEGINNING ON OR AFTER	EXPECTED IMPACT:
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2020	The impact of the is set out in note 1.28
• GRAP 25 Employee Benefits (Revised standard):	Not yet effective	Unlikely there will be a material impact
• GRAP 18 Financial instruments (Revise standard):	Not yet effective	Unlikely there will be a material impact

37. CONTINGENCIES

Contingent liabilities

Contingent liabilities

JOSHCO is currently involved in various legal disputes against the company. See the detail below:

	2021	2020
1. Gosiame Development – damage claim for loss of income at Randburg Silkirk for fence demolition	653,378	653,378
2. Renaissance Security and Cleaning T/A Topo Security Services	91,799	91,799
3. SMEC South Africa (Pty) Ltd – interest on overdue professional account and legal fess	157,136	157,136
4. ESOR Construction – legal fees from claim for construction work done on the Casa Mia refurbishment project	377,953	377,953
5. Murray and Dickson (Pty) Ltd – claim for work done on the Dobsonville project	1 219 849	
	2,500,115	**1,280,266**

Contingent assets

JOSHCO is currently involved in various legal disputes. The details are presented below:

	2021	2020
1. Solidaire Construction (Pty) Ltd – Failure by service provider to perform as per JBCC Contract	11 435 208	11 435 208
2. JEH Properties and Dempster Mckinnon-Breach of Contract	6 987 261	6 987 261
3. SKN Consulting-Damages suffered claim as result on non-performance	14 645 680	14 645 680
	33 068 149	**33 068 149**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

38. PRIOR-PERIOD ERROR

During the current financial year, the entity reviewed prior period transactions. The review resulted in a number of adjustments relating to 2019/20 financial year which affected a number of general ledger accounts. The prior period was adjusted retrospectively. The impact of the correction of the error(s) can be summarised as follows:

Receivables from exchange transactions decreased by R9 761 891 due to correction of related party debtors.
VAT receivables increased by R1 527 732 due to correction of prior year transactions.
Property plant and equipment was increased by R4 351 317 due correction of finance lease assets, capitalisation of furniture and impact of accumulated depreciation.
Payables from exchange transactions decreased by R675 026.
Finance lease obligations increased by R37 802 due to correction of lease calculations.

Rendering of services decreased by R634 119 due to correction of related party debtors.
Personnel costs decreased by R1 508 240 due to correction of leave calculations.
Depreciation and amortisation increased by R315 899 due to finance lease asset correction and capitalisation of furnitue.
Administrative expenses decreased by R5 602 615 due to finance charges from capitalised finance lease obligations and accounting for repairs and maintenance.
Accumulated deficit increased by R4 595 670 as a result of the adjustments detailed above.

Presented below are those items contained in the statement of financial position and statement of financial performance that were affected by prior-year adjustments:

FIGURES IN RAND	2021	2020

38. PRIOR-PERIOD ERROR (CONTINUED)

Statement of financial position

2020

FIGURES IN RAND	NOTE	AS PREVIOUSLY REPORTED	CORRECTION OF ERROR	RESTATED
Receivables from exchange transactions	4	272 180 564	9 761 891	262 418 673
VAT receivables	13	1 058 168	(1 527 732)	2 585 900
Property, plant and equipment	6	5 359 396	(4 351 317)	9 710 713
Payables from exchange transactions	11	(599 805 474)	675 026	(595 367 151)
Finance lease obligations		(1 124 884)	37 802	(1 162 686)
Accumulated deficit	14	(104 749 515)	(4 595 670)	(109 345 185)
		(427 081 745)	**–**	**(431 159 736)**

Statement of financial performance

2020

FIGURES IN RAND	NOTE	AS PREVIOUSLY REPORTED	CORRECTION OF ERROR	RESTATED
Rendering of services	17	13 574 079	634 119	12 939 960
Personnel costs	17	(115 085 979)	(1 508 240)	(113 577 739)
Depreciation and amortisation	24	(1 235 054)	315 899	(1 550 953)
Administrative expenses		(107 835 117)	5 602 615	(113 437 732)
		(210 582 071)	**5 044 393**	**(215 626 464)**

39. PRIOR PERIOD ERROR DISCLOSURE

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

FIGURES IN RAND	CORRECTION OF ERROR	RESTATED
Irregular expenditure		
Opening balance	80 273 078	80 052 348
Adjustments made	-	- 220 730
Restated opening balance	**80 273 078**	**80 273 078**

Adjustment made to opening balance of irregular expenditure is due to an omission of irregular expenditure amounting to R220 730 identified by the auditors in the prior year but was not disclosed.

40. SEGMENT INFORMATION

General information

Identification of segments

The entity is organised and reports to management on the basis of two major functional areas: housing management and housing development. The segments were organised around the type of service delivered and the target market.

Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

REPORTABLE SEGMENT	GOODS AND/OR SERVICES
Housing Management	Rental of facilities and equipment
Housing Development	Rendering of services

40. SEGMENT INFORMATION (CONTINUED)

Segment surplus or deficit, assets and liabilities

2021

FIGURES IN RAND	HOUSING MANAGEMENT	HOUSING DEVELOPMENT	TOTAL
Revenue			
Rental of facilities and equipment	171 631 977	–	171 631 977
Utility recoveries	576 811	–	576 811
Interest received	9 545 964	–	9 545 964
Rendering of services	–	63 364 856	63 364 856
Total segment revenue	**181 754 752**	**63 364 856**	**245 119 608**
Entity's revenue			**245 119 608**
Expenditure			
Provision for bad debts	69 542 499	2 264 875	71 807 374
Repairs and maintenance	33 199 997	117 319	33 317 316
Security	11 407 605	9 965 581	21 373 186
Personnel costs	80 266 997	11 174 863	91 441 860
Utility costs	69 525 184	–	69 525 184
Cleaning and gardining	2 141 992	–	2 141 992
Collection fees	2 008 844	–	2 008 844
Printing and stationery	176 620	54 038	230 658
Discount allowed	460 933	–	460 933
Protective clothing	–	6 250	6 250
Bad debt written off	1 736 541	–	1 736 541
Total segment expenditure	**270 467 212**	**23 582 926**	**294 050 138**
Total segmental surplus/(deficit)			**(48 930 530)**

NOTES

JOSHCO
JOHANNESBURG **SOCIAL**
HOUSING COMPANY

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