

JOHANNESBURG WATER (SOC) LIMITED
Registration No: 2000/029271/07



Combined Heat and Power “Biogas-to-Energy” Plant – Northern Works

ANNUAL REPORT 2013/14

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

Approved by the Board on 25 November 2014

JOHANNESBURG WATER SOC LIMITED

COMPANY INFORMATION AS AT DATE OF SIGNATURE OF THIS REPORT

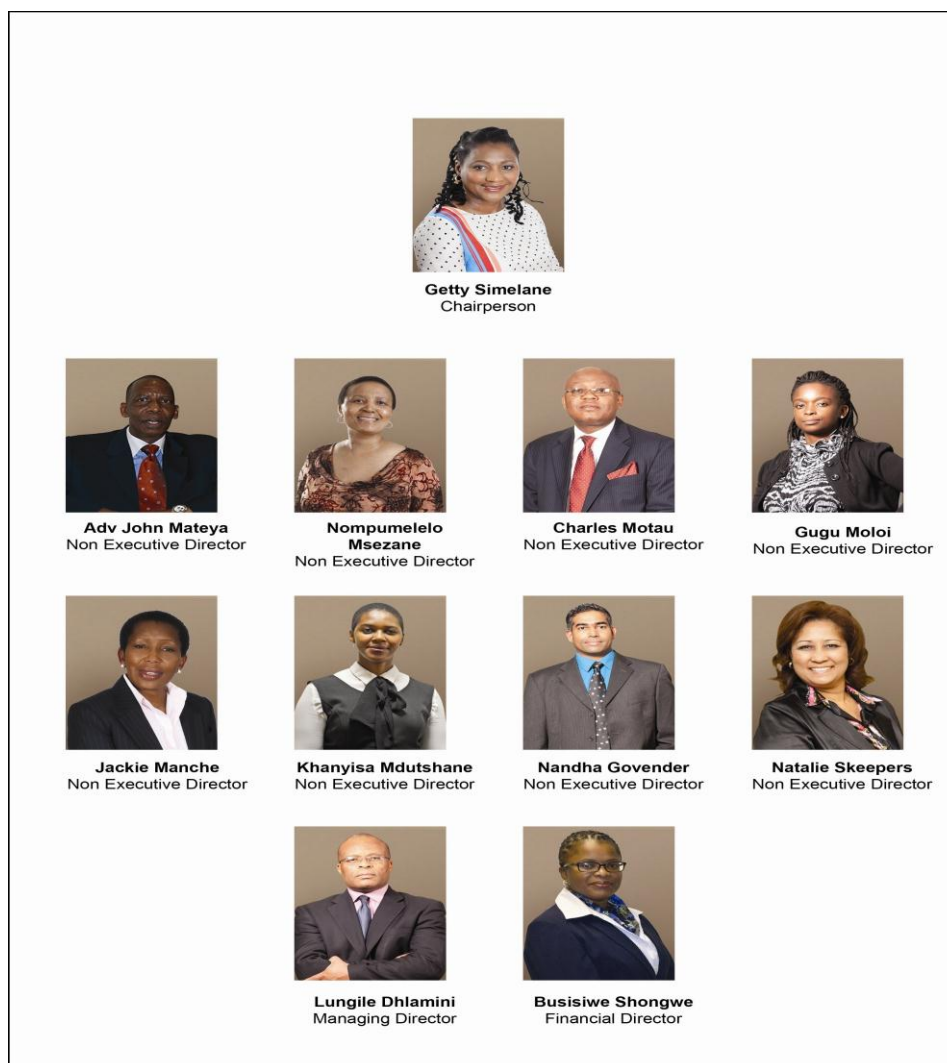
Country of incorporation and domicile	South Africa
Nature of business and principle activities	Supply of water and sanitation services as defined in the Water Services Act, 1997
	Directors G Simelane (Chairperson) L Dhlamini (Managing Director) B Shongwe (Financial Director) N Govender N Skeepers M Msezane G Mloi J Mateya C Motau K Mdutshane J Manche
Registered office	17 Harrison Street Marshalltown Johannesburg 2107
Business address	17 Harrison Street Marshalltown Johannesburg 2107
Postal address	P O Box 61542 Marshalltown Johannesburg 2107
Holding company	The City of Johannesburg Metropolitan Municipality
Bankers	Standard Bank
Auditors	The Auditor-General of South Africa
Company Secretary	G J Luden
Company registration number	2000/029271/07
Attorneys	Moodie & Robertson

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CHAPTER ONE

Company Leadership and Corporate Profile



Directorship

SECTION ONE

INTRODUCTION AND CORPORATE PROFILE

Corporate Profile and Overview of the Entity

Johannesburg Water SOC Ltd (JW) was incorporated on 21 November 2000 and commenced business on 1 January 2001.

JW is a municipal entity wholly owned by the City of Johannesburg and is mandated to provide water and sanitation services to the residents of Johannesburg.

The entity provides water and sanitation services to an area stretching from Orange Farm in the south to Midrand in the north, Roodepoort in the west and Alexandra in the east.

The company operates within operating regions (as depicted in the map on Page-6 below) with ten network depots and six wastewater treatment plants and employs 2 558 people.

The entity supplies 1,572 MI/day of potable drinking water, procured from Rand Water, through a distribution network of 12,581 km, 115 reservoirs and water towers, 35 water pump stations. The spent wastewater is then collected and reticulated via 11,786 km of wastewater network, 36 sewer pump stations and treats 981 MI/day of sewage at its six wastewater treatment works of which two of its biogas-to energy plants which convert methane gas to energy are located.

Vision

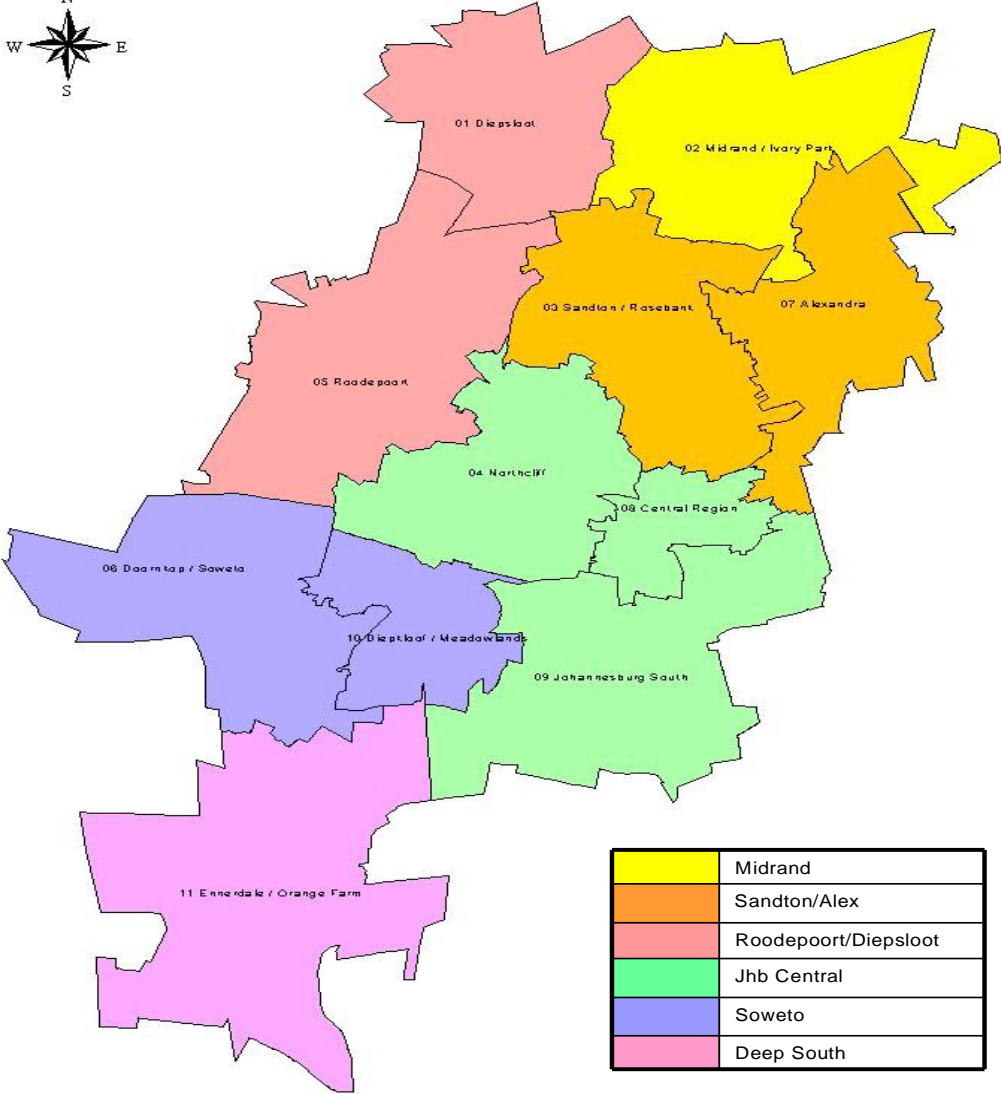
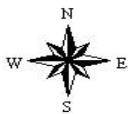
Johannesburg Water's vision is to be a world class African water and sanitation utility.

Mission

To provide all CoJ citizens with quality Water and Sanitation services by:

- Delivering a sustainable, affordable and cost effective service;
- Upgrading services in marginalised areas;
- Creating a customer-focused culture;
- Valuing and developing employees to build a sustainable capacity;
- Safe-guarding the health and safety of JW employees, contractors and the general public
- Improving the protection of the environment and
- Managing assets and leveraging on technology to enhance the level of security and quality of supply.

Johannesburg Water Regions



SECTION TWO

STRATEGIC OBJECTIVES

Johannesburg Water's (JW) five year strategy intent is aimed at providing quality water and sanitation services in a financially sustainable, economically viable, customer responsive and environmentally sound manner. The company's focus for year under review and beyond has been informed by a wide range of planning based on its Asset Management Framework. Johannesburg Water's strategic objectives have been built around four main themes focusing on;

Priority on Customers

Ensuring customer-centric provision of services, Johannesburg Water continues to improve relationships with its customers. This enables the company to understand their needs, deliver on those needs and exceed expectations. In order to achieve excellent customer relationships, Johannesburg Water's employees' production levels have been assessed and analysed and measures to improve productivity levels are continuing to be implemented.

Infrastructure Investment

JW has built its investment plans from a rigorous and consistently applied risk-based approach to investment needs. The Integrated Asset Management Plan has been applied to the entirety of our capital programme. The organisation has developed and instituted risk management processes with clear interfaces and methodologies applying to its day-to-day management as well as the longer-term planning.

Efficiencies in Operations

JW has adopted an approach to operate in a cost efficiency manner. Reduction of energy costs have been achieved by Biogas to Energy technology in WWTWs, reduction of water losses in the networks has also been achieved by implementing Water Demand Management interventions.

Promoting Excellent working Culture

JW committed to improve on organisational communication through various measures to ensure that the strategic goals are understood and embraced by all levels of the organisation.

Johannesburg Water's strategic intent has been drawn from the GDS 2040, focusing on eight City Priorities that are of core relevance to the Johannesburg Water's operations. The following are strategic priorities that guided the implementation of key projects and service delivery intervention in the last year. Johannesburg Water's capital projects directly supports the below mentioned strategic priorities.

- Financial Resilience & Sustainability
- Sustainable Human Settlement Upgrade
- SMMEs Development & Entrepreneurship
- Agriculture & Food Security
- Active & Engaged Citizenry
- Smart City
- Resource Sustainability
- Green Economy

SECTION THREE
SALIENT FEATURES

This section highlights what the entity has achieved in the financial year with figure 1 indicating the financials and figure 2 the service delivery highlights respectively.

Figure 1: Financial Achievements

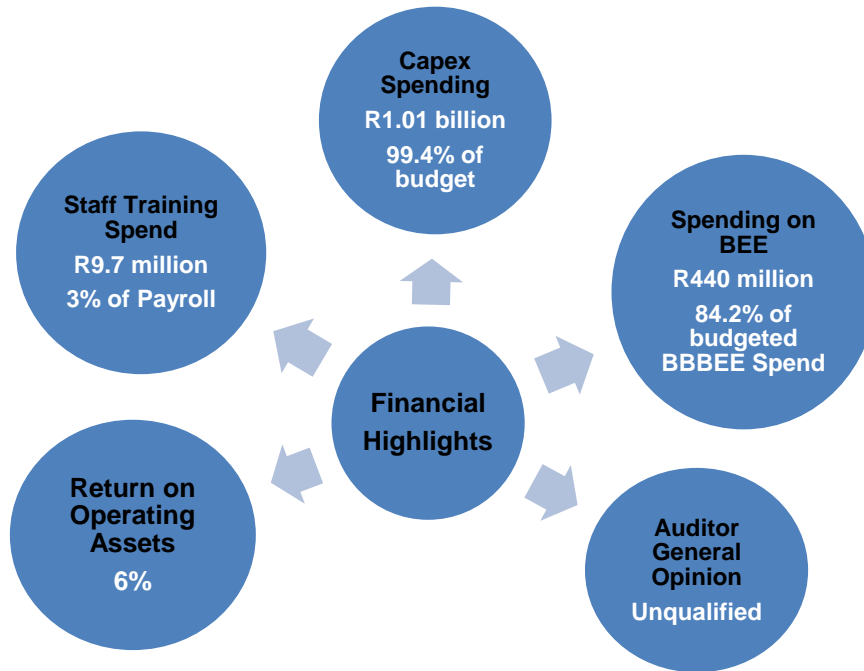
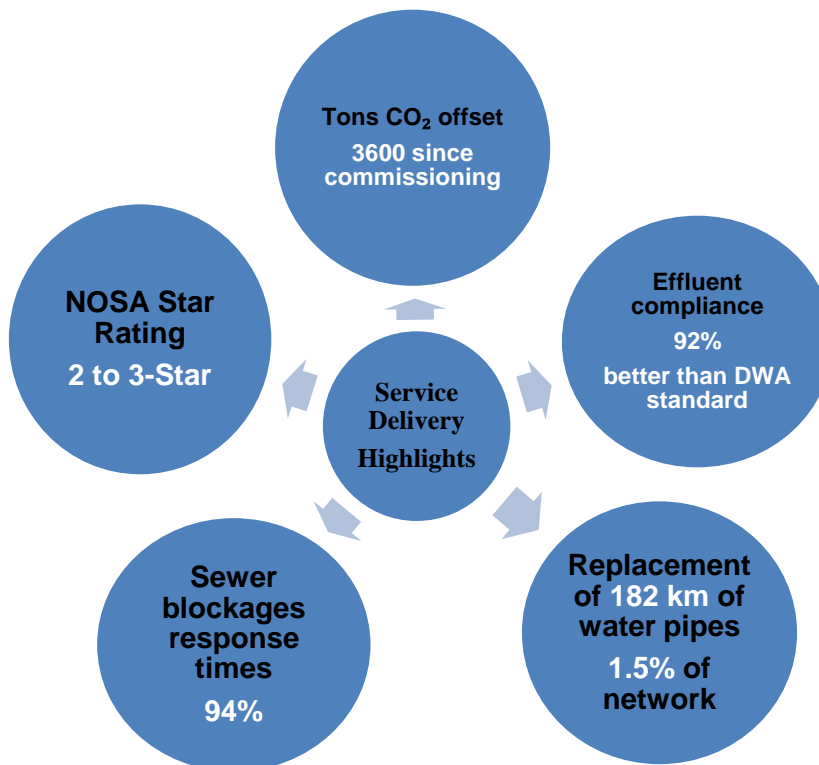


Figure 2: Service Delivery Achievements



SECTION FOUR

MEMBER OF THE MAYORAL COMMITTEE



The Infrastructure and Services Portfolio was overseen by me during the year under review. My leadership was focused on three of the main service delivery areas in the City, namely: solid waste, electricity, water and sanitation.

I can report that Johannesburg Water has delivered on its business imperatives. The Company attained an overall performance score of 86.1% which is lower than last year's performance of 87.2%. The centre-piece of the business plan was the balanced scorecard (BSC) that is aligned to the business imperatives of the Company, the City's ruling party election manifesto, the City's Growth and Development Strategy, the City's Integrated Development Plan (IDP) and lastly the Infrastructure and Services

Department's Sector Plan. The successes of Johannesburg Water are articulated in various sections in the Annual Report. What I am nevertheless particularly proud of and which I feel requires some prominence, as human dignity is a key outcome of service delivery, is the work Johannesburg Water has done in the much needed marginalised areas.

The City of Johannesburg initiated a programme called the "Marginalised Areas Programme" which tracks projects and progress within the areas of Ivory Park, Diepsloot, Orange Farm, Soweto and informal settlements. This translates into a total of four clusters of marginalised areas where capital projects are being executed. During the year 2013/14 a total of four projects were carried out under the Soweto cluster of which one project has been completed and three projects are still under construction. The capital expenditure in this cluster will concentrate mainly on sewer and is valued at approximately R24 million.

In the Orange Farm Cluster a total of 11 projects were executed of which two projects have been completed, while eight projects are still under construction and ought to be completed in 2014/15. Again the expenditure is in the main on sewers and has a cost estimate of about R120 million. In the Alexandra Cluster the sewer upgrade project is on hold pending the reallocation of households from the pipe route by the City's Housing Department. R6 million will be spent on sewer upgrades

Diepsloot and Ivory Park cluster had a total of five projects for the period under review of which one project has been completed, while three are on the advance stage of implementation. Johannesburg Water has put aside about R72 million essentially for sewer upgrades.

I have endeavoured to build a strong working relationship within my department, the Section 79 Committee and Johannesburg Water in forging more outcomes based service deliverables. I have to mention that due to work constraints Ms Gugu Moloi stepped down as Chairman of the Board and was replaced by Ms Getty Simelane in March 2014. Ms Simelane has previously chaired a SOC under my portfolio. My gratitude and thanks go to Ms Moloi for upholding the service delivery imperatives of the Shareholder. To Ms Simelane I look forward to a similar advancement of service delivery.

Going forward, the entity will be accelerating the Service Delivery Budget Implementation Plan (SDBIP) which gained traction in the year under review in order to improve the levels of services and meet the rapid growth in demand and the densification plan in the Corridors of Freedom including Turffontein, Louis Botha and Empire Perth.

I look forward to again leading the Infrastructure and Services Department in 2014/15 and working with Johannesburg Water in serving the community of Johannesburg.

Councillor Matshidiso Mfikoe
Mayoral Committee Member (MMC)
Environmental and Infrastructure Services (EISD)

SECTION FIVE

CHAIRMAN'S FOREWARD



My tenure at Johannesburg Water commenced at the beginning of March 2014 when I took over the chairmanship from Ms Gugu Moloj, who still remains a member on the Board. I am indebted to Ms Moloj for staying on for continuity and continue with the task of advancing the Shareholder's service delivery thrusts as contained in the Growth and Development Strategy and more specifically in the annual Service Delivery Budget Implementation Plans.

I can report that the company is in a strong solvency position with its total assets exceeding the total liabilities by R4 billion. The solvency ratio as at 30 June 2014 is 1:1.81 and the corresponding liquidity position is 1:0.81 against a benchmark ratio of 1:1 and that the Company managed positive net cash position of R42 million at year end.

In respect of reducing water and sanitation service delivery backlogs which were standing at 2% and 4% respectively at the beginning of the year, I can confirm that an additional 1 750 and 5 985 households were provided with access to basic water and sanitation services.

A total of 5,372 jobs have been created against a target of 5007 in the Extended Public Works Programme where R11.8 million was spent in wages. Details of the Company's overall performance are dealt with elsewhere in the Annual Report. In managing the business the Managing Director reported to the Board on a quarterly basis as required. In each of the quarters the mandatory report for eventual consideration by the Mayoral Committee and Section 79 Committee covered the Company's financial position, performance results, risks, stakeholder relations and procurement oversight and were found to be satisfactory.

Johannesburg Water has received an unqualified audit opinion which has highlighted a concerted effort to remedy previous years' challenges relating to revenue, billing and collections functions.

A Meter Stock Register (i.e. identification of unknown meters) has been initiated by management as well as the reconciliation of metered connection to the billing system. The Commercial Loss Department is also looking into un-metered developments. Johannesburg Water does joint meter reading with Rand Water on the bulk water meters.

As the Board we are committed to the highest standards of corporate governance. This is done as part of our on-going decision-making process. By embedding strong governance into our routine processes, we are doing our utmost to secure the future wellbeing of the Company. The Corporate Governance practices of the entity are reviewed and improvements effected periodically, where deemed necessary.

A special word of appreciation goes to the Company's Managing Director, Lungile Dhlamini, who in the year under review has concentrated on the delivery of service and is currently implementing higher performance and governance standards.

I am also pleased to announce that the Financial Director position was filled by Ms Busisiwe Shongwe on 1 April 2014 in time for 2013/14 audit.

Lastly I take this opportunity to express my gratitude to the Shareholder, Councillor Mfikoe MMC, and the Board for the leadership provided and the support from all the staff at Johannesburg Water for the results accomplished. I also wish to thank the Executive Team for their commitment and efficient management in endeavouring to deliver a quality service to the residents of Johannesburg.

Getty Simelane
Chairman of the Board

Board

Name of Board Member	Qualifications	Other Directorships	Skills and Expertise
<p>Getty Simelane (Chairman) Appointed 3 March 2014</p>	<ul style="list-style-type: none"> ▪ BA Social Work ▪ Higher Diploma in Public Management ▪ MPhil ▪ Executive Development Programme Board Leadership Programme ▪ SIRDAR Governance Panellist ▪ SABPP Chartered HR Practitioner and Chair of Mentoring Committee ▪ Fellow Member of the IoD [F.Inst.D] 	<ul style="list-style-type: none"> ▪ Co-Founder and Director, The HR Touch ▪ Co-Founder and Director DMG Women Empowerment Company ▪ South African Post Office Non-Executive Director and Chair of Stamp Advisory Committee ▪ South African National Blood Services Non-Executive Director ▪ T Systems SA Non-Executive Director ▪ St Mungos Diepsloot Social Action NPC Non-Executive Director 	<ul style="list-style-type: none"> ▪ Strategy Development ▪ Governance ▪ People and talent strategy including remuneration, succession and transformation; Municipal and National government structures experience; global entities exposure – Europe, US ▪ Exposure to industries-telecoms, industrial, manufacturing, financial services, energy, FMCG, infrastructure development
<p>Gugu Moloi (Non-Executive Director) Appointed 3 March 2014</p>	<ul style="list-style-type: none"> ▪ BA (Law), MA (Town and Regional Planning), Diploma (General Management). 	<p>None</p>	<ul style="list-style-type: none"> ▪ Expertise in the fields of municipal infrastructure, local government and water delivery
<p>Lungile Dhlamini (Managing Director) Appointed 1 October 2012</p>	<ul style="list-style-type: none"> ▪ BSc in Civil Engineering 	<ul style="list-style-type: none"> ▪ Engineering Council of South Africa (ECSA) Councillor, Member of the Finance & Staff and Audit & Risk Committees (ECSA). 	<ul style="list-style-type: none"> ▪ Administration and Financial Management of Water and Sanitation Companies; Infrastructure Asset Management Planning and Project Management.
<p>Busisiwe Shongwe (Financial Director) 1 April 2014</p>	<ul style="list-style-type: none"> ▪ B Com (Accounting) ▪ B Com Honours (Accounting) ▪ CA (SA) ▪ Master of Business Administration 	<p>Chairperson of the Audit and Risk Committee of the Health Professions Council of South Africa (HPCSA)</p>	<ul style="list-style-type: none"> ▪ Experience in various disciplines of accounting, auditing and supply chain management
<p>Nandha Govender (Non-Executive Director) 29 November 2005</p>	<ul style="list-style-type: none"> ▪ BSc in Mechanical Engineering 	<p>Non executive director: Rand Water</p>	<ul style="list-style-type: none"> ▪ Executive management in the water sector inclusive of strategy and operations in environment, finance and commercial management
<p>Natalie Skeepers (Non-Executive Director) 1 February 2007</p>	<ul style="list-style-type: none"> ▪ Masters Degree (SHE), MPhil, Post Graduate Diploma in HIV/Aids management, ▪ National Diploma in Health, B Tech (Environmental Health) 	<ul style="list-style-type: none"> ▪ Film and Publication Board: Deputy Chair. ▪ Rail Safety Regulator, (Non Executive Director), ▪ Construction industry Development Board (Non Executive Director) 	<ul style="list-style-type: none"> ▪ Risk Management, Safety, Environmental, Management ▪ HIV/AIDS Management, Human Resources, Corporate Social Responsibility

<p>Nompumelelo Msezane (Non-Executive Director) 29 January 2009</p>	<ul style="list-style-type: none"> ▪ MSc (Environmental Management), MDP, BSc (Hons), ▪ BSc (Ed), ▪ Certificate in Water Resource Management in Developing Countries 	<p>Non-Executive Director: Johannesburg Roads Agency</p>	<ul style="list-style-type: none"> ▪ Environmental management, Water resource management, Water Quality Management, General management
<p>Jackie Manche (Non-Executive Director) 3 March 2014</p>	<ul style="list-style-type: none"> ▪ Master of City Planning, ▪ BA Honours (Economics), ▪ BA, Executive Development Program. 	<p>None</p>	<ul style="list-style-type: none"> ▪ Expertise in local government finance, policy development and public administration.
<p>Khanyisa Mdtshane (Non-Executive Director) 3 March 2014</p>	<ul style="list-style-type: none"> ▪ B Com ▪ B Com Honours (Accounting) ▪ Higher Diploma in Tax Law ▪ CA (SA) 	<ul style="list-style-type: none"> ▪ Founder and Managing Member, Mvuzo Consulting ▪ SASSETA: Independent Audit Committee Member 	<ul style="list-style-type: none"> ▪ Tax, Auditing, Financial management
<p>Honey Mateya (Non-Executive Director) 24 April 2012</p>	<ul style="list-style-type: none"> ▪ B. Com ▪ MBA ▪ Higher Diploma in Company Law ▪ LLB ▪ Snr Executive Program – SEP 	<p>None</p>	<ul style="list-style-type: none"> ▪ Law, industrial relations, risk and human resource management
<p>Charles Motau (Non-Executive Director) 24 April 2012</p>	<ul style="list-style-type: none"> ▪ Bachelor of Commerce ▪ Higher Diploma in Computer Auditing ▪ Master of Business Leadership ▪ Master of Information Technology 	<p>None</p>	<ul style="list-style-type: none"> ▪ Information and Communication Technology (ICT) and Corporate Governance of ICT

SECTION 6

MANAGING DIRECTOR'S REPORT

MANAGING DIRECTOR'S REPORT



Sector and Business Review

The 2013/14 provision of water and sanitation services continued on the backdrop of a deteriorating economic growth and outlook with inflation edging upwards ushering higher interest rates. Despite the improved stringent credit control measures undertaken on our 68 000 Platinum water consumption users, the revenue collection rate remained under pressure for the period under review resulting in a weak company cash position.

A revenue and liquidity recovery action plan which is intended to mitigate this challenges is in progress however, retail tariff increase of 0.8% above the bulk Rand Water tariff of 8.1% for the 2014/15 financial year, following a zero retail increase above the 9.8% bulk tariff for the year under review continues to take into consideration the adverse economic conditions facing our customers and consumers.

The level of physical and commercial losses for the year under review is 35,7% [R1,160 billion], (2013: 28,9% [R0,820 billion]). The level of physical losses for the year under review is 9,5% [R308,6 million], (2013: 9,8% [R278,2 million]). The level of commercial losses for the year under review is 26,20% [R851,1 million], (2013: 19,1% [R542,3 million]).

It is acknowledged and accepted that a certain level of water losses cannot be avoided from a technical perspective and is considered acceptable from an economic perspective. This means the cost of interventions to reduce water losses from a technical perspective should be less than the savings to be realised. The industry norm for water losses is 18%. Taking consideration hereof would result in a reduction of the level of water losses for the year under review to 17,7% [R575,0 million], (2013: 10,9% [R309,5 million]). The industry norm of 18% applied is 2% more stringent than the benchmark of 20% as published by the South African Water Research Commission.

The company has opted to improve the financial performance and cash position by increasing the customer revenue base (i.e. finding consumers not accounted for in the customer database and reducing material water distribution losses through the introduction and conversion of 55 740 conventional credit meters (over the next 2-years) with the second generation of smart prepaid water meters operating on a standard transfer system to reduce metering and billing errors and enhance revenue.

Operating context and strategic intent

In line with the City of Johannesburg's Growth and Development Strategy (GDS) 2040 priority implementation plans, the company intends to augment the capacity of wastewater treatment works to provide an additional 173 million litres per day of treatment capacity to support 221 household equivalent housing units, create additional 24-hour water storage capacity to cater an estimated 231,000 household equivalent housing units by 2016/17.

Replace and renew 800 kilometres of sewer pipes to reduce the current City average of 11 to 5 blockages/kilometre in order to improve both public health and reduce associated negative environmental impact. Replace 900 km of water pipes and install pressure management schemes by 2016/17 to reduce gross unaccounted for water losses (UFW) by 2.2% per annum from the current

present 35.7% to 33.5% as well as reduce the frequency of pipe bursts from the current 6.8 to 2.5 incidents/kilometre.

This section of the annual report presents a high level performance for the period under review ending 30 June 2014 with trends over last five years as summarised and tabulated below with comments. Detailed reviews are provided for under each executive manager's section of this annual report.

Business Drivers – Five Year Trend

Indicator	2010	2011	2012	2013	2014	Y/Y Change
Bulk water costs (Rm)	1 779	2 125	2 465	2 839	3 248	+409
Bulk tariff increase (%)	8.9	14.0	12.9	11.2	9.8	-1.4%
Retail tariff increase (%)	3.9	0.1	1.1	3.3	0	-3.3%
Effective tariff increase (%)	12.8	14.1	14	14.5	9.8	-4.7%
Water supplied (Mega litres)	499	526	536	556	574	+18

In order to ease the pressure off the customer's disposable income, the company is engaging on an on-going basis with the bulk water supplier, Rand Water, that they seriously review the affordability of their tariffs.

On the other hand, the company's retail tariffs remain well within the inflation band but are beginning to affect the company's liquidity position. Additional measures are being taken in our revenue and liquidity recovery plan which is discussed in detail under the Financial Director's report.

The gross growth in demand for drinking water is in line with the population growth of 3.4% per annum, however requires an acceleration of the reduction of the physical distribution losses and per gross per capita consumption programmes currently in progress.

Financial Performance – Five Year Trend

Indicator	2010	2011	2012	2013	2014	Y/Y Change
Revenue (Rm)	4 027	4 638	5 364	5 872	6 435	+563
Operating expenses (Rm)	2 034	2 131	2 492	2 699	2 965	+ 266
Profit for the year (Rm)	208	385	582	812	535	-277
Cash from operating activities (Rm)	469	-212	498	680	641	-39
Solvency ratio (to the Rand)	1.75	1.73	1.79	1.79	1.81	+0.02
Liquidity ratio (to the Rand)	0.95	1.14	1.10	0.86	0.81	-0.05
Interest cover (x times)	1.84	2.45	2.91	3.78	3.73	-0.05

Against a backdrop of reduced operating expenses; profit, and cash were significantly down from the previous financial year, due to largely increased bad debt provisions from R909 million (2013) to R1075 million, bulk water purchase costs and a zero retail tariff increase for the year under review. Revenue is not increasing proportional to water demand (i.e. volumes) due to gaps in the company's customer database. This will be addressed with the implementation of the revenue and liquidity recovery action plan currently underway.

Operational Performance – Five Year Trend

Indicator	2010	2011	2012	2013	2014	Y/Y Change
Water supplied (billion litres)	499	526	536	556	574	+18
Wastewater treated (billion litres)	373	377	347	355	369	+14
Gross Unaccounted for water (%)	37.2	30.0	31.2	28.9	35.7	-2.1
GHGs emissions reduction (tCO ₂ e)	-	-	-	1 703	1 875	+172
Infrastructure investment (Rm)	571	615	538	742	1 010	+268
Water pipes replaced (km)	72	96	32	46	182	+136
Sewer pipes replaced (km)	-	-	-	17	33	+16

The company has embarked on a multi-year infrastructure renewal programme which started in earnest in the year under review by replacing 182 and 33 kilometres of water and sewer pipes respectively to reduce physical water leakage reduce pipe bursts and sewer pipe blockages and collapses.

A total of R1.0 billion of capital expenditure was achieved, up R268 million from R742 million in 2012/13 prior year.

This is part of the programme to renew and replace 900 and 800 kilometres of water and sewer networks by 2017.

In addition, to reduce energy costs and mitigate climate change, the company is rolling out a fleet of biogas-to-energy plants at its wastewater treatment plants.

3 578 tonsCO₂e of greenhouse gas (GHGs) emissions have been offset since the commissioning of the completed plants in 2013.

Economic and Social Impact Five Year Trend

Indicator	2010	2011	2012	2013	2014	Y/Y Change
BB-BEE spend (Rm)	243	348	345	289	440	+151
Expanded public works (FTEs)	2 256	3 052	2 679	3 107	5 503	+ 2 396
Jozi@work (No. of SMMEs)	-	-	-	67	127	+60

As a Municipal-Owned Company, Johannesburg Water's BB-BEE verification covers six of the seven BB-BEE elements, excluding the ownership element. The company was rated a Level-5 BB-BEE contributor in 2013.

The company undertakes all its procurement activities in a manner that protects and advances persons, or categories of persons, who are historically disadvantaged and ensures that procurement activities are fair, equitable, transparent, competitive and cost-effective.

Johannesburg Water's procurement activities contributed R440 million (R289 million: 2013) directly to the economic transformation of the City of Johannesburg and as such, has the ability to contribute

towards alleviating unemployment and income inequalities by providing business and employment creation opportunities.

As pronounced by the Executive Mayor in the 2012/13 financial year, the company has created 194 small business opportunities in line with the City's Jozi@work small business and decent jobs creation initiative.

The company's new SMME incubation programme has started in 2013/14 financial year and will appoint 65 SMMEs with a 2CE, Construction Industry Development Board (CiDB) grading; who will be incubated to 4CE grading by 2016.

Human Resources Capital – Five Year Trend

Indicator	2010	2011	2012	2013	2014	Y/Y Change
Total staff headcount	2 414	2 429	2 441	2 469	2 541	+72
Females	411	447	499	542	607	+65
Males	2 003	1 982	1 942	1 922	1 934	+12
African	2 115	2 141	2 159	2 187	2 254	+67
Coloured	77	82	83	92	111	+19
Indian	41	40	37	36	34	-2
White	181	166	162	154	142	-12

Johannesburg Water's permanent employee headcount at as 30 June 31 2014 was 2 541. The employee ethnic group profile for the year was 88.6% black African, 4.3% coloured, 1.4% Indian, and 5.7% White.

Equity Representation, Skills Development and Safety – Five Year Trend

Indicator	2010	2011	2012	2013	2014	Y/Y Change
Female staff at executive and senior level (%)	2	1	1	2	3	+1
Gender equity (%)	17	18	20	22	24	+2
Disabled persons (%)	1	1	3	4	4	0
Hours devoted to training (hours)	2 115	2 141	2 159	2 187	2 167	-20
Bursaries awarded	17	15	14	12	13	+1
Disabling injuries incident rate	0.97	0.67	0.94	1.4	1.8	+0.4

Female representation now stands at three officials on the executive and senior level. People with disabilities maintained at 4% (2013: 4%) of the total headcount. The company spent 1.54% against a target of 1.4% of its labour cost on training during the year on artisans, engineers, and engineering technicians. During the year, 13 full-time bursaries were awarded in various disciplines.

The Human Resources Department's implementation of Johannesburg Water's apprenticeship scheme is at an advanced stage with the recruitment and appointment a full time training manager about to be concluded.

Safety performance is measured against the industry recognised rolling 12-month ‘disabling injury incident rate’ (DIIR). The Company recorded a DIIR performance of 1.8 against a target of 1.0 (2013: 1.4). This was largely due to number of days lost due to injuries, considering the company achieved a 3-Star NOSA rating from a 2-Star rating in 2013.

The company however, regrets to report that a 10-year old boy died from a “board-surfing” accident in one of the company’s construction sites, which was 200 metres from the Diepsloot residential area despite being safely secured and demarcated.

To mitigate similar accidents from occurring, the company will issue periodical public announcements in areas where there’s construction work being undertaken to warn and make parents and other members of the public aware of potential related danger.

The investigation concluded that the boys were playing and ‘board-surfing’ after school when the fatality occurred. The Board and Management convey our deepest condolences to the parents and family of the deceased boy and strongly reaffirm our continued commitment to the public safety.

Communications and Stakeholder Relations – Five Year Review

Indicator	2010	2011	2012	2013	2014	Y/Y Change
Stakeholder meetings held	43	51	59	65	70	+5
Education & awareness campaigns	110	105	133	160	219	+59
Prepaid metering SLAs signed	75 626	75 626	75 626	3 859	10 755	+ 6 896
Prepaid meter demonstrations	0	19 798	50 351	11 779	31 228	+19 449

Community meetings, education and awareness campaigns were held and conducted on various service delivery related issues. These among others included project-based development facilitation at projects’ level (e.g. Soweto prepaid metering project). This function of the company has concluded its communication and stakeholder relations review which required alignment to both the company’s strategic focus areas as well as supporting other City’s departmental programmes, especially the Jozi@work initiative.

A communications and stakeholder relations implementation plan was finalised and being aligned to the City’s Priority Implementation Plans (PIPs) and company’s Business Plan.

Combined Assurance Matrix		
Content and processes	Assurance provider	Outcome
Annual financial statements	Auditor General of South Africa (AGSA)	Unqualified Audit Opinion
Environmental management	Department of Water Affairs	5 out of 6 WWTWs Green Drop Certified
BB-BEE rating	M-Power Ratings Agency	Level-5
Legal compliance	Board and Group Risk	Compliance COSO framework adopted
Corporate governance	Board and Group Governance	Custodianship, material compliance on relevant legislation.
HIV/AIDS management	HCT Service Provider (Right to Care)	1651 employees tested (5% prevalence rate)
Occupational health and safety	National Occupational Safety Association (South Africa) NOSA	3-Star grading, up from 2-Star
Drinking water quality	South Africa Bureau of Standards (SANS 241 Standard)	99.90%
Drinking water quality system	South African National Accreditation System (SANAS)	ISO 17025 Standard Certified

Combined Assurance Matrix		
Content and processes	Assurance provider	Outcome
Performance management	Independent Performance Auditor - KPMG (National Treasury Guidelines)	90% Achievement against Balanced Scorecard
Risk management	Board of Directors and Group Risk	Compliance to Treasury Framework (i.e. Sponsoring Organisations of the Treadway Commission (COSO))

Acknowledgements

For the period under review, Johannesburg Water won various awards including:

- 2nd place of the 2013 Water Conservation and Water Demand Management Sector Awards;
- Deloitte's Best Company to Work for 2013 in the Water Services Sector;
- South African Institute of Civil Engineers (SAICE) Award of Technical Excellence for the Northern Wastewater Treatment Works Biogas-to-energy plant;
- 1st place by Olifantsvlei Works of the Water Institute of Southern Africa (WISA), Isigidi award for the Best Operated Wastewater Treatment Works and
- 3rd Place by Driefontein Works of the Water Institute of Southern Africa (WISA), Isigidi Award for the Best Operated Wastewater Treatment Works less than 25 million litres per day.

Way Forward

I am of the view that the next financial year is going to be particularly challenging, given that the planning stage of most of the programmes has been concluded and are now at execution and implementation stage to operationalize the strategic intents of both the board and the shareholder over the next two to three years.

The executive management team and I are acutely aware of the challenges and risks affecting the business but will continue to maintain tight financial and managerial controls, whilst implementing the strategy risk mitigating action plans. I have great faith that I have the right level of support and advisers in my management team.

I would also like to extend my gratitude to the shareholder and the board of directors for the clear strategic vision and focused direction that they have provided, especially in the past one and half year, and going forward am assured of the enduring support of my executive management team and staff at large.

Lungile Dhlamini
Managing Director

Executive Management

Name	Position	Contract Type	Qualifications	Skills and Expertise
Qondile Zimu	Executive Manager: Corporate Services and Human Resources	Fixed term expiring on 30 July 2015	<ul style="list-style-type: none"> ▪ BA Social Work – Honours, Masters in Management - Public and Development Management 	<ul style="list-style-type: none"> ▪ Human Resources Management and Corporate Services
Jerry Methula	Executive Manager: Marketing and Communications	Was on fixed term contract. Resigned on 19 September 2014.	<ul style="list-style-type: none"> ▪ B. Com, Masters ▪ Diploma: HR Management, ▪ Certificate: Management & Administration of Non-Profit & Community Based Organisations, ▪ Certificate: Programme for Managing Public-Private Partnership (PPP), Certificate: Governance for Directors (Public Sector) 	<ul style="list-style-type: none"> ▪ Corporate communication and stakeholder management in organs of State
Ntshavheni Mukwevho	Chief Operations Officer	Fixed term expiring on 31 December 2016	<ul style="list-style-type: none"> ▪ B-Tech: Eng (Civil) ▪ Masters of Business Leadership (MBL) ▪ Pr. Tech Eng 	<ul style="list-style-type: none"> ▪ Engineering and Operation management ▪ Construction management ▪ Project management ▪ Water purification and distribution system ▪ Sewage collection systems
Dudu Tshabalala	Chief Internal Auditor	Fixed term expiring on 7 April 2018	<ul style="list-style-type: none"> ▪ B. Com (Business Management and Economics) ▪ MSc audit management & consulting ▪ Certification in Quality Assurance Reviews ▪ Certificate in Fraud Examination 	<ul style="list-style-type: none"> ▪ Managing the Internal Audit Department in the performance of risk based audits, ▪ Forensic investigations and IT audits.
Edward Chikonyora	Senior Manager: Risk and Compliance	Fixed term expiring on 30 June 2014.	<ul style="list-style-type: none"> ▪ BTA (Hons) – UZ Dip. Banking - IOBZ 	<ul style="list-style-type: none"> ▪ Financial, Strategic and Operational Risk Management, ▪ Financial and Management Accounting, ▪ Auditing and Asset management.
Graham Luden	Company Secretary	Permanent. Transferred from the City of Johannesburg in 2001 in terms of Section 197 of the Labour Relations Act	<ul style="list-style-type: none"> ▪ BA (Hons) PG Dip in Bus. Man 	<ul style="list-style-type: none"> ▪ Local government and business management

Executive Management remuneration (Section 57s)

The Managing Director and Financial Director salaries, together with those senior managers that report directly to the Managing Director, are regulated in terms of Section 89 the Municipal finance Management Act (MFMA). As the Managing Director and Financial Director are directors on the Board their remuneration is shown separately under director remuneration elsewhere.

In terms of this provision the parent municipality will determine the upper limits of salaries.

The senior manager (Section 57) salaries for the year are:

Executive	Basic Salary	Bonuses and Performance related payments	Travel and Subsistence allowances	Contributions to pension funds and medical aid	Total
B Q Zimu	1 266 511	66 925	0	161 668	1 495 105
J M Methula	706 814	42 772	162 030	78 125	989 741
N J Mukwevho	1 307 771	78 170	184 019	184 519	1 754 479
G Luden	998 654	23 723	0	243 896	1 266 273
E Chikonyora	852 572	41 631	0	35 834	930 037
D Tshabalala	863 894	0	7 269	59 489	930 652
Total	5 996 216	253 221	353 318	763 530	7 366 285

FINANCIAL DIRECTOR'S REPORT

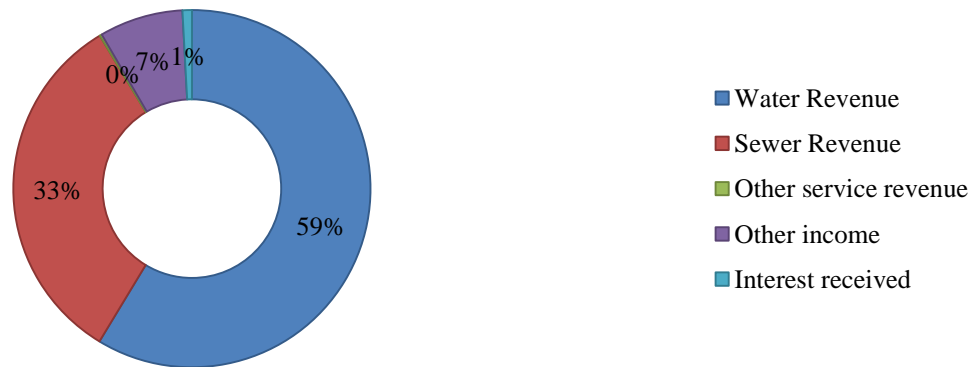


Overview

The financial year under review has been a challenging for Johannesburg Water. The increase in the inflation rate, unemployment and the decline in the domestic economic growth has negatively affected the disposable income of JW customers, resulting in lower than anticipated revenues, non-payment for water and services and an increase in accounts receivables.

Johannesburg Water does not receive government grants for the business operations. The government grants that are received are mainly for Infrastructure. For the year under review, the source of revenue is summarized in the table below.

Sources of Revenue



Critical Financial Indicators

	2012	2013	2014	% Change
Operating Risk Indicators				
Gross Profit Margin	52.1%	51.6%	49.5%	(2.1%)
Net Profit Margin	7.1%	13.8%	8.3%	(40.0%)
Rate of return on assets	8.0%	11.4%	8.2%	(28.5%)
Salaries as a percentage of operating costs	24.8%	25.9%	25.8%	(0.6%)
Debtors collection period	97	107	114	6.6%

Financial Risk Indicators

Bad debts %	17.8%	15.5%	15.5%	(0.1%)
Current ratio	0.85	0.86	0.81	(6.9%)
Quick ratio	0.82	0.84	0.78	(7.2%)
Interest cover	2.00	3.41	2.87	(15.8%)
Debts to asset ratio	0.60	0.56	0.55	(0.8%)
Debts to equity ratio	1.47	1.26	1.24	(1.8%)

Financial performance

The company has been exempted from the payment of normal company tax in terms of sec 10 (1) (t) of the income tax act since July 2007 and has consequently not been providing for tax since this date.

The financial year under review has been a difficult one for Johannesburg Water; this is evidenced by the summarised results as reflected in the table below.

	2013 (R'000)	2014 (R'000)	% change	2015 Budget (R'000)
Revenue	5 840 889	6 435 720	9.9%	7 331 100
Bulk Purchases	(2 839 333)	(3 248 444)	14.4%	(3 353 030)
Gross Margin	3 001 556	3 187 276	6.2%	3 978 070
Other Income	704 757	530 998	-24.7%	313 691
Operating Cost & Interest	(2 925 382)	(3 182 994)	8.8%	(3 040 372)
Net Profit After bad debts	780 932	535 280	-31.4%	1 251 389

Bulk purchases consist of the purchase of potable water from Rand Water. The price is determined by a combination of a government pricing strategy which is linked to consumer price index (CPI) for the raw water, electricity, chemicals and other production input costs at Rand Water level and at company retail level.

An average tariff increase of 8.9% (2013: 14.5%) was charged to our customers who range from domestic customer to industrial customers. Revenue increased by 9.9% from R5.84 million to R6.43 million, while gross margin increased by 6.2%.

The gross margin % however, decreased by 3.9%. The reduction in gross margin % is mainly due to the increased bulk purchases, which are not proportional to the increased revenue.

The net profit declined by 31.4% mainly due to increased bad debts provision.

Control over operating costs

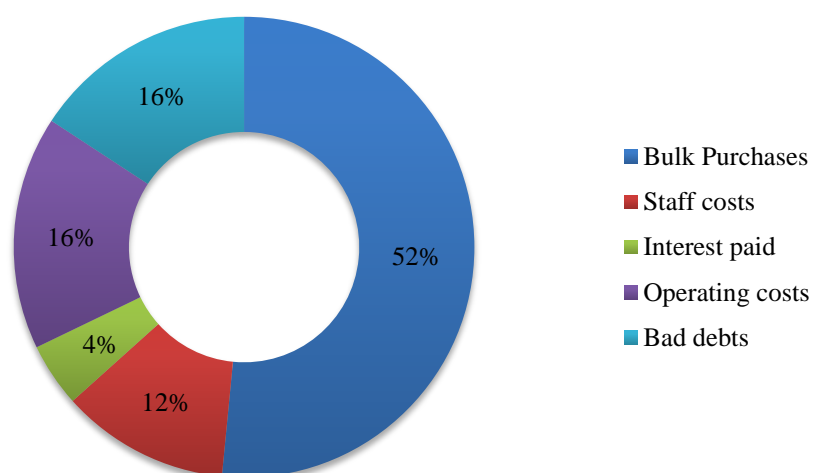
Two of the meters reading contractors' services were terminated during the previous financial year due to non-performance; the service was replaced by building an in-house capability. This has led to an increased staff cost and a saving in contracted services. Staff costs increased by 6.4% to R745 million due to a general salary increase, provision for the additional 3% pension fund contribution and the average number of permanent employees increased by 4.3% to 2 541 (2013: 2 436).

Austerity measures were put in place in the second quarter of the financial year due to liquidity challenges that were experienced by Johannesburg Water. This led to general cost savings and operating costs being below budget. These austerity measures, however did not affect service delivery.

Cost structure

The cost structure of Johannesburg Water has remained fairly stable over last few years. The table below reflects the cost structure for the financial year. High provision for bad debts and bad debt written off still remains a challenge. Measures are being put in place to reduce the bad debt level to a benchmark level of 7%.

Cost Structure

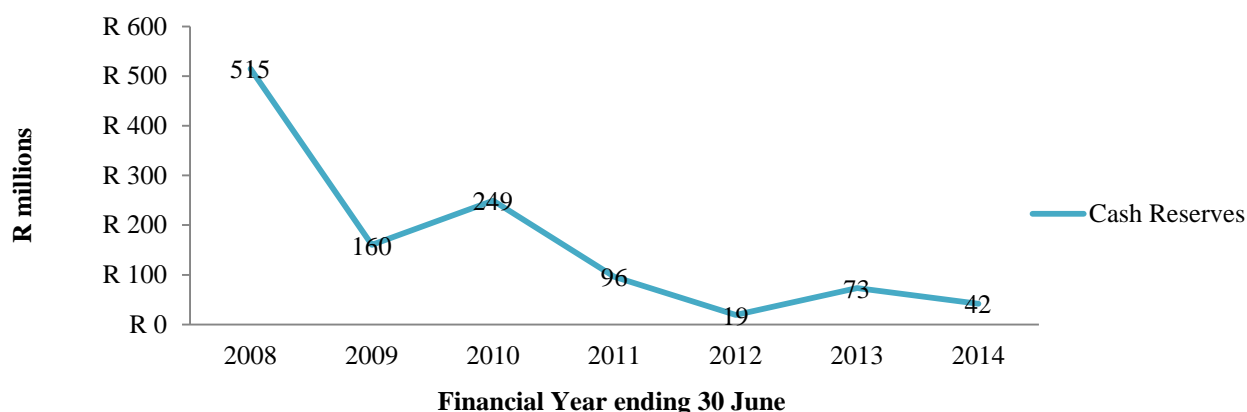


Cash generated from operations

The revenue function, which includes the customer call centre, invoicing of customers and collection of monies from customers is outsourced to the City of Johannesburg's Revenue and Customer Relations Management department

The cash balance is swept to the City of Johannesburg in terms of the treasury management arrangement. At year end, Johannesburg Water had cash reserves of R42 million (2013: R73 million). The table below reflects the deteriorating cash reserves at year end.

Cash Reserves



The reduction in cash resources can be attributed to the lower payment levels and the cash allocation method that was applied on the City's SAP/ISU system after outsourcing of revenue billing and collection. There has been a steady decline in cash reserves, as reflected in the table above. This has necessitated that management to initiate a project that will focus on ensuring financial sustainability of the company through accurate billing and timeous collection of amounts due to it.

Looking forward

The financial performance is expected to improve in 2014/15 given the revenue and liquidity recovery project which is in progress to especially find the *missing customers*. The Census results of 2011 indicate that single residential stands with a dedicated water and sewer connections total 764 002 properties.

Type of Dwelling CoJ	No of HH 2011	Percentage of HH 2011	Percentage of HH 2001	% increase or (Decrease)
House or brick/concrete block structure on a separate stand or yard or on a farm	764,002	53.2%	48.7%	4.5%
Traditional dwelling/hut/structure made of traditional materials	5,626	0.4%	1.1%	(-0.7%)
Flat or apartment in a block of flats	144,522	10.1%	9.6%	0.5%
Town/cluster/semi-detached house (simplex; duplex; triplex)	143,453	10%	5.9	4.1%
House/flat/room in backyard	95,518	6.7%	7.9%	(-1.2%)
Informal dwelling (shack; in backyard)	124,075	8.6%	7.5%	1.1%
Informal dwelling (shack; not in backyard; e.g. in an informal/squatter settlement or on a farm)	125,748	8.8%	12.7%	(-3.9%)
Room/flatlet on a property or larger dwelling/servants quarters/granny flat	20,441	1.4%	2.1%	(-0.7%)
Caravan/tent	789	0.1%	0.2%	(-0.1%)
Other	10,683	0.7%	-----	----
Total	1,434,856	100.0%	100.0%	----

Technically these households are indicative of the customer revenue base which is estimated to be growing at 3.7% per annum. Through increasing the revenue base to this level would significantly improve the financial performance aspects of metering, billing and collection.

The project will involve ensuring that all the residents of the City are being billed accurately, consistently and regularly for the services provided and the water consumed. The project aims to raise enough revenue to enable Johannesburg Water to finance some of the capital projects from its own funds, rather than through loan financing.

Johannesburg Water plans to continue with the rollout of water and sanitation pipe replacement project to ensure that we continuously meet the expectation from the citizens of the City by providing adequate infrastructure. We shall stay focused and do things differently to ensure the profitability while containing costs so as to ease the cost burden to the end consumers.

Busisiwe Shongwe
Financial Director

SECTION EIGHT

STATEMENT OF RESPONSIBILITY

The directors are responsible for the preparation, integrity and fair presentation of the financial statement of the Entity. The Annual Financial Statements presented have been prepared in accordance with Generally Recognised Accounting Practice (GRAP) and include amounts based on judgement and estimates made by 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 a going concern in the foreseeable future based on the forecast and on the memorandum of incorporation signed with the City of Johannesburg. Refer to the Directors report with regard to the appropriateness of the going concern assumption for the preparation of the financial statements.

The Auditor-General, who was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board of Directors and committees of the Board, has audited the Annual Financial Statements. The directors believe that all representations made to the Auditor-General during their audit are valid and appropriate. The Auditor-General's report is included in the financial statements which were approved by the Board of Directors on 25 November 2014.

Getty Simelane
CHAIRMAN OF THE BOARD

CHAPTER TWO

GOVERNANCE



Company Library

SECTION ONE

CORPORATE GOVERNANCE STATEMENT

Statement of compliance

Shareholder's governance protocol

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.

King III reporting

The Protocol is premised on the principles enunciated in the King III 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 Company practices are, in most material instances, in line with the principles set out in the King III Report. On-going 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, the Municipal Systems Act (MSA) and the Municipal Finance Management Act (MFMA). The Annual Report for the previous year was effectively completed in accordance with the terms of section 121 of the Municipal Finance Management Act

Leadership

The Board provides quarterly and annual reports on its performance and service delivery to the parent municipality as prescribed in the Service Delivery Agreement (SDA), the Municipal Finance Management Act (MFMA) and the Municipal Systems Act (MSA). An SDA was concluded in

accordance with the provisions of the MSA which governs the entity's relationship with the City of Johannesburg

Non-executive directors contribute an independent view to matters under consideration and add to the depth of experience of the Board. The roles of chairman and managing director are separate, with responsibilities divided between them. The Chairman has no executive functions. Directors have unlimited access to the Company Secretary, who acts as an advisor to the Board and its committees on matters relating to, *inter alia*, compliance with company rules and procedures, statutory regulations and best corporate practices.

The Board and senior management ensure that there is full material compliance with all relevant legislation. The Company Secretary has certified in terms of Section 88 (2) (e) of the Companies Act that all statutory returns have been submitted to the Registrar of Companies

The Board or any of its members may, in appropriate circumstances and at the expense of the company, obtain the advice of independent professionals

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.

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.

Compliance:

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

SECTION TWO

BOARD OF DIRECTORS

Johannesburg Water has a unitary Board, which consists of executives and non-executive directors. The Board is chaired by a non-executive director, Ms Getty Simelane. The Board meets regularly (at least quarterly) and retains full control over the Company. The Board remains accountable to City of Johannesburg Metropolitan Municipality, the sole shareholder, and to its stakeholders, the citizens of Johannesburg.

In terms of the Company's Articles of Association there may not be more than eleven directors on the Board of which two shall be executive directors. Currently the Board is fully capacitated with nine non-executive directors and two executive directors. The previous Financial Director, Mr Padiaychee resigned on 30 June 2013 and was replaced with Ms Busisiwe Shongwe on 1 April 2014.

One non-executive director resigned, namely Ms Cynthia Mbili and another retired, namely Mr Cassim Tilly both on 25 February 2014. The non-executive director vacancies were filled by Mesdames Manche and Mdutshane on 3 March 2014.

The Chairman of the Board is a non-executive director and remains independent. Ms Getty Simelane has no pecuniary interests in Johannesburg Water.

The composition of the Board is:

- Getty Simelane: Non-executive director (Chairman)
- Lungile Dhlamini: Managing Director
- Busisiwe Shongwe: Financial Director
- Nandha Govender: Non-executive director
- Gugu Moloi: Non-executive director
- Natalie Skeepers: Non-executive director
- Mpumi Msezane: Non-executive director
- Honey Mateya: Non-executive director
- Charles Motau: Non-executive director
- Khanyisa Mdutshane: Non-executive director
- Jackie Manche: Non-executive director

The Audit Committee in terms of the Municipal Finance Management Act and a National Treasury directive must comprise a majority of independent members. The Audit Committee has a membership of five with a majority of independent members.

The independent members are:

- Rudolf Buys
- Vusi Mokwena
- Zukisani Samsam

Board induction and information

All new directorship appointments to the Board as well as new independent memberships of the Audit Committee were inducted through a special workshop held on 8 May 2014 with apparent great success.

All Company information is captured in a document management system under the control of the Company Secretary. Any access to information such as record of decision, policies, quarterly reports, annual reports, business plans etc are available to directors and is open for scrutiny.

Disclosure of interests

Each time the meeting of the Board or one its sub-committees is convened a specific point is included in the agenda on declaration of interests. During the year under review there were no conflicts of interests. The attendance and declaration of records are kept in one register and are open for scrutiny.

SECTION THREE

BOARD COMMITTEE COMPOSITION

The Board has six standing committees, each of which is chaired by a non-executive director:

- Audit Committee
- Risk Committee
- Human Resources and Remuneration Committee
- Service Delivery and Procurement Oversight Committee
- Social and Ethics Committee
- Nominations Committee

Audit Committee

The Committee consists of the following non-executive directors:

- Khanyisa Mdutshane (Chairman)
- Nandha Govender
- V Mokwena (Independent member in terms of National Treasury directive)
- Z Samsam (Independent member in terms of National Treasury directive)
- R Buys (Independent member in terms of National Treasury directive)

The Audit Committee charter is in accordance with Section 166 of the Municipal Finance Management Act. The constitution of the committee was also aligned to this section of the MFMA and a directive from National Treasury.

The role of the Audit Committee is to assist the Board by performing an objective and independent review of the functioning of the organisation's finance and accounting control mechanisms. The committee exercises its functions through close liaison and communication with corporate management and the internal and external auditors.

The Audit Committee operates in accordance with a written charter authorised by the Board and provides assistance to the Board with regard to:

- Ensuring compliance with applicable legislation and the requirements of regulatory authorities,
- Matters relating to financial accounting, accounting policies, reporting and disclosures,
- Internal and external audit policy,
- Activities, scope, adequacy and effectiveness of the internal audit function and audit plans,
- Review / approval of external audit plans, findings, problems, reports and fees,
- Compliance with the Code of Corporate Practices and Conduct,
- Compliance with Code of Ethics and
- Overall performance of the company.

During the year under review, the Audit Committee addressed its responsibilities properly in terms of the charter. No changes to the charter were adopted during the year under review. Management has reviewed the financial statements with the Audit Committee. The quality of the accounting policies was discussed with the external auditors.

The Audit Committee considers the Annual Financial Statements of Johannesburg Water to be a fair presentation of its financial position as at 30 June 2014 and of the results of its operations, changes in equity and cash flow for the period then ended in accordance with GRAP and the Companies Act.

Risk Committee

The committee consists of the following directors:

- Nandha Govender (Chairman)
- Lungile Dhlamini (Managing Director)
- Busisiwe Shongwe (Financial Director)
- Khanyisa Mdutshane
- Natalie Skeepers
- Honey Mateya

The Risk Committee has the task of overseeing the quality, integrity and reliability of the Company's risk management function. In terms of its mandate, it reviews and assesses the integrity and the quality of risk and ensures that risk policies and strategies are effectively managed.

Human Resources and Remuneration Committee

The Committee consists of the following directors:

- Honey Mateya (Chairman)
- Lungile Dhlamini (Managing Director)
- Busisiwe Shongwe (Financial Director)
- Jackie Manche
- Mpumi Msezane

The Human Resources and Remuneration Committee advises the Board on remuneration policies, remuneration packages and other terms of employment for all executive directors and senior executives. Its specific terms of reference also include recommendations to the Board on matters relating, inter alia, to policy, remuneration, bonuses and employment contracts.

Service Delivery and Procurement Oversight Committee

The Committee consists of the following directors:

- Natalie Skeepers (Chairman)
- Lungile Dhlamini (Managing Director)
- Busisiwe Shongwe (Financial Director)
- Gugu Moloi
- Charles Motau

The objective of the Committee is to ensure service delivery and that the adopted Supply Chain Management Policy (the Procurement Policy) of the Company is correctly and strictly applied as well as guide the Board and Executive Management on the overall operational direction of the Company.

Social and Ethics Committee

The Committee comprises the following directors:

- Mpumi Msezane (Chairman)
- Lungile Dhlamini (Managing Director)
- Busisiwe Shongwe (Financial Director)
- Getty Simelane
- Natalie Skeepers

The Committee only meets on a bi annual basis (as it is required to meet not less than once a year) and that the convention of the meetings is held between quarterly cycles.

The Committee monitors the Company's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to social and economic development, corporate citizenship, environmental and labour matters.

Nominations Committee

The terms of reference of the Committee are consistent with Section 8 of the Group Policy on the Shareholder Governance of Boards of Directors of Municipal Entities.

Policy in essence sets out the recruitment procedure and gives the Committee authority to recommend the appointments of the Managing Director and the Financial Director to the Mayoral Committee. After the Mayoral Committee approval the appointments are formally approved by the Board as determined by the Companies Act.

The composition of the Committee is determined on an as and when basis as the need arises to appoint the Chief Executive Officer/Managing Director and the Chief Financial Officer/Financial Director.

The Committee was convened to manage the process of finding and interviewing a financial director. A formal recommendation was made to the City's Selection Panel in July 2013. The position of financial Director was subsequently filled by Ms Busisiwe Shongwe on 1 April 2014

SECTION FOUR

Director's Remuneration

Director remuneration is regulated through the Shareholder's Policy on Remuneration of non-executive directors and independent members of the Audit Committee.

On 12 October 2009 (Item 5) the Board NOTED a report by the Shareholder on remuneration. The report sets out the remuneration of non-executive directors and independent members of the Audit Committee as approved by the City.

In terms of the Policy non-executive directors and independent members of the Audit Committee qualify for fees and a retainer. There has been no subsequent adjustment to the fees and retainers after the October 2009.

Johannesburg Water is classified by the Shareholder as a large Municipal Owned Entity.

Accordingly the new fee structure is as follows:

Type of Meeting	Fees and retainers
Board	
Chairperson - Retainer	R52 900
Chairperson – Meeting	R13 225
Member – Retainer	R26 450
Member – Meeting	R6 613
Audit Committee	
Chairperson – Meeting	R13 225
Member – Meeting	R6 613
Other Board Committees	
Chairperson – Meeting	R7 935
Member – Meeting	R5 290

The fees claimed by directors are set out as follows:

Board

Description (All amounts are before Tax)	Non- Executive Director: Getty Simelane (Appointed 3/3/2014)	Non- Executive Director: Gugu Moloi	Non- Executive Director: Natalie Skeepers	Non- Executive Director: Nandha Govender	Non- Executive Director: Nompumel elo Msezane	Non- Executive Director: Honey Mateya	Non- Executive Director: Charles Motau	Non- Executive Director: Jackie Manche (Appointed 3/3/2014)	Non- Executive Director: Khanyisa Mdutshane (Appointed 3/3/2014)	Managing Director: Lungile Dhlamini	Financial Director: Busisiwe (Appointed 1 April 2014)	Retired Financial Director : V Padiaychee (Retired 30 June 2013)	Total
Salaries& Wages R '000 Normal Overtime										1425	324		1749
Contributions R'000 Pensions Medical Aid Other										164 37	389		20 246
Allowances R'000 Travel and motor car Accommodation Subsistence			11							358	14		37 211
Other Benefits R'000 (Specify) <u>Bonus</u>										89	0	79	168
Meeting fees paid to non-executive directors R'000	70	75	174	155	121	184	75	38	97				989
Retainer paid to non – executive directors R'000	18	44	26	26	26	26	26	9	8				209
TOTAL	88	119	211	181	147	210	101	47	105	2 073	385	79	3 746

Independent Audit Committee Members

The fees claimed by independents are set out as follows:

Description (All amounts are before Tax)	Independent Member Joseph Mokwena	Independent Member Rudolf Buys	Independent Member Zuki Samsam (Appointed 25 February 2014)	Total
Salaries& Wages R '000 Normal Overtime				
Contributions R'000, Pensions, Medical Aid Other				
Allowances R'000 Travel and motor car Accommodation Subsistence				
Housing Benefits & Allowances R'000				
Loans and advances R'000				
Other Benefits R'000 (Specify) <u>Bonus</u>				
Arrears owed to the City or the Entity				
Meeting fees paid R'000	43	69	29	141
Retainer paid to non –executive directors R'000	26	26	9	61
TOTAL	69	95	38	202

The fees claimed by directors and independents are set out as follows:

Description (All amounts are before Tax)	Non-executive director Cynthia Mbili (25 February 2014)	Non-executive director Cassim Tilly (25 February 2014)	Independent member Khanyisa Mdutshane (25 February 2014)	Total
Salaries& Wages R '000, Normal Overtime				
Contributions R'00 Pensions Medical Aid Other				
Allowances R'000 Travel and motor car Accommodation Subsistence		8		8
Housing Benefits & Allowances R'000				
Loans and advances R'000				
Salaries& Wages R '000, Normal, Overtime				
Other Benefits R'000 (Specify) <u>Bonus</u>				
Meeting fees paid to non-executive directors R'000	38	74	33	145
Retainer paid to non –executive directors R'000	0	18	18	36
TOTAL	38	100	51	189

Schedule of attendance of meetings

Part of the remuneration of non-executive directors is a retainer determined by policy imposed by the Shareholder which provides for fee rates, retainers and furthermore provides for a threshold of at least a 60% attendance of all meetings.

Directors will be paid an annual retainer as described above. The retainer would be payable at the end of the financial year and upon a 60% attendance record.

The retainer is for minor travel, communication and other expenses incurred from time to time in respect of meeting and interactions with the Shareholder.

Attendance of meetings, in terms of a ratio of attendance per meeting convened, held during the year was as follows:

Directors and independent members*	Board	Audit committee	Remuneration and Human Resources Committee	Service Delivery and Procurement Oversight Committee	Combined Risk and Audit	Risk Committee	Social and Ethics Committee	Nominations Committee	Total	% attendance	Period out of 12 months	Retainer: Director R26 450 Chairman R52 900
Number of meetings	9	6	8	4	3	5	3	Nil	38			
Getty Simelane	5/5			1/1					6/6	100%	4 months	R17 633
Gugu Molo	6/9			2/4					8/13	61%	12 months	R44 082
Nandha Govender	7/9	6/6	1/1		3/3	5/5			22/24	92%	12 months	R26 450
Mpumi Msezane	7/9		8/8				3/3		18/20	90%	12 months	R26 450
Natalie Skeepers	9/9		2/2	4/4	2/3	5/5	2/3		24/26	92%	12 months	R26 450
Charles Motau	8/9			4/4					12/13	92%	12 months	R26 450
Honey Mateya	7/9		7/8		3/3	5/5			22/25	88%	12 months	R26 450
Jackie Manche	5/5		1/1						6/6	100%	4 months	R8 817
Khanyisa Mdutshane	5/5	2/2			3/3	2/2			12/12	100%	4 months	R17 633
Cassim Tilly	4/4		6/6				2/2		12/12	100%	8 months	R17 633
Cynthia Mbili	1/4	2/4				1/3			4/11	36%	8 months	NIL
Joseph Mokwena*		4/6			3/3				7/9	77%	12 months	R26 450
Rudolph Buys*	2/2	4/6			2/3				8/11	73%	12 months	R26 450
Zuki Samsam*		2/2			3/3				5/5	100%	4 months	R8 817
Khanyisa Mdutshane*	1/1	4/4							5/5	100%	8 months	R8 817

*Ms Mdutshane attended the Audit Committee four times as an independent member and twice as a non-executive-director with effect from 3 March 2014

*Independent Members of Audit Committee

SECTION FIVE

COMPANY SECRETARIAL FUNCTION

The primary function of the Company Secretary is to act as the link between the Board and management and to facilitate good relationships with the shareholder. The Company Secretary is responsible for general administration: more specifically with ensuring compliance with good corporate governance practices and with providing guidance to the directors on corporate governance principles and applicable legislation.

Johannesburg Water has centralised its records and has a file plan approved by the Department of National Archives. All reports are captured electronically in terms of the file plan. This would include policies, terms of reference of the standing committees, procurement reports, quarterly reports, business plans and annual financial reports, to mention a few.

An integral part of the company's record keeping is a library which has, *inter alia*, a full set of bound minute books of the Board, its standing committees and Executive Committee as well as bound books of all business plans, quarterly reports and major agreements. The Company is obliged to submit an annual return to the Companies Intellectual Property Commission. The Company's annual return is current. Furthermore all changes to directorships are current.

SECTION SIX

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management forms an integral part of how Johannesburg Water conducts business, and it is incorporated into the company's strategic planning and decision making process.

The company has adopted an enterprise wide approach to management of risks where every staff member is responsible for management of risk, while Management remain accountable. The company's Enterprise Risk Management (ERM) process is driven by a framework that is stakeholder value based, embedded throughout the organization, and reviewed on a continuous basis.

Risk Management as applied throughout the organization, is centred on improving internal controls, operational efficiencies, and excelling in delivery service to our customers. Risk taking is a necessary element of our service delivery model, and calculated risks are taken, within the risk appetite levels, that have been carefully developed and defined by Management to ensure that in pursuit of our objectives, the company will remain sustainable, and compliant with legislative requirements.

The reputation of the company and its ability to continue doing business are essential elements of our risk management and control framework, and consistently applied throughout the organization.

The major risk exposures for the company are in the areas of:

- Liquidity and financial management
- Water quality
- Infrastructure maintenance and Capital investment
- Water resource and demand management
- Public Safety and Health
- Unaccounted for water
- Reputation and stakeholder management

The above risks and other operational risks, are contained in the company's risk profile, and risk mitigation plans have been developed by Management to ensure that the exposure to, and the impact of these risks is minimised, and kept within acceptable levels of the company's appetite for risk.

Implementation of these mitigation plans is also monitored on a quarterly basis by the Risk Management Unit, to ensure that risks are effectively and consistently managed throughout the organisation. Internal Audit also provides management with assurance on the effective management of risks by conducting risk based audits throughout the year, focusing on adequacy of risk mitigation plans and their effectiveness in reducing risk exposures. The risk profile of the company takes into cognizance the fact that while the company has to be in business, this has to be balanced with the responsibility to deliver a service which is protected in the Constitution of the country and the bill of rights. The company has been structured in a way that enables managing the risks of balancing the company's economic and constitutional responsibilities.

SECTION SEVEN

INTERNAL AUDIT FUNCTION

The Internal Audit Department (IAD) is a governance structure, structured as follows: Internal, IT and Forensic Audit. These subdivisions are headed by managers who report to the Chief Internal Auditor (CIA). IAD reports administratively to the Managing Director, functionally to the Audit Committee and has a staff complement of eleven (11) officials including the CIA.

The IAD has a specific mandate from the audit committee and independently appraises the adequacy and effectiveness of risk management, internal controls and governance within Johannesburg Water (JW). The audit coverage plan is based on JW's risk profile and the risk based audits are therefore executed, internal audit reports with findings and recommendations towards improvement are distributed to management, Audit Committee and the Auditor General of South Africa. The Chairman of the board has access to the executive summary of internal audit reports. All prioritised assignments were executed as per the Internal Audit Annual plan 2013/2014.

STATEMENT ON INTERNAL CONTROLS (SIC) TO THE BOARD OF DIRECTORS OF JOHANNESBURG WATER (SOC) LTD FOR THE STATEMENT ON INTERNAL CONTROLS (SIC) TO THE BOARD OF DIRECTORS OF JOHANNESBURG WATER (SOC) LTD FOR THE YEAR ENDED 30 JUNE 2014

Introduction

The above-mentioned statement is an expression of an opinion by the Internal Audit Department (IAD) on the adequacy and effectiveness of the internal control system of Johannesburg Water after it has evaluated such. Both the King Code on Corporate Governance and the Standards of Professional Practice of Internal Audit (SPPIA) require of the Chief Internal Auditor to provide a written assessment of the adequacy and effectiveness of internal controls and issue a report reflecting also on any deficiencies which have been or /will be repaired/mitigated against by management. The report also forms the basis of the Audit Committee Report.

The responsibility of the management

Management is responsible for establishing and maintaining an appropriate system of internal controls for the prevention and detection of irregularities and fraud. The objectives of internal controls are to ensure:

- i. Reliability and accuracy of data: Data is accurate, timely, useful, reliable and relevant.
- ii. Effectiveness and efficiency: Operations are effective, efficient and add value to accomplishment and monitoring of goals.
- iii. Authorization: Proper review and approval.
- iv. Safeguarding Assets: Assets are protected from theft, misuse, and/or destruction
- v. Compliance: Compliance with policies, rules regulations, and laws.

The Internal Audit Department's responsibility

The IAD evaluates adequacy and effectiveness of the Internal Control Systems. In assessing these, consideration of the above stated internal control objectives and the audit evidence obtained during the execution of audits should be used as basis for the opinion. Only completed assurance engagements/projects are considered.

The table below indicate audited areas, findings and resolutions of audit projects undertaken during the 2013/14 Financial Year.

NO	Audit	Number of Findings		Resolved		In Progress		Unresolved		Future Date	
		NO	%	NO	%	NO	%	NO	%	NO	%
1.	Activities Alignment Audit & follow-up	10	100	•	•	•	•	5	50	0	0
2.	AG Follow Up Audit (2012/2013)	31	100	12	39	10	32	8	26	1	3
3.	Capital Investment and Infrastructure Audit	3	100	2	33	•	33	0	0	0	0
4	Asset Management Audit	9	100	6	67	3	33	0	0	0	0
5	Drinking Water Follow Up Audit	7	100	3	43	4	57	0	0	0	0
6	Risk & Compliance Follow Up	9	100	3	33	4	•	•	•	0	•
7	Overtime, shift and standby allowance Follow-up Audit	14	100	5	29	7	50	2	14	0	•
TOTAL		83	100	34	41	31	37				

Analysis

83 (100%) control deficiencies were picked up of which 34 (41%) were resolved. 31 (37%) of queries were in the process of being resolved, 17 (21%) were not yet resolved and 1(1%) of queries raised will be resolved in a future date.

Effectiveness

Only eighteen (18) raised queries remained unresolved.

Impact

29 (59%) have significant impact on the achievement of objectives and 17(35%) have critical impact.

Opinion

The Systems of internal controls within Johannesburg Water are adequate and partially effective to accomplish organisational goals and objectives.

Matters of Emphasis

We draw management's attention to the following matters:

1. Disregarded Meter readings
2. Customers billed on Estimates for more than six (6) months.
3. Inaccurate billing
4. Defective meter devices
5. Non-disclosure of interest
6. Expired Operational Licences for waste water treatment works
7. Business Continuity including alternative disaster recovery site
8. Late payment of suppliers invoices

Above listed findings were raised during the 2010/2011 audit, followed up during 2011/2012 and were not resolved. They were raised again during 2011/2012 financial year, and were followed up during 2013/2014 and remain unresolved.

SECTION EIGHT

CORPORATE ETHICS AND ORGANISATIONAL INTEGRITY

The Board of Directors has adopted a Board Charter, which encapsulates the City of Johannesburg Governance Protocol and includes matters of ethics, procedure and the conduct of committee members.

The Company has developed a Code of Conduct ("the Code") that has been fully endorsed by the Board and applies to all directors and employees. The Code is regularly reviewed and updated as necessary to ensure that it reflects the highest standards of behaviour and professionalism.

In summary, the Code requires that at all times, all company personnel act with utmost integrity and objectivity and in compliance with the letter and spirit of both the law and company policies. Failure by employees to act in terms of the Code results in disciplinary action. The Code is discussed with each new employee as part of his or her induction training and all employees are asked to sign a declaration confirming their compliance with the Code. A copy of the Code is available to interested parties upon request.

A toll-free anonymous telephone facility exists for reporting of non-adherence to the Code or to ethics related matters. Furthermore, any breach of the Code is considered a serious offence and is dealt with accordingly: as a result, the Code acts as a deterrent. The directors believe that ethical standards are being met and are fully supported by the ethics programme.

Johannesburg Water through its Social and Ethics Committee endeavours to abide by and concentrates on the 10 principles set out in the United Nations Global Compact Principles of:

Human Rights

- Support and respect the protection of internationally proclaimed human rights; and
- Ensure that the Company is not complicit in human rights abuses

Labour Standards

Uphold the freedom of association and the effective recognition of the right to collective bargaining;
 The elimination of all forms of forced and compulsory labour;
 The effective abolition of child labour; and
 The elimination of discrimination in respect of employment and occupation

Environment

Support a precautionary approach to environmental challenges;
 Undertake initiatives to promote greater environmental responsibility; and
 Encourage the development and diffusion of environmentally friendly technologies

Anti-corruption

Work against corruption in all its forms, including extortion and bribery

Social and Ethics highlights

<ul style="list-style-type: none"> Code of Ethics, Code of Conduct 	<ul style="list-style-type: none"> The Executive Manager: Human Resources and Corporate Services arranged ethics workshops for all staff members throughout the second half of the year. A policy on the acceptance of gifts was approved by the Board in January 2014. In terms of this policy a gifts registers is kept by the Company Secretary
<ul style="list-style-type: none"> Assessments 	<ul style="list-style-type: none"> The Chief Internal Auditor reports quarterly on investigations into fraud and corruption
<ul style="list-style-type: none"> Human rights 	<p>The Company's Conditions of Service core:</p> <ul style="list-style-type: none"> Shall be binding on the company and labour who are parties to this agreement as well as all other employees. Employees shall not be unfairly discriminated against either directly or indirectly by the company on the grounds of race, gender, sexual orientation, pregnancy, marital status, ethnic or social origin, colour, sexual orientation, age, disability, religion, conscience, belief, culture, language or birth. Compliance with occupational health and safety regulations ensures a safe environment not only for the Company's employees but also its contracted service providers.
<ul style="list-style-type: none"> Responsible corporate citizen 	<ul style="list-style-type: none"> Johannesburg Water has a key performance area on its corporate scorecard the "up-skilling" of SMME contractors to a CIDB rating of 4CE It furthermore encourages the procurement of multi services providers for specific services
<ul style="list-style-type: none"> Environment 	<ul style="list-style-type: none"> Johannesburg Water remains within its permit requirements to discharge treated effluent into receiving rivers, its potable water equally remains compliant A notable achievement has been the commissioning a biogas engines at wastewater treatment works

Breach of governance procedures

During the year under review there were no breaches of governance procedures.

Policies

The Company is managed through powers delegated to the Managing Director, resolutions of the Board and policies. All policy approval is reserved to the Board. A number of policies were reviewed and amended during the year under review.

Conflict of interest

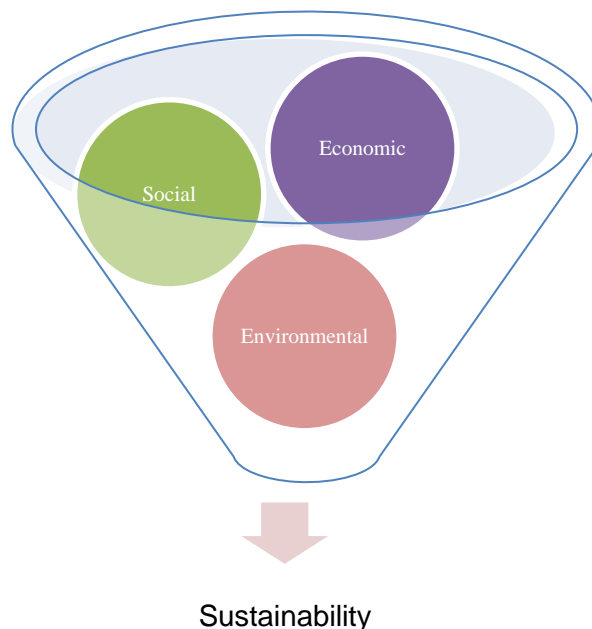
Registers on the disclosure and declaration of interests of directors and senior management are kept and updated.

SECTION NINE

SUSTAINABILITY REPORT

Johannesburg Water is committed to sustainable development. The activities and services provided are inextricably linked to the natural environment, to the health of the communities served and to the economic well-being of the areas in which the organisation operates. Sustainable development for the company as depicted in figure 1 below means working with all stakeholders to deliver water and sanitation services in an economically, socially and environmentally responsible way. This approach helps shape the business decisions that are made.

Figure 1: Elements considered for Sustainability



SUSTAINABILITY RISKS AND STRATEGIES

The organisation has identified key sustainability related risks and opportunities as part of the organisation-wide risk assessment. The sustainability strategy aligns with the identified risks and opportunities for the business arising from its key sustainability issues. The company has integrated its priorities relating to the sustainability strategy into its core business strategic priorities. The outcomes of the sustainability strategy will result in improved human well-being, reduced inequalities and protecting future generations from environmental risks and ecological scarcities.

The water industry faces a complex set of challenges for the future. Short and medium term issues, like meeting water demand targets and the day to day management of water resources are overlaid by long term drivers such as climate change and population growth. JW has incorporated resilience and sustainability into the business model and the four sustainability thrusts of the organisation are as follows;

▪ **Protect and Promote Public Health and Safety of Employees**

- To ensure the quality of drinking water supplied to customers is strictly monitored in that a minimum of 500 samples are taken monthly for analysis and the company consistently complies with the drinking water quality standard SANS 241. The drinking water monitoring programme ensures that the potable water system is operated in a manner that doesn't compromise the water quality and thus posing a health risk to communities.
- To ensure occupational safety at the workplace, the organisation has developed and operates the facilities with the aim of preventing incidents that may harm employees and contractors or nearby communities or cause adverse environmental impact. JW continues to build a culture where each employee understands their role in making the workplace a safer place to be. Subscription to the National Occupational Safety Association (NOSA) star certification is a tool that assists the organisation to drive the culture of safety and resultant compliance results are monitored annually through the awarding of a star rating by NOSA.

▪ **Provide a High Quality, Reliable, and Value for Money Service**

- A customer promise and compact to ensure high standards, reliable, good quality provision of water and wastewater services as a top priority. Providing an excellent service requires intensive and long term finance in infrastructure. A commitment to customers with clear targets is expressed in a customer charter.
- Responsive to unplanned interruptions to water supply can occur due to emergencies such as burst pipes. These can be caused by several factors with old infrastructure playing a major role. The projected impacts of climate change and future growth show that continued investment in networks and infrastructure is required to ensure that interruptions to supply reduce in future. JW has a capital program that aims at renewing and upgrading old and obsolete infrastructure.

▪ **Respond To Climate Change**

- Manage greenhouse gas emissions and by minimising the effect of climate change on customers and the environment to mitigate climate change impacts of temperature change, rainfall and sea level rise, to avert frequent and severe droughts and floods as well as the more subtle impacts such as acid mine drainage, saline intrusion into groundwater sources, changes to peak demand and lower dilution of discharges to watercourses.
- Rollout biogas-to-energy plants to all wastewater treatment works to both mitigate climate change and reduce input energy and exploit the considerable potential for renewable energy generation.

- Contribute as a responsible corporate citizen by implementing long term goals of continuous adaptation to climate change and reducing the organisation's carbon footprint through generating renewable energy to offset the impacts of greenhouse gas emissions and also minimise demand on the energy grid.
- Towards this end goal, JW aims to have 55% of all the energy used by the WWTW to come from renewable energy in this case Biogas-to-energy. The organisation is therefore making a substantial contribution to the government's target of 34% reduction to Greenhouse gas emissions by 2020. JW is committed to sustainable development and will continue to explore opportunities to use its resources as efficiently as possible and thus decreasing operating costs.

▪ **Reduce Our Impacts on the Environment**

- Minimise the water resource footprint by reducing gross unaccounted for water and the per capita consumption within the City of Johannesburg as well ensure that treated effluent that is returned to the environment is compliant effluent to avert potential detrimental change to the ecology and flow conditions of the receiving water.
- The company has substantially invested in infrastructure that contributes in leakage reduction. JW work to ensure that water losses are reduced to the point where the cost of preventing leakage reaches the same level as the value of the water lost – this means that reducing leakage further than the threshold would be more expensive, both financially and socially, than the benefit gained by further reduction. This point is defined as the sustainable (economic) level of leakage and is used to set the long-term target of the organisation. The return on water network investment will drive the reduction in the level of Unaccounted for Water

Table-1 below highlights the sustainability achievements emanating from implementing the strategies discussed above.

Table 1: Summary of Sustainability Indicators

SUSTAINABILITY RISK	SUSTAINABILITY STRATEGIC THRUST	INDICATOR	MEASURE	2013/14	2012/13
Drinking water quality failure	Protect and promote public health and safety of employees	Drinking Water Quality	Percentage compliance with drinking water quality standard on E. Coli (SANS 241)	99.8%	99.9%
Public safety and Health Occupational safety fatalities and injuries		Occupational Health and Safety compliance	NOSA star rating	3 Star	2 Star
Stakeholder relationship failure	Provide a high quality, reliable, and value for money service	Response time to water bursts	Percentage water bursts restored within 48 hours of notification	79.85%	89%
		Water demand	Water consumption per capita	331 l/c/d	-
		Customer satisfaction	Customer Satisfaction Level Index on water and sanitation	68%	-

Inability or slow response to climate change	Respond to climate change	Greenhouse gas offset (CO ₂)	Tons CO ₂ offset in greenhouse gas emissions from WWTW from Biogas Projects	1875 tons	-
Old infrastructure replacement backlog Failure to implement bulk water demand management strategies	Reduce our impacts on the environment	Water Losses	Percentage Unaccounted for Water	35.7%	28.9%
		Percentage Response time sewer blockages	Percentage of Sewer blockages cleared within 24 hours of notification	94.49%	96%
		Effluent compliance	Percentage Effluent compliance	91.5%	97%

SECTION TEN

CORPORATE SOCIAL RESPONSIBILITY REPORT

According to the World Business Council for Sustainability Development, Corporate Social Responsibility (CSR) is defined as “the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.”

In terms of the Companies Act of the Republic of South Africa, Act 71 of 2008, organizations/companies are not compelled to engage in CSR activities or projects. However, Johannesburg Water, through the Social and Ethics Committee of the Board, has recently developed the CSR policy which is aimed at addressing some of the following key areas on the CSR:

- That there is an expectation from our internal and external stakeholders that there should be continued commitment by the organization to behave ethically;
- That the organization needs to improve the quality of life of the work force and their families;
- That the organization needs to take active part in the improvement of the quality of life of the local society (City of Johannesburg);
- That the organization needs to contribute to local economic development through its projects.

In addition to the legislative framework, King III also addresses the need and relevance of organizations to acknowledge all stakeholders and to adopt the “*triple-bottom line*” approach which focuses on *Social, Environmental and Economic* concerns of the organization.

JW has realized the fact that education and training as well as social development are the main areas in which a CSR-policy takes place. This engagement is in line with the output of the efforts which shall be good for the business. At first there is an increase of motivation and productivity of the workers which results in a better working environment and higher quality. Because of the shortage of skilled workers there is a great interest in training future employees. This has a direct impact on the productivity of the organization and helps the JW to stay economical.

JW has already started to forge partnership with other locally based sector partners in implementing its CSR initiative. This partnership is going to take into consideration the fact that there are so many things that can be done to drive and sustain its CSR initiatives which may not be monetary based by its nature.

The following enterprise development initiatives were carried out during the period under review, with the main objective of developing and sustaining emerging suppliers' financial and operational independence:

In support of the empowerment of black women (i.e. equity ownership of at least 30% black women) and black youth (i.e. equity ownership of more than 50% black youth), the entity made 20 awards to black women and 10 to black youth owned enterprises with procurement amounting to R168million and R70million respectively.

In line with the entity's enterprise development program initiatives, the entity's canteen and catering service was awarded to and operated by an emerging service provider and no rental, electricity, water and rates are being charged to this service provider which conducts its business on the entity's premises. The contract is in excess of R1.5million and runs over a period of two years.

The entity's contractor development program continued to provide non-monetary support to emerging contractors to improve their construction industry development board (CIDB) grading level. A total of 46 emerging contractors are on the entity's contractor development program and 23 of these contractors have improved their CIDB grading levels upward.

A total of 13 supplier sessions were conducted, which comprised 7 debriefing sessions on tender advice and procurement opportunities and 6 business training sessions in the following areas: value added tax, small business tax, income tax and pay as you earn, MFMA and recently gazetted PPPFA regulations on local content procurement. Over 151 emerging contractors benefitted from these training sessions.

28 computers were donated to the Ahanang Primary School in Poortjie which falls under Ward 5 in the Deep South (Region G) within the City of Johannesburg. The school has grade R to 7 with a total of 667 learners and it feeds the local High School.

It is almost that time again where we get to celebrate our ABET (Adult Basic Education and Training) Learners in Johannesburg Water. To date there are 95 ABET Learners registered throughout the various depots in Johannesburg Water studying towards ABET Communication and Numeracy (levels 1 to 4). The following were the achievements of this initiative:

- 43 Learners have completed Communication Level 4 (NQF1) and
- 07 Learners have completed Numeracy Level 4 (NQF1).
- 50 Learners are expected to graduate and some will be recognized and awarded certificates for completion of some of the various ABET levels.

ABET is seen as an integral part of JW's vision in encouraging its employees to equip themselves by means of education to broaden their horizons in the future. As such, we encourage many of our Adult Learners to use this opportunity to further their education and broaden their career prospects. As the saying goes "Thuto ha e kgoelwe" i.e. "one is never too old to learn". Moreover we want to encourage our younger staff today to draw inspiration from our ABET Learners.

SECTION ELEVEN

ANTI-CORRUPTION AND FRAUD

Johannesburg Water (JW) has prioritised fraud risk management as per the MFMA. This environment is zero tolerant to acts of fraud and corrupt activities. This means that JW will go after any individual, a group, or a company from internal or external, committing or trying to commit fraud or corrupt activities through its systems, officials or clients with everything it has even to the court of law. Fraud prevention and response plans are in place and fraud awareness campaigns are rolled out yearly to sensitise and educate employees on promotion of ethical behaviour within the organisation.

The hotline through which service delivery complaints are received and whistle blowers anonymous are reporting is centralized at the CoJ. To instill confidence in the anonymous reporting of incidents of fraud and corrupt activities, the hotline is outsourced to a private company and managed independently. JW has sound internal controls in place to work as a deterrent to prevent occurrence of fraud. All reported cases are registered, monitored and investigated. Executive summary of investigation reports are distributed to the executive management, the risk and audit committees and the Board.

Internal auditing, risk management, internal controls and tip-offs anonymous assist to detect fraudulent and corrupt activities. The table below list statistics in terms of number and types of cases reported during the 2012/2013 and the 2013/2014 financial years.

Table 1 (a)

Number	Cases	2012/2013		2013/2014	
			%		%
1.	Bribery	12	38	13	35
2.	Compliance	3	9	9	24
3.	Fraud	13	41	7	19
4.	Corruption	1	3	4	11
5.	Unethical conduct	2	6	3	8
6.	Theft	1	3	1	3
	Total cases	32	100	37	100

Analysis of the stats in the table above

The analysis demonstrates that fraud and corruption incidences have drastically declined from 41% reported at the end of the 2012/2013 financial year to 19% at the end of the 2013/2014 financial year. This is in support of the opening statement in demonstrating that fraudulent and corrupt activities are not tolerated. Incidences of theft are insignificant at 3%. Unethical conduct is also insignificant at 6% and 8%. Reported incidences of bribery have declined by 3% from 38% during the 2012/2013 to 35% during the 2013/2014 financial year.

An interesting trend to note

- (8/14) **57%** increase in reporting rate- previous number was 14 and the current is 22.
- 6 cases out of the 22 have been finalised resulting in two dismissals and four pending Disciplinary Committee actions.
- Five (5) cases were reported to SAPS, two were dismissed and three remain on the roll.
- Bribery and not fraud anymore tops the chart (Bribery happens outside the systems)
- Four (4) arrests were made relating to illegal connections and disconnections.
- One (1) arrest was made relating to theft.
- There is (25/52) 48% resolution rate

Taking all the above into consideration, an assurance is given that the system of internal controls is adequate and effective to prevent, detect and correct related incidences of fraudulent and corrupt activities.

SECTION TWELVE

GOVERNANCE OF INFORMATION TECHNOLOGY

The Johannesburg Water IT charter, which embraces the principles contained in chapter 5 of the King III Code, assists the board in discharging its IT responsibilities. The board is responsible for IT governance and has the ultimate responsibility to ensure that information and IT strategies are aligned with the strategies of the business. The audit and risk and the service delivery and procurement oversight committees assist the board in carrying out its IT responsibilities.

A formal IT Governance Framework consisting of various policies has been approved by the Board and is being implemented. Through this framework, the CIO ensures that the company meets compliance in respect of the ICT legislation and regulations of South Africa and that related rules, codes and standards are communicated to all relevant committees.

The projects undertaken are driven by the following IT strategic priorities:

- **Customer Service:** As a supporting business unit to the organisation, the IT department has an important role to deliver quality IT systems and services to its user base. In each of its project undertakings where Customer Service is a strategic priority the project must improve the service and user experience to realise value delivery and benefit. This can be derived for example; by shortening business process cycles thereby improving business efficiency, or eliminating paper forms through system workflows, or delivering the right information at the right time to the right people.
- **Financial:** For every project undertaken there must be a sound financial and business case that delivers value and is aligned to the company's strategy. Financial value can be achieved for example; by reducing the overall IT operating budget spend or using technology to improve the management (systems) for revenue collection.
- **Governance:** IT Governance is a sub discipline of Corporate Governance focused on information technology (IT) systems, the sound management of IT assets, the performance of the IT assets and IT related risks.
- **Operational Efficiency:** Focuses on operational efficiency by maximising the utilisation of a system or systems over a given time period while minimising the number of resources and related costs.

By the end of the 2014/15 financial year Johannesburg Water will have established a Disaster Recovery site in support of the company's Business Continuity strategy and ensuring business resilience. The already present and comprehensive backup schedule ensures all IT systems are backed up. The addition of a DR site ensures that not only are Recovery Point Objectives met but also Recovery Time Objectives are significantly improved.

Information is subject to a range of risks that need to be managed, such as: theft of intellectual property, internal risks posed by disgruntled employees and a host of other concerns that could have a damaging effect on the company's image and its operations. The implementation of a Document Management System and augmentation of endpoint security; including desktops and laptops, ensures that not only data but information is secure and managed through effective controls and managed systems.

SECTION THIRTEEN

SUPPLY CHAIN MANAGEMENT AND BLACK ECONOMIC EMPOWERMENT

Johannesburg Water followed the fundamental aspects of adherence to the constitutional expectations regarding the supply chain management system, including adherence to delegation of powers as per requirements of the Municipal Finance Management Act.

In this respect the Johannesburg Water complied with the following provisions:

- The supply chain management unit remained under the control of the office of the Financial Director and a supply chain management policy is in place.
- Goods and services were procured in accordance with authorized processes.
- The established bid committee system remains in place and is being implemented consistent with applicable legislation.
- All individuals who are involved in the bidding processes (evaluation and adjudication of bids) are required to declare any interest prior to proceeding with the process. Any individual who might be conflicted is excused from the process of either evaluating or adjudicating on the bid. Any individual who participates in the evaluation of a bid is not allowed to adjudicate on the same bid if they happen to be a member of the Bid

During the period under review, the entity made 76 new tender awards through an open competitive bid process of approximately R1.06 billion with over R461.4 million of the awards made to Emerging Micro Enterprises and Qualifying Small Enterprises (i.e. SMMEs) that are BBBEE compliant. These awards include an amount of R94.5 million made to youth owned enterprises and R113.5 million made to women owned enterprises. At the end of the fiscal year, there were no tenders under dispute.

The total awarded contracts and written quotations were R1.47 billion which comprised R1.33 billion awards made via the entity's bid committee system and R145 million concluded through the formal written price quotation method. This translates into 90% of the entity's procurement requirements been concluded via the bid committee system which resulted in formal contract arrangements, whilst only 10% was concluded via the request for quotations process. The majority of these awards made are BBBEE compliant, resulting in the entity achieving a 105% BBBEE compliance against a 95% target in line with the requirements of BBBEE Act and Preferential Procurement Policy Framework Act.

Total actual procurement expenditure incurred from paid invoices was R522.7 million of which 84% was with BBBEE compliant vendors, with R271.2 million of the expenditure going to BBBEE compliant SMMEs. During the period under review, seven contractors performed poorly in eight projects (i.e. 7 CAPEX and 1 OPEX) of which 3 were terminated, 3 had penalties applied as per the contract terms and 1 improved. The entity covers and mitigates its risks by means of performance guarantees and retention monies, including reviewing projects during the defects liability period.

The entity continued to assist emerging contractors in improving their construction industry development board (CIDB) grading levels and awarded R38.5 million worth of procurement opportunities to emerging contractors on the contractor development programme. To improve the entity's enterprise development efforts, a new programme has been established called the Vukuphile Contractor Development Programme which would be implemented in the new financial year.

This is a formal learnership programme for emerging contractors and construction supervisors which will in partnership with the Department of Public Works develop sustainable construction companies with the ability to execute and oversee labour intensive projects. The objective is to improve the contractors' entrepreneurial, business and technical skills and ensure the creation of jobs.

No awards were made to vendors in the state's employ or to employees or/and their relatives who may be in the employment of the entity, and no unsolicited bids were received or made by the entity.

CHAPTER THREE

SERVICE DELIVERY PERFORMANCE



Infrastructure renewal and replacement

SECTION ONE

CORE BUSINESS

Johannesburg Water is a municipal entity wholly owned by the City of Johannesburg and is mandated to provide water and sanitation services to the residents of Johannesburg.

The entity supplies water and sanitation services to an area stretching from Orange Farm in the south to Midrand in the north, Roodepoort in the west and Alexandra in the east. It operates in six regions with ten network depots and six wastewater treatment plants.

The entity supplies some 590 000 domestic, commercial and industrial customers and serves an estimated consumer base of about 4.4 million people (2011 census results). Considering that the population for the city has been growing at a rate of about 3.7% per annum, the current population for the city is estimated at 4.9 million people.

The entity employs approximately 2 500 people.

SECTION TWO

DAY TO DAY OPERATIONS

Johannesburg Water provides water and sanitation services to approximately 1.4 million households (Census 2011) within the City of Johannesburg. Water is provided through a network of 12,581 kilometres of water pipes, 88 water reservoirs and 28 water towers. During the past financial year (2013/14) an average of 1.6 billion liters of water complying with acceptable drinking water standards (SANS 241) were distributed to the households within the city on a daily basis.

The quality of the water supplied is ensured by daily sampling and testing at the four (4) accredited laboratories which account for over 500 samples per month.

The sewerage is collected through a total network of 11,786 kilometres of sewer pipes and treated at six (6) Waste Water Treatment Plants situated around the city. During the past year (2013/14) an average of 1 billion liters of sewerage per day was treated at the six (6) plants. The treated effluent was then discharged back into the river system in compliance with the Department of Water and Sanitation standards as contained in our license agreements.

As part of the wastewater process sludge is also produced that need to be disposed of within the required guidelines. Johannesburg Water is therefore on a daily basis transporting sludge to contracted famers who is using the sludge as fertilizer. During the past year, we have transported 303,000 cubic meters of sludge to farms.

The water and sewer network infrastructure is operated and maintained daily by teams residing in ten (10) Networks depots and four (4) Electro-Mechanical depots. During the past year 32,785 water pipes and 55,808 meter and connection failures were dealt with by these teams. During the same period 46,054 sewer blockages were cleared.

Johannesburg Water also provides onsite water and sanitation services to households residing in Informal Settlements. These services include desludging of VIP toilets, provision and servicing of chemical toilets and transporting of drinking water. During the year under review, over 50,000 VIP toilets were desludged, 4,300 chemical toilets were provided and serviced on average twice a week and 100 million liters of water was transported to stationary tanks in the informal settlements.

SECTION THREE

HIGHLIGHTS AND ACHIEVEMENTS

Financial Sustainability

During the year under review the company achieved a profit before bad debt of R1.610 billion.

Capital Investment and Asset Management

The capital expenditure for the year was R1.0 billion, which represents 99% of the capital budget of R1.02 billion.

Customer Responsiveness

The response time to water bursts restored within 48 hours of notification were 79.85% against a target of 95%, and for sewer blockages cleared within 24 hours of notification 94.49% against a target of also 95% during the financial year under review. Although the failure rate of water infrastructure improved during the year which should impact positively on the response times, efforts were put into resolving the backlog in meter technical faults during the year which had a negative impact on the response time at the end.

This will improve going forward since dedicated teams have been established to deal with meter technical faults. The accelerated rate of water infrastructure renewal will also contribute positively to the response times. The target for sewer was just missed mainly due to the increase in the failure rate for sewer infrastructure experienced year on year. This will improve going forward due to the increased capital investment especially in renewal of old sewer infrastructure. Education campaigns being done dealing with the incorrect use of sewer infrastructure will also have a positive impact on reducing the failure rate.

Operations

The number of bursts experienced per 100km was 274.23 against a target of 280 while sewer blockages experienced per 100km was 428.07 against a target of 413. The increase in the number of sewer blockages per 100km relates directly to the incorrect use of the sewer infrastructure in hotspot areas like Ivory Park, Alexandra, Diepsloot and Orange Farm which cause reoccurring blockages. This however is currently being addressed through a social education programme being launched which will run for a period of 12 months (until November 2014) in these affected areas. Increased capital expenditure on the renewal of sewer infrastructure in the coming years will also have a positive impact on the failure rate.

During the 2013/14 financial year percentage compliance with the water quality standard (SANS 241) on e-Coli was 99.8% against a target of 99%. This positive achievement will enable the City of Johannesburg to again achieve Blue Drop Status which was assessed during the year under review. (Results will be announced towards the end of this Calendar year)

Final effluent compliance measured against targets set by the Department of Water and Sanitation was 91.5% against a target of 97%. The major contributor to this target not being met was capacity constraints during the year at Northern Wastewater Treatment Works. The capacity constraints were caused by a high failure rate of the old electrical and mechanical equipment. This will be addressed in the coming financial years whereby old electrical and mechanical equipment will be refurbished or replaced. Sand blockages due to outfall infrastructure washed away during the rainy season at Bushkoppie Works also impacted negatively on the works final effluent compliance.

During the year under review 1,875 tons of CO₂ gas offset in Greenhouse Gas emissions was recorded against a target of 3095 tons of CO₂ at the Biogas to Energy plant at the Northern Wastewater Treatment Works. Digester capacity is currently not adequate to reach the target set. The refurbishment of existing old decommissioned digesters will be done in the coming financial year which will improve gas production substantially which will further increase the CO₂ gas offset in Greenhouse Gasses.

The Household water consumption per capita per day was 330.83 against a target of 204. JW is in the process of implementing projects like Pressure Management, Soweto Infrastructure Upgrade and Renewal Project as well as mains replacement projects to reduce the water demand. The projects are starting to show positive results but it is anticipated that the major impact will be visible during the coming financial year.

Soweto Infrastructure Upgrade and Renewal

The implementation of the project is progressing well with 37,749 properties retrofitted and 31,228 metered in this financial year. The total number of properties metered since resumption is 113,156. The total of 100km of water pipes has been replaced. The challenges experienced were mainly the temporary suspension of the project in Pimville due to community issues which have since been resolved and lack of access to some properties where JMPD continued to support contractors to gain access. The total scope of 183,595 stands and about 50 km of secondary mains is scheduled to be completed in 2014 /15 FY.

Basic Services

Notable progress has been made with regards to access to basic services in that 1,750 households have been provided with access to basic sanitation increasing the total coverage to 50.21% and 5,985 households provided access to basic water thereby increasing the coverage to 91.67%.

Water Pipe Replacement

The plan for the year was to replace a total of 143 kilometres of old pipes of which mostly are asbestos pipes. However, the company managed to replace 182 km which represents 127% of the yearly target.

Human Resources

Johannesburg Water has now managed to build up its engineering capacity to 23 professionally registered engineers with the Engineering Council of South Africa. This has been achieved partially by the Company's ability to attract and recruit registered professionals but also by specific programmes that have been put in place such as the Engineering Capacitation Programme and the Specialist Career Grade.

The Company also managed to successfully implement its annual Workplace Skills Plan with the total number of staff trained for the 2013/2014 financial year being 1482 which is equivalent to 121 846 of training hours. The Company has ended the third year of its productivity improvement initiative. Whilst this is not per se a project in the Human Resources area only the Human Resources department fulfilled a coordinating role. Whilst the first two years were spent on analysis and addressing inhibitors to improved productivity and improvement opportunities the past year marked in depth depot discussions about productivity and baseline setting for the future in so far as the number of jobs per day required are concerned. The pillars on which this intervention rests are management buy in, change management including communication, management support and effective data analysis.

Other highlights include:

Achieved a rate of 3.5% of total workforce in so far as representation of the disabled is concerned, and twelve graduates on one year contracts as interns to gain work experience and prepare them for the job market.

Have increased the year-on-year representation of females from 21.36% to 23.91 % and the availability of succession plans down to the fourth reporting level as well as developed twelve electrical learners to NQF level three. The level four training will start in 2014/15.

SECTION FOUR

FINANCIAL PERFORMANCE

The global economy is exhibiting mixed signals regarding the economic growth outlook. The growth forecast for US and the Eurozone have been revised down, whereas those for Japan and UK have been revised upwards. The outlook for emerging markets is subdued, except for China which is expected to grow by just fewer than 7.5% in 2014.

SA's growth outlook has reduced from the initial forecast of 2.8% at the beginning of the year, to a projected growth of 1.7%. The 0.6% contraction of the economy in the first quarter provided strong evidence of the impact of the protracted labour strike in the mining sector. The growth outlook for the remainder of the year is subdued amid low business confidence, electricity supply constraints and labour disruptions. Inflation has breached the upper end of the target range of between 3 and 6%. The CPI at the end of June 2014 was 6.6%. Inflation is expected to be outside the target range for the remainder of 2014, only returning within the range in the second quarter of 2015.

Unemployment still remains a challenge for the country, especially for the youth. In the second quarter of 2014, the official unemployment rate increased to 25.5%, and for the youth the rate was 36.1%. The number of people without work increased to 5.2 million, which is the highest since 2008. The high level of unemployment is expected to persist, mainly due to lack of economic growth, low productivity due to labour unrests and the salary demands that employers perceive to be unaffordable.

Revenue

The company posted revenue of R6.43 billion for the year, an increase of 9.5% over the previous year (2013: R5.87 billion). Revenue from sale of water represents 64% of the revenue received from exchange whilst sales received from sanitation accounts for 36%. This is consistent with the prior year split.

Results of operation

Operational costs increased on average by 6.5% to R1.9 billion (2013: R1.79 billion). The repairs and maintenance increased by 6% due to increased maintenance on water and sanitation infrastructure. The provision for bad debts increased by 8.3% to R1075 million (2013: R909 million) due to low payment levels by the consumers and inadequate collections at the Revenue and Customer Relations Management department at the City of Johannesburg.

Cash flow

Service charges are generated from sale of water and sanitation services. In addition, the company receives grant funding from MIG and USDG to assist with the funding of capital projects. Other income comprises of developer funded assets. At year end, Johannesburg Water had cash reserves of R42 million (2013: R73 million).

Statement of financial position

Property, Plant and Equipment increased by R929 million to R7.6 billion at carrying value. This increase was due to the replacement of aging and obsolete equipment and water and sewer pipes.

It is the strategic intention of the Company to allocate approximately R11.8 billion to capital expenditure for the period from 2008 to 2018, largely to upgrade and enhance its water distribution network and treatment plant infrastructure. The expenditure will compliment water conservation and water demand management imperatives. The company has demonstrated its commitment and contribution to this achievement and believes that it is financially well placed going forward to meet objective in terms of funding the required capital expenditure while maintaining tariff increases at reasonable levels. Capital expenditure for 2014 was R1.0 billion, which was 99% of the allocated amount of R1.020 billion.

SECTION FIVE

CAPITAL PROJECTS

During the year under review the company was able to deliver a number of capital projects to the value of R1.0 billion against a total budget of R1.02 billion. This translates to an achievement of 99% against the target of 95%. The expenditure break down per capital budget category is reflected on the table below.

Expenditure for the year as at end June 2014

Category	2013/14 Budget (000)	Expenditure at end June 2014 (000)	% Expenditure
Corporate Requirements	6,292	6,873	109.2%
Customer Services	-	-	-
Unaccounted for Water	351,810	355,149	100.9%
Operate and Maintain	99,953	99,094	99.1%
Upgrading and Renewal	185,924	186,238	100.2%
New Infrastructure	16,507	12,443	75.4%
Planning and Engineering Studies	23,224	21,225	91.4%
Information Technology	31,026	29,926	96.5%
Special Projects	84,680	80,285	94.8%
Bulk Wastewater	220,863	219,157	99.2%
Total	1 020 283	1 010 394	99.03%

Projects Completed

In 2013/14 financial year JW has managed to complete a total of 14 projects. Table below provides detailed projects completed during the year under review.

Project Name	Date Started	Date Completed	Project Value R
JW12052 /TN1002 INSTALLATION OF BASIC WATER	Nov 2013	Jun 2014	10,000,000
JW7126R/S800: INSTALLATION OF BULK WATER METER AT ORANGE FARM HIGH LEVEL RESERVOIR AND PRESSURE	Feb 2013	Jun 2014	1 669 173
JW9046/BWW700D FERRIC DOSING SYSTEM AT WWTW	Jun 2011	Oct 2013	46,500,000
JW12010 /UR1003 WINCHESTER HILLS & MONDEOR WATER PIPE REPLACEMENT	Apr 2013	Mar 2014	5,700,347
JW12012/UR1003 MORNINGSIDE MANOR WATER PIPE REPLACEMENT	Mar 2013	Dec 2013	6,192,318
JW12066/UR1006 MORNINGSIDE MARKANA WATER PIPE REPLACEMENT	Apr 2013	Nov 2013	5,380,928
JW/OM1108 WATER METERS TOP 100	Jul 2013	Jun 2014	3,200,000
JW12011 /UR1003 BRAAMFISHERVILLE SEWER REPAIR & UPGRADE	Oct 2013	Apr 2014	7,865,123
JW8029/UR630 PROTEA GLEN SEWER UPGRADE	Jun 2012	May 2014	756,050
JW12012/UR1003 PARKHUST 5 th STREET SEWER UPGRADE	Sep 2013	Dec 2013	3,758,186
JW11021/UR1001 IVORY PARK SEWER UPGRADE	May 2013	Jun 2014	5,233,267
JW12029/UR1000 LOMBARDY WEST WATER PIPE REPLACEMENT	Aug 2013	Jun 2014	2,203,000
JW10014 /UR803 ERAND GRAND WATER UPGRADE	Jan 2012	Jun 2014	3,137,836

Major Capital Projects

Table below provides some of major capital projects that JW implemented in 2013/14 financial year and their progress status. It should be noted that most capital projects are multi-year as a results most of them will be completed in the coming financial year (2014/15).

DESCRIPTION	OBJECTIVE	Construction start	Construction completion	Project Value (R 000)	Total expenditure to date (R 000)	Project Phase
BK: Replacement of aeration system	Replace the aeration system at Bushkoppies Waste Water Treatment	Mar-13	Oct-14	81 009	44 450	Construction
BK: Digesters	To provide sludge treatment capacity at Bushkoppie WWTW.	May-11	Nov-14	263 066	259 639	Commissioning
DF: Extension Driefontein	To provide additional 25MI/day treatment capacity at the Driefontein WWTW.	Jun-10	Nov-14	418 014	343 806	Construction
NW: De-sludge Dam 01	To de-sludge Dam 01 at Northern WWTW and to reduce the rate of future sludge ingress	Mar-14	March-16	135 337	38 225	Construction
OV: Construction of Module 3 Unit 3	Expansion of Olifantsvlei WWTW. Construction of Module 3, Unit 3 at Olifantsvlei WWTW. 50 MI/day capacity increase. Involves civil works, mechanical works, electrical works and control and instrumentation.	Oct-10	Sept-14	171854	163 732	Construction
OV: Digester heating and mixing	To ensure a sustained and improved sludge treatment capacity at the Olifantsvlei wastewater treatment works.	Oct-14	Feb-19	106 951	2 269	Design stage
Biogas to electrical energy at WwTW's	Biogas to electrical energy installation at Northern and Driefontein WWTW's to improve operation and save on operating cost.	Oct-11	Sept-14	99 892	80 266	Construction
Scada and PLC Replacements	Redundant PLC replacement at various WWTW	Dec-08	Nov-14	61 856	53 065	Construction
Soweto infrastructure upgrade and Renewal	Upgrade and renewal of water secondary mains and installation of meters	Sep-10	Dec-14	800 000	434 000	Construction
Access to basic water	Provision of basic water to informal settlement	Jan-14	June-14	10 000	9 711	completed
Lanseria Reservoir	Construction of 25 MI Reservoir and 1.2 MI Tower	Aug-12	Oct-14	46 934	45 774	Construction
Orange Farm Water Upgrade Phase 3	Construction of 2500m of 600mm diameter steel water main	Mar-13	Oct-14	17 984	18 000	Construction
Glenadriene, Hurlingham Water Pipe Replacement	Water mains replacement of various pipe diameters from 110mm up to 250mm in diameter	April-13	Oct-14	17 984	6 879	Construction

Water Reservoirs

JW has embarked on the construction of a new 20 MI reservoir and 1.2 MI water tower at Lanseria. Construction work commenced in June 2012 and is currently just over 85% complete with expected completion in Oct 2014.

Relining and repair work is being carried out on Parktown reservoir in order to eliminate leaks. This project is to be completed in July 2014. The new Diepsloot reservoir was conditionally awarded at the end of December 2012. However, construction will only commence once the land acquisition has been finalised. The expected commencement date is Sept 2014.

Asset Management Program

Phase 4 Asset Management Plan implementation started in 2012/13 for a period of three years which will be completed in 2014/15 financial year. By the end of 2013/14 the plan was to complete the integrated systems design and deploy them. The integrated system designs, Quality Assurance and User Acceptance Testing of the Integrated System completed by February 2014. The Integrated Systems are yet to be deployed in a "live" environment. Other activities which were carried out concurrent with the systems designs are:

- Operations & Maintenance Strategy - 100% complete
- Review of budget guidelines and compilation of proposed budget strategy - 100% complete
- Verification of water system and extent/topology - 100% complete
- Technical support in alignment of technical and financial asset data - 100% completed
- Pipeline Replacement prioritisation model - 100% complete

Soweto Infrastructure Upgrade and Renewal

The implementation of the project is progressing well with 37,749 properties retrofitted and 31,228 metered in this financial year. The total number of properties metered since resumption is 113,156. The total of 100km of water pipes has been replaced. The challenges experienced were mainly the temporary suspension of the project in Pimville due to community issues which have since been resolved and lack of access to some properties where JMPD continued to support contractors to gain access. The total scope of 183,595 stands and about 50 km of secondary mains is scheduled to be completed in 2014 /15 FY.

SECTION SIX

PERFORMANCE AGAINST IDP AND CITY SCORECARD

BSC Perspective	Objective	KPI	2013/14 Target	2013/14 Actual Achievement	Variance	Reason for Negative Variance	2012/13 Actual Achievement
Customer & Stakeholder Perspective Weight 25%	Increase Customer Services Weight 100%	Customer Satisfaction Level Index on water and sanitation as conducted by JW	67%	68%	+1%	-	-
		Percentage of Water bursts restored within 48 hours of notification	95%	79.85%	-15.15%	Resources were redirected to address backlog in meter technical queries	88.67%
		Percentage of Sewer blockages cleared within 24 hours of notification	95%	94.49%	-0.51%	Experienced an increase in the number of blockages	96.39%
		Percentage meters read (actual consumption vs estimated) on a monthly basis, per CoJs billing system	95%	87.23%	-7.77%	Underperforming contractor whose contract was terminated	New
		Number of Smart Water Meters installed	10 000	0	-10 000	No water smart meter as per the specification could be obtained from the market	New
Internal Processes Perspective Weight 30%	Reduce service interruptions & ensure reliable services Weight 30%	Number of sewer blockages per 100 km of network length per annum	413	428.07	-15.07	Infrastructure failure, age and incorrect use in low-income areas	418.60
		Number of water pipe bursts per 100 km on network length per annum	280	274.23	+5.77%	-	298.22
		Percentage compliance with drinking water	99%	99.80%	+0.8%	-	99.90%

BSC Perspective	Objective	KPI	2013/14 Target	2013/14 Actual Achievement	Variance	Reason for Negative Variance	2012/13 Actual Achievement
		quality standard on E. Coli (SANS 241)					
		Achieve Blue Drop (BD) certification on all drinking water systems	BD Certification	Awaiting results from DWS	-	Awaiting results from DWS	N/A
	Increase access to basic services Weight 30%	Percentage of households in informal settlements with access to water at minimum LoS1	98.32%	91.67%	+0.28	-	98.10%
		Percentage of households in informal settlements with access to sanitation at minimum LoS1	91.73%	50.21%	-0.11%	Delay in the procurement of service provider	91.48%
	Contribute towards National Development Goals Weight 30%	Number of Jobs created based on EPWP	5007	5538	+531	-	New
		Number of contractors developed to CIDB grading level four (4)	0	0	0	-	New
		Percentage of total BBBEE procurement recognition spent from qualifying Small and Exempted Micro enterprises	130%	115%	-15%	BBBEE certificates of contractors that have expired	114%
	Protect the Environment Weight 10%	Bacteria levels on sewer spills with negative impact to the river	Establish baseline	Baseline Established at 1.2%	0	-	New
		Achieve Green Drop (GD) certification on all WWTW	N/A	N/A	N/A	N/A	5 WWTW Green Drop certified
		Aggregated percentage of all WWTW final effluent compliance	97%	91.5%	-5.5%	Sand blockage at Bushkoppies works and mechanical and electrical failure of major	95%

BSC Perspective	Objective	KPI	2013/14 Target	2013/14 Actual Achievement	Variance	Reason for Negative Variance	2012/13 Actual Achievement
		Tons of CO2 gas offset in Greenhouse Gases emissions	3095	1875	-1220	equipment Sand blockages that caused pipes to be blocked and not enough sludge pumped and oxygen ingress	New
Financial Perspective Weight 25%	Improve financial ratios Weight 40%	Percentage Non Revenue Water (% UFW for 13/14)	29%	35.7%	-6.7%	Low billing ratios	28.9%
		Household water consumption per capita	204	331	-127	Delay in physical implementation on some projects	New
		Achieve Unqualified Audit opinion on previous financial year	Un-qualified Audit	Achieved	0	-	New
		Net Profit before bad debt provision	1,634 R' billion	1,610 R' billion	-40 R' billion	Low billing ratio	New
	Improve liquidity / cash flows :Weight 40%	Bad debts as a percentage of revenue sales	8%	15.44%	-7.48%	Low billing ratio	New
	Improve infrastructure condition Weight 20%	Percentage confidence on asset inventory data Integrity	90%	90%	0	-	New
		Renewal rate of water and sewer networks; and wastewater treatment works electro mechanical components based on value	1%	1.6%	+0.6%	-	New
Learning & Growth Weight 20%	Ensure Organisational Excellent Weight 100%	Number of female employees as a percentage of total staff complement	20%	23.91%	+3.91%	-	New
		Percentage retention of employees identified as critical skills as per the annual skills analysis	97%	97.07%	+0.07%	-	98.73%
		Total training expenditure as	1.4%	1.54%	+0.14%	-	1.43%

BSC Perspective	Objective	KPI	2013/14 Target	2013/14 Actual Achievement	Variance	Reason for Negative Variance	2012/13 Actual Achievement
		percentage of identified ratio of total payroll					
		OHS compliance through the NOSA system rating	4-Star	3-Star	-1-star	The number of Disabling injuries are still high	New

SECTION SEVEN

ASSESSMENT OF ARREARS ON MUNICIPAL TAXES AND SERVICE CHARGES

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

Detail	0-30 days	31-60 days	61-90 days	91-120 days	>=120	Total
Debtor's Age Analysis by income source	R1 034m	R339m	R241m	R249m	R5,171m	R7,034m

The total debtor's amount of R7 034 million of which 100% relate to the debtors managed by the City. The accumulated provision for bad debts amounts to R5 323 million or 76% of the accumulated debtors.

7.2 Amounts owed by entity for service charges

Name of Entity	Amount Owed	Status	Comments
Johannesburg Water	R60 233 353 .61	Amount provided for in the entity's books	Confirmed inter company with shareholder and will pay in 2013/2014.

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

Name	Designation	Name of Municipality	Account status	Comments
Buys RW	Independent Member of the Audit Committee	City of Johannesburg	Current	
Samsam Z	Independent Member of the Audit Committee	City of Johannesburg	In arrears	Payment plan
Mokwena V	Independent Member of the Audit Committee	City of Johannesburg	In arrears	Payment plan
Chikonyora ECT	Senior Manager: Risk & Compliance	City of Johannesburg	In arrears	Payment plan
Dhlamini LT	Managing Director	City of Johannesburg	Current	
Govender N	Non-Executive Director	City of Tshwane	Current	
Koekemoer JC	General Manager Finance	City of Johannesburg	Current	
Luden GJ	Company Secretary	City of Johannesburg	Current	
Manche JB	Non-Executive Director	City of Johannesburg	Current	
Mateya JJH	Non-Executive Director	City of Johannesburg	In arrears	In dispute with CoJ
Mdutshane K	Non-Executive Director	City of Johannesburg	Current	
Methula JM	Exec Manager: Communication & Stakeholder relations	City of Tshwane	Current	
Moloi G	Non-Executive Director	eThekweni	Current	
Motau C	Non-Executive Director	City of Tshwane	Current	
Msezane N	Non-Executive Director	City of Tshwane	Current	
Mukwevho NJ	Chief Operating Officer	City of Johannesburg	Current	

Name	Designation	Name of Municipality	Account status	Comments
Shongwe BC	Financial Director	City of Johannesburg	Current	
Simelane KPM	Non-Executive Director	City of Johannesburg	Current	
Skeepers NC	Non-Executive Director	Ekurhuleni	Current	
Tshabalala DM	Chief Internal Auditor	Emfuleni	In arrears	Payment plan
Zimu BQ	Exec Manager HR & Corporate Services	City of Johannesburg	Current	

SECTION EIGHT

STATEMENT ON AMOUNTS OWED BY GOVERNEMENT DEPARTMENTS AND PUBLIC ENTITIES

Name of Department	Amounts owed	Account Status	Comments
Department of Health	R14 466,875.14	More than 90 days overdue	**
Gauteng Department of Infrastructure	R19 407,383.31	More than 90 days overdue	**
Gauteng Education Department	R7 072,449.20	More than 90 days overdue	**

**The matter has been raised with our Political Principals to Intervene

SECTION NINE

RECOMMENDATIONS AND PLANS FOR THE NEXT FINANCIAL YEAR

Capital budget (2014-2016)

City of Johannesburg has resolved to adopt a three year budgeting process which is in line with National Treasury Medium Term Expenditure Framework (MTEF). A total budget amounting to R3.7 billion has been approved for spending over three years as presented on the table below. The first year has seen an expenditure of R1.010 billion representing an achievement of 99% of the budget. The remaining R2.7 billion will be spend in the next two 2 years.

(R'000)

Financial Year	2013/14	2014/15	2015/16
Capital Budget	1 020 283 (R1 010 394 417 achieved)	1 091 585	1 538 761

The main capital expenditure programmes for Johannesburg Water are wastewater treatment works, pipe replacement and upgrades and construction of reservoirs. The major focus in the abovementioned programmes in 2014/15 financial year will be to:

- Complete the Driefontein wastewater treatment works and Olifantsvlei wastewater treatment works. The completion of Driefontein will result in an increase in capacity by 25MI/day whilst Olifantsvlei will increase capacity by 50MI/day.

- Complete Soweto Infrastructure Upgrade and Renewal programme by completing the remaining length of secondary mains and retrofitting and metering of properties.

Accelerate both water and sewer pipe replacement programme. The plan for the 2014/15 financial year is to replace 307 km of water pipes which is a considerable increase when compared to 2013/14 financial year achievement of 182 km. At the same time, the company plan to replace 130 km of sewer pipes which is four (4) times higher than 2013/14 financial year achievement of 34 km.

Contractor Development Programme

The contractor development programme which was started in 2013/14 financial year will be entering the implementation phase in 2014/15 financial year.

The programme will focus on making sure that the 65 appointed SMMEs get the necessary skill and experience to grow from CIDB grade 2 to grade 4 over a period of three years. These SMMEs will be working under the water pipe replacement programme.

Corridors of freedom

CoJ has prioritised three corridors of freedom (Empire-Perth, Louis Botha and Turffontein) as a development focus areas. The intention of this program is to address the imbalances of the past where labour force resides far away from the work place and to ensure a sustainable human settlement is achieved with all required amenities for the resident. Through Corridor of Freedom development program, various programs will be coordinated whereby public transport will be key in transporting people to work and various destinations of their choices.

In support of Corridor of Freedom development, JW has planned capital infrastructure project to a total value of R1.048 billion in line with the programme. The cost may change once the final assessment of densities is completed. In 2014/15 FY, the assessment of densities will be done and designs will commence on a phased approach. The main objective would be to ensure that the infrastructure has enough capacity to support these Corridors of Freedom. The table below reflects the estimated budget allocation per corridor based on the estimated densities.

CORRIDOR NAMES	WATER (R 000)	SEWER (R 000)	TOTAL (R 000)
Empire- Perth	227 000	150 000	377 000
Louis Botha	147 000	23 000	170 000
Turffontein	324 000	177 000	501 000
Total	698 000	350 000	1 048 000

- The provision of water to 100 households; and
- Construction of sewage treatment plants for all the regions.

CHAPTER FOUR

HUMAN RESOURCES & ORGANISATIONAL MANAGEMENT



Company Wellness Programme

SECTION ONE

HUMAN RESOURCE MANAGEMENT

Overview

During the 2013/2014 financial year the Company consolidated the implementation of its revised Conditions of Service and reviewed the Sexual Harassment policy. The productivity management system was bedded down in the Networks Division and progress was made with the identification of effectiveness improvement opportunities and the bedding down of the initiatives. The project resulted in the setting of baseline productivity targets for the next financial year.

The system of providing for salary progression subject to performance is still in place and is a stabilising factor in so far as industrial relations as well as retention of scarce skills are concerned. Similarly the Specialist Career Grade which provides for the progression by certain professional groups of staff within the grade subject to the achievement of certain targets related to their professional development is gaining momentum. The Engineering Capacitation Program also contributed to the professional registration of engineers with the Engineering Council of South Africa (ECSA).

The Company granted general salary increases for the 2013/2014 financial year in line with those negotiated at the South African Local Government Bargaining Council. This provided for an increase of 6.8% across the board with effect from 1 July 2013. This is part of a three year wage increase agreement that provides some assurance of stability in the industrial relations environment.

The past year also focused on the entrenchment of core leadership practices and skills: the alignment of training to deliver the training of the technical staff.

Reviewing of certain policies and practices to entrench employee value proposition and expanding the pool of females in the business thereby ensuring gender diversity; strengthening the employee wellness programme; the rolling out of internships, bursaries, subsidised education programmes and other skills development initiatives and refining the recruitment and selection processes.

Challenges experienced were a shortage of technical skills in the market with the associated risk that economic activity recovery will make the Company a target for recruitment agencies raiding its scarce skill pool that is being created via the various training and retention strategies. This fear proved unfounded and the actual attrition at all levels was below the target of less than three per cent but not as good as for the previous financial year.

Analysis of Statistics and Employee Benefits

Staff Complement

As at **30 June 2014** the Company employed **2541** staff members in the operational areas listed below.

Table-1: Number of Employees per Operational Area

Personnel Area	Total Positions filled	Vacancies
Managing Director's Office	3	0
Capital Projects & Infrastructure	102	39
Operations	7	5
Operations Networks	1627	216
Operations Bulk Wastewater	289	45
Operations Support	136	22
Operations Monitoring & Evaluation Unit	8	2
Communication and Stakeholder Relations	19	3
Company Secretariat	12	6
Human Resources (inclusive of Bursars & Learners)	77	44
Contracts and Fleet	17	0
Corporate Services	8	2
Finance	32	12
Information Technology	22	3
Supply Chain Management	18	1
Meter Reading	106	39
Internal Audit	11	2
Risk and Compliance	1	1
Superblock	46	4
Grand Total	2541	446

It must be mentioned that of the total of 446 vacancies at least 40 are for bursars, learners and apprentices. These positions are not related to the operating efficiency of the Company except in so far as the development of a future pipeline of talent is concerned. Most of the positions are only occupied as and when the bursars present themselves for vacation work and 20 of the positions are for apprentices that have not as yet been employed.

Age Distribution

The age distribution of Johannesburg Water (JW) employees is as per Table 2 below. The relatively high number of employees above the age of 50 presents a challenge for effective succession planning, specifically in the technical skills area where a high percentage of employees are above the age of 50.

Research indicates that this is indicative of the labour market and not unique to JW. The Company is addressing this to an extent with a bursary scheme as well as the roll out of a specialist grade for engineers and scientists to enable progression as specialists. It was also possible to in fact lower the average age fractionally by the employment of younger staff. The situation is not regarded as critical.

Table-2: Age Distribution

Age Group	Total
0 - 20 years	1
21 – 30 years	336
31 – 40 years	854
41 – 50 years	677
51 – 60 years	561
61 – 70 years	111
70 and older	1
Grand Total	2541

Medical Fund Membership

The Company embarked on an exercise to have all employees join one of the 5 accredited medical aid funds. The exercise involved subsidising employees without medical fund membership. This exercise paid dividends with the number of uninsured non-members reducing to only 166 as at 30 June 2014. Out of the 225 employees who are non-members, 86 have medical aid with their spouses and 139 are contractors who are not compelled to join a medical fund.

Table-3: Membership per Fund

Medical Aid	Total
Bonitas Medical Fund	946
Hosmed	519
Key Health	179
LA Health	333
Samwu Med	339
Non-Members	225
Grand Total	2541

Of the 225 Non-members 86 of them are privately covered and the other 139 are contractors

Retirement Funds

The Company participated in six retirement funds. In terms of the policy only short term contract employees may be excluded from membership. A project in conjunction with the City of Johannesburg consolidated the majority of retirement funding arrangements into a defined contribution dispensation where there are no contingent liabilities for the employer.

The fund established for the purpose of accommodating all employees in the future, the E-Joburg Retirement Fund, is a defined contribution fund. It will be noted that the majority of employees belong to this fund. The next largest in terms of membership by Johannesburg Water employees is the City of Johannesburg Pension Fund (CJPF) which is also a defined contribution fund with no liabilities to

the employer save for the monthly contributions in respect of the Employer Contribution to the fund. Actuarially there are no liabilities to these funds over and above the monthly contribution.

Table-4: Retirement Fund Membership

Pension Fund	Total
City of Johannesburg Pension Fund	433
e-Joburg Retirement Fund	1780
Joint Municipal Pension Fund	13
Municipal EE Gratuity	123
Municipal Employee Pension Fund	46
National Fund For Municipal Workers	1
Non-Members (short term contract employees)	145
Grand Total	2541

Table-5: Trends on Total Personnel Expenditure

Year	Total Payroll Expenditure R'000	Total Operating Expenditure R'000	Percentage compared to Operating expenditure	T&D spent as % of Total payroll cost
2013/14	743 149	3 109 612	23.9%	1.46%
2012/13	699 073	2 699 468	25.9%	1.43%
2011/12	632 565	2 489 521	25.4%	1.52%
2010/11	574 102	2 127 785	26.9%	1.74%
2009/10	595 169	2 033 410	29.3%	

Arrear Moneys owed to the Entity by staff and Non-Executive Directors

As far as money owed to the entity by its staff is concerned, the entity does not allow loans to employees. However instances do occur where employees may be overpaid and such overpayment is then recovered over a period of time in terms of sound labour practice. The subsidised education scheme, which provides for bursaries to employees, results in default by recipients who do not complete their studies and who have to repay study fees and study leave taken, in installments. Finally a few instances where employees change their medical fund category and plan and have to pay arrears contributions occur.

The total outstanding amount in respect of the above is R273 667.19 as at 30 June 2014.

SECTION TWO

EMPLOYMENT EQUITY

The Company is committed in eliminating all forms of unfair discrimination and striving to promote and maintain an environment that empowers all its employees to achieve the highest potential without fear of prejudice or bias. This is evident in the policies and processes that have been implemented in the financial year. Guidelines to accommodate pregnant women were approved. The guidelines supplement the work that had already been done to accommodate female employees by building and enhancing ablution facilities.

The recruitment and selection policy of the company supports the advancement of designated groups with preference given to women and people with disabilities. In the past three years the Company has grown by more than five per cent female representation from 18% in 2011 to 23.92% in 2014. It should also be noted that key top management positions were also filled with female candidates.

Employment of persons with disabilities continues to grow and currently represents 3.50% of our establishment. The Company has not restricted itself to only achieve the Employment Equity (EE) target; the objective is to entrench a culture of diversity in all our programmes, projects and policies. The diversity programme is currently being rolled out to capacitate all employees on diversity awareness, understanding and valuing diversity.

The distribution as at 30 June 2014 was:

Table-6: Demographic Staff Distribution

Category	Percentage Male	Percentage Female	Total
African	67.16	21.46	88.62
Coloured	3.12	1.21	4.33
Asians	0.97	0.39	1.36
Whites	4.80	0.86	5.66
Total	76.08	23.92	100

The Company's focus for the next three years will be in appointing more females and persons with disabilities at decision making level. The Company has further introduced departmental EE plans to further ensure representation at departmental level as well.

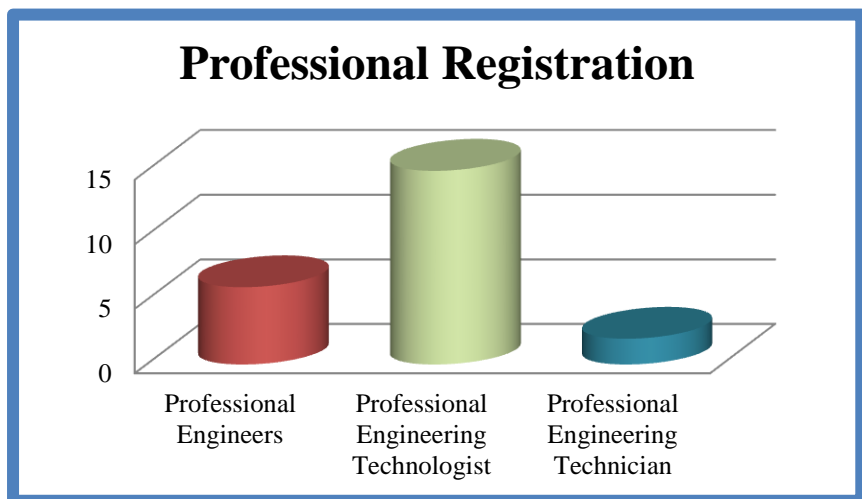
SECTION THREE

SKILLS DEVELOPMENT AND TRAINING

As part of its development of engineers, the Company is managing a programme aimed at fast tracking professional registration for all its engineers with the Engineering Council of South Africa. Johannesburg Water has now managed to build up its engineering capacity to 23 professionally registered engineers with the Engineering Council of South Africa.

This has been achieved partially by the Company's ability to attract and recruit registered professionals but also by specific programs that have been put in place such as the Engineering Capacitation Program and the Specialist Career Grade. Of the 23 professionals, 5 are registered as Professional Engineers, 16 are registered as Professional Engineering Technologists and 2 are registered as Professional Engineering Technicians. In the course of the year, 8 employees achieved professional registration.

In order to supplement the skills pipeline and enhance service delivery and as part of a social responsibility initiative, the Company has an on-going bursary and internship scheme. There are currently 12 bursars, 10 in the field of civil engineering and 2 in the information technology field. In addition, one-year internships have been provided to twelve graduates in various disciplines as part of the Company's social responsibility initiative.

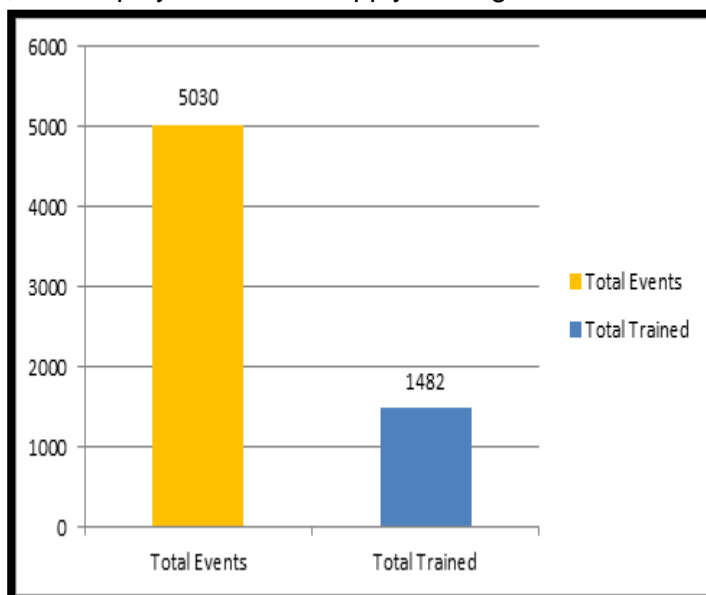


The Leadership and Coaching Programme for senior and executive management was rolled out to a second group of participants starting in January 2013. The aim of this programme is to develop senior staff and

create leadership capacity for the future. For the organisation, the benefits include enhanced individual and organisational performance as well as the retention of talent and increased productivity. The second group of 10 senior managers and executives successfully completed the programme in May 2014 and a third group will be starting the programme in July 2014.

The total number of staff trained for the 2013/2014 financial year was 1482. Interventions were focused on the development of specific competencies relating to JW's future strategies. These included project management, risk management, finance for non-financial managers, compliance, work specialization and occupational specific training and transversal skills training such as ethics, study skills and computer training. The table below indicates the total events and the actual beneficiaries trained for 2013/2014.

Seven employees are also attending the Municipal Finance Management Program as a requirement from National Treasury. Through this program, the employees learn to apply strategic level financial management competencies to ensure the effective utilization of public funds at local government level. The Company's subsidized education scheme is aimed at providing employees with the opportunity to further their studies at secondary and tertiary level, specifically in terms of qualifications aligned to the Company's strategic objectives and skills requirements. Twenty-five new applications were approved for 2013/2014. Of these applications, 48% were from female employees. The fields of study included Engineering, Human Resources, Biotechnology, Accounting Science and Commerce, although the majority of applications related to engineering in support of the Company's objectives.



The Work Place Skills Plan for 2013/2014 has been successfully implemented and the relevant report submitted to the EWSETA. The Company also focused on legally required Compliance and Technical training interventions such as various Health and Safety courses, Pressure Management including the maintenance of PRV's and the design of water reticulation systems. All electricians also attended a High Voltage Regulator course and they were all successfully certified.

Ninety-six employees enrolled in the ABET program (Communication & Numeracy from Level 1 to Level 4), and have been progressing through the levels. Out of the 88 learners that qualified for the graduation/ certification ceremony that took place earlier this year, 12 had successfully completed level 4 in both Communication and Numeracy.

SECTION FOUR

SUCCESSION PLANNING AND RETENTION

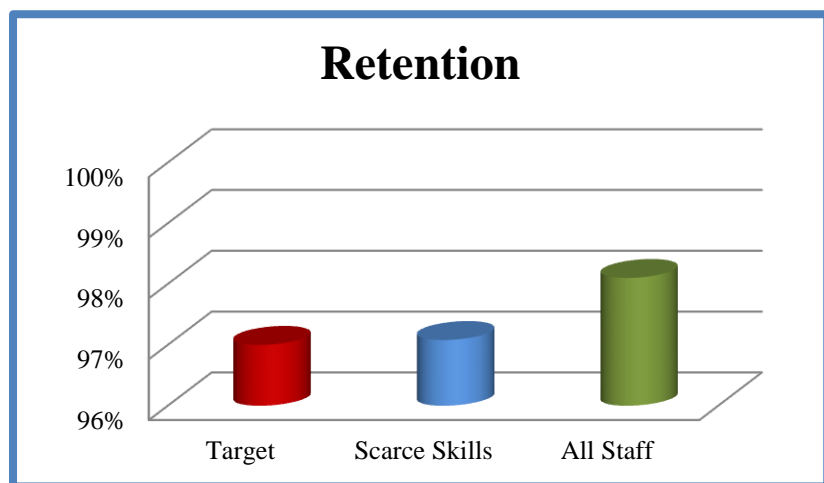
Succession Planning

Towards the end of 2007, the Board approved the adoption of a succession planning policy in line with the Company's talent management strategy. The overall objective of the talent management and succession planning process is to facilitate a structured identification and growth of employees as well as aid the retention of talent and in the process create and strengthen the talent pool of the Company.

In Johannesburg Water succession planning is carried out by five functional talent forums. Each forum is scheduled to meet every two months. The talent forums identify key or critical positions at all levels for which succession planning is considered important. Succession plans which identify individuals as well as their competency gaps are drawn up and the identified individuals sign a succession planning agreement whereby they acknowledge being part of the succession planning process. Succession planning in Johannesburg Water is not specifically linked to EE targets as it is the view that all employees should be given the opportunity to be developed. However, succession planning does not guarantee automatic selection and promotion and the normal recruitment process, which is linked to EE targets, is adhered to.

Employee Retention Scheme

Employee retention is measured in terms of one Balanced Scorecard target, namely 97% retention of scarce skill category staff e.g. engineers and artisans. The year to date total as at 30 June 2014 for this category is 97.08 (a positive variance of 0.08%). Retention is also measured for all staff and for the year the retention was at 98.1%. The table below indicates the retention achieved for the year under review.



The table below indicates the retention achieved for the year under review.

There are a number of projects and interventions aimed at supporting the retention of skills. One such programme is the Engineering Capacitation Programme where the intention is to support employees to enable them to register as

professional engineers, technologists and technicians with the Engineering Council of South Africa. Linked to this in part, is the Specialist Career Grade which was launched in January 2009. This

project is aimed specifically at engineering and scientific staff and provides the opportunity for these employees to advance up the grading hierarchy and remain in their traditional fields without having to apply for managerial positions. Professional registration is one of the criteria for movement.

Exit interviews provide a mechanism for the diagnosis of underlying causes of problems, e.g. high turnover. In Johannesburg Water exit interviews are conducted with all employees who voluntarily leave the Company and the reasons for these resignations are reported. Where specific problems are identified these are addressed through tailored interventions. In addition, entrance interviews are conducted with all new employees as part of the on boarding process to enable them to provide feedback on company processes (e.g. recruitment, induction) and to identify and resolve problems that could lead to the employee exiting the Company prematurely.

In terms of the Companies' remuneration practices there is provision for salary progression through the salary band based on a combination of time in the Company and performance where performance is the gate keeper. The Company tracks the 50th percentile of the market as its midpoint and whilst it is accepted that it cannot compete on salary with the top end of the market there is provision for counter offers for employees that resign and who are deemed critical to service delivery.

Finally through the regular tracking of employee satisfaction levels by way of surveys the Company is able to assess if there are problem areas that will affect satisfaction levels and possibly lead to resignations. The latest satisfaction survey was conducted as part of the City of Johannesburg and the Municipal Entities and the satisfaction levels were satisfactory and above the norm when compared to peers.

SECTION FIVE

HIV/AIDS IN THE WORKPLACE

JW has determined that Human Immuno Virus (HIV) and Acquired Immune Deficiency Syndrome (AIDS) have an impact on the following areas: operations, supplier risk, legal risk and health risk. JW has adopted the following core principles as a basis for its HIV and AIDS policy:

- Continuously assess the risks posed by HIV and AIDS on the business;
- Limit the number of new infections among employees;
- Ensure employees living with HIV and AIDS are aware of their rights and that their rights are respected and protected;
- Provide care and support to employees living with HIV and AIDS.

HIV and AIDS Structures

JW has established an Employee Wellness Unit, which is, *inter alia*, crafting strategies and programmes designed to address HIV and AIDS challenges. To this end the Company buys into the strategies adopted by the City of Johannesburg and participates in the interventions at that level as well as developing its own supplementary programmes. The Company has 56 peer educators, who are full-time employees and who have shown passion and a willingness to assist their HIV positive colleagues to ensure that HIV positive employees receive care and support in the work environment.

Prevalence rate and Knowledge, Attitude and Practice (KAP) Surveys

The Company has on a yearly basis commissioned HIV Counselling and Testing (HCT) campaigns for its employees through external services providers.

The HCT Campaign seeks to achieve the following:

- To mobilise employees to know their status.

- Serves as a gateway for both HIV prevention and for early access to treatment care and support.
- Reduce the risk of HIV transmission to future children and partners by increasing the incidence of health seeking behaviour.

The HCT services were conducted at the 22 company work sites during the year. Out of 2515 employees 973 (38.6%) participated in the HCT campaign during November 2013. HIV prevalence within the 973 participants who were tested was 5.7% (57 out of 973).

Six hundred and seventy eight (678) employees participated in HCT In May 2014. HIV prevalence within 678 (27.0%) participants who were tested was 4.4% (30 out of 678).

Education and Awareness of the Disease

In May 2014 the company embarked on a Knowledge Attitude and Practice (KAP) survey at all the sites. Out of 2515 employees who received the distributed survey forms 1004 (39.9%) participated (returned the forms)

An on-going education programme has been initiated to build on the awareness programme. The programme set out in the first place to train peer educators, who then began providing HIV and AIDS education to all staff on an on-going basis. Peer educators received training on lay counselling, grief management, company benefits, first aid and treatment of workplace injuries. The programme is judged to be successful. The interventions that included formal sessions, peer educator workplace sessions and door to door campaigns where each individual was visited ensured that on average each employee had access to five sessions during the year. The peer educators received training on a monthly basis in order to be kept abreast about the current trends and developments of HCT. The peer educators are also responsible to stock and display free condoms in all the male and female toilets on regular basis.

World Aids day interventions on a centralised level concentrated on education and knowing ones status and at least 900 employees attended the session on 1 December. The Company does not provide medication (ARV) but instead provide subsidised access to medical funds to all employees thus ensuring that all have access to managed care if required. HIV is categorized as a Prescribed Minimum Benefit (PMB) condition by the Council for Medical Schemes. This is beneficial to the employees because once they have registered as chronic patients they will not run out of medication funds.

Apart from the above interventions that are aimed at the HIV and Aids risk the Company also offered an Employee Assistance Programme service to employees and their spouses. This provides counselling for any issue that could impact on the employee psychologically. Furthermore the Company offered the usual wellness services where annual screening was offered in conjunction with the medical funds to identify illnesses and risk related to weight, hypertension and diabetes to name the most prevalent areas assessed. The uptake of the gymnasium membership has remained steady but can improve. This is an integral part of the wellness solution.

The company also partnered with Alexander Forbes in launching the Absenteeism Management program. This program identifies the absenteeism trend within the company as per business unit. It is also able to identify high risk employees who need assistance and opportunistic culprits who abuse the sick leave.

CHAPTER FIVE FINANCIAL PERFORMANCE



SEE ANNEXURE 1

FINANCIAL STATEMENTS

SECTION ONE

AUDITOR-GENERAL'S REPORT FOR THE CURRENT YEAR

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 for the year that ended 30 June 2014 and the audit of performance and the production of reports on these matters by the Auditor General as set out in this Chapter.

In 2013 the audit opinion read as follows: *“The Financial Statements present fairly, in all material respects the financial position of Johannesburg Water SOC Limited as at 30 June 2014 and its financial performance and cash flows for the year then ended, in accordance with GRAP and the requirements of the MFMA.*

The following matters of emphasis were raised:

- *Restatement of corresponding figures – see Note 37 in the Financial Statements*
- *Material losses – see Note 23 in the Financial Statements*
- *Material impairment – see Note 11 in the Financial Statements*
- *Irregular expenditure – see Note 41 in the Financial Statements”*

SECTION TWO

HISTORICAL AUDIT FINDINGS AND REMEDIAL ACTIONS

In respect of the historical audit findings (2012/2013), 31 findings were raised by the AGSA none of which had an impact on the audit opinion for the entity. Of the 31 findings 12 were fully resolved, ten (10) are partially resolved, and nine (9) issue are still not resolved. The partially resolved issues are currently being addressed by management and monitored. Management has commenced with addressing eight of the unresolved issues, the issue that still remained unresolved is concerning the expired license renewal for Sewage treatment works. Johannesburg Water has applied for this license, and is engaging with the Department of Water and Sanitation to have the license renewed. The table below reflects progress made with regard to addressing the findings per functional area and is based on the follow up audit performed by the Internal Audit Department.

Area reviewed	Number of issues	Resolved issues	Partially resolved issues	Issues not resolved
Revenue & Accounts receivables	5			5
Annual Financial Statements	7	6	1	
Supply Chain Management	8	2	5	1
Predetermined Objectives (PDO)	4	1	1	2
Information Technology (IT)	5	3	2	
General compliance	2		1	1
Total	31	12	10	9

SECTION THREE

COMMITMENT BY BOARD OF DIRECTORS

The board of directors has satisfied itself that the remedial actions taken or to be taken on matters raised by the Auditor-General are adequate.

G Simelane (Chairperson of the Board)

K Mdutshane (Chairperson of the Audit Committee)

SECTION FOUR

MITIGATION STRATEGIES ON THE ASSESSMENT OF THE INTEGRATED REPORTING

WikiWater #118597

ANNEXURE 1

ANNUAL FINANCIAL STATEMENTS