

**JOHANNESBURG SOCIAL HOUSING COMPANY  
 (SOC)LIMITED**

Registration No: 2003/008063/07



*The City of Johannesburg's Vision is to promote transport-oriented developments. JOSHCO aims to make maximum use of land opportunities located close to mass public transportation corridors*

**COMPANY INFORMATION:**

**Registration number:** 2003/008063/07

**Registered Address:** 1st Floor, 137 Sivewright Avenue  
New Doornfontein  
Johannesburg  
2094

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New Doornfontein  
Johannesburg  
2028

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**E-mail** : [info@joshco.co.za](mailto:info@joshco.co.za)

**Bankers** : Standard Bank of SA Limited

**Auditors** : Auditor-General

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**Mission**

*“To provide the city of Johannesburg with quality, affordable and sustainable social housing products”.*

**Vision**

*“A world-class social housing provider of choice”*

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# CHAPTER ONE: LEADERSHIP AND CORPORATE PROFILE

## SECTION 1: CORPORATE PROFILE AND OVERVIEW OF THE ENTITY



*This chapter summarises the corporate profile of JOSHCO, its strategic objectives and the forewords by the political representative and the governance representatives of the entity.*

The Johannesburg Social Housing Company SOC Limited (“JOSHCO”) was established in November 2003 by the City of Johannesburg (City). 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 registered social housing institution and is accredited by the Social Housing Regulatory Authority (SHRA). JOSHCO predominantly serves families whose total household income is between R1500 and R7500 per month.

The core business of JOSHCO may therefore be said to include: the development of social rental housing; the refurbishment, upgrading and management of Council owned rental housing stock; housing management; the refurbishment, upgrading and management of hostels and the provision of turnaround strategies where necessary.

As a Municipal Owned Entity, JOSHCO is required to comply with all the relevant legislation (i.e. Municipal Finance Management Act; Municipal Systems Act and the Companies Act). The policies and strategies of JOSHCO are strongly influenced by the vision of the City of Johannesburg.

As at the end of the financial year of 2013/2014, JOSHCO’s staff complement consisted of eighty one (81) full time (contract and permanent) employees.

## SECTION 2: STRATEGIC OBJECTIVES

### Joshco's Strategic Goals

The strategic goals of JOSHCO are founded in the mandate given to it by CoJ and its GDS 2040 initiatives. These goals include:

- ❖ Producing more housing that fits into the city vision of denser, less resource hungry, sustainable settlements. To achieve this, consideration must be given to economies of scale, so that the difference between revenue and costs does not grow ever larger. Operating revenues must exceed operating costs as a base case. This must be done to address the current situation where JOSHCO is 'an unregulated social grantor'.
- ❖ Locating developments close to transport corridors made up of taxi routes, Bus Rapid Transport (BRT), other bus routes and railway stations.
- ❖ Effectively doing business in a political environment. This will involve ethical decision-making versus stakeholder management, bearing in mind the effects of poverty.
- ❖ Freeing up capacity from wasteful activities, and spending this on raising capital from funders other than the shareholder, by expanding non-shareholder investment, the sale of business, ring-fencing, and borrowing against the City's balance sheet.
- ❖ Assisting emerging businesses to remain sustainable by including costs to make this possible.



*Orlando Ekhaya Project – Former male-only hostel converted into rental family units. The project yields a total of 188 units. 1 bedroom unit size: 32m<sup>2</sup> | 2 Bedroom unit size: 50m<sup>2</sup> | 1 Bedroom Disability unit size: 50m<sup>2</sup>*

## SECTION 3: SALIENT FEATURES

This section highlights what the entity has achieved in the financial year.

### 2.1 Revenue Collection:

JOSHCO's revenue collection target for the 2013/14 was 87% of billing. For the period ended 30 June 14, the collection level achieved was 88%, thereby exceeding the annual target by 1%.

### 2.2 Financial Management:

The following analysis is drawn from the financial performance report ended 30 June 14. The summary is provided in terms of "flagship projects" and "administrative enablers":

SUB-PROGRAMME	ACTUAL (R'M)	BUDGET (R'M)	VARIANCE (R'M)	VARIANCE %
Revenue	108,5	R109,2	1	1
Less: Expenditure	R107,2	R109,2	2	2
<b>Core Mandate (Deliverables):</b>	<b>R61,7</b>	<b>R58,2</b>	<b>-4</b>	<b>-7</b>
Repairs & maintenance (Flagship 1)	R28,2	R20,9	8	39
Utility costs (Flagship 2)	R 17,8	R 17,5	1	6
Community development & other project costs (Flagship 3)	R15,7	R19,8	5	26
<b>Administrative Costs:</b>	<b>R45,5</b>	<b>R51</b>	<b>6</b>	<b>12</b>
Governance & staff costs (Enabler 1)	R31,1	R32,7	2	7
General expenses (Enabler 2)	R14,4	R18,3	4	22
<b>NET SURPLUS</b>	<b>R1,3</b>	<b>R0,0</b>		

### 2.3 Capex Expenditure

As at the end of June 2014 JOSHCO's performance on capital projects reflected an actual expenditure of R418,3m against a budget of R440,2m. This translated to a percentage achievement of 95% for the financial year.

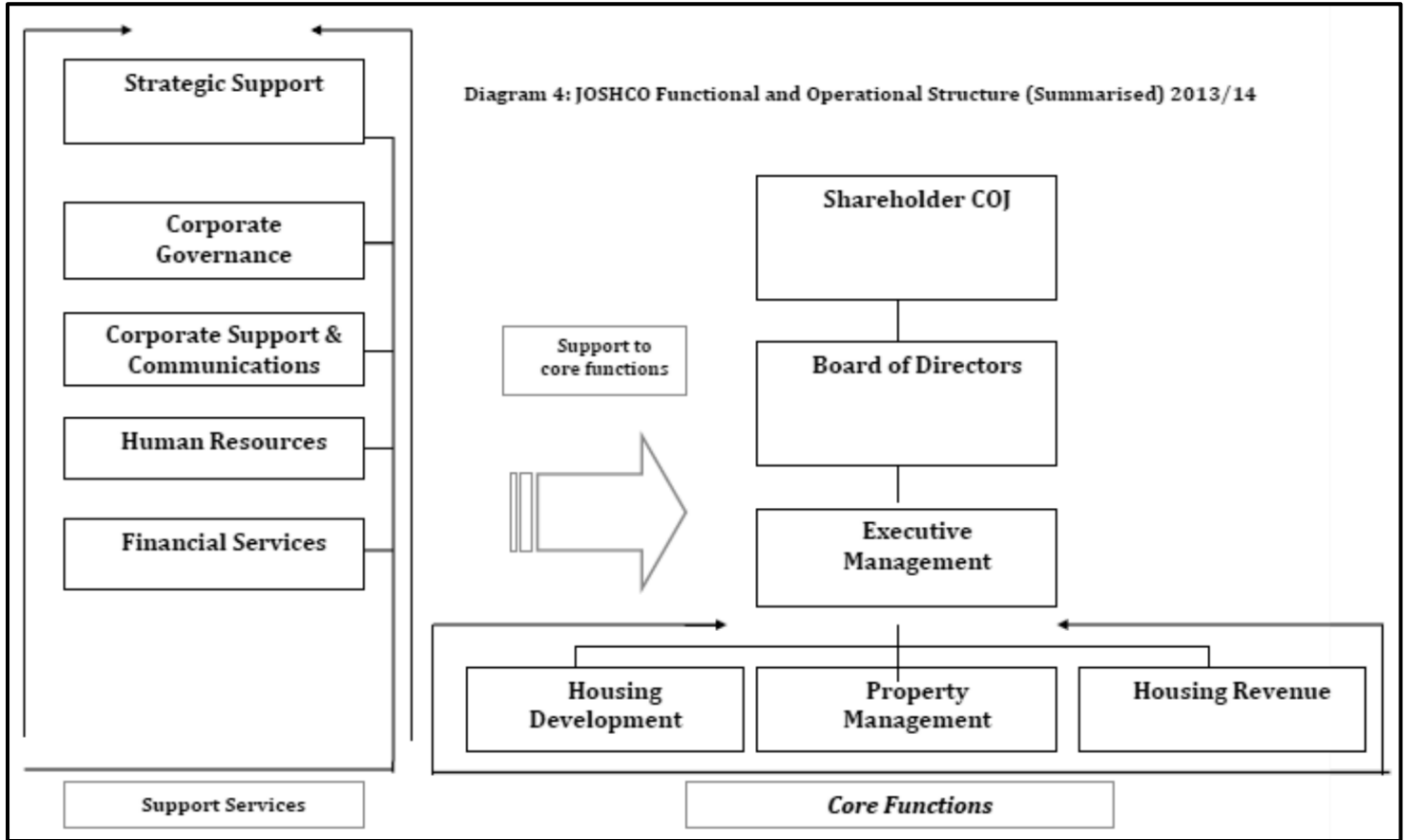
### 2.4 Solvency ratio

As at end of June 2014 JOSHCO continued to operate as a going-concern for the foreseeable future. The going-concern of JOSCHO over the short-term (12 months) was demonstrated by considering the positive balance of the accumulated reserves of R12,2 million. It was further supported by the current ratio which showed the liquidity of the entity as 1,3:1 (current assets to current liabilities).

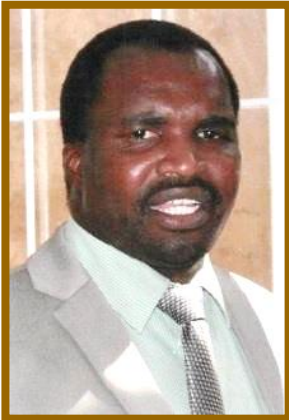
**SECTION 4: HIGH-LEVEL ORGANISATIONAL STRUCTURE**

This diagram demonstrates how the core business of Joshco feeds into the different divisions/departments within the organisation.

Diagram:



## SECTION 5: FOREWORD BY MEMBER OF THE MAYORAL COMMITTEE



In this year 2014 Joscho celebrated 10 years of existence and might I say great achievements. Over the years Joscho have produce clean audits and won a few awards to add to its portfolio. Even though we achieved lots but still have a many challenges to meet the actual demands.

Last year I mentioned the corridors of freedom and this year I want us to ensure we link co- production and Jozi@work into a clear programme in which we can create more jobs. Joshco will be bringing some exciting changes around energy utilization and the alternative renewable energy sources. Additional quality units within the City which must also be affordable for all people. Enhanced tenant participation through adoption of a participatory site development model. It is important to include planning, people and good governance which must result into transformation and development, based on equality and the improvement of people's lives. Each year that goes by we must say that our year was better than last year.

I would like to thank the Management, Staff and Board of Directors for the meaningful contribution towards the citizens of Johannesburg.

**Cllr Dan Bovu**  
**MMC: Housing**

## SECTION 6: CHAIRPERSON'S FOREWORD



During the year under review, the entity has been able to strengthen its position with various stakeholders. Our ability to meet the expectations of a broad and multicultural customer base often required innovative and continuous inventive approaches when interacting and executing our activities. We cemented our performance by ensuring that all the objectives in our corporate scorecard were met and exceeded our expectations. The entity always factored its mandate and the aspirations of the Shareholder into the strategic plans. Operations were very effective in implementing the key deliverables defined in the strategic plan and our detailed Expanded Public Works Programme and its timeous implementation helped to fast track those issues that embrace the national agenda.

The momentum set in the previous financial year increased during this period and resulted in us, once again, delivering on those programmes that served as the mayoral priorities. The favourable financial position we have achieved has strengthened our position. In spite of the portfolio growth and disproportionate funding in relation to the portfolio of services, we have been able to cement our position through increased productivity and efficiencies. All departments within the entity continued to perform at a high standard collectively. Further, the Capex expenditure increased by almost 274% from R160,7 million in June 2013 to R440 million in June 2014 while staff numbers remained largely constant with a view to restraining personnel costs within 30% of operating expenditure. This achievement has served to demonstrate efficiency, although JOSHCO is looking to bolster its capacity on the development side in the new year.

With constant guidance and vigilance, the Board of Directors dedicated itself to ensuring that 95% of the allocated capital budget of R440 million is spent. I would like to express my sincere gratitude to the Members of the Board and all Board Sub Committees who dedicated their time in ensuring the effective implementation of the strategic plans set out at the beginning of this financial year.

**Zeona Jacobs**  
**Board Chairperson**

## SECTION 7: MANAGING DIRECTOR'S REPORT



JOSHCO obtained completion certificates for 79,23% of the number of units projected in the approved business plan (912 of the 1151 units targeted). This negative variance came from a one hundred and sixty nine (169) unit shortfall on new greenfield construction, and a 158 unit shortfall on inner city unit completions. These shortfalls were however mitigated by an 88 unit positive variance on conversions from hostels to family homes. The total shortfall in the number of completion certificates in hand on 30 June amounts to 239 units. Management advises the board and shareholder that this shortfall amounts to a project programme adjustment, and not to a company target adjustment. In other words, these 239 units are at an advanced stage of construction and will all be completed in the first quarter of 2014/15. An explanation for the project programme change has been provided in the variance report which is contained in chapter 3.

JOSHCO grew its housing portfolio to within 4% of the projected target for the year by increasing the portfolio to 7034 units. The projected size of the portfolio was however 7298 units. JOSHCO therefore ended the year at 96,4% of this target. An adjustment to projected revenue had been made earlier in the financial year, and management did succeed in growing the portfolio close to the target in the original approved business plan. The 4% shortfall did not therefore have a strong negative impact. Management would also wish to point out that the Orlando, City Deep and Selby projects do have completed units which are inhabitable, but that these have not been brought into the managed portfolio yet on account of the fact that parts of these projects are still under construction and health and safety considerations must be used to determine the date of commissioning so that there is neither a safety nor a nuisance element for JOSHCO tenants.

2013/2014 has not been an easy year for JOSHCO as far as the collection of revenue is concerned. The company ended the year with a cumulative collection of rentals of 88%. This was one percentage higher than the pre-determined objective contracted for in the approved business plan. The achievement of this result did require a special effort. It is always the case that when it is election season, this does have a temporary negative impact on revenue collection. 2014 was no exception, as can be seen by studying the individual monthly collection results. Be that as it may, the cumulative result is acceptable if viewed against the target set.

JOSHCO's Capital Budget performance mirrors JOSHCO's capital project performance in that it does depict a variance of 5%. The source of this underperformance really is the procurement delays on the smaller civils projects as reported on in the third quarter. Management has learned a valuable lesson for its Annual Procurement Plan for 2014/15 in that it is important to pay as much detailed attention to procurement timelines on the smaller projects as it is on the larger projects. On the positive side, and viewed against the sudden and substantial growth of JOSHCO's capital budget, while an expenditure of 95% is short of what management committed itself to, it is a broadly positive result when measured against the increased budget of the organisation.

As far as the general running of the organisation is concerned, JOSHCO's results show some areas which must receive greater attention, and it also points to some areas where the company has done well. The areas which require greater emphasis predominate in the attention to human capital, especially where the diversity of the staff establishment is concerned; and in the training and development of that staff establishment. Special attention is being provided to gender equity wherein JOSHCO has proposed revised employment equity targets for the new financial year that seeks to ensure that the demographics of the staff establishment are representative of the demographics of Gauteng.

From a public perception/reputation perspective, the organisation has featured positively more often than it has featured negatively in the public media. This has possibly been assisted by the two project launches held in the second half of the year (Orlando and Selby).

In addition to this, management has paid a lot of attention to ensuring that communication with JOSHCO's direct clients (the tenants) is improved. In so doing, JOSHCO has brought its messaging and its communications materials into close alignment with the development vision of the shareholder.

**Rory Gallocher**  
**Chief Executive Officer**

## SECTION 8: CHIEF FINANCIAL OFFICER'S REPORT



Joshco has once again achieved a 'clean audit report' from the Auditor- General of South Africa. This is consistent with prior years and attests to its corporate governance over its performance management system and compliances to all laws and regulations.

Over the financial year, the Office of the Chief Financial Officer was responsible and accountable for 3 functional areas of operation i.e. finance, supply chain management and the revenue collection. This did not serve as a limitation, as through the operation of these divisions; we served to integrate the business into a cohesive unit in servicing our clients and hence surpassing some of our targets.

Revenue and expenditure resulted in a net surplus of R0,2m.

JOSHCO is currently dependent 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 housing stock. To this end, JOSHCO intends to be more innovative in its systems for the take-on of tenants and rental collections, and the implementation of efficiencies in practicing supply chain management.

**Vernon Naidoo**  
**Chief Financial Officer**

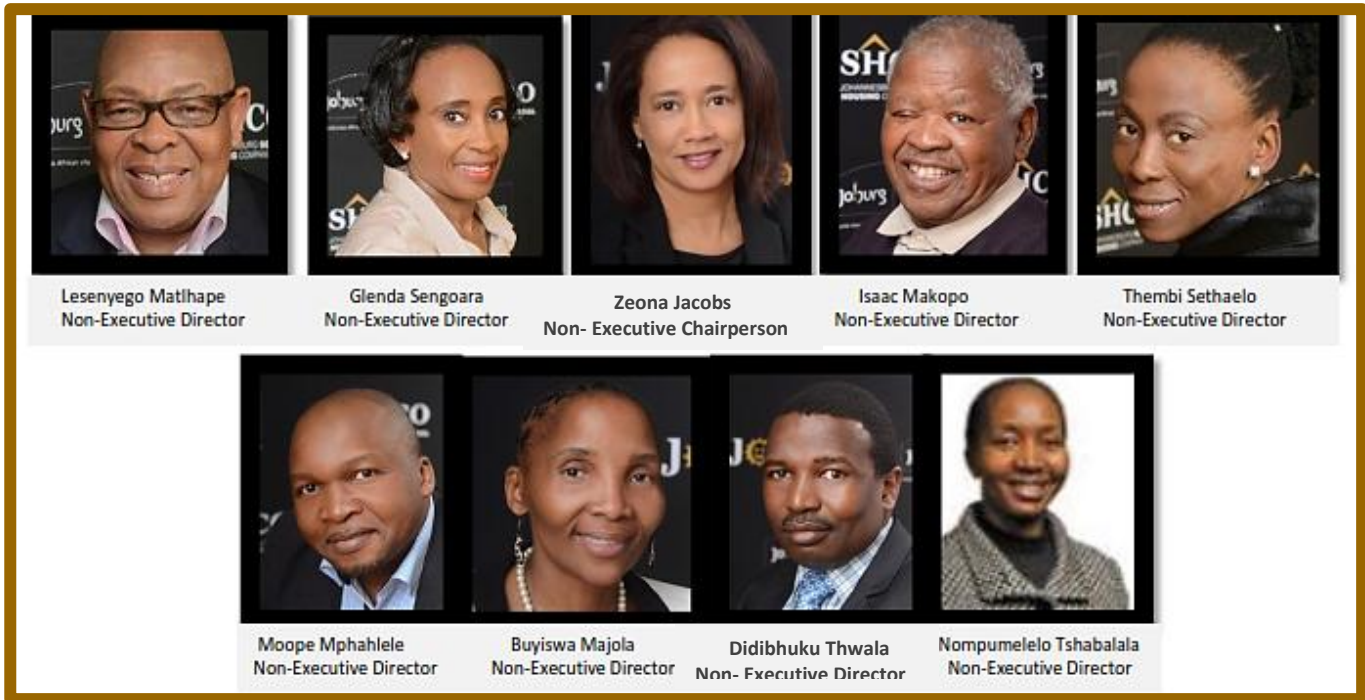
## SECTION 9: STATEMENT OF RESPONSIBILITY

The directors are responsible for the preparation, integrity and fair presentation of the financial statement of the Entity. The financial statement presented in this report has been prepared in accordance with Generally Recognised Accounting Practice (GRAP) and include amounts based on judgement and estimates made by the management.

The directors are responsible for the preparation of the other information in the annual report and are responsible for both its accuracy and its consistency with the financial statements. The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the entity will not be going concerns in the foreseeable future based on the forecast and available cash resources.

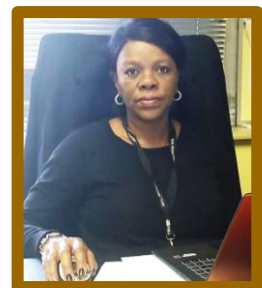
## CHAPTER TWO: GOVERNANCE

### Board of Directors



### Executive Committee Members

**Sharma Mc Call:** Senior Manager Corporate Support - **Celiwe Nkosi:** Company Secretary -  
**Vernon Naidoo:** Chief Financial Officer. **Rory Gallocher:** Chief Executive Officer -  
**Gary Randall:** Senior Manager Business Planning & Risk Management  
**Cheryl Holmes:** Executive Manager: Housing Management -  
**Mpolai Nkopane:** Senior Manager: Housing Development



## SECTION 1: CORPORATE GOVERNANCE STATEMENT

This chapter serves to inform the reader on the entity's governance framework currently in place. The chapter also captures various initiatives carried by the entity on their social responsibility activities.

### 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 establishment.

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 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 III and continues to further entrench and strengthen recommended practices in our 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 III 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 King Code on Corporate Governance forms part of the mandate of the audit committee. The entity has complied with the Code in all respect during the year under review.

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 interest of good corporate governance and good ethics.

The Protocol is premised on the principles enunciated in the King Report for Corporate Governance for South Africa 2009 (King III). The Company steadfastly consolidated its position in respect of adherence to the King III report on Corporate Governance. The entity practices are, in most material instances, in line with the principles set out in the King III Report. Ongoing steps are however taken to align practices with the Report's recommendations and the Board continually reviews our progress to ensure that we improve our Corporate Governance. During the year under review the Company entrenched its risk management reviews and reporting and compliance assessments were conducted in terms of the Companies Act and the Municipal Finance Management Act (MFMA). The annual report for the previous year was effectively completed in accordance with the Municipal Finance Management Act.

### iii. Corporate Citizenship

The Board and Management recognise 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 natural environment, and pursues its activities within the limits of social, political and environmental responsibilities outlined in international conventions on human rights.

### iv. Compliance with laws, rules, codes and standards

The Board is responsible for ensuring that the entity complies with applicable laws and considers adhering to non-binding rules, codes and standards.

## SECTION 2: BOARD OF DIRECTORS

The Board of Directors is presided over by a non-executive Chairperson.

The non-executive Directors take responsibility for ensuring the Chairperson encourages proper deliberation of all matters requiring the Board's attention.

The Board, under the Chairpersonship of Ms Zeona Jacobs, meets at least quarterly, retains full and effective control over the Company and monitors executive management through the structured approach to reporting and accountability. The Board of Directors comprises of eight non-executives and two executive Directors. The Directors have a range of skills and experience that they bring to the benefit of JOSHCO.

The Board of Directors has adopted the Board Charter which encapsulates the City of Johannesburg Governance Protocol and includes matters of ethics, procedure and the conduct of committee members. Registers are kept and updated on the disclosure and declaration of interests of directors and senior management. The Board and Senior Management ensure that there is full material compliance to all relevant legislation.

The Company Secretary has certified in terms of section 268(d) of the Companies Act that all statutory returns have been submitted to the Registrar of Companies.

Attendance at meetings held during the year was as follows:

DIRECTORS	BOARD			CORPORAT E SUPPORT			AUDIT			DEVELOPMENT			RISK			SOCIAL ETHICS AND		
	Attendance	Absent	Apologies	Attendance	Absent	Apologies	Attendance	Absent	Apologies	Attendance	Absent	Apologies	Attendance	Absent	Apologies	Attendance	Absent	Apologies
Number of Meetings held	6			4			6			4			4			1		
1. Z. Jacobs	5	-	1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1	-	-
2. T. Sethaelo	6	-	-	n/a	n/a	n/a	n/a	n/a	n/a	4	-	-	n/a	n/a	n/a	n/a	n/a	n/a
3. N. Tshabalala	5	-	1	4	-	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1	-	-
4. D.W. Thwala	6	-	-	n/a	n/a	n/a	n/a	n/a	n/a	4	-	-	n/a	n/a	n/a	n/a	n/a	n/a
5. I. Makopo	3	-	3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
6. L. Mathlape	5	-	1	4	-	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
7. G. Sengoara	5	-	1	n/a	n/a	n/a	n/a	n/a	n/a	4	-	-	n/a	n/a	n/a	n/a	n/a	n/a
8. B. Majola*	2	-	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
9. M. Mphahlele	5	-	1	n/a	n/a	n/a	5	-	1	4	-	-	n/a	n/a	n/a	n/a	n/a	n/a
10. V. Naidoo	6	-	-	n/a	n/a	n/a	6	-	-	4	-	-	4	-	-	n/a	n/a	n/a
11. R Gallocher	6	-	-	4	-	-	6	-	-	4	-	-	4	-	-	1	-	-

\*The Board member was appointed on 25 February 2014

NAME OF INDEPENDENT AUDIT COMMITTEE MEMBER	AUDIT COMMITTEE MEETING ATTENDANCES		
	Attendance	Absent	Apologies
Total Number of Meetings	6		
1. Errol Tait*	4	-	1
2. K. Mdutshane@	5	-	-
3. K. Govender@	5	-	-
4. H. Moolla#	1	-	-
5. R. Hill#	1	-	-

\* AC Member passed away in February 2014

@ AC Members retired in February 2014

# AC Members appointed in February 2014

## BOARD COMPOSITION

The Directors at the end of the financial year 2013/2014 as at 30 June 2014 were as follows:

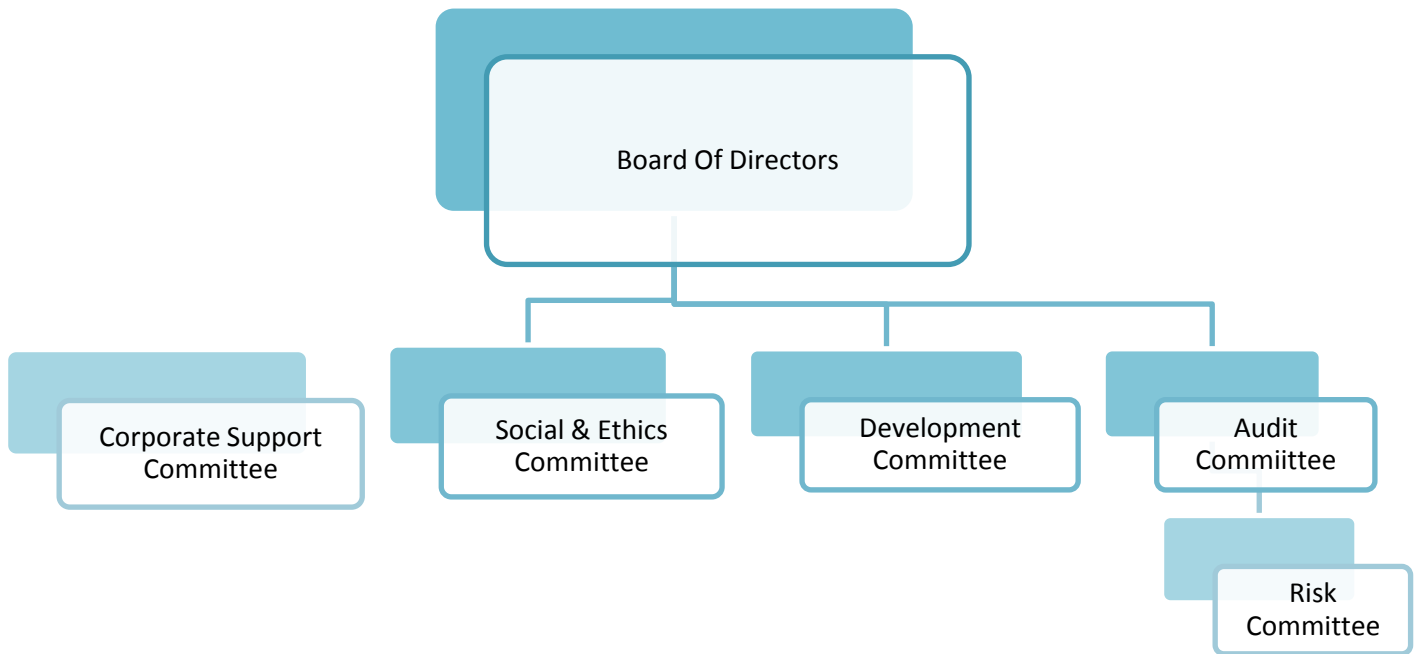
Member	Capacity: Executive/ Non-Executive	Race	Gender	Skills
1. Ms. Zeona Jacobs	Chairperson	C	F	Human Resources, Corporate Governance
2. Dr. Lesenyego Matlhape	NED	A	M	Human Resources and Labour relations.
3. Mr. Isaac Makopo	NED	A	M	Community activist, labour and dispute resolution.
4. Mr. Moope Mphahlele	NED	A	M	Audit and Corporate Governance
5. Mrs. Thembi Sethaelo	NED	A	F	People Management, Interpersonal Communication and Conflict Resolution.
6. Ms. Nompumelelo Tshabalala	NED	A	F	Business administration.
7. Ms. Glenda Sengoara	NED	A	F	Project Management.
8. Ms. Buyiswa Majola	NED	A	F	Community activist; Leadership and Project Management, Law
9. Dr Didibhuku Thwala	NED	A	M	Construction; Engineering; Business Leadership
10. Mr. Rory Gallocher	ED	W	M	Construction; Development; Business Leadership
11. Mr. Vernon Naidoo	ED	I	M	Finance, Supply Chain Management

### SECTION 3: BOARD COMMITTEES

The following committees have been formed, each of which is chaired by a non-executive director.

- Audit Committee
- Corporate Support Committee
- Development Committee
- Risk Management Committee
- Social and Ethics Committee

This organogram categorizes and illustrates the different board committees as formed by the Board of Directors:



### 3.1 AUDIT COMMITTEE

The Audit Committee has met six times during the financial year. Four ordinary meetings were held, one each quarter and two special meetings throughout the financial year in order to receive reports on Audit matters concluded and to consider the 2012/2013 annual financial statements and audit report.

The composition of the Committee is compliant with the Municipal Finance Management Act. The terms of reference of the Audit Committee were adopted by the Audit Committee.

The Chairperson of the Audit Committee (or his nominee) as well as the CFO represent the Company at the City's Group Audit Committee Meetings.

#### Membership of the Audit Committee was amended during the financial year in question as follows:-

Member	Capacity: Executive/ Non- Executive	Race	Gender	Comments
1. K Govender	Independent Audit Committee Member	I	M	Retired in February 2014
2. E Tait	Independent Audit Committee Member	W	M	Passed away in February 2014
3. K. Mdutshane	Independent Audit Committee Member	A	F	Retired in February 2014
4. M Mphahlele	NED	A	M	Reappointed in February 2014
5. R Hill	Independent Audit Committee Member	C	M	Appointed in February 2014
5. H Moolla	Independent Audit Committee Member	I	M	Appointed in February 2014

#### Mandate

*The mandate of the Audit Committee as delegated by the Board of Director in the Audit Charter includes:-*

- i. Financial Reporting and Reliability of Financial Information;
- ii. Business Planning and Budget Implementation;
- iii. Assist the Risk Committee to identify financial, business and operational risk areas of the company to be covered in the scope of internal and external Audits;
- iv. Ensure that the Accounting Officer of the company has put in place appropriate internal control systems;
- v. Monitor and review the effectiveness of the Internal Audit function;
- vi. Oversee the relationship of the company with the Auditor-General of South Africa;
- vii. 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;
- viii. Review the company's arrangements for its employees to raise concerns, in absolute confidence and confidentiality, about possible wrongdoing or improprieties in financial reporting and other matters; and
- ix. 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.

### 3.2 CORPORATE SUPPORT COMMITTEE

There have been a total of four meetings of the Corporate Support Committee during the financial year.

**Members of the Corporate Support Committee are as follows:**

L Matlhape (Chairperson)	Non-Executive Director
N Tshabalala	Non-Executive Director
E Maphatsoe	Non-Executive Director
R Gallocher (CEO)	Executive Director

#### **Mandate**

*The Corporate Support Committee Charter bestows the following responsibilities on the Committee:-*

- I. Overseeing of the setting and administering of remuneration at all levels in the company;
- II. Overseeing the establishment of a remuneration policy that will promote the achievement of strategic objectives and encourage individual performance;
- III. Reviewing the outcomes of the implementation of the remuneration policy for whether the set objectives are being achieved.
- IV. Ensuring that all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued;
- V. 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;
- VI. Select an appropriate comparative source when comparing remuneration levels;
- VII. Advise on the remuneration of non-executive directors;
- VIII. Management development and succession plans for executive levels; and
- IX. Make recommendations to the Board where necessary or take approved action within its delegated authority

### 3.3 RISK MANAGEMENT COMMITTEE

The Risk Management Committee has had 4 meetings during the financial year. Mr E. Tait, an independent Audit Committee member was the Chairperson of the subcommittee until he passed away in February 2014; the rest of the membership is made up of all Senior Managers.

#### **Mandate**

*The Committee acts in terms of the delegated authority of the Audit Committee as recorded in the Committees Charter as follows:*

- I. Monitor implementation of the policy and plan for risk management taking place by means of risk management systems and processes;
- II. Oversee that the risk management plan is widely disseminated throughout the company and integrated in the day-to-day activities of the Company;
- III. Ensure that risk management assessments are performed on a continuous basis;
- IV. Ensure that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks;
- V. Express the Committee's formal opinion to the Audit Committee on the effectiveness of the system and process of risk management; and
- VI. Review reporting concerning risk management that is to be included in the integrated report for it being timely, comprehensive and relevant.

### 3.4 DEVELOPMENT COMMITTEE

*There have been a total of four Committee meetings during the financial year.*

#### **The Committee currently consisted of the following members:-**

G Sengoara (Chairperson)	Non-Executive Director
M Mphahlele	Non-Executive Director
T Sethaelo	Non-Executive Director
D.W Thwala	Non-Executive Director
R Gallocher (CEO)	Executive Director

#### **Mandate**

*The Development Committee is responsible for, amongst other things:-*

- i. To approve reports on detailed investigation stage of new developments, and to give approval to proceed with the development i.e. Design and Business Plan development stage;
- ii. To recommend to the Board approval of new engagements in developments where appropriate;
- iii. To evaluate proposed financing mechanisms where external financing is required; and
- iv. To set benchmarks to be used to evaluate risk/return relationship on significant projects to be undertaken by the Company.

### 3.5 SOCIAL AND ETHICS COMMITTEE

*The Social and Ethics Committee held its first ordinary meeting at the beginning of the financial year.*

#### **The Committee currently consists of the following members:**

M Tshabalala (Chairperson)	Non-Executive Director
Z Jacobs	Non-Executive Director

#### **Mandate**

*The Social and Ethics Committee is responsible for monitoring the organization's activities on matters relating to:-*

- I. Social and economic development, including the organization'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.
- II. Good corporate citizenship including promotion of equality and contribution to development of communities.
- III. The environment, health and public safety.
- IV. Consumer relationships
- V. Labour and Employment.
- VI. To draw matters to the attention of the Board as occasion requires.
- VII. To report to the Shareholders at the AGM on matters within its mandate.

## SECTION 4: DIRECTOR'S REMUNERATION

The remuneration of directors is in accordance with the Council approved rates.

### 4.1 BOARD OF DIRECTORS REMUNERATION (Non- Executive Directors):

NAME	DESIGNATION	RETAINERS FOR 2013/2014	PAYMENT FOR MEETING ATTENDANCES	REMUNERATION YEAR TO DATE( R )
Z. Jacobs	Chairperson of the board	R 32 320.00	R 79 360.00	R 111 680.00
N. Tshabalala	Non-executive director	R 19 840.00	R 65 480.00	R 85 320.00
G. Sengoara	Non-Executive Director	R 19 840.00	R 81 348.00	R 101 188.00
M. Mphahlele	Non-Executive Director	R 19 840.00	R 124 002.00	R 143 842.00
I. Makopo	Non-Executive Director	R -	R 24 800.00	R 24 800.00
L Matlhape	Non-Executive Director	R 19 840.00	R 61 506.00	R 81 346.00
T. Sethaelo	Non-Executive Director	R 19 840.00	R 59 530.00	R 79 370.00
D.W. Thwala	Non-Executive Director	R 19 840.00	R 60520.00	R 80 360.00
Ms B. Majola	Non-Executive Director	R 4 960.00	R 19 840.00	R 24 800.00
		R 156 320.00	R576 386.00	R732 706.00

### 4.2 INDEPENDENT AUDIT COMMITTEE MEMBERS REMUNERATION

Name	Designation	Retainers for 2013/2014	Payment for meeting attendances	Remuneration Year to date( R )
Errol Tait*	Independent Member	-	R 30 752.00	R 30 752.00
Khanyisa Mdutshane@	Independent Member	R19 840.00	R 30 752.00	R 50 592.00
Krishna Govender@	Independent Member	R19 840.00	R 24 800.00	R 44 640.00
Robert Hill †	Independent Member	R 4 960.00	R 15 872.00	R 20 832.00
Haroon Moolla†	Independent Member	R 4 960.00	R 9 920.00	R 14 880.00
		R 49 600.00	R 112 096.00	R 161 696.00

\* AC Member passed away in February 2014

@ AC Members retired in February 2014

† AC Members appointed in February 2014

#### 4.3 SENIOR MANAGERS REMUNERATION AS AT 30TH JUNE 2014:

DESIGNATION	REMUNERATION YEAR TO DATE( R )
Chief Executive Officer	1 600 576.79
Chief Financial Officer	1 229 826.93
Manager: Housing	973 804.68
Manager: Development*	457 500.00
Manager: Business Planning and Risk Management	595 137.84
Manager: Corporate Support	725 444.83
Company Secretary	618 395.41
<b>TOTAL</b>	<b>6 200 686.48</b>

\*Position filled in February 2014

#### SECTION 5: COMPANY SECRETARIAL FUNCTION

The Company Secretary has a key role to play in ensuring that board procedures are both followed and regularly reviewed.

The Chairperson and the Board will look to the Company Secretary for guidance on what their responsibilities are under the rules and regulations to which they are subject and on how these responsibilities should be discharged. All Directors should have access to the advice and services of the Company Secretary and should recognise that the Chairperson is entitled to strong support from the Company Secretary in ensuring the effective functioning of the Board.

#### SECTION 6: RISK MANAGEMENT AND INTERNAL CONTROLS

Risk assessments are conducted by the Executive Committee in accordance with the organisation's practice of reviewing the key risks impacting on the organisation, and focusing on managing those risks.

Operating risk is the potential for loss to occur through a breakdown in control information, business processes and compliance systems. Key policies and procedures in place to manage operating risk involve segregation of duties, transaction authorisation, supervision, monitoring and financial and managerial reporting. Financial risk management is dealt with in the financial statements presented herein.

In order to meet its responsibility with respect to providing reliable financial information, the entity maintains financial and operational systems of internal controls. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management authority, that the assets are adequately protected against material loss or unauthorised acquisition, use or disposal and that transactions are properly authorised and recorded. The system includes a documented organisation structure and visions of responsibility, established policies and procedures, including a Code of Ethics to foster a strong ethical climate, which are communicated to the parent municipality. The entity also includes the careful selection, training and development of people.

Internal auditors monitor the operation of the internal control systems and report findings and recommendations to management and the board of directors. Corrective actions are taken to address control deficiencies and other opportunities for improving the system as they are defined.

The board, operating through its audit committee, provides supervision of the financial reporting process and internal control systems. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls.

Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation and the safeguarding of assets. Furthermore, the effectiveness of internal control systems can change with circumstances. A documented and tested business continuity plan exists to ensure the continuity of business-critical activities.

The entity assessed its internal control systems as at 30 June 2014 in relation to the criteria for effective internal control over financial reporting described in its Internal Control Manual. The internal control process has been in place up to the date of approval of the annual report and financial statements. Based on its assessment, the group believed that, as at 30 June 2014, its system of internal control over financial reporting and over

## **SECTION 7: INTERNAL AUDIT FUNCTION**

The entity's internal audit service provider has a current staff complement of three senior qualified persons.

It has a specific mandate from the audit committee and independently appraises the adequacy and effectiveness of the company's systems, financial internal controls and accounting records, reporting its findings to local and divisional management Auditor General of South Africa (AGSA) as well as the audit committee. The Internal Audit Executive reports to the Chief Financial Officer on a functional basis.

The internal audit coverage plan is based on risk assessment performed at each operating unit. The coverage plan is updated annually, based on the risk assessment and results of the audit work performed. This ensures that the audit coverage is focused on and identifies areas of high risk.

Internal audit started in the second quarter of the financial year. Business Innovative Group (Pty) Ltd were appointed for a three (3) year period in 2013, and this was their first year.

## **SECTION 8: CORPORATE ETHICS AND ORGANISATIONAL INTEGRITY**

The Company has implemented its Supply Chain Management Policy and the Human Resource Code of conduct which provide a framework for ethical conduct of the Company and its employees.

The company complies with the City's Code of Conduct ('the Code') which has been fully endorsed by the Board and applies to all Directors and employees. The Code is regularly presented at Board meetings to ensure adherence to the highest standards of behaviour and professionalism.

It is a requirement for any Director and Executive Management at any meeting of the Board of Directors and its sub-committees to declare and sign a declaration of conflict of interest should any matter being discussed compromise their objectivity. Should such conflicts exist, the director concerned is recused from the proceedings.

## **SECTION 9: SUSTAINABILITY REPORT**

### **9.1 Sustainability Vision**

To ensure sustainability of operations, JOSHCO pledges to reduce the negative impact of its business operations on the environment.

### **9.2 Sustainability commitments**

JOSHCO is committed to acquiring its independence in the future and be in a position to sustain itself as a business and not depend on subsidies. JOSHCO's portfolio is growing on a year to year basis and adequate resources are put in place in ensuring that the projects are being run effectively to ensure that revenue is collected to the maximum.

### **9.3 Risk management and governance processes**

Over the years JOSHCO has put in place a risk management structure which is aligned to that of the City. JOSHCO performs about two (2) risk reviews where management and the Board identify strategic risks and come up with actions to improve and mitigate those risks. JOSHCO also holds 4 ordinary Risk Management Committee meetings where management and the Board engage and discuss operational risk registers and reports. In terms of governance processes, JOSHCO endeavours to comply with all legislative requirements governing governance issues and processes. The Board strives to comply with the principles of King III at all times, and also the new Companies Act of 2008.

### **9.4 Stakeholder engagement**

JOSHCO engages with its Shareholder Services Unit through various platforms. Regular meetings are also being held with the Shareholder and the results of such engagements guide JOSHCO's overall organizational strategy. JOSHCO also engages with its tenants who are an integral part of our business. Customer satisfaction surveys are conducted annually to ensure that we keep happy customers. JOSHCO has also produced a tenant handbook as a form of communication to our customers and ensuring that they understand their responsibilities as occupiers of our units. JOSHCO continues to be proactive in dealing with community concerns and interests.

### **9.5 Economic impacts**

In view of the fact that JOSHCO commands a medium size budget of over R500 million rand in the reporting year, the impact of this expenditure for small business as well as employment creation is very positive as further described in the accounting officer's report.

### **9.6 Socio-economic development**

While JOSHCO's core business is focused upon house construction and management, the performance indicators of the organization encompass broader issues such as community development, job creation, support to persons with disabilities etc. JOSHCO's programmes are also aligned with the overall development objectives in the City's IDP and these programmes have broader positive socio-economic spin offs.

### **9.7 Transformation and empowering employees**

JOSHCO has an approved bursary policy to further educate staff members at accredited educational institutions. Joshco also approves an annual training plan at the beginning of each financial year, thereby providing its employees with additional skills, where staff is taken through various programmes to be trained on particular aspects relating to their job functions.

### **9.8 Information technology (IT) governance**

Information Technology has a significant impact on corporate governance and the business processes of an organization. King III entrusts the Board of Directors and Executive Management with the responsibility to maintain effective systems of internal control and to ensure that controls and processes in systems are evaluated and tested. The Board and Management are also responsible for the overall risk management process and ensuring that IT governance is based on sound principles. These matters are always deliberated on in JOSHCO's Board, Audit Committee, and Executive Committee meetings.

JOSHCO has developed an IT Strategy which incorporates all King III Corporate Governance requirements. The Strategy explains in detail what systems are currently in place and which systems are planned for future development. The Strategy will be used to guide future direction.

## SECTION 10: CORPORATE SOCIAL RESPONSIBILITY REPORT

### 10.1 Creation of employment opportunities for unemployed tenants and community members

Joshco creates employment for unemployed tenants and community members as provided for by the EPWP programme. This programme is one of government's short-to-medium term programmes aimed at the provision and development of skills linked to access to work opportunities by drawing significant numbers of unemployed people into productive work, which is directly linked, to training programmes.

This, we believe will increase the capacity and opportunities for ordinary people to earn income and improve their living conditions. The programme involves all spheres of government from national to provincial and local level. This includes state and municipal owned enterprises and entities.

This response is aimed at bridging the gap between the growing economy and the large numbers of unskilled unemployed people, which left large portions of the population unskilled and unemployable. Through the EPWP programme, Joshco managed to create 3871 jobs for the 2013/2014 financial year.

### 10.2 Community Development Programme

*JOSHCO's community development programme for 2013/2014 included the following objectives:-*

- Improve employment opportunities for unemployed community members and tenants;
- Establishment of recreational spaces in the inner city;
- Development of strategic partnerships to enable tenants to access social services;
- Establishment of food security initiatives;
- Training of tenants on water & energy conservation;
- Improve safety and security in projects by linking with Community Safety Forums; and
- Development of gender violence programmes.



*AA House Community Policing Forum (CPF)*

PROGRAMS	TARGET 2013/2014	RESULTS JULY 2013 TO JUNE 2014
Establish strategic partners	Partnerships that will benefit the community	Cotlands : Early childhood development program and food garden Rotary Club: Rooftop food garden Famsa: Counselling and support in projects Department of Social Development: Outreach program SAPS: Community safety forums City of Johannesburg: Community Development: Counselling and support in projects.
Establish counselling and support services	Establish services in 4 projects	<ul style="list-style-type: none"> <li>• 5 Social Support Services were established at the following projects, services are rendered by social workers.</li> <li>• Claremont (Mon, Wed &amp; Friday),</li> <li>• Pennyville (Tuesdays &amp; need basis)</li> <li>• Bellavista (Wednesdays )</li> <li>• City Deep ( Wednesdays)</li> <li>• AA House ( Tuesdays)</li> <li>• Bellavista ( Wednesday)</li> </ul> Data is collected through - Intake forms, assessment & referral forms. The attendance register and the stats are taken in each consultation. <b>Services rendered by social workers:</b> Pennyville: <ul style="list-style-type: none"> <li>• 8 Referrals on social grants</li> <li>• 5 School admissions</li> <li>• 2 Home Affairs cases</li> <li>• 10 social work interventions</li> <li>• 30 Intakes</li> <li>• 10 registrations for food parcels/vegetables</li> </ul> AA House: <ul style="list-style-type: none"> <li>• 5 Cases</li> <li>• 2 referrals &amp; Counselling of 2 families</li> <li>• Consulted with the youth members for identification of youth programmes</li> </ul> City Deep: <ul style="list-style-type: none"> <li>• Assessments of 3 families</li> <li>• 3 intakes</li> <li>• Consulted with youth members</li> <li>• 2 Cases (individual)</li> </ul> Claremont & Bellavista: <ul style="list-style-type: none"> <li>• Cases on domestic violence</li> <li>• Unemployment</li> <li>• Poverty</li> <li>• Crime</li> </ul>
Recreational spaces	4 Projects	Recreational equipment for children installed in the following projects:- <ul style="list-style-type: none"> <li>• Antea</li> <li>• Bothlabela</li> <li>• Roodepoort</li> <li>• Kliptown Square</li> </ul>
Water and Energy Workshops	4 Workshops	<ul style="list-style-type: none"> <li>❖ 1 Workshop facilitated by Jhb Water with tenants and community members at the Klipspruit Hostel</li> <li>❖ 46 Youth trained to undertake door to door campaigns, educating tenants on water and energy saving, posters placed in each unit in the following projects:-               <ol style="list-style-type: none"> <li>1. - Kliptown Square</li> <li>2. - Orlando Hostel</li> <li>3. - Roodepoort</li> </ol> </li> </ul>

Pilot 2 Food Gardening projects over three years	Pilot 2 food gardening projects	<p>Bellavista: Garden established</p> <ul style="list-style-type: none"> <li>Partnership established with Rotary Club for funding support</li> <li>25 international volunteers from Cotlands are helping with the gardening</li> <li>4 communities are involved in the gardening project.</li> </ul> <p><b>Challenge:</b></p> <ul style="list-style-type: none"> <li>The garden needs to be sustained by the community; however there is very little participation by community members from Bellavista.</li> </ul> <p>AA House:</p> <ul style="list-style-type: none"> <li>A rooftop garden identified at an inner city building.</li> <li>JOSHCO sought a partnership with organisations that have run successful food garden projects in the inner city.</li> <li>Partnership established with Rotary Club, who will fund and train community members</li> <li>The tenants of AA House are very keen to participate in the project.</li> <li>Project will commence in new financial year once the Rotary Club has secured funding to start the garden.</li> </ul>
Gender Event	1 Gender event	Event was attended by 300 women who are tenants in JOSHCO's projects. The event was held at the Turffontein Race Course in the 2nd Quarter.
Youth Day Event	1 Youth Day event	500 Youth from JOSHCO projects participated in a Sports event in June. The aim of the event was to encourage young people to participate in sport as a deterrent to getting involved in crime and drugs. Youth from the projects competed against each other in soccer and netball, there were 10 soccer teams and 8 netball teams. Activities also included aerobics and dance.
Community Safety	<ul style="list-style-type: none"> <li>Establish 4 new safety forums</li> <li>Support 4 existing forums</li> </ul>	<p>Existing Community Patrollers in the following projects were supported during the financial year.</p> <ul style="list-style-type: none"> <li>AA House,</li> <li>Antea,</li> <li>Raschers</li> <li>La Rosabel</li> </ul> <p>New Community Patrollers were identified and established in the following projects:-</p> <ul style="list-style-type: none"> <li>City Deep</li> <li>Roodepoort</li> <li>Chelsea</li> <li>MBV</li> </ul> <p>Inner City Patrollers received training by SAPS and compliment the local Community Policing Forums.</p>
Occupational Health & Safety	<ul style="list-style-type: none"> <li>Evacuation signs in three high rise buildings.</li> <li>Evacuation drill in three high rise buildings</li> </ul>	<ul style="list-style-type: none"> <li>Evacuation signs completed in AA House</li> <li>94 Youth from Raschers, City Deep, MBV, Chelsea, La Rosabel and AA House projects were trained on basic fire fighting and evacuation as well as first aid. Youth visited projects for their practicals which included the assessment and use of fire equipment as well as how to evacuate a building.</li> </ul>
Outreach Programmes	4 Outreach programmes	<ul style="list-style-type: none"> <li>Klipspruit Hostel: 87 People attended.</li> <li>Bellavista: 210 parents participated, the workshop was held in partnership with Local drug action committee (LDAC), Department of Social Development, SANCA, Tough Love, Bellavista Clinic, SAPS (Booyens), LDAC from Eldorado Park</li> <li>Claremont: Theme: Social Health &amp; Wellness. The campaign targeted 300 parents, the elderly and children in partnership with the following service providers – Department of Social Development, Claremont Soup Kitchen, Wellness Clinic, Dischem, Fire Brigade &amp; SAPS.</li> </ul>
Other Programs		<p>Early childhood program by Cotlands at the following projects:-</p> <ul style="list-style-type: none"> <li>Antea</li> <li>City Deep Village</li> <li>Bellavista</li> <li>MBV Building</li> <li>AA House</li> </ul>

Youth and Community Safety Forums training  
- Basic Fire Fighting and First Aid -



Antea Hostel:  
Early Childhood  
Group



Bellavista Food Garden



Water and Energy Efficiency, Campaign in Projects



Meet and Greet Campaign



Youth Day  
Tournament -  
Different  
teams



## SECTION 11: ANTICORRUPTION AND FRAUD

Through various channels JOSHCO continues to preach zero tolerance when it comes to fraud and corruption. Community members and employees are encouraged to report such incidents through the fraud hotline (whistle blowers).

***The number for the fraud hotline is 0800 002 587.***

The identity of the person reporting the incident will not be revealed unless the person chose not to remain anonymous. Directors of the organisation are also required to sign annual declaration of interest they hold in any contracts that the organisation might enter into.

To this end Directors are supplied with a form on which to declare their interests and declared interests are then entered in the register. As at date of this report there have not been any material interests declared.

In continuing to reduce the high levels of corruption, JOSHCO produced an Anti-Corruption video. The video aims at sending out a strong message to both the employees and tenants of JOSHCO, to refrain from committing acts of fraud and corruption. The video further displays what consequences the staff and tenants would face should they try to commit fraudulent activities.

The video is displayed at JOSHCO's reception area for employees and customers of JOSHCO to view. Furthermore, JOSHCO produced an internal newsletter for staff which sends out a strong message that fraud and corruption actions should be reported through a fraud hotline. The incidents reported through the hotline are presented and discussed at the Board and Sub Committee meetings held on a quarterly basis.

## SECTION 12: ICT GOVERNANCE

### 12.1 IT SYSTEMS

MDA Property Manager is used as the property management system, with Pastel Evolution being used as the financial accounting system and financial reporting tool. Caseware is a specialised financial reporting tool which interfaces with Pastel Evolution which enables compliance with international reporting standards and is used to produce financial reports from the Pastel database. Relevant staff members have attended training on the effective use of Caseware.

### 12.2 IT STAFF AND SERVICE PROVIDER

#### 12.2.1 IT Technician

A Response Handling agency has been appointed for the advertising and shortlisting of the external applications of the IT Technician position. A short list has been confirmed and interviews with the candidates are to be held during the second week of July. The IT Technician would be responsible for the daily operational management of the JOSHCO ICT environment. This includes assisting staff with daily troubleshooting, routine network maintenance, etc.

#### 12.2.2 IT Service Provider

SSG, JOSHCO's IT service provider has been of great assistance to the IT Manager with some of the operational tasks, as well as the improvement of JOSHCO's server and network environment with the implementation of some crucial projects, for example:

- N-Able network management system
- Desktop Redirection, to update work directly onto the server
- Virtualised server environment

### 12.3 GOING FORWARD

With the appointment of the IT Technician and the assistance of the IT Service Provider, the plan going forward would be to have duties separated as follows:

- **IT Manager**
  - ICT Governance
  - Policies & Procedures
  - ICT Project Management
  - Server and network management oversight
  - Audit finding resolution
  - ICT Risk Management.

- **IT Technician**
  - Daily ICT operational tasks
  - Network troubleshooting
  - Helpdesk management
  - Network user management.
  
- **IT Service Provider**
  - Network and server oversight and monitoring
  - Advanced support
  - On-call assistance / on-site engineers
  - Helpdesk management
  - ICT Project assistance
  - Server and network improvements and management.

## 12.4 HARDWARE

During the 2013/2014 financial year, the following IT Hardware was procured:

### 12.4.1 Desktops

Three (3) desktop computers have been procured, and assigned as follows:

- IT manager to allow for the implementation of Virtual Systems for more stringent and reliable testing of BRP and Disaster Recovery systems as well as the testing of new ICT systems.
- Senior Manager: Business Planning & Risk (Old computer allocated to MBV site office)
- Leasing Administrator (Old computer allocated to Selby Site Office).

### 12.4.2 Laptops

Twelve (12) new laptops were procured and assigned as follows:

- Executive Assistant to the CFO - to replace a stolen laptop
- 6 x Credit Controllers - to replace problematic laptops being used by the Credit Controllers in the Revenue Department
- Executive Manager: Housing – Replace old laptop
- Executive Manager: Development – Replace old laptop
- 3 x Development Contract Managers – Replace stolen laptops and one for an additional staff member.

Various consumables were also been purchased throughout the financial year.

## 12.5 SOFTWARE

The following software packages were procured during this financial year:

- Five (5) new licenses for Windows 8.1 Pro have been purchased to upgrade the laptops from Windows 8 Single Language to Windows 8 Professional. This is to enable the laptops to connect to the network domain
- One license for Windows 8.1 Professional was procured for the desktop computer of the IT Manager
- The other two desktops were supplied with licenses as they were pre-built branded desktops
- Two new licenses for Microsoft Office 2013 have been procured.

The utilisation of Microsoft Volume Licensing software solutions is currently being considered by the IT Manager.

SOPHOS Endpoint Protection has been procured and rolled out on the network for Network Security Management. SOPHOS has replaced the Kaspersky Antivirus.

## 12.6 MAJOR PROJECTS

### *Virtualised Server Environment*

The JOSHCO network environment has been migrated to the Microsoft Hyper-V Virtualised environment. The following changes have been implemented on the network:

- Domain Controller (DC) has been migrated to the Virtual Server
- Exchange Server has been migrated to the Virtual Server (Also backup for DC)
- Terminal Server has been migrated to the Virtual Server
- Document Management Server has been migrated to the Virtual Server.

A Secondary Hyper-V Virtual Host server has been installed as a redundancy server in case of hardware failure on the main server. This server is also used to test the recovery of the daily backups and to take Virtual Server Snapshots.

### 12.7 Network Management System

SSG has assisted JOSHCO with the implementation of the N-Able Network Management Software that is being used to monitor and report on network device health and status. This system will be used to ensure efficient and reliable performance of network devices and also provide various reports on the network environment.

### 12.8 Helpdesk System

SSG has assisted with the implementation of an ICT Helpdesk system. This system is used to track and manage all ICT-related queries and problems experienced by JOSHCO staff members. This will also allow for reliable reporting on ICT activity on the network.

### 12.9 IP PBX Telephone system

The tender process for the procurement and installation of a new IP-based PBX telephony system has been initiated and the closing date for proposals was 19 July 2014. The proposals have been received and the Bid Evaluation and Adjudication processes will commence soon.

### 12.10 Network Print Service

The tender process for the procurement and installation of four (4) new network printers has been initiated and the closing date for proposals was 14 July 2014. All proposals have been received, the Bid Evaluation has been completed and the Adjudication process will take place soon. These new printers will greatly improve the reliability and availability of printing services at JOSHCO. The aim is to implement a managed print environment to ensure that users are always able to process their required print jobs.

## SECTION 13: SUPPLY CHAIN MANAGEMENT AND BLACK CONOMIC EMPOWERMENT

JOSHCO has updated its SCM policies and procedures in the 2013/14 financial year and have been verified by independent auditors and ratified by the Board of Directors. The “clean audit report” received from the Auditor-General (SA) for the 2012/13 financial period further serves as testimony that JOSHCO maintains effective and efficient supply chain principles as contained in the Municipal Finance Management Act (MFMA), the Municipal Supply Chain Management Regulations (MSCMR) and the other legislation governing supply chain management. JOSHCO is supported by a dedicated division responsible and accountable for supply chain management, the outcomes of which are directed by the CEO and CFO. The socio-economic strategies in implementing BBEE for the 2013/14 financial year have been exceedingly successful and as a result JOSHCO has achieved 97% for the period against a target of 75%. This achievement is consistent with prior reporting periods.

*A summary of the results are as follows:*

Capex	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Actual Expenditure on Capex	97 389 488.89	82 516 381.50	53 351 261.60	168 559 771.45	<b>401 816 903.44</b>
Actual spent on SMME/BEE	85 728 017.41	95 036 901.49	63 025 992.27	158 025 992.27	<b>401 816 903.44</b>
% Spent on SMME/BEE	<b>88%</b>	<b>115%</b>	<b>118%</b>	<b>121%</b>	<b>100%</b>
Opex					
Actual Expenditure on Opex	5 243 977.74	26 746 775.56	6 715 586.68	46 910 175.13	<b>85 616 515.11</b>
Actual spent on SMME/BEE	3 036 689.00	15 233 797.00	4 168 499.00	50 835 953.00	<b>73 274 938.00</b>
% Spent on SMME/BEE	<b>58%</b>	<b>57%</b>	<b>62%</b>	<b>108%</b>	<b>86%</b>
<b>Total Spent Overall</b>	<b>102 633 466.63</b>	<b>109 263 157.06</b>	<b>60 066 848.28</b>	<b>215 469 946.58</b>	<b>487 433 418.55</b>
<b>Actual spent on SMME/BEE</b>	<b>88 764 706.41</b>	<b>110 270 698.49</b>	<b>67 194 491.27</b>	<b>208 861 945.27</b>	<b>475 091 841.44</b>
<b>% Spent on SMME/BEE</b>	<b>86%</b>	<b>101%</b>	<b>112%</b>	<b>97%</b>	<b>97%</b>

# CHAPTER THREE: SERVICE DELIVERY PERFORMANCE



*This chapter serves to inform the reader of the overall performance of the entity within the financial year on its key performance areas.*

## **SECTION 1: CORE BUSINESS**

The Johannesburg Social Housing Company (JOSHCO) is a thriving social housing provider, servicing a constantly growing market where the demand for quality and affordable housing exceeds the supply. Johannesburg attracts a huge influx of people in search of better opportunities from all parts of the continent.

Due to the increasing demand for employment, housing, food and other basic needs, the City of Johannesburg created JOSHCO, as one of its preferred implementing agents for social and institutional housing developments and management of rental accommodation for qualifying beneficiary households within the Johannesburg metropolis.

## **SECTION 2: JOSHCO'S MANADATE**

JOSHCO was created by the City of Johannesburg with four specific mandates to facilitate the transformation of Johannesburg into a world-class city.

These directives include:

- ❖ Managing the city's housing stock
- ❖ Converting and managing single sex hostels
- ❖ Rehabilitating and managing certain inner city buildings
- ❖ Developing and managing new social housing projects.

## **SECTION 3: HIGHLIGHTS AND ACHIEVEMENTS**

The year ending 30 June 2014 was notable due to the following achievements:-

- > 912 additional affordable rental units were constructed;
- > 100% of planned maintenance implemented;
- > 99% of complaints resolved;
- > 88% of revenue billings collected;
- > 95% of capital budget expended.
- > Customer satisfaction levels were achieved at 70% in 2013/14.
- > Four recreational spaces were created in the inner city projects.
- > 3871 Jobs were created through Extended Public Works Programme (EPWP) funding.
- > 97% of expenditure was procured from Small to Medium Enterprises and emerging black suppliers.
- > The Community Development Programme for the financial year was fully implemented.
- > JOSHCO was awarded a certificate of excellence by the Auditor General of South Africa for achieving a clean audit for the 2012/2013 financial year.

## **SECTION 4: FINANCIAL PERFORMANCE**

### ***Statement of Financial Performance***

#### **4.1 Expenditure**

The overall expenditure for the financial year reflects an under-expenditure of R1,3m (1% variance from budget). This is in keeping with the COJ's vision to improve service delivery and reduce administrative costs.

#### **4.2 Repairs and maintenance**

The costs incurred to date amounts to R28.2m versus a budget of R32.2m (12.4% under-expenditure). With regards to stock inherited from COJ i.e Claremont, Bellavista and Eldorado Park; Management has limited the extent of service to these projects due to the low collection levels. The replacement of geysers for example did therefore not take place on these projects unless the tenant agreed to pay for the replacement.

#### **4.3 Utility Costs**

The costs incurred are R17,8m compared to a budget of R17,5m (1,7% under-expenditure). As at 30Jun14,

#### **4.4 Community development and other projects costs**

The actual costs incurred were R15,7m versus a budget of R19,8m (20,7% under expenditure).

#### **4.5 Governance and staff costs (Enabler 1)**

The actual costs amounts to R31,1m compared to a budget of R32,7m (5% over expenditure).

#### **4.6 General Expenses (Enabler 2)**

The actual costs amounted to R14,4m versus a budget of R18,3m (21,3% under-expenditure).

#### **4.7 Cash Flow Statement**

Cash and cash equivalents balance at the end of Jun14 was R61,3m. The substantial increase can be attributed to donor funding received for City Deep and Fleurhof projects which funds are held in trust.

## **SECTION 5: CAPITAL PROJECTS**

These projects are directed towards the development and conversion of COJ and JOSHCO properties that are to be leased as housing units. JOSHCO's performance on capital projects reflects an actual expenditure of R418, 3m against a budget of R440, 2m. This translates to a percentage achievement of 95% for the financial year.

## SECTION 6: PERFORMANCE AGAINST IDP AND CITY SCORECARD

The following data shows that in many instances JOSHCO has met or bettered its targets. This can be attributed to solid corporate governance, sound management and management systems, clearly focused objectives, and effective staff performance. The report analyses the performance of JOSHCO in terms of the balanced scorecard, measuring performance in terms of both JOSHCO's impact and its financial and resource management.

The narrative below outlines Joshco's performance against most pre-determined objectives. Please refer to Annexure 2 for a report on all pre-determined objectives.

### 6.1 Key performance area: DEVELOPMENT OF HOUSING

- ✓ Number of new units built: A total of 388 new Greenfield units were built, resulting in an underachievement by 169 units as per the set target of 557 units.
- ✓ Number of hostel re-developments completed: A total of 326 new units were built on former hostel sites, resulting in an overachievement by 88 units as per the set target of 238 units.
- ✓ Number of Inner City units upgraded: The actual achieved was 198 units, against the target of 356 units.
- ✓ Number of project designs incorporating rain water harvesting and energy efficiencies: 3 projects were achieved against a target of 2 this financial year.
- ✓ Number of waste reduction initiatives implemented in new developments: The target of 2 projects was still at planning phase at the end of the financial year.

### 6.2 Key performance area: MANAGEMENT OF HOUSING

- ✓ Number of units procured and under management: 7034 units were procured and brought under JOSHCO management as at the end of June 2014. The target of 7298 was under achieved by 264 units.
- ✓ Number of allocations administered (leases signed): 664 lease contracts were signed for billing as at the end of the June 2014 which exceeded the annual target of 635 by 29 leases.
- ✓ % of planned maintenance programme implemented: Some 100% of the planned maintenance programme for the year was implemented, thus meeting the target for the year.
- ✓ % of customer complaint case files closed: Some 99% of the customer complaints received by JOSHCO had been resolved at 30 June 2014 thereby exceeding the planned target by 9%.

### 6.3 Key performance area: COLLECTION OF HOUSING REVENUE

- ✓ Housing revenue collected as % of amount billed: The collection performance rate achieved for the year was 88%. The target was over achieved by 1% of the annual target of 87%.
- ✓ Number of units billed as % of total number units under management: The target for the KPI was under achieved by 1 % as a result of some of the hostel projects being converted to family units.
- ✓ Number of attachment orders obtained: 28 attachment orders were obtained during this financial year against the target of 20. The target was exceeded by 8 orders.
- ✓ Number of garnishee orders obtained: 4 garnishee orders were obtained this financial year against the target of 50.
- ✓ % recovered on default accounts handed over: The percentage achieved for default accounts recovery for the year was 33,18%, thereby exceeding the annual target of 30% by 3,18%.
- ✓ % rent defaulters evicted: 13 evictions were carried out during the course of the financial year against the annual target of 2.

### 6.4 Key performance area: EFFECTIVE FINANCIAL MANAGEMENT

- ✓ % Variance against MEs operating budget: The actual expenditure was within budget with a negative variance of 1,2%.
- ✓ % of ME's capital budget spent: Some 95% of the budget was spent as against the target of 100%. Fully GRAP compliant register of assets: The company, after the final audit results has achieved the target of 100% compliance.
- ✓ Reconciliation of Inter-company balances with the CoJ: This key performance indicator has been achieved as the balances have been agreed between the company and the CoJ.
- ✓ Reconciliation of Intra-company balances with other ME's: The year-end confirmations between JOSHCO and the affected ME's were signed and the financial statements were finalized in terms of those confirmations.
- ✓ Compliance with income tax and vat requirements: The target for this key performance indicator was fully achieved as all returns were submitted.
- ✓ % Attainment of clean audit report: For the seventh consecutive year, the company has once again obtained a clean audit report for the 2012/2013 financial year.
- ✓ Procurement spent on BEE and SMEs as a percentage of total procurement: As indicated above the percentage of 97% exceeded the expected percentage of 75%.

**6.5 Key performance area: ACHIEVEMENT OF CORPORATE GOVERNANCE STANDARDS**

- ✓ Risk management reviews performed: A total of two risk reviews were performed during the year under review. This assisted the organization in identifying and managing all strategic and operational risks.
- ✓ % Compliance with Corporate Governance Protocols: The target set for the year for compliance with corporate governance protocols required that 100% compliance with the protocols be achieved during the year under review. No non-compliance to these protocols was reported during the reporting year and therefore the target was fully met.

**6.6 Key performance area: MANAGEMENT OF HUMAN RESOURCES**

- ✓ % Compliance with Skills Development Plan: The skills development plan for the organization was under achieved by 14% (86%) against a target of 100%. % Compliance with EE Plan: The target for the year of 90% was underachieved by 8,2% with 81.8% compliance.
- ✓ % Compliance with HIV/Aids programme: The planned programme for HIV and Aids awareness at JOSHCO was fully implemented thus representing a 100% achievement.

**6.7 Key performance area: MANAGEMENT OF CLIENT SERVICES**

- ✓ % satisfaction rating by customers for Joshco: The annual target of 70% was fully achieved.
- ✓ Number of communication products distributed: 14 communications products were produced during the year thus exceeding the annual target of 12.
- ✓ Number of communications events concluded: 10 communication events were held during the year under review against the annual target of 3.
- ✓ Number of tenant training sessions on water and energy conservation: 4 training sessions were held against the target of 4.

**6.8 Key performance area: COMMUNITY DEVELOPMENT**

- ✓ Number of recreational and common spaces: 4 recreational and common spaces were created against the annual target of 4.
- ✓ % Implementation of Community Development programmes: The target for this key performance area was fully achieved at 91%, thereby exceeding the annual target of 90% by 1%.
- ✓ Number of Jobs Created: JOSHCO lent the full weight of its efforts toward supporting the Extended Public Works Programme (EPWP) with the creation of some 3871 jobs in the year. This achievement is also a factor of the positive expenditure performance on the capital budget, and the resultant increase in the numbers of houses produced.

**VARIANCE REPORT**

**Executive Summary on variances between target and actual performance**

	Key Performance Area	Key Performance Indicator	Target	Actual	Variance	Reasons/ mitigations/ implications for recorded deviations	Plan of action in respect of mitigating the variances in the next financial year
1	Development of Housing (Construction)	Number of new units built (green/brown fields)(City Deep; Fleurhof; Orlando Ekhaya, Nancefield Selkirk & Dobsonville)	557 units	388 units	169 units	The primary source of the variance comes from 145 units not constructed in Nancefield and Randburg Selkirk projects. The balance of the shortfall comes from Fleurhof where some units were partially completed. Nancefield delays were from informal settlement encroachment onto the site. Randburg Selkirk delays were due to the fact that financial model was not approved (costs were too high); and in Fleurhof, 192 of the planned 252 units were completed while the remaining 60 were partially complete.	The tender for Nancefield has been published since the land availability and encroachment issue has been attended to through the Provincial Department of Human Settlements. The Randburg Selkirk development is being re-modeled and JOSHCO has required the professional team to address the cost issue through recruiting greater social housing expertise. The Fleurhof units have subsequently reached an advanced stage of practical completion.

2	Development of Housing Construction	Number of Inner City upgrades (Europa ,AA House and Vannin Court)	356 units	198 units	158 units	Vannin Court eviction has taken longer than anticipated due to lack of alternative accommodation.	JOSHCO has mitigated this shortfall through the purchase of three (3) additional inner city properties which are predominantly vacant in order to avoid delays in future that are caused by the lack of vacant occupation.
3	Special projects	Number of waste reduction initiatives implemented in new developments	2 project	0 projects	2 project	This KPI had been added as part of the design brief specified for the design teams on all greenfields projects, but none of the initiatives had reached implementation stage.	Specifications for all new buildings include incorporation of waste management initiatives, and the implementation of these initiatives will follow automatically in the construction and occupation stage.

	Key Performance Area	Key Performance Indicator	Target	Actual	Variance	Reasons/ mitigations/ implications for recorded deviations	Plan of action in respect of mitigating the variances in the next financial year
4	Special projects	Number of new projects that obtain planning approval Lombardy East Turffontein Dobsonville and Bellavista	3 projects	2 projects	1 project	Turffontein planning approval had not been concluded. Two other projects have not submitted planning applications yet.	The outstanding applications will be submitted during 2014/15 financial year.
5	Management of Housing	Number of units procured and under management	7298 units	7034 units	264 units	The 124 units made out of the phase 5 units still to be completed by Province at the Golf Course. The balance of 140 is made out of hostel beds that were terminated as well as 45 units that did not materialize at Randburg Hilltop.	Joshco will catch up on the take on of the 124 units in Golf Course during the first quarter of 2014/15. The hostel beds have been permanently removed from the system. The Randburg Hilltop project has been removed from JOSHCO's future plans because the site is not under JOSHCO's control.
6	Revenue Management	No. of units billed as a % of total number of units under management	97%	96%	1%	The variance resulted from delayed allocation of vacant units due to illegal protests by tenants that took place in the Golf Course.	Measures have been put in place to prevent this from re-occurring. More security has been put in the project and community consultations are ongoing.
7		Number of garnishee orders issued	50 orders	4 orders	46 orders	It has become difficult to obtain garnishee orders with the new Consumer Protection Act. The courts are very strict when application for garnishees is lodged by creditors.	Joshco is at the mercy of the courts to issue garnishee orders. The orders no longer appear separately on the scorecard for the new financial year. All legal matters have been grouped together and the use of garnishee orders is no longer viewed as the primary legal instrument.
8	Effective Financial Management	% of Municipal Entity's Capital Budget	100%	95%	5%	5% of the Capital Budget could not be spent due to the fact that Joshco ran out of time to appoint contractors on the smaller civil projects.	Joshco has set measures in place to mitigate this risk through better planning and management of the annual procurement plan.
9	Management of Human Resources	% compliance with Skills Development Plan	100%	86%	14%	Joshco's procurement process requires that we route all service requests to Supply Chain and that we do not utilize the services of any supplier unless a purchase order has been generated by Supply Chain. We did not receive purchase orders timeously in all cases and so were not able to secure the services of training companies in some instances.	Additional staff in Supply Chain would provide greater capacity which might result in purchase orders being awarded timeously. Two additional Procurement Officers will be recruited in the new year.

10		% compliance with EE Plan	90%	81.8%	8.2%	Joshco applies fair procurement processes in terms of its Recruitment Policies. The non-compliance with gender targets in 2 sectors was taken into account with all recruitment but suitable candidates in terms of EE requirements were not identified.	The EE target will be listed as a criterion for short-listing and will be given greater consideration. Furthermore, management will revise the EE targets in line with the latest Gauteng gender and demographics numbers during 2014/15.
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## SECTION 7: ASSESSMENT OF ARREARS ON MUNICIPAL TAXES AND SERVICE CHARGES

### 7.1 Assessment of Municipal Taxes and Service Charges owed to the entity

Detail	Current	30 days past due	31-60 days past due	61-90 days past due	Over 90 days past due	Total
Debtor's Age Analysis by income Source	R 1 022 541.14	R1 012 407.57	R 854 971.62	R 507 853.73	R 33 159 759.00	R 36 557 533.06

### 7.2 Amounts owed by entity for service charges

Name of Entity	Amount Owed	Status	Comments
None	R0	None	No comments

### 7.3. Assessment of Directors' and senior managers' municipal accounts

Name of Director/Senior	Designation	Name of Municipality	Municipal Account Name & Number	Account Status as at June 2014
Zeona Jacobs	Non-Executive Director	City of Johannesburg	ZA Motshabi 206768540	Current
Isaac Makopo	Non-Executive Director	City of Johannesburg	Not Applicable	Not applicable
Lesenyego Matlhape	Non-Executive Director	City of Johannesburg	Awaiting information	Awaiting information
Didibhuku Thwala	Non-Executive Director	City of Johannesburg	DW Thwala 80015646	Current
Thembi Sethaelo	Non-Executive Director	Ekurhuleni Municipality	MA & FTP Sethaelo 1700373377	Current
Buyiswa Majola	Non-Executive Director	City of Johannesburg	Awaiting information	Awaiting information
Nompumelelo Tshabalala	Non-Executive Director	City of Johannesburg	N Tshabalala 80018915	Current
Glenda Sengoara	Non-Executive Director	City of Johannesburg	G Sengoara	Current
Moope Mphahlele	Non-Executive Director	City of Tshwane	M Mphahlele Pretoria Acc935	Current

Rory Gallocher	CEO	City of Johannesburg	R Gallocher 400775820	Current
Celiwe Nkosi	Company Secretary	City of Johannesburg	C Nkosi 240036597	Current
Cheryl Holmes	EM: Housing	City of Johannesburg	C Holmes 501615381	Awaiting feedback on dispute with the City.
Gary Randall	SM: Business Planning and Risk Management	Ekurhuleni Municipality	G Randall 2603746073	Current
Sharmla McCall	SM: Corporate Support	Awaiting information	Awaiting information	Awaiting information
Vernon Naidoo	CFO	City of Johannesburg	Naidoo V & R 403320691	Current

## SECTION 8: STATEMENT ON AMOUNTS OWED BY GOVERNMENT DEPARTMENTS AND PUBLIC ENTITIES

NAME OF DEPARTMENT	AMOUNTS OWED	ACCOUNT STATUS
Sweeping Account	R 33 110 530.00	Current
Intercompany – COJ Treasury	R 4 192 317.81	Current
SHRA	R 18 885 845.84	180 days overdue
GPF	R 15 968 756.79	180 days overdue
EPWP	R 23 372 067.96	Current
CAM	R 85 303 924.25	Current
Total	R180 833 442.65	

## SECTION 9: RECOMMENDATION AND PLANS FOR NEXT FINANCIAL YEAR

The overall management approach for next year is to focus on maximizing revenue and on containing costs. JOSHCO management has, especially over the past two years, put systems and controls in place which position the organization very well to be able to manage its expenditure and control any variances in line with fluctuations in revenue. The only area which remains a concern to management is the fact that utilities billings remain unpredictable and difficult to project accurately. JOSHCO management will ensure that this risk is managed in co-operation with the Revenue Department.

### 9.1 Measures to address revenue shortfall

JOSHCO is putting pressure on contractor performance, so as to deliver on Housing Development and allow for the planned take on of rental units by Housing Management. The company resolved to relook at the penalty clauses in the contracts so that penalties are charged as a percentage of potential revenue lost due to poor performance by contractors. The risk however is that contractors may factor in the high penalties in their contract pricing when bidding for tenders. Putting pressure on contractor performance will help in completion of projects within agreed deadlines and billing for project implementation fees can also be realized.

The allocation of tenants to new units will be speeded up particularly in projects where JOSHCO handles the tenant allocation process, so as to push up the revenue billing

### 9.2 Measures to address overspending on budget

JOSHCO has utilized a zero based budgeting approach in allocating the operating expenditure budget to business units. Each business unit manager has to justify the budget allocation with well supported planned operational activities. Business unit managers are held accountable for their budgets and are required to monitor their budgets at requisition stage. Actual performance against budget is monitored on a monthly basis. Expenditure will also be monitored against actual revenue realized.

JOSHCO has also started monitoring utilities costs and where the billings do not look reasonable investigations have been conducted. A service provider was engaged to assist JOSHCO with meter reading at the former Council Estates and in identifying areas which do not have meters. The service provider also investigates the bridging of meters in the estates that have meters.

JOSHCO is also tightening up on credit control and debt collection processes by adding more capacity in the revenue department through the employment of additional credit controllers, so as to reduce the amount of bad debts provision. The defaulting tenants are reviewed on a project by project basis and the Paralegal services are more rigorous in applying the legal processes that are necessary.

In hostels, JOSHCO continues to engage with other municipal entities with the intention of getting them to deduct rental in arrears from the employees' salaries.

In all other projects, JOSHCO's strategy is to target the high value projects such as Klijptown Square, Roodepoort and AA House, as these have a major impact on overall revenue collection performance, at the same time monitoring performance on smaller projects so that performance does not deteriorate.

### 9.3 Projects incorporating increased Capex

The City has allocated a budget of R214,8 million for inner city infrastructure.

Jozi@Work programmes

JOSHCO has formulated a framework in the next financial year, incorporating various co-production initiatives taking into account the development of SMME's within the communities we serve.

### 9.4 Corridors of freedom initiatives:

JOSHCO aims to address the corridors of freedom initiatives by doing the following:-

- ❖ To focus residential development within the boundaries of identified priority nodes such as the Johannesburg Inner City.
- ❖ To focus residential development along the four priority mass public transportation corridors.



# CHAPTER FOUR: HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT



## SECTION 1: HUMAN RESOURCE MANAGEMENT

In terms of the organisational design chosen by the Board of Directors, JOSHCO Human Resource and Corporate Support are critical in supporting the business in the achievement of its goals. To this end, the organisational structure has evolved to proactively respond to the needs of the company. The organisation had growth in five departments which are fully capacitated and operational namely, CEO's office (Business Planning and Risk, IT, Company Secretariat); Housing Management (Leasing, Management, Maintenance and Community Development); Housing Development; Corporate Support; Finance and Revenue and Supply Chain Management. The continuous review of the business mandate of Joshco has enabled the company to make enhancements to the organisational structure through the guidance of the Board of Directors.

Corporate Support is vital to the planning and implementation of programmes such as Staff Development and Training, Employee Assistance Programme (EAP), Performance Management System, monitoring the adherence to Employment Equity and Diversity, Payroll Management, Staff Growth and Recruitment Planning, Benefits Administration, enforcing compliance to Labour Legislation and HR policies, developing the HIV and AIDS programme, Customer Service, communication of CoJ Growth and Development Strategy (GDS 2040), Marketing, Communication and Brand Management.

Deliverables	Status	Comments
HR Policies and Procedures	Implemented	Compliance and enforcement of policies is on-going. Review of policies to be done by LLF prior to being submitted for Board approval, as per negotiated agreement
Labour Issues	Implemented/ Planning in progress	The LLF meetings are convened monthly. Further labour matters are addressed as they arise A current issue is the demarcation dispute. IMATU has requested that JOSHCO become party to this dispute.
Training and Development	Implemented/ Planning in progress	Training for the new financial year has been proposed as per Departmental ILPs. Procurement is on-going and has been finalised in instances where course accreditation has been confirmed.
Employee Assistance Programme and HIV and AIDS	Contract of the previous service provider (Katanutta) ended on 28 February 2013	Procurement processes are in place to secure a new service provider. The tender advertised was defective and bids received were too expensive. No award was made.
Performance Management	Implemented/ Planning in progress	The current policy which covers Fixed Term Employees will be reviewed, to include permanent employees in order to implement salary progression based on merit.
Employment Equity and Diversity	Implemented/ Planning in progress	Joshco continues to strive to achieve its EE targets Two categories remain non-compliant based on gender.
Payroll Management and Benefits administration	Implemented/ Planning in progress	Monitoring of payroll and benefits is continuous.
Staff Recruitment	Implemented as per approved growth plan	As at 30 June 2014 Joshco staff establishment comprised of 81 staff members.

Responsibility for the management of human resource capital was placed under line managers and supervisory staff. The rationale behind the inclusion of human resource management in the performance management scorecards of senior managers, and in the performance management work plans of team leaders was to inculcate a culture of ownership. Examples of the duties assigned to senior managers and team leaders include the preparation of Individual Skills Plans for all team members; the formulation and agreement of performance management work plans; the implementation of bi-annual performance review coaching meetings between supervisor and job incumbent; and the procurement and implementation of job based training projects.

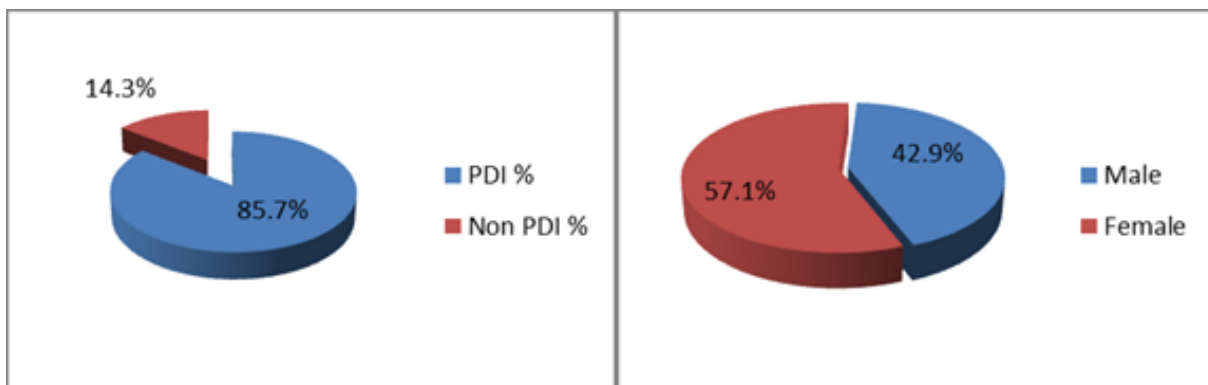
**SECTION 2: EMPLOYMENT EQUITY**

**2.1 Employment Equity Targets and Ratios**

**2.1.1 Senior Management Category**

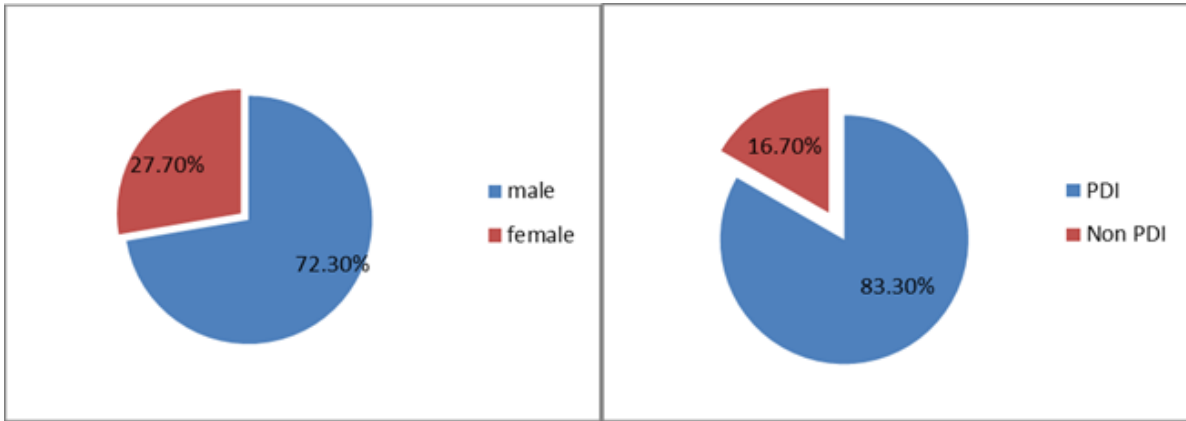
JOSHCO’s employment equity ratio target for management category staff from previously disadvantaged backgrounds was 75%. JOSHCO has exceeded its target by ten point seven percent (10.7%) with eighty five point seven percent (85.7%) of the management team having been drawn from individuals from previously disadvantaged backgrounds (6 out of 7 members of the management team).

JOSHCO’s employment equity ratio target for staff falling within the management category being women is 30%. As at the end of the fourth quarter of 2013/2014, JOSHCO had exceeded this target by twenty seven percent (27%) with fifty seven percent (57.1%) of women in the management category (4 out of 7 members of the management team).



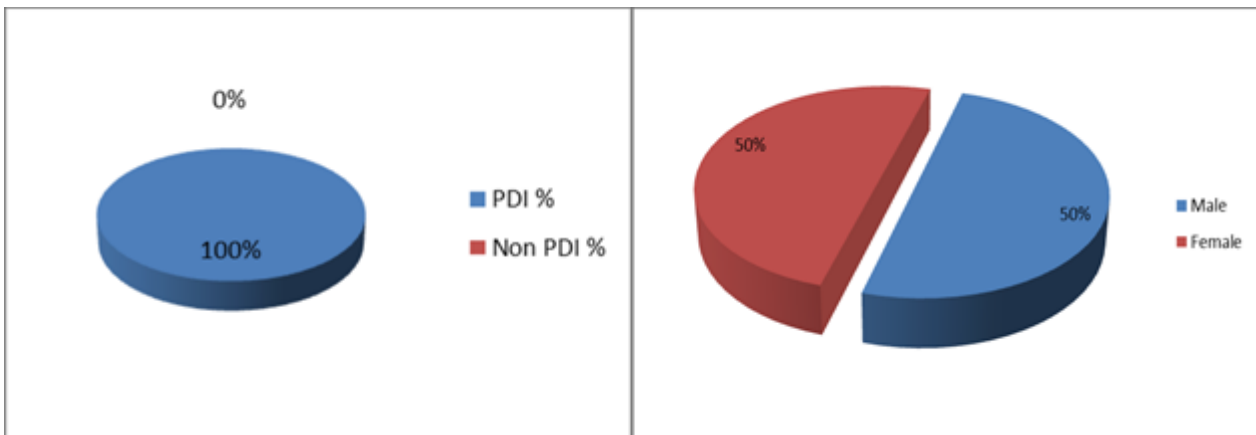
**2.1.2 Middle Management Category**

In the middle management category eighty three percent (83.3%) which represents fourteen out of seventeen (15 out of 18) of the staff were drawn from PDI designated groups against an employment equity target ratio of 40%. The target was exceeded by forty three percent (43%). The target for women in this category is forty percent (40%). The percentage achieved for women in this category is twenty seven point seven percent (27.7%) representing five out of eighteen (5 out of 18) employees. This represents a shortfall of twelve point three (12.3%) of women in the Middle Management category. JOSHCO will endeavour to increase the number of women in this category with future recruitment and by working towards empowering women through succession planning and retention



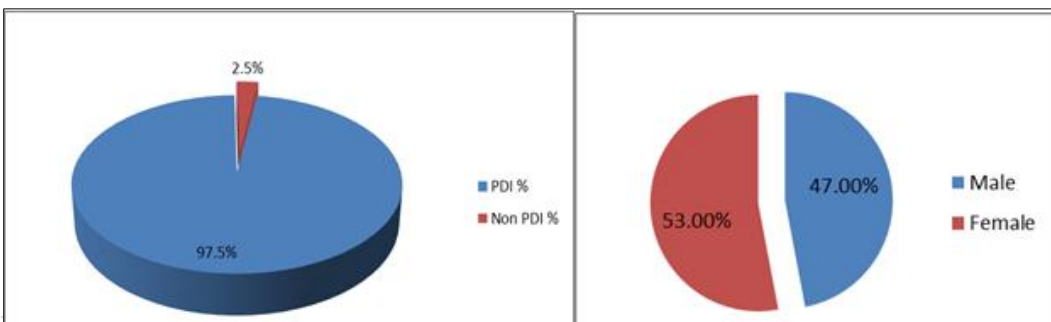
### 2.1.3 Supervisor / Skilled Category

In the skilled/supervisory level, hundred percent (100%) of staff representing twelve (12) employees were previously disadvantaged individuals (PDI) against an employment equity target ratio of forty percent (40%) and the target was exceeded by sixty percent (60%). Fifty percent (50%) of staff in this category are women. This represents six out of twelve (6 out of 12) employees against a target ratio of 30%, the target was exceeded by twenty percent (20%).



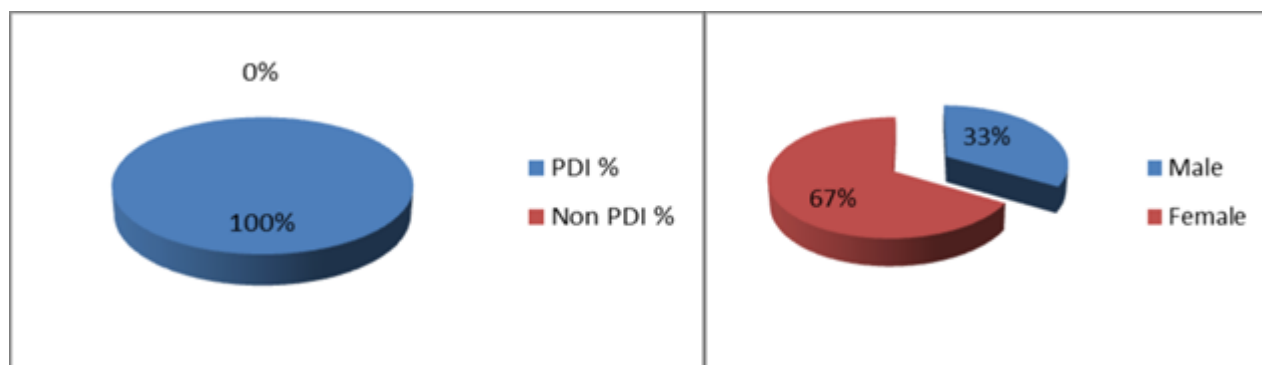
### 2.1.4 Semi Skilled Category

In the semi -skilled category 97.56% of staff were drawn from PDI designated groups, against a target of eighty percent (80%) representing forty one (41) employees out of which fifty three percent (53%) were women, representing twenty two out of forty one (22 out of 41) employees, against a target of 60%. The representation of women in this category is seven percent (7%) below target. JOSHCO is continuously working towards achieving and exceeding this target by prioritising the appointment of women in this category.



### 2.1.5 Unskilled Category

In this category hundred percent (100%) of employees were drawn from previously disadvantaged backgrounds and sixty six point six percent (66.6%) were women representing two out of three employees against an equity target ratio of sixty percent (60%). The target in this category has been exceeded by 6.6%.



### 2.1.6 Overall Race and Gender Analysis

JOSHCO's overall employment equity figures across all job types may be summarised as follows: JOSHCO employed forty eight point one four percent (48.14%) of women representing thirty nine out of eighty one (39 out of 81) against an overall target of 50%. This was below target by one point eight five percent (1.85%) and will be addressed with all future recruitment.

Ninety three point eight two percent (93.82%) of staff were PDIs representing seventy six out of eighty one (76 out of 81) employees against an overall target of 75%. The target was exceeded by eighteen point eight two (18.82%). Of the eighty one (81) employees, fifty eight (58%) were on fulltime employment contracts representing forty seven (47) employees while forty two percent (42%) occupied contract positions representing thirty four (34) out of eighty one employees (34 out of 81).

Of the eighty one (81) staff, JOSHCO employed eighty percent (80%) Africans representing sixty five employees (65), six point two percent (6.2%) Indians representing five (5) employees, seven point five percent (7.5%) Coloureds representing six (6) employees and six point two percent (6.2%) whites representing five (5) employees.

The target for disability is two percent point three five (2.35%) and JOSHCO has achieved two point five percent (2.5%) which represents two (2) employees, one (1) at the semi-skilled level and one (1) at the Senior Management level. The target in this category has been complied with.

JOSHCO's EE performance against targets represents eighty one point eight percent (81.8%) compliance which represents nine out of eleven (9 out of 11) targets met and exceeded in various categories and race/ gender classifications as indicated in the summary below. The two (2) categories below target were that of women in the middle management (0.6%) and women in the semi-skilled category (7%).

### 2.1.7 Employment Equity Summary

OCCUPATIONAL LEVEL	EE TARGET (RACE)	EE ACTUAL (RACE)	EE TARGET (GENDER)	EE ACTUAL (ACTUAL)	DISABILITY TARGET	DISABILITY ACTUAL
Senior Management	75	85.7	30	57.1	2% of total workforce	1
Middle Management	40	83.3	40	27.7		0
Supervisory	40	100	30	50		0
Semiskilled	80	97.56	60	53		1
Unskilled	80	100	60	66.6		0

### SECTION 3: SKILLS DEVELOPMENT AND TRAINING

JOSHCO is required to spend one percent (1%) of the salary budget on staff development and training. JOSHCO has committed itself to making a long term investment in staff development by allocating more than the prescribed percentage requirement. Evidence of this can be found in previous financial years and this has resulted in the implementation of the bursary scheme. Individual Learning Plans play a key role in the training needs analysis and in determining training programmes which would benefit both JOSHCO and employees and enhance performance. The bursary scheme has gained momentum which is evident from the response received.

- Corporate Support is playing a key role in ensuring that the courses of study being embarked on by employees are accredited.
- 11 Bursary applications were received. Of the 11 applications received, 9 applications were approved. Examination results obtained by students in 2013 were positive. Awaiting results for first semester of 2014.
- ILPs have been incorporated into the training plan for 2013/2014.

#### Training Completed in the Fourth Quarter of 2013/2014

ATTENDEES	COURSE/TRAINING	SERVICE PROVIDER/	DATES
Housing Manager	Management Coaching	ZingCo	January to May 2014
Management	MFMP	SiyaKhula Trust	January to June
Finance X 2	MFMP	SiyaKhula Trust	December 2013 to
Supply Chain	MFMP	Siyakhula Trust	December 2013 to

**By the fourth quarter of 2013/14 JOSHCO had spent a cumulative amount of R 231 000.00 on training out of the YTD budget R 542 00.00**

### SECTION 4: PERFORMANCE MANAGEMENT

The Performance Management Process developed by the City of Johannesburg and endorsed by the Board of Directors is currently being used for all Fixed Term Contract employees. The agreement on salary progression based on merit for permanent employees necessitates that the existing policy be reviewed to include permanent employees. This will be implemented in the new financial year.

### SECTION 5: EMPLOYEE WELLNESS

- ❖ The Company is in the process of appointing an employee wellness service provider who will play a major role in offering counselling services to affected employees.
- ❖ The organisation develops an HIV/Aids plan annually. The plan consists of various methods to create awareness of the disease and also educates employees on the disease

### SECTION 6: EMPLOYEE BENEFITS

The Company is a participating employer in one of the various retirement benefit schemes, the E-Joburg Retirement Fund, through which the City of Johannesburg Metropolitan Municipality known as and its associated Utilities, Agencies and Companies (UACs) provide post-employment benefits to all their permanent employees through 8 (eight) Defined Contribution Funds and 8 Defined Benefit Funds.

The Company contributes towards various Council accredited medical aid schemes on behalf of the employees.

## CHAPTER FIVE: FINANCIAL PERFORMANCE



*This Chapter serves to inform the reader of the overall financial per entity for the whole financial year.*

### ANNEXURE:ONE

## JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

(Registration number 2003/008063/07)

Financial Statements for the year ended 30 June 2014

### Index

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

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CHAPTER SIX: AUDITOR –GENERAL AUDIT FINDINGS



**SECTION 1: AUDITOR-GENERAL’S REPORT FOR THE CURRENT YEAR**

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

Refer to the Annual Financial Statements set out in Chapter 5 and the timescale for the audit of these accounts and the audit of performance and the production of reports on these matters by the Auditor General as set out in this Chapter.

Include a comparison of the previous audit opinions and share a narrative that analyses the reasons for the outcome of the opinion. This should be at a high level to assist the reader in understanding the reasons for the audit outcomes.

	2010/11	2011/12	2012/13	2013/14
Audit Opinion	Qualified	Unqualified	Qualified	

**SECTION 2: HISTORICAL AUDIT FINDINGS AND REMEDIAL ACTION**

*This section should deal with the corrective actions and the progress made in relation to the issues raised in the previous financial years. This section highlights the repetitive nature of the audit findings and requires comment by the leadership on the actions that are or will be put in place to resolve them.*

**ANALYSIS OF 2013/14 AUDIT FINDINGS**

	NEW IN 2013/14	REPEAT FINDING	ACTIONS TO RESOLVE
Matters affecting Audit opinion	18	20	List actions taken to resolve the matters
Important Matters			
Administrative Matters			

**SECTION 3: COMMITMENT BY THE BOARD OF DIRECTORS**

This section should provide a statement/clause from the Board that it has satisfied itself that the remedial actions taken or to be taken on matters raised by the Auditor-General are adequate.

*To be signed by the Chairperson of the Board and Audit Committee*

## ANNEXURE: TWO

- PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2014
- BALANCE SCORECARD WITH KEY PERFORMANCE AREAS AND INDICATORS

### FLEURHOF JUNCTION

