Joburg

JOSHCO
JOHANNESBURG SOCIAL HOUSING COMPANY

INTEGRATED **ANNUAL** REPORT

"WE DELIVER **AFFORDABLE** AND **SUSTAINABLE** SOCIAL HOUSING IN JOBURG"

CONTENT

2019

Vision

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

Mission

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

Mandate

JOSHCO's mandate is to provide and manage affordable rental housing for the lower income market as an integral part of efforts to eradicate the housing backlog of the City.

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

Values

Integrity: Honesty; Principled behaviour; Transparency; Accountability

Customer Focus: Listening; Building Relationships; Evaluation and Reflection

Excellence: Productivity; Professionalism

Innovation: Imagination; Enthusiasm; Boldness; Tenacity

Team Work: Goal Orientation; Respect; Communication; Dependability.

SECTION 1: ABOUT THIS REPORT

Report scope and boundary, basis for inclusion and restatements

The Johannesburg Social Housing Company's (JOSHCO) Integrated Report is prepared in accordance with the International Integrated Reporting Framework. The report is a legislative requirement that needs to be fulfilled as JOSHCO is an entity of the Municipality. This report is prepared in terms of Section 46 of the Municipal Systems Act (MSA), 32 of 2000, Section 121 of the Municipal Finance Management Act (MFMA), 56 of 2003 as well as MFMA Circular 63 on annual reporting.

The basis of inclusion for JOSHCO's publication 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.

Therefore, JOSHCO seeks to report on the annual financial performance, operations, human capital management, Information Communication Technology, performance management, and how the Board has governed and directed the organisation towards the achievement of its set annual targets.

Summary of the Organisation's Materiality Determination Process

JOSHCO's determining of material matters are guided by the organisation's strategy, that is informed by the company's mandate, as prescribed by the City of Johannesburg. As such, material matters are classified as such, once their assessment poses a direct risk towards the achievement of strategic, set objectives.

Risk management is one of key material matter, which 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 such matters that affect risk management within the control environment.

> Principle 11 of the King IV Report on corporate governance requires that the Board identifies 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. Management is tasked with the running of the organisation's day to day business, which then allows management to identify material matters that expose the organisation to risk, and to subsequently develop the necessary risk response measures, as well as report to the Board on how it has addressed material matters either (internal or external), so as to provide the Board with the assurance that, stringent measures are in place to respond to material matters in a timely manner.

Stakeholder engagement, and the organisation's ability to create and maintain short, medium and long-term value, while remaining profitable, is also a fundamental material matter.

The Reporting Boundary

The reporting boundary is limited to JOSHCO's performance for the year ended 30 June 2019 as a Municipal Entity of the City of Johannesburg that provides and manages affordable rental housing for the lower income market. The aforesaid forms an integral part of the company's collective efforts to eradicate the City's housing backlog, and the framework for the report is guided by Section 121 of the Municipal Finance Management Act.

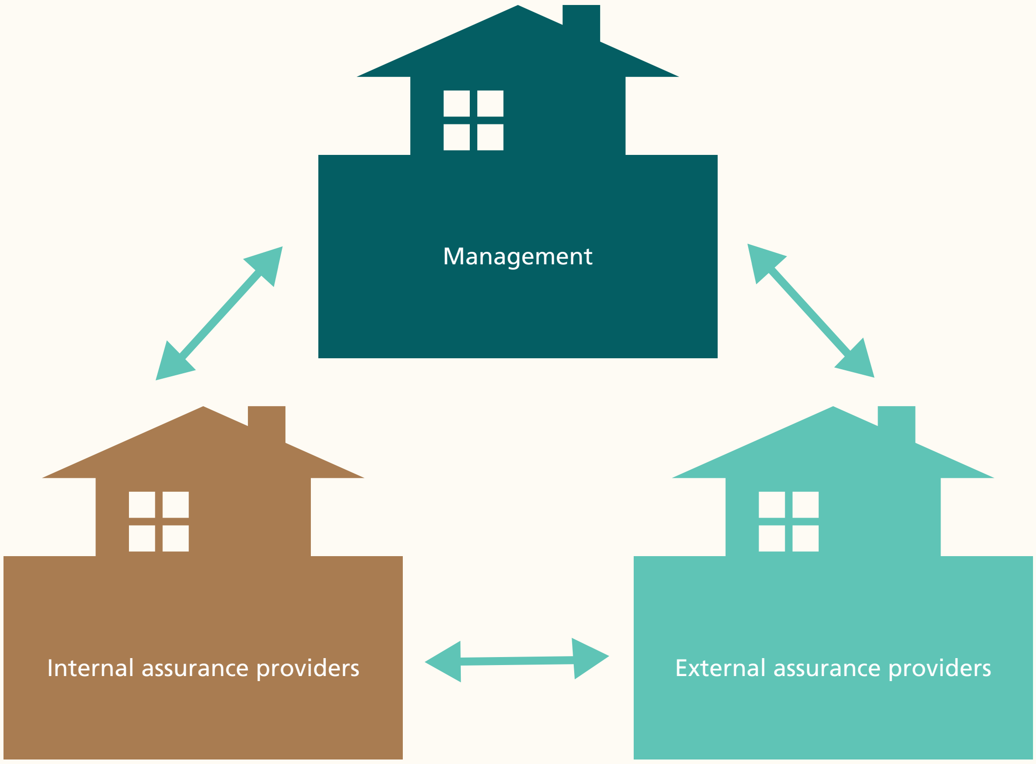
Summary of Significant Frameworks and Legislation used to prepare the report

- Municipal Finance Management Act 56 of 2003 (MFMA)
- 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 Board ensures that the organisation has implemented a structure of review and authorisation designed to ensure the truthful and factual presentation of the organisation's financial position. JOSHCO's assurance process of the Integrated Report is through its governance structures. The Integrated Annual Report is submitted to the Audit Committee for the review of financial information and provides the Board with assurance that, it has conformed to the requirements of the reported information. The Board ultimately assumes responsibility of approving the Integrated Annual Report.

Combined Assurance Framework



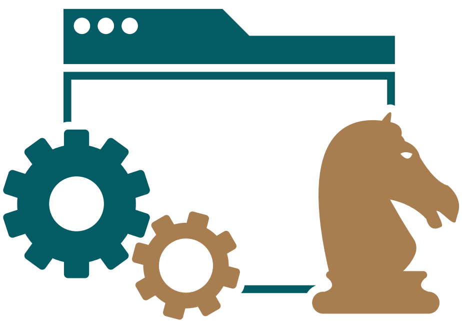
The Board with the support of the Audit & Risk Committee is ultimately responsible for the organisation's systems of internal controls designed to identify, evaluate, manage and provide reasonable assurance against material misstatements and loss. It applies a combined assurance model which seeks to optimise the assurance obtained from management, internal and external service providers while fostering a strong ethical environment and robust environment to ensure compliance. The process is monitored under the direction of internal audit, while external audit cover key controls and accounting matters during their audit process. The Audit & Risk Committee fosters a concise but, robust debate at its meetings around the control environment and the level of assurance it obtains on a quarterly basis from different assurance providers. The Committee Chairperson reports quarterly to the Board to provide security that the combined assurance process is adequate and effective.

CHAPTER ONE

LEADERSHIP AND CORPORATE PROFILE

Cllr Meshack Van Wyk
Member of the Mayoral Committee

> Priority has, however, been given towards amplified credit control interventions and strategies.



SECTION 1:

MMC'S FOREWORD

The Johannesburg Social Housing Company remains one of the leading providers of affordable and sustainable social housing in the country. As an entity of the City of Johannesburg Municipality, the entity was established with the goal of servicing a key demand in the lower income housing market through a service offering that contributes towards addressing future housing needs and the current backlog. The actions and achievements set in motion in the 2018/19 financial year have set a good foundation towards the realisation of the entity's strategic priority areas.

PERFORMANCE OBJECTIVES

I would like to extend my appreciation to the Board of Directors who were appointed in April 2019, for a period of one year. The Board plays a critical role in overseeing the key mandate of delivering social housing, finds expression in the strategic direction of the company. Although there has been notable progress in a number of service delivery areas, there were a number of persistent challenges in the performance environment that required an immediate and directed turnaround strategy.

One of the most prominent challenges the entity is faced with is the declining revenue income, which stems from a growing negative trend towards rent boycotts in a number of JOSHCO's estates. Priority has, however, been given towards amplified credit control interventions and strategies. Further supporting these interventions is the fact that the uptake of JOSHCO's units remain high which is indicative that potential exists to create even more value by further entrenching a culture of innovation and high performance.

In the year under review, JOSHCO made significant strides in the delivery of social rental units across the City on both new-built and brownfield developments. These examples demonstrate the commitment towards ensuring that the quality of life for our vulnerable communities is improved. It was particularly impressive that most of the capital budget allocation was spent by the end of the financial year, and a large percentage of work had been procured from BEE compliant contractors.

FUTURE PERSPECTIVE

We understand the urgency and gravity of always striving to achieve maximum impact with the resources entrusted to us. We invest heavily in constantly evaluating our work so that we can continue to learn from what we've done and continue to do and to improve on our efforts further. Independent evaluations by a number of key partners in 2014 confirmed our relevance and efficacy.

The positive developments at JOSHCO in the past financial year confirms that there is resonance with the broader spatial agenda aimed at redressing unequal settlement patterns. Amidst global economic constraints, there is a need to strive towards achieving maximum impact with the public resources entrusted to us by the citizens of Johannesburg.

The success of all well-performing organisations is heavily dependent on the intellectual capital of the employees who drive the strategic and operational directives. Therefore, I wish to thank all JOSHCO employees for their continued commitment and dedication towards meeting the needs of the communities that we serve.

Looking forward enthusiastically to a successful year of continued growth.

Cllr Meshack Van Wyk
Member of the Mayoral Committee

Tumelo Mlangeni
Chairperson: Board of Director

> I look forward to working with you in the new financial year 2019/20, and achieving our set objectives to the betterment of the lives of those whom we serve.

SECTION 2:

CHAIRPERSON'S FOREWORD

I am deeply honoured to address our valued stakeholders through our 2018/19 annual report, and on behalf of the Executive Board. The Board embraces the importance of good corporate governance and the King IV governance outcomes towards establishing and maintaining an ethical culture, spurring good performance, and ensuring effective control and legitimacy. Our governance report, found on page 21 demonstrates how we achieve the governance outcomes, as outlined by King IV.

The organisation continues to demonstrate its commitment to making a difference in the human settlement patterns of City of Johannesburg (CoJ) by giving low-income families access to quality rental accommodation that is closer to work and social amenities, thereby improving their quality of life.

BUSINESS ENVIRONMENT AND LEADERSHIP TRANSITION

There were a few challenges during the 2018/19 fiscal, among others, slow tenanting and the persistently high unemployment rate. However, I am pleased to report that the demand for social housing within our operating environment remains high, which positions JOSHCO for additional market growth.

KEY POLICY DEVELOPMENTS

JOSHCO's sustainability will be enhanced by the amended social housing policy as it pertains to accreditation, funding grants and income bands. 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 heartfelt thanks and appreciation to the MMC of Housing, Councillor Meshack Van Wyk, my fellow Board members for their on-going support in oversight and strategic leadership, the Chief Executive Officer, and his Executive Management team and the JOSHCO staff at large, for giving effect to our strategic and operational plans.

I look forward to working with all JOSHCO officials in the new 2019/20 financial year, and achieving our set objectives to the betterment of the lives of those whom we serve.

Tumelo Mlangeni
Chairperson: Board of Directors

Victor Rambau
Chief Executive Officer

> A customer satisfaction rate of 66.74% was achieved against a target of 86%.

SECTION 3:

CHIEF EXECUTIVE OFFICER'S REPORT

The core mandate of JOSHCO has always been to provide housing, infrastructure and a better standard of living for the many low-income households living in Johannesburg. The financial year 2018/19 proved to be challenging, but rewarding, at the same time, culminating in the appointment of a new Board of Directors in March 2019. JOSHCO continues to develop projects in areas which were faced with spatial inequalities which also contributed to the erradication of the housing backlog which the City is faced with. The economic conditions also posed a challenge for some of JOSHCO's tenants, who found it difficult to pay their monthly rental. Our financial performance was further impeded by increasing operational costs given the consumer price index and capital projects.

SERVICE DELIVERY PERFORMANCE

The performance of JOSHCO against pre-determined objectives, as at year end, stood at a 30% completion rate, with only 297 social housing units being developed against a target of 360, resulting in a shortage of 63 units.

A customer satisfaction rate of 66.74% was achieved against a target of 86%. An average of 84% was achieved on service level standards pertaining to the resolution of tenant complaints within agreed turnaround times, against the target of 100%. A total of 301 EPWP jobs were created against a target of 910 and in the next financial year, we intend to create more jobs as we look forward to a more prosperous 2020 fiscal.

TRANSFORMATION AND SOCIAL RESPONSIBILITY

The JOSHCO's preferential procurement strategy continued to focus on Black-Owned and Female-Owned companies. An amount of R 372,3 million was spent on suppliers with at least 51% black ownership averaging 69% (R 258,4 million) of total procurement spent.

LOOKING AHEAD

In our quest to serve our purpose, we need to focus on improving market satisfaction by delivering on what matters most to our current market. Furthermore, our development strategy will continue to focus on addressing the legacy of the unjust apartheid spatial development approach.

CONCLUSION

I would like to thank the Board of Directors for their strategic stewardship. JOSHCO's staff is the most valuable resource, and my sincere gratitude goes to them for their hard work on a daily basis. Lastly, my thanks to the Executive Management team for their dedication and diligence.

Victor Rambau
Chief Executive Officer

Nontobeko Ndimande CA(SA)
Chief Financial Officer

> JOSHCO was able to spend 98% of the budgeted R321 million capital budget, which is evidenced by the development of 297 units against a target of 360 units.

SECTION 4:

CHIEF FINANCIAL OFFICER'S REPORT

It is with great pleasure that I provide perspective on JOSHCO's financial performance for the financial year ended 30 June 2019. The year has been complex, and wrought with many challenges, but, the organisation continued to strive for success.

The office of the Chief Financial Officer is responsible and accountable for three functional areas of operations, namely Revenue, Supply Chain Management and general Finance. Through these divisions, we serve to integrate the entity's revenue and expenditure programmes to ensure that we provide sound financial information for rigorous decision making.

REVENUE COLLECTION REPORT

JOSHCO's revenue collection target for the 2018/19 financial year was 100% (2017/18: 92%) of billing. We have performed 12% behind budgeted target, as on average, we collected 78% (2017/18: 84%) for the financial year. The reduction in the collection levels was influenced by slow allocation of rental units of new projects such as Hoek Street, African Diamond, Textile, Phoenix, Devland and, Turffontein.

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). For the financial year under review, JOSHCO has delivered an unsatisfactory performance with a deficit of R34.7 million.

In terms of the entity's policy, variances in excess of 1% of total revenue must be reported and supported with explanations. The reasons below, apply to material variances:

- Total revenue year-on-year increased by 14% from R141.7 million to R150 million as a result of an increase in rental facilities and equipment, interest income from positive bank balances and an increase in grants received. Income from rental facilities and equipment contributed 73% towards total revenue. However, the total revenue was behind budget (R18.74 million) by 10% due to slow tenanting of new delivered projects in the year.
- Total expenditure was ahead of budget by 12% (R195, 2 million vs R218.5 million) due to large rental debtor's impairment which is indicated by the poor rental collection of 78% against a target of 100% and the increase in utilities costs.
- The current and solvency ratios are below the set targets and JOSHCO endeavours to improve on its credit control processes to increase its asset base.

CAPITAL EXPENDITURE

Capital expenditure is directed towards the development, renovation and upgrade of rental stock. JOSHCO was able to spend 98% of the budgeted R321 million capital budget, which is evidenced by the development of 297 units against a target of 360 units.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

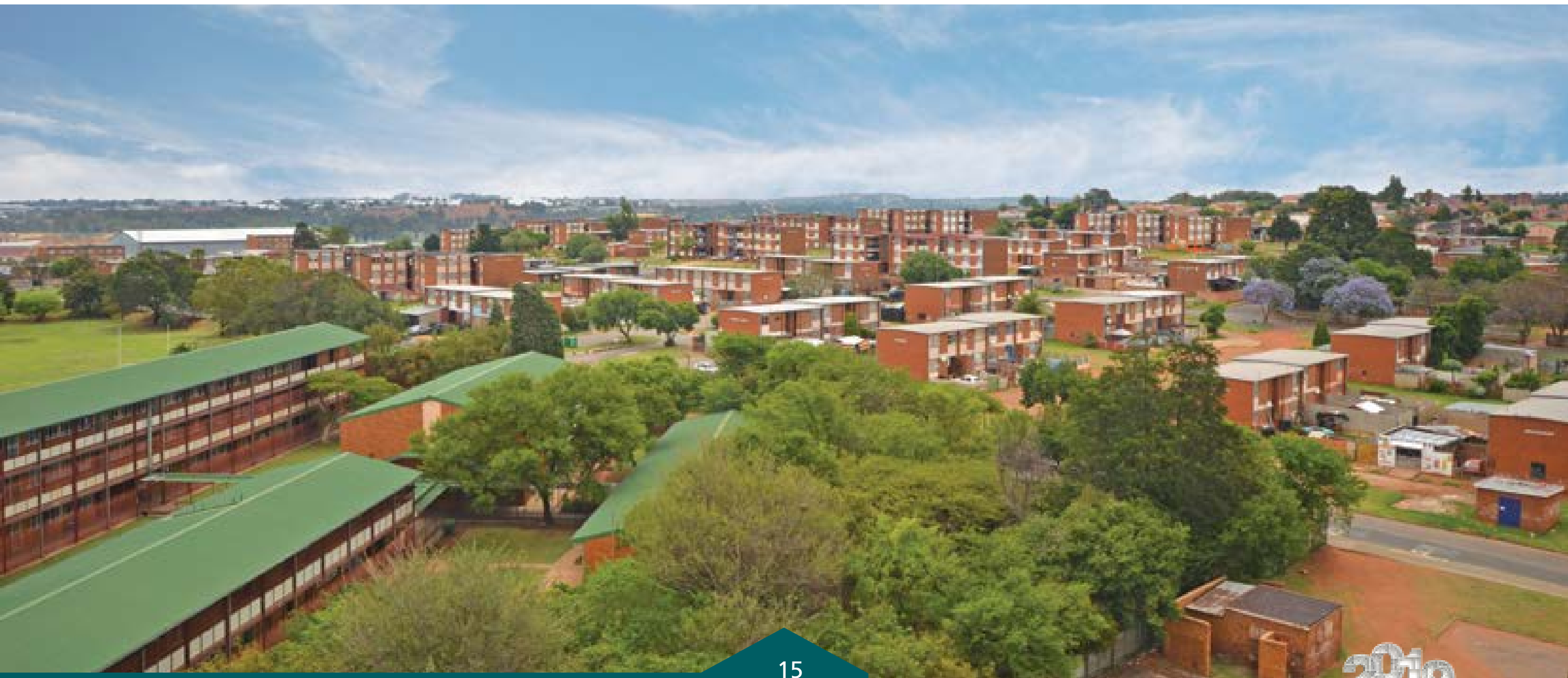
The two areas of procurement in JOSHCO's functional mandate relates to capital expenditure (CAPEX) on the development of housing units and operational expenditure (OPEX) on the maintenance of housing units and other administrative functions. For these areas, i.e. CAPEX and OPEX, JOSHCO has achieved 71% and 65% BBBEE contribution respectively. JOSHCO's total expenditure (i.e. both capital and operational) for the period ended 30 June 2019 amounted to R372.3 million, of which the spend on 51% black-owned companies was 69% (R258.4 million).

GOING CONCERN

The entity has a deficit if R34.7 million mainly due to the increasing utility costs and rental debtors' impairment and slow tenanting of units due to community interference which is addressed through the stakeholder management process.

JOSHCO is currently dependant on a subsidy from the City of Johannesburg 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. Towards this end, 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, and although the organisation is experiencing tight cashflow, funds are available to finance future operations.

Nontobeko Ndimande CA(SA)
Chief Financial Officer



SECTION 5: CORPORATE PROFILE AND OVERVIEW OF THE ENTITY

About JOSHCO

The Johannesburg Social Housing Company (JOSHCO) was established in November 2003 and received its mandate in March 2004 from the City of Johannesburg (CoJ). JOSHCO's mandate is to provide and manage affordable rental housing for the targeted sector who earn a maximum salary of up to R15 000,00 per month. This mandate in in line with, and forms an integral part of efforts to eradicate the housing backlog of the City. JOSHCO is a registered Social Housing Institution and is accredited by the Social Housing Regulatory Authority (SHRA).

The core business of JOSHCO may, therefore, be said to include the development of social rental housing; refurbishments, upgrading and management of Council-owned rental housing stock, including hostels.

SECTION 6: KEY STRATEGIC OBJECTIVES

JOSHCO identified ten (10) strategic objectives that were implemented with the aim to contribute towards the City's nine IDP priorities and ultimately achieve the long term GDS outcomes. The table below reflects how JOSHCO objectives respond to city strategic outcomes and also provides the long term outcomes that the entity envisage to achieve through implementation of different programmes for each objectives.

Table 1: Strategic Objectives

No#	GDS OUTCOMES	STRATEGIC PRIORITIES	JOSHCO STRATEGIC OBJECTIVE	STRATEGIC OUTCOME
1.	A growing, diverse and competitive economy that creates jobs	Promote economic growth development and attract investment towards achieving 5% economic growth that reduces unemployment . **7**	Contribute towards economic development through SMME empowerment.	• 2500 labour intensive jobs created through the EPWP programme. • At least 30% of Capital budget to be spent on companies owned by designated groups. • 1% of contract value will be spent on training and development.
2.	An inclusive society with enhanced quality of life that provides meaningful redress through pro-poor development	Ensure pro-poor development that addresses spatial and income inequality and provides meaningful redress. **1**	• Increase social housing projects within the transport nodes. • Increase the number of social housing projects in the Inner City	• The development of social housing projects that would eliminate social inequalities and spatial injustice. • An increase of land parcels and buildings through access through strategic partnership with JPC and HDA to FastTrack the acquisition of land and buildings.
		Preserve our resources for future generations. **2**	N/A	N/A
3.	Enhanced, quality services and sustainable environmental practices	Create a City that responds to the needs of Citizens, Customers, and Business. **3**	Improve customer satisfaction	Achieving a customer satisfaction rating of 86%.
		Enhance our financial sustainability. **4**	• Enhance financial sustainability. • Cost efficiency in housing development and housing management	• Revenue maximisation. • Best practice housing management and housing development strategies.
		Encourage innovation and efficiency through SMART City programmes. **5**	Improve ICT infrastructure and governance	Smart technology programmes for the JOSHCO tenants
4.	Caring, safe and secure communities	Create a sense of security through improved public safety. **9**	Improve safety and security of tenants in all JOSHCO projects	• Reduction in crime at JOSHCO projects. • Reduction in anti -social behaviour.
		Create an honest and transparent City that fights corruption. **6**	Improve the control environment (policies, internal systems)	• Implement a fraud prevention plan. • Public adjudication of tenders
5.	An honest, transparent and responsive local government that prides itself on service excellence	Create a culture of enhanced service delivery with pride. **8**	• Inculcate a culture that fosters and encourage staff discipline and performance. • Improved service level standards	• Achieve 96% service delivery standards. • High performing teams and professional organisation

INPUTS

FINANCIAL CAPITAL

- R156 356 105 million cash in the bank.
- R-4 108 205 net assets value.
- R 413 408 810 net debtors.
- R 24 254 466 investments in Joint Venture.

MANUFACTURED CAPITAL

- 297 Social housing units developed.
- 7 356 Units under management.

INTELLECTUAL CAPITAL

- Joburg 2040 GDS strategy.
- Integrated Development Plan 2016/21.
- Smart City strategy.
- City reputation, branding and investment attraction potential.
- Specialist knowledge and resources (e.g. resource planning and management).
- The community-based planning programme.
- Business Plan.

HUMAN CAPITAL

- 108 employees.
- Staff retention stands at 95.4%.
- R147 940 was spent on skills development and training.

SOCIAL AND RELATIONSHIP CAPITAL

- Residents and rate payers.
- Vulnerable communities.
- Targeted stakeholder groups (e.g. women, youth and the elderly).
- Media, NGO's and academic stakeholders.
- Shareholder.

NATURAL CAPITAL

Natural resources consumed:
- Water.
- Energy (electricity and fuel).

CONTEXT

- Six National Outcomes.
- Six SDGs.
- Joburg 2040 Growth and Development Strategy.
- GDS Outcomes driven through Four Clusters.
- 9 IDP priorities.

TOP 5 KEY RISKS

- Non – compliance to relevant. regulatory and policy requirements
- Capital budget cuts by the City. resulting to JOSHCO not being able to meet market demand.
- Development projects not meeting the required standards.
- Lack of customer centric.
- Business interruption as a result of aging ICT equipment.

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 human settlements.
- Ensure resource security and environmental sustainability.

OUTCOMES

OUTPUTS/ PROGRAMMES

- Leverage optimum value from existing rental stock.
- Resuscitate declining and decaying economic nodes within the City by providing affordable and quality social housing.
- Develop a dynamic entrepreneurial spirit and innovation to promote increased investment though SMME support.
- Promote multi-level skills development programmes.
- Promote Citizen participation and empowerment.
- Enable 'Smart City' initiatives in the social housing sector as a game changer strategy and market penetration.
- Promote human capital development and management.
- Ensure integrated planning that focuses on the provision of the quality of life for the Citizen of Johannesburg.
- Promote innovation and knowledge sharing.
- Institutionalise strong governance, risk management and compliance.
- Ensure financial sustainability.
- Maintain strong administrative governance.
- Promote strategic communications and marketing.
- Ensure positive strategic relations with other capital providers (SHRA).

ECONOMIC SUSTAINABILITY

- 301 EPWP jobs created.
- 17% of CAPEX spent on SMMEs.

ADMINISTRATIVE SUSTAINABILITY

- 73% rental collection/or payment.
- 69% of procurement recognition. spent on at least 51% black owned companies totaling R258 million.

SOCIAL SUSTAINABILITY

- Corporate social investment.

ENVIRONMENTAL SUSTAINABILITY

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

CHAPTER TWO

CORPORATE GOVERNANCE STATEMENT

SECTION 1: CORPORATE GOVERNANCE STATEMENT

i. Ethical Leadership

The Board provides effective leadership based on a principled foundation and the entity subscribes to high ethical standards. Responsible leadership, characterised by the values of responsibility, accountability, fairness and transparency, has been a defining characteristic of the entity since the company's inception. The fundamental objective has always been to do business ethically while building a sustainable company that recognises the short 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 entity applies the governance principles contained in King IV and continues to further entrench and strengthen recommended practices in the governance structures, systems, processes and procedures. The Board of Directors and Executives recognise, and are committed to, the principles of openness, integrity and accountability advocated by the King IV Code on Corporate Governance. Through this process the shareholders and other stakeholders may derive assurance that the entity is being ethically managed according to prudently determined risk parameters in compliance with generally accepted corporate practices. Monitoring the entity's compliance with the King IV Code on Corporate Governance forms part of the mandate of the Audit Committee.

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

iii. Corporate Citizenship

TThe Board and Management recognises that the entity is formed under a political 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 well-being of the economy, society and the natural environment, and pursues its activities within the limits of social, political and environmental responsibilities outlined in international conventions on human rights.

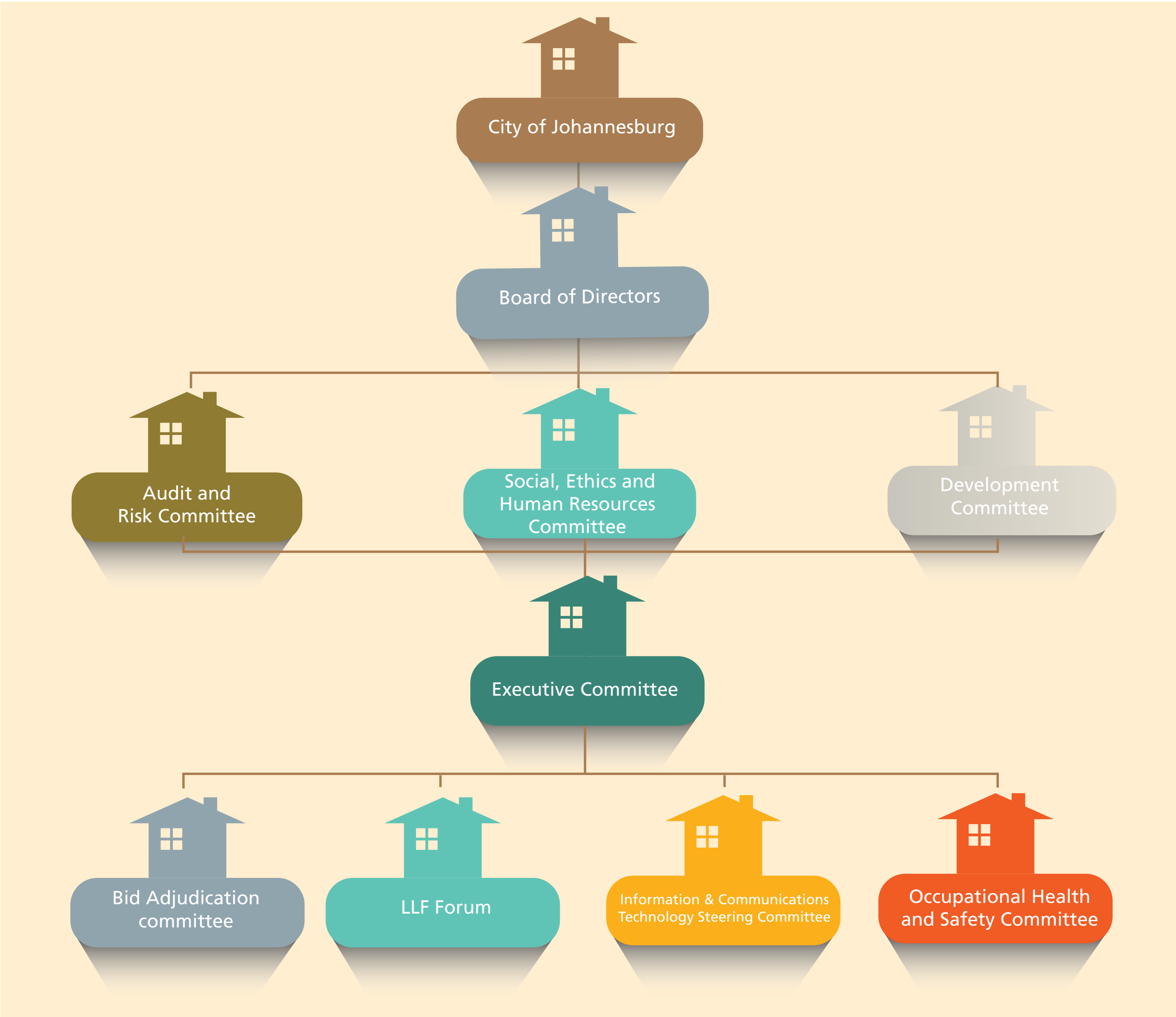
The organisation is part of society and the economy, and it uses its resources to improve people's lives through job creation and housing.

iv. Compliance with laws, rules, codes and standards

The Board subscribes to principle 13 of the 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.

SECTION 2: COMPOSITION, KEY ACTIVITIES AND REMUNERATION OF BOARD OF DIRECTORS

Governance Architecture



Board Composition

The Board, under the Chairpersonship of Mr Tumelo Mlangeni, who is considered to be an independent Director, meets at least quarterly and retained full and effective control over the Company. The Board monitors executive management through a structured approach of reporting and accountability. Through its Annual Work Programme, the Board of Directors monitored strategy implementation, and was kept abreast of the achievements and risks associated with the achievement of the strategy. The Board has, on hand, a wide range of skills and expertise for the benefit of JOSHCO and currently comprises of nine Non-Executive Directors and two Executive Directors namely the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO). The Shareholder is regularly represented by Group Governance in Board and Committee meetings as standing invitees.

The Board and its Committees is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period of 2018/19.

			
Mr T Mlangeni (Board Chairperson)	**Mr V Rambau**	**Ms N Ndimande**	**Mr T Motloung**
Capacity: Executive/ Non-Executive NED	**Capacity: Executive / Non-Executive** CEO	**Capacity: Executive / Non-Executive** CFO	**Capacity: Executive/ Non-Executive** NED
Race African	**Race** African	**Race** African	**Race** African
Gender Male	**Gender** Male	**Gender** Female	**Gender** Male
Skills and Expertise Human Capital Management and Industrial Relations	**Skills and Expertise** Planning and Strategy Development	**Skills and Expertise** Finance	**Skills and Expertise** Banking, Business Leadership, Strategy Development
Qualifications National Diploma Industrial Relations (NDip) Executive Development Programme (EDP)	**Qualifications** B Tech Production and Operations, MAP and MBA	**Qualifications** BCom Accounting, B Com Accounting Honours, Certificate in the Theory of Accounting (CTA), CA(SA).	**Qualifications** Management Advance Programme (MAP) MBA
Professional Memberships None	**Professional Memberships** None	**Professional Memberships** Admitted as a CA (SA) by SAICA	**Professional Memberships** None
Term of Service 16 March 2017 and 13 June 2018 appointed as Board Chairperson.	**Term of Service** 1 July 2019 to date	**Term of Service** 17 September 2018 to date	**Term of Service** 16 March 2017 to date

Mr K Mohuba

Capacity: Executive/ Non-Executive
NED

Race
African

Gender
Male

Skills and Expertise
Business Management, Governance, Public Relations and Marketing

Qualifications
MBA
BA Paedagogics
B Education
Management Development Programme (MDP)
Executive Management Programme(EMP)
Executive Development Programme (EDP)
Higher Education Management and Leadership (HEML)

Professional Memberships
Member of IoDSA
Member of PRISA
Member of Business Ethics Network Africa

Term of Service
17 April 2019 to date

Dr D Thwala

Capacity: Executive/ Non-Executive
NED

Race
African

Gender
Male

Skills and Expertise
Construction and Project Management

Qualifications
Ph.D. Statistics
Msc in Statistics
Post Grad Cert
BA Economics and Statistics

Professional Memberships
None

Term of Service
13 June 2018 to date

Mr T Bolani

Capacity: Executive/ Non-Executive
NED

Race
African

Gender
Male

Skills and Expertise
Public Management, Business Information Systems and Customer Relations

Qualifications
National Certificate in Public Management

Professional Memberships
None

Term of Service
17 April 2019 to date

Mr N Tshindane

Capacity: Executive/ Non-Executive
NED

Race
African

Gender
Male

Skills and Expertise
Sales, Marketing, Distribution, Commercial Strategy, Telecoms, Petrochemical, and mining

Qualifications
B Tech Marketing
MBA

Professional Memberships
None

Term of Service
13 June 2018 to date

Mr M Kubayi

Capacity: Executive / Non-Executive
NED

Race
African

Gender
Male

Skills and Expertise
Legal

Qualifications
B Proc
Practice Management Certificate
Conveyancers Transfers Cert

Professional Memberships
None

Term of Service
17 April 2019 to date

Mr T Makofane

Capacity: Executive/ Non-Executive
NED

Race
African

Gender
Male

Skills and Expertise
Construction Management, Advanced Project Management and Development

Qualifications
N Diploma Building Science
B Tech Construction Management.

Professional Memberships
Candidate Construction Manager
Association of SA Quantity Surveyors
Incorporate of the Chartered Institute of Building

Term of Service
17 April 2019 to date

Prof K Wall

Capacity: Executive/ Non-Executive
NED

Race
White

Gender
Male

Skills and Expertise
Engineering, Science and Technology

Qualifications
BSc(Eng) in civil engineering
M Urban and Regional Planning
MSc(Eng) in civil engineering
M Industrial Administration
PhD (Engineering).

Professional Memberships
Pr Eng, Pr Pln, (Professional Engineer (registered Professional Planner)

Term of Service
13 June 2018 to date

The Annual General Meeting with the Shareholder was held on 17 April 2019, where the Board with the above eleven (11) members was appointed. At the same meeting, Ms N Hlatshwayo and Mr M Ntanga were retired as directors of the JOSHCO Board, through an AGM resolution.

Board and Committee Meetings Attendances

During the financial year, the Board and its Committee held its ordinary and special meetings and in total, 12 for the Board, 11 for Development, 5 Social, Ethics & HR Committee and 6 for Audit & Risk Committee were recorded. The meetings of the Board and its committees are attended by members, shareholder representatives, internal audit and external audit through an invitation. The Board charter allows for the Board and its committees to source for external advisers or service provider through the supply chain process that the organisation has in place. 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 2019

Directors and independent members*	Board	Development	Human Resources and Social and Ethics Committee	Audit and Risk Committee	Total
Number of Meetings	**12**	**11**	**5**	**6**	
Mr T Mlangeni	12/12	-	-	-	12/12
Ms M Hlatshwayo	8/12	-	4/5	-	12/17
Prof K Wall	9/12	9/11	-	-	18/23
Mr M Ntanga	8/12	-	4/5	-	12/17
Dr D Thwala	11/12	5/11	1/5		17/28
Ms N Molao	5/12	3/11	-	-	8/23
Mr N Tshindane	10/12	11/11	3/5	-	24/28
Mr T Motloung	12/12	-	-	6/6	18/18
Ms L Ntaka	2/12	2/11	1/5	2/6	6/33
Mr A Ngcezula	1/12	2/11	-	1/6	4/29
Mr C Dyani	7/12	4/11	3/5	5/6	19/34
Ms N Ndimande	9/12	8/11	3/5	4/6	24/34
Mr T Bolani	2/12	-	1/5	-	3/17
Mr M Khubayi	3/12	-	1/5	-	4/17
Mr T Makofane	3/12	5/11	1/5	-	9/28
Mr T Mohuba	3/12	6/11	-	-	9/23
Mr R Hill (IAC)	-	-	-	6/6	6/6
Mr L Zabala (IAC)	-	-	-	5/6	5/6
Mr L Makape (IAC)	-	-	-	-	-
Mr L Mabuza (IAC)	-	-	-	-	-

Note: The Annual General Meeting with the Shareholder was held on 19 April 2019, where the Board with the above nine members was appointed. At the same meeting, Ms N Hlatshwayo and Mr M Ntanga were retired as directors of the JOSHCO Board, through an AGM resolution.

Note: Mr Motloung was re-elected to the Board as the Chairperson of the Audit & Risk Committee. Ms Lulama Zabala resigned through an AGM resolution at the annual general meeting held on 17 April 2019. At the same meeting, the Shareholder appointed Mr Lindani Mabuza and Mr Lesiba Makape as additional Independent Audit Committee members. Mr Robert Hill was retained as an Independent Audit Member

Roles and functions of Board Committees

The Board has developed and implemented it throughout the financial year. Three Board committees were established in line with Companies Act together with principle 8 of King IV code. Terms of references of the three committees with clear delegations were approved by the Board. The company operations is delegated to the CEO and management. The Board is satisfied that this system of delegation of authority contribute to role clarity. Furthermore the Board is content that it fulfilled its responsibility in accordance with the charter and the subcommittees satisfactorily executed its delegated duties.

The organisation , addresses issues relating to the ethical conduct of the employees through the Social, Ethics and, Human Resource Committee. It 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, each of which is chaired by an Independent Non-Executive Directors.

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

Audit and Risk Committee

The Audit Committee is a statutory committee and has been formed in-line with the Companies Act, Act 71 of 2008 and the Local Government Municipal Finance Management Act, Act 56 of 2003. The Committee is chaired by an independent non-executive director.

The mandate of the Committee, as delegated by the Board of Directors in the Audit & Risk Charter, 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 City of Johannesburg;
- 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.

Furthermore, 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 were;
- IT, Risk management and Strategy
- Finance reporting (annual financial statements and budget)
- Audit (internal and external)
- Governance and Compliance (Annual Report, IT/Risk/Finance/SCM Policies)

Social, Ethics and Human Resource Committee

The Social, Ethics & Human Resources Committee is constituted as a committee of the Board of JOSHCO in terms of section 72(4) of the Companies Act 71 of 2008, Municipal Systems Act 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, and
- 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 promotion of equality and contribution to development of communities.
- Preserve the environment, while promoting health and public safety.
- Foster healthy, productive and sound consumer relationships.
- Engage in fair, lawful labour and 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.

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 contracts
- EE Compliance and Corporate citizenship
- Succession plan
- Stakeholder relations
- Employee wellness

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

Board Assessment

A formal assessment of the Board was conducted by the Shareholder through its Group Governance Department. The purpose of the assessment was to establish insight into the functionality of the Board, identify gaps and identify mechanisms to improve its performance. The results are also used to inform the expertise and skills mix required in the JOSHCO board. The outcome reflected that the Board had been meetings its performance objectives and carrying 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 Secretary prepares annual workplans 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 Secretary does not fulfil any executive management function and is not a Director. The Board is therefore satisfied that, the Secretary maintains an arm's-length relations 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 Audit & Risk Committee has assessed the competency, effectiveness, expertise and experience of Chief Financial Officer ,and is satisfied with the appropriate skills to meet 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.

Directors and Prescribed Officer's Remuneration

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

Table 4: Prescribed Directors' Remuneration as at 30 June 2019

Type of Meeting	Fees: 01 July 2018 - 17 April 2019	Fees: 17 April 2019 - 30 June 2019
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 5: Board of Directors Remuneration as at 30 June 2019

Name	Designation	Remuneration
Mr Mlangeni*	Board Chairperson	R341 000
Ms Hlatshwayo*	Non-Executive Director	R207 000
Prof Wall	Non-Executive Director	R135 000
Mr Ntanga*	Non-Executive Director	R146 000
Prof Thwala*	Non-Executive Director	R175 000
Ms Molao	Non-Executive Director	R80 000
Mr Tshindane	Non-Executive Director	R211 000
Mr Motloung(*)**	**Non-Executive Director**	**R257 000**
Mr Khubayi	**Non-Executive Director**	**R24 000**
Mr Mohuba	**Non-Executive Director**	**R48 000**
Mr Bolani	**Non-Executive Director**	**R24 000**
Mr Makofane	**Non-Executive Director**	**R42 000**
Total		**R1 690 000**

NB: The chairperson fees included meetings that are outside board meetings.
*Members fees included interview panel fees of R6000 per sitting.
**Member fees included attendance of Group Audit and Group Risk Committee.

Table 6: Independent Audit Committee Members Remuneration as at 30 June 2019

Name	Designation	Remuneration
Mr R Hill	Independent Member	R35 000
Ms L Zabala	Independent Member	R25 000
Total		**R60 000**

Table 7: Executive Management's Remuneration as at 30 June 2019

Executive	Basic Salary	Acting Allowance	Bonuses and Performance related payments	Travel & Housing Allowances	Other contributions to pension funds	Contributions to Pension and Medical Aid	Total
Anthony Ngcezula	1 177 873.10			44 000.00			1 221 873.10
Lebohang Ntaka	122 994.07	34 532.13				53 886.00	211 412.20
Moses Madlala	632 643.82	49 512.80					682 156.62
Phumlani Maseko	1 032 114.70						1 032 114.70
Jaco Scheepers	543 924.28	47 919.72					591 844.00
Pretty Ngwasheng	244 973.43						244 973.43
Reginald Mosena	506 281.69	49 511.87				13 877.60	569 671.16
Nontobeko Ndimande	1 107 535.57					26 172.00	1 133 707.57
Nkululeko Magubane	1 183 398.09	43 709.22					1 227 107.31
Patt Mazibuko	228 243.50			4 565.22		3 228.00	236 036.72
Kedumetsi Mokhampanyane	229 657.21						229 657.21
Livhalani Nemaungani	251 622.86					3 228.00	254 850.86
Xolisile Njapha	56 192.49						56 192.49

SECTION 3: JOSHCO HIGH LEVEL ORGANISATIONAL STRUCTURE

This organogram in the figure below depicts JOSHCO departments that are headed by officials appointed in terms of Section 56 of the Municipal Systems Act, 32 of 2000. The organisation as four departments, the CEO and the Company Secretary's office.

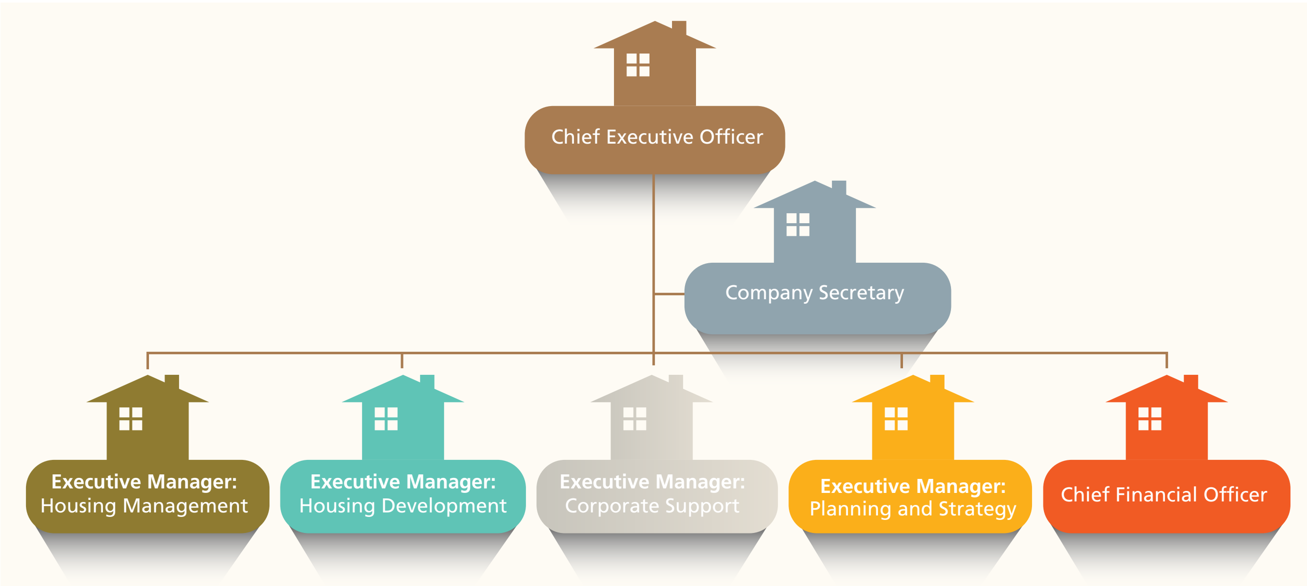


Figure: High level structure

SECTION 4: GOVERNANCE OF STAKEHOLDER RELATIONS

JOSHCO has a range of stakeholders that remain significant to its business operations. The Board remain the custodian of oversight whereas management is entrusted with the responsibility of stakeholder management on a daily basis. The table below list some of JOSHCO stakeholders with an indication of their level of impact and interest to the business

JOSHCO strives to consult with its stakeholders on issues pertinent to each category. Stakeholders were involved during the IDP review sessions that were held by the City of Johannesburg with the aim of soliciting inputs on upcoming projects that the entity envisaged to implement. Constant meetings were held with the public, at project level, to gain a better understanding of the Community needs. In the 2018/19 financial year, JOSHCO managed to establish an internal stakeholder management unit whose role is to manage stakeholder relations for the achievement of organisational objectives and, ultimately, contribute to organisational value creation.

Table 8: Stakeholder Matrix as at 30 June 2019

Stakeholder	Impact	Interest	Role of JOSHCO towards the stakeholder	Engagement platforms with stakeholders
Shareholder/ City of Johannesburg	High	High	• Service Delivery with respect to the service delivery agreement: Implementing the Shareholder strategy on the social housing front; and other key programmes.	• Attending all strategic meetings with the shareholder. • Quarterly reporting on the performance results of the entity.
Political Leadership: MMC, Ward Councillors	High	High	• Service Delivery: Achieving the political mandate of delivering planned social housing units; promoting local SMMEs; Inner city regeneration and converting all hostels to family units; and job creation in previously disadvantaged communities.	• Attending convened community meetings convened by the political leadership. • Constantly reporting on burning issue; • Regular meetings with ward councillors to discuss construction and allocations in their respective wards. • Quarterly meetings between JOSHCO's representatives and the MMC.
Board of Directors	High	High	• Ensuring that Governance Protocols and standards are adhered to. • Advising the Board on important matters relating to the business of JOSHCO. • Ensuring that the Board is well equipped and informed about the performance of the entity they serve.	• Quarterly reporting on the performance results of the entity. • Constant updates to the Board through emails and other forms of communication. • Scheduling and convening quarterly meetings with the Board.
Labour	High	High	• Providing training to Local Labour Forum (LLF) members. • Providing time to Labour to 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..
The Media	High	Moderate	• Provide the media with good stories on the work done by JOSHCO. • Conduct site/project visits to showcase the milestones.	• To continue building the JOSHCO brand though the media partnerships that has already been formed.

Stakeholder	Impact	Interest	Role of JOSHCO towards the stakeholder	Engagement platforms with stakeholders
JOSHCO contractors and service providers	High	Moderate	• Empowering our service providers through equitable distribution of work (rotation). • Ensuring that our service providers are paid within the thirty (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 service level standards.
JOSHCO Tenants	High	High	• Providing excellent service to our existing customers. • Tenant workshops for new tenants. • Employment opportunities through EPWP • Maintaining tenants' units. • Providing accurate bills at a reasonable time to our tenants. • Ensuring that there is safety in our projects by providing security services.	• Meetings with tenant Committees to address other issues affecting tenants. • Project ratings and customer satisfaction survey. • Community Development initiatives. • Customer satisfaction survey.
COJ Housing Core/National Government	High	Moderate	• Providing the department with information relating to social housing matters e.g. development of units and housing management.	• Signing of SLA's with the department for institutional arrangements. • Quarterly reporting on deliverables relating to social housing matters.
Funders e.g. SHRA	Moderate	Moderate	• Utilising the funding for the purpose intended for. • Funders are able to report on the achievements/deliverables of Joshco as one of the funding beneficiaries.	• Sourcing more funding to promote and develop social housing. • Quarterly reporting on deliverables relating to social housing matters. • Regular meetings with funders to address shortcomings, where necessary.
Other MOEs and departments	Low	Low	• 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.
Other Stakeholders e.g. Nasho and South African Housing Foundation	Moderate	Moderate	• Annual Affiliation • Regular engagement for improvements and promotion of social housing.	• Regular meetings to address shortcomings, where necessary.

SECTION 5: RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: Risk Governance

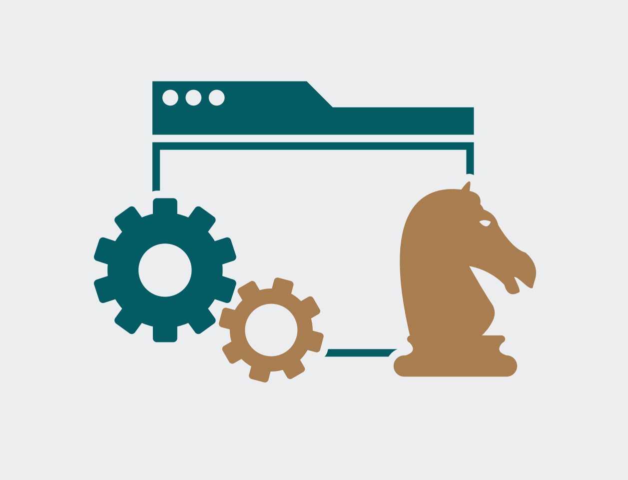
To achieve best practices levels, the requirements of the guidelines of the King IV Report on Corporate Governance South Africa, 2016 (King IV) are considered in the JOSHCO Enterprise Risk Management (ERM) approach. Strategic risk profiling is based on the environment within which JOSHCO operates, the mandate from the City and Board value drivers. During the 2018/19 financial year, the City reviewed its ERM framework and JOSHCO adopted the framework as part of the City-wide risk approach. The framework outlined improvements from COSO and sustained the King IV requirements (Principle 11) which remained the guiding principle for the Board. Key risk indicators formed part of JOSHCO's risk management approach and assisted the Board in determining the corrective measures to be implemented in the management of strategic risks.

Internal Controls

The assessment of the internal control environment to aid risk best practices is undertaken on an annual basis by an Independent Internal Auditor. All recommendations made by the auditor are considered at Executive Management, Audit & Risk Committee and, Board of Directors through the report of the Committee Chairperson. The Board remains focused and robust in driving an effective and efficient control environment as it understands the relationship between risk, control environment and, organisational performance and its support to value creation.

Our risk management approach is focused on effectively managing the organisation's risks that could have an adverse impact on business and stakeholder perception. The Board understands that risk and the internal control environment are inseparable components towards driving the organisation to achieve of its objective(s). As a result, the organisation has implemented a robust risk management system to respond appropriately to significant risks while closely monitoring non-significant risks which could emerge as significant. In the year ended June 2019, the Board continued to subscribed to the King IV Report on Corporate Governance which then meant continued application of Principle 11 of the King Report (Governance of Risk Principle) .

Risk Escalation Methodology



The City Risk Framework provides guidance on which risks should be escalated to the various governance Committees within the organisation. The Audit and Risk Committee is chaired by a Non-Executive Director who is also the member of the Board. The Committee assesses, evaluates, monitors, and advises the Board on the adequacy of the organisation's risks responses and how best management should deal with the risk for the achievement of objectives.

Organisational Risk Management Architecture

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 advisory to the Committee.

Audit and Risk Committee

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

Executive Management

- Ensures risk management is embedded into all processes.
- Reviews risk profile on a monthly basis.
- Prepares routine risk management reports.
- Analysis business environment against uncertainty.
- Prepares policy and recommends to Committee.
- Identifies emerging risks and set risk controls.
- Facilitates combined assurance.
- Implements Committee recommendations

Divisional Management

- Ensures risk management is embedded into all processes.
- Reviews risk profile on a monthly basis.
- Prepares routine risk management reports.
- Analysis business environment against uncertainty.
- Prepares policy and recommends to Committee.
- Identifies emerging risks and set risk controls.
- Facilitates combined assurance.
- Implements Committee recommendations

Implementation of recommendations.

Reporting of risk information.

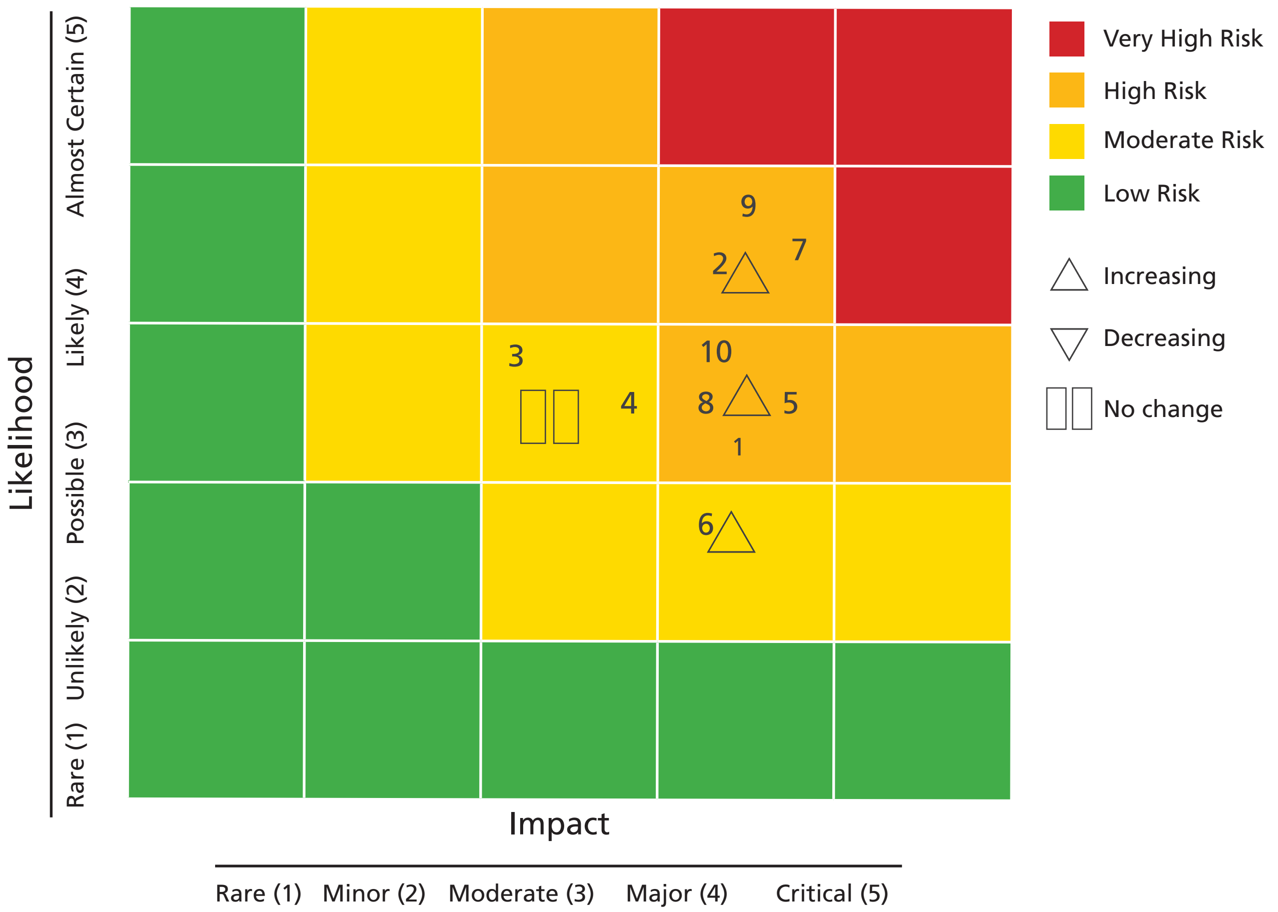
The table below depicts the residual risk results against the risk identified for the year ended 30 June 2019. During the year under review, an independent assessment for health and safety was undertaken and there were material findings which affected the residual risk rating from moderate to high.

Table 9: Analysis of the Residual Risk as at 30 June 2019

No	Risk Description	Inherent Risk Rating	Residual Risk Rating	Residual Risk Score	Comments
1	Non-Compliance to relevant regulatory and policy requirements	Very High	H	13	The residual risk remained high, due to the fact that the compliance assessment reflected areas of non-compliance.
2	Capital budget cuts by the City resulting to JOSHCO not being able to meet market demand.	Very High	H	18	Residual risk remained high, as a result that, the City did not provide JOSHCO with additional budget. Instead, the movement of the budget between projects was allowed during budget lifting.
3	Development projects not meeting the required standards resulting in poor quality of the product.	Very High	M	10	The residual risk remained moderate in the year to June 2019.
4	Lack of customer centric.	Very High	M	10	The residual risk remained moderate in the year to June 2019.
5	Business interruption as a result of ageing ICT equipment.	Very High	H	13	In the financial year, up to June 2019, the organisation experienced minor interruptions in relation to downtime of emails which caused the residual risk to remain high.
6	Not meeting service delivery standards.	Very High	M	8	The residual risk was rated as moderate as a result that, not all service level standards were achieved in the last quarter of the financial year being reported.
7	Non-compliance to the revenue management policy	Very High	H	18	The residual risk remained high as result that, 74% compliance to laws and regulations was achieved against a target of 100%.
8	Fraud and Corruption	High	H	10	The residual risk remained high based on the environment which the organisation operates in and the number of incidences that have been reported to the City by the members of the public..
9	Injuries, fatalities and crime (during and post-construction)	Very High	H	18	Residual risk remained high as there were cases reported to JOSHCO by the City which are under investigation.
10	Prolonged procurement process	Very High	M	10	The residual risk remained moderate during the year.

Residual Risk Heat Map

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



1. Non-compliance to relevant regulatory and policy requirements.
2. Capital budget cuts by the City resulting in JOSHCO not able to meet market demand.
3. Development projects not meeting the required standards resulting in poor quality of the product.
4. Lack of customer centric.
5. Business interruptions as a results of ageing ICT equipment
6. Not meeting service delivery standards.
7. Non- compliance to the revenue management policy.
8. Fraud and corruption.
9. Injuries, fatalities and crime (during and post construction).
10. Prolonged procurement process.

Table 10: Risk and Opportunity in the Short to Medium and Long Term

No	Risk Description	Inherent Risk Rating	Residual Risk Rating	Risk Horizon	Risk Opportunity
1	Non-Compliance to relevant regulatory and policy requirements	Very High	H	Long Term	• Non-compliance has an impact on external audit opinion. The organisation is in the process of advertising for the Compliance Officer and it endeavours to appoint by the end of February 2020.
2	Capital budget cuts by the City resulting to JOSHCO not being able to meet market demand.	Very High	H	Medium	• Capital budget cut has a negative impact on the number of affordable housing to be delivery in a certain financial year. The entity will continue to seek funding from the Social Housing Regulatory (SHRA) to leverage the affordable rental budget cut initiated by the City. • Budget lifting in another process that the entity will pursue with the City to ensure that, planned targets are achieved.
3	Development projects not meeting the required standards resulting in poor quality of the product.	Very High	M	Long Term	• Project defaults have an effect on project maintenance budget. The entity will continue to apply the SHRA building standards to manage and possibly mitigate the risk of project poor quality.
4	Lack of customer centric.	Very High	M	Long Term	• Customer perception has an impact on existing market sustainability. To ensure continued relationship, the organisation will continued to implement the stakeholder strategy, use social medium platforms to detect market perception and undertake customer satisfaction survey.
5	Business interruption as a result of ageing ICT equipment.	Very High	H	Long Term	• Assessment of organisational growth against existing ICT infrastructure. • Testing of disaster recovery site through simulation to detect risks that may emerge during the data recovery and implement risk controls to ensure efficient disaster recovery process.
6	Not meeting service delivery standards.	Very High	M	Long Term	• Service delivery standards coincide with customer satisfaction. A review of business process will be undertaken as part service weakness detection. This process will provider strategic direction in towards sustaining the annual results from the customer satisfaction exercise.
7	Non-compliance to the revenue management policy	Very High	H	Long Term	• Revenue collection ensures the continuity of the organisational operations. Revenue drives, letters of demand and evictions will continue to be implemented as control measure for revenue and debt collection.

No	Risk Description	Inherent Risk Rating	Residual Risk Rating	Risk Horizon	Risk Opportunity
8	Fraud and Corruption	High	H	Long Term	• The vuthelimpempe campaign will be a continuous campaign aimed at assisting the organisational in creating public awareness about the organisation's zero tolerance to fraud and corruption; • All print media publications will include a fraud hotline number as a point of contact for public whistleblowing.
9	Injuries, fatalities and crime (during and post-construction)	Very High	H	Long Term	• Enforcement of health and safety standards for existing and projects under construction. • Investigation of reported incidents to maximise risk control measures.
10	Prolonged procurement process	Very High	M	Medium	• Application of supply chain policy • Bid Adjudication Chairperson to measure turnaround time of Bid Committees' efficiency in support of the organisations performance.

Emerging Risk as at 30 June 2019

Emerging risks have an influence in the operations and efficiency of the organisation if not identify and risk controls put in place to respond positively. In year to June 2019 the organisation slowly experience the emerging of geopolitical risk where projects with greater number of units have been affected and the end result was project vandalism by protesting members of the public, which then had delayed the tenanting of qualifying applicants and realisation of project revenue. Its management's responsibility to identify emerging risk during the day to day running of the organisation and develop appropriate risk response to ensure that, such emerging risk does not manifest in an active risk. Below is the impact and risk response to the emerging risk identify and the organisation will ensure continued monitoring and management the risk in the new financial year.

Risk Description	Inherent Rating	Residual Rating	Root Cause	Impact	Management Plan
Geopolitical Risk			Potential tenants using regional political structures to secure units without following due process.	• Not being able to tenant projects within the set timeline. • Projected revenue not realised from affected projects resulting in a loss of exposure. • Vandalism of projects which delays the tenanting of qualifying applicants. • Negative effect on market reputation from a competitive/ competition perspective	• Insure all new projects prior to tenanting to prevent delays in the refurbishment works in an event of vandalism. • Engage the office of the MMC for management of political boundaries. • Continue with stakeholder engagement meetings and public participation meetings.

	Inherent risk is very high
	Residual risk is high

SECTION 6: ANTI-FRAUD AND CORRUPTION

Principle 1 of the King IV Report on Corporate Governance for South Africa 2016, states that "the governing body should lead ethically and effectively and should set the tone for an ethical organisational culture". JOSHCO responded by adopting a zero-tolerance approach towards fraud and corruption in the current financial year, in the bid to uphold good corporate governance and embedded a culture of integrity and an honest work ethic. This honest culture,was not only implemented and maintained at head office, but was also carried through at project level by spreading anti-fraud and corruption awareness to the public at large. During the year under review, JOSHCO continued with its Zero Tolerance campaign and visited various JOSHCO projects to promote the anti-fraud hotline and the Zero Tolerance message to tenants. Furthermore, JOSHCO subscribes to the Protected Disclosure Act, and the Prevention and Combatting of Corrupt Activities Act and further enforces its Fraud Prevention Policy.

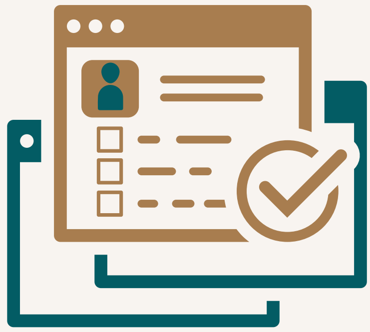
JOSHCO continues to encourage community members, its tenants and employees to report instances of fraud and corruption through the JOSHCO fraud hotline, and or the SMS service.

The fraud hotline number is 0800 002 587, and the SMS short code is 32840.

Figure 3: Vuthelimpempe

Procurement Policy

JOSHCO has several checks and balances in place when it comes to our procurement policy. One such measure is that all JOSHCO staff must submit an annual declaration of interest regarding supply chain involvement. Once all declarations are received, processed and evaluated, any JOSHCO staff member who has an outside interest in any supply chain vendor, or if there exists a conflict of interest as a result, such a staff member is recused from any bid evaluation process.



All tenders and appointments are subject to public adjudication, so as to maintain the integrity of a clear and transparent award process. Towards this end, an independent procurement process is in place to ensure that the highest standards of ethics and honesty is observed. Minutes are taken at all proceedings and a recording of the proceeding is also captured.

SECTION 7: ICT GOVERNANCE

Principle 12: Technology and Information Governance

"ICT Governance is about ensuring that the organisation's IT systems support and enable the achievement of the organisation's strategies and objectives. In the year under review, the Board adopted the principles as outlined in the King IV Report on Corporate Governance for South Africa 2016, in which Principle 12 of the report states that, "the governing body (Board) should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives". This function has been delegated to the Audit & Risk Committee, by the Board. 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 related to the integrity of financial information to ensure that, financial information is free of material inaccuracies and truthfully represents the financial affairs of the organisation."

The Executive Committee's role is to ensure that the ICT strategy, policies and procedures are implemented and adhered to, and, to review through internal audit as an assurance provider, the application and constancy of the execution and maintenance of all strategies, policies and procedures relating to the ICT function.

The ICT Steering Committee is responsible for ensuring that:

- The corporate governance of ICT is implemented and reported to the Board
- ICT strategic goals are aligned with the organisation's vision
- Business-related ICT strategic goals are cascaded throughout JOSHCO for implementation and reporting, and
- Performance of the ICT function on a quarterly basis is implemented and to provide advice on how best to improve performance and efficiency

- The Portfolio Governance Working Group is responsible for:
    - Major projects, IT budgets, standards, procedures, and overall IT performance;
    - Co-ordination of priorities between the ICT department and user departments;
    - Review of the adequacy and allocation of IT resources in terms of the funding, personnel, equipment, and service levels;
    - Source and apply for funding for the development of the ICT department and its systems; and
    - Define ICT programme/ project governance framework.

SECTION 8: COMPLIANCE WITH LAWS AND REGULATIONS

Principle 13: Compliance Governance

> JOSHCO commenced the financial year with no system to assess compliance with laws and regulations. Self-assessment commenced in the second quarter and continued on the quarterly basis until the end of the financial year. A total of twenty-seven (27) pieces of legislation/ Acts that are applicable to JOSHCO were assessed, while three (Promotion of Access to Information Act, No. 2 of 2000 - Public Bodies, Local Government Municipal Finance Management Act, No. 56 of 2003 and Local Government Municipal Finance Management Act - Municipal Regulations on Debt Disclosure)were not assessed due to absence of information. The following two Acts were removed from the Exclaim Compliance tool used for the assessment for the reasons provided under each:

- Local Government Municipal Finance Management Act - Asset Transfer Regulations – JOSHCO does not transfer assets as defined in the Act
- Broad Based Black Economic Empowerment Act, No. 53 of 2003 and Code (Effective until 30 April 2015)- there was a duplication of this Act in the tool

By the last quarter of 2018/19 assessment was thus conducted on twenty-seven Acts against thirty. The assessment revealed that the entity complies 100% with 17 pieces of assessed legislations while lacking on the following Acts.

The compliance officer and user departments will continue to monitor the application of the sections of Acts that the entity is not yet 100% compliant on with the aim of putting corrective measures. Below are the Acts that have not reached 100% compliance.

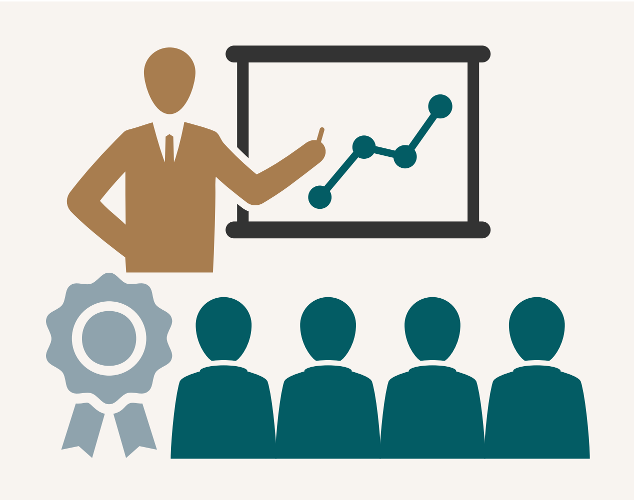
Table 11: Organisational Compliance as at 30 June 2019

	Act Name	% Compliance	Comments
1.	Companies Act, No. 71 of 2008	79,79%	The variance relates to provisions of the Act that were not assessed, as well as the company's failure to keep records in the format and for the period required by section 24 (1) of the Act.
2.	Construction Industry Development Board Act, No. 38 of 2000	90%	The variance relates to provisions that were not assessed.
3.	Consumer Protection Act, No. 68 of 2008	93,62%	The variance relates to Lease Agreements exceeding the prescribed maximum period.
4.	Local Government Municipal Finance Management Act - Municipal Regulations on Minimum Competency Levels	94,12 %	The variance relates to provisions that were not assessed.
5.	Local Government Municipal Finance Management Act – Municipal Supply Chain Management Regulations	98,89%	The variance relates to the annual review of JOSHCO's SCM Policy, which is currently not taking place.
6.	Occupational Health and Safety Act - Environmental Regulations for Workplaces, October 1987	76,92%	The variance relates to provisions that were not assessed.
7.	Occupational Health and Safety Act - General Administrative Regulations, June 2003	81,25%	The variance relates to provisions that were not assessed.
8.	Occupational Health and Safety Act, No. 85 of 1993	97,37 %	The variance relates to the absence of a process in place to nominate or elect Safety Representatives as required by section 17 of the Act.
9.	Protection of Personal Information Act, No. 4 of 2013	58,49%	The variance relates to provisions that were not assessed, as well as the absence of a policy on "Processing operations" as required by section 17 of the Act.
10.	Rental Housing Act, No. 50 of 1999	92,31%	The variance relates to tenants subletting units without JOSHCO's consent.

CHAPTER THREE

SERVICE DELIVERY PERFORMANCE

SECTION 1: SERVICE DELIVERY HIGHLIGHTS AND ACHIEVEMENTS



During the year under review, JOSHCO focused in the implementation of its predetermined objectives as reflected on the 2018/19 Business Plan as well as the changes contained in the 2018/19 mid-year deviation report. Some of the key highlight and achievement for the year are as follows:

Projects Launched

JOSHCO launched five projects during the 2018/19 financial year. The Devland project produced 255 units, while the Turffontein project produced 528 units. This meant that, 783 families were housed or benefited from the Green Fields project in the year under review.

Hoek Street project produced 264 units, and the Albert Street project produced 83 units. As a result, 347 families were housed or benefited from Inner City projects in the aforementioned financial year.

Additionally, the Fraser House project produced 104 units and was earmarked as a Transitional Emergency Accommodation project which housed families that have defaulted on rental payment as a result of the economic downturn that negatively affected jobs. The launch of the projects translated to approximately 1234 units that were added to units under JOSHCO management. These units are aimed at the low to middle-income earning South African citizen.

Picture: 1 Devland Social Housing Project

Picture: 2 Turffontein Social Housing Project

Picture: 3 City Deep Social Housing Project

Picture: 3 City Deep Social Housing Project

Picture: 5 Albert Street Social Housing Project

Development of Units

The entity constructed 268 units that have reached practical completion stage from five projects as at June 2019.

The units that were delivered are from the following projects:

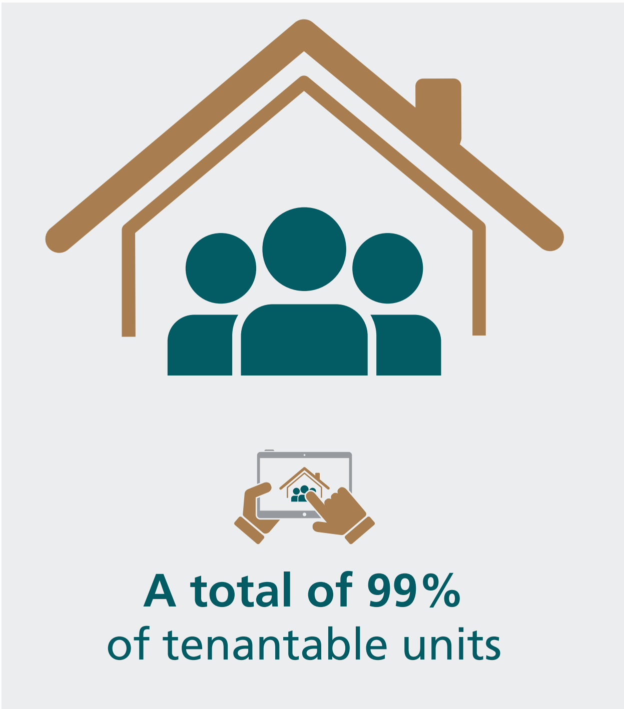
- Plein Street, which yielded 216 units
- Durban Street, yielded 32 units
- Claim Street, 48 units, and
- Chelsea, yielded 1 unit

Various other projects were under construction during the year under review, resulting in the company spending 98% of its capital budget.

Capital Budget Spending

A capital budget of R321 million was allocated to JOSHCO by the City for the period under review and the entity managed to spend 98% against an annual target of 95%. The capital budget was spent on approximately 20 projects that were active during the financial year. A table outlining capital projects and incurred expenditure is provided under Chapter 3 of this report.

Tenanting



A total of 99% of tenantable units were tenanted during the financial year, benefitting Johannesburg citizens.

Occupancy Audit

JOSHCO embarked on an exercise to audit tenanting (occupancy) of all projects that are under the company's management. The audit aimed at identifying, among others, the citizenship of occupants that live in these units. The audit revealed that 97% of lessees in JOSHCO's projects are South African.

Filling of Key Vacancies

The company experienced a mass resignation of Executive members towards the end of the 2017/18 fiscal, resulting in a majority of the positions held by acting incumbents, including the positions of CEO, CFO and Company Secretary, as noted in the first half of the year under review. JOSHCO has managed to fill all Executive positions that were vacant in the last quarter of the financial year including the CEO position that had remained vacant throughout the year.

SECTION 2: SERVICE DELIVERY CHALLENGES

During the implementation of projects in various areas, JOSHCO experienced a number of challenges, varying from community-related, labour, SMME's and at times budgetary allocations.

The following challenges were experienced during the year under review:

Vandalism of Projects

The company experienced several protests and vandalism, primarily at its completed projects, with the biggest protest action being experienced at the Devland project where 75 units were vandalised to such an extent that they became uninhabitable.

This occurred immediately after the Devland project launch. The number of vandalised units translate into substantial loss of potential revenue to the company, as these units cannot be occupied. Furthermore, it translates to a number of potential beneficiaries that are being deprived of decent units at an affordable cost, preventing them from living an improved lifestyle.

A further 28 units were vandalised at the Turffontein social housing project during community unrest.

Rental Collection

The entity has experienced a significant drop in revenue collection, especially over the last half of the financial year. This was attributed to, amongst others, a rental boycott across many JOSHCO projects as tenants were protesting for ownership of the units. In some instances, tenants were protesting against legal action that was taken against high defaulters, initiated by JOSHCO.

Financial Delays at Projects

The Dobsonville project experienced delays due to work stoppages resulting from financial challenges. Budget lifting was approved by the City towards the end of the financial year, so as to allow the continuation of the planned work. The delays resulted in the project not tenanting during the reporting financial year.

Project service delivery challenges

The table below provides information that relates to challenges that were encountered at project-level, as well as the interventions that had to be taken to resolve identified challenges.

Table 11: Project Service Delivery Challenges Experience as at the end of 30 June 2019

Project name	Challenge	Intervention
Antea	• Demand for ownership	• Matter reported for MMC Housing's attention for further directive.
Bellavista Infill	• Crime taking place in the dark within surrounding area	• Installation of suitable lighting to help reduce criminal activities that occur under the cover of darkness.
Botlhabela	• Illegal occupancy of units	• Appointed Service Provider to continue with the outstanding Tenancy Audit. • Regularisation
Casa Mia	• Invasion of the project by residents of surrounding buildings located in Berea	• Legal process to obtain an eviction order from a court of law.
Chelsea	• Lack of adherence to Occupational Health and Safety regulations:	• Continuous tenant awareness on matters of health and safety.
Citrine Court	• Crime in the surrounding area remains a problem • No Biometric system and cameras	• A security assessment was completed and a quotation submitted to maintenance for consideration. Requisition for security upgrade deferred to 2019/ 2020 financial year.
City Deep	• On-going threats by illegal tenants	• On-going security measures to be put in place.
Diepkloof	• Anti-rental Group forcing tenants not to pay rental to JOSHCO.	• Legal proceedings initiated.
Jabulani	• Unfounded demand for ownership of units.	• The demand for ownership of units has been referred to MMC office.
Kliptown Golf Course	• The ERF not registered • Limited parking space • Resistance from the tenants towards the occupancy audit	• Town planning matters to be addressed through Housing Development.

Kliptown Square	• The unemployed committee members disrupt service delivery and they demand the following:
	  • Ownership
	  • Arrears to be written off
	• Recreational space (Hall and office to hold their meetings)
	• Additional parking space required
	• RDP house beneficiaries not paying while other tenants are paying.
	• Maintenance is delayed by non-paying tenants and approval takes time
	• Biometric system that is dysfunctional for both vehicle and pedestrian gates
	• Break-ins due to poor boundary fence
	• Fire extinguisher in/next to the tenant units
	• Illegal cars in the complex
		• Stakeholder engagement has been taking place on an ongoing basis.
		• The office was built for the committee to hold their meetings, due to lack of space the wall cannot be built
		• The recycling waste management training took place to equip them with waste management skills
		• A security assessment conducted
		• The security lights were repaired and, in some areas, additional lights installed
		• Maintenance plan sent to maintenance department for intervention
		• Relationship with Greater Kliptown Square SAPS Sector 3 Community Policing Forum was introduced and formation of CPF is in progress. Based on this relationship, a tenant who was conducting illegal business in the complex was arrested
		• Parking audit is in progress and new stickers are issued

Project name	Challenge	Intervention
Pennyville	• Community protests	• Assignment of Security Guards as and when the protests occur.
Phoenix House	• The OHSA challenges remain an issue, especially where the fire escape doors and window burglars are concerned • Plumbing remain a challenge in the units	• Tenants to be relocated to a new housing development and for Phoenix to be used as a "TEA".
Textile and African Diamond	• Projects have insufficient electrical supply as a result cannot be accommodated to full capacity	• Development to upgrade the electrical supply and installation of prepaid meters to both buildings.
Turffontein	• Vandalised units due to community protests • No internet connection which affects security access control for use of biometric system.	• Submission of claim for and refurbishment of vandalised units as well legal proceedings against perpertrators.

SECTION 3: RESPONSE TO STRATEGIC DIRECTION

JOSHCO's strategic focus is aligned to that of the City and focuses on the followoling key Mayor's Prioritries:

Promote Economic Development Investment GVA to achieve a minimum 5% by 2021 and Infrastructure Development

Our Strategic Response

- Labour intensive (EPWP) strategy.
- Training and Development.
- 1% of contractor value allocated to training and development

Key Priority

Promote Economic Development and investment GVA to achieve a minimum of 5% by infrastructure development.

Our Strategic Response

- SMME Empowerment 30% of contractor value contractors, procurement and 100% SMME empowerment in gardening, cleaning and maintenance.

Improve Service Delivery

Our Strategic Response

Pro-active maintenance by assessing conditions of buildings, development robust maintenance plan and budget priorities (Capex and Opex).

Key Priority

Improve Service Delivery.

Our Strategic Response

- Turnround time in resolving tenant complains, allocation tenant units and process tenant application.
- Service customers with pride.

Good Clean Governance

Our Strategic Response

Review organisational policies and procedures to identify weaknesses in the control environment and mitigate the risk.

Key Priority

Good Clean Governance.

Our Strategic Response

- Implement fraud and corruption campaign and conduct investigation of alleged fraud cases.
- Declaration of employee interest and proper vetting of employees and suppliers.

Pro Poor Development Providing Meaningful Redress Including Income and Spatial Income Inequality

Our Strategic Response

- Increase the number of acquired buildings in the Inner City:
  - Transitional unit for emergency,
  - Communal units
  - Social housing,
  - Roof top gardens and,
  - Social amenities.

Key Priority

Pro-Poor development providing meaningful redress including income and spatial inequality.

Our Strategic Response

- Increase number of affordable rental units.

Enhancing Our Final Sustainability

Our Strategic Response

- Maintain clean audit status.
- Review price schedule for maintenance and professionals.
- Develop benchmarks for construction costs and professional fees Capital expenditure investment by sourcing funding for JOSHCO development programmes (City, SHRA and Province.

Key Priority

Enhancing our financial sustainability.

Our Strategic Response

- Revenue enhancement through advertising on JOSHCO buildings and retail space to cross subsidise low rentals.
- Capacitate the paralegal office to improve collection levels.
- Clean up the debtor's book through occupancy audits.
- Improve ICT infrastructure.
- Enhance customer relation.

SECTION 4: PERFORMANCE AGAINST SERVICE STANDARDS

The Service Delivery Agreement (SDA) that JOSHCO signed with the City requires that the entity reports on performance against 7 pre-determined targets for Service Level Standards.

During the fourth quarter, the revised standards were submitted to the shareholder for consideration and further engagements will be initiated to finalise the process, and if approved, will necessitate updating of the service delivery agreement document.

The table below reflects the performance of the 7 pre-determined targets as at June 2019 with 4 of the 7 standards not being achieved. These targets relate to the following core services:

- Billing of customers;
- Attending to requests for maintenance;
- Routine building maintenance;
- Application of rental housing; and
- Resolution of complaints.

Table 18: JOSHCO Service Level Standards Performance For the Year Ended 30 June 2019.

Core Service	Service Level Standard Target	%	Variance
Billing of customers	98% accurate bills of all active customers	92%	-6%
Attending to requests for maintenance	The 96% of maintenance requests attended to within 7 working days of the logged call	96%	None
Routine building maintenance	Once per year and as when required	75% (3 of 4)	-1
Application of rental housing	Outcome of enquiry to be sent to application within 5 days	No enquiry day was held	none
Application of rental housing	Outcome of the application communicated within 7 days	78%	-22%
Resolution of complaints	Acknowledgement and response within 24 hours of complaint being logged	24 hours 100%	None
Resolution of complaints	Resolution within 5 working days of logged call	63%	-37

SECTION 5: PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

Salient Features

The organisation had 23 annual Key Performance Targets (KPI's) in the 2018/19 financial year. The overall performance of the organisation is reflected by the number of KPIs achieved against the total. 7 KPIs against a total of 23 KPIs were achieved.

No#	Target	Actual	Variance	Mitigation Future Control Measures
1	100% of implementation of HR strategy.	21%	-79%	Capacity in the department posed a challenge. Most of the initiatives will be carried out in the new financial year. In the new financial year, critical positions will be filled. Segregation of duties will be implemented and critical milestones identified and being monitored.
2	910 jobs created for the unemployed through EPWP.	301	33%	Performance was significantly affected by Roodepoort project stoppage due to NHBRC matters, while Dobsonville is nearing completion and, therefore, fewer labour activities took place on site.
3	100% collection of debtors in respect of rentals.	72%	-28%	The drop in performance in revenue collection was due to limited access to the projects due to unrest and campaigns by the organised group of tenants ever since the sheriff started serving summons to those tenants that were handed over to legal for evictions. This has then influenced poor enforcement of debt collections (incompletion of the process due to the safety of staff for conducting revenue drives), an increase in aged debt, which refers to debts older than ninety days, a high level of indigents, a non-existing succession plan for tenants who go on pension or who have deceased, which results in child-headed units and an increasing rate of unemployment. The organisation will continue effecting legal referrals and handovers for salary attachments, attachment of household goods as well as targeted evictions.
4	100% implementation of corrective action against identified risks.	95%	-5%	Two of the 21 mitigated actions were not fully implemented due to lack of capacity and budgetary constraints. Risk control monitoring will be undertaken on a monthly basis as part of the process of monitoring the effectiveness of implemented controls and to developed new risk controls strategies should weaknesses in the implemented controls be identified.
5	100% implementation of corrective action against audit findings	33%	-67%	There were a number of internal audit findings raised in the last half of financial year that resulted to the entity having to close the year with more than 100 findings. Change management also contributed to the slow pace of resolving findings. Management will in the new financial year establish a Committee that will monitor progress in implementation of corrective actions against audit findings to ensure that all pending audit findings are resolved for the improvement of the control environment.

No#	Target	Actual	Variance	Mitigation Future Control Measures
6	100% implementation of the ICT action plan.	55%	-45%	The plan contains activities that are dependent upon third parties. Service Level agreements will be signed off with relevant stakeholders in the new financial year, for robust performance management.
7	Current ratio 1.5:1	0.92.1	0.5	The unfavourable ratios are due to a reduction in loans to shareholder and CAPEX Debtors and an increase in Payables.
8	100% Successful closure of rent defaults dispute, through debt collection or rental tribunal.	80%	-20%	The was a delay with the appointment of attorneys due to the City centralising the appointment of attorneys. Furthermore the City legal department issued an instruction that, all evictions are to be discussed with the City prior to execution.
9	100% Compliance to laws and regulations.	85%	-15%	Although the average compliance was above 65% for the year, process for the appointment of the Compliance Officer will be underway in the new financial year. This will ensure robust focus on compliance management and effective reporting to the governance structures and the City.
10	360 number of Social Housing Units developed for disadvantaged beneficiaries.	297	-63	The 63 units not achieved were as result that, they had construction snags and could not be included as completed. From the new financial year contractors will be provide a quarterly report which will provide insight to management in building up towards the achievement of the target.
11	86% Customer Satisfaction rating.	66.74	-19.26%	Respondents pointed out that when repairs had been done, the same issues that caused the disrepair should not be experienced again for a considerable time. Some consider security as not being ‘tight’ enough because individuals who are not authorised to be in the on-site, seem to find their way inside. Communication is sometimes lacking and residents expect that vital information be communicated to them on time. The prevalent water shortages and lack of responsiveness on reported repairs and maintenance matters were areas of concern. Recommendation from the customer satisfaction survey will be implemented in the first 3 quarters of the financial year followed by a survey review on the fourth quarter.
12	100% Achievement of service level standards.	84%	16%	Some of the standards, in their current form, are regrettably not achievable, while some are subject to interpretation. The Shareholder has been engaged to try and revise all JOSHCO standards. Further engagements will be made to finalise the process and if approved, the service delivery agreement document will be updated.
13	100% Implementation of the communication plan.	93%	7%	The plan could not be fully implemented, due to budgetary constraints that the organisation experienced. The communication plan will be prioritised in the new financial year with consideration of the midterm budget allocation.
14	30% of Capex spent on SMME.	17%	13%	Underperformance was due to some projects i.e. Plein Street and 106 Claim being challenged with on-site work stoppages during the quarter, resulting in less SMME’s involvement.

Table 13: Organisational Scorecard For the Year Ended 30 June 2019.

o.	Strategy Objective	Key Performance Indicator	Baseline 2017/18	Total target for the year 2018/19	Q1 target	Q1 Actual	
1	1) Increase the number of buildings acquired and refurbished for affordable housing in the Inner City. 2) Increase Social Housing projects within the transport nodes. 3) Enhance financial sustainability	% Capital budget spent on rental Social Housing Infrastructure	% Capital budget spent on rental Social Housing Infrastructure	95% of ME's Capital budget spent	10% of ME's Capital budget spent	1%	
2	Enhance financial sustainability	Achievement of selected profitability and liquidity ratios	Current Ratio: 1:5:1	Current Ratio: 1:5:1	Current Ratio: 1:5:1	1:01	
			Solvency Ratio 1:0:4	Solvency Ratio 1:0:1	Solvency Ratio 1:0:1	1.03:1	
			Remuneration to Opex expenditure up to %	Remuneration to Opex expenditure up to 30 %	Remuneration to Opex expenditure up to 30 %	30%	
	Improve the control environment		Maintenance expenditure up to 20% of Opex budget	Maintenance expenditure up to 40% of Opex budget	Maintenance expenditure up to 20% of Opex budget	4.50%	
	Enhance financial sustainability	% Collection of debtors in respect of rentals	% Collection of debtors in respect of rentals	100% Collection of debtors in respect of rentals	90% Collection of debtors in respect of rentals	91%	
3	Enhance financial sustainability	% successful closure of rent defaults dispute, through debt collection or rental tribunal	% successful closure of rent defaults dispute, through debt collection or rental tribunal.	100% successful closure of rent defaults dispute, through debt collection or rental tribunal	25% successful closure of rent defaults dispute, through debt collection or rental tribunal	66%	
4	Improve the control environment	Unqualified audit opinion with no emphasis of matter	Unqualified audit opinion with no emphasis of matter.	Unqualified audit opinion with no emphasis of matter	-		
5	Improve the control environment.	% Implementation of corrective action against identified risks	% Implementation of corrective action against identified risks	100% Implementation of corrective action against identified risks	100% Implementation of corrective action against identified risks	70%	

Q2 target	Q2 Actual	Q3 target	Q3 Actual	Q4 target	Q4 Actual	Means of Verification
30% of ME's Capital budget spent	37%	60% of ME's Capital budget spent	60%	95% of ME's Capital budget spent	98%	Capex expenditure report
Current Ratio: 1:5:1	0.95:1	Current Ratio: 1:5:1	0.98:1	Current Ratio: 1:5:1	0.92:1	Monthly management accounts
Solvency Ratio 1:0:1	0.98:1	Solvency Ratio 1:0:1	0.99:1	Solvency Ratio 1:0:1	0.99:1	Monthly management accounts
Remuneration to Opex expenditure up to 30 %	30%	Remuneration to Opex expenditure up to 30 %	29%	Remuneration to Opex expenditure up to 30 %	24%	Monthly management accounts
Maintenance expenditure up to 20% of Opex budget	18%	Maintenance expenditure up to 40% of Opex budget	15%	Maintenance expenditure up to 40% of Opex budget	14%	Monthly management accounts
90% Collection of debtors in respect of rentals	75%	100% Collection of debtors in respect of rentals	73%	100% Collection of debtors in respect of rentals	72%	Revenue Report.
50% successful closure of rent defaults dispute, through debt collection or rental tribunal	-	75% successful closure of rent defaults dispute, through debt collection or rental tribunal	88%	100% successful closure of rent defaults dispute, through debt collection or rental tribunal	80%	Debt collection report
	Unqualified audit opinion with emphasis of matter	-		Unqualified audit opinion with no emphasis of matter	Unqualified	Auditor-General final report
100% Implementation of corrective action against identified risks	60%	100% Implementation of corrective action against identified risks	85%	100% Implementation of corrective action against identified risks	95%	Risk Control-self assessment submitted to the Audit and Risk Committee.

o.	Strategy Objective	Key Performance Indicator	Baseline 2017/18	Total target for the year 2018/19	Q1 target	Q1 Actual	
6	Improve the control environment	% Implementation of corrective action against audit findings	% Implementation of corrective action against audit findings	100% Implementation of corrective action against audit findings	100% Implementation of corrective action against audit findings	71%	
7	Improve the control environment	% Compliance to laws and regulations	% Compliance to laws and regulations	100% Compliance to laws and regulation	100% Compliance to laws and regulations	0%	
8	Inculcate a culture that enables and encourage staff discipline and performance	% of the implementation of the HR strategy	% of the implementation of the HR strategy	100% of the implementation of the HR strategy	25% of the implementation of the HR strategy	25%	
9	1) Increase the number of buildings acquired and refurbished for affordable housing in the Inner City. 2) Increase Social Housing projects within the transport nodes.	No of Social Housing Units developed for the disadvantaged beneficiaries.	No of Social Housing Units developed for the disadvantaged beneficiaries.	360 number of Social Housing Units developed for the disadvantaged beneficiaries.	-		
10	Number of Expanded Public Works Programme opportunities created.	Number of Jobs created for the unemployed through the EPWP programme.	Number of Jobs created for the unemployed through the EPWP programme.	910 Jobs created for the unemployed through the EPWP programme.	-	25%	
11	Improve customer satisfaction levels.	% Customer satisfaction rating.	% Customer satisfaction rating.	86% Customer satisfaction rating.	-		
12	Improve service delivery standards.	% Achievement of Service Delivery Standards.	% Achievement of Service Delivery Standards.	100% Achievement of Service Delivery Standards.	100% Achievement of Service Delivery Standards.	100%	
13	Enhance financial sustainability.	% Of occupancy rate.	% Of occupancy rate.	98% Of occupancy rate.	97% Of occupancy rate.	95%	
14	Improve customer satisfaction levels.	% Implementation of a stakeholder engagement plan activities	% Implementation of a stakeholder engagement plan activities	100% Implementation of a stakeholder engagement plan activities	25% Implementation of a stakeholder engagement plan activities	31.60%	

	Q2 target	Q2 Actual	Q3 target	Q3 Actual	Q4 target	Q4 Actual	Means of Verification
	100% Implementation of corrective action against audit findings	72.50%	100% Implementation of corrective action against audit findings	50%	100% Implementation of corrective action against audit findings	33%	Follow-up audit report from internal audit
	100% Compliance to laws and regulations	91%	100% Compliance to laws and regulation	81%	100% Compliance to laws and regulations	85%	Compliance report submitted to Board
	50% of the implementation of the HR strategy	50%	75% of the implementation of the HR strategy	75%	100% of the implementation of the HR strategy	21%	Performance evaluation report for Mid-year and year-end
	-		-	-	360 number of Social Housing Units developed for the disadvantaged beneficiaries.	297 Units delivered	Completion certificates and handover reports from independent contractors.
	-		500 Jobs created for the unemployed through the EPWP programme.	239	910 Jobs created for the unemployed through the EPWP programme.	301	Quarterly reports on job-creation.
	-		-	-	86% Customer satisfaction rating.	66,74% Customer satisfaction rating.	Customer satisfaction survey report.
	100% Achievement of Service Delivery Standards.	89.28%	100% Achievement of Service Delivery Standards.	51%	100% Achievement of Service Delivery Standards.	84%	Monthly Service Level Standards reports with supporting evidence per target
	97% Of occupancy rate.	84.55%	98% Of occupancy rate.	92.32%	98% Of occupancy rate.	99% Occupancy Rate	MDA occupancy report.
	50% Implementation of a stakeholder engagement plan activities	74%	75% Implementation of a stakeholder engagement plan activities	96%	100% Implementation of a stakeholder engagement plan activities	172%	Register and minutes of public meetings.

o.	Strategy Objective	Key Performance Indicator	Baseline 2017/18	Total target for the year 2018/19	Q1 target	Q1 Actual	
15	Improve customer satisfaction levels.	% Implementation of the Communication plan activities.	% Implementation of the Communication plan activities.	100% Implementation of the Communication plan activities.	25% Implementation of the Communication plan activities.	25%	
16	Improve the control environment.	% Investigation on reported cases of corruption.	% Investigation on reported cases of corruption.	100% Investigation on reported cases of corruption.	0% Investigation on reported cases of corruption.	-	
17	Contribute towards economic development through BEE empowerment.	% Of Capex spent on 51% Black owned Companies.	% Of Capex spent on 51% Black owned Companies.	30% Of Capex spent on 51% Black owned Companies.	-		
			% Of Capex spent on SMMEs.	30% Of Capex spent on SMMEs.	-		
18	Improve ICT infrastructure and governance.	% Implementation of ICT action plan to support business efficiency.	% Implementation of ICT action plan to support business efficiency.	100% Implementation of ICT action plan to support business efficiency.	25% Implementation of ICT action plan to support business efficiency.	25%	

	Q2 target	Q2 Actual	Q3 target	Q3 Actual	Q4 target	Q4 Actual	Means of Verification
	50% Implementation of the Communication plan activities.	50%	75% Implementation of the Communication plan activities.	75%	100% Implementation of the Communication plan activities.	93%	Quarterly Communication report submitted to Board.
	10% Investigation on reported cases of corruption.	10%	50% Investigation on reported cases of corruption.	100%	100% Investigation on reported cases of corruption.	100%	Quarterly investigation report.
	-	56%	-	63%	30% Of Capex spent on 51% Black owned Companies.	80%	Quarterly Capital expenditure report.
	-		-		30% Of Capex spent on SMMEs.	17%	Quarterly Capital expenditure report.
	50% Implementation of ICT action plan to support business efficiency.	31.25%	75% Implementation of ICT action plan to support business efficiency.	52%	100% Implementation of ICT action plan to support business efficiency.	55%	Quarterly implementation report on ICT Annual Action Plan.

Capital Projects and Expenditure

JOSHCO had a total of 37 projects that were in different stages of development, as recorded by the end of the 2018/19 financial year. Others are still at planning stage, some at the construction phase, others were upgraded, and final works done in preparation of handing over to Housing Management for tenanting. Other developments had come to a halt due to various reasons, notably community objections. Of the 37 projects, 8 were not allocated budget during the 2018/19 fiscal, and their performance remained stagnant throughout the year. The projects that were allocated budget spent a total of R 313 192 665,00 against the allocated capital budget of R321 000 000,00.

Listed below are some of the capital projects that were under construction during the 2018/19 financial year:

GREEN FIELD PROJECTS

Dobsonville Social Housing

Dobsonville has 502 units that reached practical completion stage and the constructor is currently at the final stage of completing the project prior to tenanting. The contractor is proceeding and progressing with construction work fairly well, and is in line for the October 2019completion date for the works. The project has encountered serious delays and disturbances, mainly relating to SMME's, labourer payment disputes and land encroachments. JOSHCO has, and continues to engage, project stakeholders to resolve these issues.

Town Planning: Amendment of ESKOM Servitudes

As at 30 June 2019, JOSHCO was awaiting JPC to issue final documentation to register the servitudes that services the project with the Deeds Office. Once the documents are received from JPC, the attorneys will then proceed with the submission of an application to the Deeds Office to register the servitude against the respective property.

Golden Highway Social Housing, Devland

This is a turn-key project consisting of two phases, and is planned to yield a total of 588 units once complete.

Phase 1 of the project consisting of 255 units, which have been completed and the tenant allocation process is currently underway. Some units (70 in total) are not tenantable due to acts of vandalism that happened immediately after the project was launched.

Phase 2 of the project will yield 333 units once completed. A Development Addendum for Phase 2 has been signed by the developer and a Development Agreement addendum is to be signed with Urban Dynamics, enabling a new contractor to commence with on-site works to allow the completion of Phase 2 of the project. Due to the unavailability of budget in the 2018/19 fiscal, Phase 2 will be implemented in the 2019/20 financial year.

Inner City Projects that delivered units in the 2018/19 financial year

80 Plein Street

The project will yield a total of 344 units at completion. Construction is currently progressing and is within schedule, with 219 units at the end of June 2019 being delivered. The balance of 128 units are expected to reach completion over the next financial year.

Claim Street

TThe projected yield for this development was 80 units. A total of 48 units reached practical completion stage during the 2018/19 financial year. The project experienced challenges in the year, where the contractor was hindered from working due to community disruption and violence. JOSCHO has instructed the professional team to fast-track the procurement of long lead items, such as lifts and water-heat-pump systems, in order to enhance time expenditure on the project.

Durban Street

Project 80, Durban Street, commenced in financial year under review, with a total of 104 units expected to be delivered upon completion. In the 2018/19 fiscal, 32 units reached practical completion stage. The project experienced challenges that significantly affected the ability of the contractor to deliver on schedule, and delayed the construction progress.

Chelsea

The project has delivered only 1 unit that reached practical completion against the target of 25 Units.

Capital Projects Expenditure

In financial year 2018/2019, JOSHCO had been allocated a budget of R 321 Million funded from CoJ Loans, Urban Settlement Development Grant, and National Provincial Grant. At the end of the financial year, JOSHCO spent 98% of the Capex budget against a target of 95%. There is an over-achievement of 3%, when compared against the target. The capital budget was implemented through, amongst others, the following areas:

i. Greenfields projects including Dobsonville and Roodeport;
ii. The Inner-City re-generation programme by purchasing and refurbishing buildings, this includes to name but a few (50 Durban Street, 106 Claim Street, 80 Plein Street); and
iii. Existing stock up-grades programme.

Table 14: The below Table Reflects the Capital Expenditure categories as at 30 June 2019

Greenfield	Pre-construction
R 122 306 058,00	R 4 544 237,00
38,10%	1,42%
Inner City	**Upgrades**
R 180 832 374,86	R 5 501 012,04
56,33%	1,71%

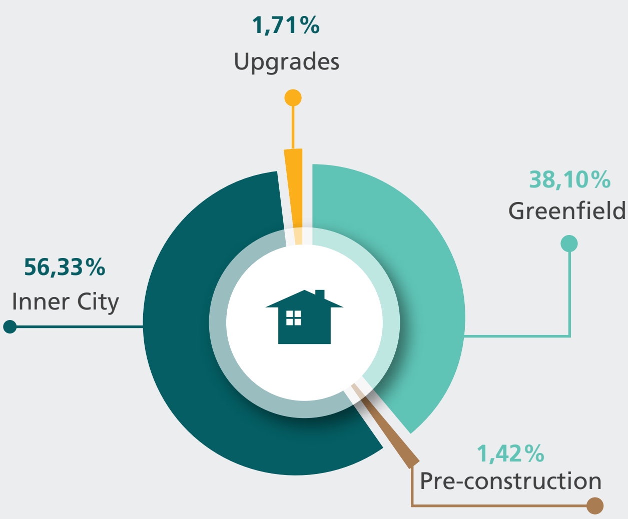


Figure 9

The table below details the capital projects that were allocated a budget during the 2018/19 financial year, and records the progress made in implementation as at 30 June 2019.

Table 15: Capital Projects

Project	Total unit yield	2018/19 Unit Yield	2018/2019 Budget	Qtr. 4 Actual Expenditure	% Spend	Actual Start Date	Planned Completion date	Qtr. 4 Plan	Qtr. 4 Actual
80 Plein Street	344	216	R 72 340 000	R72 333 405	100%	01/08/18	31/11/2019	Completion of Floors 16-19: remedial work and testing of all existing first fix services ongoing and approaching completion.	216 units have been Achieved.
Nancefield Station		0	R 11 000 000	R 8 077473	73%	01/06/2016	31/06/2020 – Date to be revised, once construction commences.	Settlement of outstanding Professional Fees for pre-construction work done by the Professional team.	Achieved.
Dobsonville Social Housing		0	R 94 383 000	R 94 375 667	100%	06/10/2014	22/02/2019	Project completion, including implementation of all inspections and commissioning of the works have been accomplished. Although there was a delay in commencement with rectification of damages on the houses during the month of May 2019, the process will be implemented in July 2019.	Achieved.
Selby	0	0	R 500 000	R 493 122	99%	Not started	Project programme to be reviewed and update once all approvals have been received.	Finalisation of Re-zoning application process with City Planning department.	Achieved.
50 Durban Street	104	32	R 30 000 000	R 29 996 344	100%	01/10/18	31/08/2019	Completion of floors: 2nd to 4th floor including the flooring, painting and installation of doors.	32 units have been Achieved.
106 Claim Street	80	48	R 25 000 000	R 24 999 950	100%	01/11/18	1/11/19	Completion of floors: 1st to 4th floor including the flooring, painting and installation of doors.	48 units were Achieved.
Kliptown Housing Project	0	0	R 0.00	R 0.00	0%	Not started	Project programme to be reviewed and confirmed once Professional team is appointed.	Appointment of Professional team to commence with pre-construction planning works.	Not achieved.

Project	Total unit yield	2018/19 Unit Yield	2018/2019 Budget	Qtr. 4 Actual Expenditure	% Spend	Actual Start Date	Planned Completion date	Qtr. 4 Plan	Qtr. 4 Actual
Golden Highway Social Housing-Devland	0	0	R 450 000	R 445 571	99%	Project has not started. Expenditure is on professional fees and salaries capitalisation	Project programme to be reviewed once budget has been confirmed, so as to allow project commencement.	Issue a Development Agreement addendum to the Developer to commence with phase 2 and commence with construction once budget has been confirmed.	Achieved. Project budget has been confirmed. Expenditure was on professional fees as well as JOSHCO salary capitalisation
Lombardy East		0	R 0.00	R 0.00	0%	Not started	Project programme to be reviewed once community objection has been resolved.	Engage the City Legal department to un-lock the project through addressing the objection lodged by local community against the project.	Not achieved in Quarter 2. Continuous engagement with City Legal department to continue in Quarter 3.
Turffontein Corridor, phase 2.	502	0	R 0.00	R 0.00	0%	To be confirmed once planning is confirmed.	Project programme to be reviewed once the Professional team has been appointed.	Appointment of Professionals.	Professional not appointed as Panel of Professionals has expired.
Inner City Rental Housing	0	0	R 0.00	R 0.00	0%	March 2017	June 2019	Multiple projects implemented in the inner city	Projects in the Inner City are at close-out stages and require approval of Variation Orders – Albert Street, Wolmarans and Fraser House, specifically.
280 Smith Street	0	0	R 500 000	R 419 652	84%	01/01/19	The project will reach the procurement stage, so as to secure a main contractor.	Building Plan approvals.	Not achieved. Awaiting Building Plan approvals from the City.
38 Rissik Street	0	0	R 0.00	R 0.00	0%	01/01/19	Project programme to be established once the Professional team for the project has been appointed.	Appointment of Professionals.	Not achieved due to lack of Panel of Professionals.
Booysens place	0	0	R 0.00	R 0.00	0%	01/01/19	Project programme to be established once the Professional team for the project has been appointed.	Appointment of Professionals.	Not achieved due to lack of Panel of Professionals.

Project	Total unit yield	2018/19 Unit Yield	2018/2019 Budget	Qtr. 4 Actual Expenditure	% Spend	Actual Start Date	Planned Completion date	Qtr. 4 Plan	Qtr. 4 Actual
8-16 Abel Street	0	0	R 15 300 000	R 15 025 329	98%	10/04/17	Project completion date to be re-determined after delays due to community protest.	The project has resumed after delays caused by the community protest action – based on demands for including security personnel that accounted towards a 30% inclusion for local empowerment. The project continues to be developed.	Achieved.
Randburg Selkirk	0	0	R 2 000 000	R 1 999 932	100%	01/03/2016	31/03/2020	Re-tendering of the project. Due-diligence currently underway on the recommended Bidder.	Achieved. Achieved.
Turffontein Social Housing Project	0	0	R 17 000 000	R 16 992 497	100%	01/04/2016	31/08/2018	Approval of Variation order for repairs. Once the work is approved by JRA and the Fire Engineer, final inspections will be implemented in order to obtain Occupation Certificate.	Rectifications works commenced, inspections to take place on completion.
Roodepoort Phase 2	0	0	R 2 500 000	R 2 414 850	97%	15/10/2017	31/06/2019	Site hand-over and construction commencement. The project has been on hold from November 2018 due to NHBRC enrolment. The resubmitted report was approved on Thursday 08/05/2019 and construction has commenced on site.	Achieved.
Malvern	0	0	R 0.00	R 0.00	0 %	To be established once planning is concluded.	Project to be reviewed once the there is a valid Panel of Professionals.	No further activities are to be undertaken on the project, due to budget allocation. The appointment of professionals will resume at Marlboro South, in the next financial year, according to the allocated budgets.	Not achieved due to lack of Professional team and budget relocation.

Project	Total unit yield	2018/19 Unit Yield	2018/2019 Budget	Qtr. 4 Actual Expenditure	% Spend	Actual Start Date	Planned Completion date	Qtr. 4 Plan	Qtr. 4 Actual
CoF Marlboro South	0	0	R 0.00	R 0.00	0 %	To be confirmed once planning is confirmed.	Project programme to be reviewed and updated once the Professional team has been appointed.	No further activities to be undertaken on the project due to budget allocation. The process will resume Marlboro South in the next financial year with the allocated.	Not achieved due to lack of Panel of Professionals.
Chelsea Social Housing	0	1	R 5 500 000	R 5 720 070	104%	March 2017	June 2019	Procurement and appointment of contractors from the Panel of Contractors to be finalised for further development of 25 units.	Achieved, main Contractor appointed and currently on site.
City Deep	0	0	R 3 000 000	R 2 991 325	100%	January 2018	End of June 2019.	The contractor scope of works: Painting the external inner court walls and externals works. The contractor will continue with works in the next financial year once budget is made available.	Done
Pennyville	0	0	R 700 000	R 695 725	99%	June 2018	End of June 2019.	The main Contractor has been appointed. The budget has been fully utilised on the project.	Achieved.
Albert Street			R 2 482 000	R 2 283 218	92%	18/04/2017	30/06/2018	The outstanding item has been escalated to City Power for an electrical supply connection to the building. City power has been unable to confirm dates of connection, due to their internal process. Once we receive timelines and dates from City Power, we can then estimate hand-over dates.	Not Achieved
Wolmarans Street			R 6 210 000	R 6 199 620	100%	03/04/2017	30/06/2018	Transformer room and commissioning of services.	In progress
Hoek Street			R 5 055 000	R 5 054 706	100%	02/06//2015	30/06/2018	Processing of outstanding payment to the Main Contractor.	Achieved

Project	Total unit yield	2018/19 Unit Yield	2018/2019 Budget	Qtr. 4 Actual Expenditure	% Spend	Actual Start Date	Planned Completion date	Qtr. 4 Plan	Qtr. 4 Actual
AA House			R 300 000	R 0.00	0%	1/05/2015	30/06/2018	Minor painting to external façade/ window reveals window frames and metal works.	Not Achieved, budget re-allocated and works to be performed in 2019/2020.
Casa Mia			R 5 000 000	R 3 781 587	76%	15/06/2017	TBA – Project is blocked. To go out on a re-tender	Paying off professional services	Professionals were paid 87%. Main contractor's final claim is yet paid until consultants are fully paid.
Fraser House			R 5 228 000	R 5 226 445	100%	10/04/2017	30/06/2018	The outstanding item has been escalated to City Power for an electrical supply connection to the building.	Achieved
PikiTup			R 3 500 000	R 627 219	18%	30/02/2019	TBC - contractor is yet to be appointed.	Tendering, Appointment of the main contractor and paying for Professionals services.	No Achieved. The project is still at BEC.
Kerk Street			R 5 500 000	R 5 494 787	100%	1/07/2018	30/06/2019	Processing of Professional fees for transformer design.	Achieved
Jabulani			R 300 000	R 309 000	103%	1/07/2018	30/06/2019	Professional fees.	Achieved.
Nederberg			R 4 200 000	R 4 098 679	98%	01/05/2017	30/06/2019	Finalisation of external works and pay professionals.	Achieved
Orlando			R 1 000 000	R 999 620	100 %	1/08/2018	TBC	Finalising Conveyancing, approval of SDP & Building plans.	Not Achieved due to delays in Building Plan approval.
Rashers			R 492 000	R 503 624	102%	1/07/2018	TBC	Approval of variation order and commencement of works.	Achieved.
Princess Plots			R 1 500 000	R 1 322 531	88%	TBC	TBC – contractor is yet to be appointed.	Tendering, Appointment of the main contractor and paying for Professionals services.	Not Achieved. The project is still at Due-Diligence stage.
Kliptown Square			R 60 000	R 59 924	100%	1 July 2018	30 June 2019	Town Planning and property transfer to beneficiaries. Payment to professionals for the way-leave application. The way-leave has been received.	Achieved.
Total		297	R321 000 000	R313 192 665	98%				

KEY FUNCTIONS

Leasing and Allocation Function

Leasing and allocation are an integral part of the housing management function at JOSHCO. As at the end of the financial year, JOSHCO achieved an overall occupancy level of 99% of tenantable and habitable units, against the projected target of 98%. A full analysis of occupancy levels is provided in the table below.

Table 16: Occupancy Levels per Project for the Year ended 30 June 2019.

Project	Total Units	Vacant Units	Tenantable/ Habitable Units	Occupied Units	Occupancy (%)
AA House	253	1	253	252	99,60
African Diamond	61	22	39	39	100
Antea	302	0	302	302	100
Bellavista Infill	36	1	36	35	97,22
Bohlabela	520	2	520	518	99,62
Chelsea	80	1	79	79	100%
Citrine Court	79	0	79	79	100,00
City Deep Communal	37	0	37	37	100,00
City Deep Conversion	220	0	220	220	100,00
City Deep Greenfields	329	0	329	329	100,00
City Deep Housing Project	123	0	123	123	100
Devland	255	23	170	147	86.4
Diepkloof	148	3	146	146	100.00
Europa House	167	0	167	167	100,00
Fleurhof Ph. 1	452	1	452	451	99,78
Hoek Street	262	62	200	200	76,34%
Fleurhof Ph. 2	253	0	253	253	100,00
Jabulani	54	0	54	54	100,00
Klipspruit	71	2	71	69	97,18
Kliptown Golf Course	932	1	932	931	99,89
Kliptown Square	478	2	478	476	99,58
La Rosabell	50	0	50	50	100,00
MBV	187	0	187	187	100
Orlando Ekhaya Ph. 2	190	0	190	190	100,00
Orlando Ekhaya Ph1	102	0	102	102	100,00
Phoenix House	137	55	82	82	100

Project	Total Units	Vacant Units	Tenantable/ Habitable Units	Occupied Units	Occupancy (%)
Orlando West	44	1	44	43	97,73
Pennyville (Flats)	207	0	207	207	100,00
Pennyville (Rooms)	564	3	564	561	99,47
Rashers	95	0	95	95	100,00
Roodepoort	432	1	432	431	99,77
Selby Rooms	19	2	19	17	89,47
Textile House	162	37	125	125	100
Turffontein	524	30	322	292	90.68
Selby Units	262	1	262	261	99,62
Total	**8087**	**250**	**7621**	**7550**	**99.06**

The Zenzele Project

Zenzele is a job creation initiative which was introduced in 2017 aimed to address the problem of rising unemployment and declining rental payments at JOSHCO projects. The total number of participants in the Zenzele project, at the end of the 2018/19 financial year was 227 individuals working in 30 co-operatives. The Zenzele project statistics during 2018/19 resulted in:

- Providing 227 jobs for formerly unemployed tenants, their family members and community members and;
- Community members being drawn from around hostels where most tenants were either COJ employees, such as in the Klipspruit hostel or who were selected according to community job opportunity processes as dictated to by indunas (chief community leader), as in the case of the Jabulani and Diepkloof hostels.
- The programme running on a month-to-month basis in the last half of the financial year, due to the resolution that was taken by EXCO to terminate the project as it had attracted SCM queries on the appointment of the co-operatives.

The table below indicates the number of jobs created through the cleaning and gardening programme, per projects:

Table 17: Jobs created as at 30 June 2019.

Project Name	No. of Job created
AA House	7
Antea	10
Botlhabela	21
Chelsea	6
Citrine And Infill	7
City Deep New	8
City Deep Old	10
Devland	0
Diepkloof	7
Europa House	6
Fleurhof Junction	14
Fleurhof Riverside	10
Jabulani	4
Klipspruit	7
Kliptown Gold Course	24
Kliptown Square	11
La Rosabel	2
MBV	6
Orlando Ekhaya	9
Orlando West	4
Pennyville	14
Phoenix House	5
Raschers Building	4
Roodepoort	16
Selby	10
Textile & African Diamond	6
Total	**227**

Maintenance Function

Maintenance is a component of Property Management, which is a strategy for retaining and growing the value of the building as an asset. Maintenance is therefore pivotal to the management of the entire investment in the building. Maintenance jobs fall into the following categories:

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

A total of 4635 jobs were logged during the financial year at a total maintenance cost of R12 635 544. An amount of R9 725 886 was spent on reactive jobs and R2 909 658 was spent on planned maintenance programmes. The SDA key performance indicator of 96% relating to the number of maintenance cases closed within turnaround of seven (7) days was achieved with 96% being reached.

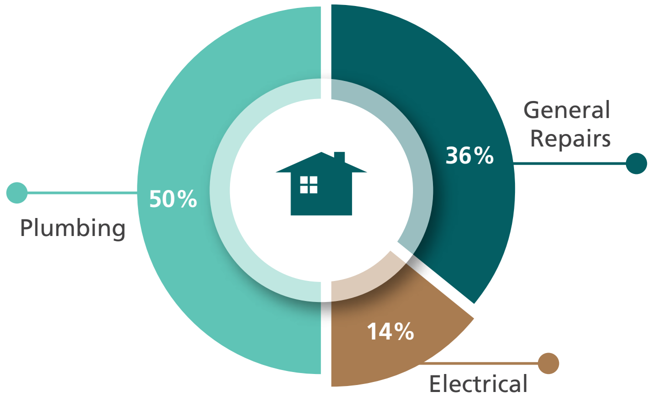
The average maintenance cost of R1 527 per unit for the year is in line with the recommended SHRA benchmark of R100 maintenance costs per unit per month.

A panel of maintenance contractors was appointed during the fourth quarter with 58 service providers being appointed through a tender process.

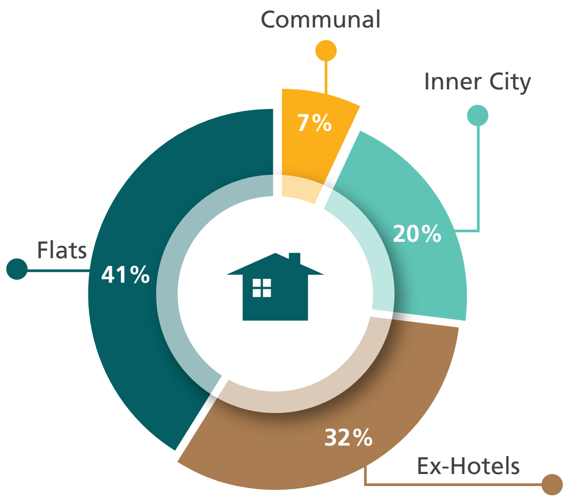
Due to budgetary constraints, only maintenance logged by tenants and site staff was attended to, while the majority of the planned maintenance programme was deferred to 2019/2020, with the exception of maintenance required for compliance requirements or for the provision of basic services.

The jobs per service type were distributed as follows: thirty six percent (36%) of jobs relating to general repairs and maintenance, fifty percent (50%) to plumbing, and fourteen (14%) to electrical.

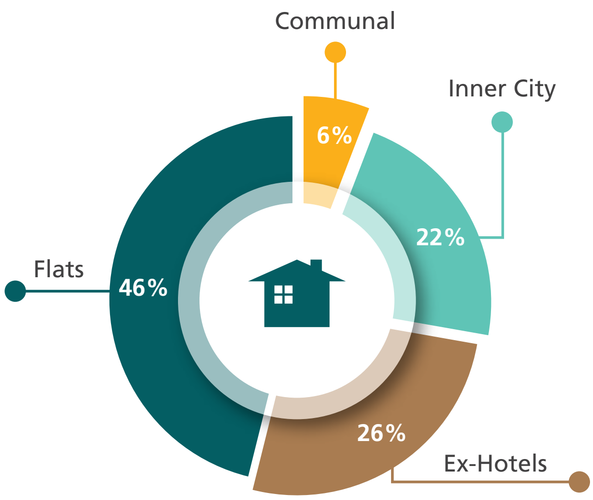
Jobs Per Service Types



Complaints Per Projects Type



Percentage Cost Per Project Type



Costs

The following table provides an analysis of maintenance costs per quarter for 2018-2019

Table 18: Maintenance Costs for the Year ended 30 June 2019

Quarter	Cost YTD	Cost Per Quarter	Total Units	Cost Per Unit	Cumulative Cost Per Unit
Total	R12 635 544	R9 725 886	R2 909 658	4635	R2726

Turnaround Times

Table 19: Turnaround Times and Analysis as at 30 June 2019

Turnaround Analysis	Number of Jobs
Jobs completed within 24 hours	1289
Jobs completed in 1 day	873
Jobs completed in 2 days	564
Jobs completed in 3 days	440
Jobs completed in 4 days	331
Jobs completed in 5 days	256
Jobs completed in 6 days	260
Jobs completed in 7 days	458
Jobs completed in more than 7 days	164

Performance per Quarter	Q1	Q2	Q3	Q4	Average
	96%	96%	96%	96%	96%

The following report provides a breakdown of planned maintenance executed during the 2018-2019.

Table 20: Planned Maintenance Analysis as at 30 June 2019

Planned Maintenance: 2018-2019	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Fire Equipment	28 923	338 832	322 892	94 365
OHSA	44 625	40 728	-	-
AA House	-	-	-	354 185
African Diamond	-	23 238		
Antea	118 503	43 308	-	89 022
Bellavista Infill	-	129 111	-	-
Chelsea	24 611	-	-	-
Citrine Court	317 917	23 172	-	-
City Deep	32 835	-	-	-
Devland	-	37 000	-	-
Europa House	58 803	-	-	81 792
Fleurhof Junction	90 900	40 434	15 402	-
Fleurhof Riverside	55 012	-	91 544	56 244
Hoek Street	-	-	23 102	-
Kliptown Golf Course	18 580	-	-	-
Kliptown Square	18 644	28 374	-	-
NBS	26 000	-	-	-
Orlando Ekhaya	31 650	-	-	-
Orlando West	109 323	-	-	-
Raschers	9 462	-	-	15 768
Selby Village	35 848	39 509	-	-
Total Expenditure	**1 021 636**	**743 706**	**452 940**	**691 376**

Community Development Function

The function of community development aims at improving the livelihoods of JOSHCO tenants through initiating programmes that encourage social cohesion. Programmes were uniquely placed to assist in social and economic development. Organisational resources were utilised as a strategic enabler for Community development, to improve quality of life and increase tenant participation by implementing effective, innovative and distinct methods of engagement, as well as to manage stakeholder expectations across the board.

Community Development focused on the following programmes in the 2018/19 financial year:

a. EPWP Job creation programme
b. Early Childhood Development Programme
c. Pyscho-social support
d. Database development and management for all the programme

Expanded Public Works Programme

The EPWP is a government initiative aimed at reducing poverty and unemployment by providing training and short to medium term, labour-intensive work opportunities to poverty stricken and unemployed South Africans. A total of 301 jobs were created through community development programmes and short-term work opportunities were created at projects that were under construction during the financial year.

During the last quarter, new contracts were created for the EPWP Job Creation Programme for cleaning and gardening services. The contracts started on the 1 May 2019 and will end on the 30 June 2020. A total number of 67 people have signed the contract, getting a stipend of R3500.00 each month. In addition, 7 EPWP participants recruited as leasing administrators who are based at JOSHCO offices.

Customer satisfaction survey was administered through EPWP participants and resulted in 66 people participated in the programme. The balance of 159 participants were provided jobs through projects that were under construction.

Table 21: Scope of EPWP Work

Initiatives	Project Name	Scope of work	Impact
Community Development Programmes	Leasing Administration	Administrators General administration work	• 7 Leasing Administrators
	Customer Satisfaction Survey	Survey	• 66 jobs were created during this quarter (short-term contracts)
	Africa Diamond & Textile Devland City Deep AA House MBV Turffontein Kliptown Square Orlando Ekhaya	Cleaning & Gardening Maintain the external areas of the residential properties by keeping them clean. Keep the premises free from hazards in general areas including parking lots, passages, stairs, verandas and common areas.	• 69 participants for Cleaning and Gardening in different projects
Housing Development	Various projects that were under construction	• Brick layers assistants • Cleaning of the project • Mixing cement • Other general works	• 159 participants benefited through

Early Childhood Development Programme

JOSHCO's Early Childhood Development Programme focusses on establishing early childhood development centres that cater for the children at JOSHCO residential areas. The entity currently provides facility for ECD programmes that are at AA House, Antea, and Bothlabela projects. The ECD are operated through Provincial Social Development (Regional Offices) and Cotlands.

New Grow with Educate Centre Partnerships for ECD centres

Access to Early Childhood Development education in poorer communities in South Africa is among the fundamental challenges facing the country's development. JOSHCO community development has established a partnership with Grow with Educate Centre. Site visits were conducted to identify suitable space for the development of the ECD centres. Grow with educate Centre, is a micro franchise model. It provides a sustainable, scalable way to address South Africa's Early Learning Deficit. Its model is based on the belief that providing quality ECD education to the majority of SA children has the potential to fundamentally change the future of South Africa. The unique model of Grow with Educate Centre offers an all-encompassing solution that spans from school establishment to ongoing business sustainability through high quality early childhood development, sound procedures and financial management. Four (4) ECD centres have been identified and are in partnership with Grow, namely AA House, Chelsea, Kliptown Square and City Deep.

Psycho-social support

Seven tenants were referred for psycho-social support. Most of the referrals were tenants and prospective tenants that experienced socio-economic issues. The socio-economic issues relate to the inability to pay for the leases due to job related challenges. .

SECTION 6: CUSTOMER SATISFACTION ON JOSHCO SERVICES

JOSHCO undertook the annual customer satisfaction survey in the last quarter of the 2018/19 FY, to determine tenant satisfaction levels resulting from services provided by JOSHCO at various housing projects across the City of Johannesburg.

The overall positive rating of the customer satisfaction survey was captured at 70.3%. The satisfaction index of 70.3% was slightly higher than the 2017/18 financial year rating, this being recorded at 70.1%. AA house scored the highest overall satisfaction levels. Cleaning services was perceived as the best performing service, and this bodes well for JOSHCO, as tenants prefer to live in a clean environment.

Most services attained good, mean scores, with the exception of building maintenance services, dealing with queries and listening to the views of tenants, and subsequently acting on them. Some projects such as Kliptown, Kliptown Golf Course, Kliptown Square, MBV and Orlando Ekhaya performed a great deal below expectations.

Management is attending to negative issues raised by tenants in order to put together a comprehensive plan to address identified gaps and sustain the good service that the tenants are satisfied with.

SECTION 7: RECOMMENDATION AND PLANS FOR NEXT FINANCIAL YEAR

Hereunder is an indication of JOSHCO's project pipeline.

Table 22: Projects under Planning (Pipeline of Projects)

Projects	Outputs(no units)	Future activities
Lufhereng Social Housing	120	This is a turn-key mixed-development project, mainly under the ambit of the City of Johannesburg. JOSHCO is developing a total of 407 social housing units.
Golden Highway Social Housing (Devland)	120	The total project yield is 588. JOSHCO has completed phase 1 consisting of 255 units, currently occupied. The Developer will commence with phase 2 consisting of 333 units in quarter 2 of 2019/2020.
80 Plein Street	112	The project will yield a total of 344 on completion. The main Contractor is currently on site and on schedule.
Inner City acquisition/ Conversion		
280 Smit Street	40	The project is schedule to go to tender during the first quarter of 2019/2020, and will, in total, yield 370 affordable rental units.
Selby	35	JOSHCO management and the Professional team currently working on finalising the re-zoning application for the project.
106 Claim Street	Project completion	Main Contractor is currently on site, progressing with the works. The project is scheduled for completion in October 2019.
50 Durban	52	Main Contractor is currently on site, progressing with the works. The project is scheduled for completion in October 2019.
38 Rissik Street	Pre-construction	The project is to undergo pre-construction planning during financial year 2019/2020.
Casamia 1	Pre-construction	The first main Contractor that was appointed on the project was terminated. JOSHCO will finalise the Final Account on the project, commence with re-packaging of the project in order to procure a contractor to complete.
Abel Road Phase2	Phase 2 Upgrade	Main Contractors are currently on site to complete the project.
Randburg Selkirk	60	JOSHCO has finalised procurement and appointment process of the main Contractor. A site hand-over is planned for first week of September 2019.
Roodepoort/Phase 2	55	The main Contractor is currently on site to complete 92 social housing units. This is phase 2 of the Roodepoort development.
Princess Plots	150	Procurement process has been concluded, site hand-over is scheduled for the first week of September 2019.
City Deep Hostel	Upgrade	This is an existing project, JOSHCO will implement re-capitalisation programme on the project.
Kliptown Walter Sisulu Square	Upgrade	This is an existing project, JOSHCO will implement re-capitalisation programme on the project.
Chelsea	Upgrade	This is an existing project, JOSHCO will implement re-capitalisation programme on the project.

CHAPTER FOUR

HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT

Introduction

SECTION 1: EMPLOYEE REMUNERATION

The Human Resources Unit provides human resource leadership to ensure a high-performing organisational workforce. The unit provides strategic direction and advice related to human resource policies and initiatives such as diversity and leadership development; develops and implements innovative corporate human resource policies and practices; and fulfils legislative and delegated responsibilities for recruitment, compensation, employee and benefits, employee development, employee wellness and labour relations. During the year under review, the unit evolved and adapted its service offerings and structure to meet on-going Business demands. The following is a summary of the most notable achievements and challenges against the implementation of the Human Resources (HR) Strategy:

Organisational Design

Human Resources successfully completed the organisational structure review and design for the 2018/19 financial year. The newly-designed process included a review and the development of Job Profiles and conducting job evaluations for all positions in the organisational structure.

Talent Sourcing and Vacancy Rate

A key objective has been to keep the vacancy rate below 5%, and that had been a challenge during the 2018/19 financial year, the major factors of the challenge was due to the unplanned senior management turnover and the moratorium on halting the recruitment of positions while the organisational review process was underway. The total vacancy rate was 16% for the period ending 30 June 2019, which is 11% higher than the planned target of 5%.

Employee Performance Assessments

JOSHCO achieved 100% in respect of employee performance contracting and Mid-term reviews. The 2018/19 financial year saw the introduction of the review of the Performance Management System which created uniform performance management templates which are strictly aligned with the company scorecard and approved budget.

The review and development will assist the organisation in the prompt drafting of quarterly reports, going forward. Unforeseen challenges relating to the changing of employee scorecard status to enable updates to scorecards or to ratings captured - and the impact that this has had on the reports - have provided valuable learnings for enhancements to be made to the system, in preparation for 2019/20.

Employment Equity

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 84% against a target of 82%.

Policy Development and Review

A policy on the Regulation of Working Hours was developed and approved by the Board to enable JOSHCO to create a work environment that is conducive and flexible to foster employee work-life balance. A staff business training day was held on 15 June 2018, to educate staff on HR procedures, benefits and general information pertinent to all employees of JOSHCO. The objective was to create a conducive working environment and maintaining fair labour practice. Policy manuals were provided to attendees for future reference. Policies that require revision will be revised and approved in the first quarter of the 2019/20 financial year.

Skills Audit

JOSHCO embarked on a Skills Audit exercise to identify the skills that the organisation currently has, and where skill gaps currently exist, in order for the organisation to meet its strategic objectives and service delivery standards. Not only is it important for JOSHCO to know what each employee's skill set and skill levels are, but it is also important to understand how these skills are utilised as part of their specific work role. The implementation of the audit results has been deferred to the new financial year.

On-boarding of New Employees

The On-boarding Programme is aimed at introducing new employees into JOSHCO's staff compliment. The programme comprises a three-day programme which includes a meet-and-greet with the CEO and a comprehensive programme of introduction into the various departments within JOSHCO, as well as the opportunity to visit the projects developed by the company.

Learnership and Internship Programme

This programme is in line with the National Skills Development (NSD) Plan, of which JOSHCO subscribes. The company offers unemployed youth and graduates the opportunity to acquire workplace skills and experience. A total of 10 Interns were given an opportunity for employment during the 2018/19 financial year. Of this number, 4 interns have since obtained formal permanent employment elsewhere.

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, etc., JOSHCO was to ensure proper care and management of employee records. Therefore, in order to comply with this requirement, an HR File Plan was designed for JOSHCO and approved by EXCO for implementation. The employee records were re-labelled and where necessary, new personnel files were opened and aligned to the approved File Plan.

Human Resource Oversight Statistics

Employee remuneration (total costs including executives)

This section provides the total employee remuneration against the budgeted remuneration, including the Executives as summarised in the table below.

Table 23: Personnel Cost by Occupational Level as at 30 June 2019:

Occupational Level	No. of employees	(R'000) Personnel Expenditure	% of total personnel cost	(R'000) Average cost per employee
Top Management (CEO, CFO, Executive Managers)	2	3 46 741 95	10%	771 284 03
Senior Management (Senior Managers, Programme Managers)	4	4 159 554 28	10%	525 853 51
Professional Qualified / Middle Management (Portfolio Managers, Accountants)	19	12 254 625 07	29%	39 955 16
Skilled Technical and Academically Qualified (Housing Supervisors, Billing Clerks, Credit Controllers, Bookkeeper)	67	18 583 587 98	41%	460 011 65
Semi-Skilled (Administrators, Caretakers, Receptionists)	7	4 185 166 72	9%	96 948 32
Internship	6	148 410 00	0.2%	4 794 00
Unskilled (Office Attendants)	3	499 617 77	1%	111 760 28
Total	**108**	**43,577,703,77**	**100%**	**2 267 864,63**

Salary Cost	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Total Salary Cost	10 991 782	23 187 761 66	33 410 469 45	50 329 068
Total Opex	46 542 494	95 794 993	142 643 000 00	218 372 000
% remuneration to Opex Spent	**24%**	**24%**	**23%**	**23%**

The above tables reflect employee cost as a percentage of total employee expenditure which is at 28% which would be less than the 30% remuneration to Opex Expenditure target ratio. A total of 63% of JOSHCO's compensation is spent on skilled technical and academically qualified occupational levels; these are mainly JOSHCOs critical delivery roles such as the Housing Supervisors, Billing Clerks, Credit Controllers, Officers and Bookkeeper and Executive Assistants. A total of 1% comprised top management at executive layer, as a result of a high staff turnover.

SECTION 2: EMPLOYMENT AND VACANCIES

This section provides reporting on key vacancies that have had a serious impact on the business. This data also makes provision for a detailed age analysis of key vacant positions as a result of resignation, and turnaround time to fill vacancies. A detailed staff establishment is provided in the table below to indicate occupancy and vacancy percentages as per the approved structure.

Table 24: Employment and Vacancies as at 30 June 2019

Mandate / Support	Departments	Overall Staff Establishment (2017/18 -20/21)	Approved Staff Establishment for 2017/18	Occupied 2018/19	Vacant 2018/19	Temps	Interns
Mandate	Housing Development	18	13	10	3	0	1
	Housing Management	95	55	49	6	1	0
Support	Office of the CEO	2	2	2	0	1	0
	Governance & Legal Services	5	2	1	1	1	0
	Finance, SCM & Revenue	38	34	27	7	1	2
	Business Plan, Risk & IT	6	5	4	1	0	0
	Corporate Services	25	15	9	6	0	3
Total		**189**	**126**	**102**	**24**	**4**	**6**

Total number of occupied positions (Incl. temps % Interns)	Occupancy	Vacancy
Vacancy and Occupancy (Incl. temps)	106	24
Total	**81%**	**16%**

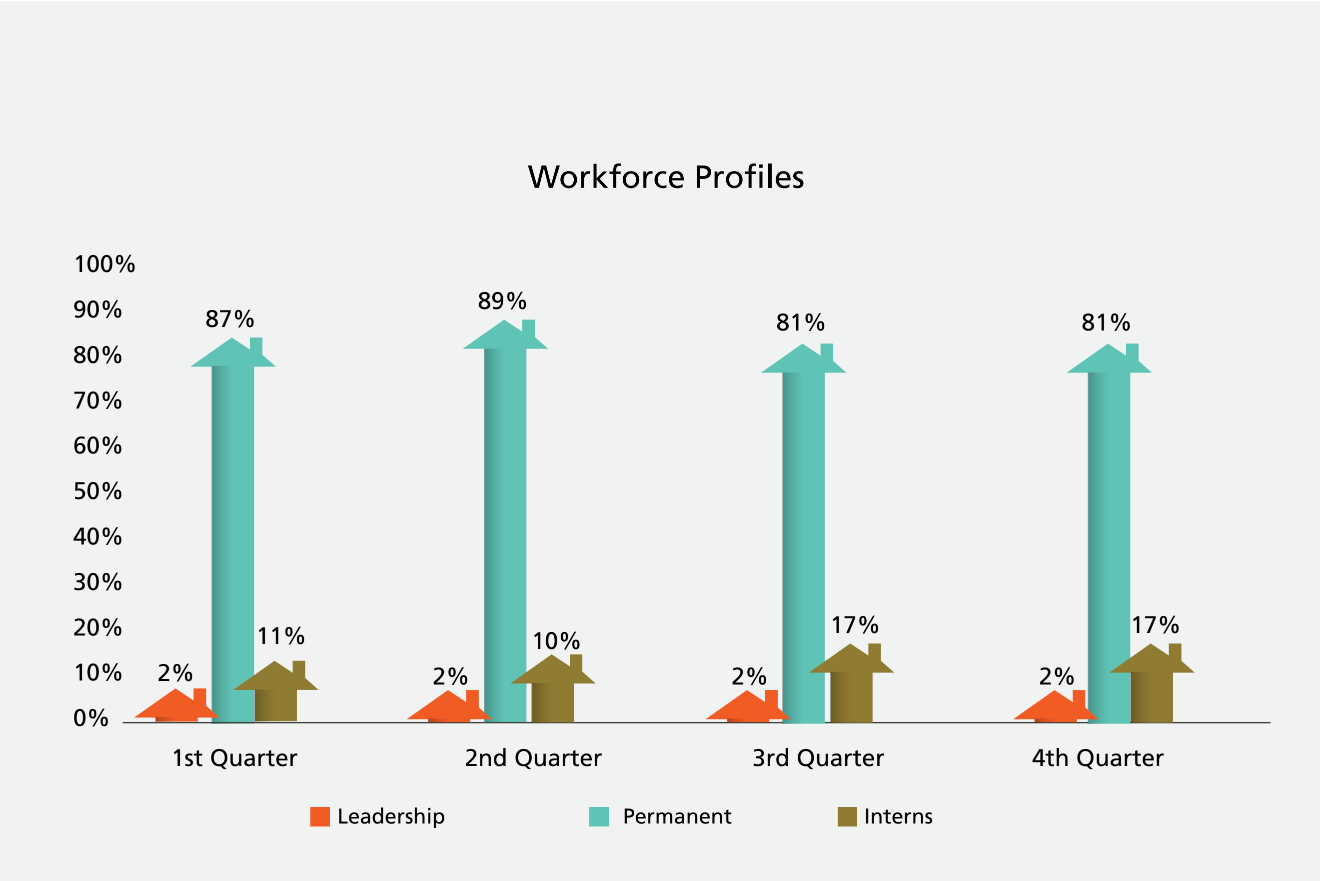
JOSHCO is operating at an 84% occupancy rate, against the approved staff establishment, with the remaining 16% recorded as a vacancy rate. The high vacancy recorded is inclusive of the new positions in the approved structure, which are in the process of being filled.

Table 25: Reasons for Staff Leaving

2018/19	Total No. of Staff Leaving	% Total of Staff Leaving
Death	0	0%
Resignation	2	40%
Dismissal	0	20%
Retirement	1	20%
Ill health	0	0%
Expiry of contract	0	0%
Other	1	20%
Total	**4**	**100%**

Workforce Profile

JOSHCO workforce profile and staff complement per quarter for the 2018/19 F/Y



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 or unemployed and/or seeking employment and 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, 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.

Table 26: Employment Equity as at 30 June 2019

Employment Equity Profile														G/ Total
Occupational Level	Male				Female				Foreign National		F	M	
	A	C	I	W	A	C	I	W	F	M	50%	50%	
	(39%)	(1,5%)	(1,5%)	(8%)	(39%)	(1,5%)	(1,5%)	(8%)					
Top Management	1	0	0	0	0	0	0	0	0	0	0	1	2
Senior Management	1	0	0	0	3	0	0	0	0	0	3	1	4
Professionally Qualified / Middle Management	6	0	0	4	7	0	1	0	0	1	8	10	19
Skilled Technically and Academically Qualified	32	1	0	0	28	3	2	1	0	0	34	33	67
Semi-Skilled	5	0	0	0	8	0	0	0	0	0	8	5	13
Unskilled	0	0	0	0	3	0	0	0	0	0	3	0	3
Temps	1	1	0	1	1	0	0	0	0	0	1	3	4
Total	**46**	**2**	**0**	**5**	**51**	**3**	**3**	**1**	**0**	**1**	**58**	**53**	**112**

Table 27: Person with Disability

Persons with Disabilities													G/ Total
Occupational Level	Male				Female				Foreign National		Total		
	A	C	I	W	A	C	I	W	Female	Male	Female	Male	
Top Management	0	0	0	0	0	0	0	0	0	0	0	0	0
Senior Management	0	0	0	0	0	0	0	0	0	0	0	0	0
Professionally Qualified / Middle Management	0	0	0	0	0	0	0	0	0	0	0	0	0
Skilled Technically and Academically Qualified	0	0	0	0	0	0	0	0	0	0	0	0	0
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**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Description	JOSHCO EE Actual	Gauteng EAP EE Target	JOSHCO EE Actual %	Variance
Africans	96	78%	86%	+8%
Coloureds	5	3%	5%	+2%
Indians	3	3%	3%	0%
Whites	6	16%	5%	-11%
Persons with disability	4	2%	4%	+2%
Male	55	50%	50%	0%
Female	55	50%	50%	0%

Business Unit Targets (2018/2019)	Baseline 2017/2018	2018/2019 Target	Achievement Current period	IDP Indicator Baseline 2016/2017	IDP Indicator Target	IDP Indicator Achievement Current Period
Race	81,86%	82,86%	83,71%	80,61%	81,61%	83,71%
Gender	88,88%	89, 88%	94,04%			
People with Disabilities (Note: Any value > 2% will be a 100% achievement on PWD target)	100,00%	100,00%	100,00%			

SECTION 4: SKILLS DEVELOPMENT AND TRAINING

In line with the company's Training and Development Policy, JOSHCO offers a wide range of skills development programmes that enable employees to gain valuable and relevant skills competencies and experience to contribute to the attainment of individual, team and organisational goals. This is especially vital, as the Board and management have high expectations that relate to performance, especially in an increasingly diverse and demanding environment. As at 30 June 2019, a number of employees attended training, and is summarised in the table below.

Table 28: Training Attended as at 30 June 2019

Training intervention	Target participants	Number of staff	Costs
Skills Development Facilitator Training	• HR Administrator	1	R6 900.00
Enterprise and Supplier Development for Procurement Professionals	• SCM Manager	1	R10 177.50
Annual Affordable Housing Conference	• CEO	1	R32 434 .25
SmartScreen Application and Biometric Integration workshop	• HR Administrator and HR Officer	2	R2 530.00
JBCC Suite of Contracts Edition 6.1	• Contracts Manages, Town Planner, EM Housing Development, Programme Manager: Planning and Design, Compliance Officer	10	R80 488.50
ITIL Training	• IT Technician and IT Manager	2	R15 410.00
Total		**17**	**R 147 940.25**

A total amount of **R147 940.25** was spent on skills development initiatives, to date.

Applications for Bursaries opened on in November 2018, below is a breakdown of all applications received:

Table 29: Table 25: Bursary Applications for the Year ended 30 June 2019

Recurring bursaries for studies above one year	Costs	New applications for bursaries	Costs
11 Staff Members	R253 985.00	5 Staff Members	R 343 869.00
Total			**R 597 854.00**

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 procedures for setting performance objectives, which is aligned to the Business Plan and Divisional plans.

Formal performance reviews are conducted bi-annually, and Year-end performance scores is 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 fairly reviewed. A performance management workshop was held on 15 June 2018, to educate staff on the above-mentioned policy. The table below summarises the submission of performance agreements and reviews, per department.

Table 30: Performance Management 2018 – 19 Financial Year

Department	Eligible Staff members	Performance Agreements submitted	Mid-Term Performance Reviews submitted
Office of the CEO	2	2	2
Governance and Legal	1	2	2
Business Planning, Risk & IT	4	4	4
Corporate Support & HR	9	13	12
Housing Development	10	11	11
Housing Management	49	50	40
Finance, SCM and Revenue	27	31	31
Total	**102**	**102**	**102**
Submission		100%	100%

The submission of Performance Agreements is 100%, and the mid-term performance review is at 100%. The final annual performance appraisal is yet to commence after 30 June 2019.

SECTION 6: MISCONDUCT AND DISCIPLINARY ACTION

Employee Representation

The company has an effective consultative committee which provides a platform to engage employees, as well as to consult with staff on key issues that are affecting, and subsequently, the business at large. A total of 13 Local Labour Forum (LLF) meetings were held as at 30 June 2019. A total of 71 employees belong to a labour union of which 16 subscribe to IMATU, 55 to SAMWU, 4 pay Agency Shop Fees and 12 employees are not affiliated to any union. Both unions are represented with duly elected shop stewards.

Labour Relations Matters

The table below summarises the labour relations cases recorded as at 30 June 2019:

Table 31: : Labour Relations Cases for the Year Ended 30 June 2019

Nature of Disciplinary Action	Nature
Verbal Warning	8
Written Warning	6
Final Written Warning	0
Dismissal	0
Suspension	1
Total	**15**

All disciplinary matters were handled in line with the approved disciplinary code policies of the organisation.

JOSHCO considers its relations with the union as a key interface to meet employee expectations in the workplace. Similarly, JOSHCO considers employee discipline and adherence to JOSHCO Code of Conduct and compliance to its policies, procedures and regulations as serious matters. During the reporting period, one employee was dismissed for serious offence and transgressions.

Incidences and Grievances

There were 3 grievances lodged during the year under review, 2 resolved and 1 subsequently left employment.

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. 80 sick leave days in a three (3) year cycle are also provided. The tables below provide a detailed overall leave management and analysis per department.

Table 32: Overall Company Leave Analysis as at 30 June 2019:

Type of Leave	Q1 (Jul-Sep)	Q2 (Oct-Dec)	Q3 (Jan-Mar)	Q4 (Apr-Jun)	Total Leave Days Taken	% leave days taken
Annual Leave	407.50	343.50	761	319.50	1831.50	67%
Sick Leave	152.50	105	155	151	563.50	20%
Family Responsibility Leave	23	12	25	25	85	3%
Study Leave	3	78	10	61	152	5%
Unauthorised Leave	11	-	-	-	11	0.04%
Maternity Leave	-	30	30	30	90	0.03%
Total	**597**	**568.50**	**981**	**586.50**	**2733**	**-**

As at 30 June 2019, a combined total of 2 733 leave days was taken by employees. Annual leave ranked as the most taken type of leave, notably during holiday periods, but this did not affect business operations. Human resources will continue to monitor the leave to mitigate against the abuse of Sick Leave and Family Responsibility Leave.

SECTION 8: EMPLOYEE WELLNESS

Due to budget deficit, management took a decision to halt hosting of wellness events such as observation of AIDS day and hosting an employee Wellness Day, for quarter 3 and 4. However, JOSHCO participated at the Public Service (employee day) hosted by the City of Johannesburg, whereby Staff, Executives, MDs from all CoJ entities came together for a fun-filled sports day. The event was held on Friday, 29 June 2019.

Employee Assistance Programme (EAP)

JOSHCO has an outsourced Employee Assistance Programme through ICAS, whereby employees and their immediate families can access the service free of charge. This Engagement Review is based on EWP data collected over the period 01/07/2018 to 30/06/2019.

Overall Engagement

A total engagement at 96.6% was recorded, which is above the industry average of 14.7%, suggesting that employees at JOSHCO are familiar with the services and benefits available to them through the EWP. Annualised individual usage of the core counselling and advisory services of 13.7% was recorded during the most recent period, which compares to 9.4% during the previous period and 8.7% across all ICAS client companies during the most recent review period. During the period under review and the preceding period, the most commonly utilised service was Professional Counselling, which constitutes 71.4% of total engagement in the most recent period and 68.8% during the previous period.

Managerial Consulting

JOSHCO users who were formally referred during the review period was 6.3% This compares to 9.1% during the previous period and 4.9% among all other ICAS client companies. Of all cases managed during the review period, 31.3% related to difficulties experienced by managers. This compares to 36.4% in the previous reporting period. Some 3.6% of services provided were of a managerial consultancy nature.

Presenting Problems

During the annum, stress related issues increased from 12.5% to 22.9%. The results of poor stress management and workplace pressure can include decreased proficiency, higher absenteeism rates, low company morale, counterproductive teamwork and employee health related problems. ICAS provides resilience training with strategic priorities that assist one to overcome stress related effects, inculcating the capacity for physical, psychological, spiritual renewal and recovery in the face of the stress being experienced.

Addictive behavioural issues have decreased from 9.4% to 8.3% during the year under review. Addressing addictive behaviours requires a multifaceted approach, so as to understand the underlying drivers. It may be beneficial to consider interventions to address these concerns, so as to manage the behavioural risk in the work context.

Interventions may include raising awareness through informational articles, posters, training sessions, awareness talks and communication of the company policy on substance abuse.

Training was facilitated to address cycles of addictions, definition of addictions, signs of intoxication at work, treatment options available and guidelines for handling addiction in the work place.

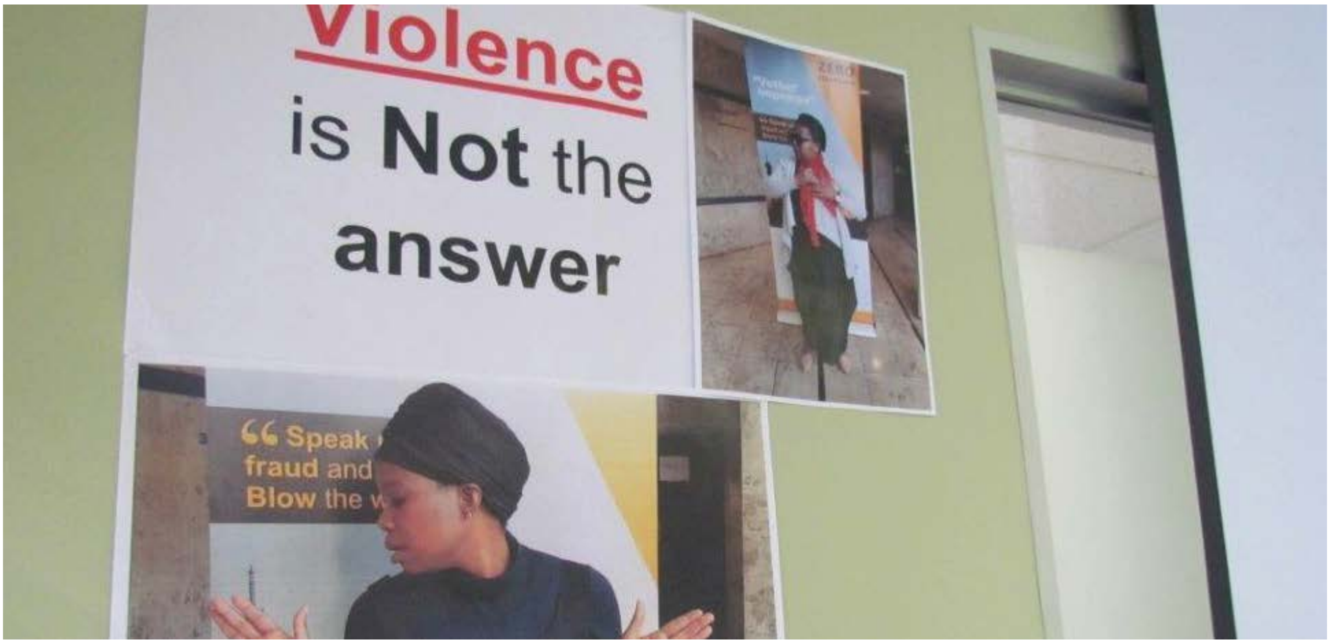
- Relationship Issues, stress and addictive behaviours were the top three most presented problem clusters. The themed training sessions and workshops need to be conducted within the organisation to address the various issues. This must be an ongoing exercise as this will not only help individuals get the required support, mitigate imminent risks (behavioural or safety), but also make the EWP relevant to them. The following themed sessions are recommended, and will be prioritised in the new financial year:
    - Relationships
    - Substance Abuse
    - Stress
    - Work-life Balance
    - Financial Wellness, and
    - Healthy Living.

Work impact and high-risk cases

The percentage of employees, whose problems appear to have a severe, negative impact on their work performance is at 37.5%. This compares to an ICAS average of 14.0% during the same period.

SECTION 9: EMPLOYEE BENEFITS

JOSHCO is a participating employer in one of the retirement and medical aid benefit schemes to provide post-employment benefits to all its eligible employees. Depending on the nature of employment (Fixed Term Contract vs Permanent), employees have an option of belonging to the City of Johannesburg accredited medical aid schemes and the retirements fund. A total of 84 staff members belong to the retirement fund and 61 staff members belong to medical aid scheme which are accredited by the City of Johannesburg. Moreover, 63 employees are in possession of company cell phones and 5 receive Housing Subsidy Allowance.



SECTION 10: OCCUPATIONAL HEALTH AND SAFETY PROGRAMMES

Due to the nature of the geographical spread of our sites, all estate supervisors have been identified and trained as health and safety officers for their respective sites. Training on fire fighting and first aid was conducted for all committee members. The committee sits and gives a quarterly report for monitoring.

CHAPTER FIVE

FINANCIAL POSITION AND PERFORMANCE

SECTION 1: STATEMENT OF FINANCIAL POSITION AND HIGH-LEVEL NOTES

Assets

Current assets have decreased by R14 million (from R394 million to R380 million). The significant changes are attributed to a decrease in loans to shareholders by R119 million, due to settlement of capital expenditure invoices at year end. There was also a decrease in Receivables from exchange transactions of R34 million due to debt impairment and an increase in Cash and cash equivalents by R140 million as a result of receipt of SHRA claims. There has been no material change in the composition of non-current assets.

Liabilities

Included in non-current liabilities is a long-term loan from the DBSA. Current liabilities increased by R28 million (from R388 Million to R416 Million) as a result of an increase in capital expenditure claims from suppliers in the last month of the financial year.

SECTION 2: STATEMENT OF FINANCIAL PERFORMANCE AND HIGH-LEVEL NOTES

Revenue and expenditure is recorded on the accrual basis and resulted in a deficit of R347 Million.

Revenue

Table 31: Revenue Streams for the year ended 30 June 2019:

Revenue	Actual R'000	Budget R'000	Weighting
Rentals received	128 679	146 393	73%
Subsidies	26 941	26 941	15%
Management Fees	7 617	11 418	4%
Interest Received	13 045	9 324	7%
Utilities	755	629	0.4%
Other Income	364	1 049	0.2%
Total	**177 401**	**195 754**	**100%**

The revenue target for the year was 100% billing and debtors, and in respect of rentals, 72% was reached. Total revenue was behind budget by R18.74 million (10%). This was mainly due to the slow allocation to rental units of the new projects such as Hoek Street, African Diamond, Textile, Phoenix, Devland and Turffontein.

Expenditure

Table 32: Operational Financial Results as at 30 June 2019

Description	Actual R'000	Budget R'000	Variance R'000	Variance %
Rentals Received	128 679	146 393	(17 714)	-12%
Subsidies	26 941	26 941	-	0%
Management Fees	7 617	11 418	(3 801)	-33%
Interest Received	13 045	9 324	3 721	40%
Utilities	755	629	126	20%
Other Income	363	499	(136)	-27%
Capital Grant Realised	-	914	(914)	-100%
Total Revenue	**177 401**	**196 118**	**(18 717)**	**-10%**
Governance and Staff Costs	(52 079)	(62 599)	10 520	-17%
Other project Related Costs	(50 077)	(15 253)	(34 824)	228%
Depreciation and Amortisation	(688)	(1 235)	547	-44%
Finance Costs	(1 248)	(1 320)	72	-5%
General Expenses	(114 279)	(114 761)	482	0%
Total Expenditure	**(218 369)**	**(195 168)**	**(23 202)**	**12%**
Operating (Deficit)/Surplus	**(40 969)**	**950**	**(41 919)**	**-4410%**
Loss on disposal of assets	(2)	-	(2)	100%
Share of surplus from associates or joint venture	738	550	188	100%
Deficit before taxation	(40 233)	1 500	(41 734)	-2781%
Taxation	5 550	(1 500)	-	0%
Surplus/Deficit Before Tax	**(34 683)**	**0**	**(34 684)**	**-7195980%**

a. Governance and staff costs

- 17% (R10.5 million) below budget due to senior management vacancies. All senior management positions have been filled.

b. Other project related costs

- JOSHCO was 228% over budget (R4.84 million) due to slow rental collection leading to a higher provision for bad debts. In the past 6 months there has been a sharp decrease in collections due to demands for ownership from our tenants.

c. General Expenses

- JOSHCO was 0.4% below budget (R17.8 million) due to repairs and maintenance costs. This relates to responsive and planned maintenance in the respective projects. JOSHCO's policy states that repairs and maintenance not related to the structure must be done only for tenants that are up to date with their rental. There has also been an issue with the appointed panel reaching expiration. The panel had been appointed from the 3rd quarter.

d. Cleaning and gardening

- Savings were realised that were directly related to the Zenzele project. The amount budgeted for included management fees which JOSHCO is saving on, resulting from the removal of the 'middle-man' between the Zenzele co-operatives and JOSHCO

e. Security

- We were over budget on these costs, due to the need for at buildings where construction has not yet commenced and cannot yet be capitalised.

f. Other Administrative Cost

- We were over budget on this, due to actual municipal charges from the City being significantly higher than our budgeted figures.

SECTION 3: CASH FLOW STATEMENT

Cash and cash equivalents balance as at 30 June 2019 was R156.3 Million. The tenant deposit account has a balance of R14.3 million, the balance of R142 million is in the SHRA trust account. An amount of R126.7 million is held in the sweeping account and is disclosed under Loans to Shareholder.

SECTION 4: CAPITAL PROJECTS AND EXPENDITURE

JOSHCO has been allocated a budget of R 321 Million funded from CoJ Loans and the Urban Settlement Development Grant. In the current financial year, JOSHCO has the following programmes:

i. Greenfields projects;
ii. The Inner-City re-generation programme by purchasing and refurbishing buildings; and
iii. Up-grades programme.

As at 30 June 2019, JOSHCO's verified spent was 98% against a target of 95% per the table below.

Table 33: Capital Expenditure for the Year ended 30 June 2019

SOURCE	BUDGET ALLOCATION	SPEND TO DATE	BALANCE	% SPEND
EFF-350	R214 753 000	R211 675 826	R3 077 174	99%
CRR-360	R81 247 000	R76 616 715	R4 630 285	94%
USDG-373	R25 000 000	R24 999 950	R50	99%
TOTAL	**R321 000 000**	**R313 292 491**	**R129 431 497**	**98%**

SECTION 5: RATIO ANALYSIS (minimum: liquidity, solvency, cost coverage)

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

a. Current Ratio (Acid Test Ratio)

(Current Assets) R380 million
Current Ratio (Current Liabilities) = R416 million
= **0.91:1**

The current ratio has decreased by 0.4 basis point compared to the prior year, due to high debtor's impairment.

b. Solvency Ratio

Total Assets) R425million
Solvency Ratio (Total Liabilities) = R429 million
= **0.99:1**

c. Cost Coverage Ratio

Cash and cash equivalents R156 million
Operation expenditure = R218million

= **0.7 months**

Based on the ratio analysis, the entity will have difficulty in settling its liabilities when they become due.

SECTION 6: SUPPLY CHAIN MANAGEMENT and BBBEEE

a. Deviations on SCM

The details of the deviations recorded for the year ended 30 June 2019 are as follows:

Table 36 : List of Deviations For The Year to Date:

Name of Service Provider	Description of minor breach	Reason for the deviation	Legal	Q1 R'000	Q2 R'000	Q3 R'000	Q4 R'000	Total R'000
Sunny Side Park Hotel	Hire of conference venue for hosting a Strategic Session with JOSHCO Board of Directors	Initially the request was only for EXCO and Board. The decision to include another manager was done late and it was impractical to source quotes.	MFMA Regulation 36(1)(a)(i) & (ii)	-	35	-	-	35
Pitney Bowes Batsumi Enterprise Solutions	Pressure Seal Paper 84 Boxes	Supply of pressure seal statement paper for the printing machine. A specialised paper is used for this purpose and can only be sourced from the manufacturer of the machine.	MFMA Regulation 36(1)(a)(ii)	-	121	-	-	121
				-	156	-	-	156

b. Payments within 30 days

In the current quarter, there were no incidents of suppliers being paid after 30 days. For the year to date, there were two suppliers who were not paid within 30 days during quarter 3. One supplier was paid late due to the banking details on the invoice not matching the banking details per the supplier database. The other supplier's payment was put on hold pending submission of the final report for work done.

c. Achievement on BBBEE

A total of R258,4 million was spent on suppliers with at least 51% black ownership. This is made up of OPEX R58.7 million and CAPEX of R199.8 million. The target for CAPEX was 30%. The achievement of spend on at least 51% black owned companies per category is as follows:

- OPEX – 65%
- CAPEX – 71%

Table 37: Summary of spent to at least 51% black owned companies

No.	Date of discovery	Date reported to Accounting Officer	Date of payment	Amount	Description of incident	Responsible Department
1.	30-Sep-18	30-Nov-18	30-Sep-18	R24 366	Vat return penalty (20886) Interest (R3 480)	Finance
2.	30-Jun-19	30-Jun-19	30-Jul-19	R4 570	SARS Penalties on Returns late submission	Corporate Services
Total				**R28 936**		

Table 38: Irregular Expenditure as at 30 June 2019

Services/Goods Provided	Reasons	Irregular Amount
Security Services	Extension of contract due to insourcing	14 680
Cleaning and Gardening Services	Extension of contract due to insourcing	16 033
Repairs and Maintenance	Procurement process not followed.	8 677
Other	Procurement processes not followed.	135
Total		**R39 525**

SECTION 7: PENDING LITIGATIONS AND POSSIBLE LIABILITIES

JOSHCO is currently involved in various legal disputes for and against the entity as follows:

Table 39: Litigation Matters

Party in dispute with	Details	Amount R'000
Contingent Assets		
Solidaire Construction (Pty) Ltd	Failure by service provider to perform per JBCC Contract	11 000
JEH Properties and Dempster Mckinnon	Breach of contract	7 000
SKN Consulting	Damages suffered, claim as a result of non-performance	13 926
Total		**13 926**
Contingent Liabilities		
Ms C Holmes	Unfair dismissal dispute	99
Gosiame Development	Damage claim for loss of income at Randburg Sirlkerk for fence demolition	653
Renaissance Security and Cleaning T/A Topo Security Services	Contractual dispute	28
Total		**780**

SECTION 8: STATEMENT ON AMOUNTS OWED BY and TO GOVERNMENT

Table 40: Departments and Public Entities

Name of department	Amounts owed	Account status
City of Johannesburg: Sweeping account	77 606	Current
City of Johannesburg: Treasury	5 958	180 days overdue
City of Johannesburg: Housing	11 683	90 days overdue
City of Johannesburg: CAM	82 262	Current
Gauteng Department of Human Settlements	15 170	180 days overdue
Total	**R192 679**	

CHAPTER SIX

INTERNAL AND EXTERNAL AUDIT FINDINGS

SECTION 1: INTERNAL AUDIT FUNCTION

The Entity's internal audit function is fully outsourced to OMA Chartered Accountants Inc. As at 30 June 2019, the internal audit was completed and the approved audit plan and internal audit cycles audited and completed. These are indicated below:

Table 41: The table below indicates the planned audits that were completed for the year ending 30 June 2019

	AUDIT	STATUS
1.	Housing Management	Completed
2.	Housing Development	Completed
3.	Revenue Management	Completed
4.	Financial Controls	Completed
5.	Supply Chain Management-contract management	Completed
6.	ICT General Controls	Completed
7.	Follow-up AG Findings	Completed
8.	Human Capital	Completed
9.	Compliance Audit	Completed
10.	Performance Information 2nd and 3rd quarter	Completed

In the quarter under review, OMA Chartered Accountants, continued to be the entity's Internal Auditors. The audit firm has managed to complete all planned audits as per the approved audit plan within the financial year.

SECTION 2: PROGRESS ON RESOLUTION OF INTERNAL AUDIT FINDINGS

The table below contains progress made in closing the internal audit. The reported number of findings that are resolved does not include findings that have not yet verified by internal audit. As such the percentage is significantly low.

Table 42: Audit findings raised by Internal Audit as at 30 June 2019

Current Year: 2018/19			
FY	Findings Raised	Resolved	% Resolved
Findings Raised during 2018/19	125	38	30%
Total	125	38	30%

SECTION 3: PROGRESS ON RESOLUTION OF EXTERNAL AUDIT FINDINGS

The Audit-General completed its 2017/2018 audit in November 2018, and a total of 24 findings were raised during the audit. 10 of the findings raised have been addressed as at the reporting period and 11 are closed by management. prior to the 2017/18 audit, the entity received eight unqualified audit without matters of emphasis.

Table 43: Audit findings raised by Auditor-General as at 30 June 2019

Audited Year: 2017/18			
FY	Findings Raised	Resolved	% Resolved
Findings Raised during 2017/18 Audit	24	10	45%
Findings affected opinion	10	7	70%
Total	24	10	45%

SECTION 4: OVERALL STATE OF INTERNAL CONTROLS (ADEQUACY AND EFFECTIVENESS)

The overall assessment of the internal controls was rated as inadequate by the internal auditor in relation to financial management, performance information and, compliance with laws and regulations. Management notes conclusion made by the internal auditor with serious concern around the control environment. It commits to ensure that the environment gradually improves, which means that the filling of significant positions needs to be undertaken, which will aid in the positive enhancement control environment.

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Johannesburg Social Housing Company (SOC) Limited set out on pages 143 to 144, which comprise the statement of financial position as at 30 June 2019, 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 the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, financial position of the Johannesburg Social Housing Company (SOC) Limited as at 30 June 2019 and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (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 this auditor'sreport.

4. I am independent of the municipal entity in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of ethics for professional accountants and, parts 1 and 3 of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

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

Emphasis of matter

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

Material impairments - Receivables for exchange transactions

7. As disclosed in note 5 to the financial statements, the receivables from exchange transactions balance has been significantly impaired. The provision for impairment was R96 586 996 (2018: R55 105 675), which represents 89% (2018: 69%) of the total receivables from exchange transactions balance.

Restatement of corresponding figures

8. As disclosed in note 41 to the financial statements, the corresponding figures for previous balance sheet date were restated as a result of an error in the financial statements of the entity at, and for the year ended, 30 June 2019.

Responsibilities of accounting officer for the financial statements

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

10. In preparing the financial statements, the accounting officer is responsible for assessing the Johannesburg Social Housing Company (SOC) Limited's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the Johannesburg Social Housing Company (SOC) Limited or to cease operations, or has no realistic alternative but to do so.

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

11. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on the audit of the annual performance report

Introduction and scope

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

14. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipal entity. I have not evaluated the completeness and appropriateness of the performance indicators/ measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

15. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the municipal entity for the year ended 30 June 2019:

Objectives	Pages in the annual performance report
Objective 1 - 1) Increase the number of buildings acquired and refurbished for affordable housing in the Inner City. 2) Increase Social Housing projects within the transport nodes. 3) Enhance financial sustainability Increase number of buildings acquired and refurbished for affordable housing in the inner city	52 - 53
Objective 9 - 1) Increase the number of buildings acquired and refurbished for affordable housing in the Inner City. 2) Increase Social Housing projects within the transport nodes.	54 - 55
Objective 10 - Number of Expanded Public Works Programme opportunities created.	54 - 55
Objective 11 - Improve customer satisfaction levels.	54 - 55

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

17. I did not raise any material findings on the usefulness and reliability of the reported performance information for these objectives:

    - Objective 1 - 1) Increase the number of buildings acquired and refurbished for affordable housing in the Inner City. 2) Increase Social Housing projects within the transport nodes. 3) Enhance financial sustainability Increase number of buildings acquired and refurbished for affordable housing in the inner city.

    - Objective 9 - 1) Increase the number of buildings acquired and refurbished for affordable housing in the Inner City. 2) Increase Social Housing projects within the transport nodes.

    - Objective 10 - Number of Expanded Public Works Programme opportunities created.

    - Objective 11 – Improve customer satisfaction levels

Other matters

18. I draw attention to the matters below.

Achievement of planned targets

19. Refer to the annual performance report on pages 52 to 57 for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 13 to 17 of this report.

Adjustment of material misstatements

20. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of the following objectives:

    - Objective 9 - 1) Increase the number of buildings acquired and refurbished for affordable housing in the Inner City. 2) Increase Social Housing projects within the transport nodes
    -
    - Objective 11 – Improve customer satisfaction levels.

21. As management subsequently corrected the misstatement, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

22. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipal entity 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 legislations are as follows:

Annual financial statements, performance and annual reports

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.

25. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a qualified audit opinion.

Procurement and contract management

26. The bid documentation for procurement of commodities designated for local content and production, did not stipulated the minimum threshold for local production and content as required by the 2017 preferential procurement regulation 8(2).

27. Some of the contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM regulation 5.

Expenditure management

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

Revenue management

29. Revenue due to the municipal entity was not calculated on a monthly basis, as required by section 97(e) of the MFMA.

Consequences Management

30. Irregular expenditure incurred by the municipal entity were not investigated to determine if any person is liable for the expenditure, as required by municipal budget and reporting regulations 75(1).

31. Fruitless and wasteful expenditure incurred by the municipal entity was not investigated to determine if any person is liable for the expenditure, as required by municipal budget and reporting regulations 75(1).

32. Allegations of financial misconduct laid against officials of the municipal entity were not investigated, as required by section 172(3)(a) of the MFMA.

Other information

33. 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 objectives presented in the annual performance report that have been specifically reported in this auditor's report.

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

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

36. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

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

38. Instability of leadership positions during the financial year weakened the internal control environment and resulted in material findings identified by audit on the financial statements, performance report and compliance with laws and regulations

39. Risk management activities were not robust enough to mitigate risk of regression in audit outcomes. Risk assessment activities did not foresee the threats created by the instability in leadership positions and therefore did not ensure the maintenance of the internal control environment in areas such as the preparation of completed and accurate financial statements, performance reporting and compliance with laws and regulations.

40. The quality of the financial statements and performance reports regressed during the financial year under review, which could have been prevented had adequate control measures exist to ensure the review of its completeness and accuracy throughout they ear.

Auditor - General

Johannesburg

30 November 2019

AUDITOR-GENERAL
SOUTH AFRICA

Annexure – Auditor-General's responsibility for the audit

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

Financial statements

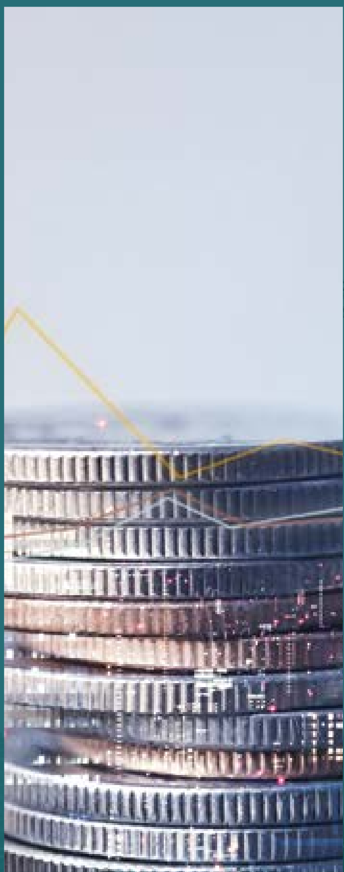
2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

   - Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
   - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
   - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting officer.
   - Conclude on the appropriateness of the board of directors, which constitutes the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Johannesburg Social Housing Company ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause an entity to cease continuing as a going concern.
   - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

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

4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.



ANNUAL FINANCIAL STATEMENTS

The reports and statements set out below comprise the annual financial statements presented to the City Council of the Johannesburg Metropolitan Municipality:

Director's Responsibilities and Approval

The directors are required by the Companies Act, 71 of 2008 and Municipal Finance Management Act (Act 56 of 2003) to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the financial statements fairly present the state of affairs of the company 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 directors set 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 company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavors to minimize 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 company 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 company, they are also supported by the company's internal auditors and by management.

The financial statements set out on pages 101 to 144, which have been prepared on the going concern basis, were approved by the directors on 29 August 2019 and were signed on their behalf by;

Mr. Tumelo Mlangeni
Chairperson

Mr. Victor Rambau
Chief Executive Officer

Director's and Audit Committee's Report

The directors submit their report for the year ended 30 June 2019.

1. INCORPORATION

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

2. REVIEW OF ACTIVITIES

Main business and operations

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

- manage council owned rental stock;
- manage and refurbish staff and public hostels;
- develop new rental stock and to implement other mutually agreed housing developments; and
- provide housing management services and turnaround strategies.

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 2019 there were no major changes in the activities of the business.

The financial position of the company shows a net liability position of R 4 018 205 (2018 net asset R30 664 825).

Deficit for the year of the entity was R 34 683 030 (2018: deficit R 10 907 199), after taxation of R5 550 135 (2018: (R 188 225)).

3. GOING-CONCERN

We draw attention to the fact that at 30 June 2019, the entity had an accumulated deficit of R (4 018 325) and that the entity's current liabilities exceed its current assets by R36 351 265

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 of 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 34), 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 JOSHCO.

6. ACCOUNTING POLICIES

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

7. SHARE CAPITAL

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

8. BORROWING LIMITATIONS

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

9. CHANGES TO ASSETS AND LIABILITIES

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

10. DIRECTORS

The JOSHCO Board was appointed through an ordinary that was passed at the Annual General Meeting. The following members served under the JOSHCO Board during the year ended 30 June 2019:

Name of Board Members	Membership	Effective Date	Retired/resign date
Mr. Tumelo Mlangeni (Chairperson)	Non-Executive	Reappointed 12 April 2019	To date
Mr. Thabo Motloung	Non-Executive	Reappointed 12 April 2019	To date
Mr. Nvambeleni Tshindane	Non-Executive	Reappointed 12 April 2019	To date
Prof Kevin Wall	Non-Executive	Reappointed 12 April 2019	To date
Prof Wellington Thwala	Non-Executive	Reappointed 12 April 2019	To date
Mr. Kqalema Mohuba	Non-Executive	Appointed 12 April 2019	To date
Mr. Thami Bolani	Non-Executive	Appointed 12 April 2019	To date
Mr. Tumisho Makofane	Non-Executive	Appointed 12 April 2019	To date
Mr. Mzamani Khubavi	Executive Director	Appointed 12 April 2019	To date
Ms. Nontobeko Ndimande	Executive Director	17 September 2018	To date
Mr. Chris Dvani	Independant Audit Member	Appointed 3 Auqust.2018	30 June 2019
Mr. Robert Hill	Independant Audit Member	Reappointed 12 April 2019	To date
Mr. Lindani Mabuza	Independant Audit Member	Appointed 12 April 2019	To date
Mr. Lesiba Makape	Non-Executive	Appointed 12 April 2019	To date
Mr. Mongezi Ntanga	Non-Executive	Appointed 13 June 2018	12 April 2019
Ms. Nompumelelo Hlatshwayo	Independant Audit Member	Appointed 13 June 2018	12 April 2019
Ms. Lulama Zabala	Non-Executive	Reappointed 13 June 2018	12 April 2019
Ms. Noluthando Molao	Non-Executive	Appointed 13 June 2018	28 November 2018
Mr. Anthony Ngcezula	Executive Director	Appointed 01 January 2018	Seconded 03 August 2018 within the City and officially transferred March 2019.
Ms. Lebohang Ntaka	Acting Chief Financial Officer	Appointed 01 January 2018	16 September 2018

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

Board of directors

The Board:
- retains full control over the company, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication by the company, both internally and externally;
- is of a unitary structure comprising:
  - 9 non-executive directors, all of whom are independent directors as defined in the Code; and
  - 2 executive director, who are the Chief Executive Officer and Chief Financial Officer.

Chairperson and chief executive

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

The roles of Chairperson and Chief Executive 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 company 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 on 12 times during the financial year ended 30 June 2019. The Board meetings consisted of 4 Ordinary Meetings and 12 Special meetings that were convened to discuss urgent business matters and the AGM that was held on the 12 April 2019.
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	12	11	6	5
1. Mr. Tumelo Mlangeni	12	-	-	-
2. Ms. Nompumelelo Hlatshwayo	8	-	4	-
3. Prof Kevin Wall	9	9	-	-
4. Mr. Mongezi Ntanga	8	-	-	4
5. Dr. Didibhuku Wellington Thwala	11	5	0	1
6. Ms. Noluthando Molao	5	3	-	-
7. Mr. Thabo Motloung	12	0	6	0
8. Ms. Nontobeko Ndimande	9	8	4	3
9. Mr. Anthony Ngcezula	1	2	1	0
10. Mr. Christopher Dyani	7	4	5	3
11. Ms. Lebohang Ntaka	2	2	2	1
12. Mr. Nvambeleni Tshindane	10	11	-	3
13. Mr. Thami Bolani	2	-	-	1
14. Mr. Mzamani Khubayi	3	-	-	1
15. Mr. Tumisho Makofane	3	5	-	1
16. Mr. Kgalema Mohuba	3	6	-	-
17. Mr. Robert Hill	-	-	6	-
18. Ms. Lulama Zabala	-	-	5	-
19. *Mr. Lesiba Makape	-	-	-	-
20. *Mr. Lindani Mabuza	-	-	-	-

*Independent Audit Committee members were appointed on the 12 April 2019. There were no Audit and Risk Committee meetings from the appointment until 30 June 2019 .

Audit and Risk Committee

In terms of Section 166 of the Municipal Finance Management Act, the 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 fulfill 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 2019 the committee met 6 times and was constituted as follows:

Director/Member	Role
1. Mr Tumelo Mlangeni	Non-executive director and Chairperson
2. Mr. Robert Hill	Independent member
3. Mr. Lindani Mabuza	Independent member
4. Mr. Lesiba Makape	Independent Member
5. Ms. Lulama Zabala	Independent Member

Development Committee

For the year ended 30 June 2019 the committee met 11 times and was constituted as follows:

Director	Role
1. Mr. Nvambeleni Tshindane	Non-executive director and Chairperson
2. Mr. Tumisho Makofane	Non-executive director and member
3. Mr. Kgalema Mohuba	Non-executive director and member
4. Prof Kevin Wall	Non-executive director and member

Social And Ethics and Human Resource Committee

For the year ended 30 June 2019 the committee met 5 times and was constituted as follows:

Director	Role
1. Mr. Mzamani Khubayi	Non-executive director and Chairperson
2. Mr. Tumisho Makofane	Non-executive director and Member
3. Mr. Thami Bolani	Non-Executive director and Member
4. Mr. Prof Wellington Thwala	Non-executive director and Member

Internal audit

The company has outsourced its internal audit function to OMA Chartered Accountants Incorporated. The role is in accordance with Section 165 of the 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

JOSHCO Madulamoho Joint Venture (JMJV)	737 890

Name of Jointly controlled entity	Net Surplus
JOSHCO Madulamoho Joint Venture (JMJV)	R1 341 619

The JMJV was formed between JOSHCO and Madulamoho Housing in 2006 for the development and continued management of the BG Alexander building. The main transactions between JOSHCO and the JMJV were accounts receivable in respect of provincial subsidies payable by the JMJV to JOSHCO. JOSHCO has also accounted for its 55% share of the surplus from the joint venture in its consolidated financial statements amounting to R737 890 (2018: Deficit R71 836). The entity is exempt from preparing consolidated financial statements as it is itself a wholly-owned controlled entity.

14. SPECIAL RESOLUTIONS

The company did not pass any special resolutions during the current year.

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 2019.

Audit committee members and attendance

Name of Audit Committee Members	Audit Committee		
	Attendance	Absent	Apologies
1. Mr. Thabo Motloung	6	-	-
2. Mr. Robert Hill	6	-	-
3. Lulama Zabala	4	-	2
4. Mr. Lindani Mabuza	-	-	-
5. Mr. Lesiba Makape	-	-	-

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

The system of internal controls applied by the entity over financial and risk management is effective, efficient and transparent in line with the MFMA and the King IV Report on Corporate Governance. 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 no matters were reported that indicate any material deficiencies in the system of internal control or any deviations there from. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

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, with the AGSA and management.
- reviewed the AGSA's management report and management's response thereto;
- 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.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no material unresolved issues. We are satisfied that the auditor is independent of the company.

Mr. Thabo Motloung (Chairperson Audit Committee)

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 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Inventories	2	235 717	274 869
Loans to shareholders	3	83 563 933	203 456 306
Receivables from exchange transactions	5	138 350 856	172 158 813
VAT receivable	15	1 171 949	1 562 970
Cash and cash equivalents	6	156 356 105	16 311 646
		79 678 560	**393 764 604**
Non-Current Assets			
Property, plant and equipment	7	3 698 940	3 557 157
Intangible assets	8	505 782	475 100
Investment in joint venture	9	24 254 466	23 516 575
Deferred tax	11	17 333 726	11 783 591
		45 792 914	**39 332 423**
Total Assets		**425 471 474**	**433 097 027**
Liabilities			
Current Liabilities			
Borrowings - DBSA	12	948 454	874 940
Current tax payable	30	423 642	6 940 422
Operating lease liability	4	28 759	16 816
Payables from exchange transactions	13	413 408 810	378 221 049
Provisions	14	1 220 160	1 970 668
		416 029 825	**388 023 895**
Non-Current Liabilities			
Borrowings - DBSA	12	13 282 054	14 230 507
Deferred income from non-exchange transactions	16	177 800	177 800
		13 459 854	**14 408 307**
Total Liabilities		**429 489 679**	**402 432 202**
Net Assets		**(4 018 205)**	**30 664 825**
Share capital	18	120	120
Accumulated deficit		(4 018 325)	30 664 705
Total Net Assets		**(4 018 205)**	**30 664 825**

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Rendering of services	19	7 617 142	11 781 165
Rental facilities and equipment	19	128 678 969	116 702 704
Utility Recoveries	19	754 874	761 857
Other income (Exchange transaction)	19	363 445	1 199 143
Interest received	25	13 045 450	11 229 605
Total revenue from exchange transactions		**150 459 880**	**141 674 474**
Revenue from non-exchange transactions			
Other			
Share of surpluses or deficits from associates or joint ventures accounted for using the equity method	9	737 890	-
Transfer revenue			
Government grants & subsidies	19	26 941 000	14 807 000
Total revenue from non-exchange transactions		**27 678 890**	**14 807 000**
Total revenue	**19**	**178 138 770**	**156 481 474**
Expenditure			
Personnel	21	(52 079 068)	(43 883 324)
Other housing management costs	24	(50 077 141)	(17 465 114)
Depreciation and amortization	26	(687 535)	(1 350 700)
Finance costs	27	(1 247 847)	(1 319 960)
Loss on disposal of assets		(1 508)	-
Share of surpluses or deficits from associates or joint ventures accounted for using the equity method	9	-	(71 836)
Administrative	20	(114 278 836)	(103 109 514)
Total expenditure		**(218 371 935)**	**(167 200 448)**
Deficit before taxation		**(40 233 165)**	**(10 718 974)**
Taxation	28	5 550 135	(188 225)
Deficit for the year		**(34 683 030)**	**(10 907 199)**

Statement of Changes in Net Assets

Figures in Rand	Note(s)	Share capital	Accumulate deficit	Total Net Assets
Opening balance as previously stated		120	18 722 067	18 722 187
Prior year adjustments	41	-	22 849 837	22 849 837
Balance at 01 July 2017		**120**	**41 571 904**	**41 572 024**
Changes in net assets Deficit for the year		-	10 907 199)	10 907 199)
Total changes		-	10 907 199)	10 907 199)
Balance at 01 July 2018		**120**	**30 664 705**	**30 664 825**
Changes in net assets				
Deficit for the year		-	34 683 030)	34 683 030)
Total changes		-	34 683 030)	34 683 030)
Balance at 30 June 2019		**120**	**(4 018 325)**	**(4 018 205)**

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		128 678 969	151 364 406
Grants		26 941 000	14 807 000
Interest Received		13 045 450	1 122 605
Other receipts		7 617 142	11 435 208
		176 282 561	188 836 219
Payments			
Employee costs		(51 902 434)	(43 883 324)
Suppliers		(101 244 048)	(107 893 312)
Finance costs paid		(1 247 847)	(1 319 960)
		(154 394 329)	(153 096 596)
Net cash flows from operating activities	29	**21 888 232**	**35 739 623**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(786 996)	(306 482)
Purchase of other intangible assets	8	(77 097)	-
Loans advanced to economic entities		-	-
Other payments		-	1 449 836
Net cash flows from investing activities		**(864 093)**	**1 143 354**
Cash flows from financing activities			
Net movement on borrowings- DBSA		(874 939)	(805 554)
Proceeds from shareholders loan		119 895 259	(113 610 341)
Finance lease payments		-	(262 228)
Net cash flows from financing activities		**119 020 320**	**(114 678 113)**
Net increase/(decrease) in cash and cash equivalents		**140 044 459**	**(77 795 136)**
Cash and cash equivalents at the beginning of the year		16 311 646	94 106 782
Cash and cash equivalents at the end of the year	6	**156 356 105**	**16 311 646**

Statement of Comparison of Budget and Actual Amounts

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	11 418 000	-	**11 418 000**	7 617 142	**(3 800 858)**	38
Rental facilities and equipment	146 393 004	-	**146 393 004**	128 678 969	**(17 714 035)**	38
Recoveries	629 148	-	**629 148**	754 874	**125 726**	38
Other income	499 008	-	**499 008**	363 445	**(135 563)**	38
Interest received - investment	9 323 988	-	**9 323 988**	13 045 450	**3 721 462**	38
Total revenue from exchange transactions	**168 263 148**	**-**	**168 263 148**	**150 459 880**	**(17 803 268)**	
Revenue from non-exchange transaction						
Transfer revenue						
Government grants & subsidies	12 157 000	14 783 664	**26 940 664**	26 941 000	**336**	38
Capital Grant Realised	913 992	-	**913 992**	-	**(913 992)**	38
Total revenue from non-exchange transactions	**13 070 992**	**14 783 664**	**27 854 656**	**26 941 000**	**(913 656)**	
Total revenue	**181 334 140**	**14 783 664**	**196 117 804**	**177 400 880**	**(18 716 924)**	
Expenditure						
Governance and staff costs	(47 815 075)	(14 783 664)	**(62 598 739)**	(52 079 068)	**10 519 671**	38
Other project costs	(15 252 915)	-	**(15 252 915)**	(50 077 141)	**(34 824 226)**	38
Depreciation and amortisation	(1 235 004)	-	**(1 235 004)**	(687 535)	**547 469**	38
Finance costs	(1 320 000)	-	**(1 320 000)**	(1 247 847)	**72153**	38
General Expenses	(114 761 141)	-	**(114 761141)**	(114 278 836)	**482 305**	38
Total expenditure	**(180 384 135)**	**(14 783 664)**	**(195 167 799)**	**(218 370 427)**	**(23 202 628)**	
Operating Surplus / (Deficit)	**950 005**	**-**	**950 005**	**(40 969 547)**	**(41 919 552)**	
Loss on disposal of assets and liabilities	-	-	-	(1 508)	(1 508)	38
Share of surpluses or deficits from associates or joint ventures accounted for using the equity method	549 996	-	**549 996**	737 890	**187 894**	38
	549 996		**549 996**	**736 382**	**186 386**	
Deficit before taxation	**1 500 001**		**1 500 001**	**(40 233 165)**	**(41 733 166)**	
Taxation	1 500 000		**1 500 000**	**(5 550 135)**	**(7050135)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**1**		**1**	**(34 683 030)**	**(34 683 031)**	

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 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 losses. surpluses and 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 judgments and key sources of estimation uncertainty

In the application of the accounting policies, management is required to make judgments, 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.

Accounting Policies

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

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.

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 are 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
Leasehold property	Lower of the Lease Period or useful life (3 - 5 Years)
Furniture and fixtures	5- 8 Years
Motor vehicles	5 - 8 Years
Office equipment	5- 8 Years
IT equipment	5 - 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 differ from the previous estimates, the change is accounted for as a change in accounting estimate.

Accounting Policies

1.4 Property, plant and equipment (continued)

The useful life of technological 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.

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

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

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

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

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

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

1.5 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability;

- arises from the contractual rights or other legal rights, regardless 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.

Accounting Policies

1.5 Intangible assets (continued)

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 attaching to them; and
- the grants will be received.

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

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

1.7 Financial instruments

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

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

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

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

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

Loans to/ (from) group companies
These include loans to parent municipality, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Accounting Policies

1.7 Financial instruments (continued)

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 uncollectable, it is written-off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written-off are credited against operating expenses in surplus or deficit.

Payables from exchange transactions

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

Cash and cash equivalents

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

Financial liabilities

JOSHCO's principle financial liabilities are Loans from group companies, accounts and other payables and interest bearing borrowings & overdraft.

All financial liabilities are measured at amortised cost, comprising original debts less principle payments and amortisations, except for financial liabilities held for trading and derivative liabilities, which are subsequently measured at fair value.

Loans to/ (from) group companies As noted in the financial assets above. Accounts and other payables
Accounts and other payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rates method.

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.

Accounting Policies

1.7 Financial instruments (continued)

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, canceled, 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 off set exists.

1.8 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 South African Revenue Services (SARS), 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.

Accounting Policies

1.9 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 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 plus any initial direct costs incurred. 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 income is recognised as an 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.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, and then their costs are their 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.

Accounting Policies

1.11 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

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.

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.

Judgments 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

An equity instrument is any contract that evidences a residual interest in the assets of an company 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.

Accounting Policies

1.15 Employee benefits (continued)

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

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

Accounting Policies

1.17 Revenue from exchange transactions (continued)

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.

1.18 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.19 Cash flow statement

The cash flow statement is prepared based on the direct method.

1.20 Investment income

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

1.21 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.

1.22 Comparative figures

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

1.23 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.

1.24 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.

1.25 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 year 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.

Accounting Policies

1.26 Budget information

The budget is approved by the sole shareholder, the City of Johannesburg Metropolitan Municipality, on the accrual basis by functional classification. The operational budget is prepared using the zero-based budget methodology and applies to the period relevant to the Medium Term Expenditure Framework. The approved budget covers the fiscal periods 1 July 2018 to 30 June 2019.

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.

1.27 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 considered to be those family members who may be expected to influence, or be influenced by, that management 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.

Accounting Policies

1.28 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.

1.29 Presentation of currency

These annual financial statements are presented in South African Rand.

1.30 Offsetting

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

Notes to the Financial Statements

Figures in Rand	2019	2018
2. INVENTORIES		
Consumable stores	235 717	274 869
There was no inventory written down in both the current and prior years.		
3. LOANS TO SHAREHOLDERS		
Sweeping account - Interest bearing	77 605 764	197 498 137
Interest on Non-Sweeping Bank Accounts	5 958 169	5 958 169
	83 563 933	**203 456 306**

The companies did not default on any of the loans to/ from Parent Municipality.

The loan to shareholders is made up of cash swept by the City of Joburg Treasury Department at the end of each day until 30 June 2019 from JOSHCO's operations bank account. The decrease is mainly due to settlement of inter company transactions for staff costs and utilities. Interest on non-sweeping bank account is interest from historical accounts that were with Absa Bank before moving to Standard Bank.

Figures in Rand	2019	2018
3. LOANS TO SHAREHOLDERS (continued)		
Capex loans		
Sweeping account		
Loans at beginning of the year	197 498 137	83 887 796
Receipts Advances	(119 892 373)	113 610 341
	77 605 764	**197 498 137**

The City of Johannesburg has an arrangement with all its 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.

4. OPERATING LEASE LIABILITY		
Current liabilities	31 913	-
	(28 759)	**(16 816)**

Operating lease liability represents rental payable by the company in respect of offices as a result of straight lining of lease payments over the lease term. The lease payments are payable monthly and lease payments are straight-lined over a period of the lease. The operating lease agreement has been extended for a period of 24 months from 01 November 2017 to 02 November 2019.

5. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade debtors	11 577 106	24 090 086
Security deposits	118 091	118 091
Sundry debtors	15 622 095	7 461 962
Project debtors	15 170 319	15 968 757
Related party debtors	95 863 245	124 519 917
	138 350 856	**172 158 813**

Trade and other receivables pledged as security

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.

Security Deposits
These deposits are held by the lessor of the operating leases for the rental of JOSHCO Offices.

Sundry Debtors
Sundry debtors consist of Bursaries ,Rent paid to easy pay and other utilities for projects under construction.

Project Debtors
Project debtors consist of the monies owed by provincial government

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

Trade Debtors which are less than two months past due are not considered to be impaired. At 30 June 2019, R11 607 887 (2018 R9 834 439) were less than two months old.

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

Figures in Rand	2019	2018
5. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)		
1 month past due	5 254 056	5 483 229
2 months past due	4 677 102	4 351 210

Trade and other receivables impaired

As of 30 June 2019, trade and other receivables of R-96 556 216 (2018: R55 105 675) were impaired.

Trade Debtors	108 164 102	79 195 759
Impairment of Consumer Debtors	(96 586 996)	(55 105 675)
Trade Debtors Balance	11 577 106	24 090 084

Reconciliation of provision for impairment of trade and other receivables

Opening balance	55 105 674	38 881 395
Provision for impairment - Current year	41 481 323	16 532 161
Write offs of trade debtors amounts previously provided for		(307 882)
Other	1 452 199	-
	98 039 196	**55 105 674**

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	97	156 356 008
Bank balances	8 183	16 303 463
	156 356 105	**16 311 646**

6. CASH AND CASH EQUIVALENTS (continued)

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. Petty cash is reflected as being on hand. 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, were held in a separate bank account. These funds have been transfered to the main bank account.

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

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

The entity had the following bank accounts

Figures in Rand					2019	2018
Account number/ description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2018	30 June 2018	30 June 2017
STANDARD BANK- Cheque - 197734- COJ CAPEX	-	-	1 000	-	-	1 000
STANDARD BANK- 197750-COJ DEP ACCOUNT	14 303 550	13 424 976	12 609 233	14 071 757	13 424 976	12 609 233
STANDARD BANK- 197769-COJ JOSHCO FLEURHOF	142 055 842	2 881 800	81 499 789	126 786 731	2 881 800	81 499 789
STANDARD BANK - 197718-COJ JOSHCO	(3 383)	(3 313)	(5 032)	(4 186)	(3 313)	(5 032)
Total	**156 356 009**	**16 303 463**	**94 104 990**	**140 854 302**	**16 303 463**	**94 104 990**

7. PROPERTY, PLANT AND EQUIPMENT

	2019			2018		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment losses	Carrying value	Cost/ Valuation	Accumulated depreciation and accumulated impairment losses	Carrying value
Land	177 799	177 799	177 799	177 799	-	-
Leasehold property	1 590 731	(1 590 731)	-	1 590 731	(1 590 711)	20
Furniture and fixtures	2 556 649	(1 563 287)	993 362	2 447 729	(1 405 772)	1 041 957
Motor vehicles	350 643	(242 701)	107 942	350 643	(209 238)	141 405
Office equipment	1 590 608	(1 038 270)	552 338	1 534 175	(962 176)	571 999
IT equipment	4 010 580	(2 335 322)	1 675 258	3 438 105	(2 021 287)	1 416 818
Leasehold improvements	3 515 169	(3 322 928)	192 241	3 470 094	(3 262 935)	207 159
Total	**13 792 179**	**(10 093 239)**	**3 698 940**	**13 009 276**	**(9 452 119)**	**3 557157**

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - 2019

	2019				2018
	Opening balance	Additions	Additions through transfer of functions/ mergers	Depreciation	Total
Land	177 799	177 799	-	-	-
Leasehold property	20	-	-	(20)	-
Furniture and fixtures	1 041 957	111 020	(2 100)	(157 515)	993 362
Motor vehicles	141 405	-	-	(33 463)	107 942
Office equipment	571 999	58 426	(1 993)	(76 094)	552 338
IT equipment	1 416 818	572 475	-	(314 035)	1 675 258
Leasehold improvements	207 159	45 075	(59 993)	192 241	-
Total	3 557 157	786 996	(4 093)	(641 120)	3 698 940

Reconciliation of property, plant and equipment- 2018

	2019			2018
	Opening balance	Additions	Depreciation	Total
Land	177 799	-	177 799	-
Leasehold property	260 828	-	(260 808)	20
Furniture and fixtures	1 112 847	84 800	(155 690)	1 041 957
Motor vehicles	174 868	-	(33 463)	141 405
Office equipment	502 912	174 500	(105 413)	571 999
IT equipment	1 733 012	47 182	(363 376)	1 416 818
Leasehold improvements	523 641	-	(316 482)	207 159
Total	4 485 907	306 482	(1 235 232)	3 557 157

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

	2019			2018		
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Leasehold Improvement	3 515 169	(3 322 928)	192 241	3 470 094	(3 262 935)	207 159
Leasehold property	1 590 731	1 590 731	3 181 462	1 590 731	(1 590 711)	20
Total	**5 105 900**	**(1 732 197)**	**3 373 703**	**5 060 825**	**(4 853 646)**	**207 179**

8. INTANGIBLE ASSETS

	2019			2018		
	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 595 294	(1 089 512)	505 782	1 518 197	(1 043 097)	475 100

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortization	Total
Computer software	475 100	77 097	(46 415)	505 782

Reconciliation of intangible assets - 2018

	Opening balance	Amortization	Total
Computer software	590 567	(115 467)	475 100

9. INVESTMENT IN JOINT VENTURE

	Listed/ Unlisted	Carrying amount 2019	Carrying amount 2018
JOSHCO Madulamoho Joint Venture (JMJV)	-	24 254 466	23 516 575

The carrying amount of the joint venture has shown net gain/(loss) of R737 890 (2017: -R71836)

Principal activities and reporting dates of joint venture

	Principal activity	Reporting date	Period of Results included
JOSHCO Madulamoho Joint Venture (JMJV)	55%	2019/06/30	1 July 2018 to 30 June 2019

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 value at the beginning of the year	23 516 575	24 138 411
Surplus/(Deficit) for the year	737 890	(71 836)
Other Changes in Net assets		(550 000)
	24 254 465	**23 516 575**

10. FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below. The amount reflected in the table below is net of any impairment:

Figures in Rand	2019	2018
	Loans and receivables	Total
2019		
Loans to parent municipality	83 563 933	83 563 933
Receivable from exchange transaction	138 350 856	138 350 856
Cash and cash equivalents	156 356 105	156 356 105
	378 270 894	**378 270 894**
2018		
	Loans and receivables	Total
Loans to parent municipality	203 456 306	203 456 306
Receivable from exchange transaction	172 158 813	172 158 813
Cash and cash equivalents	16 311 646	16 311 646
	391 926 765	**391 926 765**

11. DEFERRED TAX

Deferred tax asset

The deferred tax asset as detailed below will be offset against future taxable income.

Reconciliation of deferred tax asset \ (liability)

At beginning of year	11 783 591	11 548 174
Movement in temporary differences	8 403 660	235 417
Assessed loss for the year	(2 853 525)	
	17 333 726	**11 783 591**

12. BORROWINGS - DBSA

At amortised cost		
Development Bank of Southern Africa	14 230 508	15105 447

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 totalling R1 070 913.45 with the last redemption date in March 2029.

Non-current liabilities		
Development Bank of Southern Africa	13 282 054	14 230 507
Current liabilities		
Development Bank of Southern Africa	948 454	874 940

Figures in Rand	2019	2018
13. PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade payables	103 744 510	207 353 496
Rental received in advance	12 246 437	10 151 176
Accrued leave pay	2 777 906	1 972 764
Accrued finance costs	301 819	320 860
Payroll Liabilities -	122 000	-
Consumer deposit received	16 619 479	15 127 804
Provision	296 729	-
Related party creditors	277 299 930	143 294 949
	413 408 810	**378 221 049**

14. PROVISIONS

Reconciliation of provisions - 2019	Opening balance	Additions	Utilised/Paid during the year	Total
Performance Bonus	1 324 231	-	(104 071)	1 220 160
Other provisions	646 436	-	(646 436)	-
	1 970 667	-	(750 507)	1 220 160

Reconciliation of provisions - 2018	Opening balance	Additions	Utilised/Paid during the year	Total
Performance Bonus	1 731 343	1 324 232	(1 731 343)	1 324 232
Other provisions	-	646 436	646 436	-
	1 731 343	1 970 668	(1 731 343)	1 970 668

15. VAT RECEIVABLE

VAT Receivable	1 171 949	1 562 970

16. DEFERRED INCOME FROM NON-EXCHANGE TRANSACTIONS

Deferred income 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.

17. FINANCIAL LIABILITIES BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Figures in Rand	2019	2018

2019

18. FINANCIAL LIABILITIES BY CATEGORY (continued)

	Financial liabilities at amortized cost	Total
DBSA loan	14 230 508	14 230 508
Payables from exchange transaction	413 408 810	413 408 810
Current tax payable	423 642	423 642
Operating lease liability	28 759	28 759
	428 091 719	**428 091 719**

2018

	Financial liabilities at amortised cost	Total
DBSA loan	15 105 447	15 105 447
Trade and other payables	378 178 471	378 178 471
Current tax payable	6 940 422	6 940 422
Operating lease liability	16 816	16 816
	400 241 156	400 241 156

19. SHARE CAPITAL

Authorised		
1000 Ordinary shares of R1 each or par value of R1000	1 000	1 000
Issued		
120 Ordinary shares of R1 each	120	120

20. REVENUE

Rendering of services	7 617 142	11 781 165
Rental facilities and equipment	128 678 969	116 702 704
Utility recoveries	754 874	761 857
Other Income	363 445	1 199 143
Interest received - investment	13 045 450	11 229 605
Government grants & subsidies	26 941 000	14 807 000
	177 400 880	**156 481 474**

The amount included in revenue arising from exchanges of goods or services are as follows:

Rendering of services	7 617 142	11 781165
Rental facilities and equipment	128 678 969	116 702 704
Utility recoveries	754 874	761 857
Other Income	363 445	1199 143
Interest received - investment	13 045 450	11 229 605
	150 459 880	**141 674 474**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Transfer revenue		
Subsidy received from shareholder	**26 941 000**	**14 807 000**

Figures in Rand	2019	2018
21. ADMINISTRATIVE EXPENSES		
Advertising	432 949	848 794
Auditors remuneration	1 711 031	1 384 108
Bank charges	81 029	103 491
Cleaning and gardening	16 505 789	21 491 354
Computer expenses	73 263	134 829
Project planning fees and consulting	10 036 071	10 817 693
Consumables	303 357	217 062
Entertainment	257 339	347 830
Fines, Interest and penalties	4 570	220 228
Equipment hire	73 338	68 496
Insurance	723 587	805 878
Conferences and seminars	232 029	570 179
Lease rentals on operating lease	3 232 514	2 241 617
Fuel and oil	36 783	21 180
Placement fees	1 739 840	905 266
Postage and courier	854 534	995 097
Printing and stationery	604 615	744 036
Protective clothing	-	33
Project maintenance costs	13 706 002	21 523 880
License fees	1 981 503	838 529
Security (Guarding of municipal property)	23 819 033	13 082 207
Subscriptions and membership fees	394 364	655 284
Telephone and fax	1 559 593	2 011 575
Training	174 581	546 205
Travel - local	5 205	68 443
Electricity	8 783 100	4 317 851
Gas	34 834	65 269
Head office water and related services	39 968	26 758
Water and Sanitation	25 881 842	17 367 666
Refuse	996 173	688 676
	114 278 836	**103 109 514**

Figures in Rand	2019	2018
22. PERSONNEL COSTS		
Employee related costs : Salaries and wages	39 549 123	31 129 515
Employee related costs : Temporary staff	986 551	837 044
Bargaining council	18 664	7 863
Housing benefits and allowances	42 619	21 162
Overtime payments	24 458	121 675
Bonuses	1 899 938	2 290 272
Travel, motor car, accommodation, subsistence and other allowances	962 775	968 924
Directors remuneration	1 750 000	3 894 593
UIF	199 921	188 662
SDL	460 445	386 192
Leave pay provision charge	1 072 761	551 729
Pension fund contributions	4 602 405	3196 599
Acting allowances	509 408	289 094
	52 079 068	**43 883 324**

23. DIRECTORS REMUNERATION

Non-Executive Directors	-	-
Ms. Z Jacobs	-	45 626
Mr. M Molefi	272 183	-
Mr. D James	22 816	-
Mr. J Chauke	22 816	-
Mr. E Neluvhalani	22 816	-
Ms. N Twala	22 816	-
Ms B Majola	22 816	-
Mr. M Ntanga	146 000	24 000
Ms. N Hlatshwayo	207 000	24 000
Mr. N Tshindane	211 000	24 000
Mr. Tumisho Makofane	42 000	-
Prof K Wall	135 000	12 000
Ms N Molao	80 000	24 000
Mr. S Mhlongo	234 252	-
Dr. L Matlape	321 340	-
Prof B Twala	515 136	-
Mr. M Oliphant	327 118	-
Prof. D.W Thwala	175 000	24 000
Mr. Dinkwanyane Mohuba	48 000	-
Mr. Tamsanqa Boiani	24 000	-
Mr. Mzamani Khubayi	24 000	-
Ms. N Nyembe	241 857	-
Mr. T Mlangeni	341 000	363 486
	1 433 000	**2 567 078**

Figures in Rand	2019	2018

22. DIRECTORS REMUNERATION (continued)

Audit Committee Members		
Mr. H Moolla	317 626	-
Mr. T Motloung	257 000	400 404
Mr. R Hill	35 000	346 855
Ms. Zabala	25 000	262 630
317 000	**317 000**	**1 327 515**

23. EXECUTIVE AND SENIOR MANAGERS SALARIES

Figures in Rand	2019	2018
Executive Directors - Mr A. T Ngcezula@		
Annual Remuneration	1 221 873	1 832 810
Executive Directors - Mr. Success Marota"		
Annual Remuneration	-	648 643
Performance Bonus	-	113 477
Other Allowance	-	50 850
		812 970
Executive Directors - Ms. Nontobeko Ndimande#		
Annual Remuneration	1 140 668	-
Executive Managers and Senior Managers		
Ms. P Ngwasheng*	257 034	1 129 201
Mr. P Maseko	1 037 523	1 026 899
Ms. M Nkopane*	-	240 389
Ms. C Holmes"	-	1 297 907
Ms. B Laka*	-	626149
Mr. N Magubane#	1 233 706	-
Ms. X Njapha#	62 023	-
Ms. P Mazibuko#	253 382	-
Ms. K Mokhampanyane#	230 948	-
Ms. L Nemaungani#	276 003	-
	3 350 619	**4 320 545**

@Seconded 03 August 2018 within the City and officially transfered March 2019.

*Resigned

#Appointed

"Contract ended

Figures in Rand	2019	2018
24. OTHER HOUSING MANAGEMENT COSTS		
The following amounts relate to project costs incurred at various projects:		
Bad debts	42 933 522	16 532 161
Bad debts Written off	5 293 388	(307 882)
Collection Fees	1 085 853	923 760
Community Development	764 378	317 076
	50 077 141	**17 465 115**

Figures in Rand	2019	2018
25. INVESTMENT REVENUE		
Interest income		
Bank interest	7 888 631	2 004 483
Interest earned - Outstanding debtors	5 156 819	9 225 122
	13 045 450	**11 229 605**
26. DEPRECIATION AND AMORTISATION		
Property, plant and equipment	641 120	1 235 233
Intangible assets	46 415	115 467
	687 535	**1 350 700**
27. FINANCE COSTS PAID		
Interest paid - DBSA Loan	1 247 847	1 319 960
28. TAXATION		
Major components of the tax expense		
Current		
Local income tax - current period	-	423 642
Deferred		
Originating and reversing temporary differences	2 173 277	(235 417)
	2 173 277	**188 225**
Reconciliation of the tax expense		
Accounting surplus/ (deficit)	(40 233 165)	(10 718 974)
Tax at the applicable tax rate of 28% (2018: 28%)	(1 1265 286)	(3 001 313)
Tax effect of adjustments on taxable income		
Share of JMJV Profit	(737 890)	-
Temporary Differences	6 453 041	2 813 088
	(5 550 135)	**(188 225)**

Included in taxable income is subsidies received from parent municipality.

Tax rate reconciliation:		
Statutory rate (%)	28	28
Tax effect of adjustments on taxable income		

Figures in Rand	2019	2018

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

Surplus/ (deficit)	(34 683 030)	(10 907 199)
Non cash movements:		
Depreciation and amortisation	687 535	1 350 700
Loss on disposal of assets	1 508	-
Loss from equity accounted investments	(737 890)	71 836
Movements in operating lease assets and accruals	11 943	(37 620)
Movements in provisions	(750 508)	239 324
Movement in tax receivable and payable	(6 516 780)	423 642
Changes in working capital:		
Inventories	(39 152)	473 178
Receivables from exchange transactions	33 807 957	21 711 806
Payables from exchange transactions	29 715 628	113 455 877
VAT	391 021	1 907 776
Deferred income from non-exchange transactions	-	(92 949 697)
	21 888 232	**35 739 623**

30. TAX LIABILITY

Balance due (to) I from at beginning of the year	(6 940 422)	(6 296 552)
Current tax for the year recognised in surplus / deficit	-	(423 642)
Penalties and Interest Charged	-	(220 228)
Payments made in the current year	(6 516 780)	-
Balance due to / (from) at end of the year	**423 642**	**6 940 422**

31. COMMITMENTS

Commitments in respect of capital expenditure:

Total capital commitments

Already contracted for but not provided for	534 157 801	681 594 596
Not yet contracted for and authorised by directors	102 088 933	157 190 967
	636 246 734	**838 785 563**

Authorised operational expenditure

Operating leases - as lessee (Printers)

31. COMMITMENTS (continued)

The entity has entered into a three year lease of supply and maintenance contract for Printers. Commitments regarding the supply and maintenance are as follows.

Figures in Rand	2019	2018
Minimum lease payments due		
- within one year	422 992	-
- in second to fifth year inclusive	845 983	-
	1 268 975	**-**
Operating leases - as lessee (Buildings)		
Minimum lease payments due		
- within one year	776 502	2 271 988
- in second to fifth year inclusive	-	776 502
	776 502	**3 048 490**

Operating lease payments represent rentals payable by the company for its Head office premises. Leases are negotiated for an average term of three years and rentals are fixed for one year and subject to escalation clauses.

Figures in Rand	2019	2018
32. RELATED PARTIES		
Related party balances		
Trade and other receivables		
City of Johannesburg Metropolitan Municipality	179 427 182	327 973 817
The Johannesburg Civic Theatre SOC Ltd	-	2 807
Trade and other payables		
City of Johannesburg Metropolitan Municipality	277 299 930	143 294 949
Related party transactions		
Revenue		
City of Johannesburg Metropolitan Municipality	42 446 776	32 381 758
Expenditure		
City of Johannesburg Metropolitan Municipality	(670 567)	(1 066 878)
Pikitup Johannesburg (Pty)Ltd	(1 142 371)	(958 218)
City Power Johannesburg (Pty)Ltd	(13 750 140)	(13 270 641)
Johannesburg Water (Pty)Ltd	(31 259 951)	(21 776 371)
Joburg Theatre	(8 019)	-

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.

33. RISK MANAGEMENT

Capital risk management

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

There are no externally imposed capital requirements.

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

Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The company is a wholly owned subsidiary of the City of Johannesburg Metropolitan Municipality. Risk management is carried out by a central treasury department within the Metro Municipality (City treasury) under policies approved by the City's Assets & Liability committee of which the company's CFO is part. City treasury identifies and evaluates financial risks in close cooperation with ALCO. ALCO provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk.

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 2019 and 2018, the entity's borrowings of R15,105,447 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 consists mainly of cash deposits, cash equivalents, inter company debtors and other receivables. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter party.

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

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

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

Item	2019	2018
Financial instrument	158 688 040	173 324 737
Trade and other receivables Loans to Shareholder	83 563 933	203 456 306

34. EVENTS AFTER THE REPORTING DATE

Prior to the finalisation of the annual financial statements for the year ended 30 June 2019, there was one none adjusting event.

The CEO position has been filled by Mr Victor Rambau.

Other than the above, the accounting officer is not aware of any matter or event not addressed in this report.

35. IRREGULAR EXPENDITURE

Item	2019	2018
Opening balance	8 568 796	-
Irregular expenditure	39 525 393	718 796
Expenditure budget overspent	-	7 850 000
	48 094 189	**8 568 796**

35. IRREGULAR EXPENDITURE (continued)

Irregular expenditure incurred in the prior year has not been condoned as investigations have not been concluded. In the current year, irregular expenditure of R16 million was incurred for Cleaning and Gardening Services and R14.7 million for Security Services where the contracts were extended beyond the 15% threshold pending the insourcing project by CoJ and its entities. The insourcing dates are 1 September 2019 and 1 October 2019 respectively for Cleaning and Gardening Services and Security Services. RS.7 million was incurred for repairs and maintenance expenses when the panel had expired.

Figures in Rand	2019	2018

36. FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure		
Opening balance	1 108 140	887 912
Expenditure relating to the current year	24 366	
Discovered during the current year relating to prior year	4 570	220 228
	1 137 076	**1 108 140**

Fruitless and wasteful expenditure incurred in the prior year has not been condoned as it is still under investigation. The expenditure identified in the current financial year relates to penalties due to the South African Revenue Services for late payment and submission of tax returns.

37. 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

37. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

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	2019	2018
Joe Malherbe Attorneys	Contractual dispute with a contractor at 80 Plein Street. JOSHCO's panel of attorneys did not have a construction expert.	-	514 671
ICAS	Counseling for tenants at City Deep after shooting incident	-	34 200
TM Events	Hiring of tents and chairs for counseling at City Deep	-	16 400
Sunny side Park Hotel	Increase of the number of delegates to attend Strategic Planning Session to include all managers	35 470	-
Total		**35 470**	**565 271**

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	2019	2018
Pitney Bowes Batsumi Enterprise Solutions	Supply of pressure seal statement paper for specialised printing machine. A specific paper is used for the machine and can only be sourced from the manufacturer of the machine.	120 750	148 893
South African Board for people practices	Woman's month initiative workshop seminar	-	26 650
Multimedia Consulting Services	Extension of Temp contract for Paralegal	-	83 213
Hlabahlosile Recruitment Solution	Extension of Temp contract for two (2) Leasing Administrators	-	124 815
Mogale Solution Provider	Extension of Job Evaluation & Grading	-	119 700
Perfect Transcribers	Transcription of Board & Committee minutes	-	9 600
Kuhle Solutions and Development Services	Facilitator for Business Planning and Risk strategic workshop	-	19 640
Inner-Citv Gazette	Newspaper advertorial in the inner-city gazette	-	33 731
Red Letter Marketing	Replacement of current branding with the new city of Johannesburg vision	-	190 864
Multimedia Consulting Services	Extension of Temp contract for Paralegal	-	279 744
Total		**120 750**	**1 036 850**

38. 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 Revenue was under of budget by 10% (R196,1million vs R177,4 million) mainly due to rental income. This is due to slow allocation of units in our new projects. Rendering of services is below budget due to a decrease in number of projects under construction.

Total expenditure is over budget by 20% (R23.1mil) due to recognition of bad debts resulting from low revenue collection levels and high utility costs, i.e. water.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a result of additional subsidy in order to implement Job grading results.

39. NEW STANDARDS AND INTERPRETATIONS

The following Standards and Interpretations were in issue but not yet effective:

Name	Effective Date
IGRAP 34 - Separate financial statements	Not yet effective
IGRAP 35 - Consolidated financial statements	Not yet effective
IGRAP 36 - Investment in associates and Joint ventures	Not yet effective
IGRAP 37 - Joint Arrangements	Not yet effective
IGRAP 38 - Disclosure in interest in other entities	Not yet effective
IGRAP 108 - Statutory receivables	Not yet effective
IGRAP 109 - Accounting by principles and agents	Not yet effective

The above-mentioned standards and interpretations which are relevant to the Municipality's business operations will be adopted once they become effective.

40. CONTINGENCIES

Economic entity

Contingent liabilities

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

Figures in Rand	2019	2018
Ms. C Holmes (Unfair Dismissal Dispute)	99 025	
Gosiame Development- Damage claim for loss of income at Randburg Silkirk for fence demolition	653 378	370 000
Renaissance Security and Cleaning T/A Topo Security Services	27 852	27 852
	780 255	**397 852**

Contingent assets

JOSHCO is currently involved in various legal disputes for the company. See the detailed below:

Figures in Rand	2019	2018
Solidaire Construction (Pty)Ltd- Failure by service provider to perform as per JBCC Contract	11 000 000	11 000 000
JEH Properties and Dempster Mckinnon-Breach of Contract	7 000 000	7 000 000
SKN Consulting-Damages suffered claim as result on non-performance	13 926 340	13 926 340
	31 926 340	**31 926 340**

41. PRIOR-YEAR ADJUSTMENTS

A capital grant was presented in the financial statements of which a portion was recognised as revenue and the remainder recognised as deferred income even though all conditions to the grant were already met in 2008. A further R42 780 was incorrectly classified as deferred income in the 2018 annual financial statements. There is no income tax effect on the adjustments. Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2017

	Note	As previously reported	Correction of error	Reclassification
Accumulated Surplus		18 722 067	22 849 837	41 571 904

2018

	Note	As previously reported	Correction of error	Reclassification	Restated
Payables from exchange transaction	13	378 178 471	-	42 780	378 221 049
Deferred income from non exchange transaction - current	16	913 993	(913 993)	-	-
Deferred income from non exchange transaction - non current	16	21 242 229	(21 064 429)	-	177 800
		400 334 693	**(21 978 422)**	**42 780**	**378 398 849**

Statement of financial performance

	Note	As previously reported	Correction of error	Restated
2018				
Revenue from exchange transactions	19	913 993	(913 993)	-

Notes

Notes

COMPANY INFORMATION:

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

JOHANNESBURG SOCIAL HOUSING COMPANY SOC LIMITED / NON-PROFIT COMPANY

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