Registration No: 2000/029899/07

# PIKITUP ANNUAL REPORT

# 2010/11

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

**PIKITUP JOHANNESBURG SOC LIMITED**

**COMPANY INFORMATION:**

| | | |
|---|---|---|
| **Registration number** | **:** | **2000/029899/07** |
| **Chairperson of the Board** | **:** | **Ishmael Mkhabela** |
| **Acting Managing Director** | **:** | **Lawrence Boya** |
| **Registered Address** | **:** | **63 – 65 Juta Street<br>(Corner Bertha Street)<br>Titaco Building<br>Braamfontein<br>2017** |
| **Postal Address** | **:** | **Private Bag X74<br>Braamfontein<br>2017** |
| **Telephone number** | **:** | **(011) 712-5200** |
| **Fax number** | **:** | **(011) 712-5322** |
| **Website** | **:** | **www.pikitup.co.za** |
| **Bankers** | **:** | **ABSA Bank** |
| **Auditors** | **:** | **Auditor-General** |

**Vision**

**To be *the* leading, integrated waste management company in Africa.**

**Mission**

**To provide sustainable and innovative waste management solutions that exceeds stakeholder expectations.**

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## OVERVIEW OF THE REPORT

The Annual Report 2010/2011 aims to convey to the reader what Pikitup Johannesburg Proprietary Limited has achieved during the financial year 01 July 2010 to 30 June 2011. It highlights both the achievements as well as the challenges facing the entity during the reporting period.

In order to meet the requirements set by the City of Johannesburg, the Annual Report is structured in six parts:

Part one gives a general overview of the company containing information on the strategic objectives, vision and mission.

Part two contains the leadership of the company divided into Board and management.

Part three gives insights into the highlights and achievements for the period under review as well as performance against the IDP and the City Scorecard.

Part four deals with corporate governance protocol, board composition and mandate as well as the respective board subcommittees.

Part five provides details of the sustainability report as it unpacks the issues such as human resources and employee wellness.

Part six consists of the annual financial statements and the company's financial performance for the year. This part covers the comparative information.

**Our Vision**

We aim to be the leading integrated waste management company in Africa.

**Our Mission**

To provide sustainable and innovative waste management solutions that exceed stakeholder expectations.

**Our Values**

Exceptional Service Ethic
Environmentally conscious
Respect for human dignity
Good corporate citizen
Unity of purpose
Results driven
Innovative
Continuous improvement

**Corporate Profile and Overview**

As Pikitup Johannesburg (Pty) Limited, we are a municipal entity wholly owned by the City of Johannesburg. The company was established in 2000 with the mandate to serve and provide waste management services in the Greater Johannesburg area. The City regulates the service delivery that we provide in respect of the following:

- Financial services (annual operating and capital budgetary allocations and appropriate tariff levels), and
- Levels of service delivery in the different market segments covered by Pikitup.

**Major Products and Services**

Pikitup provides a wide range of waste management services to approximately 3.7 million people. Approximately 1.6 million tons of waste is collected and disposed of by Pikitup annually, this in addition to that collected and disposed of by private service providers.

Pikitup provides two categories of services, viz Council services and commercial (business) services. The Council services, which the City of Johannesburg has mandated Pikitup to provide exclusively, includes the collection and disposal of domestic, business and putrescible waste, street cleaning, lane flushing, area cleaning, the management of litter bins, the collection of illegally dumped waste, the collection and disposal of animal carcasses found in public places and the operation of garden sites. The commercial services, which Pikitup provides in competition with other private waste management companies, includes the collection and treatment of healthcare risk waste, bulk collection services, the collection and disposal of hazardous waste, composting, recycling activities, providing services for special events and the operation of landfill sites. The table below categorises Pikitup's main product/service offerings:

**Pikitup's Services**

| COUNCIL SERVICES | COMMERCIAL SERVICES |
|---|---|
| Domestic round collected refuse | Healthcare risk waste |
| Business round collected refuse | Bulk services |
| Putrescible waste | |
| Street cleaning | Composting |
| Lane flushing | Recycling activities |
| Area cleaning | Special events |
| Litter bin management | Landfill services |
| Illegal dumping | Safe disposal |
| Animal carcasses | |
| Garden sites | |

The services can be further subdivided into core and non-core services which are either billable or non-billable, depending on the service offering. The billable services are revenue generating whilst the non-billable services are social services, the costs of which are funded through rates and taxes levied by the City. The breakdown of billable and non-billable services for core and non-core business activities is depicted in the following tables.

**Core Business Billable and Non-billable Services**

| BILLABLE SERVICES | NON-BILLABLE SERVICES |
|---|---|
| Domestic round collected refuse | Inner City Cleaning |
| Landfill services | Illegal dumping |
| | Informal settlements |

| BILLABLE SERVICES | NON-BILLABLE SERVICES |
|---|---|
| | Street cleaning City-wide |

**Non-Core Business Billable and Non-billable Services**

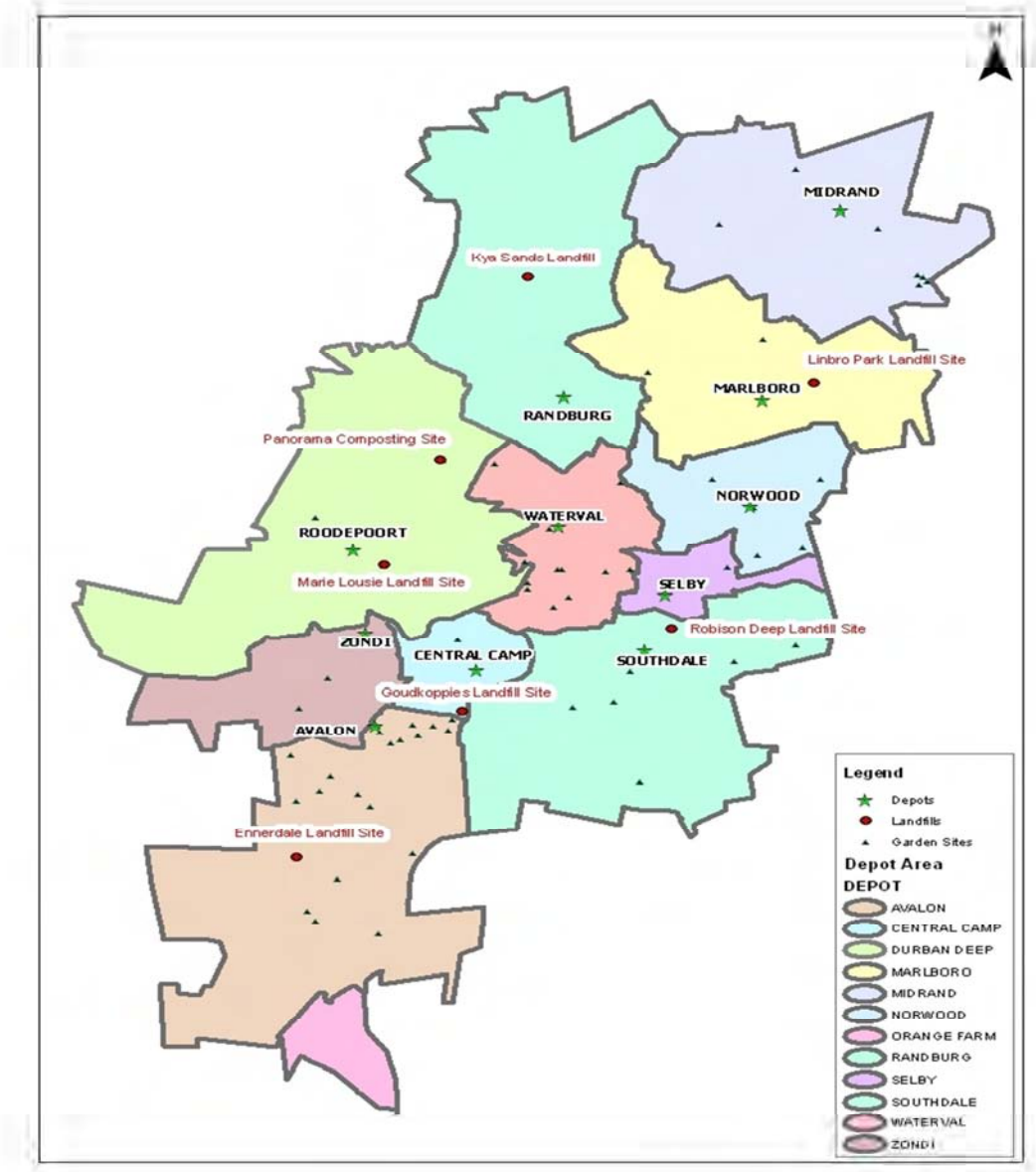
| BILLABLE SERVICES | NON-BILLABLE SERVICES |
|---|---|
| Composting | Garden sites |
| Business round collected refuse | Hostels |
| Putrescible waste (Dailies) | Lane flushing |
| Health care risk waste | |
| Bulk services | |
| Special events | |
| Animal carcasses | |

## Area of Operations

Operations are distributed among eleven depots, four landfill sites, 46 garden sites and one composting site.

In addition we dispose some of the waste at privately owned landfill sites, namely Mooiplaats and Chloorkop which are situated in the north and east of Johannesburg respectively.

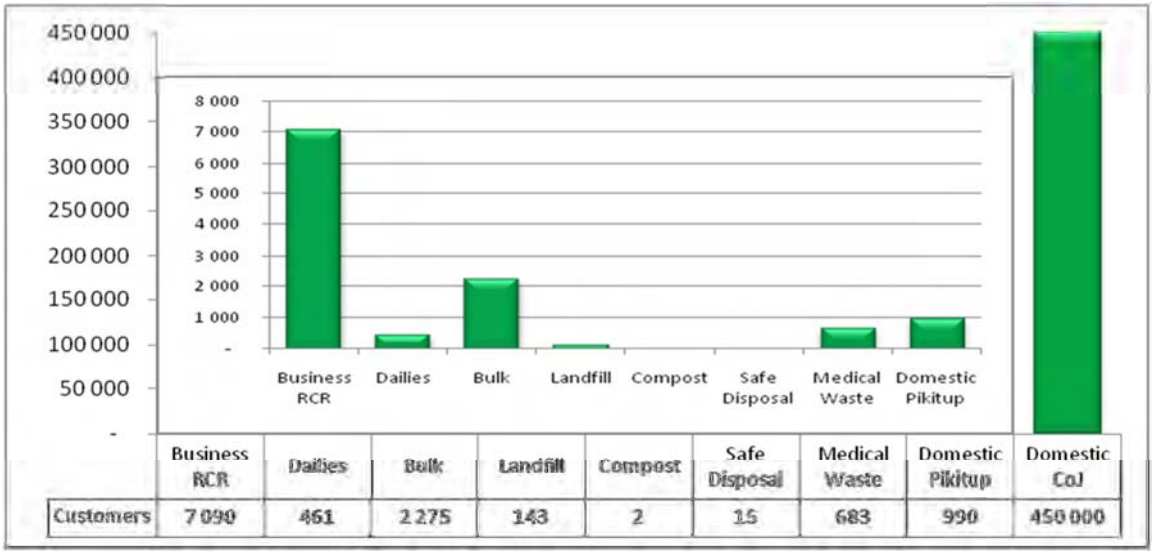
**Area of Operations-**



## Customer Base

Our customer base consists of 215 576 households, 165 178 sectional title units and 173 481 non-billable (properties with the value below R150,000). In addition to the domestic customers, Pikitup services 9,658 Business Round Collected Refuse (RCR) customers, 1500 Bulk service customers, 1340 landfill customers, 602 dailies, 15 safe disposal customers, 735 medical waste, 522 institutions and 2 compost customers.

**Pikitup's Customer Base**

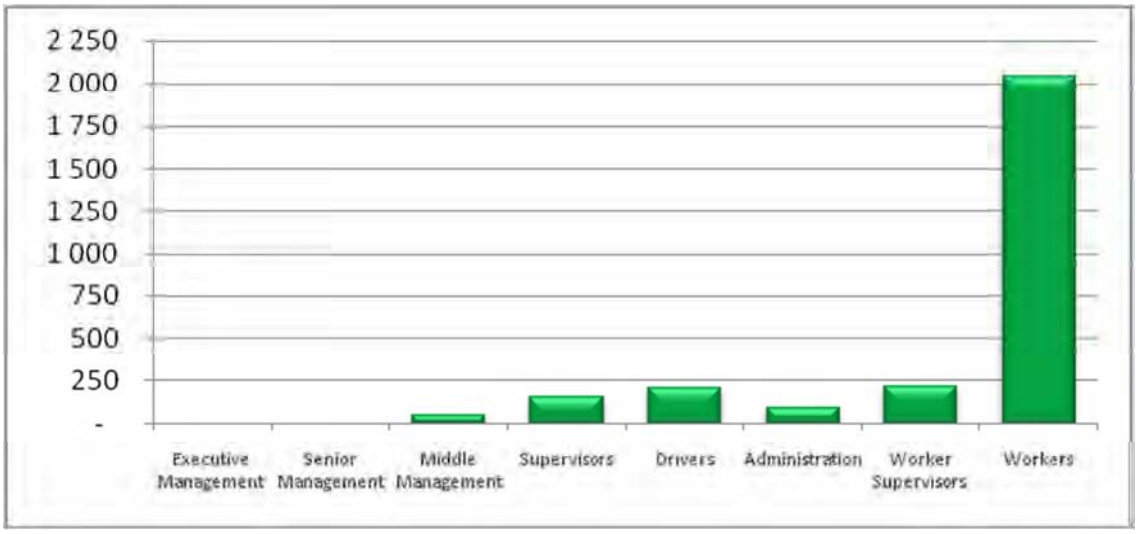



| | Business RCR | Dailies | Bulk | Landfill | Compost | Safe Disposal | Medical Waste | Domestic Pikitup | Domestic CoJ |
|---|---|---|---|---|---|---|---|---|---|
| Customers | 7 099 | 461 | 2 275 | 143 | 2 | 15 | 683 | 990 | 450 000 |

## Employee Profile

Pikitup employs a total of 2,802 staff members, the bulk of which are general workers.

**Staff Profile**



### Strategic Objectives

As a Municipal Owned Entity, we align itself to the Mayoral priorities of the City of Johannesburg. The six Mayoral priorities are depicted in the table below.

**Mayoral Priorities**

| Mayoral Priority | Pikitup's response with regards to outcome |
|---|---|
| Economic Growth and Job Creation | Focus on community based projects in informal settlements, illegal dumping and street cleaning.<br>BEE & EPWP compliant procurement |
| Health and Community Development | Programme to clear illegal dumping sites timeously, regular RCR collections and street cleaning. |
| Housing and Services | Roll out of 240l bins in all proclaimed areas |
| Safe, Clean and Green City | Compliance to SHER, address demand side management |
| Well Governed and Managed City | Compliance to legislation, regulatory and governance policies |
| HIV/AIDS | Compliance to the HIV/AIDS programmes |

In addition to aligning itself with the Mayoral priorities, Pikitup has to take the City of Johannesburg's Growth and Development Strategy (GDS) into account when developing its strategic agenda. The GDS principles are:

- Proactive absorption of the poor
- Balanced and shared growth
- Facilitated social mobility
- Settlement restructuring
- Sustainability and environmental justice
- Creative governance solutions

Pikitup forms part of the infrastructure and services sector of the City of Johannesburg whose five year plan is "A city with a backbone of efficient and well-maintained service infrastructure, extended to all, so that all citizens and stakeholders can access an expansion of innovative, safe, reliable and affordable services."

Pikitup's delivery agenda in relation to the GDS principles included plans for the period under review and also those for the 2010/11 financial year.

# Executive Summary

The Annual Performance Report is compiled in terms of Section 121(3) (c) and (4) (d) of the Municipal Finance Management Act (MFMA). Furthermore the performance framework is based on the Balanced Scorecard. However a 5th perspective, namely the Shareholder Perspective was included in order to align Pikitup's strategic initiatives and goals with those of the shareholder through the IDP scorecard.

Pikitup was able to achieve most of the key service delivery targets, as per the Sector Plan in spite of the severe financial pressures that were experienced; which also resulted in the over-expenditure for the period. The industrial action also affected the overall service delivery performance of Pikitup.

The Number of Employee Disabling Injuries, number of customer complaints resolved within 7 days and the diversion of waste remain a concern since the service delivery performance relating to such targets was not achieved. Limited financial resources continue to affect service delivery targets such as the eradication and rehabilitation of illegal dumping as well as the improvement and maintaining of Level 4 cleanliness for informal settlements, the Inner City and targeted areas in the Outer City.

The abovementioned challenge, including the imperative to paradigm shift towards the new waste management model of waste avoidance, recycling and reuse and disposal as the last resort, will be addressed in the remodelling of Pikitup which is currently underway.

**Purpose and Background**

The objective of this report is to present the overall performance of Pikitup Johannesburg (Pty) Ltd (Pikitup or PiU) in relation to the performance target in the 2010/11 Business Plan. The aforementioned Business Plan forms part of the service delivery agreement between Pikitup and its parent municipality, the City of Johannesburg (the City).

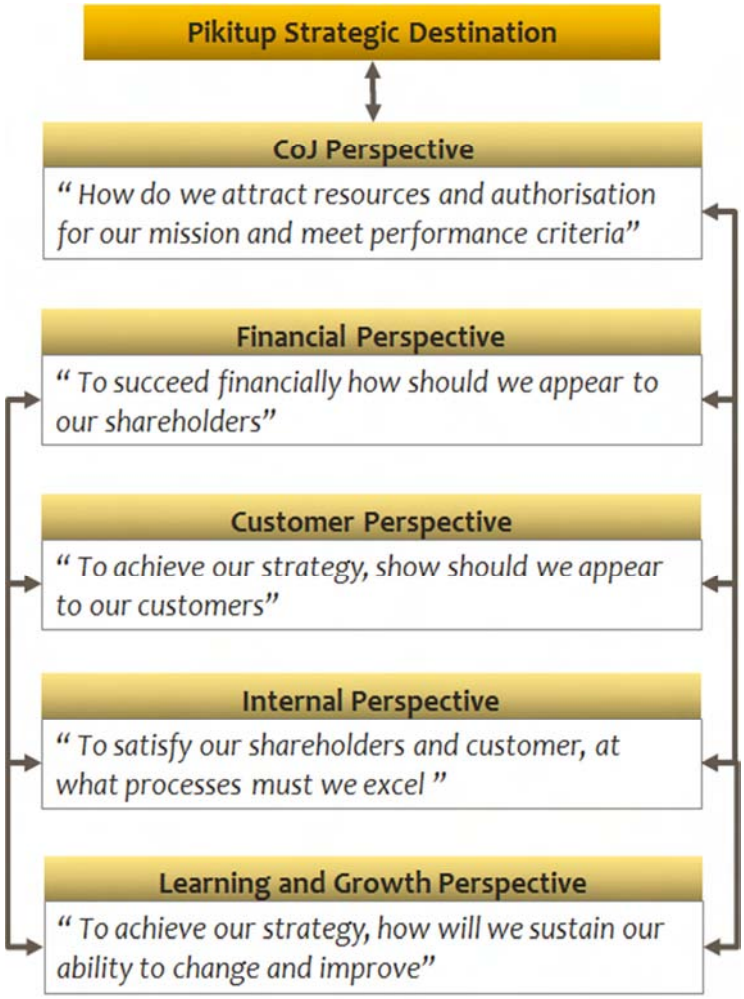
The Annual Performance Report is compiled in terms of Section 121(3) (c) of the Municipal Finance Management Act (MFMA) which states that "The annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Local Government Municipal systems Act". Section 121(4) (d) of the MFMA further states that "The annual report of a municipal entity must include an assessment by the entity's accounting officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and its parent municipality."

**Overview of the Performance Management Framework**

Pikitup has adopted the Balanced Scorecard (BSC) framework as its performance management and monitoring tool. However the traditional BSC has been modified by including the CoJ Stakeholder Perspective to the four (4) traditional perspectives. This is intended to align Pikitup's strategic initiatives and goals with those of the shareholder through the IDP (Integrated Development Plan) scorecard.

Therefore the CoJ Stakeholder Perspective caters for the monitoring of performance against the IDP objectives. The following is a diagrammatic presentation of Pikitup's BSC performance management framework.

**Figure 1: Pikitup's Balanced Scorecard Framework**




(Adapted from: Robert S. Kaplan and David P. Norton, "Using the Balanced Scorecard as a Strategic Management System", Harvard Business Review (January – February 1996))

Performance management requires that the goals, programs, activities and resources of an organisation be aligned with its mission, priorities and desired results. Furthermore alignment with the organization's purpose and intended outcomes must be both vertical (from top to bottom of the organization's structure and also from organization-wide goals to individual goals) and horizontal (across organizational units and if possible across governments serving the same population).

Pikitup's business plan outlines the operational plans as well as the resources, such as the financial and human capital resources, required to achieve its objectives. These operational plans are aligned to the Sector Plan which is informed by the City's GDS (Growth Development Strategy) and IDP priorities and objectives. Each of the items in the operational

plan is aligned to or seeks to achieve a specific strategic objective(s) in the City's IDP programme.
Once the business plan, with the respective budgets, is approved the Pikitup Performance Compact is compiled. The IDP objectives or programmes as contained in the abovementioned business plan are used to set specific Key Performance Areas (KPA) and Key Performance Indicators (KPI) in the performance compact. Each KPI has a weighting which depends on its priority i.e. KPI's with a lower priority with have a lower weighting than those with a higher priority. Performance against these KPI's is tracked and monitored on a monthly basis to ensure that the IDP objectives are achieved.

# Sector Plan – 2010/11

The following table presents the 2010/11 Sector Plan which serves as a framework to the Business Plan for the respective period.

**Table 1: Sector Plan – 2010/11**

| 5-YEAR STRATEGIC OBJECTIVES | IDP PROGRAMMES AND ACHIEVEMENTS AS AT END JUNE 2009 | 2009 /10 DELIVERY AGENDA | 2010/11 DELIVERY AGENDA |
|---|---|---|---|
| Extend access to basic services to all households | **Implementation of waste collection optimisation plan to ensure waste collection in all areas**<br>• Collection of waste once a week in all areas has been achieved, quality and service standards have improved in most areas | • 93% to 95% Improvement / Adherence to refuse collection schedules to all areas serviced | • 95% to 98% Improvement / Adherence to refuse collection schedules to all areas serviced |
| | Improve waste service delivery standards in prioritised informal areas<br>• 85 Informal areas were provided with a daily cleaning service | • Due to budget reprioritisation only between 80 & 86 informal areas are targeted for daily cleaning | • Between 86 & 90 informal areas will be targeted for daily cleaning |
| | **Improve cleanliness levels in the Inner City and street cleaning in all areas**<br>• Cleanliness levels in the Inner City have improved significantly over the past financial year. Level 4[1] has been sustained | • Due to budget reprioritisation , the sector will now maintain cleanliness levels between 3 and 4 | • Maintain cleanliness level 4 |
| Upgrade infrastructure and reduce maintenance backlog to meet capacity requirements | **Design and implement long-term asset management strategy and plan for waste**<br>• Asset Management Plans (AMP) for Waste have been developed and a 50% implementation has been recorded | • Achieve a 60 % to 70% implementation of the AMPs | • Achieve a 70 % to 80% implementation of the AMPs |
| Implement DSM programmes and innovative technologies | **Develop and implement comprehensive demand side management programmes for waste services**<br>Waste reduction to the City's landfills was achieved by diverting a total of 249,132 tonnages. This translates to 17.7% reduction against a target of 5%. | **Waste tonnage to landfills**<br>• 5% to 9.9% reduction (excludes waste diverted to private landfills) | **Waste tonnage to landfills**<br>• 15% reduction |

[1] Level 4 represents predominantly litter free area except for small accumulations in 1 out of 4 street corners

| 5-YEAR STRATEGIC OBJECTIVES | IDP PROGRAMMES AND ACHIEVEMENTS AS AT END JUNE 2009 | 2009 /10 DELIVERY AGENDA | 2010/11 DELIVERY AGENDA |
|---|---|---|---|
| Minimise waste to landfills to inline with the Polokwane Declaration | **Reduce, re-use and recycle at least 15% waste by 2010**<br>**50% green waste diverted to compost facilities by 2010**<br>**-Implement alternative technologies for waste reduction and treatment.**<br>• A feasibility study is in the finalisation stages, after-which the process to procure innovative waste treatment technology will be enacted.<br>**-Develop and implement strategy to increase landfill capacity**<br>• 95% developed. A draft strategy is in circulation for comments | • Procure private sector service provider by June 2010<br>• Implement landfill strategy and plan | • Construction and commission of waste treatment plant<br>• Continue with the implementation of landfill plan |
| Improve waste management services | **Implement turn-around strategy for business improvement through cost management, revenue generation by 2007 and improved service delivery**<br>• Implementation of the turn-around strategy continued with focus on the activity based costing system; the new tariff and funding model, business process mapping and SAP.<br>A performance management system to monitor waste service delivery performance has been implemented. | Continued implementation of the turnaround of the waste management service which includes:<br>• Activity Based Costing to reflect the true costs of providing a service<br>• Business Process Reengineering<br>• A performance management system to monitor waste service delivery performance | Continued implementation of the turnaround of the waste management service which includes:<br>• Activity Based Costing to reflect the true costs of providing a service<br>• Business Process Reengineering<br>• A performance management system to monitor waste service delivery performance |
| Service delivery monitoring and evaluation to improve quality of service | **Service delivery inspections**<br>• Frequent service delivery inspections are conducted as a means to improve and address the customer perception survey outcomes | 93% to 98% adherence to refuse collection schedules and completion between 16h00 & 17h00 | 98% adherence to refuse collection schedules and completion between 16h00 & 17h00 |
| Policy development and by-law review | **Formulate policies and by-laws that will facilitate effective service delivery** | Formulate policies and by-laws that will facilitate effective service delivery & separation at source | Develop DSM policies and by-laws in conjunction with Environment department |
| **New priority** | | **MoE financial sustainability**<br>• Improve revenue collection<br>• Reduction in operating cost by up to 5% below budget | **MoE financial sustainability**<br>• Improve revenue collection<br>• Reduction in operating cost by up to 5% below budget |

# Pikitup Performance – 2010/11

The following tables show the 2010/11 annual and quarterly performance targets as well as the performance scores respectively.

**Table 2: Annual Performance Targets and Performance Scores for 2010/11**

| Key Performance Indicator | 2009/10 | 2010/11 | | Projections | | |
|---|---|---|---|---|---|---|
| | | Target | Actual | 2011/12 | 2012/13 | 2013/14 |
| Number of hostels enjoying cleaning services | 18 hostels were enjoying cleaning services in 2009/10. | The target remains unaltered at 18 for 2010/11 | 21 | 21 | 21 | 21 |
| Weekly RCR collection rates in formal areas | A 95% RCR collection rate was achieved, on average, in the 2009/10 financial year | The target remains the same as that set in the 2009/10 financial year at 98%% | 99% | 99% | 99% | 99% |
| Refuse Collection rounds (RCR) to be completed on time to comply with legislation | The average RCR completion time was 15h39 in 2009/10 | The target is the same as in the 2009/10 financial year i.e. between 15h30 and 16h00 | 15h55 | Between 15h30 and 16h00 | Between 15h30 and 16h00 | Between 15h30 and 16h00 |
| Ensure 100% fleet availability | 100% Fleet availability was reported in the 2009/10 financial year | 100% must be sustained in the 2010/11 financial year | 100% | 100% | 100% | 100% |
| Eradicate and rehabilitate illegal dumping sites | 132 illegal dumping sites were eradicated in the 2009/10 financial year | 61 to 70% of 200 sites eradicate which amounts to a total of 140 for 2010/11 | 15 923 cleared | Cleaning of 1 718 spots with an Opex budget of R82m **(No provision exists in the operating budget for the 60 spots identified for rehabilitation For 2011/12)** | | |
| Sustain 24/7 Inner City cleanliness. (Level 4) | Level 4 cleanliness achieved in all four Inner City Quadrants in 2009/10 | Level 4 must be sustained in the Inner City | Level 4 | Level 4 | Level 4 | Level 4 |
| Improve street cleaning to Level 4 in targeted areas | Level 4 cleanliness reported in the 2009/10 financial year | Although it is desirable to sustain Level 4, reduced budgets will result in cleanliness levels of between 2 and 3 in targeted areas. | Between level 2 and 3 | Between level 2 and 3 | Between level 2 and 3 | Between level 2 and 3 |
| Number of informal settlements enjoying cleanliness levels between 1 and 2 | 119 informal settlements were enjoying cleaning services at the end of the 2009/10 financial year | The target for 2010/11 is 119 so that cleaning of the existing settlements is sustained | 119 | 119 Informal Settlements | 119 Informal Settlements | 119 Informal Settlements |
| Reduce waste to landfills in line with Polokwane Declaration | 115,575 which represented a diversion percentage of 7.71%. | The target for the 2010/11 financial year is between 7 and 10% diversion | 119 518 Tonnes (7.79%) | Approximately 187 500 Tonnes (15%) | Approximately 187 500 Tonnes (15%) | Approximately 187 500 Tonnes (15%) |

| Key Performance Indicator | 2009/10 | 2010/11 | | Projections | | |
|---|---|---|---|---|---|---|
| | | Target | Actual | 2011/12 | 2012/13 | 2013/14 |
| Sustain Clean Audit Report | A clean audit was achieved in the 2009/10 financial year for 2008/09. | 100% | Audit completed and achieved an unqualified report with matters of emphasis | 100% | 100% | 100% |
| Number of temp jobs created in targeted areas on EPWP | 2,034 were reported in 2009/10 | A target of 2,000 has been set in line with the achievements in the 2009/10 financial year. However, this will be adjusted once the losses resulting from the reduced cleaning by 3rd party contractors and the impact on EPWP are known. | 6 154 (3 391 jobs have been created, 3 310 in Operations, 81 in Disposal, plus an additional 2 763 in Operations during the Strike.) | 2000 | | |
| Number of employees disabling injuries reported (WCA) | 52 incidents were reported in the 2009/10 financial year | The target for 2010/11 is 45. | 83 | Below 45 | Below 45 | Below 45 |
| Total number of customer complaints resolved within 7 days | 64% Query resolution rate was reported in the 2009/10 financial year. | The target for 2010/11 is between 85% and 89% | 74% | Between 85% and 89% | Between 85% and 89% | Between 85% and 89% |
| Landfill compliance with permit conditions and DWAF minimum requirements of 97% audit score as applicable in 2008 | 77% compliance was achieved at the end of the 2009/10 financial year. | A target of between 60% and 70% has been set for the 2010/11 financial year | 68% | 78% | Between 78% and 97% compliance | Between 78% and 97% compliance |
| Procurement spent on BEE as a % of total procurement | 100% compliance was achieved against a targeted 90% | A target of 75% has been set for the 2010/2011 financial year | 70.25% | 75% BEE Targets were revised to be 75% and 25% for black and women owned respectively in 2010/11 in line with procurement requirements | 75% BEE (75% Black-0wned and 25% for woman-owned) | 75% BEE (75% Black-0wned and 25% for woman-owned) |
| Procurement spent on women owned companies as a % of total procurement | 60% was achieved against a planned 50% | A target of 25% has been set for the 2010/2011 financial year | 28% | 25% Women owned Targets were revised to be 75% and 25% for black and women owned respectively in 2010/11 in line with procurement requirements | 25% woman-owned | 25% woman-owned |

Table 3: Quarterly Performance Targets and Performance Scores for 2010/11

| Key Performance Indicator | Reporting Period | Annual Target | Annual Performance | Quarterly Targets and Actual Performance | | | | | | | | Comments |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | | |
| | | | | Target | Actual | Target | Actual | Target | Actual | Target | Actual | |
| Number of hostels enjoying cleaning services | Monthly | The target remains unaltered at 18 for 2010/11 | 21 | 18 | 21 | 18 | 21 | 18 | 21 | 18 | 21 | |
| Weekly RCR collection rates in formal areas | Monthly | The target remains the same as that set in the 2009/10 financial year at 98%% | 99% | 98% | 100% | 98% | 100% | 98% | 99% | 98% | 97% | |
| Refuse Collection rounds (RCR) to be completed on time to comply with legislation | Monthly | The target is the same as in the 2009/10 financial year ie. between 15h30 and 16h00 | 15h55 | Between 15h30 and 16h00 | 15h36 | Between 15h30 and 16h00 | 15h55 | Between 15h30 and 16h00 | 16h15 | Between 15h30 and 16h00 | 15h52 | |
| Roll –out 20 000 240l bins in prioritised areas | Monthly | 20 000 | 20 025 | 5 000 | 5 654 | 5 000 | 4 130 | 5 000 | 5 904 | 5 000 | 4 122 | Target on Business plan changed due to budget changes. |
| Percentage implementation of assets management plan for waste infrastructure | Monthly | No funding received. Normal planning took place | | | | | | | | | | |
| Number of educational programmes presented to communities (Community Education & capacity building) | Monthly | 50, the values indicated are cumulative | 134 | 37 | 37 | 42 | 60 | 46 | 94 | 50 | 134 | Target adjusted from 300 to 50 due to budget cuts leading to capacity not increasing in the relevant department. |
| Improvement in Revenue Generation | Monthly | | | | | | | | | | | |
| Improvement in Collection – debtors days | Monthly | 30 days Pikitup commercial customers | 30 | 30 | 130 | 30 | 357 | 30 | 67 | 30 | 180 | Several meetings has been held with CoJ and Phakama to address the debt collection further more some of the sales agents has been tasks with calling customers and following up on arrear accounts. |
| Capital Budget Spend | Monthly reflected cumulative | | 52% | 0 | 0 | 20% | 7% | 39% | 27.63% | 52% | 100% | |

| Key Performance Indicator | Reporting Period | Annual Target | Annual Performance | Quarterly Targets and Actual Performance | | | | | | | | Comments |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | | |
| | | | | Target | Actual | Target | Actual | Target | Actual | Target | Actual | |
| Compliance with EMS based on ISO 14001 guide | Monthly reflected cumulative | | 90% | 22.5% | 22.5% | 45% | 45% | 67.5% | 67.5% | 90% | 90% | |
| Ensure 100% fleet availability | Monthly | 100% must be sustained in the 2010/11 financial year | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 99.32 | |
| Eradicate and rehabilitate illegal dumping sites | Monthly | 61% to 70% of 200 sites must be eradicated which amounts to a total of 140 for 2010/11 | 15 953 cleared | 35 | 5 461 cleared | 35 | 3 435 cleared | 35 | 3 799 cleared | 35 | 3 258 | |
| Sustain 24/7 Inner City cleanliness. (Level 4) | Monthly | Level 4 must be sustained in the Inner City | Level 4 | Level 4 | Level 4 | Level 4 | Level 4 | Level 4 | Level 4 | Level 4 | Level 4 | |
| Improve street cleaning to Level 4 in targeted areas | Monthly | Although it is desirable to sustain level 4, reduced budgets will result in cleanliness levels of between 2 and 3 in targeted areas. | Between level 2 and 3 (target for 2010/11 is in line with the Opex budget) | Between level 2 and 3. | Between level 2 and 3 | Between level 2 and 3 | Between level 2 and 3 | Between level 2 and 3 | Between level 2 and 3 | Between level 2 and 3 | Level 4 | |
| Number of informal settlements enjoying cleanliness levels between 1 and 2 | Monthly | The target for 2010/11 is 119 so that cleaning of the existing settlements is sustained | 119 | 100 to 119 areas | 119 | 100 to 119 areas | 119 | 100 to 119 areas | 119 | 100 to 119 areas | 119 | |
| Reduce waste to landfills in line with Polokwane Declaration | Monthly | The target for the 2010/11 financial year is between 7 and 10% diversion | 119 518 Tonnes | 37 500 tonnes (10%) | 22,392 tonnes 5.97% | 37 500 tonnes (10%) | 25,119 Tonnes 6.7% | 37 500 tonnes (10%) | 16,194 tonnes 4.32% | 37 500 tonnes (10%) | 55,813 Tonnes (14.8 %) | |

| Key Performance Indicator | Reporting Period | Annual Target | Annual Performance | Quarterly Targets and Actual Performance | | | | | | | | Comments |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | | |
| | | | | Target | Actual | Target | Actual | Target | Actual | Target | Actual | |
| Sustain Clean Audit Report | Annual | Clean Audit Report | Audit completed and achieved an unqualified report with matters of emphasis | 100% | Audit scheduled to complete in 2nd quarter | 100% | Audit completed and achieved an unqualified report with matters of emphasis | | | | | |
| Number of temp jobs created in targeted areas on EPWP | Monthly | A target of 2,000 has been set in line with the achievements in the 2009/10 financial year. However, this will be adjusted once the losses resulting from the reduced cleaning by 3rd party contractors and the impact on EPWP are known. | 6 154 (3 391 jobs have been created, 3 310 in Operations, 81 in Disposal, plus an additional 2 763 in Operations during the Strike.) | 2,000 | 2,034 | 2,000 | 3 391 | 2 034 | 3391 | 2 000 | 6 154 | |

| Key Performance Indicator | Reporting Period | Annual Target | Annual Performance | Quarterly Targets and Actual Performance | | | | | | | | Comments |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | | |
| | | | | Target | Actual | Target | Actual | Target | Actual | Target | Actual | |
| Number of employees disabling injuries reported (WCA) | Monthly | The target for 2010/11 is 45. | 83 | 11 | 19 | 11 | 24 | 11 | 25 | 12 | 15 | The following was recommended, in a report to the Executive Operations Meeting of June 2011, in order to reduce the number of injuries<br>▪ Safe work procedures be developed, implemented and enforced.<br>▪ Review the set target time for RCR completion.<br>▪ Fit for purpose vehicles to transport employees be provided.<br>▪ Environment unit be capacitated with competent SHE officers.<br>▪ Behaviour based safety initiative be implemented.<br>▪ Alcohol testing of employees to be rolled out to all the facilities.<br>▪ Employees to be provided with the required personal protective equipment.<br>▪ Effective and continuous SHE awareness initiative be implemented.<br>▪ An internal incident committee to be established.<br>▪ Appointed internal Incident investigators to be trained to the required level.<br>▪ Recommended corrective and preventative measures be implemented and monitored. |
| Total number of customer complaints resolved within 7 days | Monthly | The target for 2010/11 is between 85% and 89% | 74% | Between 85% & 89% | 78% | Between 85% & 89% | 79% | Between 85% & 89% | 77% | Between 85% & 89% | 62% | |

| Key Performance Indicator | Reporting Period | Annual Target | Annual Performance | Quarterly Targets and Actual Performance | | | | | | | | Comments |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | | |
| | | | | Target | Actual | Target | Actual | Target | Actual | Target | Actual | |
| Landfill compliance with permit conditions and DWAF minimum requirements of 97% audit score as applicable in 2008 | Annual | A target of between 60% and 70% has been set for the 2010/11 financial year | 68% | Between 60% & 70% | 77% | Between 60% & 70% | 77% | Between 60% & 70% | 70% | Between 60% & 70% | 68% | |
| Procurement spent on BEE as a % of total procurement | Monthly | A target of 75% has been set for the 2010/2011 financial year | 70.25% | 75% | 74% | 75% | 53% | 75% | 77% | 75% | 77% | The supplier list will be updated and reviewed to ensure that we meet the target. |
| Procurement spent on women owned companies as a % of total procurement | Monthly | A target of 25% has been set for the 2010/2011 financial year | 28% | 25% | 39% | 25% | 19% | 25% | 28% | 25% | 26% | |

## Conclusion

During the 2010/11 financial year Pikitup was able to achieve most of its key service delivery targets in accordance to the Sector Plan for the period. However this had an adverse effect on the operating budget since an over expenditure, particularly on fleet, was experienced.

The industrial action by SAMWU in April 2011 resulted in a decline in the RCR Collection Levels. The fleet availability for the period was also affected by such industrial action.

The Number of Employee Disabling Injuries remains a key concern particularly for employee working from the depots (i.e. employees in Operations) since most injuries relate to such employees. The 2010/11 target for such an indicator was 45 injuries however the total for the period was 93 injuries.

Total number of customer complaints resolved within 7 days remains relatively low. Therefore efforts have been made to improve on this indicator. These efforts include providing the relevant SAP user profile to the relevant employees as well as ensuring that such employees have the required training.

Information relating to the total volume of tonnages diverted from landfills remains a challenge since certain “private sector” partners remain reluctant to disclose the total number diverted as a result of their initiatives. In certain instances this information is not submitted timeously. This is evidenced by a reduction in performance for the 3rd quarter which was followed by a huge increase in the 4th quarter. This implies that some of the tonnages recorded in the latter quarter probably relate to the previous quarters. The reluctance to timeously provide the relevant information could also imply that the actual total volumes may have been distorted.

Part II
Leadership Overview

## Foreword by member of the Mayoral Committee for Infrastructure and Services

As a Member of Mayoral Committee responsible for the Environment, Infrastructure and Services Sector, I have noted that today's increasingly resource-constrained world requires us to collectively safeguard the environment and manage potential environmental impacts in order to become a sustainable society. I therefore would like to applaud Pikitup Johannesburg (Pty) Ltd in ensuring that within this financial year, the delivery of waste management services to the communities and businesses within the City of Johannesburg is done so in the interest of protecting the environment and leaving a sustainable legacy for future generations.

I want to commend Pikitup for honouring the Mayoral Priority by performing exceptionally well during the implementation of the Accelerated Service Delivery Programme that was introduced by the Executive Mayor, Cllr Parks Tau announced on his maiden budget speech. During the 90 day programme; Pikitup ensured that the targets on street cleaning for Inner and Outer City and that cleaning of informal settlements was sustained at Level 4 Cleanliness respectively. As part of the 90 day programme, Pikitup in partnership with the Johannesburg City Parks and the Johannesburg Metro Police successfully carried out a Clean-up Day which aimed to rid the city of illegal dumping hotspots and to promote a Clean City Vision for a litter-free Johannesburg, with an aesthetically attractive environment and with effective waste removal services.

I truly welcome Pikitup's efforts in cracking down on illegal dumping in the City, as I understand that a large proportion of the company's operating expenditure for this financial year cannot be recovered due to this scourge. I must state that, although Pikitup does not have the regulatory powers to issue fines to people caught illegally dumping waste, I am glad that Pikitup in partnership with the Johannesburg Metro Police is attempting to find ways of minimizing the opportunities that give rise to illegal dumping in the City by making illegal dumping harder and less attractive. I would like to encourage Pikitup to redouble its efforts to make access to dumpsites difficult to dumpers, improve the quality of interaction with the Johannesburg citizens by educating and making them aware of the impact that illegal dumping has on their living environment and livelihood altogether. I wish to congratulate the Infrastructure and Services Department, Waste Sector and Pikitup for launching one of the biggest Landfill Gas to Energy project in South Africa; we have truly become pioneers in the extraction of energy from waste because of your hard work. By capturing this methane gas from our Landfill Sites, you are ensuring that the City's sustainability goals are met and cementing the City as a leading carbon neutral Metropolis in Africa.

The business of managing wastes used to be straightforward, a generation ago; Pikitup simply collected, transported and disposed waste. Today, Pikitup is reinventing its business model and reconsidering the nature of waste management itself as the company has gone through a period of being an unsustainable business, both financially and in terms of operational inefficiencies. I would therefore like to encourage Pikitup; especially the Chairperson of the Board, Acting Managing Director and the entire executive team to stay focused on the goal at hand and keep the staff motivated at all times during this process and in this economic trying times. Although during this financial year Pikitup suffered a protracted strike which was fuelled by violence and intimidation, where landfills and garden sites were blockaded, where normal waste collection, transportation and disposal was halted throughout the City and finally the unexpected resignation of the Company Board and Managing

Director, I would like on a personal note to convey my appreciation to all the officials that persevered and did a sterling job during the strike negotiations.

During my tenure as Member of the Mayoral Committee for Environment, Infrastructure and Services, for the next five years and beyond 2040, I would like you, our Waste Sector stakeholder and decision-maker across all sectors (including business and civil society) to reflect to The Joburg 2040 GDS Outcome 2 which reads as follows *"Provide a resilient, liveable, sustainable urban environment – underpinned by infrastructure supportive of a low-carbon economy. The City plans to lead in the establishment of sustainable and eco-efficient infrastructure solutions (e.g. housing, eco-mobility, energy, water, waste, sanitation and information and communications technology), to create a landscape that is liveable, environmentally resilient, sustainable, and supportive of low-carbon economy initiatives".*

You will agree with me that in terms of waste management in the City, Outcome 2 of The Joburg 2040 GDS compels us for the next five years to ensure that all formal and informal areas continue to be provided with adequate, reliable and uninterrupted waste collection services, implement programmes that will ensure a clean city which is litter-free and free of illegal dumping, develop and implement comprehensive demand side management and climate change mitigation, plan for the City of the Future and ensure that Pikitup is kept financially stable and operationally sustainable. I look forward to leading the very excellent team of very experienced Pikitup staff which is committed to good customer service and efficient service delivery in the next five years. I am excited, honored and would like to encourage you to intensify your search for cleaner waste-based energy producing technologies, increase your landfill-gas-to-energy capacity, strengthen the city's commitment to recycling by intensifying your separation at source program, investigate feasibility of both organics and material recovery facilities, reduce emissions by increasing the efficiency of your fleet and invest in greener technologies for managing our waste.

From the Pikitup remodelling project, I am certain that the residence of Johannesburg have already joined me in looking forward to a Pikitup that has made the transition where waste is traditionally collected, transported and disposed; to a company which has moved its strategy in the upstream of the waste management hierarchy, where prioritizing waste avoidance and minimisation, practicing segregation, implementing safe waste transportation, cleaner waste treatment, and disposal as a last resort and in an integrated manner, is the norm for managing all forms of waste handled by the company.

*Councillor Roslyn Greeff*
*Member of the Mayoral Committee for Infrastructure and Services*

## Chairperson's Foreword

The company generated revenue of R1.1bn The accumulated deficit has decreased from R367m in the previous year to R364m. The company reported an operating surplus of R3,7m.

While the company strives to keep Johannesburg a clean city, budgetary constraints have necessitated that we restructure our business by focussing on the core business. The year 2010/11 came with its challenges largely attributable to the City streamlining and rationalising revenue management processes which affected our revenue and billing processes.

I wish to congratulate the Managing Director and staff for raising the bar during the 2010 FIFA World Cup by keeping Johannesburg the cleanest city. Accolades were received from national government, business and the international visitors, and the challenge remains of maintaining those levels of cleanliness.

The support from the city leadership and the shareholder unit continues to provide guidance and direction relating to all aspects of the business and matters of governance. The City Manager's office has provided the distinctive and direct leadership, when it is really needed by the company.

I appreciate and thank the MMC, Councillor Ros Greeff for her support during the year, and I look forward to working with her in the coming year.

To my colleagues, the fellow Board members, appreciation is extended for your commitment in executing the oversight role you play as well as your support and guidance in these trying economic times. I thank you for the diligent manner in which you discharged your responsibilities.

I thank the Managing Director and his executive team for the good work in implementing the Board decisions effectively and efficiently. As a Board we place reliance on management to implement decisions made and ensure that the Company performs at the level that it does.

Pikitup's mission remains "To provide sustainable and innovative waste management solutions that exceed stakeholder expectations" and the vision of being the leading integrated waste management company in South Africa hasn't changed.

*Pumla Radebe (54)*
*Qualifications: BA Soc Science, Dip Municipal Mngmnt (RAU), Cert Project Mngmnt, Cert Policy Dvlpment, Cert Director Training for AltEx Companies*
*Other directorships:*
*Non-executive Chairman: Calgro Limited, NED: Khuselo Telecoms, Khuselo Investments, NED Gauteng Transport Management Authority; Board Chairperson-Independent Development Trust (IDT);*

*Thulisile Mashanda (42)*
*Qualifications: CA(SA)*
*Other Directorships:*
*Njapa Group of Companies;*
*NED Tawana Chartered Accountants; NED Sodubo Investments.*

*Dr Cornelius Ruiters (48)*
*Qualifications: PhD (Environmental Science and Applied Stats), MEng, MSc.*
*Other Directorships:*
*Trustee – Lesotho Highlands Development Authority; DDG- DWAF; NED Centre for Environmental Studies, University of Pretoria.*

*Vule Nemukula (42)*
*Qualifications: BSc, BCom,PDM, MBA(Wales)*
*Other Directorships: None.*

*Duncan Mashika (31)*
*Qualifications: CA(SA)*
*Other directorships: None*

*Sanjeev Raghubir (40)*
*Qualifications: BSc Chemical Engineering; Bsc Hons Environmental Engineering.*
*Other Directorships:None*

*Sethakgi Kgomo (52)*
*Qualifications: ENSP, CPRP, MktIMM, MSAIM*
*Other Directorships:*
*NED: Mining Qualifications Authority; CEO: Nkhumishe Kgomo Management Services CC*

*Dr David Phaho (42)*
*Qualifications: BSc (Hons), MSc Chem (UCT), PhD (Chemical Engineering) State University of New York, MAP (Wits), Cert.Finance and Accounting (Wits)*
*Other Directorships:*
*NED Foskor Limited; Chairman of Council; Vaal University of Technology*

*Anissia Botha (42)*
*Qualifications: LLB, HDip Company Law, Cert Energy Law, PostGradDip Business Admin, NHD Podiatry,*
*Other Directorships*
*NED Missile Properties CC*
*NED Kirney Energy Pty Ltd*
*Council Member: University of Johannesburg; NED Kirney Consulting Pty Ltd.*

*Zami Nkosi (41)*
*Managing Director*

## Interim Board of Directors

On the 12th April 2011 all but one members of the Board resigned. This created a leadership vacuum at Pikitup as the Managing Director had also resigned on the 8th April 2011.

The shareholder appointed an interim Board of Directors on the 14th April 2011 and they are:-

Mr Ishmail Mkhabela – Chairman
Ms Karen Parirenyatwa
Ms Nompumelelo Msezane
Dr Yondela Ndema
Dr Washington Nyabeze
Dr Nomonde Mabuya
Mr Lionel Brenner
Mr Hugh Sutherland

### Interim Managing Director

Mr Lawrence Boya

The Board then comprises of 9 (nine) non-executive directors. The Acting MD is not a director.

## Managing Director's Report

Pikitup comes to the end of the most eventful year with the rush that only an election year and a protractile strike could provide. Pikitup remains committed to our vision **"to be the leading integrated waste management company in Africa".** While the challenges to the organisation in the first half of the year have been arduous and our major consideration was financial stability, we have not lost sight of our obligation to provide a quality service to our customers. We remain committed to improving the services we provide our customers.

During the period under review Pikitup saw a number of achievements and challenges such as the improvement in Round Collected Refuse (RCR) with over 98% target achieved, street cleaning improved during the 1st and 2nd quarter but was unfortunately disrupted during the labour strike. However additional resources were deployed in the last quarter which led to the improvement in cleanliness levels in the Inner City from level 2/3 to level 4. With funding from expanded public works programme, Pikitup was able to eradicate 3258 illegal dumping spots which came as a result of work stoppage during the labour strike in April 2011. 119 informal settlements continued to receive the required level 2 cleanliness. There was introduction of waste recycling at 12 schools in the area of Orange farm. The rollout of pilot project of separation at source in the area of Waterval was successful.

As part of the CCMA facilitated Settlement Agreement with SAMWU which came as a result of the labour strike in April, Pikitup will absorb 3000 employees from 3rd party contractors in July, second group will be absorbed in October and the remaining group will be absorbed in 2012/2013 financial year. This has put a strain on Pikitup's already stretched financial status. The organisation went through a stabilisation phase and is currently in a process of remodelling. This project will assist Pikitup in proposing a new business model that will ensure a more operationally efficient and financially sustainable company, bring new ways of doing business and improve revenue.

Plans for the new financial year will include introduction of by-law enforcement to deal with the ever increasing illegal dumping and littering. This will be attained through the partnership with JMPD. This will include clearing of illegal dumping in Soweto and Orange Farm and other areas. R8mil has been set aside for education and awareness campaign throughout the City as part of the "Clean City Campaign". High measures to deal with disabling injuries on duty has been put in place and will be managed and monitored. As part of the 90 day plan to improve service delivery, Pikitup committed to re introduce the 3 shift cleaning service to clean the streets of Jozi. Pikitup intends to re-introduce five days per week cleaning schedules in informal areas. In line with the City's Growth and Development Strategy (GDS), our long term Integrated Waste Management Services Plan (WMSP) will guide the focus of waste minimization from the households.

**CHIEF FINANCIAL OFFICER REVIEW**

## Overview of the Financial Performance for the year ended 30 June 2011

The company is reporting an operating surplus for the year amounting to R3,799,812 compared to a deficit reported in the prior year of R263,011,385. Whilst the nominal surplus referred to above has been achieved during the year under review, the company continues to trade under insolvent circumstances.

The accumulated deficit for the year amounts to R363,443,155 (2010: R367,242,967) The City of Johannesburg as the sole shareholder has committed to assist the company by subordinating, subject to certain terms and conditions, its claims against the company in favour of, and for the benefit of the creditors of the company to the value of R 244,051,155. In addition thereto, the shareholder will provide such guarantees as would enable the company to honour its obligations to 3rd parties in the ordinary course of carrying out its Council mandate so as to ensure that the company meets the going concern criteria the basis on which these annual financial statements have been prepared.

To address the going concern considerations, the following measures have been instituted:

- The review of the current business model to assess its appropriateness for Pikitup has just been finalised. The review carried out by Deloitte has confirmed that the company is not adequately funded to meet its service delivery mandate. To this end, various options are being considered including but not limited to the adoption of cost reflective tariffs as future funding model of the company's operations
- On-going review of the operating expenditure with a view to identifying cost efficiencies.
- Exploring the alternative waste treatment technology projects that will yield revenue streams for the company in future

Below are the key financial ratios intended to provide further information relating to the company's performance for the year under review:

**Table: 1**

| Financial Ratios | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Growth in total revenue (%) | 7.54% | -1% | 21% | 25% | 21% |
| Growth in service charge(%) | 7.40% | 0% | 28% | 22% | 20% |
| Growth in expenditure | -7.40% | 16% | 26% | 16% | 19% |

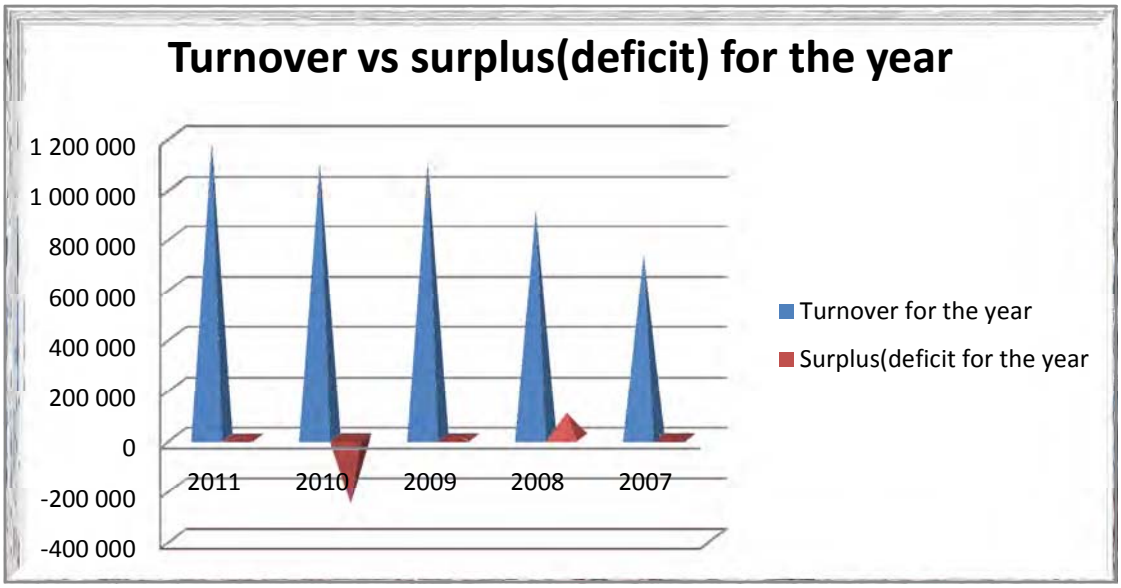
**The ratios above provide the following salient points**

**Revenue / Expenditure Relationship:** The year on year growth in revenue enabled Pikitup to carry out its mandate as demonstrated by improved cleanliness levels within the City. Such improved funding led to unsurpassed cleaning levels that saw Pikitup receiving accolades from the general community. The decline in the revenue the 2010 financial year brought about operational challenges that necessitated the rationalization of operations which though have put the company in a better position to contend with the declining revenues for the future unfortunately led to a large deficit in the current financial year as demonstrated by the depiction below. This picture changed under the year under review as the increase in revenue led to a nominal surplus at the end of the financial year. Owing to on-going cost cutting measures, the overall expenditure reflected a negative growth compared to prior years.

| Financial Ratios | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Employee cost to operating expenditure | 37% | 33% | 36% | 40% | 48% |
| Solvency ratios | 0.59 | 0.63 | 0.85 | 82% | 66% |
| Current ratio | 0.34 | 0.52 | 0.83 | 87% | 78% |

The above ratios reveal the following salient points:

- Every effort has been made towards the reduction of the personnel costs in relation to overall operating expenditure in line with the turnaround strategy commenced in the 2007/08 financial year the objectives of which in part were to optimise operational performance through cost efficient measures
- The solvency ratios continue to deteriorate. The negative effect thereof continues to be mitigated through the subordination loan agreement and the letter of guarantee by the shareholder thereby safe-guarding the interests of creditors in the ordinary course of carrying out trade with the company
- Directly as a result of the solvency issues above, the current ratio has consistently deteriorated – this however does not pose a threat to 3'rd parties as their interest are safeguarded as per the shareholder's commitments noted above.



The graph above reflects the year-on year depiction of gross revenue of the last five years. With the exception of the 2010 financial year where a large operating deficit was incurred in part due to the FIFA commitments that had to be met, a nominal surplus was realised consistently. Such nominal surplus had however proven far inadequate to eradicate the insolvency. As explained in the opening paragraph, all future efforts will be directed towards reversing the insolvency state of the company whilst doubling efforts towards meeting SDA commitments

Zingisile Ntsaluba
Chief Financial Officer

**EXECUTIVE MANAGEMENT**

*Sbongile Mkhwanazi (54)*
*HR Executive*
*BAdmin (Hons), MBA*

*Zandile Mpungose (41)*
*Legal Executive*
*BA (Law), LLB, LLM, DipCorp Law, Attorney of the High Court*

*Neville Smith (43)*
*Disposal Executive*
*BSc (Nat.Sci), BSc(Hons), MSc, MBA, Postgrad Dip Bus Eng.*

*Ika Magasa (53)*
*Operations Executive*
*ND Teaching;*
*Cert. Public Relations*

*Neighbour Mutero (50)*
*Executive: Capital Execution*
*Qualifications: MBL, BBS(Hons), MCIT, ACIS*

*Pumelelo Mguye (45)*
*Fleet Executive*
*Qualifications:*

*Zingisile Ntsaluba (49)*
*Chief Finance Officer*
*BCompt (Hons), MBA*

*Bongie Memela (47)*
*Company Secretary*
*ACIS, HDip Corp Law*

*Lindiwe Hleza (37)*
*Chief Internal Auditor*
*BCompt (Hons), CA(SA) CIA,*
*PostGrad Advanced Tax*

*Peter Wilgenbus*
*GM: Risk*
*Qualifications*
*BCom, CIA*

Glynis Leslie
CIO
Qualifications:
BSc, MSc,

Anand Naidoo
GM: Security
Qualifications:
Nat Dip. Police Admin;
Dip. Criminal Justice&Forensic Auditing

Meyrick Ramatlo
GM: Revenue
Qualifications:
B.Sc (Maths), BSc Hons;
Cert,Mkt Mngmt; Dip Prjt Mngmt ;
PDM Wits) ; GEDP (Gibs)

Mzukisi Tshem
GM: MDs Office
Qualifications:
ND Civil Eng;
PMD (Wits)

Shadrack Kapiwa
GM: Stakeholder Mngmt
Qualifications:
ND Public Health

Part III
Performance Overview

## Highlights and Achievements

- Development and approval of the Integrated Safety, Health and Environmental (SHE) Policy.
- Development and approval of the Personal Protective Clothing Policy.
- Community environmental awards held in partnership with City Parks, Region E and Alexandra Renewal project in recognition of schools, environmental forums and businesses who have contributed to the protection of the environment through implementation of waste related projects.
- Waste separation for recycling undertaken during the 2010 FiFa world cup event (June – July) and a total of 44 tons of recyclable waste for July period was diverted from disposal at landfill sites.
- Training of all employees on injury on duty (IOD) reporting and compensation in partnership with the City of Joburg: OHASA Department.
- Safe Operating Procedures developed for activities at Garden sites, landfills and Operations department.
- Development and approval of the Procedure for the Control and Management of Reclaimers at the Pikitup landfill sites.
- Waste licenses acquired for the proposed Orange Farm garden site and Orange Farm Depot.
- Installation of the evacuation system at the head office building.
- Introduction of the waste separation at source at 20 schools (12 in Orange Farm, 1 in Alexander, 1 in Randburg, 6 in the Inner city).
- An awareness education campaign at eleven shopping complexes within the Waterval area where the waste separation at source in household project is implemented.
- Formation of 11 Community Environmental Forums.
- Maintained separation at source participation levels in the Waterval depot area.
- Develop a short medium and long term waste minimisation strategy for Pikitup.
- A three year contract was awarded for the supply of Garden Sites and As and When Required Landfill equipment.
- Two new landfill cell development and contaminated storm-water ponds were planned for Marie Louise and Ennerdale landfill sites.
- Garden Sites including: Midrand (5 sites), Bally Claire, Migson Manor and Norwood garden sites had undergone routine maintenance and repairs.
- The Mayoral Committee approved a Pikitup Report recommending the outsourcing of the Springfield Healthcare Waste Incinerator.
- The Compost Plant received delegations from China and Rustenburg Municipality as a learning exchange programme.
- The Landfill gas to Energy (LFG) project awarded by the City of Johannesburg to Energ Systems and independent company was initiated at Robinson Deep. This project will address the release of landfill gasses which include methane (global warming agent and explosive in nature) and noxious gases like hydrogen sulphide.
- Linbro Park profiling of side slopes resulted in extra cover material produced and transported to Robinson Deep, which received huge criticism both from the permitting authorities (GDARD) and the public.

## OPERATIONS

Operations process flow entails the collection of waste, transportation of such waste and finally the disposal of waste at the landfill sites. These functions are undertaken from eleven depots which perform the following operational activities in the respective service delivery areas of geographical location:

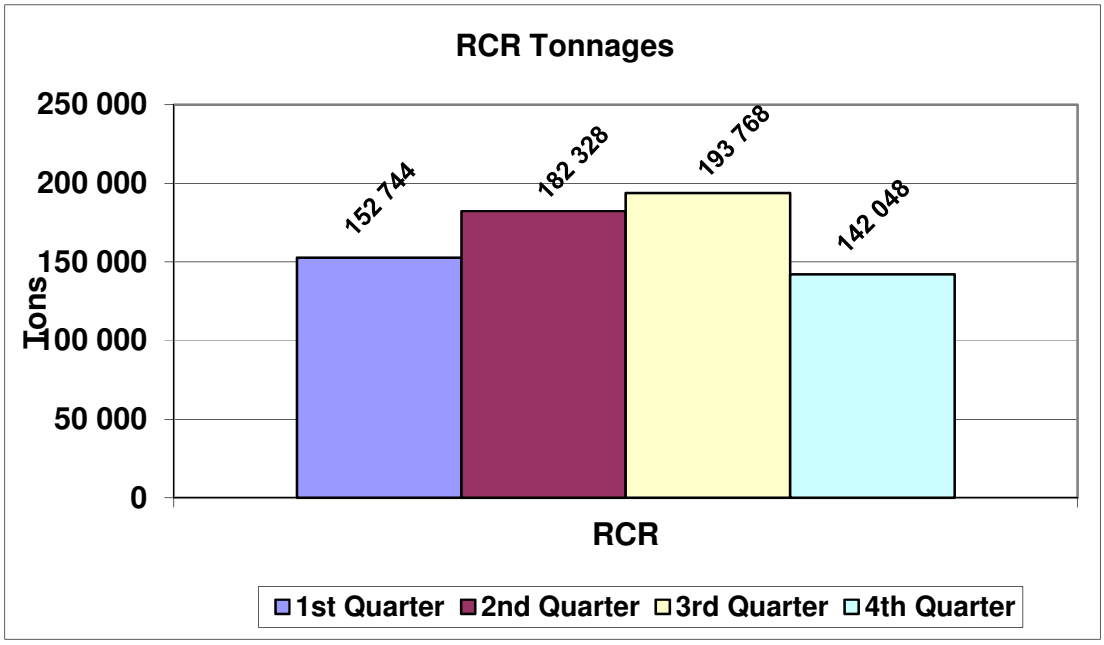
RCR collections;
Street cleaning;
Informal settlement cleaning and collections;
Illegal dumping clearing and eradication;
Bulk and Dailies and
Hostel cleaning.

The report herein reviews the activities for a year commencing from July 2010 to June 2011 and brief comparative comments on trends quarter by quarter.

***RCR Collection***

The total tonnages of RCR collected for the year under review was 670,888 including tonnages to private landfill sites. The figure below shows the annual RCR tonnages collected.

**Figure 0.1: RCR Tonnages Collected**

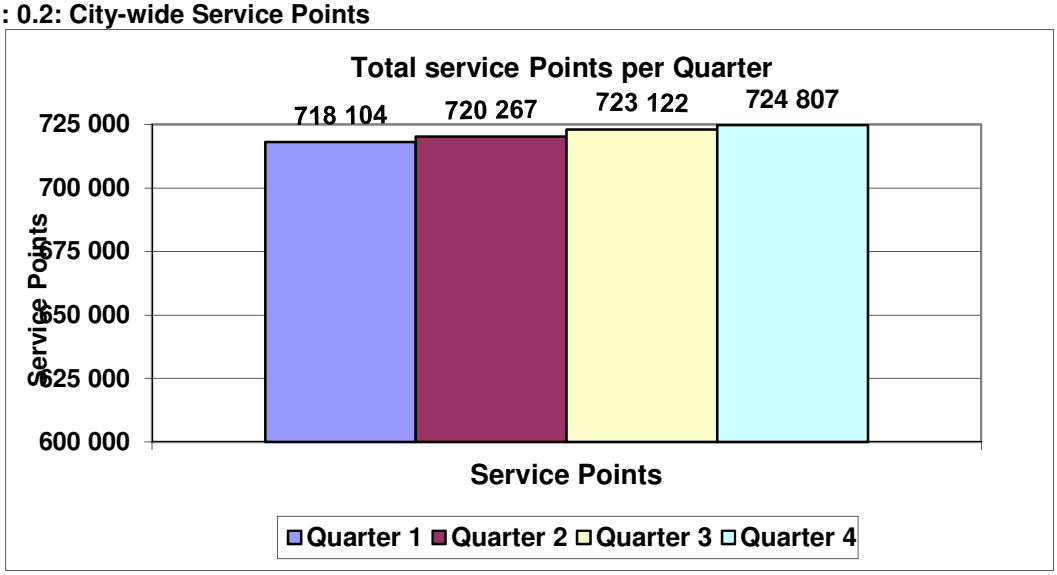



## RCR Services Points

At the close of the year under review, the number of service points had grown by 6,703 from 718,104 in the first quarter to 724,807 in the last quarter. The growth represents almost 1% for the year under review. The major growth is mainly in the northern areas of Marlboro, Randburg and Midrand followed by developments in western areas of Soweto and Roodepoort

The following illustration shows quarter by quarter growth of Service Points.

**Figure: 0.2: City-wide Service Points**




## RCR Completion Times and Rates

The annual average remains within the target at 15h55. The completion rate was an average 99% for the year against the target of 98%. This reflects 1% above the target in spite of events associated with April 2011 SAMWU strike. The figures below and the next page shows annual RCR completion times and rates for the period.

**Figure 0.3: YTD Average RCR Completion Times**

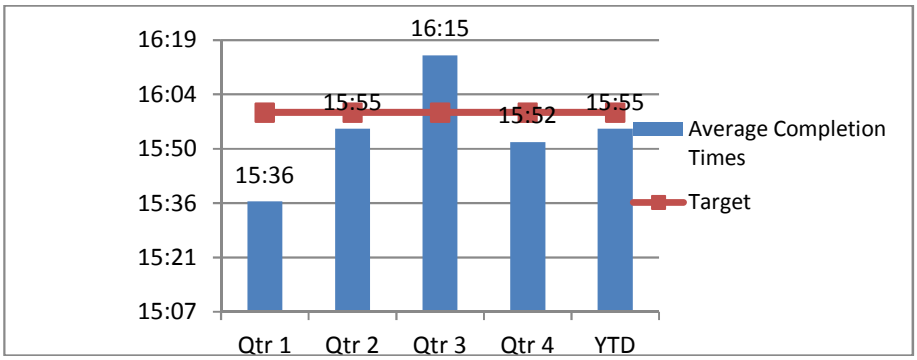


**Figure 0.4: Depots Average RCR Completion times**

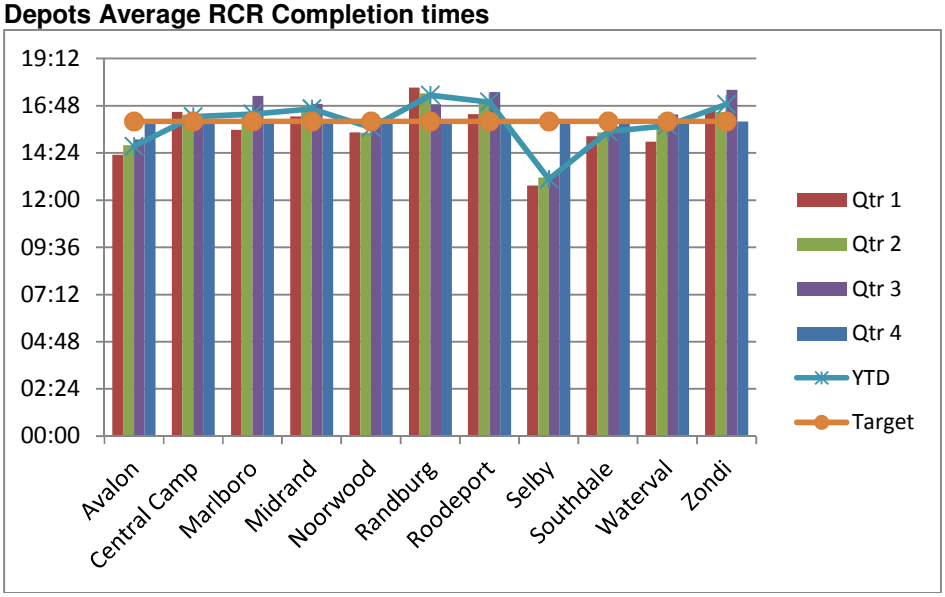
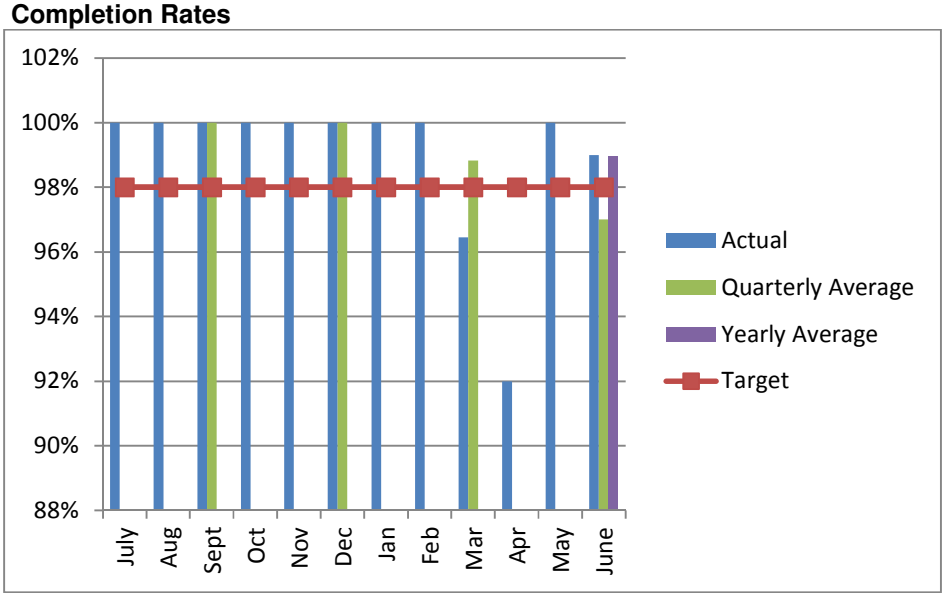



**Figure 7.5: Completion Rates**




## RCR Achievements

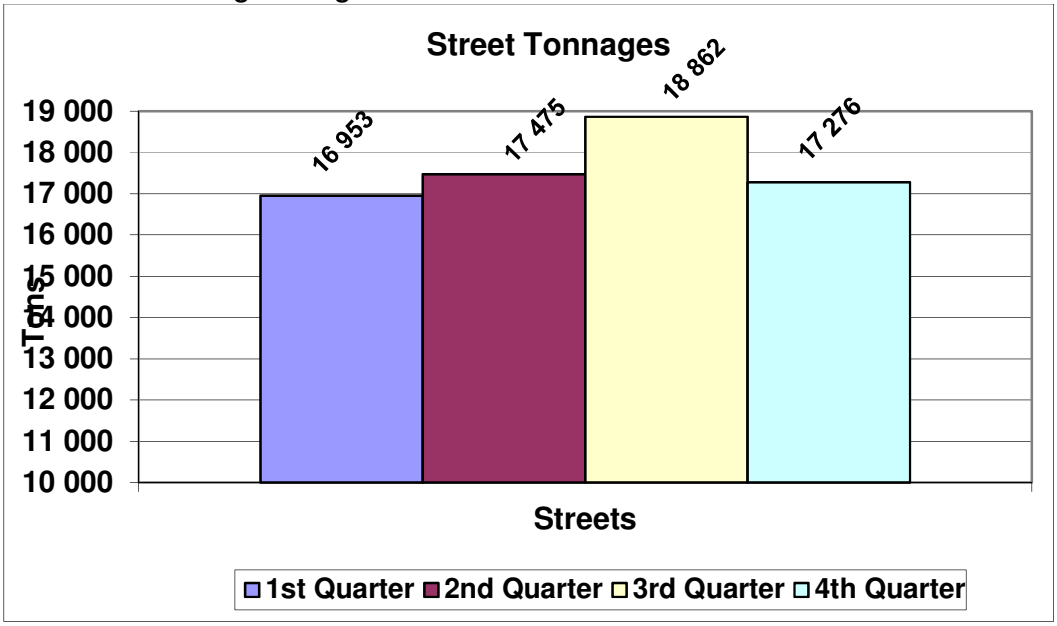
Key RCR Achievements for the period are as follows.

- Average completion times are within target of 16h00.
- Completion rates were also above the target of 98% save for quarter 3.

***Street Cleaning***

The figure below illustrates the annual tonnages for Street Sweeping. There has been a steady increase of tonnages at an average rate of 954 tons for the first three quarters but this trend contracted sharply in the last quarter owing to April SAMWU strike. Much of the street waste found its way into the illegal dumping which increased sharply during the last quarter.

**Figure 0.6: Street Cleaning Tonnages**




## Street Cleaning Achievements

Key Achievements for Street Cleaning for the period are as follows.

- Additional resources were deployed in the last quarter to adjust the cleaning levels from level 2 -3 to level 4.
- Resources to maintain level 4 cleanliness have been factored into budget forecast for the next financial year

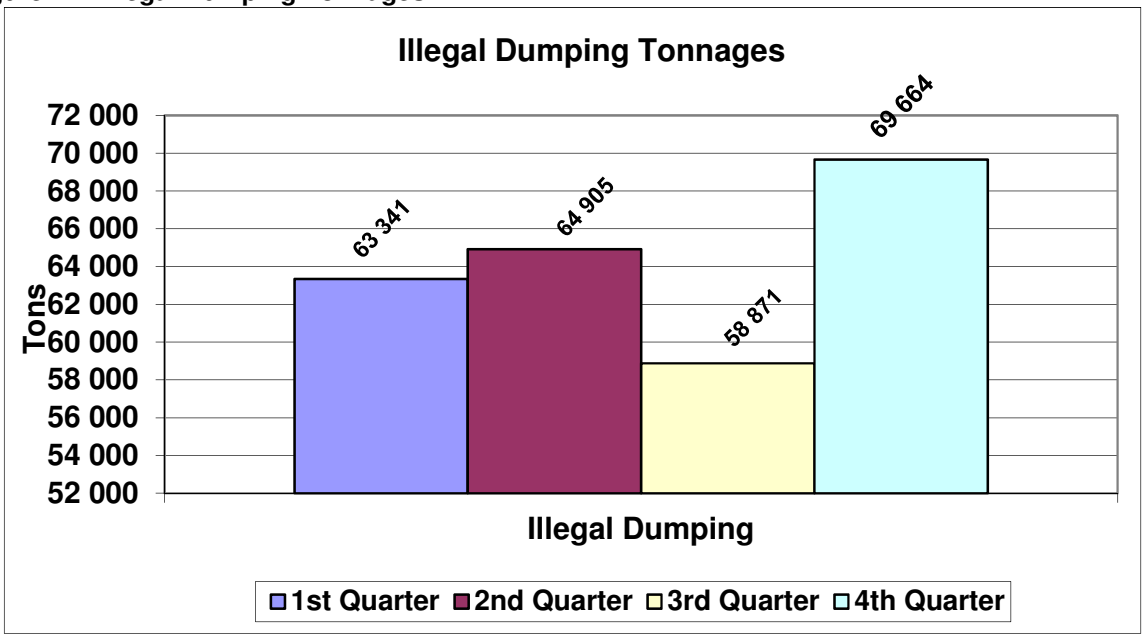
***Illegal Dumping***

The figure 7.7 shows annual tonnages for Illegal Dumping. Two weeks work stoppage by the Contractor's workforce resulted in sharp decrease of tonnages during 3rd quarter. There was an increase of 1564 tons between the first and second quarters. A drastic increase of over 10,000 tons during the 4th quarter resulted from volumes of waste from RCR and street cleaning activities that accumulated during the two weeks SAMWU strike during April 2011.

A service level agreement (SLA) was entered into between Pikitup and the City's Department of Economic Development during the last quarter. The signing of SLA followed R13 million funding granted for rehabilitation of illegal dumping hot spots (R5 million) and the normal cleaning and clearing of illegal dumping (R8 million). Out of 17 sites identified for rehabilitation, 16 were

rehabilitated. Figure in the next page illustrate number of sites cleaned depot by depot and month by month. Figure 7.10 illustrates before and after pictures of rehabilitated sites.

**Figure 7.7: Illegal Dumping Tonnages**




## Illegal Dumping Achievements

Key Achievements for Illegal Dumping for the period are as follows

- 16 sites have been rehabilitated during the last quarter.
- Figure 7.8 and 7.9 illustrates the number time the illegal dumping spots were cleaned in the year under review. The total number of illegal dumping spots for the period before the strike was 1718 which increased to 2331 as a result of the strike.

**Figure 7.8: Spots per Depot**

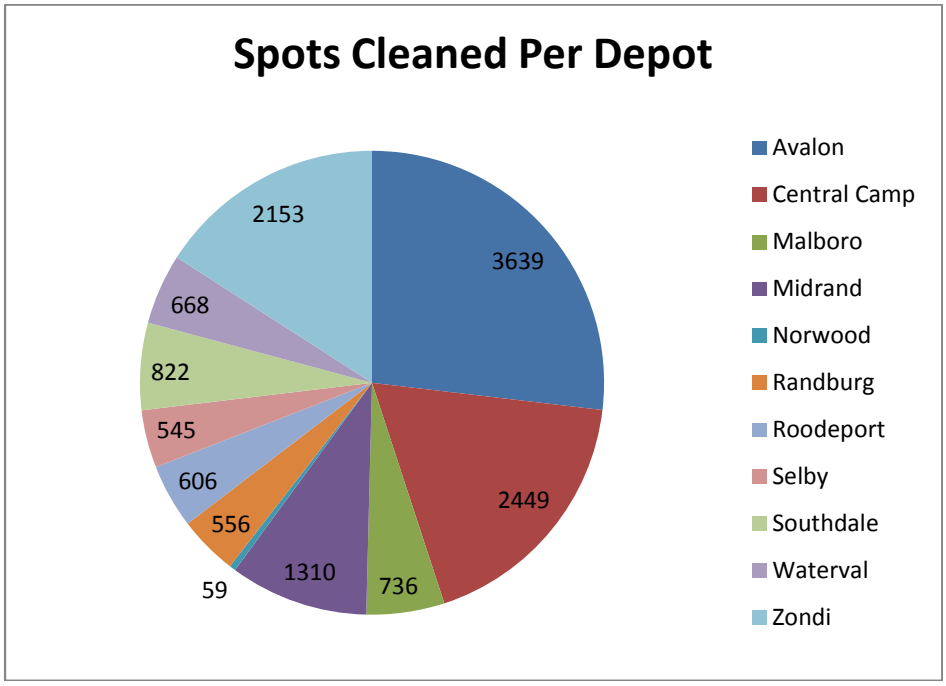



**Figure 7.9: Spots Cleaned Monthly**

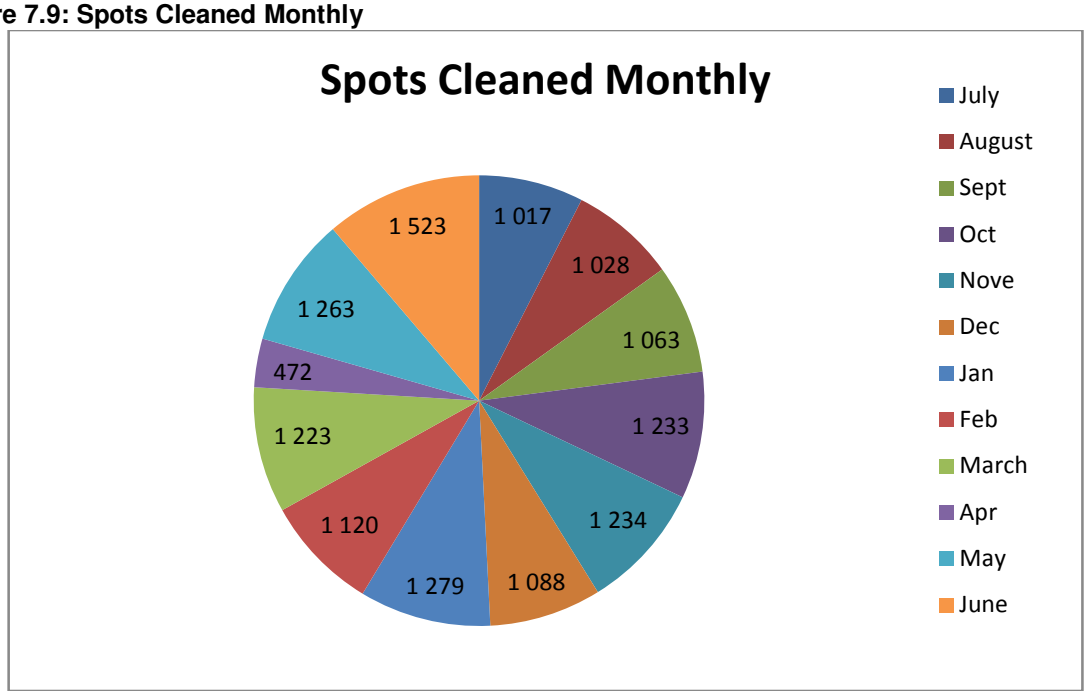


**Figure 7.10: Sample of before (left), during (centre) and after (right) pictures for Kew Vincent Tshabalala and Canning Road (South View)**

**Figure 7.11: Sample of before (left), during (centre) and after (right) pictures for Westbury Florida and Hay Street**

**Figure 7.12: Sample of before (left) and after (right) pictures for Pimville Zone 1**

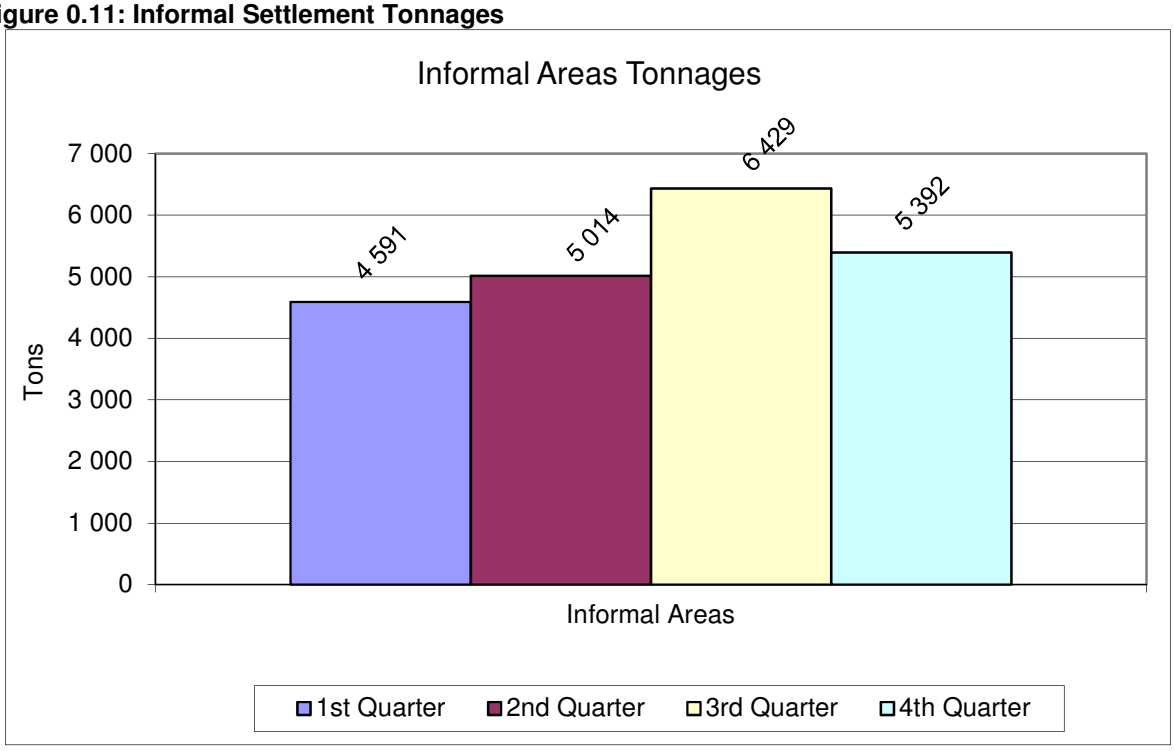
**Figure 7.12: Another sample of before (left) and after (right) pictures for Pimville Zone 1**

***Informal Settlements***

Figure 7.11 illustrates quarter by quarter annual tonnages for Informal Settlements. The tonnages over first three quarters has been steadily increasing at an average rate of 919 tons. The last quarter however, indicate a sharp decline of 1037 tons when compared with the 3rd quarter. As indicated in the previous sections, informal settlement cleaning was also affected by the April SAMWU strike as workers of 3rd party contractors are members of SAMWU as well. The cleaning and collection was severely affected by the acute level of intimidation in areas where contractors were willing to render the service.

The 119 Informal Settlement areas covering 184 275 units constitute 94% of all settlement City Wide. The remaining 6% receives one day service per week from Pikitup Depots

**Figure 0.11: Informal Settlement Tonnages**




The following table shows the number of Informal Settlements, per depot, receiving output based cleaning services. From the last month of the quarter, additional resources were deployed to return to level 4 of cleanliness in these areas.

**Table 0.2: Number of Informal Settlements per Depot**

| Depot | Units | No of Settlements | Service Intervals |
|---|---|---|---|
| Avalon | 28 897 | 17 | 3 times a week |
| Central Camp | 9 215 | 4 | Daily |
| Marlboro | 18 586 | 13 | Daily |
| Midrand | 51 148 | 42 | Daily |
| Randburg | 23 195 | 11 | Daily |
| Roodepoort | 26 007 | 12 | Daily |
| Southdale | 5 120 | 5 | 3 times a week |
| Waterval | 7 300 | 3 | Daily |
| Zondi | 16 270 | 12 | Daily |
| **Totals** | **185 738** | **119** | |

**Informal Settlements Achievements**

Key Achievements for Informal Settlements for the period are as follows:

- The number of settlements under the output based cleaning service has been maintained at 119
- Return to level 4 of cleanliness from the last month of the quarter

***Hostel Cleaning***

The table below shows the total number of Hostels that were receiving cleaning services from Pikitup for year ending June 2011. The service rendered to these facilities represents an unfunded mandate for a considerable period of time. It was not until the last financial year that an agreement was reached with the City's Department of Housing to allocate funding to the amount of R875 000 to augment the cleaning of these facilities by Pikitup.

**Table 0.3: Number of Hostels being cleaned**

| | Hostel | Management | Service |
|---|---|---|---|
| 1 | Jabulani | COJ | RCR, Litter Picking, Illegal dumping |
| 2 | Mapetla | COJ | RCR, Litter Picking, Illegal dumping |
| 3 | Nancefield | COJ | RCR, Litter Picking, Illegal dumping |
| 4 | Lifateng | COJ | RCR, Litter Picking, Illegal dumping |
| 5 | Dube | COJ | RCR, Litter Picking, Illegal dumping |
| 6 | Diepkloof | COJ | RCR, Litter Picking, Illegal dumping |
| 7 | Mzimhlophe | COJ | RCR, Litter Picking, Illegal dumping |
| 8 | Mzimhlophe (Women's) | COJ | RCR, Litter Picking, Illegal dumping |
| 9 | Denver | GPG | Bulk |
| 10 | George Goch | GPG | Street cleaning, Bulk Skips |
| 11 | Jeppe | GPG | Street cleaning, Bulk Skips |
| 13 | Selby | COJ | Street cleaning, Bulk |
| 14 | Vanbeek | COJ | Street cleaning, Bulk Skips |
| 15 | City Deep | COJ | Street cleaning, Bulk |
| 16 | Madala | COJ | Litter Picking, Bulk skips |
| 17 | Nobuhle | COJ | Litter Picking, Bulk skips |
| 18 | Helen Joseph | COJ | Litter Picking, Bulk skips |
| 19 | Anthea | COJ | Street cleaning, Bulk |
| 20 | Goudrand | COJ | RCR, Litter Picking, |
| 21 | Durban Deep | Private | Bags & Bulk |

***Bulk Services and Dailies Business***

The commercial business consisting of bulk and daily services remained fairly stable apart from the disruptions experienced in April 2011 with the Pikitup strike. This affected the service

delivery on both the dailies and bulk divisions. The financial impact was experienced more on Bulk side (see figure 7.13), as billing takes place on the basis of service orders submitted while the Dailies Billing is a standard monthly cost (figure 7.12).

There has been a number of operational systems put in place which has resulted in a more streamlined way of conducting the Commercial Business. The new and improved processes should bring in a consistent upward improvement in the business and have stabilized the business during the year under review.

The vehicle availability still remains a challenge and impacts negatively on the overtime budget, customer service and results in numerous complaints being logged. This together with the aging fleet (vehicles over 220 000km are not covered by the maintenance of the Fleet Africa contract and all costs are attributed to the division) is a major contributor to the negative variance of the lift management (see figure 7.14).

The expenditure versus income resulted in negative variances on both Bulk and Dailies due to vehicle breakdowns, aging fleet, provision for bad debts and overtime expenditure.

**Figure 7.12: Dailies Revenue**

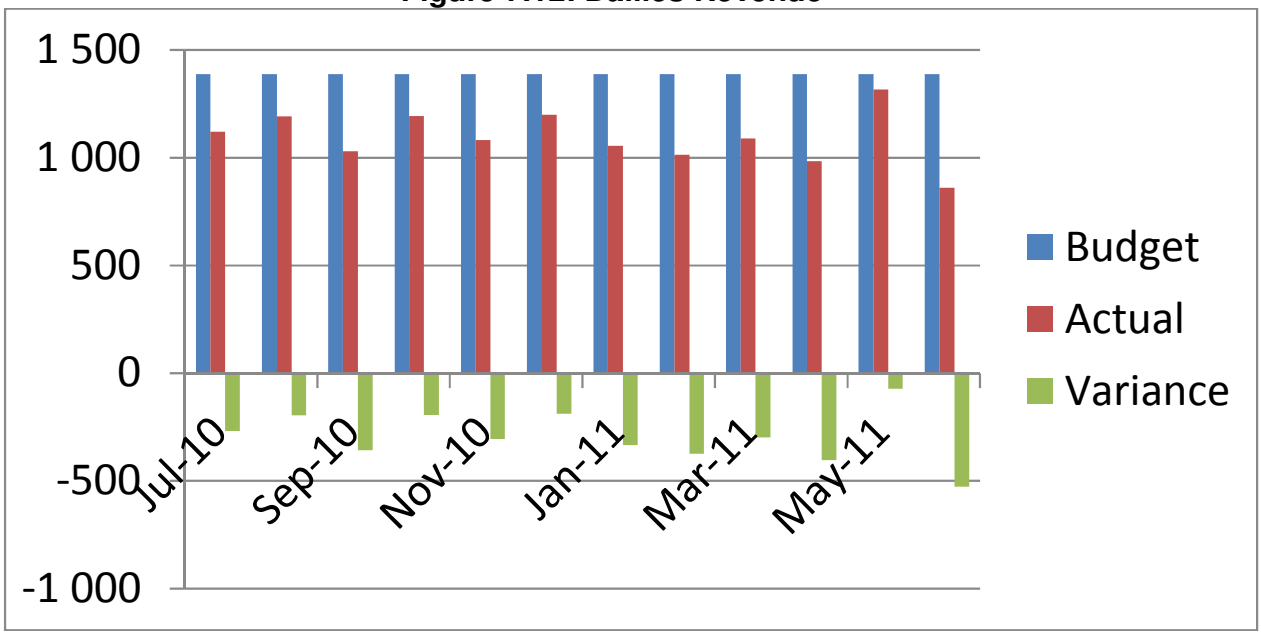
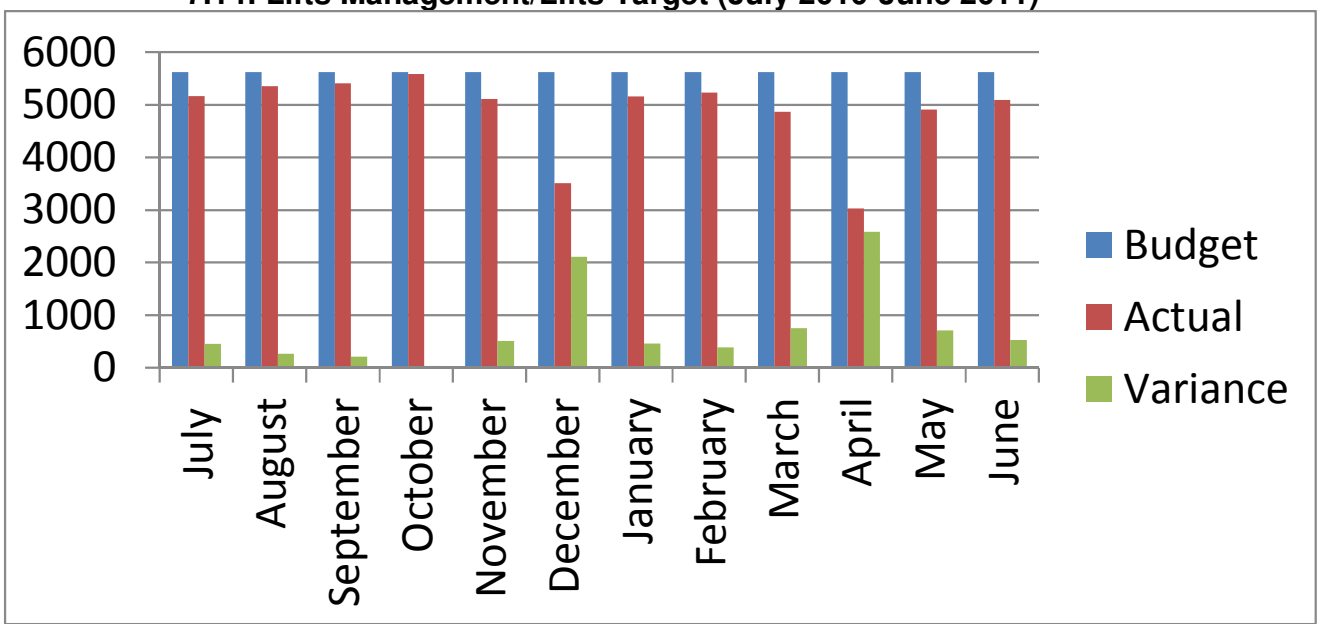


**Figure 7.13: Bulk Revenue**

**7.14: Lifts Management/Lifts Target (July 2010-June 2011)**



## *Inner City*

**Table 7.4 : Quadrant by Quadrant Cleaning Level**

| Quadrant 1 | Level | Quadrant 2 | Level | Quadrant 3 | Level | Quadrant 4 | Level |
|---|---|---|---|---|---|---|---|
| Bertrams | 4 | Hillbrow | 3 | CBD | 4 | Braamfontein | 4 |
| Doornfontein | 4 | Berea | 4 | Joubert Park | 4 | Newtown | 4 |
| Troyeville | 3 | Parktown | 4 | Jeppestown | 3 | Fordsburg | 4 |
| Fairview | 4 | Killarney | 3 | City Suburban | 4 | Vrededorp | 4 |
| Malvern | 3 | | | Marshalltown | 4 | Parktown | 4 |
| Jeppestown | 3 | | | | | Milpark | 4 |
| Laurelville | 4 | | | | | Marshalltown | 4 |
| Judith Paarl | 3 | | | | | Selby | 4 |
| | | | | | | Mayfair | 3 |
| **Averages** | **4** | | **3** | | **4** | | **4** |

Achieved an average level 4 of cleanliness in four quadrants

## Landfills and Disposal Management

### Highlights and Achievements

The performance highlights for the period under review included but are not limited to the following:

- A three year contract was awarded for the supply of Garden Sites and As and When Required Landfill equipment.
- Two new landfill cell development and contaminated storm-water ponds were planned for Marie Louise and Ennerdale landfill sites.
- Garden Sites including: Midrand (5 sites), Bally Claire, Migson Manor and Norwood garden sites had undergone routine maintenance and repairs.
- The Mayoral Committee approved a Pikitup Report recommending the outsourcing of the Springfield Healthcare Waste Incinerator.
- The Compost Plant received delegations from China and Rustenburg Municipality as a learning exchange programme.
- The Landfill gas to Energy (LFG) project awarded by the City of Johannesburg to Energ Systems and independent company was initiated at Robinson Deep. This project will address the release of landfill gasses which include methane (global warming agent and explosive in nature) and noxious gases like hydrogen sulphide.
- Linbro Park profiling of side slopes resulted in extra cover material produced and transported to Robinson Deep, which received huge criticism both from the permitting authorities (GDARD) and the public.

### Key Challenges

| Challenge | Mitigation Measures |
|---|---|
| ➢ Envitech was contracted to complete the engineering designs for Robinson Deep contaminated water | The designs were completed at the end of the financial year and was submitted for Department water Affairs approval |
| ➢ Robinson Deep insufficient cover material presents a compliance challenge | Linbro Park profiling of slopes provided suitable cover to augment low cover stockpiles, illegal dumping trucks were diverted to this landfill, and free builders rubble was accepted at the site. |
| ➢ Goudkoppies and Ennerdale broken perimeter walls presents a security and influx of uncontrollable reclaimers | Urgent Capex Business Case submissions were presented to Capital Planning and Execution for approval by the City.<br>the Goudkoppies cell development will also include repairs of the perimeter wall making use of USDG funding |
| ➢ Garden Sites experienced high Fleet breakdowns significantly impacting garden site cleaning cycles and housekeeping | Ongoing complaints have been lodged with fleet Africa, though the situation deteriorated after the discontinuation of the As and When service provider contract |
| ➢ Compost Plant experienced high plant and equipment breakdowns (Pikitup owns the obsolete assets) | A Business case was developed to outsource the plant and equipment coupled to a maintenance contract. |
| ➢ The Incinerator was shut by Department of Environment Affairs for non-compliance a R15m investment was needed to meet compliance | The Mayoral Committee approved the outsourcing of the Incinerator Plant based on shared revenue potential |

## Disposal Management

Disposal Management is responsible for managing the four active landfills, 42 garden sites, and Compost Plant. The Incinerator was closed in September 2010, by the Department Environment Affairs, due to obsolescence and non-compliance. (i.e. required a Capex investment exceeding R15m to meet compliance).

### Landfill Operations

The primary objective of the landfill operations is to prevent windblown litter and therefore daily waste compaction and cover is essential. Environmental nuisances such as litter, odour, vermin and dust are required to be effectively managed through adequate pollution control measures. Adequate plant and equipment must be deployed to progressively construct the landfill until it reaches its final form. Proper landfill monitoring programmes covering are quality, water quality and airspace is essential. Progressive rehabilitation is required through the life of landfills, so as to minimise the financial impact of delayed rehabilitation, but more importantly complying with the DWAF Minimum Requirements. Stormwater management, infrastructure development and refurbishments must progressively take place, in order to preserve asset conditions.

### Landfill Compliance

An independent landfill audit was conducted in 2009 and all the active landfill sites. The scores assigned to each of the respective landfill sites are summarised in the table below. The average overall score for the four sites was 77%.

Table 5: Audit scores of the four landfill sites

| Landfill Site | Score |
|---|---|
| Robinson Deep | 74% |
| Marie Louise | 88% |
| Goudkoppies | 72% |
| Ennerdale | 77% |
| **Average** | **77%** |

The key areas of concern identified in the audit related to broken perimeter walls at Ennerdale and Goudkoppies. Contaminated water ponds were found to be inadequate to manage all dirty water runoff at Robinson Deep and Goudkoppies. Reclamation was exacerbated by the uncontrolled access by informal salvagers, due to the broken walls which require significant funding to repair. General building repairs and maintenance was highlighted, as well as the defective wheel washer bays. Lack of progressive rehabilitation was further highlighted as an area of concern.

### Compaction and Cover

Compaction – The standard set for compaction is 0.9 tons per cubic meter. The compaction ration each quarter exceeded the required standard. The table below illustrates the average compaction ratios per quarter for the year.

Table 6: Average Compaction Ratios per Quarter

| Quarter | Compaction Ratio |
|---|---|
| Quarter 1 | 1.26 t/m3 |
| Quarter 2 | 1.12 t/m3 |
| Quarter 3 | 1.20 t/m3 |
| Quarter 4 | 1.15 t/m3 |

Cover material – daily cover material is required to ensure that the waste received each year properly covered, to avoid any nuisances i.e. odour.

## Environmental Committees

The DWAF 1998 (2nd Edition) "Minimum Requirements" stipulate that all landfill operators must hold annual environmental committee meetings. Disposal held two environmental committee meetings at each of its operating landfills.

## Landfill Monitoring

The site permits and Minimum Requirements provides for monitoring of specific landfill and environmental parameters. Ongoing landfill air quality, ground water and airspace monitoring programmes are ongoing.

## Airspace Management

A range of landfill options have been identified and have been investigated on an on-going basis. These initiatives are summarised below as follows:

- **Adjacent land acquisitions:** Land acquisition opportunities exist at Ennerdale where Corobrick has been amenable to selling off adjacent land to the City. Opportunity also exists to acquire land from Johannesburg Water, which lies on the northern extend of the Goudkoppies landfill.
- **Height extensions:** GDARD have approved landfill height extensions at 3 out of 4 active landfill sites.
- **Municipal landfills**: There is potential for Pikitup to dispose of waste at the Emfuleni - Palm Springs landfill sites, which has been recently permitted and requires development, subject to further negotiations. Land also exists just north of the landfill site where Pikitup could develop the stretch of land, piggybacking on the Ennerdale side of the landfill.
- **New landfill site identification:** Consultants have been appointed to evaluate suitable land for establishing a new landfill site in the northern parts of Johannesburg.
- **Private landfills:** Three private landfill sites exist in the northern parts of the city, two located in Midrand (Inter Waste (FGs), Enviroserv (Chloorkop) and Waste Group (Mooiplaats) in Erasmia. The contract at both Mooiplaats and Chloorkop is coming up for review and Supply Chain is entering into a closed bidding process to secure best negotiated tariffs.
- **New landfill:** A new landfill sitting investigation was initiated to determine if suitable land is available to establish a 30 year landfill site in the north. The study is currently in progress and on-going progress reports will be issued.
- **Transfer Station feasibility:** A Transfer Station feasibility study is under way to assess the viability of improving the existing infrastructure which was partially developed at Linbro Park landfill. A Materials Recycling Facility (MRF) which I geared to increase the diversion of recyclable materials.

- **Separation at source:** Efforts to expand the Waterval separation at source pilot project will sharply improve our efforts to increase waste diversion from landfills, and increase landfill airspace preservation.

- **Waste to Energy:** The Waste to Energy project is gaining momentum and is expected to divert up to 500 tons of waste per day. Based on a 30.5 day month, this could likely translate into an annual landfill airspace saving of 183,000 tons.

The following airspace initiatives are being pursued in the table below.

Table 7: Airspace Management Initiatives

| Airspace Initiative | Status Report |
|---|---|
| 1. Adjacent land acquisitions | ▪ Land acquisition opportunities exist at Ennerdale where Corobrick has been amenable to selling off adjacent land to the City.<br>▪ Opportunity also exists to acquire land from Johannesburg Water, which lies on the northern extend of the Goudkoppies landfill. |
| 2. Height extensions | ▪ GDARD have approved landfill height extensions at 3 out of 4 active landfill sites. |
| 3. Municipal landfills | ▪ There is potential for Pikitup to dispose of waste at the Emfuleni - Palm Springs landfill sites, which has been recently permitted and requires development, subject to further negotiations.<br>▪ Land also exists just north of the landfill site where Pikitup could develop the stretch of land, piggybacking on the Ennerdale side of the landfill. |
| 4. New landfill site identification | ▪ Consultants have been appointed to evaluate suitable land for establishing a new landfill site in the northern parts of Johannesburg. |
| 5. Private landfills | ▪ Three private landfill sites exist in the northern parts of the city, two located in Midrand (Inter Waste (FGs), Enviroserv (Chloorkop) and Waste Group (Mooiplaats) in Erasmia.<br>▪ The contract at both Mooiplaats and Chloorkop is coming up for review and Supply Chain is entering into a closed bidding process to secure best negotiated tariffs. |
| 6. Transfer Station feasibility | ▪ A Transfer Station feasibility study is under way to assess the viability of improving the existing infrastructure which was partially developed at Linbro Park landfill.<br>▪ A Materials Recycling Facility (MRF) which I geared to increase the diversion of recyclable materials. |
| 7. Separation at source | ▪ Efforts to expand the Waterval separation at source pilot project will sharply improve our efforts to increase waste diversion from landfills, and increase landfill airspace preservation. |
| 8. Waste to Energy | ▪ The Waste to Energy project is gaining momentum and is expected to divert up to 500 tons of waste per day.<br>▪ Based on a 30.5 day month, this could likely translate into an annual landfill airspace saving of 183,000 tons. |

The table below lists the LFG monitoring recommendations of the five landfill sites for the financial year.

Table 8: Recommendations of LFG Monitoring at the five landfill sites

| Landfill | No of Probes | Gas Production levels at the site | Impact | Mitigation |
|---|---|---|---|---|
| Robinson Deep | 31 | Ambient CH4 concentrations exceed DWAF guideline | Explosion hazard Odour problems | Daily covering of waste and odour suppression. Passive or active venting system is required. |
| Marie Louise | 25 | LFG production is high at the site | Explosion hazard Odour problems | Passive or active venting required |
| Goudkoppies | 27 | LFG production is high at the site. H2O concentration are of concern | Explosion hazard Odour problems | Passive or active venting required |
| Ennerdale | 27 | LFG production is high along the eastern boundary of the site. | Explosion hazard Odour problems | Passive or active venting required |
| Linbro | 66 | LFG production is high at the site. H2S concentration are of concern | Explosion hazard Odour problems | Passive or active venting required |

## New Landfill Cell Developments

New cell developments, slope rehabilitation, and associated storm-water drainage systems were designed and constructed during the period under review, which is summarised here.

- **Marie Louise:** Fountain Civil Engineers was contracted to construct a new fully lined waste cell, contaminated water pond, and slope rehabilitation at Marie Louise landfill site. However the contractors failed to complete the new cell resulting in only half a cell being constructed. The contractor similarly failed to complete the slope rehabilitation. Planning and Capital Execution must find additional funding to finish the half cell. Disposal commissioned the slope rehabilitation in line with the minimum Requirements.

- **Ennerdale:** Fountain Civil Engineers was similarly contracted at the same time to complete a waste cell, slope rehabilitation, and contaminated water pond at the respective landfill. The slope rehabilitation was done at a gradient of 1:125, which subsequently has the potential to result in slope failure, as a consequence of the steep slope gradient

## Transfer Station

Jefferies Green was contracted to complete the engineering designs for the Linbro Park transfer Station and completed the feasibility report'

## Water Quality

There were no significant changes during the period July 2010 to June 2011 to the water quality at Robinson and Marie Louise and there is no evidence of landfill-related pollution.

At Linbro, an improvement was noted at GL13S, a shallow borehole in the vicinity of leachate production on the western side of the site. The borehole does, however, remain polluted by historical standards.

At Goudkoppies, GG10, on the southern boundary, continues to show signs of pollution and GG11, at the south-western corner, may also be contaminated. The three boreholes along the northern boundary continue to be polluted and this may be due to leakage from the adjacent dam.

There was a general improvement in the accessibility of the boreholes for this monitoring event, except for Ennerdale, where neither borehole could be sampled.

The table below list the water quality recommendations of the five landfill sites for the year in question.

Table 9: Recommendations of Water quality at the five landfill sites

| Landfill Site | No of Boreholes | Status | Recommendations |
|---|---|---|---|
| Robinson Deep | 9 | No significant changes in w.g was observed at this site | No recommendations |
| Marie Louise | 5 | No significant changes in w.g was observed at this site | No recommendations |
| Goudkoppies Landfill | 12 | One borehole leaked on the Southern boundary of the site shows signs of pollution | Remedial measures must be taken to address the pollution observed in boreholes GG10 and GG11. |
| Ennerdale | 3 | No significant changes in water quality was observed at this site | Existing boreholes are located on the eastern boundary and additional boreholes are required to monitor the entire site. Pollution noted on the Southern side of the landfill must be addressed. |
| Linbro | 13 | Leachate was observed on the western boundary. | Leachate emerging on the western side of the landfill must be removed |

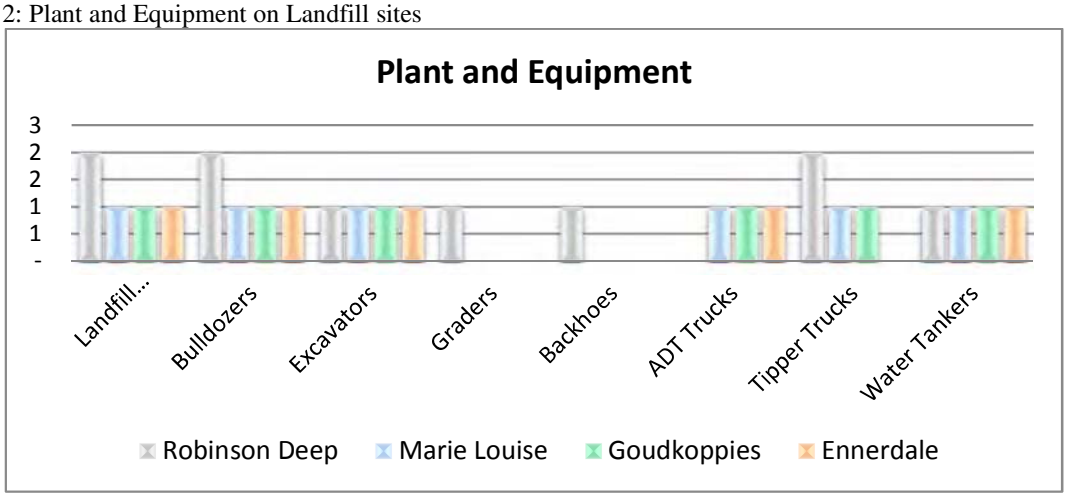
### Topographic Surveys

Topographic surveys are done monthly to monitor landfill airspace utilization and to manage future airspace judiciously. A consolidated annual report was compiled and submitted.

### Plant and Equipment

The deployment of adequate plant and equipment is extremely important for the successful operation of all landfill sites. Availability of plant is essential, because the existing landfills receive high volumes of waste daily. Various pieces of plant and equipment are deployed at the respective landfills and are specifically deployed based on the landfill size, type of waste, and volumes received. The effectiveness of the plant and equipment is evident by the high compaction and cover under the relevant section above in this report. The graph below lists the types of plant and equipment and quantity deployed at each site.

Figure 2: Plant and Equipment on Landfill sites



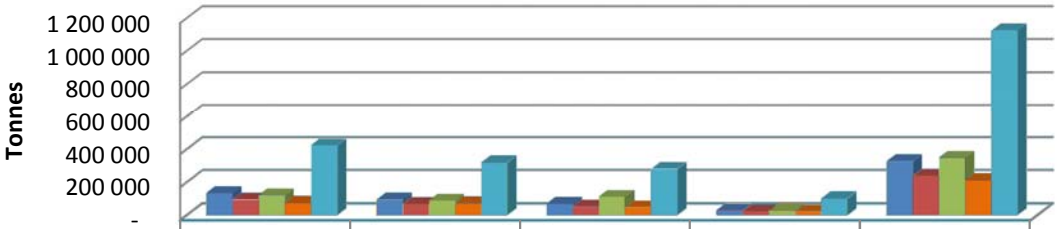

## Weighbridges and Tonnages Disposal

A total of ten weighbridges have been installed at the Disposal sites, which measures the volume of incoming waste. The weighbridges are linked to a sophisticated IT soft ware system which records the type of waste, volume and vehicle registrations. The system is able to block out any vehicles linked to accounts which have not been paid or are overdue. The figure below illustrates a typical weighbridge at one of the landfills.

Figure 3: Weighbrige at one of the Lanfill site

The growth of waste was marginal from quarter to quarter. The total volume of waste for the financial year amounted to 1,123,494 tones. The figure below illustrates the tonnages diverted to the four landfill sites for the period of July 2010 to June 2011.

Figure 4: Landfill Tonnages FY July 2010 – June 2011




| | Robinson Deep | Marie Louise | Goudkoppies | Ennerdale | Total |
|---|---|---|---|---|---|
| Q1 | 134 421 | 92 889 | 69 435 | 29 979 | 326 724 |
| Q2 | 93 428 | 67 372 | 52 984 | 23 179 | 236 963 |
| Q3 | 120 679 | 87 946 | 110 846 | 28 290 | 347 761 |
| Q4 | 74 957 | 70 564 | 46 568 | 19 957 | 212 046 |
| Total | 423 485 | 318 771 | 279 833 | 101 405 | 1 123 494 |

## Rehabilitation

Significant work has been done on the rehabilitation of both Kya Sands and Linbro Park landfill sites. A huge concern from the public, political leaders and Region A forced Pikitup to take corrective action. GDARD issued a Waste Management Licence to Pikitup in terms of the National Environmental Management Waste Act (NEMWA) 2008. This waste licence prescribes that Pikitup must commission rehabilitation within two years from the date of issue. Any failure to comply may result in litigation against Pikitup and a possible revoking of the waste licence by the Permitting Authorities. This would require Pikitup to reapply for a Waste Management licence which could take up three years notwithstanding the potential risk of having to pay legal costs and possible fines.

It is absolutely vital that a perimeter wall be constructed to prevent unlawful entry, illegal dumping and “scavengers” on site. The progress achieved to date is clearly illustrated in the before and after photos appear below

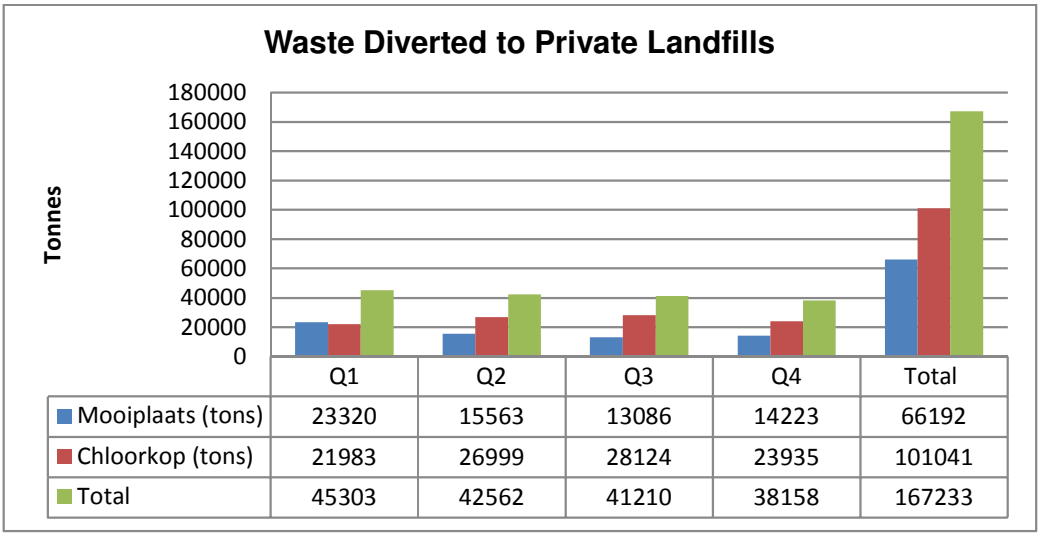
Figure 5: Before

Figure 6: After

### Private Landfill Sites

In addition to the green and dry waste diverted, waste is also diverted to the Mooiplaats and Chloorkop private landfills. The tonnages for the finical year July 2010 to June 2011 are depicted in the following graph.

Figure 7: Waste Diverted to Private Landfills




| | Q1 | Q2 | Q3 | Q4 | Total |
|---|---|---|---|---|---|
| Mooiplaats (tons) | 23320 | 15563 | 13086 | 14223 | 66192 |
| Chloorkop (tons) | 21983 | 26999 | 28124 | 23935 | 101041 |
| Total | 45303 | 42562 | 41210 | 38158 | 167233 |

## Garden Sites

### Garden Site Management

Pikitup operates ad manages 42 gardens sites and are run from six depots. Operations largely entail the collection and transportation of green waste to the Panorama Compost Plant and residual mixed waste to the landfill sites. Dry recylable waste is also recovered by local recycling enterpensuries who sell on the materials to recycling companies. Buliders rubble is also collected at 12 of the garden sites.

A new model has been implemented which introduces mobile chippers which chips all green waste at the relevant garden sites and the material is either containerised in 6 cubic meter bins, or directly into 5 tone tipper trucks. This increases the amount of green waste volumes which could be moved, improves transportation and operational efficiencies.

### Garden Site Operations

Garden Sites historically experienced high utilisation over weekends and holidays when residents clean out their unwanted household items and gardens. This causes a number of logistical and operational challenges which impacts service delivery and result in public complaints, as summarised below:

- Weekly cleaning schedules are often affected by the low availability of Garden Site vehicles. The Garden Sites fleet has not been renewed as is the case of Operations recently. The average age of RCR compactors is 7 years and they are highly prone to

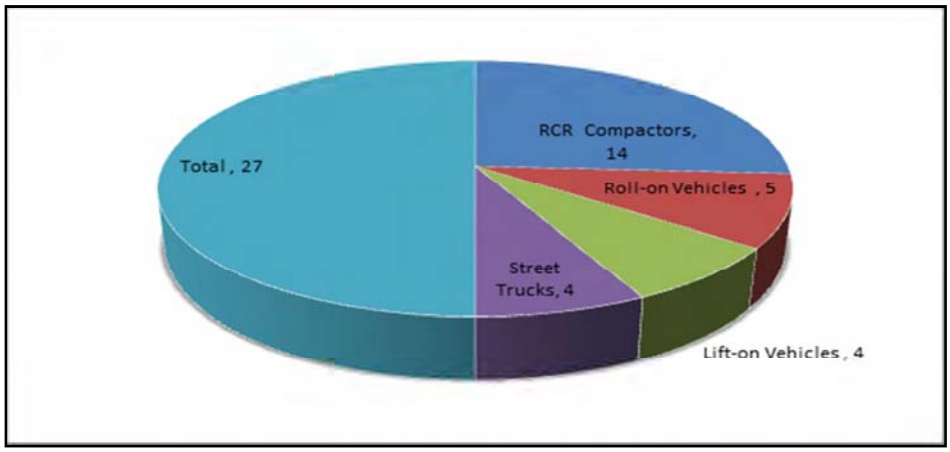
weekly breakdowns. These cannot be de-fleeted because the contract has come up for review and will be ordered under the new contract.

- Although new Roll-on-Roll-off (RoRo) vehicles have been secured under the new plant and equipment contract, the five (5) of the older units supplied under Fleet Africa, generally have an extremely low level of availability. These RoRos are best suited for transporting chipped green waste material efficiently and effectively.
- The 42 Garden Sites are extremely fragmented, with some located in the extreme north (Midrand), Ennerdale in the south, Roodepoort in the west, and Bezuidenhoudt Valley in the east.
- Extensive fleet breakdowns places huge pressure on the remaining vehicle complement, which must be shuffled between the fragmented sites resulting in less rounds being completed, excessive kilometres and high penalties being charged.
- The presence of "scavengers" at the entrances of large facilities such as Waterval causes huge problems as they pull off recyclable materials when the public brings waste on open vehicles to the sites.

### Fleet

The figure below illustrates the current fleet deployed to garden sites which are supplied by Fleet Africa. The entire fleet comprises SLB vehicles which are all older than 2005, and are consequently prone to high breakdowns and low availability. This low fleet availability adversely affects operations because it affects collection cycles and garden sites experience huge backlogs.

Figure 8: Fleet deployed to Garden Sites

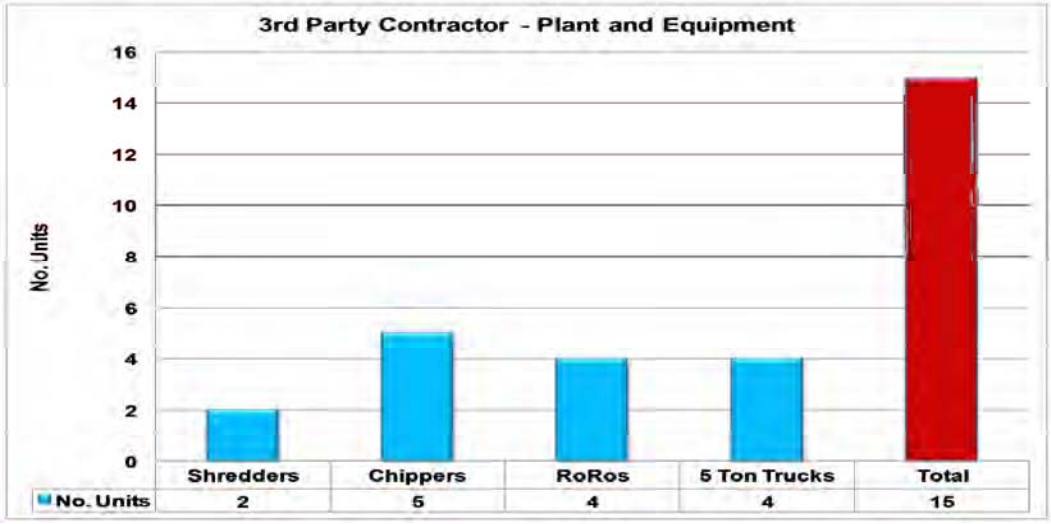



### Plant and Equipment

A new three year contract was awarded to Aqua Transport to supply specialist plant and equipment for garden sites and rehabilitation on closed landfills. Two new shredders were delivered to service Bally Clare and Panorama garden sites. Two front loaders were deployed at the aforementioned sites to load shredded materials into 30 cubic meter bins, which increases the amount of green waste volumes diverted from landfills. In addition, four 5-ton tipper trucks and chippers were sourced to rove between busy garden sites to chip and collect green waste. The following figure graphically illustrates the number and type of plant and equipment units

supplied. The figure below graphically illustrates the number and type of plant and equipment units supplied.

Figure 9: 3rd Party Contractor Plant




## Repairs and Maintenance

Most garden sites are constantly vandalised by the public, five gardens sits were refurbished during the first quarter under review. Minor repairs and maintenance was done at Bally Claire, Melrose, and Norwood. Capital funding is required to install sewer and water connections at a few sites. This is critical because it has a serious humanitarian impact. Refurbishments were completed at the Midrand garden sites. The following figure depicts evidence of the work undertaken.

Figure 10: Refurbishments at Dale Road / Before

Figure 11: Refurbishments at Dale Road / After

Figure 12: Refurbishments at Spree Street / Before

Figure 13: Refurbishments at Spree Street /After

Two new shredder machines have been supplied under the new contract, as illustrated in the figure below.

Figure 14: New Shredder

## Compost Plant

The compost plant was established as a pilot plant in September 2004 on an old un-rehabilitated landfill. The plant was designed to have a production throughput of 30,000 tons of green waste into compost as a saleable product.

Several limitations however constrains the desired production capacity of the plant, for example the un-rehabilitated terrain, which gets water logged when it rains and stops production. Pikitup procured compost plant and equipment in 2004 without putting into place a maintenance contract. The plant therefore consistently breaks down and the cost of repairs exceeds the book value of the assets. The operating area is also far too small and excessive material is stockpiled expensing 6 meters high. This in itself presents a fire risk.

## Plant and Equipment

The table below lists the respective plant and equipment which was procured and deployed at the facility. The data below illustrates the high breakdowns which are prevalent in the business. This adversely affects production and ultimately sales.

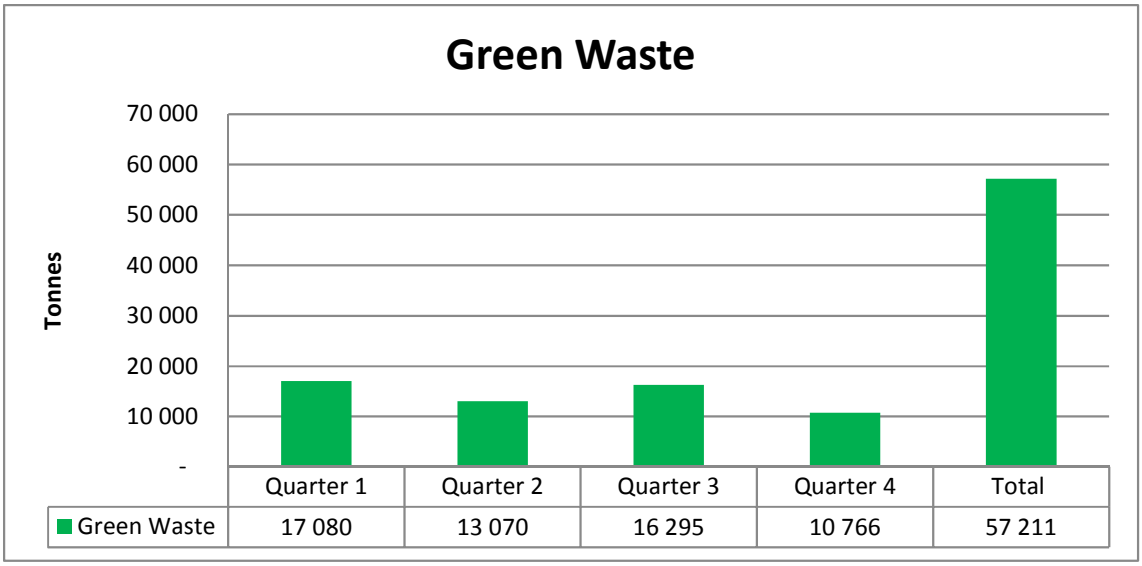
Figure 15: Plant and Equipment

| Plant | Quantity | Available | Breakdowns |
|---|---|---|---|
| Bobcat | 1 | 1 | 0 |
| Chippers | 2 | 1 | 1 |
| Front Loaders | 3 | 1 | 2 |
| Tractors | 1 | 0 | 1 |
| Trommel Screens | 1 | 0 | 1 |
| Windrow Turners | 1 | 0 | 1 |
| **Total** | **9** | **3** | **6** |

### Green Waste

The figure below illustrates the volume of green waste diverted from landfills during the period under review. The highest volumes were diverted during Quarter 1 (17,080 tons), followed by Quarter 3 (16,295 tons), Quarter 2 (13,070 tons) and finally Quarter 4 (10,766 tons).

Figure 16: Green Waste Diverted from Landfills




## Projects and Programmes

- **Marie Louise Progressive Rehabilitation**
  **Slope Rehabilitation:** Disposal Management commissioned side slope rehabilitation work at the affected landfill site, since appointed contractor failed to complete the entire

scope of comprising: a new waste cell, side slope rehabilitation, and contaminated water pond. Tremendous progress was achieved and savings were achieved using available resources.

- **Randburg Garden Sites:** Engineering designs and construction work for the affected garden sites was completed. Additional work is required to complete the site and Planning and Capital Execution, must procure bins prior to the site being handed over to the line function.

- **Orange Farm Garden Site**: Engineering designs and construction work for the affected garden sites was completed. Planning and Capital Execution did not provide for the procurement of new bins and the line function could subsequently not take handover of the site, because it will result in illegal dumping and double handling.
- **Compost Plant:** A feasibility study was done by Themba Consultants on potentially to upgrade the Compost Plant.

## CUSTOMER SERVICES

### Highlights for the year under review are outlined below:

- The Business Plan and Tariff Report were approved by the Mayoral Budget Lekgotla
- Tariffs for 2011/12 have been uploaded to the SAP Billing system, verified and signed-off
- Process guides complementing the slightly out-dated Phakama Blueprint have been developed for Service Changes, Service Cancellations and New Customers' processes
- Billing for the City Cleaning Levy occurred retrospectively from February 2011

### The Key Challenges for the year under review are outlined below:

- Commercial revenue realised for the full year under budget by R10,981,686, mainly due to City Cleaning Levy, Institutions, Bulk Containers and Dailies businesses
- The Revenue Allocation Model approved by the Mayoral Committee has not being implemented to date. The model would give Pikitup preference over Water and Power in allocation of income collected from debtors, after Interest and Rates
- Customers not receiving statements due to integration problems between SAP billing system and the printer for statements
- Accounts not billed due to "Error Logs" (amounts billed out of line with the billing trend on SAP, etc) created on the SAP billing system
- Ineffective credit control by Revenue Management Department resulting in the escalation of debt
- Collection levels dropped from an average of 92% pre-Project Phakama to an average of 76% post implementation of Phakama, resulting in higher than budgeted bad debt provision
- The Incinerator plant was shut down by government in November 2010 due to non-compliance of permit conditions, resulting in loss of revenue
- Influx of customers to Pikitup Head Office due to unresolved queries or unacceptable service levels, exerting pressure on constrained staff resources
- Delayed billing of the commercial customers for the City Cleaning Levy due to SAP billing system configuration. Retrospective billing of these accounts, which occurred in February 2011, resulted in higher bills and unhappy customers

- Accounts not migrated that failed migration rules. Amongst others, the rules excluded customers without Assessment Rates account such as Landfill accounts located outside of the City of Johannesburg (CoJ)
- SAP Customer Relationship Management system (CRM) not fully rolled out to the Depots as at June 2011, following rollout that began in December 2010. Issues include aligning of Pikitup regions to that of the CoJ and routing of queries to correct Depots
- Query resolution on SAP CRM very low at 74% as at June 2011, against a set target of 95% of queries resolved within 7 days as per the Service Level Agreement with Revenue & Customer Relations Management Department (R&CRM)

## Sales and Marketing

Marketing and branding interventions for the year under review scaled down due to budget constraints.

Marketing interventions implemented during the year include:

- Pikitup actively participated in the shopping malls' Service Delivery Campaigns led by CoJ's Public Liaison Department.
- Actively participated in the Mayor's Stakeholder Summit held at Gallagher Estate
- Placed Clean City promotional adverts in the Resource and Jozi Beat magazines.
- Facilitated the Internal Staff Campaign of the CoJ ("You Make Joburg Great") where all staff members received nomination forms for innovative ideas on a competition ran by CoJ.
- Co-ordinated the shopping malls campaign for the Separation at Source project. Editorials were also placed in the Northcliff/Melville Times for Separation at Source.
- Participated in the Communications and Marketing Forum meetings hosted by the Acting Executive Director for Public Liaison, which dealt with aspects of marketing and communications.
- Actively participated at the annual Rand Easter Show 2011
- Assisted with the development and implementation of the Annual Environmental Awards in conjunction with City parks, Region E and Alexandra Renewal Project.

**Figure 17 - Shopping Mall Campaigns**

**Figure 18 - Pikitup Stall at Rand Easter Show**

Education and awareness promotional material was developed for:

- Separation at Source pamphlets
- Illegal Dumping programme
- Disclaimer decals
- Safety policies
- Training booklets

## Revenue Management

### Commercial Revenue

| | Actual | Budget | Variance |
|---|---|---|---|
| BULK CONTAINER SERVICES | 29 118 385 | 31 425 000 | (2 306 615) |
| LANDFILL FEES | 30 045 711 | 23 348 000 | 6 697 711 |
| INCINERATION FEES | 622 986 | 642 000 | (19 014) |
| INSTITUTIONS | 2 903 142 | 9 400 000 | (6 496 858) |
| COMPOSTING | 1 094 143 | 1 700 000 | (605 857) |
| BUSINESS RCR | 67 274 057 | 66 198 000 | 1 076 057 |
| BUSINESS DAILIES | 12 922 106 | 14 220 000 | (1 297 894) |
| SAFE DISPOSAL | 503 124 | 27 000 | 476 124 |
| **SUB-TOTAL** | 144 483 654 | 146 960 000 | (2 476 346) |
| | | | |
| IS-U CITY CLEANING LEVY | 54 162 043 | 62 667 564 | (8 505 521) |
| **TOTAL** | **198 645 697** | **209 627 564** | **(10 981 867)** |

The commercial revenue realised for the 2010/11 was R10,981,867 below budget. The lower than budgeted revenue is attributable mainly to:

- City Cleaning – Negative variance of R8,505,521 due to delayed billing owing to SAP configuration. Retrospective billing of City Cleaning Levy accounts resumed only in February 2011.
- Institutions – Lower revenue realised on non-profit making institutions such as Schools, Old Age Homes, etc
- Bulk Container Business – Lower revenue due to a highly contested market with the private sector, which offer competitive prices compared to Pikitup
- Business Dailies – Though this is a captive market for Pikitup, there is a shift in the market towards Static compaction of waste especially by Shopping Centres. Currently Pikitup does not offer this service on its basket of products

Other factors that resulted in lower than budgeted revenue include:

- Customers not receiving statements and thus not making payments
- Accounts not billed due to billing error logs – SAP not billing accounts which are not in line with SAP system trend
- Accounts not migrated having failed the SAP migration rules, only to be re-instated at a later stage – For example customers residing outside of CoJ without an Assessment Rates account number

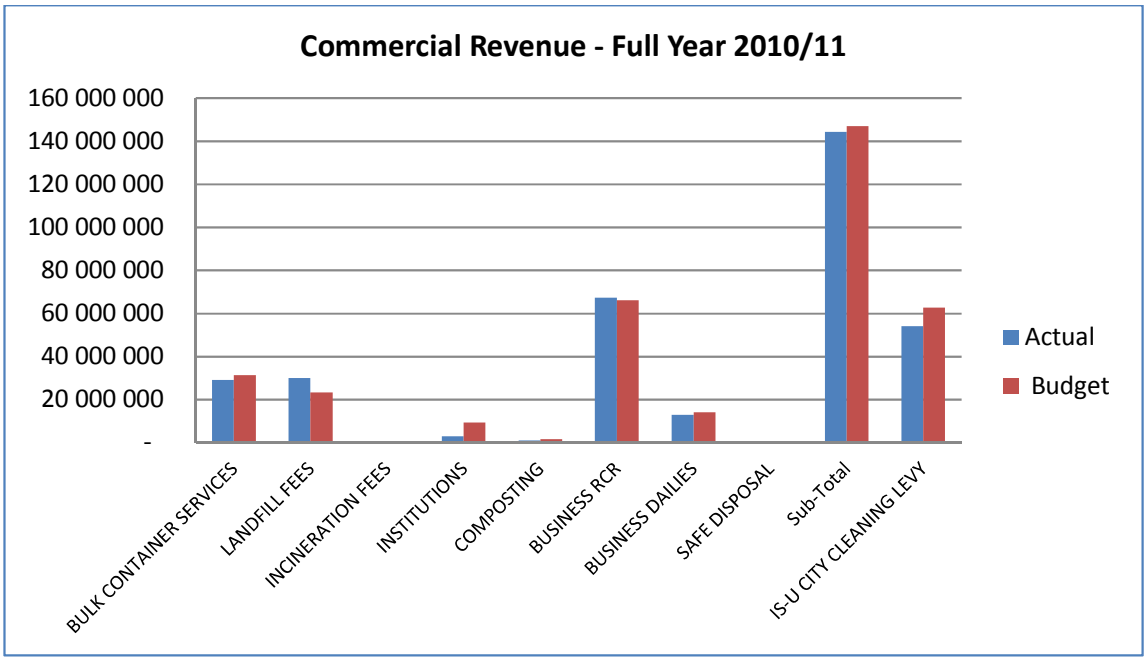



**Figure 19 - Commercial Revenue**

## Consumer Debtors

The accumulated debt grew to a staggering R222 million as at June 2011, with more 60% of debtors in arrears for more than 6 months. The sharp increase in the accumulated debt is attributable to:

- Low collection levels, dropping from an average of 92% during the 2009/10 financial year to an average of 76% in 2010/11.
- Lack of effective credit control measures implemented post implementation of Project Phakama
- Other customers having not received statements since June 2010
- Delay billing of the City Cleaning Levy due to SAP billing system configuration to facilitate billing of business accounts

| Month | 0-30 Days | 31-60 Days | 61-90 Days | 91-180 Days | Over 180 Days | Total |
|---|---|---|---|---|---|---|
| Dec-10 | 20 264 620.15 | 23 463 743.80 | 3 873 428.12 | 26 701 730.22 | 95 583 164.76 | 169 886 687.05 |
| Jan-11 | 17 434 129.89 | 9 542 622.23 | 21 907 560.50 | 12 036 586.14 | 112 036 333.20 | 172 957 231.96 |
| Feb-11 | 45 742 889.87 | 5 100 465.74 | 8 811 691.71 | 29 946 101.50 | 112 784 810.52 | 202 385 959.34 |
| Mar-11 | 45 300 464.97 | 6 315 182.76 | 3 731 902.53 | 28 757 443.51 | 115 266 982.98 | 199 371 976.75 |
| Apr-11 | 20 503 975.13 | 25 498 551.94 | 6 046 956.43 | 28 528 195.00 | 116 333 118.83 | 196 910 797.33 |
| May-11 | 29 633 671.27 | 8 331 736.19 | 23 320 717.07 | 14 545 276.22 | 130 575 886.72 | 206 407 287.47 |
| Jun-11 | 46 634 766.31 | 5 240 992.51 | 7 312 016.53 | 28 486 202.86 | 134 364 310.57 | 222 038 288.78 |

**Figure 20 - Debtors Age Analysis**

The growth in accumulated debt also resulted on increased bad debt provision

The graph below illustrates a trend in the escalating debt:

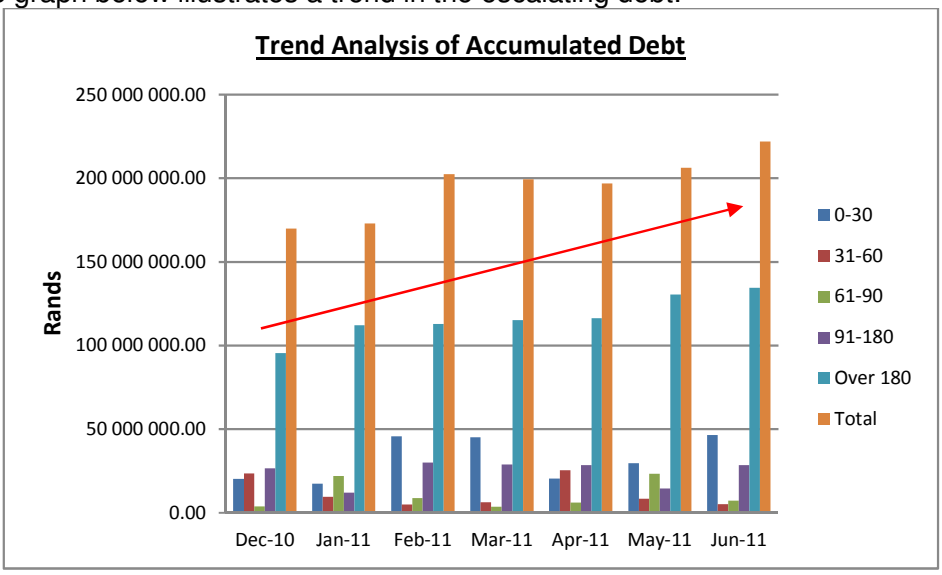



**Figure 21 - Trend Analysis of Growing Debt**

## Customer Relations Management – SAP CRM

Pikitup technical query resolution rate stood at 74% as at June 2011, taking into account queries manually resolved due to issues listed below. This implies that Pikitup failed to attain a target of 95% for technical queries resolved within 7 days by 11%.

Pikitup migrated from the legacy PEGA system to SAP CRM in December 2010 for management of Service Tickets. The rollout of SAP CRM had many challenges for Pikitup, amongst others:

- Prolonged delays on rollout of SAP CRM software to Depots
- Competency of users – Users having being re-trained due to incorrect training provided to users
- Alignment of Pikitup Depots to CoJ's regions – Service tickets not routed to relevant Depots but Central Pikitup Central inbox.
- The latter resulted in manual resolution of Service Tickets on spreadsheet, exacerbated by integration problems between Pikitup SAP CRM and central one from CoJ

As the June 2011, the following had been achieved in the successful rollout of SAP CRM:

- All SAP CRM users had completed training as at March 2011 and granted access on the system, and SAP GUI installed in all depots.
- Service Ticket routing inboxes per Depot had been created on SAP CRM, pending alignment of Pikitup regions to CoJ regions for Service Ticket routing.
- SAP Team is currently busy with the routing of service tickets as per inbox.

## FLEET MANAGEMENT

### FLEET AND PLANT MANAGEMENT

Pikitup (Pty) Ltd, as an important part of the City's fleet process must gear itself for the new fleet service provider. As we prepare for this eventuality, we also must ensure that the gains that we realized in the 2009/10 period are sustained into the future. In the past years, we may have reported a situation, where Pikitup had no data to refute alleged penalty claims, no systems in place to manage fleet variances and cost escalations, no mechanisms to manage driver abuse costs, no mechanisms to manage driver performance etc. If our service provider would accuse our driver of abusing vehicles, we normally would accept that, pay the abuse claim, discipline and dismiss our driver. We would be compelled to use Fleet Africa data and evidence as provided to act against our own employees; otherwise we would have been accused of breaching the provisions of the MFSA if we don't act against our drivers. In fact, the MFSA makes provision of reporting on instances of disciplining the drivers in terms of dismissal and associated abuse penalties. This certainly was a negative way of addressing driver related challenges and the MFSA is in support of those negative processes. This also tended to cause friction between management and union representatives. Our approach has changed drastically with the advent of systems such as FROCC, as we are able to measure driver performance with a view to hand-hold, train and coach the drivers so that they can perform better and avoid unnecessary bad driving costs.

Pikitup is adapting to the dynamic waste management industry by ensuring Fleet and Plant Management. This is essential in providing an effective, cost efficient and environmentally compliant fleet and plant resources. Improved delivery of services to the final customer. Continued skills development, embracing of new technological developments and continuous process improvement are highly important in order to achieve the abovementioned objectives. One such technology is the use of **Static Compactors** in order to deal with waste generated in high rise buildings and retail stores.

The following table details the approved high-level fleet procurement plan.

**Table 1.1: Approved High-level Fleet Procurement Plan**

| PROJECT PHASES | PROJECT KEY ACTIVITIES | KEY CONSIDERATIONS/OBJECTIVES | RESPON-SIBILITY | REMARKS |
|---|---|---|---|---|
| PHASE 1 | PROJECT INCEPTION | • Appointment of project manager<br>• Appointment of transaction advisor<br>• Establishment of Fleet Project Steering Committee (SC)<br>• Adopt process to be followed by (SC)<br>• Draft project timelines | CSS, FLEET USER GROUPS, CITY MANAGER | • Achieved |
| PHASE 2 | FEASIBILITY STUDY | • Consultation with Stakeholders and User Groups<br>• Needs analysis and definition<br>• Establishment of sub-committees (technical; finance and operations)<br>• SWOT analysis on elements<br>• Evaluation of options (financial and qualitative)<br>• Design output specifications<br>• Identify delivery mechanism<br>• Develop procurement plan | STEERCOM | • Achieved |
| PHASE3 | PROCUREMENT PROCESS | • RFQ Process (pre-qualification of bidders)<br>• RFP (request for proposal)<br>• Match bids to requirements & evaluate<br>• Recommend preferred bidder to EAC for approval | STEER COM & SCM | • Achieved |
| PHASE4 | IMPLEMENTATION | • Appointment of new SP<br>• Negotiate contract terms with preferred bidder<br>• Finalize contract management plan and SLA<br>• Disbanding of Steering Committee<br>• Signing of agreement | STEER COM & SCM CITY MANAGER | • Achieved |
| PHASE5 | CONTRACT MANAGEMENT | • Monitor and regulate performance<br>• Liaise with participants to manage efficiency and settle disputes<br>• Measure outputs and evaluate overall performance against agreed deliverables. | CSS | • Achieved |

As determined from the table above all project activities have been achieved and the tender awarded. The new contract will commence on January 2012.

### Fleet Management Function

As part of Pikitup strategy to leverage on current fleet costs (including fuel, route optimisation and km's) Mechanisms for monitoring performance against these major contributors to fleet operating costs were put in place. Feedback on the implementation of these resolutions will be provided on a continuous basis.

The major contributors to fleet operating costs are presented below.

### Fuel

The main concern is the fact that Pikitup is sharing 50% of the fuel profits or savings with the appointed service provider whilst contributing 100% into the fuel fund. This fund is CPI based and the more kilometres travelled the more the contribution to the fund. For example, Pikitup only received R9m back from the service provider after making a contribution of R45m on fuel costs to this fund. If Pikitup was not sharing these profits or savings then R18m would have accrued to Pikitup.

A feasibility study and report on the matter is being finalised and will be tabled at the Executive Committee in the next quarter of the current. Pikitup also acknowledges the City's decision to approve its request for a localised and depot-based fuel arrangement. However some entities are still opting for the status quo. Our compelling reasons among others is the linking of the fuel management system for control purposes into FROCC so as to tightly monitor each vehicles' fuel consumption and kilometres per litre travelled and report on exceptions where necessary.

### Route Optimisation

This is an on-going exercise and it forms part of the Depot-based fleet capacitation. FROCC at the depots is 'live' and the team is currently creating a database of all routes travelled by Pikitup vehicles with a unique naming convention per route optimised. The results of this exercise are that even though a growth of approximately 40,000service points has been experienced Pikitup is continues to operate with 119 collection rounds using a reduced fleet complement

### Kilometres

Kilometre optimisation is also an on-going exercise as new and innovative ways of reducing kilometres, such as the idea of Static Compactor, are explored.

### *Doing more with Less (Static Compactors)*

The concept of static compactors came about after a management delegation visited Brazil to explore the utilisation of this technology. Its operating conditions were also explored and were found to be the same as our conditions. The major selling point of this concept was the fact that if applied correctly, it will reduce the number of vehicles servicing RCR customers.

For example deploying 30 cubic metre static compactors to strategic locations within the City will reduce the number of daily collections thereby reducing the size of fleet required. Furthermore drivers can be capacitated to also become operators of these compactors. Examples of different static compactors and their application are presented in the following figure.

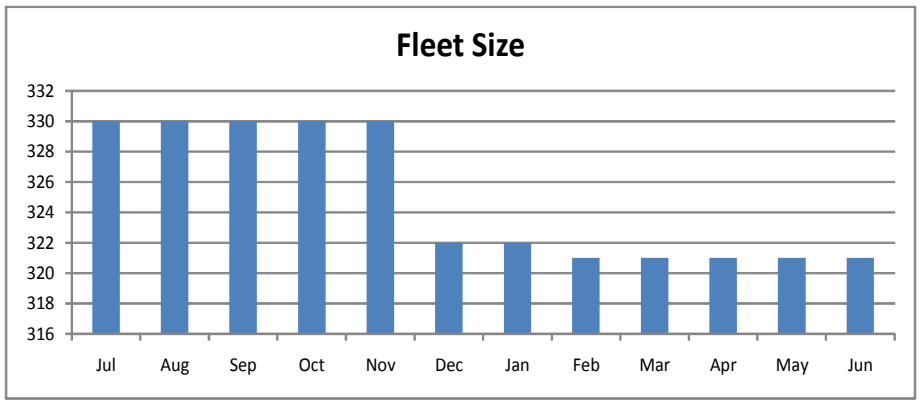
**Figure 1.2.4: Static Compactors**

The size of certain static compactors (left on Figure above) is equivalent to four (4) payloads of a normal 6x4 compactor (4cm$^3$). Therefore it can take up to 4 800 of the normal 240L wheelie bins. This implies that this type of static compactor can collect a full payload once a month. This will potentially reduce the number of rounds per month by four (4) resulting in an equivalent reduction in the number of trucks.
Certain types of static compactors can be deployed for use at all or certain Parks within the City (right on figure 1.2.4 above)

## Fleet Size

Throughout the reporting period Pikitup maintained a stable fleet size. There was a 4% reduction in the fleet from the beginning of the financial period to the end, as the Fleet Department continued to focus its attention on effective right sizing of the fleet and managing costs.

### Fleet Size




There are a number of activities conducted throughout Pikitup. The diagram below portraits a reflection of the various fleets utilised within the fleet and across each activity.

### Fleet Composition

| Activity | FML | SLB |
|---|---|---|

| | | |
|---|---|---|
| Administration | 5 | 34 |
| Bin Delivery | 4 | 0 |
| Bulk Services | 3 | 25 |
| Composting | 4 | 15 |
| Driver Training | 0 | 1 |
| Dailies | 8 | 2 |
| Garden | 1 | 2 |
| Illegal Dumping | 1 | 4 |
| Incinerator | 1 | 1 |
| Plant | 1 | |
| Round Collected Refuse | 109 | 24 |
| Street Cleaning | 23 | 43 |
| Other | 7 | 0 |
| **Total** | **167** | **151** |

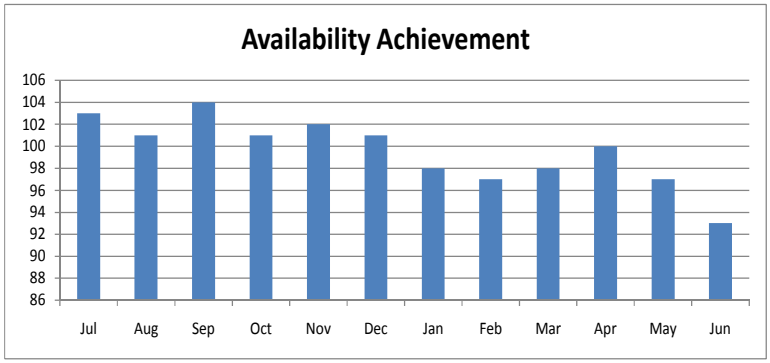
By all indications, the core of the fleet (41%) is concentrated towards the collection of domestic waste within the City of Johannesburg jurisdiction. Thereafter, a further 20% is utilised for ensuring that the streets of Johannesburg are cleaned effectively.

The fleet in itself is ageing and the majority of units are due for the replacement. The average age of the fleet is approximately 5 years old, and the Fleet Department has had to endure challenges of breakdowns throughout the entire year. This situation will change with the implementation of the COJ3 Contract which is expected to be implemented within the new financial period.

## Fleet Availability

Despite the challenges of the ageing fleet, Pikitup has been committed to ensuring that the business functions have been effective in their duties. As noted above the major focus has been on the availability of the fleet with regard to Refuse Collection. The graph below gives an indication of the availability achievements related to the refuse collection

**Figure 1.3.1: Fleet Availability**

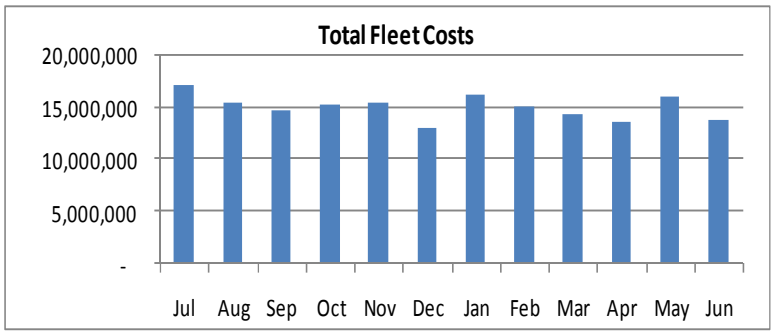


Despite not having adequate fleet units to ensure 100% availability for RCR Collections, the business has managed to achieve a 99% average throughout the reporting period. The graph above indicates a positive result for the earlier parts of the year; however there was a declining trend line recorded towards the latter part of the reporting period. During this period Pikitup experienced a high level of vehicle breakdowns and labour disruptions regarding a third party contracted fleet, and this is primarily the reason for the declining availability trend. Ironically, industrial action by workers in April meant that the vehicles were not utilised and were parked in the depot. It is for this reason that the business attained a 100% achievement for vehicle availability.

## Financials

The following figure depicts the fleet costs for the period spanning July 2010 to Jun 2011.

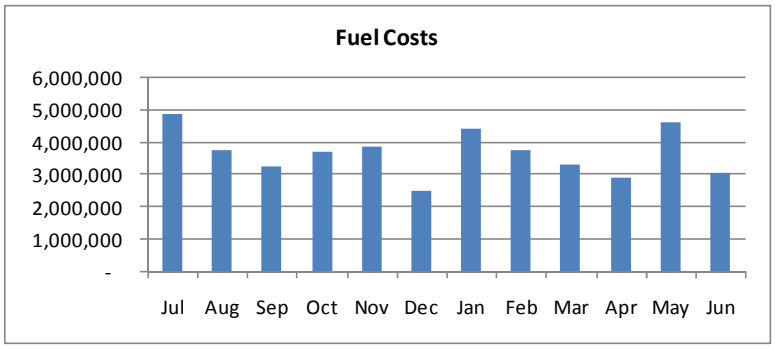
**Figure 1.4.1: Fleet Costs**




The Fleet Lease billing averaged R14, 9m per month. The figure accounts for the total cost of leasing the assets as well as the maintenance and fuel.

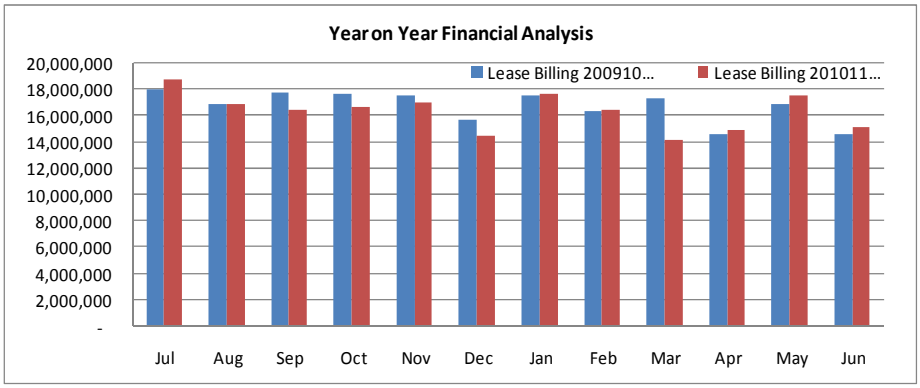
The increase depicted by the graph in the months of July, Jan, and May is consistent with other annual leasing costs within the business and due to the early close of kilometre billing in both December and Jun in any given year. The increase in May was solely due to the excess holiday period which also resulted in billing been affected in both April (reduced) and May (increased). Another considerable note is that the fleet bill is expected to increase in July of every year due to annual escalations.

**Table 1.4.2 Fuel Costs**




Fuel on average contributed an approximate 25% of the annual fleet costs. This cost is associated to the kilometres travelled in any given month and is contractually calculated on a Fuel Consumption Indicator. As noted above, similar reasons exist for the increased variations in July, Jan and May, and the fuel; cost calculation is as a direct result of the kilometers travelled within any given month of the reporting period and subject to the industry related fuel fluctuations. This further exacerbates the oscillating trend line as pictured above.

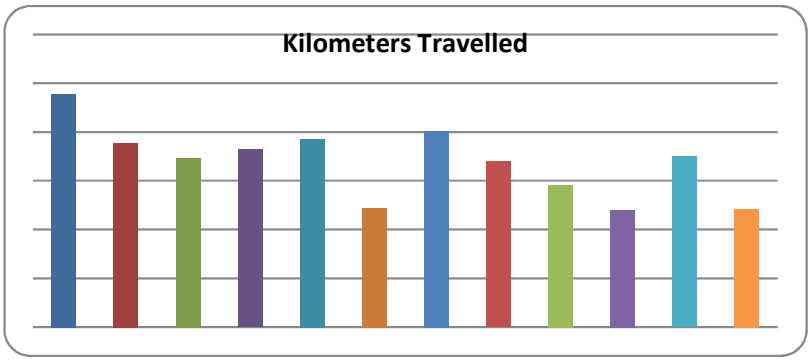
**Figure 1.4.3 Year and Year Fleet Lease Analysis**




## Billing Kilometres

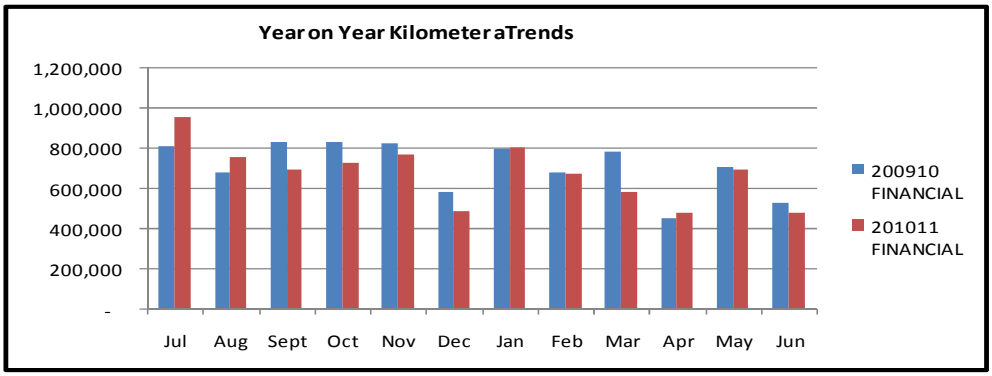
The following figure and table depicts the billing kilometres for the reporting period.

**Figure 1.5.1: Billing Kilometres**




The kilometers travelled have a direct effect on the fuel consumed within Pikitup. There were a total of 8, 1 million kilometers travelled within the reporting period. This amounted to an average of 677 000 kilometers per month. When viewed in comparison with the fuel billing, there annual kilometre trend line is an identical reflection and the justifications remain the same. Throughout the year there has been a 27% reduction in the kilometers travelled from the beginning of the year to the averaged kilometers. This is partly due to the slight reduction in fleet, but more slanted towards the aggressive utilisation management of the fleet, assisted by the FROCC System (Fleet Management and Operational System) developed within Pikitup.

**Figure 1.5.2: Year on Year Kilometres Trends**




## Insurance

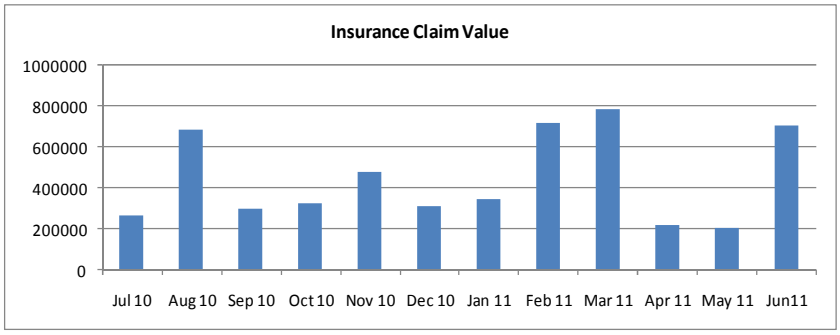
The reporting period ended on a positive note with the fund burn ratio at 91%. The total claims for the period equated to an amount of R5.4m been spent on accident damages. In comparison to the previous claims amount spent, the burn ratio appeared to be higher, however the rand value of spend was less than in the reporting period for 2009/2010.

There were a total of 735 insurance claims for the period, with the monthly average been 61. The business suffered expensive losses in the months where the trend line has spiked due to 2 trucks been written off and one stolen during this period. This by far had been the worst

insurance period where vehicles were written off, in comparison to other years. A new strategy was devised for the new financial period which would see the return of the Driver Training aspect to Pikitup. This, it is believed will assist to control the number of losses suffered in this reporting period.

During the past three years Pikitup has successfully managed to reduce the Insurance costs year on year. In this reporting period, the figure below and the associated table depict the movement in claims for the reporting period.

**Figure 1.6.1: Movement in Claims**




### *Fleet Intervention Strategies*

The fleet intervention turnaround strategy is one of the flagship projects in Pikitup's fleet management. It is focused on reducing fleet operational costs, optimising fleet efficiency and adequacy as well as improving overall fleet performance through the implementation of a best practice fleet model.

The following phase of the project is largely focussed on a detailed development of the FROCC system, as well as depot level fleet management operational support and change management. The emphasis on achieving immediate cost savings guided the project approach, specifically much of the cost saving opportunities which existed within the ambit of daily vehicle usage in terms of kilometres and nature of usage (planning efficiencies and proper driving care or use).
The following table summarises the project focus areas.

**Figure 7.1.1: Summary of Fleet Project Focus Areas**

| Strategic Focus Area | Activities | Progress to date and achievements |
|---|---|---|
| Fleet Contracts Management - Fleet Africa and New Suppliers | ▪ Analyze current contract<br>▪ Analysis of billing<br>▪ Review funds accruals (e.g. fuel fund)<br>▪ Facilitate legal interaction<br>▪ Monthly billing verification<br>▪ Structured monthly meetings with suppliers | ▪ Total savings achieved of project life half yearly ending February 2011 R10.7 million<br>▪ Fleet bill decreased from R137 mill (Feb:2010) to R134million (Feb: 2011)<br>▪ Consistent decrease from Quarter to quarter despite increase in fuel price.<br>▪ Calendar months kilometers look consistent over a period.<br>▪ Breakdowns decreased by 45%<br>▪ New billing reconciliation process adopted<br>▪ Reduction in Ad-hoc vehicles |
| Investigate alleged Fleet Africa Contract Penalty of R95 (ninety-five) million Rand | ▪ Reviewed Fleet Africa contract.<br>▪ Analyse fleet Africa Contract<br>▪ Collate and verify supporting information<br>▪ Verify penalty claims<br>▪ Facilitate contract meetings | ▪ There is limited quantification of any loss or claim by Fleet Africa based on information provided and the contract<br>▪ Fleet Africa indicated its willingness to withdraw the claim (Nov 2010). They have not send letter to confirm to date<br>▪ Evidence of missing information to support the claim such as:<br>▪ Technical reports<br>▪ Repair and maintenance history<br>▪ Penalty claims review has been completed and a report submitted to Pikitup with a legal opinion which shows the claim to be invalid and null and void |

| Strategic Focus Area | Activities | Progress to date and achievements |
|---|---|---|
| Establish and Operate a FROCC | ▪ Visibility of all Pikitup operated vehicles on FROCC<br>▪ Collate all fleet and operations information on a daily basis. | ▪ Infrastructure rollout in all depots has been completed<br>▪ A mapping software which shows vehicle visibility and movement has been implemented in all depots<br>▪ Maps are emailed daily to all depots for route adherence and sign off by Regional Managers<br>▪ MIS integration and Training on Pikitup Operations System (PIKOPS) has been completed<br>▪ A Dashboard has been developed for weighbridge data<br>▪ A skills enablement program has been implemented and rolled out in all depots<br>▪ **Frocc Infrastructure**<br>▪ Completion of FROCC area at Pikitup HQ and movement to 4th Floor<br>▪ Relocation of FROCC staff (Carrus and Pikitup) to FROCC area<br>▪ Server migration to Pikitup Servers completed<br>▪ Depot network set up to integrate the FROCC APN and Pikitup Network<br>▪ PCs and printer equipment rolled out to depots<br>▪ All assets and installations signed over to Pikitup IT<br>▪<br>▪ |

| Strategic Focus Area | Activities | Progress to date and achievements |
|---|---|---|
| Develop and Pilot Fleet Management Model for Pikitup | ▪ Design new ways of working within fleet management (at Depots)<br>▪ Assist with implementation of solutions<br>▪ Define and review technology solutions<br>▪ Pilot Results / Lessons learnt from Pilot | ▪ Completed the review of Pikitup Fleet Management Policy in line with the Fleet Re-engineering project<br>▪ Depot Fleet Training has been completed<br>▪ PIKOPS system operational and implemented in all depots<br>▪ New trip sheet system implemented in line with PIKITUPs.<br>▪ Discussion within Depot that have stopped using time sheet is continuing |
| Develop and Execute vehicle replacement strategy for Pikitup (Pty) Ltd | ▪ Predictable replacement strategy in line with new envisaged Fleet Model.<br>▪ Requirements of future contractual arrangements incorporated | ▪ A fleet ownership and renewal strategy framework discussion document has been completed.<br>▪ Fleet cost of ownership model has been completed<br>▪ Fleet operations strategy workshop has been held with all units<br>▪ Review of Operations unit fleet size and shape has been completed<br>▪ Maintenance implications and cost opportunities have been completed.<br>▪ Preliminary guidelines have been identified and applied in the underground bin project vehicles.<br>▪ A maintenance control centre has been established at Springfield depot |

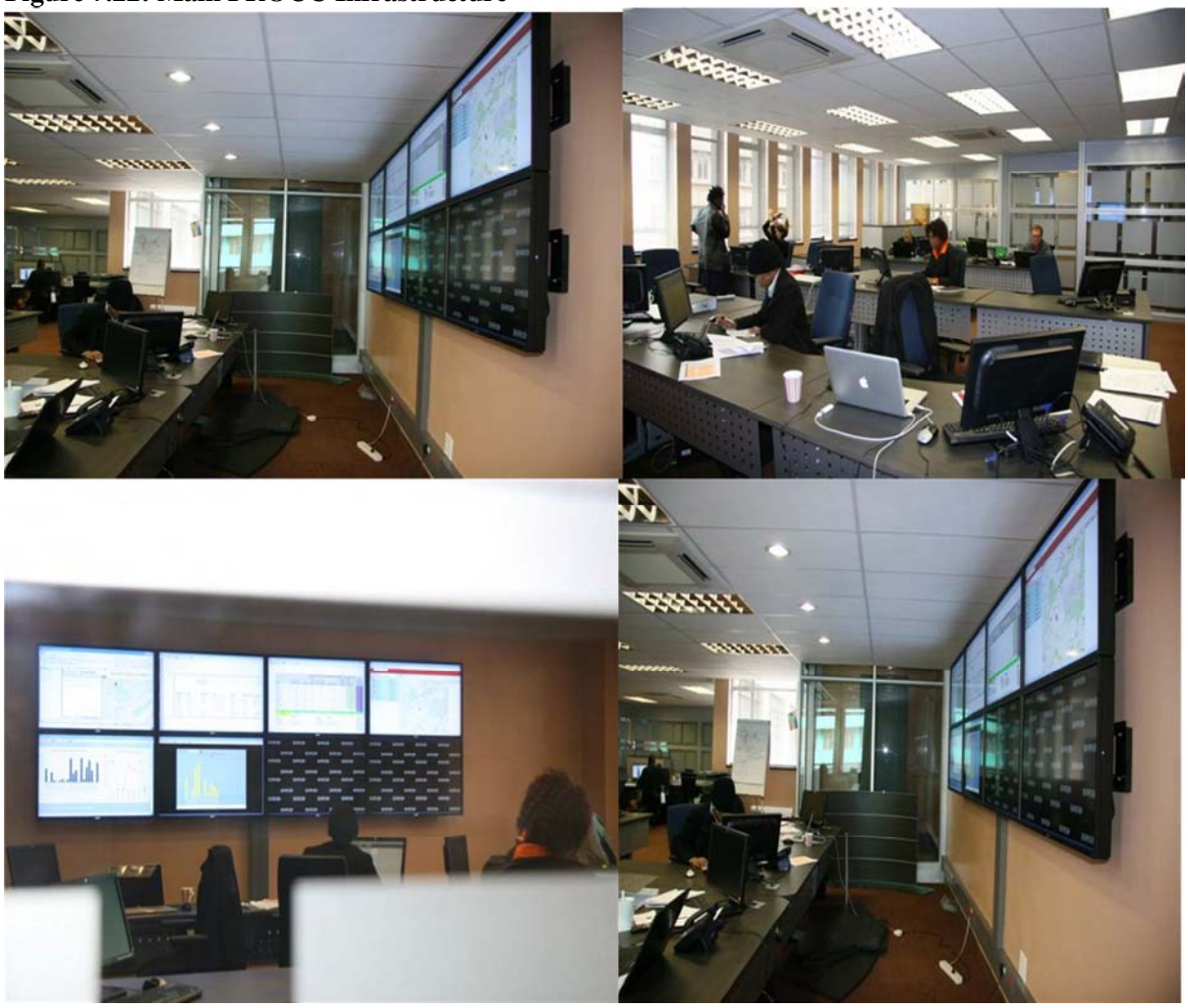
| Strategic Focus Area | Activities | Progress to date and achievements |
|---|---|---|
| | Define Fleet/Operations Management Information Strategy | ▪ The FROCC development process has supported the creation of a centralized fleet information bureau.<br>▪ Based on the FROCC core functionality, other core fleet administrative processes are being reviewed for possible incorporation or support with FROCC systems functionality.<br>▪ The detail review of existing PIKITUP IT systems needs to be executed in due course.<br>▪ The plans for SAP functionality regarding fleet processes needs to be reviewed.<br>▪ Presently FROCC functionality supports:<br>✓ Vehicle tracking and monitoring<br>✓ Driver monitoring<br>✓ Fleet maintenance management<br>✓ Fleet cost of ownership reporting |
| Manage Fleet Variable Costs | ▪ Audited and guaranteed cost Savings<br>▪ Manage fleet variable costs through the FROCC<br>▪ Review costs against industry norms<br>▪ Manage tyre branding<br>▪ Implement cost savings initiatives for the variable cost elements. | ▪ Vehicle norms have been input into FROCC.<br>▪ 3 months Fleet Africa billing data has been analyzed in order to establish cost baseline information.<br>▪ Kilometer control intervention is being rolled out at depots through LTO and operations training and trip authorizations.<br>▪ Maintenance processes have been significantly enhanced through full time consultants at Fleet Africa workshops, as well as vehicle condition audits repair processes.<br>▪ Tyre replacement has been completed.<br>▪ Fuel costs are being monitored daily. |

| Strategic Focus Area | Activities | Progress to date and achievements |
|---|---|---|
| Vehicle Tracking Solution for Pikitup | ▪ Monitoring of vehicles via FROCC | ▪ Data analysis performed<br>▪ Driver tag information compared with planned trip sheet information.<br>▪ Driver fines and possible AARTO impacts evaluated<br>▪ Evaluated Bulk Fuel Bowser data into FROCC<br>▪ Investigate Camera on Landfills to display in FROCC<br>▪ Evaluated Bin tracking pilot project data to integrate into FROCC<br>▪ Developed system for routes set up and daily operations planning<br>▪ Developed screens to view "Planning of vehicles " information<br>▪ Developed a Gate sheets capture function<br>▪ Fleet status interface created<br>▪ Developed a Trip sheet on-line capture function<br>▪ Developed mapping software which send automatic e-mail at night with printed map of where vehicle has driven previous day<br>▪ Mapping software at depots where vehicle movement can be monitored<br>▪ Ongoing system improvements were done as the project team identified smaller enhancements<br>▪ Developed a system to capture master routes from maps<br>▪ Developed additional requirement to have all MIS information integrated into FROCC. (Currently in testing phase)<br>▪ Developed a real-time interface with the Opto Africa weighbridge system - FROCC systems are updated every 10 minutes with load information.<br>▪ Reports development - Many new reports on new functionality and for management developed to serve company with information<br>▪ Dashboards developed - Display real time data from the real time systems<br>▪ Integration of Mapping software with Pikitup GIS function - busy with investigation and planning<br>▪<br>▪<br>▪<br>▪<br>▪<br>▪ |

| Strategic Focus Area | Activities | Progress to date and achievements |
|---|---|---|
| Driver Training and Incentive Scheme | ▪ Reduced Abuse & Fleet Incidences/ Reward & Recognition Scheme for Drivers | ▪ Change management communications in place via HR, LLF and direct with operational staff.<br>▪ Request for proposal to establish and manage the driver training and development centre is closing on 19 Nov 2010. |
| Review Fleet Management Unit structure in line with new Fleet Model | ▪ New Fleet Management Structure | ▪ Skills transfer to new staff already commenced |
| Perform Fleet Technical Assessment on continued basis | ▪ Improved and sustained Fleet Availability | ▪ Significant reduction in defects<br>▪ All CoF's are 2 months in advance<br>▪ All vehicles service up to date<br>▪ A significant savings on the mobile fuel bowzer has been noticed (85%) |
| Develop and Execute Fleet and Logistics Performance Management | ▪ Measure Fleet performance in accordance with best practices | ▪ A process to measure the fleet main KPIs' through the FROCC has been established. The primary measures are:<br>✓ Daily and monthly Kms<br>✓ Fuel consumption<br>✓ Tons delivered<br>✓ Fleet availability<br>✓ Cost per ton delivered<br>✓ Cost per Km driven<br>✓ Red and Green band driver behavior<br>▪ Reports on RCR availability are obtained through the OPS dashboard<br>▪ Breakdown reports generated daily<br>▪ Route Maps are generated daily<br>▪ Daily plans are submitted by depots on a daily basis to plan depot fleet requirements |

The FROCC infrastructure has been established and "go-live" was achieved. The main FROCC has been established on the 4th Floor of Pikitup's Head Office in Braamfontein. It is fully operational and awaits the filling of FROCC Operator vacancies. The main FROCC infrastructure is depicted in the figure that follows.

**Figure 7.22: Main FROCC Infrastructure**



The benefits of the FROCC implementation that Pikitup has derived to-date, amongst others are the following:

- Visibility of all fleet and operations related information to the following stakeholders:

✓ Depot Operations execution staff;

✓ Vehicle suppliers and maintenance providers

✓ Pikitup Customer service function and customer call centre

✓ Pikitup Financial department benefiting, and

✓ Pikitup Senior and Executive management

## CAPITAL PROJECTS

### Highlights for the year are discussed below:

- Construction of two Garden Sites (Randburg and Orange Farm), cell development at Marie Louise and Ennerdale Landfill sites and a Leachate Pond at Marie Louise Landfill site.
- Full utilisation of the MIG funds regarding the cell developments in Ennerdale and Marie Louise.
- High-level participation in the development of Central Improvement Districts.
- Successful completion of the feasibility study for Linbro Park transfer station within five months and well below budget.
- The completion of the Waste Management Services Plan (WMSP), which entails Pikitup's 30 year long-term strategy. Input from stakeholders was sourced though workshops with EXCO, ISD and COJ Environment Department.
- High-level participation in the planning of the Waste to Energy plant with ISD and potential PPP partnerships.

### The Key Challenges for the year are presented below:

- Appointment of contractors without sound financial resources resulting in poor performance and termination of contract for construction of Orange Farm Depot (mitigated by paying only for progress payment)
- The appointment of contractors for construction of garden sites without appointment of supervising Engineers (not fully mitigated as appointment of a registered engineer is still in progress).
- The financial challenges for the contractor installing underground bins as well as the shareholding of the contractor which has changed three (3) times since appointment and all failing to complete the project (mitigated by only paying for progress payment).

### *Waste Management Services Plan (WMSP)*

The Pikitup Waste Management Services Plan seeks to ensure a broadly "Clean City" through the development of:

- Mechanisms for the adoption of the waste hierarchy paradigm shift from the emphasis on disposal at landfills to an emphasis on waste diversion and minimization.
- Plans to ensure the provision of reliable and reasonably priced solid waste management services and facilities for long term sustainability for the period (2011 – 2040)

The three main goals of the plan can be summarized as follows:

- **Goal 1:** Divert 93% of waste by 2040
- **Goal 2:** Implement "to be" best management practices progressively to reduce demand for waste services
- **Goal 3:** Adopt Infrastructural Asset Management plans and rollout Capex to facilitate attainment of waste diversion targets by 2040

The following figure shows the Traditional Waste Hierarchy and Potential Paradigm Shift for Pikitup in terms of waste treatment:

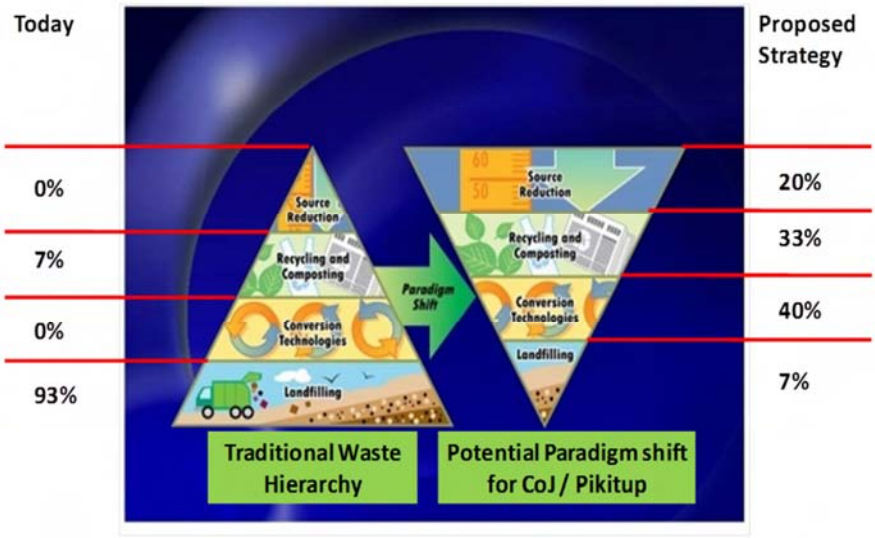



**Fig 0: Traditional Waste Hierarchy and Potential Paradigm Shift for Pikitup**

Achievements for the year 2010/11 include:

- Draft plan work-shopped by management and ISD - 23rd March 2011
- Draft plan presentation to EXCO for adoption- by 19th-20th May 2011
- Workshop with EXCO breakaway - by mid June 2011
- Presentation to new PIKITUP Board Ops Committee - by end June 2011

***City Improvement District (CID)***

CIDs are economic development organizations that deliver public services to specific neighbourhoods to supplement the bundle of public services provided by the government. It is a concept of private and public partnerships that work together in formal ways to ensure that public environment is optimally maintained and managed.

There are many areas of overlap with regards the cleaning of the Inner City. Negotiations are in progress to facilitate some synergies for Pikitup.

The following diagram shows the abovementioned CID's. Please note that CID operating areas in the inner city are highlighted in colour shading and Pikitup Contractor areas are circled in red.

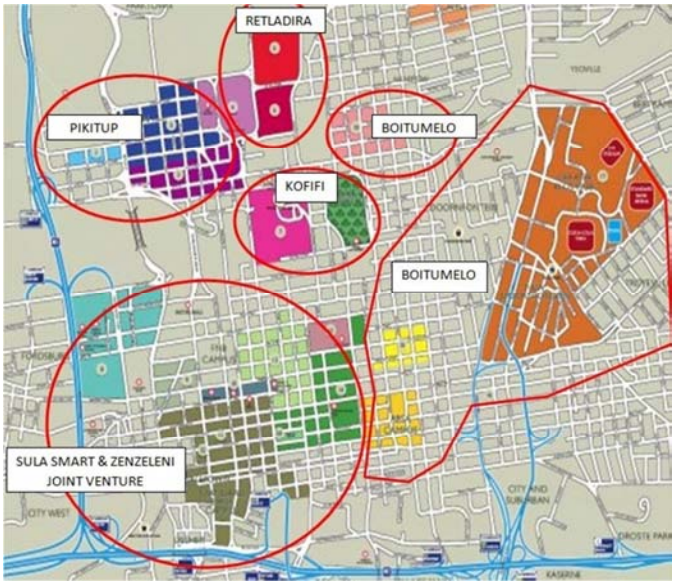



**Fig 2: City Improvement Districts**

Two additional CIDs are in the process of being legislated and these are:

- ABSA Precinct; and
- The Fashion District

In line with "Clean City" goal, Pikitup is in the process of strengthening the working relationship with current CID's city-wide with a view to leveraging their capacity and in reducing the areas of overlap.

***Transfer Station & Landfill Site Feasibility Studies***

In view of challenges regarding landfill airspace depletion and increasing transportation costs from Northern areas to landfills located in the Southern areas, Pikitup initiated two feasibility studies for:

- the Transfer Station at the closed Linbro Park landfill site, and
- for the identification of possible sites for landfilling in the Northern areas.

The following reports were presented by two independent Consultants:

- The Final Feasibility Report for the Transfer Station. The Report recommended the construction of a Material Recovery Facility (MRF) and a Transfer Station at the Linbro Park Landfill site. The next phase of the project will be the designing and approval of the facilities.
- The Preliminary Site Identification Report for possible landfills. A total of eleven (11) sites have been shortlisted for further assessment in the next financial year.

***Waste to Energy Plant***

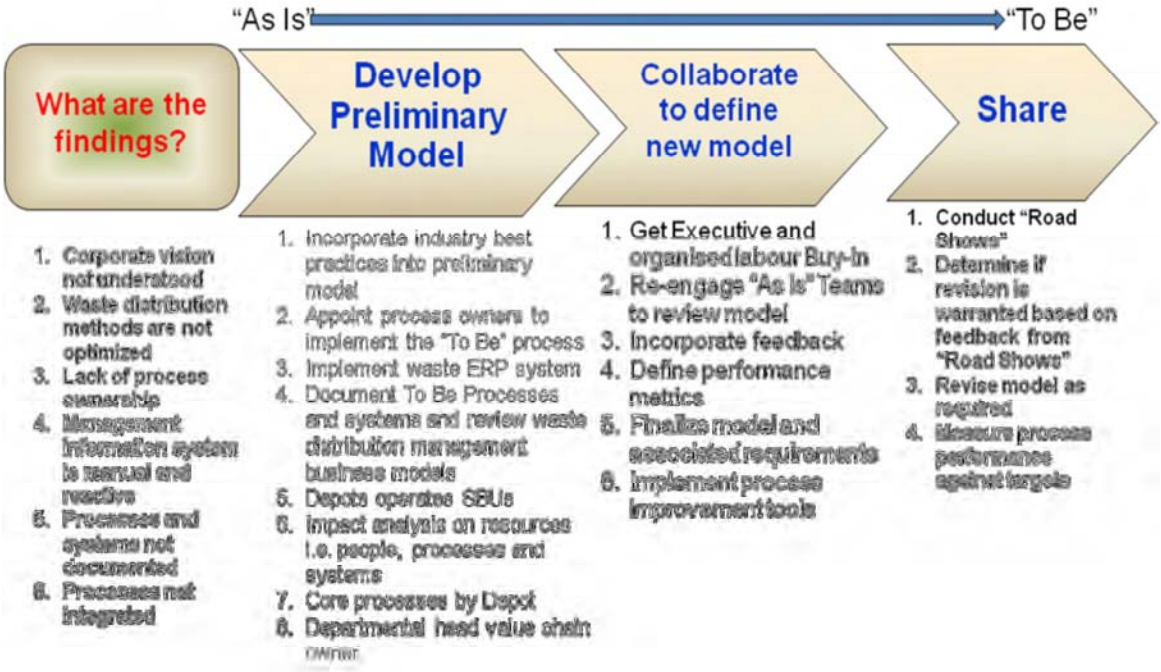
The following table presents the high-level project plan as well as the progress to date for the WTE (PPP) Project.

| Comprehensive Project Process Plan | | |
|---|---|---|
| **Phase** | **Description** | **Status/Action Date** |
| **1.** | **Project Inception** | |
| | Identify project | Done |
| | Notify government (National Treasury, DPLG) and determine scope of feasibility study and applicable process | Done |
| | Appoint advisor | Done |
| **2.** | **Feasibility Study** | |
| | Needs analysis | Done |
| | Technical options analysis | Done |
| | Service delivery analysis | Done |
| | Delivery mechanism summary and interim internal/external recommendation | Done |
| | Project due diligence | Done |
| | Value assessment | Done |
| | Procurement plan | Done |
| | 60 days prior to council meeting, give public, Treasury, DPLG 30 days to comment | Done |
| | Obtain Treasury Views and Recommendations (TVR I approval) | Done |
| **3.** | **Procurement** | |
| **3.1** | Request For Qualifications (RFQ) | Partially done |
| **3.2** | Request For Proposals (RFP). | Next financial year |
| **3.3** | Choose the preferred bidder | Next financial year |
| **3.4** | Negotiations | Next financial year |
| **3.5** | TVRIII & PPP Agreement Management Plan | Next financial year |
| **3.6** | Close-out report and case study | Next financial year |

***Business Process Reengineering***

The project implementation of the 'To Be' remains unfunded both from the viewpoint of the appointment of a project manager as well the relevant Opex for a consultancy company to assist with the project roll out. It is important that the 'To Be' process be completed else the investment in the 'As Is' process will be wasteful expenditure.
The following presents an overview of the process to implement the "To Be" Business Processes.

**Figure 3. High-level process to implement the "To Be" Business Processes**




## PERFORMANCE AGAINST IDP AND CITY SCORECARDS

### Reduce waste to landfills in line with Polokwane Declaration

A total of 62,156 tonnages of dry waste (green waste not included) were diverted from the landfills in the year under review.

### Provide quality services to both formal and informal areas (Daily collection of waste from the informal areas without 240l bins)

***Key performance area: Implement strategies/policies and legislation (by-laws) to support demand side management (DSM) projects***

### Implement Waste DSM projects

**Waterval Separation at Source**

The Waterval separation at source project is still well on track. The SLA with Mondi Recycling for the Waterval depot area has been extended to end of April 2012.

An education an awareness campaign for the Waterval depot area commenced on 1 April 2011 and ended in June 2011. The focus of the campaign was to increase the participation rate of townhouse, flats and schools in the project as well as non-participating suburbs in the area. A variety of advertising media was used. These include newspaper advertising, advertorial, PR, wheelie bins, knock n drop leaflets, direct mailers, street pole posters, mall activations, mobile

billboard and the branding of RCR vehicle. Although early all indications are that the participation rate is increasing.

The statistics for the period under discussion for the Waterval depot area are as follows:

**Table 0.10: Monthly tonnages recycled to date (YTD)**

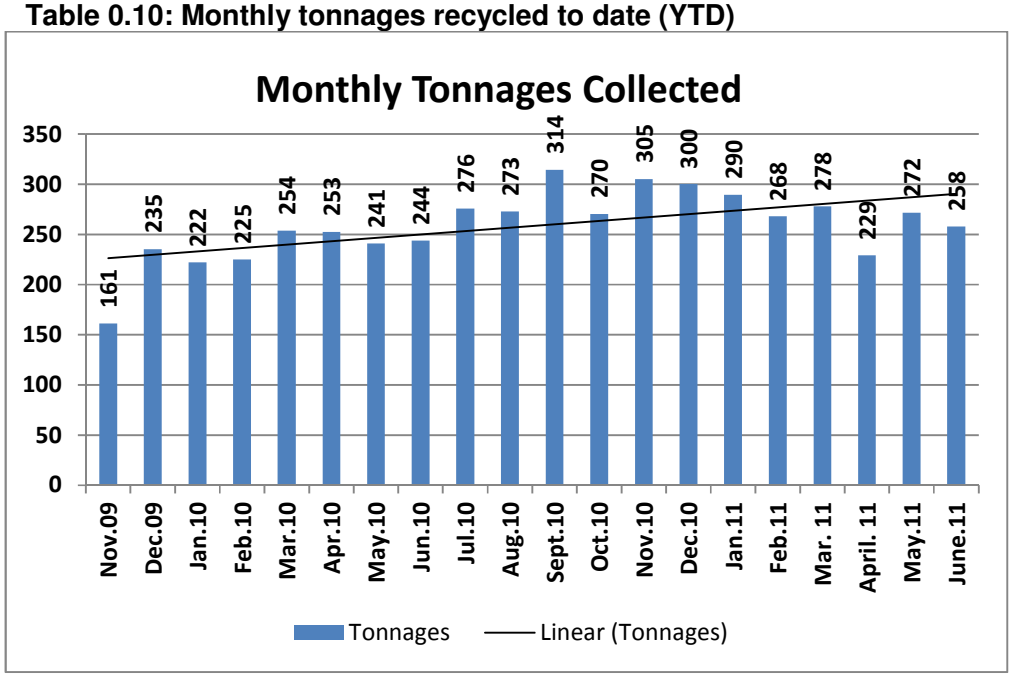
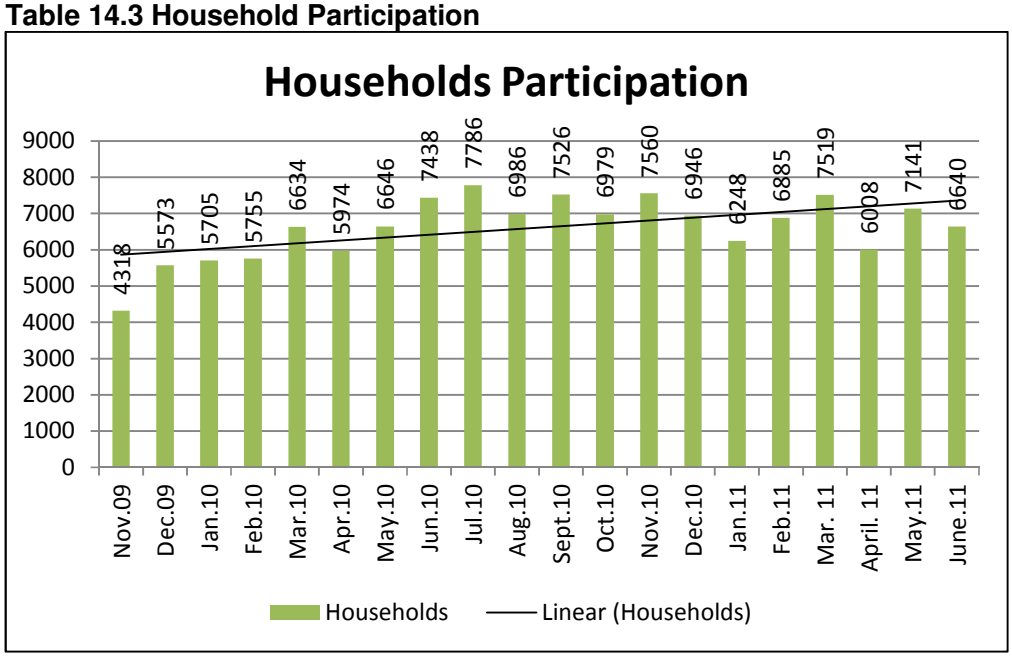



**Table 14.3 Household Participation**




Monthly tonnages collected and participation rate showed a steady growth since November 2009 with a slightly decrease in December 2010 and January and February 2011. The impact of the strike in April 2011 had a negative effect on the participation rate. It is believed that the

education and awareness campaign will increase the participation rate and monthly tonnages going forward.

**Table 0.11: Recyclable Waste Categories Diverted to Date**

| WATERVAL PERCENTAGES | TOTAL PAPER | GLASS | PLASTIC | CANS | TETPAK | PP | MISC MAT | TOTAL OTHER | GRAND TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Jun.10 | 131 618 | 42 138 | 19 804 | 20 001 | 7 104 | 0 | 23 185 | 112 231 | 243 849 |
| Jul.10 | 161 372 | 47 783 | 21 313 | 19 251 | 8 021 | 7 563 | 10 657 | 114 588 | 275 960 |
| Aug.10 | 155 691 | 45 713 | 20 747 | 17 230 | 5 509 | 4 689 | 23 443 | 117 213 | 272 904 |
| Sept.10 | 175 813 | 38 802 | 21 632 | 19 013 | 4 559 | 8 010 | 46 563 | 138 580 | 314 393 |
| Oct.10 | 159 039 | 37 860 | 18 930 | 16 703 | 3 341 | 5 566 | 28 952 | 111 352 | 270 391 |
| Nov.10 | 181 825 | 39 902 | 22 450 | 17 850 | 3 020 | 6 400 | 33 786 | 123 408 | 305 233 |
| Dec.10 | 177 622 | 40 467 | 17 536 | 18 552 | 2 454 | 6 866 | 36 752 | 122 627 | 300 249 |
| Jan.11 | 173 300 | 46 540 | 19 198 | 19 430 | 0 | 7 912 | 23 270 | 116 350 | 289 650 |
| Feb.11 | 155 030 | 42 936 | 17 400 | 17 626 | 2 256 | 9 039 | 23 728 | 112 990 | 268 020 |
| Mar. 11 | 162 900 | 58 779 | 14 945 | 13 795 | 2 150 | 8 047 | 17 244 | 114 960 | 277 860 |
| April. 11 | 131 975 | 46 623 | 14 570 | 10 684 | 1 941 | 5 828 | 17 484 | 97 130 | 229 105 |
| May.11 | 157 180 | 66 520 | 13 763 | 11 469 | 1 147 | 5 735 | 16 057 | 114 690 | 271 870 |
| June.11 | 149 640 | | | | | | | 108 540 | 258 180 |
| **GrandTotal Tons** | **2 994 257** | **906 877** | **337 926** | **251 067** | **49 484** | **75 655** | **445 071** | **2 174 506** | **5 168 763** |

**Waste Separation at source in Schools**

In this financial year waste separation at source project was introduced in 20 schools in the following areas:

- **Orange Farm (12 schools),**
- **Alexander (1 school),**
- **Randburg (1 school)**
- **The Inner City (6 schools).**

**Pictures 1-2:** Bins for the collection of recyclable waste introduced in 12 Orange Farm Schools

The project will be rolled out to other Schools within the City in the next financial year.

**Pikitup Depots and Head Office Recycling**
Office waste separation for recycling has been introduced at the company depots and head office.

**2010 Fifa World Cup Event**
Waste Separation for recycling was undertaken during the event. The last part of the event was up to 11 July 2010. The amount of recyclable waste that was collected for the month of July is 44 tonnages. Lots of recyclable waste can be recovered from events, hence the unit in a process of developing a tariff that can be charged for the provision of waste minimisation services for events hosted in City of Joburg.

**Implement Inner City Charter projects**
80% of the Inner City Charter Commitments were implemented, this against a target of 70%. The progress made regarding the commitments is detailed in the following table.

**Progress against Charter Commitments**

| COMMITMENTS | PROGRESS |
|---|---|
| The purchase of mechanical street sweepers | Five mechanical sweepers have been purchased. |
| The further roll-out of swivel bins on the streets of the Inner City | 4222 swivel bins were installed against a target of 3,500, the bulk of which were installed in the Inner City. |
| The development of a new underground bin system. | Delays in the rollout plan for the underground bins resulted in the target installation of 40 underground bins not being realised by year end. |
| The implementation of a '100-spots' programme | A different method of eradicating illegal dumping has been implemented. This includes daily removal of accumulated refuse on street pavements coupled with law enforcement. |
| A single SLA setting out uniform outcome standards (and differentiated levels of effort) | The Service Level Agreement (SLA) has been developed. Region F is to gain approval of its contents from the City. |
| The City will launch a system of community waste collectors | Seven contractors have been appointed in Quadrants of the Inner City and labour has been sourced from people living in the Inner City. |
| Research will be undertaken and proposals made into a revised tariff structure to be implemented as from July 2008. | Achieved as part of the Pikitup's turnaround strategy. A new tariff for the Inner City has been developed. |

| COMMITMENTS | PROGRESS |
|---|---|
| | |
| The Gauteng Provincial Government will lead a major anti-litter campaign in the Inner City, with the participation of a wide range of community organizations. | Achieved – The anti-litter campaign took place in Yeoville in November 2007. |
| Develop measures & incentives to support the development of waste compactors in all new buildings | DPUM has agreed to impose the condition to install compactors in new buildings. |
| Develop Inner City SMME recycling programme Business Plan | A comprehensive business plan was submitted to the Regional Director of Region F as well as the Director Waste at the ISD. Response is still awaited. |

## Occupational Health and Safety

**Number of employees disabling Injuries reported**

A total of 87 disabling injuries were reported for the year under review.

**Sustainability Report**
**Environmental Management Policies**
The following Policies and Procedures were developed approved:

- Company Integrated Safety, Health and Environmental Management.
- Personal Protective Equipment Policy
- Procedure for the Control and Management of Reclaimers.

**OHS Act and Environment**

- An external audit to assess the landfill sites and selected garden sites compliance to environmental legal and other requirements.
- Safety, Health and Environment SHE awareness for employees conducted (Personal Protective equipment Policy, SHE Policy, Employee safety roles and responsibilities, SHE incident reporting and investigation, Injury on duty reporting and compensation)
- Internal SHE compliance audits conducted for all the garden sites.
- Environmental authorisations acquired for the following waste related facilities:
    - Proposed Haylon Hill Garden site and depot (appeal process in progress)
    - Proposed Orange farm garden site and depot.
- Training for SHE delegates for Basic health and Safety, First Aider and incident investigators was implemented but had to be suspended due to budget constraints.
- Occupational Safety compliance audits conducted for garden sites and contractors
- Safe operating procedures developed for garden sites, operations and landfill sites.
- Safety, Health and Environmental departmental performance monitoring tool developed.

**Safety incidents and Fatalities**

No fatalities were reported for the year under review.

**Strategic Programs**

- Development and Implementation of the SHE Management system based on ISO 14001 and OHSAS 18001
- Capacitating of the Safety and Environment Unit to ensure the implementation and monitoring of the Safety and environmental management systems.

**Number of employees disabling injuries reported**
A total of 87 disabling injuries were reported for the year under review

**Programmes for the new financial year**

**Safety**

- Implementation of the safety management system.
- External Compliance audits OHSAS 18001
- Employee Safety awareness education

**Environmental Management**
- Implementation of the Environmental management system.
- External compliance audits to ISO 14001.
- Development of Generic Environmental Management plans for garden sites.

**Waste Minimisation**

- Continued with the introduction of recycling at schools
- The Development of a Waste minimisation strategy has reached an advanced stage and will be completed in the new financial year for implementation. The strategy, amongst other, provides for the roll out of the separation at source initiative to other Pikitup depot areas, the upgrade of 10 garden sites to centres, the establishments of bring banks for townhouse complexes and the building of MRF to accommodate large volumes of recyclable waste separated at source.

**Disaster Planning**

- Implementation of the Disaster Management plan
- Undertaking of drills.

**Environmental Education and Awareness**

- Development and Implementation of the school Eco ranger Project.
- Employee and external stakeholder environmental education and awareness

- Community Environmental Awards

***Service Delivery***

**% Turnaround time in respect of new development applications submitted to Pikitup (100% within 60 days)**

**Assessment of arrears on municipal taxes and service charges**

**Amount owed to Pikitup for services rendered**

| Details | 0 – 30 days R'000 | 31 - 60 days R'000 | 61 - 90 days R'000 | 91- 120 days R'000 | 121 – 365 Days R'000 | Total R'000 |
|---|---|---|---|---|---|---|
| Debtor's age analysis | 37 829 349.96 | 4 121 576.93 | 5 750 254.09 | 16 854 471.83 | 111 213 049.19 | 175 768 702.00 |

The total debtors amounting to R175,768,702 is 100% managed by Pikitup and has accumulated provision for doubtful debts amounting to R150,416,807 of the outstanding debtors. Collection from debtors is managed by the Revenue and Customer Relations Management Department through a Service Level Agreement.

**Amounts owed to Pikitup by Municipal entities**

| Name of Entity | Amount Owed R | Status | Comments |
|---|---|---|---|
| City of Johannesburg | 803 590 | Current | Current |

**Assessment of Directors' and Senior Managers' municipal accounts**

| Name of Director/Senior Managers | Designation | Name of Municipality | Municipal Account Name/ Number | Account Status as at June 2011 |
|---|---|---|---|---|
| I Mkhabela | Chairperson | City of Joburg | I & SS Mkhabela 206645940 | Current |
| T Mashanda | Non-executive Director | City of Johannesburg | 202353055 T Mashanda | Current |
| N Mabuya | Non- Executive Director | City of Johannesburg | N Mabuya 401884341 | Current |
| W Nyabeze | Non-Executive Director | City of Johannesburg | Nyabeze L & WRR 403662857 403969126 | Current (in credit) |
| L Brenner | Non-Executive Director | City of Johannesburg | L Brenner 206777288 | Current |

| Name of Director/Senior Managers | Designation | Name of Municipality | Municipal Account Name/ Number | Account Status as at June 2011 |
|---|---|---|---|---|
| H Sutherland | Non-Executive Director | City of Tshwane | HAB Sutherland 205768315 | Current |
| K Parirenyatwa | Non-Executive Director | City of Johannesburg | K Parirenyatwa 402411610 | Current |
| N Msezane | Non-Executive Director | City of Tshwane | N Msezane 3319027462 | Current |
| Y Ndema | Non-Executive Director | City of Johannesburg | Renting Property | Current |
| L Boya | Acting Managing Director | | | |
| Z Ntsaluba | Chief Finance Officer | City of Tshwane | 5001221792 Z Ntsaluba | Current |
| N Mutero | Operations Executive | City of Tshwane | 5000447789 | Current |
| P Mguye | Facilities Executive | City of Johannesburg | | |
| N Smith | Disposal Executive | City of Johannesburg | 300160830 N J Smith | Current |
| S Mkhwanazi | HR Executive | City of Johannesburg | 900134159 | Current |
| Z Mpungose | Legal Executive | City of Johannesburg | 4032800086 Z G Mpungose | Current |
| I Magasa | Operations Executive | City of Johannesburg | 504014531 I Magasa | Current |
| L Hleza | Internal Audit Executive | City of Johannesburg | | Current |
| B Memela | Company Secretary | City of Johannesburg | 403726562 P B Memela | Current |

## Statement on amounts owed by Government Departments and Public Entities

| Name of Department | Amounts owed | Account Status | Comments |
|---|---|---|---|
| City of Johannesburg | 803,590 | Current | Current |
| Provincial Government | 367,950 | Current | Current |
| National Government | 5,449,897 | Current | |

## Recommendation and plans for next financial year

Pikitup's strategic delivery agenda derives from a number of sources such as the Mayoral Priorities, the Growth and Development Strategy (GDS), Integrated Development Plans (IDP), Pikitup's three year Turnaround Strategy (TAS) and the Boards Strategic priorities for the 2010/11 financial year which includes, but is not limited to the items detailed in the following table.

Board Strategic Priorities for 2010/11

| Strategic Focus Issue | Operational Efficiencies | Compliance Issues |
|---|---|---|
| • Revenue enhancement and collection plans<br>• Defining our core business and focus areas<br>• Development and implementation of the Integrated Waste Management Plan<br>• Strategic intent project of rolling out separation at source pilot project at Waterval depot<br>• Developing new tariff model to facilitate the attainment of the long term financial sustainability of the company | • Optimization of fleet operating models<br>• Focus on people management<br>• Safety<br>• Refine business processes | • Strive for 100% compliance with legislations and regulations<br>• Environmental awareness<br>• Financial discipline |

# IV

# Corporate Governance

## Introduction

Pikitup is subject to various corporate governance requirements and best practice codes, the main one being the King III Report on Corporate Governance which came into effect in March 2009. It is Pikitup's practice to comply with the highest level of this code and respond to developments appropriately. The Board of Directors and executives recognise and are committed to the principles of openness, integrity and accountability advocated by the King III Code on Corporate Governance. Monitoring the entity's compliance with the King Code on Corporate Governance forms part of the mandate of the group audit committee.

The Board of Directors incorporated the City of Johannesburg's Corporate Governance Protocol (the Protocol) in its Board Charter, which 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.

## Statement of Compliance

During the year under review the Company entrenched its risk management reviews and reporting and compliance assessments were conducted in terms of the Companies Act and the Municipal Finance Management Act (MFMA). Annual Board assessments and evaluations were conducted.

## Code of Ethics

The Board of directors approved a Code of Ethics that epitomises good governance in terms of conflict of interest, employment equity, cost containment, assets and employee obligations. The code of ethics provides general guidance on minimum standards to be followed by or expected of all the company's employees, the Board and the suppliers, including all persons who come into contact with our business.

Pikitup is committed to achieving high standards of business integrity and ethics across all its activities. The Board considers corporate governance as a priority that requires more attention that merely establishing the steps to be taken to demonstrate compliance with legal, regulatory requirements, issues of governance will continue to receive the board and its committees' consideration and attention during the year ahead. Sound governance remains one of the top priorities of executive management.

### Breach of Governance Procedures

For the period under review there were no breaches of governance procedures recorded.

### Conflicts of Interest

The Directors have a duty to disclose their interests in any of the items that are on the agenda at all the Committee and Board meetings. For the 2010/2011 financial year, there were not conflicts of interest recorded.

## Board of Directors

### Appointment of Directors

The directors are appointed by the shareholder, the City of Johannesburg at its Annual General Meeting. All existing directors, unless they are retiring, submit themselves for re-election every year and the shareholder can remove any of them any time for different reasons.

The offices of chairman and chief executive are separate and the office of the chairman is filled by a non-executive director, Mr Ishmael Mkhabela who became chairman on 30 January 2007. There is a clear division of responsibilities between the roles, with the Chairperson bring primarily responsible for leadership of the Board.

### Board Composition

The company's Articles of Association provide that the company's board consists of 11 directors with a majority of non-executives. The company has 9 directors, who are all non-executive.

### Board Membership Movement

During the year under review in April 2011, nine board members including the Managing Director resigned. The shareholder appointed eight (8) interim board members.

### Induction and training

Newly appointed directors participate in an induction programme to familiarise them with the operations, business environment, their fiduciary duties and responsibilities and the Board's expectations. They are also taken on a site tour of the company's operations as part of the induction process. An induction was held on 6 May 2011.
Dependent on budget availability, directors are encouraged to attend training and refresher courses on directors, duties, corporate governance and changes in legislation as and when need arises.

### Board Evaluation

As required by good corporate governance as detailed in the King III report on Corporate Governance, an annual board evaluation exercise was undertaken. The evaluation included a peer assessment where the directors assess their peers. The Audit Committee members were part of the assessment.

### Board powers and procedures

The Board adopted a Board charter which provides a concise overview of:-

- The demarcation of the roles, functions, responsibilities and powers of the board, the shareholder, individual directors, officers and executives of the company;
- The terms of reference of the Board committees; matters reserved for final decision-making or pre-approval by the Board and
- The policies and practices of the Board for such matters as corporate governance, declarations of conflicts of interest, Board meeting documentation and procedures and the induction, training and evaluation of directors and members of Board committees.

Within the powers conferred upon the Board by the articles the Board has determined its main function and responsibility as adding significant value to the -company by:

a) Retaining full and effective control of the company; determining the strategy and strategic objectives of the company;

b) Determining and setting the tone of the company's values, including principles of ethical business practice;

c) Bringing independent, informed and effective judgement to bear on material decisions of the company including policies, approval of company budgets.

d) Satisfying itself that the company is governed effectively in accordance with corporate governance best practice, including risk management and internal control systems.

**Board attendance at meetings:**

The Board met six times during the financial year. Four of these meeting were scheduled in advance and three were special meetings of which one was to discuss Executive management bonus payments, the second meeting was to discuss urgent organised labour issues and the third meeting was to appoint an interim managing director after the managing director had resigned. All the Board meetings were held at the company's head office in Braamfontein.

The attendance by each director of the Board and the Board committee meetings was as follows:-

| NAME | BOARD | SPECIAL BOARD | AUDIT | FINANCE | REMCO | OPERATIONS |
|---|---|---|---|---|---|---|
| **No of meetings** | **4** | **3** | **4** | **4** | **4** | **5** |
| Radebe PF^ | 3 | 3 | | 3 | 3 | 2 |
| Nemukula VC^ | 3 | 3 | 3 | 3 | | |
| Raghubir S^ | 3 | 2 | | | | 4 |
| Kgomo S^ | 3 | 3 | | | 3 | |
| Botha A^ | 1 | 2 | | | 1 | |
| Mashanda T | 4 | 3 | 4 | 3 | | |
| Mashika D^ | 3 | 2 | 2 | 2 | | |
| Phaho D^ | 3 | 2 | | | | 2 |
| Ruiters C^ | 3 | 2 | | | 3 | 3 |
| Mkhabela I* | 1 | | | | | |
| Nyabeze W* | 0 | | | | | 1 |
| Ndema Y* | 1 | | | 1 | 0 | |
| Mabuya N* | 0 | | | | 1 | |
| Msezane N* | 1 | | | | | 1 |
| Parirenyatwa* K | 1 | | | | 1 | |
| Brenner L* | 1 | | | 1 | | |
| Sutherland H* | 1 | | | 1 | | 1 |
| **INDEPENDENT AUDIT COMMITTEE MEMBERS** | | | | | | |
| Hattingh W | | | 3 | | | |
| Malope M | | | 2 | | | |
| Buys R | | | 4 | | | |

* Resigned 12 April 2011
[1]Appointed 14 April 2011

## Board Committees

In terms of the provisions of the Board charter, the Board is mandated to form subcommittees necessary for carrying out its fiduciary responsibilities. Four committees have been established to assist the Board in discharging its responsibilities. The committees have an important role in enhancing high standards of governance and achieving increased effectiveness within the company in line with King III. Terms of reference for the subcommittees were presented and approved by the Board All board committees comprise only of members of the Board and executive management attend only per invitation. All committees are empowered to obtain such external or other independent professional advice as they consider necessary to carry out their duties. The Audit Committee has three independent committee members who are selected by the shareholder, in addition to the Board members.

The committees are:- Audit and Risk Committee, Human Resources and Remuneration Committee, Finance Committee and the Operations Committee.

## Audit and Risk Committee

The committee is comprised of three non-executive directors namely,

- Mr Vule Nemukula, **(until 12 April 2011)**
- Mr Herman Moeketsi **(until 14 July 2010)**
- Ms Thulisile Mashanda
- Mr Duncan Mashika **(until 12 April 2011)**
- Mr Lionel Brenner **(from 14 April 2011)**
- Mrs Karen Parirenyatwa (**from 14 April 2011)**
- Dr Washington Nyabeze **(from 14 April 2011)**
- Mr Waldo Hattingh – an independent committee member,
- Mrs Masesi Malope – an independent committee member
- Mr Rudolf Buys – an independent committee member

The committee is chaired by Mr Lionel Brenner, a non-executive director. The committee has adopted terms of reference approved by the Pikitup Board dealing with membership, structure, authority and duties. The responsibility of the audit committee includes but is not limited to:

- Ensure the integrity, reliability and accuracy of accounting and financial reporting systems
- Evaluate the adequacy and effectiveness of internal audit and risk
- Maintain transparent and appropriate relationships with the respective firms of external auditors
- Review scope, quality and cost of the statutory audit and the independence and objectivity of the auditors
- Ensure compliance with applicable legislation and the requirements of regulatory authorities especially the Municipal Finance Management Act (MFMA)
- Compliance with Code of Corporate Practices and Conduct and Ethics

The committee had five meetings during the financial year. The meetings were done as per the company's audit calendar, which requires a meeting at every quarter and special meetings to approve annual financial statements.

## Human Resources & Remuneration Committee

This committee is comprised of three non-executive directors namely

- Dr David Phaho **(retired 26 January 2010),**

- Mr Sethakgi Kgomo ***(until 12 April 2011)***
- Ms Anissia Botha ***(until 12 April 2011)***
- Dr Cornelius Ruiters ***(until 12 April 2011)***
- ***Dr Nomonde Mabuya (from 14 April 2011)***
- ***Dr Yondela Ndema (from 14 April 2011)***
- ***Ms Karen Parirenyatwa (from 14 April 2011)***

The Committee is chaired by Dr Nomonde Mabuya, a non-executive director. The committee has adopted terms of reference approved by the Pikitup Board dealing with membership, structure, authority and duties. The responsibility of the committee includes making recommendations to the Board on the following matters:

- With regard to labour relations, all policy matters that affect the employer/employee relationship;
- With regard to staffing, all policy matters dealing with remuneration, recruitment, selection, appointment and the remuneration of Executives;
- With regard to social well-being of staff, to consider and make recommendations on policy matters that affect the mental, social and physical well-being of staff;
- Consider and approve the human resources strategy and organisational structure.

### Finance Committee

This committee is comprised of four non-executive directors namely:

- Mr Vule Nemukula, **(until 12 April 2011)**
- Ms Thuli Mashanda **(until 14 April 2011)**
- Mr Duncan Mashika **(until 12 April 2011)**
- ***Dr Yondela Ndema (from 14 April 2011)***
- ***Mr Lionel Brenner (from 14 April 2011)***
- ***Mr Hugh Sutherland (from 14 April 2011)***

The Committee is chaired by Mr Lionel Brenner, a non-executive director. The committee has adopted terms of reference approved by the Pikitup Board dealing with membership, structure, authority and duties. The responsibility of the committee includes making recommendations to the Board on the following matters:

1. Advise the Board on the overall financial results, position and financial management of the company;
2. Tax management issues;
3. The annual income, expenditure and capital budgets;
4. Adequacy of loan loss provisions and impairments;
5. Evaluate the annual budget against long-term fiscal plans of the company;
6. Consider financial policies and any other policies that have a bearing on the company's assets, liabilities, income and expenditure;
7. Maintain oversight over the implementation of the supply chain management policies as contained in the supply chain management manual;
8. Assess deviations and exceptions from supply chain policy and procedures;
9. Monitor and report on group spend against the approved budget and business plan;
10. Report to the Board on the information and deliberations.

### Operations Committee

This Committee is comprised of three non-executive directors namely

- Mr Sanjeev Raghubir (**until 12 April 2011**),

- Dr Cornelius Ruiters (**until 12 April 2011)**
- Dr David Phaho ***(until 12 April 2011)***
- ***Dr Washington Nyabeze (from 14 APRIL 2011)***
- ***MS* NOMPUMELELO *MSEZANE (FROM 14 APRIL 2011)***
- ***MR HUGH SUTHERLAND (FROM 14 APRIL 2011)***

The committee is chaired by Dr Washington Nyabeze. It has adopted terms of reference approved by the Pikitup Board dealing with membership, structure, authority and duties. The responsibility of the operations committee includes but is not limited to:

- Proactively strategise around key people technical/operational issues to achieve Pikitup's goals;
- Ensure that operational and technical management takes place at the coalface;
- Facilitate the effectiveness of the existing operational resources, structures and processes;
- Ensure optimised cross-group utilisation of the operational and technical capabilities of Pikitup;
- Support the Executives: Outer City, Inner City, Landfills and Fleet in key operational and technical initiatives.

## Directors Remuneration

The directors' remuneration is determined by the shareholder. Payments are made after each meeting attended, are taxable and payable on the 27th of the month which is the company's salary payday. Retainer fees are payable at each quarter end.

## Company Secretarial Function

Ms Bongie Memela is the Company Secretary, duly appointed in accordance with the Companies Act (the Act). The company secretary has a direct channel of communication to the chairman while maintaining a close relationship with the Board and the directors. She is responsible to the Board for ensuring the proper administration of board proceedings, including the preparation and circulation of board papers, ensuring that feedback is provided to the board and board committees and preparing and circulating minutes of the meetings. The company secretary provides support and guidance to the Board on matters relating to governance and ethical practices. Statutory duties in terms of the Companies Act 2008, as amended and other regulatory functions are also performed by this function. The directors have unrestricted access to the services of the Company Secretary.

## Risk Management and Internal Controls

### Introduction

Pikitup Johannesburg Pty Ltd through its various business activities engages in a number of operations, most of which involve the provision of a wide range of high volume domestic and business round collections refuse, street cleaning, low margin commercial services, recycling activities and disposal of domestic, business and putrescible waste. By their nature, such services present a substantial level of financial and operational risk, which must be mitigated on a continuous basis if the overall sustainability and prosperity of the company is to be assured.

### Risk Management Policy

The Pikitup risk management policy provides the broad framework for dealing with risk in the company's businesses. In prioritizing the company's approach to risk management, it is a primary objective to manage each specific risk so as to neutralize its impact on the company.

### Risk Management Framework

The methodology set out in global risk management standards incorporating the Institute of Risk Management South Africa (IRMSA), COSO (the Committee of Sponsoring Organizations of the Treadwell Commission), the Australian and New Zealand standards (AS/NZS 4360-1999), the United Kingdom Risk Management (IRM) Standards, Financial Reporting Board Internal Control Revised Guidance for Directors amongst others has been used as a benchmark in developing policy, and has been used in monitoring and implementing risk management measures.

The Pikitup risk management policy and framework has been updated and revised in 2011 and are in line with the City of Johannesburg's adopted risk management policy, framework and methodology to enable a shared and consistent corporate approach.

In Pikitup, Internal audit will not assume the functions, systems and processes of risk management but instead, assists the Board and management in monitoring risk management in the company by commenting on the adequacy and effectiveness of the implementation of risk management and ensuring that the internal audit scope and procedures as required by S165 of the MFMA follow a risk based approach.

The key elements of Pikitup's risk management system are:

- A defined framework and policy,
- A Risk charter,
- Risk identification,
- Risk analysis,
- Risk evaluation,
- Risk remedies,
- Monitoring and review, and
- Communication and awareness.

## Oversight of Risk Management Policy and Framework

The Board is ultimately responsible for ensuring that the company's risk management practices are sufficient to mitigate, to the most cost-effective extent possible, the risks present in the company's various businesses.

The Board delegates a portion of this responsibility to its Risk and Audit Committee. Management is mandated and empowered by the Board to implement risk management strategies in cooperation with it and the committee, report to the Board and committee on developments related to risk, and suggest to the Board new and revised strategies mitigating risk.

A risk management implementation plan for the forthcoming 2011 financial period was developed in order to address certain gaps in best practises. The plan was approved by the Board of Directors in November 2010.

## Emerging Risks and Areas of On-going Risk Management

The company is subject to a number of types of risks that can be expected to be enduring elements of its businesses. The Board and management seek to identify, analyze, evaluate and remedy the following risks: strategic risks, operational risks, technology risks, market structure and regulation risks, compliance risks, human resource risks, capital adequacy risks, business continuity risks, economic risks, reputation risks, and accounting and financial control risks.

The Board, directly and via the Risk and Audit committee, work with management on an on-going basis within the risk framework outlined above to mitigate the risks to the company's businesses as they may evolve over time. Some emerging and potential risks pertain to economic risks namely; high inflation, rising fuel/food costs and interest rates that could negatively impact on worker productivity and manifest itself in high staff absenteeism and industrial unrest.

## Pikitup Corporate Risk Register

The executive management team conducted their annual strategic risk workshop on 22nd of November 2010 during which strategic and operational risks were identified.

Through a structured, facilitated process, strategic risks which may prevent Pikitup from achieving its stated strategic objectives for 2011/2012 were identified and aligned to those strategic objectives.

The final outcome of the strategic risk workshop is to provide management with a structured risk register which will form the basis to establish a formal on-going risk management system and function within Pikitup, as required by the MFMA and best practice corporate governance.

The monitoring on implementation of the controls for addressing the identified top strategic risks was conducted on a monthly basis and will continue in receiving focused attention. The following table illustrates the Top strategic risks, which may adversely affect the achievement of Pikitup's strategic objectives.

## Pikitup's Strategic Risks

| Strategic Objectives | Strategic Risk Description |
|---|---|
| Extend access to basic services to all households. | Any failure by specialized suppliers of core services and dependency on sole service providers impacts on Pikitup's ability to deliver basic services to all households in terms of Section. 24 of the National Constitution and the Services Delivery Agreement with the City of Johannesburg. |
| Upgrade infrastructure and reduce maintenance backlog to meet capacity requirements. | The capacity growth of Pikitup in terms of increased operating expenditure and capital investment programmes does not meet the growth of the City of Johannesburg, thereby hampering Pikitup in managing and disposing of additional waste generated.<br><br>Inadequate funding on maintenance programmes of assets leads to quicker extinction of such assets. |
| Implement Demand Side Management Programmes for waste services and innovative technologies. | Slow progress of waste reduction to the City's landfills through innovative and coordinated customer interventions programmes and diversion of waste hampers Pikitup's efforts in reducing waste to landfills by 15%. |
| Minimize waste to landfill in line with Polokwane Declaration. | The implementation of alternative technologies for waste reduction and waste treatment does not minimize waste to landfills. |
| Improve waste management services. | Environmental pressure groups delay waste minimizing business decisions and planning and securing of alternative landfill sites.<br><br>Depletion of landfill airspace and obtaining timely new land fill rights prevents Pikitup of improving waste management services.<br><br>Poor work culture and lack of work ethics decreases Pikitup's ability to improve waste management services. |
| Service delivery, monitoring and evaluation to improve quality of service. | Non-compliance with service level agreements and poor monitoring thereof lead to increased customer dissatisfaction and decreases the company's creditability of providing quality service delivery. |
| Policy development and by-law reviews. | Inadequate by-law enforcement and environmental awareness leads to littering and illegal dumping.<br><br>Non-compliance with environmental regulations can force operations and disposal functions to stop collecting and |

| Strategic Objectives | Strategic Risk Description |
|---|---|
| | disposing of waste. |
| MOE financial sustainability through improved revenue collections and reduction in operating costs. | Unfunded mandates impacts on cost structure of company.<br><br>Strict regulations on Pikitup reduce the competitiveness, as competitors can provided a lower cost service.<br><br>Pikitup is dependent on on-going funding from the City of Johannesburg and on outsourced revenue and customer relations functions.<br><br>High depreciation rates on assets and rehabilitation cost on landfills increase operating costs. |
| Redefine core business. | Unfunded mandates, such as hostel cleaning and cleaning and removal of illegal dumping, as well as unbilled services from both core and non-core businesses impact on the cost structure of the company and increase the cost of doing business. |
| Development of new tariff model. | Escalating debt, low and reduced revenue streams and collection, as well as the City of Johannesburg delaying city services payments severely impacts on the financial sustainability of Pikitup.<br><br>Economic fluctuations in terms of increased fuel prices, interest rates and cost of living impacts on the affordability of new tariff models. |
| Development and implementation of Integrated Waste Management Plan. | The development and implementation of a quality Integrated Waste Management plan is dependent on the availability of long-term funding of infrastructure development that drives all areas of service delivery such as, operations, disposal, fleet and waste minimization through alternative and innovative technologies. |

In terms of the risk management implementation plan of 2010/2011 and 2011/2012 the following operational risk registers were completed:

1. **Information Technology function;**
2. **Supply Chain Management function;**
3. **Operations (Depot) function;**
4. **Human Resources function;**

Management is in the process of reviewing these risk registers and once completed, these will form a key agenda item on the respective departmental meetings, as well as an extension for Internal Audit to plan and develop their risk-based audit approach for 2012 and beyond.

### Insurance

Insurance claim review meetings with CoJ and with Pikitup's Fleet management have been set up in an effort to minimise the number of claims submitted and to speed up the assessment and processing period. Pikitup maintained a burnout ratio of claims processed to premiums paid below 100%.

A fatal bus accident claimed the lives of seven employees and a number of employees sustained serious injuries. The Wellness department played a major role in counselling the injured and family members and the Enterprise Risk department ensured death benefit claims were paid to the dependents in a very short period of time. The accidental medical and injury benefit claims are being processed and should be finalised before the start of the Christmas season.

### Business Continuity Plan

A steering committee consisting of a representative of Security, IT, Health & Safety and Risk Management was established to develop a Business Continuity Plan on the risks that one or more critical business functions fail to operate with any period of time. With the assistance of an external service provider, the Business Continuity Plan was finalised in June 2011 and senior managers attended a training and simulation awareness program.

### Fraud Prevention Policy

Pikitup adopted a comprehensive approach to the management of fraud risk and this policy confirms that Pikitup supports and fosters a culture of **Zero Tolerance** to fraud in all its forms.

Fraud represents a significant potential risk to the entity's assets, service delivery efficiency and reputation. As such Pikitup will not tolerate fraudulent or corrupt activities, whether internal or external to the entity, and will vigorously pursue and prosecute any parties, by all legal means available, which engage in such practices or attempt to do so.

Fraud prevention is a process that is adopted, in putting mechanisms in place, to manage the entity's vulnerability to fraud. Such mechanisms are designed to prevent, deter and detect fraud.

### Compliance Unit

The purpose of the Compliance Unit is to provide guidance to enable the Board of Directors, the executive management, operational management and all employees within Pikitup for managing compliance at Pikitup.

Pikitup is committed to ensuring that the activities of the company and its employees are conducted in accordance with all applicable laws and regulations, all relevant internal rules, policies and procedures, and to the highest ethical standards.

An independent function that identifies, assesses, advises on, monitors and reports on the company's compliance risk, that is, the risk of legal or regulatory sanctions, financial loss, or loss to reputation a company may suffer as a result of its failure to comply with all applicable laws, regulations, codes of conduct and standards of good practice has been established.

The applicable laws, rules and standards are principally those relevant to the business activities of Pikitup.

## INTERNAL AUDIT FUNCTION

### Internal Audit Function

The primary objective of the Internal Audit function is to provide a comprehensive service to ensure adequate measures and procedures are in place for sound economic, effective and efficient management as required by the Municipal Finance Management Act and King III. Internal Audit has conducted audits to assist management in the effectiveness of the organisation's system of internal controls and quality performance. The Internal Audit department has been operating with an internal audit manager and four senior internal auditors.

### Internal Audit Plan

A risk based strategic approach was adopted which takes into account the results of the risk assessment conducted by management as well as subsequent discussions with management. The Internal Audit plan for the financial year 2010/2011 was developed based on Pikitup's strategic risk register for the financial year 2010/2011. In developing the plan, the top 20 risks, management concerns, previous AG management letter findings and the requirements of the Municipal Systems Act were taken into consideration. The plan was tabled and approved at the Risk and Audit Committee meeting in August 2010. Further, the plan was reviewed in the Audit Committee meeting held in February 2011 and the audit projects were reduced from 18 to 13 audits resulting from a lack of resources.

The status of the internal audit projects executed in relation to the planned audit was reported to the Executive Committee and to the Audit and Risk Committee quarterly. At the end of the financial year, 85% (excluding ad-hoc review requests) of the planned internal audit projects were completed.
Internal audit performs follow-up reviews to track the implementation of the action plans and to ensure that internal controls put in place are adequate and are working effectively and efficiently to address the noted findings.

### Significant Internal Control weaknesses identified.

During the implementation of the audit plan, a total of 116 weaknesses were identified. Internal audit findings are reported monthly to the Executive Committee and quarterly to the Risk and Audit Committee. Management developed action plans for all weaknesses identified and follow-up audits are conducted to ensure that they are addressed.

The 116 weaknesses rated as follows:

| Critical | Significant | Less significant | Minor |
|---|---|---|---|
| 36 | 75 | 5 | 0 |

## Training and Development

Pikitup Internal Audit staff are registered as members of the Institute of Internal Auditors South Africa. Formal training was attended by the internal audit staff:

## Auditor General Management letter

Internal audit was further mandated by the CoJ Group Audit Committee, Pikitup Risk and Audit Committee and the Managing Director to follow-up on the implementation of the actions plans developed by management to address the findings reported on the AG report. The approved annual operational plan made provision for the follow-up exercise. As at June 2011, the status of resolutions of the reported findings was as follows:

| | |
|---|---|
| Resolved | 87% |
| Partially Resolved | 11% |
| Not resolved | 2% |

## Response to the Auditor General's Report – 2010/2011

<table>
<tr><th>NO</th><th>AUDITOR-GENERAL FINDING</th><th>MANAGEMENT COMMENTS</th></tr>
<tr><td>1.</td><td>Predetermined Objectives<br>Target per business plan differs with target per Annual Performance Report<br><br>
<table>
<tr><th>Key performance indicators</th><th>2010/11 Target per business plan</th><th>2010/11 Target per annual performance report</th></tr>
<tr><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td></tr>
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</table>
</td><td>All future performance compacts will be signed off by both the MD and the relevant Executive; deviations from the Business plan will be noted and signed by both parties. Any changes in the company's status affecting the targets set out in the business plan and on performance compacts will be documented and the deviation updated on the compact followed by a sign off by both the MD and Executive.</td></tr>
</table>

| NO | AUDITOR-GENERAL FINDING | MANAGEMENT COMMENTS |
|---|---|---|
| | | |
| 2. | **Indicators not reported**<br>We noted that some of the indicators per business plan were not reported throughout in the quarterly reports.<br>(Refer to management letter for details) | The missing measures on the Annual Performance report have been included in the reviewed/corrected report. |
| 3. | **Irregular expenditure**<br>We noted that the following transaction did not have adequate supporting documents such as quotations/contract, tender, tax clearance certificates and declarations of interest<br>Supplier: Current year Expenditure 2010/2011 ( R) | Contract with Bytes was finalised through a bidding process. The bid has since expired in 2008 and has been running on a month to month basis. The office of the CIO needed to do an analysis of the existing outsourced IT services as well as integration of services.<br>The process of concluding a bid and contract for the service is under way. The Bid Specification Committee has met twice and another meeting has been scheduled to finalise the specification for advertisement of bid. |
| 4. | **No approved fraud prevention plan**<br>We noted that the entity has not developed and approved the fraud prevention plan. | The draft document was provided to the auditors on 1 November 2011, and is awaiting approval by the Board. |
| 5. | **Payment of suppliers within 30 days**<br>We noted that certain suppliers were not paid within 30 days of receiving suppliers invoice, which is in contravention with the requirements of section 99(2)(b) of MFMA Act.)<br>(Refer to management letter for details) | We are in the process of streamlining the receipt, verification of goods received and service rendered so as to eliminate the current bottlenecks that lead to the delay of the payment process. |
| 6. | **No SLA signed by both Pikitup and the successful bidder**<br>We noted that the successful bidder of tender number PU252/2010 which was awarded to Neotel on 21 October 2010 did not have a service level agreement/contract signed by both Pikitup and Neotel. | The process of concluding the signing of the SLA was initiated. Both parties (Neotel and Pikitup) needed to agree on the conditions. A final draft is available, to be signed.<br>Communication on the matter and final draft is available. |

<table>
<tr><th>NO</th><th>AUDITOR-GENERAL FINDING</th><th>MANAGEMENT COMMENTS</th></tr>
<tr><td>7.</td><td>Service level agreements are not signed and returned by appointed suppliers on time<br><br>We noted that the suppliers listed below did not sign service level agreements on time as there were signed long/months after the service delivery has started and payments made.<br><br><table><tr><th>Tender no</th><th>Awarded to</th><th>Signed date of SLA/Contracts by both parties</th><th>Start date of services</th></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr></table></td><td>The process of signing SLA involves the process of verifying Legal conditions as well as agreeing of service level expectations with the user department. These conditions need to be agreed by suppliers and Pikitup, thus it takes longer for some contracts</td></tr>
<tr><td>8.</td><td>Property, Plant and Equipment<br><br>The following weaknesses were identified during the physical verification of fixed assets and the assets register:<br><br>(a) There were assets selected from the floor that could not be traced back to fixed asset register, further noted that some of the assets did not have barcodes attached on them.<br>(b) The fixed asset register of the entity had assets with no corresponding barcodes.<br><br>(Refer to management letter for details)</td><td>Recommendations will be implemented.</td></tr>
<tr><td>9.</td><td>Outstanding of information<br><br>The following information requested was not provided for audit since requested:<br><br>(a) Overtime forms for some of the employees were not provided by the client.<br><br>(c) During performance of the audit, we could not verify leave form together with the sick leave for an employee. (Refer to management letter for details)</td><td>• No sufficient space for filling of Payroll and HR documentation as a result documents are not properly filed which lead to loosing documents.<br>• No lockable filling cabinets to keep documents safe and locked away<br>• Human Resource was sometimes not able to submit all requested documents on time as most of the data required was to be brought in to the Head Office from the Depots.<br>• Not enough time was given for submission of requested information, whereas data was requested in large volumes.</td></tr>
<tr><td>10.</td><td>IT Governance<br>IT Strategic Management<br><br>Although IT management had formally designed and documented IT Strategic plan controls (policies, procedures, and guidelines), the plan had not been approved to mitigate the risk of unauthorised access to the network and information systems, however, informal measures were in</td><td>The IT strategy has served at EXCO and was approved by the Board on 28 August 2011. The IT strategy will be reviewed annually based on the business plan.</td></tr>
</table>

| NO | AUDITOR-GENERAL FINDING | MANAGEMENT COMMENTS |
|---|---|---|
| | place and provided some control. The informal controls, although not enforceable, were found to be adequate to address the risks identified.<br><br>• *The IT strategic plan had been developed; however, it was in draft format and therefore not approved.* | |
| **11.** | **IT Service Performance**<br><br>IT management had not formally designed IT governance controls (policies, procedures, guidelines) to mitigate the risk of unauthorised access to the network and information systems. Informal controls were in place, but were inadequate. As a result, the following weaknesses were noted.<br>1. The service level agreement (SLA) with Shaya Computers was not in place.<br>2. The SLA with Bytes Technology had expired during June 2008 and had not been formally renewed. However, the service was still being provided on a month to month basis without a formal agreement in place.<br>This finding was reported in the prior year but no appropriate steps have been taken to date to implement the recommendations provided. | 1. Shaya Computers is the sole provider of the internationally patented SatSafe service which is used by Pikitup to download Microsoft and anti-virus updates. The service is renewed annually and legal opinion will be sought regarding the necessity of entering into a SLA with the service provider.<br>2. The tender to appoint a service provider is currently with SCM. The Bid Specification meeting is scheduled to take place on Friday, 14th October 2011. |
| **12.** | **Security Management**<br>**Operating System Controls – Windows**<br><br>Although IT management had formally designed security management controls (policies, procedures, guidelines) to mitigate the risk of unauthorised access to the network and information systems. There was non-compliance with controls designed by management; as a result, the following were not implemented.<br>During the review of the Windows operating system logical and security parameters, it was noted that:<br>1. Although the system's password policy was set to 7 characters, the policy has an inadequacy as the minimum password length is required to be 6 characters.<br>2. The policy outlines that an account will be disabled upon three (3) failed login attempts; however, the actual system's password policy setting was set to allow five (5) failed login attempts.<br>3. In addition, the following password settings were not defined in the policy and nor were they adequately set on the system:<br>a. Password history size was set to 6 while leading best practice is 15 or greater.<br>b. Password complexity was disabled. | 1. Management has updated the Logical Access policy to reflect the current required minimum password length of 7 alphanumeric characters<br>2. The Pikitup Active Directory Group Policy has been modified from five logon attempts to three logon attempts to bring this rule in line with Logical Access Policy.<br>3. a., b., d. and e. Due to the level of IT literacy, implementing larger password history settings may obscure security as passwords may begin to be written down for remembrance purposes. Management accepts the risk.<br>c. Reversible password encryption is enabled due to an older legacy |

| NO | AUDITOR-GENERAL FINDING | MANAGEMENT COMMENTS |
|---|---|---|
| | c. Reversible password encryption was enabled.<br>d. Lockout duration was set to 15 minutes while leading practice is 0 minutes (forever).<br>e. Reset lockout counter in minutes was set to 15 minutes while leading practice is 1440 minutes.<br>f. Allow lockout of local administrator account was disabled.<br>4. Sixty-seven (67) active user accounts were dormant on the system.<br>5. As a result of the above mentioned dormant accounts, thirty-one (31) active user accounts have not had their passwords changed in the last thirty (30) days or more. Furthermore, an additional thirteen (13) active user accounts have not had their passwords changed in the last 30 days or more which brings the total to forty-four (44), of which one (1) was the master administrator account. | (Windows 2000 Server) system that are still in use.<br>f. Pikitup IT has in the past been locked out of the Active Directory Domain due to the Administrator account being locked. It was decided that access to the Pikitup Active Directory Domain must be available at all times. The lockout feature was and is disabled on the Domain Administrator account. Management accepts the risk.<br>4. The list of sixty seven dormant users needs to be reviewed by the domain administrators. Without reviewing the list, no proper response can be made to this point. It is important to note that; due to past Active Directory interconnections with Microsoft Exchange and legacy systems the Administrator account password could not expire. These legacy systems would fail if the administrator password was changed. Almost all legacy systems and the locally hosted Microsoft Exchange server have been decommissioned. The Pikitup Domain Administrator password will now be changed every thirty days.<br>5. Pikitup IT has in the past reviewed and disabled dormant accounts. This was stopped as some users whose account was still in use ended up being disabled. Due to the inaccurate information supplied to Pikitup IT, the practice of disabling dormant accounts was stopped. Management accepts the risk. |
| **13.** | **User Access Control**<br>**Operating System**<br><br>Although IT management had formally designed security management controls (policies, procedures, guidelines) to mitigate the risk of unauthorised access to the network and information systems. There was non-compliance with | Collin Kekana's account was not deleted or disabled until all data and email connected to this account was saved by the successor to Mr Kekana.<br>Mr Kekana was the General Manager |

| NO | AUDITOR-GENERAL FINDING | MANAGEMENT COMMENTS |
|---|---|---|
| | controls designed by management; as a result, the following were not implemented.<br>• *It was noted that although the sample of a user clearance form (for the user - Collin Paul Kekana) was signed off by IT management, it was not completed by IT to indicate the de-activation of the terminated user's account on 28 February 2011. Furthermore, this user was still active on the system at the time of review on 27 July 2011. It was also noted that the accounts password had been changed on 16 March 2011, while the account was accessed on 17 March 2011 at 09:45:52 AM. All of which was performed after the date of termination.* | for the Pikitup Fleet department. The account has subsequently been deleted. |
| **14.** | **Facilities & Environmental Controls**<br>**Physical Access And Environmental Controls**<br><br>IT management had not formally designed facilities and environmental controls (policies, procedures, guidelines) to mitigate the risk of unauthorised access to the network and information systems. Informal controls were in place, but were inadequate. As a result the following key financial risks were not addressed.<br>1. The following inadequacies were still not addressed in the server room:<br>a. The server room door was not fireproof and fire hazardous partition walls were installed;<br>b. The server room window was not secured;<br>c. An intrusion alarm system was not installed;<br>d. Water detectors have not been installed.<br>2. The following could still not be confirmed to be operational for the period under review as no evidence of servicing was provided for review:<br>a. Fire suppression system<br>b. UPS<br>c. Generator<br>3. It was further noted that:<br>a. The server wiring was untidy and unorganised.<br>b. The fire extinguisher at the entrance to the server room has not been serviced recently as the last service was performed in June 2010, therefore it cannot be confirmed to be operational. | Recommendations will be implemented. |
| **15.** | **IT Service Continuity**<br>**IT Continuity And Disaster Recovery**<br><br>Although IT management had formally designed, approved and documented IT service continuity controls (policies, procedures, guidelines) to mitigate the risk of inability to recover IT systems successfully in the event of a disaster; there was non-compliance with controls designed by IT management to adequately mitigate these risks.<br>1. The IT Business Contingency and Disaster | 1. An off-site depot can be used as the Pikitup disaster recovery site. As backups of all the servers are hosted off-site it is envisaged that emergency procurement will be initiated to procure servers in the event of a disaster in the server room at head office and |

| NO | AUDITOR-GENERAL FINDING | MANAGEMENT COMMENTS |
|---|---|---|
| | Recovery Plan (DRP) had not been tested and training was not provided for key personnel responsible for this process.<br><br>IT management had designed IT service continuity controls, which had been documented and approved, but the controls were not adequate as they did not fully address/mitigate key financial risks such as the following:<br><br>2. The content of the IT Business Contingency and Disaster Recovery Plan did not include procedures on making a backup of the data at the recovery site prior to the move back to normal operations at the primary site. | the new servers will be hosted at one of Pikitup's depots and populated with the backup information. This will apply to the systems hosted in the Pikitup server room. The primary SAP and GIS applications are hosted at the CoJ and a disaster at Pikitup Head Office will not result in business discontinuity for these systems as users can log in to the CoJ applications from the depots.<br><br>2. The plan will be communicated to all users as part of the roll-out of the IT policies and the key personnel will be trained on the plan by the end of December 2011. It is envisaged that the servers procured in the event of a disaster will be moved from the recovery site to the primary site once this has been restored. A further contingency exists in that it is envisaged that backups will continue to run from the recovery site until such time as the primary site is restored as all Pikitup's backups are hosted off-site by Internet solutions, the service provider appointed to do Pikitup's backups. The BCDRP will be updated to reflect the restoration to the primary site. |

## Corporate Ethics and Organisational Integrity

The highest ethical standards are maintained by Pikitup in carrying out its business activities. Pikitup's shareholder obligations are recognised together with the obligations to all that the company has dealings with including employees, customers, suppliers, competitors and the wider community.

Pikitup has adopted a Code of Conduct which sets overall principles and guidelines for practices to be adopted throughout the company. The Code of Conduct, together with the core values of the company describes the company's corporate ethics.

Pikitup's values are:

- An exceptional service ethic
- Environmental consciousness
- Respect of human dignity
- Good corporate citizenship
- Unity of purpose
- Results driven outputs
- Innovation, and
- Continuous improvement

# Part V

# Sustainability Report

## Financial Viability

The company has recorded a deficit compared to a surplus of R4.2 million in the previous year.

## Environmental Management policies

The Environmental Management Policy has been reviewed and an Integrated Safety, Health and Environmental Management developed.

The full implementation of the Environmental Management System ISO 14001 planned in the next financial year.

## Service Standards

Pikitup's interface with its customers is measured through a wide range of service standards agreed to with all relevant departments. Performance against these standards is measured and reported on a monthly basis. Corrective actions are taken whenever they are required.

Pikitup achieved an average resolution rate of 84 % throughout the year under review. This is below the standard of 85% which was agreed with the City of Johannesburg and resulted mostly from the non-availability of bins to satisfy customer requests.

## OSH Act and Environment

An external audit to assess the company compliance level to the requirements of the occupational health and safety Act were conducted at the end of the year under review. Action plans to address the findings have been developed and monitoring to be conducted on a monthly basis.

Environmental authorisations have been applied as per the requirements of the Waste Act, no 59 of 2008 and the Environmental Impact Assessments Regulations of 2006 for the following proposed facilities:

- Haylon Hill Garden site and depot;
- Pimville garden site; and
- Orange farm garden site and depot.

An environmental authorisation for the construction of the Randburg garden site was issued by the Gauteng Department of Agriculture and Rural Development.

A total of 306 waste related education awareness sessions were conducted for the community including schools.

.

## Safety and fatalities

To manage the occupational related safety risks with the aim of reducing potential occupational related injuries/diseases measures implemented included employee awareness training; facilities inspections, audits, task based risk assessments and development of mitigation measures. Furthermore awareness training material for employees and contractors were developed for implementation. To improve on the safety performance the introduction of the behaviour based safety initiative and implementation of the OHSAS 18001 system is planned in the next financial year.

### Strategic programs

- Development and Implementation of the behaviour based safety initiative
- Roll out of City wide waste Separation at source in households
- Implementation of the Environmental Management system based on ISO 14001
- Implementation of OHSAS 1001
- Capacitating of the Safety and Environment Unit to ensure the implementation and monitoring of the Safety and environmental management systems.
- Inclusion of SHE performance into departmental scorecards.

## Challenges

### Safety

The implementation and monitoring of the safety system is challenging because there is one safety manager to ensure the development, implementation and monitoring of the system for the whole company.

### Environment

The implementation of the environmental management system is challenging because there is no dedicated environmental manager and/or officers to ensure the development, implementation and monitoring of the system within the company.

## Programs for the new financial year.

### Safety

- Behaviour based safety initiative
- Implementation of the OHSAS 18001
- Employee Safety awareness education

### Environmental Management

- Implementation of the Environmental Management System ISO 14001

### Waste Minimisation

- Phased in City roll out of waste separation at source in households.
- Introduction of waste separation in schools
- Garden sites safety and environmental compliance audits.
- Implementation of the internal waste management procedure.

### Disaster Planning

- Development of emergency response procedures
- Training of employees on emergency response and evacuation procedures.
- Installation of evacuation systems at facilities.
- Undertaking of drills.

### Environmental Education and Awareness

- Environmental education awareness for the community and Pikitup employees
- Development of partnerships with private sector for education and awareness and implementing waste recycling in schools.
- Establishment of community environmental forums.
- Cleaning campaigns undertaken with schools in Alexandra, Soweto and the Church and the community of Klipfonteinview in Region A.

### Legal Compliance

**To ensure compliance to the applicable legal requirements the following will be conducted:**

- Environmental legal compliance audit
- Monitoring the implementation of the Safety legal compliance audit conducted at the end of the year under review.
- Monitoring implementation of the safety and environmental management plans.
- Acquiring of environmental authorizations for applicable proposed new projects.
- Implementation of the Procedure for Contractors Safety, Environment legal requirements compliance.

### Corporate Social Responsibility Report

Pikitup's Corporate Social Responsibility strategy is two-pronged and is aimed at directly and indirectly impacting positively upon the communities in Johannesburg while aligning strategically to the overall business objectives. Monetary contributions to charities, such as that made from the proceeds of the city of Johannesburg's Mayoral Golf Day are one of the ways Pikitup applies its CSR strategy. However, the company believes there are more influential and effective ways of positively touching the lives of communities in the City. As such, previously disadvantaged communities are one of the priorities of the CSR strategy with projects that aim to educate, assist and empower residents of Johannesburg. The rehabilitation of illegal dumping spots and the subsequent establishment of community facilities such as sports grounds is one such project, helping to alleviate crime and adding important recreation infrastructure to nourish talent in underprivileged communities.

A daily cleaning service has also been introduced to 64 of these communities throughout the City. This service is supplemented by community development and environmental education programmes which help to sustain a cleaner and more dignified living environment for residents. It was with this in mind that Pikitup assisted in the clean up of Soweto following the flood, a disaster which caused considerable damage particularly in Meadowlands, Macey Park and Mofolo South. There are projects and services that are aimed at all communities in Johannesburg, such as the provision of garden sites which act as a storage facility for recyclable material and garden waste. Strategically located across the City, the garden sites enable residents to conveniently and responsibly discard of recyclable and garden waste.

## HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT

### Employment Equity - Profile, Targets and Plan

The EE profile of Pikitup as at December 2010 in terms of percentages and staff complement is depicted in the following tables.

**Table 1.1: Target as per EE Plan and Actual as at 30 June 2011**

| Level | Target PDI Total % | Actual PDI % | Proposed Target Gender% | Actual Gender % |
|---|---|---|---|---|
| Executive | 70% | 100.00% | 20% | 28.57% |
| General Managers | 70% | 99.20% | 20% | 27.77% |
| Professionally Qualified and Experienced Specialists and Mid-Management | 60% | 99.04% | 20% | 41.00% |
| Skilled technical and academically qualified workers, junior management and supervisors | 100% | 97.00% | 20% | 41.46% |
| Other semi-skilled and unskilled | 100% | 99.80% | 20% | 28.00% |
| **Total** | 80.00% | 99.00% | 20% | 33.36% |

**Table 1.2: EE Profiles as at 30 June 2011**

| Occupational Levels | Male | | | | Female | | | | TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | |
| Top Management | 4 | 1 | 0 | 0 | 2 | 0 | 0 | 0 | 7 |
| Senior Management | 7 | 1 | 1 | 4 | 4 | 0 | 0 | 1 | 18 |
| Professionally qualified and experienced specialists and mid management | 33 | 6 | 0 | 10 | 26 | 3 | 0 | 5 | 83 |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen, superintendents | 80 | 11 | 0 | 5 | 58 | 3 | 3 | 3 | 163 |
| Semi-skilled and discretionary decision making | 357 | 9 | 0 | 2 | 129 | 0 | 0 | 1 | 498 |
| Unskilled and defined decision making | 1,035 | 9 | 0 | 1 | 631 | 2 | 1 | 1 | 1,680 |

| Occupational Levels | Male | | | | Female | | | | TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | |
| **TOTAL PERMANENT** | 1,515 | 37 | 1 | 22 | 852 | 8 | 4 | 11 | 2,450 |
| Non-permanent employees | 641 | 7 | 0 | 0 | 55 | 1 | 0 | 0 | 704 |
| **TOTAL** | 2 156 | 44 | 1 | 22 | 907 | 9 | 4 | 11 | 3,154 |

The PDI status at the end of December 2010 compared with the targets set at the beginning of the year is as follows.

**Table 1.3: PDI Status as at 30 June 2011**

| | PDI % | Progress | | Gender % | Progress |
|---|---|---|---|---|---|
| | Dec-10 | Dec-10 | | Dec-10 | Dec-10 |
| Executive | 100.00% | 0.00% | | 25.00% | 0.00% |
| General Managers | 85.71% | 13.50% | | 38.10% | 10.33% |
| Professionally Qualified and Experienced Specialists and Mid-Management | 89.41% | 9.63% | | 36.47% | 4.53% |
| Skilled technical and academically qualified workers, Senior management and supervisors | 96.53% | 0.47% | | 45.09% | -3.63% |
| Other semi-skilled and unskilled | 99.96% | 0.00% | | 34.55% | -6.55% |
| Total | 99.25% | 4.72% | | 35.34% | 0.01% |

Significant cause for changes is attributable to internal staff movement and normal attrition at lower levels. At the senior categories, there have been several resignations specifically affecting the PDI figures. The impact of none replacement of workforce that have departed in several occupational levels is affecting negative growth especially at the operational staff level.

### Intervention

- Staff replacement in line with budget availability.
- Step up the influence of the EE Committee(s) in order to influence the direction of targeted recruitment
- In line with the Employment Equity plan, replacement should as far as possible consider the gender requirement.
- Implement empowerment programmes to grow the pool for gender and People With Disability (PWD) candidates

### Human Capital Movement

Human capital movement for the reporting period is depicted in the following table.

**Table 2.1: Human Capital Movement**

| Appointments | African | | Coloured | | Indian | | Whites | |
|---|---|---|---|---|---|---|---|---|
| | Male | Female | Male | Female | Male | Female | Male | Female |
| Appointments | 9 | 4 | 1 | 0 | 0 | 0 | 1 | 0 |
| New Recruitments | 5 | 3 | 0 | 0 | 0 | 0 | 1 | 0 |
| Resignations | 12 | 6 | 1 | 0 | 1 | 0 | 1 | 1 |
| Dismissals | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Retirements | 26 | 27 | 3 | 1 | 0 | 0 | 1 | 0 |
| Deaths | 42 | 10 | 0 | 0 | 0 | 0 | 0 | 0 |
| Medical Boarding | 9 | 5 | 0 | 0 | 0 | 0 | 0 | 0 |
| Contract Exp | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 0 |
| Absconded | 2 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transferred Out | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

It is an open secret that Pikitup's workforce is ageing and the analysis show more retirements coincidentally affecting the operational level. This situation is aggravated by the fact that the organization experienced several deaths in service during the period under review. For some reason the replacement were delayed thus affecting the level of service delivery.

## Employee Wellness Programme

The following table details the employee wellness programmes which are on-going for the 2010/11 financial year.

**Table 3.1: Employee Wellness Programmes**

| *PROGRAMME* | *PROGRESS* | *CHALLENGES* | *MITIGATION* |
|---|---|---|---|
| *1. Debt Management Program* | • Debt and financial management continue to be the most pressing problem in PIKITUP.<br>• Case management of employees who are heavily indebted is on-going and employees are also being referred to ICAS for financial management services.<br>• An initiative to look into the issue of high volume of Garnishee orders and administration orders is on-going. Different service providers have made presentations on possible solutions to the problem of garnishee orders and administration orders. The possibility of bringing an external service provider to assist with the challenges of court orders is being looked into.<br>• Footprint SA presented their proposal for Financial Literacy workshops. The actual workshops started in August 2011 | Pikitup has a high rate of garnishee orders.<br><br>- Garnishee orders remain a challenge.<br><br>-Abuse of employees by Credit providers/ administrators | • Professionals from different institutions were brought to do financial education on an on-going basis. |
| *2. Substance Abuse Programme* | • A benchmarking exercise was undertaken at Engine Petroleum and Transnet on Substance Abuse Testing.<br>• Subsequent to the benchmarking exercise, a Substance Abuse Task team has been established to oversee the process. The meetings are held monthly.<br>• Substance Abuse Policy was work-shopped at LLF and has since been signed and adopted by the Pikitup Board of Directors | • Resistance to Substance Abuse testing programme | • Continuous education and awareness of the negative impact of Substance Abuse on Employees' health and safety<br><br>• Organized |

| *PROGRAMME* | *PROGRESS* | *CHALLENGES* | *MITIGATION* |
|---|---|---|---|
| | • Substance Abuse awareness campaigns were conducted at Head Office and are in progress at the depots<br>• Training was also conducted for Regional Managers and organized labour shop stewards.<br>• Training on how to utilise testing equipment conducted for Safety Officers, Security Officers, Ops Managers and SAMWU shop stewards.<br>• 3 EAP Practitioners were sent to a workshop on Substance Abuse Aftercare services.<br>• A Programme on Substance abuse testing was launched on the 19th October 2010 at Head Office.<br>• The Pilot testing programme started on the 26th October 2010 at Head Office whereby everybody who entered the Head Office premises was tested. The pilot programme ended in January 2011 wherein the actual programme was recommended for implementation by the Executive Committee. | | Labour support is solicited<br>• Constitution of support group for employees discharged from rehabilitation centres |
| 3. Incapacity Management Programme | • An incapacity management committee was established to manage incapacity cases within Pikitup. Monthly meetings were held wherein psycho-social and medical/ sick leave history are reviewed and recommendations made.<br>• Resultant recommendations are referred to line managers for actioning.<br>• Pikitup Incapacity reports were presented to Executive Committee. | • Ailing and aging workforce<br>• Coordination of services amongst all relevant stakeholders.<br>• Different pension fund rules | • Education and Awareness on effective management of Incapacity in the workplace (Labour employee & Management<br>• Hold discussions with the pension funds |

| *PROGRAMME* | *PROGRESS* | *CHALLENGES* | *MITIGATION* |
|---|---|---|---|
| *4*. Health Promotion | • The following Health Promotions were done according to Department of Health Calendar:<br>- Substance Abuse<br>- Woman's Health<br>- Oral Health<br>- Tuberculosis<br>- Cancer screening, Pap smear and prostate cancer screening.<br>• **Breast Cancer Awareness** done at all depots during the month of October 2010<br>• Condom Week and Valentine Celebrations<br>• **Chronic Fatigue and Stress Awareness Exhibition** took place at Head Office on 31 May 2011.<br>• A **special Pikitup health promotion** day was held wherein external service providers were invited.<br>• **Blood Donation Month Campaign** | | |
| 6. Sports Day | • Employee Wellness services were rendered during the November Sports Day events<br>Injuries handled: 23<br>Minor injuries: 12<br>Total: 35 | Exercise is not a life-style thus impacting on proneness to injuries | Health promotions |
| 7. Pre-Retirement programme | • Pre-Retirement workshops held on 28th to 29th March and 14 June wherein targeted employees attended.<br>• The main objectives of the workshops are:<br>- To prepare employees for retirement<br>- Prepare retirees for financial freedom and psycho-social independence.<br>- Ensure that employees get their pension pay-outs within a short space of time after retiring<br>- Promote optimal aging | Exposure to info right at the retirement age<br><br>Misinformed business visions leading to wrong investments | Early preparation and exposure to retirement matters<br><br>Inclusion of Retirement in the induction programme |

| *PROGRAMME* | *PROGRESS* | *CHALLENGES* | *MITIGATION* |
|---|---|---|---|
| | - Make employees aware of HR requirements for pension application<br>- Ensure that retirees are given a dignified and informative send off by the employer.<br>- To make them aware that Pikitup is an effective and caring employer<br>• SARS was invited to make presentation. | | |
| 8. Occupational Health Services | • Medical Surveillance Report was presented to the joint Executive Committee and Regional Managers meeting<br>• All employees with abnormal results have been referred to their personal treating doctors.<br>• The following protocols and procedures were drawn up to assist the functioning of the clinic as per legislative requirement.<br>- Audiometry protocols<br>- Lung function protocols<br>- Vision testing protocols<br>- Abnormal blood pressure protocols<br>- Blood sugar testing protocols<br>- Vaccination protocol<br>- Disability declaration protocol<br>• This is to ensure compliance to clinic management.<br>• Group report on executive Medical Surveillance Report was presented at Executive Committee. | | |
| 9. HIV and AIDS Programme | • HIV and AIDS presentations were done at LLF<br>• World AIDS Day commemorations done at all depots and Head Office including the **Candlelight Memorial** | | |

| *PROGRAMME* | *PROGRESS* | *CHALLENGES* | *MITIGATION* |
|---|---|---|---|
| | • **HIV and AIDS Training:** 2 day Peer Education training/update done through external services providers contracted through COJ. Six managers from Pikitup attended HIV and Aids Management training which was coordinated COJ HIV and AIDS Workplace Programme. | | |

**Employee Wellness Utilization Statistics (Internal Provision)**

| WELLNESS SERVICES | NUMBER OF PRACTITIONERS | TOP THREE PRESENTING PROBLEMS | TOTAL NUMBER OF CASES SEEN |
|---|---|---|---|
| EAP Services | **3** | - Debt/Financial problems<br>- Child and family care<br>- Substance Abuse Cases | **2 038** |
| Occupational Health Services | **4** | - Musculoskeletal Conditions<br>- Chronic Conditions<br>- Respiratory Conditions | **5 755** |

**Employee Wellness Support (External Provision)**

**Table: ICAS Employee Wellness Engagement Report (Annual Comparison)**

| Description | 2010/2011 | 2009/2010 |
|---|---|---|
| Projected total engagement rate (%) | 5.5% | 9.1% |
| Individual cases | 4.5% | 7.4% |
| Profiled e-Care users | 0.1% | 0.7% |

**Table: Service types used most frequently (as % of services provided)**

| Individual Services | 2010/2011 | 2009/2010 |
|---|---|---|
| Life Management | 48.6% | 42.6% |
| Professional Counselling | 44.3% | 55.5% |
| Managerial Services | 4.0% | 0.3% |
| Referral Services | 2.0% | 0.0% |

**Table: Most commonly presented problem classes (as % problems)**

| Problem Cluster | 2010/2011 | 2009/2010 |
|---|---|---|
| Money Management | 19.0 | 32.5 |
| Relationship Issues | 16.5 | 8.9 |
| Legal Issues | 13.9 | 10.0 |
| Information and Resources | 12.0 | 15.0 |
| Loss Issues | 7.0 | 1.4 |
| Stress | 5.1 | 8.2 |
| Child and Family | 5.1 | 5.0 |
| Organisational Issues | 4.4 | 4.2 |
| Trauma | 4.4 | 1.4 |
| Addiction Behaviours | 2.5 | 2.1 |
| Abuse | 1.9 | 0.0 |
| Mental Illness/Psychiatric | 1.3 | 2.8 |
| HR Issues | 1.3 | 2.8 |
| Life Threat | 0.6 | 1.0 |

**Qualitative analysis of the engagement profile (comparing 2009/10 and 2010/11 - external)**

- The overall engagement rate amounted to 5.5% during the period under review, which compares to 9.1% during the comparable previous period. This means that more marketing of the service has to be done.

- Annualised individual usage of the core counselling and advisory services of 4.5% was recorded during the most recent period, which compares to 7.4% during the previous period. During the period under review, the most commonly utilised service was Life Management, accounting for 48.6% of total uptake. By comparison, this service offering accounted for 42.6% of all core EWP engagement in the previous year.

- The divisional breakdown of engagement shows that use of the EWP during the most recent review period was greatest within Head Office, where 27 new cases were opened

- There was an increased utilization of the Managerial services within PIKITUP this quarter with this service cluster accounting for 4% of the total services, compared to 0.3% previously. This is an aspect of the service that provides on-going support for managers on the general roles of management, handling conflict and managing difficult employees; and to record an uptake shows the proactive usage of the EWP on managers' part.

- Problems relating to Money Management constituted the most commonly presenting broad problem category during the review period, accounting for 19% of all difficulties. This is unchanged from the previous comparable period, when the same problem category accounted for 32.5% of all issues dealt with by the EWP. When finances are a concern, an individual's ability to focus on the job and be productive is likely to be negatively impacted. A constant financial education will go a long way in helping employees to improve their financial wellbeing and increase workplace productivity. This may lead to lowered absenteeism and a reduction in work time used for personal financial matters. Employees were educated through the provision of financial literacy workshops and through Pre-retirement workshops. These workshops included financial planning workshops which addressed planning and budgeting issues, debt management, investments and savings and will preparation.

## HUMAN CAPITAL DEVELOPMENT

The following table describes all the training initiatives undertaken by Pikitup for the period under review.

**Table 4.1: Departmental Training Initiatives**

| TRAINING TYPE | PROGRAMME DESCRIPTION/ TYPE |
|---|---|
| **Skills Development Facilitator Training** (Learnership) | This programme is involving 3 learners who are expected to complete an 18 month Higher Certificate programme in ETD Practitioner, with an Skills Development Focus. The programme is provided by the University of Johannesburg (UJ)<br>• The programme has been fully funded by the Local Government Sector Education and Training Authority [LGSETA].<br>• 2 Module have been completed and the learners are waiting to write the exam.<br>• Internal coaching for learners is provided continuously to enhance learning. |
| **Skills Development Facilitator Training** (Skills Programme) | 5 Learners are involved.<br>• This is a 3 day Skills Development Facilitator [SDF] Outcome based programme provided by Vuthlarhi Marketing and has been funded by Pikitup. At the end of the programme participating learners were required to produce a Portfolio of Evidence [POE].<br>• Line managers were involved in the selection of beneficiaries. |
| **Employment Equity Training** | 39 learners were involved including:<br>- 19 Operations<br>- 15 Human Resource Officers<br>- 2 Human Capital Development<br>- 3 Organizational Development<br>(All beneficiaries are Employment Equity & Depot based committee members and RM's).<br>• This was a 2 day Employment Equity training programme (at certificate level) provided by BMT Dimensions and Fleet Street Publications).<br>• The purpose of this training is to prepare the Pikitup workplace to be compliant with the Employment Equity Act following an Audit conducted by the Department of Labour; Inspectorate. |
| **Global Executive Development Programme (GEDP)** | • 4 learners - The Global Executive Development Programme exposes learners to new global leadership trends, business processes and includes an overseas benchmarking trip. The |

| TRAINING TYPE | PROGRAMME DESCRIPTION/ TYPE |
|---|---|
| | programme is presented by GIBS. |
| **Adult Basic Education & Training (ABET)** | **ABET 1:** 33 learners.<br>**ABET 2:**13 learners<br>**ABET 3:** 10 learners<br>**ABET 4 :**19 learners<br>• Outcomes-based program, ABET aims to provide basic learning tools, knowledge and skills for adults who want to finish their basic education.<br>• ABET is provided and facilitated internally by the Human Capital Development unit. |
| **Wellness Masters Programme** | 1 learner (from Employee Assistance Programme).This is an EAP Masters Diploma programme offered by the University of Pretoria. |
| **Employee Assistance Programme** | 4 learners<br>The programme name is "**How do I motivate someone that needs help** "and is a 1 day counselling Programme provided by Elim Clinic.<br><br>**Preventing Workplace Substance Abuse**<br>3 Staff members -Substance Abuse Training (After care services)<br><br>▪ Early intervention, know and identify the signs of an employee while they are under the influence<br>▪ Dealing with emergencies and managing substance abuse in the workplace<br>▪ Implementing Substance Abuse policy to reduce the risk of substance abuse.<br><br>Documenting problems of potential substance abuse. |
| **Sourcing Specialists**<br>**SCM** | The programme ran for two day workshop on effective bidding and procurement strategies provided the Conference Hub.<br>Three (3) Supply Chain Management employees/ learners were beneficiaries on the programme. |
| **Information Technology** | One [1] learner participated on a COBIT/ IT Security and Protocol presented by Prospected |
| **Practical Project Management** | One [1] Learner from MD's Office participated on a Practical Project Management which was |

| TRAINING TYPE | PROGRAMME DESCRIPTION/ TYPE |
|---|---|
| | presented by UNISA. The learner benefited from the programme and as such she currently has been placed in Operations (Waterval) to put her learning into practice (Back to basics) |
| **Programme /Project Management** | Three (3) learners from Business Improvement Unit participated. The programme was presented by Wits Business School and has ended in November 2010. The programme was completed in Dec 2010 and graduation took place in January 2011. |
| **Occupational Injuries and Diseases in the workplace** | Three (3) learners from Legal Environment Compliance Safety Risk [LECSR] participated on this one (1) Day Occupational Injuries and Diseases in the Workplace Seminar. |
| **Fire Fighting Training** | Fifty five [55] employees from the various depots and disposal plants participated. A three day intensive theoretical and practical fire and evacuation training programme |
| **Ms Project** | Nine (9) employees benefited on the programme presented by Syncom Business Intelligence. |
| **Purchasing Management Certificate.** | One (1) learner from SCM benefited. The programme is provided by Varsity College (Independent Institute of Education). |
| **HR Compliance & Employment Termination** | Two (2) learners from HR benefited The programme is HR compliance and employment Termination which is provided by Divine Heights Consultancy. |
| **EPWP Training** | The EPWP employees were trained on the Occupational Health and Safety and Environmental Waste Management. The programme was presented by Munitech.<br><br>Over 600 certificates of the EPWP employees trained have been received from the National Department of Public Works |
| **Skills Development Facilitation Process** | The 2011/2012 Skills Plan combined with 2010/11 Annual Training Report (WSP/ATR) was submitted to the LGSETA at the end of June 2011 |

| TRAINING TYPE | PROGRAMME DESCRIPTION/ TYPE |
|---|---|
| **Workplace Vetting Process** | A Declaration of Intent has been submitted to LGSETA has sent a Vetting Team to verify the readiness to host the proposed training. A report was received, recommending training of Assessors, Coaches and Mentors. |
| **Advanced Certificate in Alternative Dispute resolution** | One (1) Industrial Relations employee has been sent to a 10 month part time course at the Arbitration Foundation which. The course is assessed through exams and assignments. |

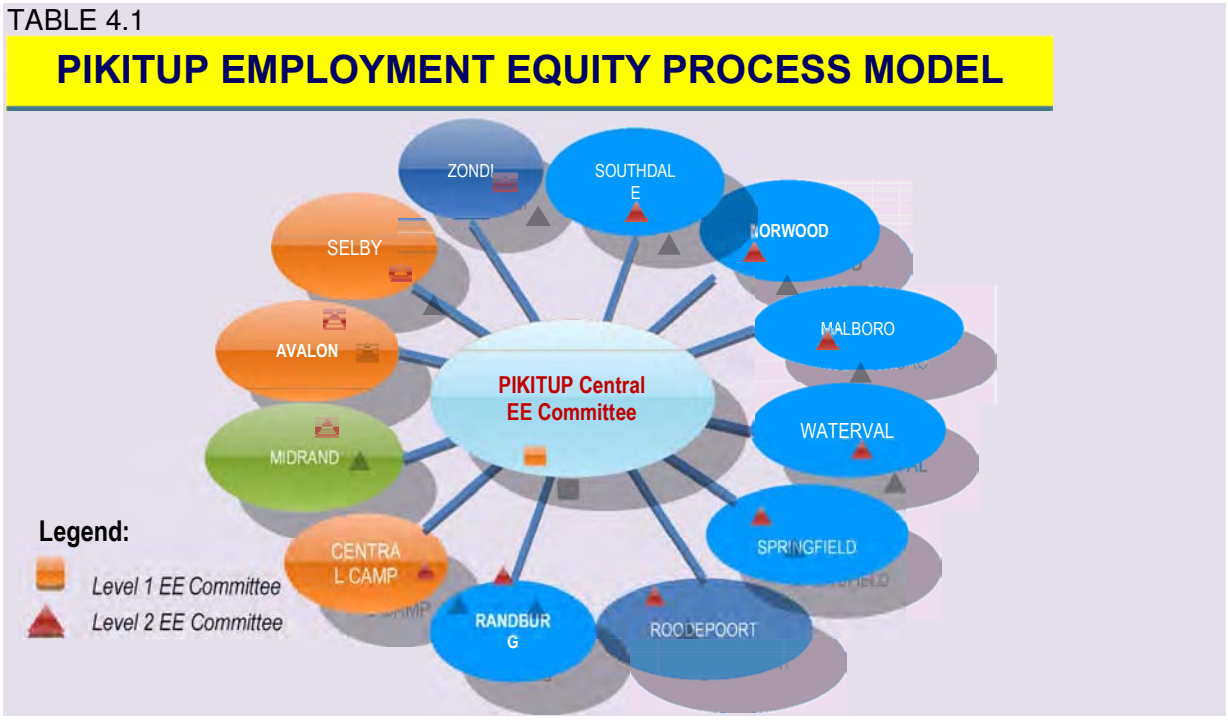
**NOTE:** There is only one major challenge encountered by the Human Capital Development Unit and that has to do with the alignment of the Supply Chain Management process to become friendly with training scheduling.

During the period under review, the Pikitup Skills Development Committee was awarded the "*Skills Committee of the year Award*" at the LGSETA Gauteng Provincial Awards ceremony held at the Premier Hotel in Kempton Park. The award carried with it a trophy and R20, 000 prize money. The prize money is expected to be utilized to purchase equipment which will help to improve the skill development committee related activities.

Employment Equity Awareness campaign and setting up of EE Committees in the various depots. A standard Pikitup Employment Equity Process Model is illustrated on Figure 4.1 below was presented to the Regional Managers.

TABLE 4.1

**PIKITUP EMPLOYMENT EQUITY PROCESS MODEL**



## Industrial Relations

### Misconduct Cases and Training

The following table depicts the occurrence and resolution of industrial relations cases for the Mid-term of 2010/11 financial year. As indicated, there are only current cases.

**Table 5.1: Summary of Cases**

| Nature of cases | Head Office | Selby | Marlboro | Randburg | Disposal | Zondi | Central Camp | Roodepoort | Midrand | Norwood | Avalon | Waterval | Southdale | Garden site | Bulk & C Plant | TOTAL | Complete | Outstanding cases over 3 months | Cases in process |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Number of employees** | **170** | **629** | **163** | **227** | **93** | **317** | **253** | **264** | **114** | **155** | **243** | **199** | **166** | **167** | **150** | **3310** | | | |
| Grievances | 2 | 6 | 0 | 1 | 1 | 0 | 3 | 2 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 16 | 11 | 0 | 5 |
| Misconducts | 13 | 33 | 3 | 4 | 4 | 7 | 12 | 8 | 0 | 13 | 3 | 8 | 0 | 3 | 1 | 111 | 106 | 1 | 5 |
| Disputes | 6 | 2 | 0 | 0 | 1 | 0 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11 | 10 | 0 | 1 |
| Dismissals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 0 |
| Appeals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| Suspensions | 3 | 18 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 22 | 4 | 0 | 18 |

| Nature of cases | Head Office | Selby | Marlboro | Randburg | Disposal | Zondi | Central Camp | Roodepoort | Midrand | Norwood | Avalon | Waterval | Southdale | Garden site | Bulk & C Plant | TOTAL | Complete | Outstanding cases over 3 months | Cases in process |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Labour Court | 4 | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 7 | 1 | 6 | 6 |
| Incapacity due to poor performance / ill health | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL** | **28** | **67** | **3** | **6** | **7** | **7** | **16** | **13** | **0** | **13** | **3** | **10** | **0** | **3** | **1** | **176** | **142** | **7** | **41** |

## Organisational Development

### Psychological counselling statistics

Five staff members required psychological counselling, the nature of which is depicted in the following table.

**Table 6.1: Psychological Counselling Statistics**

| No: staff | Problem | Gender | Race | Status of case |
|---|---|---|---|---|
| 1 | Bereavement | Female | Coloured | Closed |
| 3 | Bereavement | Female | African | Closed |
| 1 | Relationship | Male | African | Open |
| 1 | Stress | Female | African | Closed |

### Key Projects/Programmes

The key projects and programmes enjoying focus by the Organisational Development department are detailed in the following table.

**Table 6.2: OD Key projects/programmes**

| ORGANIZATIONAL DEVELOPMENT PROJECTS/PROGRAMMES | |
|---|---|
| **DESCRIPTION** | **PROGRESS/REPORT** |
| **Comprehensive implementation of change management principles (OD )** | During the piloting of the Biometric Access enrolment phase at Head Office, the OD business unit assisted the Security Department in change management processes. The fundamental premise of any change management intervention is that, no matter what advanced technology is implemented, without buy-in from people the project will almost certainly fail.<br><br>Focus groups were conducted for Incinerator employees. The purpose was to address their concerns and highlight the benefits of being transferred to other areas in the business after a decision was taken to close the plant.<br><br>Following Pikitup agreement with SAMWU to end the strike. The parties agreed to permanently employ the following categories of employees:<br>• **Employees paid by third party contractors**<br>• **Fixed term EPWP employees**<br>• **And third party contractor employees involved in the core cleaning service**<br><br>The change management plan based Kotter's methodology was developed and |

## ORGANIZATIONAL DEVELOPMENT PROJECTS/PROGRAMMES

information workshops were facilitated for Human Resources Officers as preparation for the envisaged change.

**Conduct Performance management workshops**

The OD unit facilitated a workshop for Supply Chain Management (SCM) Department, Disposal, Garden sites and Compost plants. The aim of the workshops was to assist the Business Units to draw Performance Agreements for the new financial year. The focus was on the following aspects:

- The purpose/mission of the Department
- The internal and external clients serviced.
- Identifying their key performance Areas (KPA)/Outputs
- Set milestones to achieve KPA's
- Identify measures and qualities of KPA's
- Portfolio of evidence

**Conduct Induction programme (yr)**

Developed an induction manual for new employees was developed. Four new managers at PCE were booked for an induction session, which was facilitated in conjunction with the Tirisano internship programme.

**Conduct Employee Satisfaction (Climate) Survey**

The Organisational Development unit in conjunction with the external service provider Organisational Diagnostic conducted organisational analysis/ climate survey in Pikitup. The final report was presented to the new Executive Mayor on 30 June 2011, and it is intended to form part of his five year Integrated Development plan

.

**Roll out Pikitup Vision, Mission & Values at Depot Level.**

The total number of employees who attended the Vision, Mission and Values workshops were as follows:

| Depot | No. of delegates attended |
|---|---|
| Head Office | 54 |
| Avalon | 134 |
| Central Camp | 126 |
| Marlboro | 51 |
| Randburg | 47 |
| Roodepoort | 146 |
| Selby Day & Night shifts | 421 |
| Southdale | 130 |
| Orange Farm | 47 |
| Waterval | 98 |
| Norwood | 205 |
| Zondi | 10 |
| | 9 |

| ORGANIZATIONAL DEVELOPMENT PROJECTS/PROGRAMMES | | |
|---|---|---|
| | Disposal | 1,281 |
| | **TOTAL NUMBER OF ATTENDEES** | |
| **Job Descriptions/ Job Profiles Job Grading** | A total of 5 managerial and 7 non-managerial job profiles were developed, after conducting individual profiling interviews.<br><br>The requests for job grading have substantially decreased after all the positions were evaluated by PE Corporate Consultants in the previous financial year. | |

## Conversion of Patterson to Task Job Grading System

The Pikitup Job Grading system was converted from Patterson to TASK. The correlation table was developed by Deloitte Consulting, and three Pikitup employees were trained to administer the TASK software. The following table details the conversion of grades from the Patterson to TASK Job Grading systems.

**Table 6.3: Conversion of Patterson to Task Job Grading**

| Patterson | Task | Patterson | Task | Patterson | Task |
|---|---|---|---|---|---|
| **F2** | **25** | ***D4*** | **17** | **C4** | **12** |
| **F1** | **24** | ***D3*** | **16** | **C3** | **11** |
| **E1** | **18-21** | ***D2*** | **15** | **C2** | **10** |
| | | ***D1*** | **13 & 14** | **C1** | **8 & 9** |
| **B4** | **7** | **A2** | **2 & 3** | | |
| **B3** | **6** | **A1** | **1** | | |
| **B2** | **5** | | | | |
| **B1** | **4** | | | | |

**Note:** Three (3) employees were trained on the administration of the system.

An anomaly existed in some of the Pikitup positions therefore calling for Deloitte to effect a special adaptation to accommodate these profiles. In line with the adaptation the following tailor-made clusters were adopted for Pikitup:

- D1+ C5 –Cluster together - 8 & 9
- C1 + C5 –Cluster together -13 & 14
- A3 + B1- Cluster together -2 & 3

### Psychometric assessments - Literacy and numeracy

A need was identified regarding literacy and numeracy level of some of Pikitup employees. To address this need, a system was developed based on the Elsa instruments, to assess and evaluate the literacy and numeracy levels of employees.

In line with statutory requirements in administrating psychometric assessments, Pikitup's Industrial Psychologist interpreted the results in compliance to the Health Professions Council of South Africa (HPCSA) regulations.

### Recognition and Rewards.

During the year under review, nine (9) employees at Marlboro depot were awarded the superior performance awards. These awards are depot based and only depot employees are considered [see figure 6.1 below]. The organization-wide annual MD Awards took place on 30 July 2010 wherein 9 employee were recognized

**Figure 6.1: Mid-year superior performance awards at Marlboro Depot**

RCR: Round no.2
Note: the camera's date is incorrect.

Bulk team.

### INFORMATION TECHNOLOGY GOVERNANCE

While the Company has an approved Information Technology (IT) Policy and Standards document it did not have a formalised Information Technology (IT) Governance Framework during the year under review. This initiative was commenced with subsequent to the financial year end.

## Supply Chain Management and Black Economic Empowerment

Pikitup's BEE Policy has been approved by the board and is being applied in harmony with the Preferential Procurement Policy Framework Act in terms of our Supply Chain Management Policy.

The adjudication process is a targeted procurement based on the allocation of points according to specific targets, for example, Preference points for a specific bid may be awarded for specific contract participation goals, as specified in that bids tender document. The points for the bid are allocated as Price, Functionality and Specific goals including: The BEE points for the bid are allocated as Specific goals added to Price and Functionality using the PPPFA formula.

| Description | Recommended Supplier | Value Incl. Vat | HDI Equity Ownership | Women Equity Ownership | SMMEs |
|---|---|---|---|---|---|
| Provision of Comprehensive Internet Service to Pikitup Johannesburg | Dimension Data/ Internet Solution | R6,084,361.92 | 41% | 3% | 0% |
| Provision , Operations and Maintenance of Plant Equipment with Personnel at Pikitup Landfill and Garden Sites | Aqua Transport and Plant Hire | R50,355,360.00 | 100% | 0% | **0%** |
| Provision of Comprehensive ICT Data Backup Service | Dimension Data/Internet Solution | R1,736,640.00 | 41% | 3% | **0%** |
| Provision of Office Automation Service to Pikitup | Kago Stationery Supply | R3,528,294.48 | 100% | 100% | **100%** |
| Appointment of Hitekani Entertainment Production service on as and when required over a three year period | Hitekani Entertainment Productions | As and when required | 100% | 100% | 100% |
| Construction of Randburg Garden Site | New Education Environment | R3,076,282.01 | 100% | 0% | 100% |
| Construction of Orange Farm Garden Site | New Education Environment | R3,845,330.62 | 100% | 0% | 100% |
| Provision of cellular phone services to Pikitup | Vodacom (Pty) Ltd | R5,064,073.44 | 0% | 0% | 0% |
| Landfill cell development: Marie Louise | Fountain Civils Engineering (Pty) Ltd | R12, 968,510.00 | 37% | 37% | 0% |
| Landfill cell development: Ennerdale | Fountain Civils Engineering (Pty) Ltd | R11, 706, 660.00 | 37% | 37% | 0% |
| Disposal of Waste Skip Containers | Interwaste (Pty) Ltd | R937,992.00 | 0% | 0% | 0% |
| Optical fibre installation | Neotel (Pty) Ltd | R1 066 747.00 | 0% | 0% | 0% |
| Construction of Orange Farm Depot | Luvuno (Pty) Ltd | R18,116,012.57 | 100% | 0% | 0% |
| Environmental learnerships | NS Global Academy | R363 888 | 100% | 100% | 100% |
| Mooiplaats Landfill Site – Rates | The Wastegroup (Pty) | R75,00 per ton - year 1, R90.00 per ton - year 2 R108.00 per ton - year 3 | 0% | 0% | 0% |

| Description | Recommended Supplier | Value Incl. Vat | HDI Equity Ownership | Women Equity Ownership | SMMEs |
|---|---|---|---|---|---|
| | | R125,60 per ton - last year | | | |
| | | | | | |
| Provision of Feasibility Study, Project Appraisal and Definition and Preliminary Designs of Waste Transfer/Recovery station at Linbro Landfill Site | Jeffares and Green | R 515,850.00 | 35% | 12% | 0% |
| Increase in scope: Telkom 10224k Diginet Line for Central Camp Depot | Telkom SA | R 83,037.60 | 0% | 0% | 0% |
| Contract variation: Installation of evacuation system | Firetech Projects | R 14,006.80 | 0% | 0% | 0% |
| Feasibility of new landfill site | Envitech Solutions (Pty) Ltd | R 755,215.80 | 0% | | 100% |
| Emergency procurement due to strike | Various Suppliers | R 10,235,093.00 | 73% | 21% | 0% |

VI
ANNUAL FINANCIAL STATEMENTS

**REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE AND THE COUNCIL OF THE CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY ON PIKITUP JOHANNESBURG SOC LIMITED**

**REPORT ON THE FINANCIAL STATEMENTS**

**Introduction**

1. I have audited the accompanying financial statements of Pikitup Johannesburg SOC Limited, which comprise the statement of financial position as at 30 June 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information and the directors' report as set out on pages XX to XX.

**Accounting officer's responsibility for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), the requirements of the Municipal Finance Management Act, 2003 (Act No.56 of 2003) (MFMA), and the Companies Act, 2008 (Act No.71 of 2008) (Companies Act), and for such internal control as management determines necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor-General's responsibility**

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996, section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with International Standards on Auditing and *General* Notice *1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of Pikitup Johannesburg SOC Limited as at 30 June 2011, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the MFMA and the Companies Act.

**Emphasis of matters**

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

**Restatement of corresponding figures**

9. As disclosed in note 38 to the financial statements, the corresponding figures for 30 June 2010 have been restated as a result of errors discovered during 30 June 2011 in the financial statements of Pikitup Johannesburg SOC Limited at, and for the year ended, 30 June 2010.

**Material impairments**

10. As disclosed in note 7 to the financial statements, material impairments to the amount of
R40 362 050 were incurred as the recoverability of these amounts is doubtful.

**Going concern**

11. As disclosed in note 3 of the directors' report, the municipal entity had an accumulated deficit of R363 443 155 and total liabilities exceeded its total assets by R353 041 153.These conditions along with other matters as set forth in note 41 to the financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the entity's ability to operate as a going concern.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

12. In accordance with the PAA and in terms of *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010,* I include below my findings on the annual performance report as set out on pages XX to XX and material non-compliance with laws and regulations applicable to the municipal entity.

**Predetermined objectives**

**Usefulness of information**

13. The reported performance information was deficient in respect of the following criteria:

    - Consistency: The reported targets and indicators are not consistent with the approved business plan.

14. The following audit findings relate to the above criteria:

**Changes to planned targets are not approved**

15. Different targets were reported on as opposed to the approved business plan. These different targets were not approved subsequent to the strategic planning process.

**Reported indicators are not complete when compared with the planned indicators**

16. The actual achievements with regard to 30% of all planned indicators specified in the business plan for the year under review were not included in the report on predetermined objectives submitted for audit purposes.

**Compliance with laws and regulations**

**Expenditure management**

17. In certain instances, the accounting officer did not take reasonable steps to prevent irregular expenditure as required by section 95(d) of the MFMA.

**INTERNAL CONTROL**

18. In accordance with the PAA and in terms of *General Notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010,* I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

**Leadership**

19. In certain instances, the accounting officer did not exercise adequate oversight to ensure compliance with all laws and regulations, and more specifically with regards to compliance with supply chain management prescripts determined by the National Treasury.
20. The municipal entity did not have sufficient monitoring controls to ensure the proper implementation of the overall process for planning and reporting on achievements against the predetermined objectives.

**OTHER REPORTS**

**Investigations**

21. Investigations were conducted into various instances of supply chain management and procurement deviations involving former and current employees. Disciplinary action was taken in certain cases.

Auditor – General

Johannesburg

29 November 2011

AUDITOR-GENERAL SOUTH AFRICA

*Auditing to build public confidence*

Pikitup Johannesburg SOC Limited
Trading as Pikitup
Annual Financial Statements for
the year ended 30 June 2011

# Pikitup Johannesburg SOC Limited

(Registration number 2000/029899/07)
Trading as Pikitup
Annual Financial Statements for the year ended 30 June 2011

## General Information

| | |
|---|---|
| **COUNTRY OF INCORPORATION AND DOMICILE** | South Africa |
| **NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES** | Provides comprehensive waste management services on behalf of The City of Johannesburg Metropolitan Municipality to the residents and businesses within the City of Johannesburg Metropolitan Municipality geographic area. |
| **BOARD OF DIRECTORS** | Mrs Radebe PF (Chairperson)<br>Mr Nkosi ZT (Managing Director)<br>Ms Botha A<br>Mr Kgomo SJ<br>Ms Mashanda T<br>Mr Mashika D<br>Mr Nemukula VC<br>Dr Phaho D<br>Mr Raghubir S<br>Dr Ruiters C |
| **INTERIM BOARD OF DIRECTORS WITH EFFECT FROM 14 APRIL 2011** | Mr Mkhabela I (Chairperson)<br>Mr Brenner L<br>Dr Mabuya NB<br>Ms Msezane N<br>Dr Ndema Y<br>Dr Nyabeze WRR<br>Ms Parirenyatwa K<br>Mr Sutherland HAB |
| **REGISTERED OFFICE** | Pikitup Building<br>Corner Bertha & Juta Streets<br>Braamfontein<br>Johannesburg<br>2001 |
| **BUSINESS ADDRESS** | Pikitup Building<br>Corner Bertha & Juta Streets<br>Braamfontein<br>Johannesburg<br>2001 |
| **POSTAL ADDRESS** | Private Bag X74<br>Braamfontein<br>Johannesburg<br>2001 |
| **CONTROLLING ENTITY** | The City of Johannesburg Metropolitan Municipality incorporated in South Africa |
| **AUDITORS** | The Auditor General of South Africa |
| **SECRETARY** | Bongie Memela |
| **COMPANY REGISTRATION NUMBER** | 2000/029899/07 |

# Pikitup Johannesburg SOC Limited

(Registration number 2000/029899/07)
Trading as Pikitup
Annual Financial Statements for the year ended 30 June 2011

## General Information

| | |
|---|---|
| **BANKERS** | ABSA Bank Limited |
| **ATTORNEYS** | Alan Kisson Attorneys<br>Bowman Gilfillan Inc<br>Tshiqi Zebediela Inc |

# Pikitup Johannesburg SOC Limited

(Registration number 2000/029899/07)
Trading as Pikitup
Annual Financial Statements for the year ended 30 June 2011

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**Abbreviations**

| | |
|---|---|
| COID | Compensation for Occupational Injuries and Diseases |
| CRR | Capital Replacement Reserve |
| SA GAAP | South African Statements of Generally Accepted Accounting Practice |
| GRAP | Generally Recognised Accounting Practice |
| IAS | International Accounting Standards |
| IPSAS | International Public Sector Accounting Standards |
| ME's | Municipal Entities |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant (Previously CMIP) |
| CJMM | City of Johannesburg Metropolitan Municipality |

# Director's Responsibilities and Approval

The Companies Act, 2008 ( Act 71 of 2008) became effective on 1 May 2011 as per proclamation published in Government Gazette 34239 on 26 April 2011. The Companies Act, 2008 repealed the whole of the Companies Act, 1973 (Act 61 of 1973), except for Chapter 14 in as far as it deals with the liquidation and winding-up of insolvent companies.

In terms of item 4(1)(c) of the Schedule 5 (Transitional Arrangements) to the Companies Act, 2008, the company is deemed to have amended its Memorandum of Incorporation as of the general effective date to have changed its name in so far as required to comply with section 11(3). Therefore as from 1 May 2011, the name of the company is Pikitup Johannesburg SOC Ltd. .

All references to the Companies Act in these annual financial statements are to the Companies Act, 2008, unless otherwise indicated.

The directors are required by the Municipal Finance Management Act (Act 56 of 2003) and Companies Act of South Africa, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The Auditor General is engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

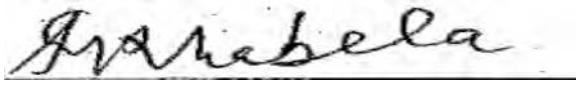
The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

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



**Mr Ishmael Mkhabela**
**Chairperson**

# Audit and Risk Committee Report

The Audit and Risk Committee presents its report for the year ended 30 June 2011 as recommended by the King III report. The Audit and Risk Committee of Pikitup performs its functions in accordance with Section 94(7)(f) of the Companies Act and MFMA. The committee has adopted the terms of reference approved by the Pikitup Board and has discharged all its duties and responsibilities.

The members of the Audit and Risk Committee are Dr Nyabeze WRR, Ms Mashanda T, Mr Brenner L and Ms Parirenyatwa K. The Committee held 4 meetings during the financial year to review matters necessary to fullfil its role.

Independent members of the Audit and Risk Committee are Ms Malope M, Mr Hattingh W and Mr Buys R.

**Members of the Audit and Risk Committee until 12 April 2011**

| Name of member | Number of meetings attended |
|---|---|
| Mr Nemukula VC (Chairperson) | 3 |
| Mr Buys R | 4 |
| Mr Hattingh W | 3 |
| Ms Malope M | 2 |
| Ms Mashanda T | 4 |
| Mr Mashika D | 2 |

**Members of the Audit and Risk Committee post 14 April 2011**

| Name of member |
|---|
| Mr Brenner L (Chairperson) |
| Mr Buys R |
| Mr Hattingh W |
| Ms Malope M |
| Ms Mashanda T |
| Dr Nyabeze WRR |
| Ms Parirenyatwa K |

**In the conduct of its duties, the Audit and Risk Committee performed the following functions:**

External audit

- Received and reviewed reports from Auditor General concerning the effectiveness of Pikitup's internal control environment, systems and processes; and
- Made appropriate recommendations to the Board regarding the corrective actions to be taken as consequence of audit findings.

**Internal audit**

- Considered the effectiveness of Internal Audit, which included approving the one-year operational plan and three-year strategic internal audit plans and monitored Internal Audit's adherence to its annual programme;
- Received and reviewed reports from the internal auditors concerning the effectiveness of the company's internal controls, systems and processes;
- Reviewed the adequacy and appropriateness of management's corrective action plan as a consequence of audit findings;
- Made appropriate recommendations to the Board regarding the corrective actions to be taken as a consequence of the audit findings.

**Furthermore the Audit and Risk Committee:**

- Reviewed the accounting practices adopted by the Company;
- Reviewed the accounting policies adopted by the Company and all proposed changes in accounting policies and practices, and recommended any changes considered appropriate in terms of GRAP to the Board for approval;
- Reviewed and recommended disclosed financial information for adoption by the Board;
- Monitored ethical conduct by the Company, its Executives and senior management;
- Monitored the Company's compliance with all applicable legislation and regulations, including the Companies Act, the MFMA, and the Treasury Regulations; and
- Reported on items of unauthorised and fruitless and wasteful and irregular expenditure in terms of MFMA.

# Audit and Risk Committee Report

**King III recommendations**

The Audit and Risk Committee will review its corporate governance practices with a view to fully comply with the requirements of King III.

**Assessment of the financial function**

The Audit and Risk Committee has assessed the financial function and is satisfied with the expertise and adequacy of the resources within the financial function of the Company and is also satisfied with the experience of the senior members of management responsible for the financial function.

Internal Control Environment

In the opinion of the Audit and Risk Committee, the internal controls of the Company are considered appropriate in terms of:

- Meeting the strategic objectives of the Company;
- Evaluating and mitigating the key risks facing the Company;
- Ensuring compliance with applicable laws and regulations;
- Ensuring that the Company's assets are safeguarded; and
- Ensuring that transactions undertaken are correctly recorded in accounting records.

Annual Financial Statements

The Audit and Risk Committee has evaluated the annual financial statements for the year ended 30 June 2011 and considers that it complies, in all material respects, with the requirement of the Companies Act, Municipal Finance Management Act, the Public Audit Act and South African Statements of Generally Recognised Accounting Practice (GRAP).

**Signed: Chairperson of the Audit and Risk Committee**

**Date: 1 December 2011**

# Director's Report

The directors submit their report for the year ended 30 June 2011.

## 1. INCORPORATION

The entity was incorporated on 28 November 2000 and obtained its certificate to commence business on the same day.

## 2. REVIEW OF ACTIVITIES

**Main business and operations**

The entity is engaged in providing comprehensive waste management services on behalf of the city of Johannesburg metropolitan municipality to the residents and businesses within the city of Johannesburg metropolitan municipality geographic area.

During the year under review there were no changes in the activities of the business.

Net surplus of the entity was R 3 799 812 (2010: deficit R 263 011 385), after taxation of R - (2010: R 89 742 138).

## 3. GOING CONCERN AND UNDERTAKING OF SUPPORT

We draw attention to the fact that at 30 June 2011, the entity had accumulated deficits of R 363 443 155 (2010 R 367 242 967) and that the entity's total liabilities exceed its assets by R 353 041 153 (2010 R 363 433 515).

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the subordination agreement and letter of support referred to in note 42 of these annual financial statements will remain in force.

The company appointed Deloitte management consultants to develop a business model intended to ensure financial sustainability in future financial years. This appointment aims to change Pikitup to the business that will ensure a more operationally efficient and financial sustainable company. As at year end the business remodelling exercise is underway.

## 4. SUBSEQUENT EVENTS

The directors are not aware of any matter or circumstance arising since the end of the financial year to date of this report, not otherwise dealt with in financial statements, which significantly affect the financial position of the company or the results of its operations that would require adjustments to or disclosure in the annual financial statements.

## 5. DIRECTORS' PERSONAL FINANCIAL INTEREST

The directors have declared that they have no interest in the contracts of the company.

## 6. ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act (Act 56 of 2003).

## 7. SHARE CAPITAL

The company was incorporated with an authorised share capital of 1,000 ordinary shares of R1 each which were issued at par value.

According to the company's register at 30 June 2011 The City of Johannesburg Metropolitan Municipality held 100% of the ordinary share capital of the company.

There were no changes in the authorised or issued contributions from owners of the company during the year under review.

## Director's Report

### 8. BORROWING LIMITATIONS

In terms of the sale of business agreement, Pikitup Johannesburg (Proprietary) Limited does not have the authority to borrow funds on its own behalf. All external funding is managed under the auspices of the City of Johannesburg Metropolitan Municipality Asset and Liability Management Committee.

### 9. MANAGEMENT AGREEMENT

The City of Johannesburg Metropolitan Municipality operates on a consolidated billing system for its revenue and certain of its controlled entities, which includes this company. In terms of this system, The City of Johannesburg Metropolitan Municipality invoices customers on behalf of this company, and collects the receipts thereof from these customers.

### 10. BOARD

The directors of the entity during the year and to the date of this report are as follows:

BOARD OF DIRECTORS

| Name | Nationality | Changes |
|---|---|---|
| Mrs Radebe PF (Chairperson) | South African | Resigned 12 April 2011 |
| Mr Nkosi ZT (Managing Director) | South African | Resigned 09 April 2011 |
| Ms Botha A | South African | Resigned 12 April 2011 |
| Mr Kgomo SJ | South African | Resigned 12 April 2011 |
| Ms Mashanda T | South African | |
| Mr Mashika D | South African | Resigned 12 April 2011 |
| Mr Nemukula VC | South African | Resigned 12 April 2011 |
| Dr Phaho D | South African | Resigned 12 April 2011 |
| Mr Raghubir S | South African | Resigned 12 April 2011 |
| Dr Ruiters C | South African | Resigned 12 April 2011 |

INTERIM BOARD OF DIRECTORS WITH EFFECT FROM 14 APRIL 2011

| Name | Nationality | Changes |
|---|---|---|
| Mr Mkhabela I (Chairman) | South African | Appointed 14 April 2011 |
| Mr Brenner L | South African | Appointed 14 April 2011 |
| Dr Mabuya NB | South African | Appointed 14 April 2011 |
| Ms Msezane N | South African | Appointed 14 April 2011 |
| Dr Ndema Y | South African | Appointed 14 April 2011 |
| Dr Nyabeze WRR | South African | Appointed 14 April 2011 |
| Ms Parirenyatwa K | South African | Appointed 14 April 2011 |
| Mr Sutherland HAB | South African | Appointed 14 April 2011 |

### 11. SECRETARY

The secretary of the entity is Bongie Memela of:

Business address

Pikitup Building
Corner Bertha & Juta Streets
Braamfontein
2001

Postal address

Private Bag X74
Braamfontein
2017

# Director's Report

## 12. CORPORATE GOVERNANCE

### General

The board is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the board supports the highest standards of corporate governance and the ongoing development of best practice.

During the year under review the majority of the Board resigned and interim Board was appointed by the shareholder.

### Board of directors

The Board:

- retains full control over the entity, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- is of a unitary structure comprising:
  - non-executive directors, all of whom are independent directors.
  - managing director

### Chairperson and Acting Managing Directors

The Chairperson is a non-executive director.

The roles of the Chairperson and Managing Director are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Following the resignation of the Managing Director, Lawrence Boya was appointed as Acting Managing Director and he was seconded from the Infrastructure Services and Enviromental Department. In terms of the section 93F of the MSA he is not eligible to be a director.

### Remuneration

The remuneration of the Managing Director is determined by the Shareholder.

# Director's Report

**Board meetings**

The board meets at least 4 times per year. In addition 3 special board meetings and 1 strategic planning session took place in the year under review.

Non-executive directors have access to all members of management of the entity.

**BOARD OF DIRECTORS**

| Name | Board Meeting | Audit committee meeting | Finance Commitee Meetings | Human resources committee Meetings | Operations committee meetings |
|---|---|---|---|---|---|
| Mrs Radebe PF (Chairperson) | 3 | | 3 | 3 | 2 |
| Mr Nkosi ZT (Managing director) | 3 | 3 | 3 | 2 | 2 |
| Ms Botha A | 1 | | | 1 | |
| Mr Kgomo SJ | 3 | | | 3 | |
| Ms Mashanda T | 4 | 4 | 3 | | |
| Mr Mashika D | 3 | 2 | 2 | | |
| Mr Nemukula VC | 3 | 3 | 3 | | |
| Dr Phaho D | 3 | | | | 2 |
| Mr Raghubir S | 3 | | | | 4 |
| Dr Ruiters C | 3 | | | 3 | 3 |

**INTERIM BOARD OF DIRECTORS WITH EFFECT FROM 14 APRIL 2011**

| Name | Board Meeting | Audit committee meeting | Finance Committee Meetings | Human resources committee Meetings | Operations committee meetings |
|---|---|---|---|---|---|
| Mr Mkhabela I (Chairperson) | 1 | | | | |
| Mr Brenner L | 1 | | 1 | | |
| Dr Mabuya NB | | | | 1 | |
| Ms Msezane N | 1 | | | | 1 |
| Dr Ndema Y | 1 | | 1 | | |
| Dr Nyabeze WRR | | | | | 1 |
| Ms Parirenyatwa K | 1 | | | 1 | |
| Mr Sutherland HAB | 1 | | 1 | | 1 |

**BOARD OF DIRECTORS**

| Name | Special Board Meeting | Strategic Planning Meeting |
|---|---|---|
| Total number of meetings held | 3 | 1 |
| | | |
| Mrs Radebe PF (Chairperson) | 3 | 1 |
| Mr Nkosi ZT (Managing director) | 3 | 1 |
| Ms Botha A | 2 | |
| Mr Kgomo SJ | 3 | 1 |
| Ms Mashanda T | 3 | 1 |
| Mr Mashika D | 2 | 1 |
| Mr Nemukula VC | 3 | 1 |
| Dr Phaho D | 2 | 1 |
| Mr Raghubir S | 2 | |
| Dr Ruiters C | 2 | 1 |

## Director's Report

**Name**

**Audit and risk committee**

The members of the Audit and Risk Committee are Dr Nyabeze W, Ms Mashanda T, Mr Brenner L and Ms Parirenyatwa K. The Committee held 4 Meetings during the 2010/11 financial year to review matters necessary to fulfill its role.

Independent members of the Audit and Risk Committee are Masesi Malope, Waldo Hattingh and Rudolf Buys.

**MEMBERS OF THE AUDIT AND RISK COMMITTEE UNTIL 12 APRIL 2011**

| Name | Audit and Risk Committe Meeting |
|---|---|
| Total number of meetings held | 4 |
| Mr Nemukula VC (Chairperson) | 3 |
| Mr Buys R | 4 |
| Mr Hattingh W | 3 |
| Ms Malope M | 2 |
| Ms Mashanda T | 4 |
| Mr Mashika D | 2 |

**Internal audit**

The internal audit function was performed using in-house capacity as well as co-sourced assistance from a panel of internal auditors . This is in compliance with the Municipal Finance Managment Act, 2003.

**13. CONTROLLING ENTITY**

The company's parent is The City of Johannesburg Metropolitan Municipality.

**14. INVESTMENT IN ASSOCIATES**

| Name of investment | Purpose of the company | Net income (loss) after tax |
|---|---|---|
| Friedshelf 128 (Pty) Ltd | Property company | R 948,942 |

Pikitup hold 50% equity interest in Friedshelf 128 (Pty) Ltd whose underlying assets is the building used as head office of Pikitup.

The financial year-end of Friedshelf 128 (Pty) Ltd is the 28th of February.

**15. SPECIAL RESOLUTIONS**

The board did not pass any special resolutions.

**16. BANKERS**

Amalgamated Bank of South Africa Limited (ABSA Bank).

# Director's Report

The management of the treasury function within the company is managed under the auspices of the City of Johannesburg Metropolitan Municipality Treasury department.

**17. AUDITORS**

The Auditor General of South Africa will continue in office for the next financial period.

**18. FORENSIC INVESTIGATIONS**

The following forensic investigations were instituted by the Board.

INVESTIGATION INTO ALLEGED PAYROLL RELATED FRAUD

An investigation was carried out by PwC following observations of irregular personnel related transactions pertaining to gratuity payments, acting allowances, locomotion allowances, overtime payments, garnishee orders and unathourised changes to some banking details on the payroll system. The investigation has since been finalised and the recommendations ranging from disciplinary processes and criminal investigations by SAPS have been implemented against the implicated officials.

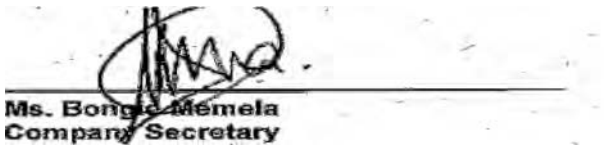
INVESTIGATION ON PROCUREMENT, AND STAFF RECRUITMENT PROCESS.

During the year under review, Ernst and Young was appointed to carry out an investigation on some of the procurement decisions and staff recruitment decisions following allegations of irregularity on the identified decisions. As at the date of this report, the investigation had not been finalised.

# Company Secretary's Certification

**Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act**

In terms of Section 268G(d) of the Companies Act, Act 61 of 1973 (as amended), section 88(2)(e) of the Companies Act 71 of 2008, (as amended) and the Municipal Finance Management Act, Act 56 of 2003, I certify that, to the best of my knowledge and belief, the company has lodged and/or filled, for the financial year ended 30 June 2011, all such returns and notices as required and that all such returns and notices are true, correct and up to date.




**Pikitup Johannesburg SOC Ltd**
**26 August 2011**

# Pikitup Johannesburg SOC Limited

(Registration number 2000/029899/07)
Trading as Pikitup
Annual Financial Statements for the year ended 30 June 2011

## Statement of Financial Position

| Figures in Rand | Note(s) | 2011 | Restated 2010 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Inventories | 3 | 2 233 385 | 2 877 100 |
| Loans to shareholder | 4 | 63 983 183 | 101 866 329 |
| Amount owed by SARS | 5 | 2 138 570 | 31 901 554 |
| Trade and other receivables | 6 | 29 869 248 | 18 614 890 |
| Consumer debtors | 7 | 25 351 895 | 66 159 913 |
| Cash and cash equivalents | 8 | 11 221 | 11 221 |
| | | **123 587 502** | **221 431 007** |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 9 | 262 499 018 | 281 450 398 |
| Intangible assets | 10 | 23 456 236 | 31 983 434 |
| Investment in associate | 11 | 10 964 207 | 3 422 715 |
| Loans to shareholder | 4 | 89 510 221 | 84 769 221 |
| | | **386 429 682** | **401 625 768** |
| **Total Assets** | | **510 017 184** | **623 056 775** |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Loans from shareholder | 4 | 128 768 055 | 201 569 813 |
| Finance lease obligation | 14 | 1 250 696 | 2 408 298 |
| Trade and other payables | 15 | 225 132 725 | 222 254 112 |
| Deferred income | 16 | 500 000 | 454 146 |
| Provision | 18 | 1 175 453 | 2 440 347 |
| | | **356 826 929** | **429 126 716** |
| **Non-Current Liabilities** | | | |
| Loans from shareholder | 4 | 115 283 100 | 115 894 410 |
| Finance lease obligation | 14 | 43 570 | 1 181 169 |
| Retirement benefit obligation | 17 | 83 929 932 | 77 988 932 |
| Provision | 18 | 306 974 806 | 362 299 063 |
| | | **506 231 408** | **557 363 574** |
| **Total Liabilities** | | **863 058 337** | **986 490 290** |
| **Net Assets** | | **(353 041 153)** | **(363 433 515)** |
| **NET ASSETS** | | | |
| Share capital | 20 | 1 000 | 1 000 |
| Reserves | | | |
| Revaluation reserve | 21 | 10 401 002 | 3 808 452 |
| Accumulated deficit | | (363 443 155) | (367 242 967) |
| **Total Net Assets** | | **(353 041 153)** | **(363 433 515)** |

# Pikitup Johannesburg SOC Limited

(Registration number 2000/029899/07)
Trading as Pikitup
Annual Financial Statements for the year ended 30 June 2011

## Statement of Financial Performance

| Figures in Rand | Note(s) | 2011 | Restated 2010 |
|---|---|---|---|
| **Revenue** | | | |
| Service charges | | 1 132 937 603 | 1 050 446 772 |
| Rental of facilities and equipment | | 3 145 820 | 3 560 903 |
| Government grants & subsidies | 24 | 25 577 766 | 15 417 158 |
| Fair value adjustment | | (12 673 025) | (11 704 594) |
| Miscellaneous other revenue | | 6 506 513 | 7 965 843 |
| | 22 | **1 155 494 677** | **1 065 686 082** |
| **Other income** | | | |
| Discount received | | 14 204 | - |
| Bad debts recovered | | - | 49 592 |
| Recoveries- Insurance claim | | - | 648 142 |
| Interest received | | 14 662 790 | 20 778 893 |
| Income from equity accounted investment | | 948 942 | 135 416 |
| | | **15 625 936** | **21 612 043** |
| **Expenses (Refer to page 16)** | | **(1 171 352 639)** | **(1 210 330 964)** |
| **Operating deficit** | 26 | **(232 026)** | **(123 032 839)** |
| Finance costs | 29 | 4 031 838 | (50 236 408) |
| **Surplus (deficit) before taxation** | | **3 799 812** | **(173 269 247)** |
| Taxation | 30 | - | 89 742 138 |
| **Surplus (deficit) for the year** | | **3 799 812** | **(263 011 385)** |

# Statement of Financial Performance

| Figures in Rand | Note(s) | 2011 | Restated 2010 |
|---|---|---|---|
| **Operating expenses** | | | |
| Advertising | | (355 092) | (694 340) |
| Asset scrapped | | - | (2 237 690) |
| Assessment rates & municipal charges | | (5 974 751) | (4 171 537) |
| Auditors remuneration | 31 | (1 802 067) | (984 371) |
| Bad debts | | (40 177 046) | (77 399 221) |
| Bank charges | | (65 611) | (130 105) |
| Books and publications | | (15 529) | (976) |
| Cleaning | | (454 453) | (419 503) |
| Commission paid | | (258 020) | (751 820) |
| Computer expenses | | (8 473 684) | (7 035 230) |
| Conferences and seminars | | (497 849) | (642 508) |
| Consulting and professional fees | | (7 483 955) | (16 897 733) |
| Consumables | | (5 834 686) | (6 771 300) |
| Entertainment | | (503 975) | (534 363) |
| Hire | | (597 504) | (745 122) |
| Insurance | | (1 153 294) | (1 216 833) |
| IT expenses | | (31 006) | - |
| Laboratory charges | | - | (87 455) |
| Lease rentals on operating leases | | (608 416) | (564 700) |
| Legal expenses | | (1 437 689) | (2 920 416) |
| Fleet and cleaning services | | (564 328 109) | (550 847 109) |
| Marketing | | (3 963 055) | (14 305 109) |
| Medical expenses | | (77 868) | (185 900) |
| Motor vehicle expenses | | (173 577) | (109 745) |
| Postage | | (34 980) | (485 514) |
| Printing and stationery | | (959 703) | (841 806) |
| Repairs and maintenance | | (6 247 516) | (15 513 969) |
| R & CRM fees | | (4 321 332) | - |
| Safety Equipment | | (180 914) | (663 935) |
| SARS penalty | | - | (59 482) |
| Staff welfare | | (1 243 476) | (2 451 164) |
| Security | | (9 250 928) | (10 510 366) |
| Subscriptions | | (205 453) | (118 124) |
| Sundries | | (254 655) | (67 310) |
| Telephone and fax | | (4 763 989) | (5 946 009) |
| Training | | (1 068 026) | (3 024 932) |
| Travel - overseas | | (129 658) | (872 205) |
| Payroll processing | | (1 001 978) | (1 128 656) |
| Pollution Monitoring | | (696 601) | (786 548) |
| Utilities | | (176 555) | (551 696) |
| Recruitment fees | | (730 741) | (223 263) |
| Waste disposal fees | | (18 280 726) | (12 638 557) |
| Employee costs | | (433 390 576) | (418 375 755) |
| Depreciation, amortisation and impairments | | (44 147 596) | (46 418 587) |
| | | **(1 171 352 639)** | **(1 210 330 964)** |

# Pikitup Johannesburg SOC Limited

(Registration number 2000/029899/07)
Trading as Pikitup
Annual Financial Statements for the year ended 30 June 2011

## Statement of Changes in Net Assets

| Figures in Rand | Note(s) | Share capital | Revaluation reserve | Accumulated deficit | Total equity |
|---|---|---|---|---|---|
| Opening balance as previously reported | | 1 000 | 2 898 802 | (122 521 537) | (119 621 735) |
| Adjustments | | | | | |
| Prior year adjustments | | - | - | 18 289 955 | 18 289 955 |
| **Balance at 01 July 2009 as restated** | | **1 000** | **2 898 802** | **(104 231 582)** | **(101 331 780)** |
| Changes in net assets | | | | | |
| Deficit for the year | | - | - | (263 011 385) | (263 011 385) |
| Equity share in Associate | | - | 909 650 | - | 909 650 |
| Total changes | | - | 909 650 | (263 011 385) | (262 101 735) |
| Opening balance as previously reported | | 1 000 | 3 808 452 | (373 431 571) | (369 622 119) |
| Adjustments | | | | | |
| Prior year adjustments | 38 | - | - | 6 188 604 | 6 188 604 |
| **Balance at 01 July 2010 as restated** | | **1 000** | **3 808 452** | **(367 242 967)** | **(363 433 515)** |
| Changes in net assets | | | | | |
| Surplus for the year | | - | - | 3 799 812 | 3 799 812 |
| Equity share in Associate | | - | 6 592 550 | - | 6 592 550 |
| Total changes | | - | 6 592 550 | 3 799 812 | 10 392 362 |
| **Balance at 30 June 2011** | | **1 000** | **10 401 002** | **(363 443 155)** | **(353 041 153)** |

# Cash Flow Statement

| Figures in Rand | Note(s) | 2011 | Restated 2010 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Receipts** | | | |
| Sale of goods and services | | 1 088 418 175 | 894 638 069 |
| Interest income | | 1 914 771 | 9 365 287 |
| | | 1 090 332 946 | 904 003 356 |
| **Payments** | | | |
| Suppliers | | (1 020 581 124) | (940 549 550) |
| Finance costs | | (16 615 243) | (26 343 339) |
| Tax refunded | 33 | 29 762 984 | (57 838 801) |
| | | (1 007 433 383) | (1 024 731 690) |
| **Net cash flows from operating activities** | 32 | **82 899 563** | **(120 728 334)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | 9 | (40 193 140) | (31 367 852) |
| Proceeds from sale of property, plant and equipment | 9 | - | 1 705 570 |
| Purchase of other intangible assets | 10 | - | (6 577 032) |
| **Net cash flows from investing activities** | | **(40 193 140)** | **(36 239 314)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Repayment of other financial liabilities | | - | (14 353 676) |
| Increase / (decrease) in shareholders loan | | (40 270 922) | 172 934 940 |
| Finance lease payments | | (2 435 501) | (1 613 615) |
| **Net cash flows from financing activities** | | **(42 706 423)** | **156 967 649** |
| Cash and cash equivalents at the beginning of the year | | 11 221 | 11 221 |
| **Cash and cash equivalents at the end of the year** | 8 | **11 221** | **11 221** |

# Accounting Policies

**1. Presentation of Annual Financial Statements**

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policy.

**1.1 Significant judgements and sources of estimation uncertainty**

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

**Fair value estimation**

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments. The discounting rates for the period under review is 9% (2010: 9%).

**Impairment testing**

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Management used the higher of value-in-use and fair value less cost to sell to determine the recoverable amount of intangible assets with an indefinite useful life and identifying assets that may have been impaired.

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Landfill areas are rehabilitated over years and the assumption was made that the areas stay the same in size for a number of years.

Provision is made for the estimated cost to be incurred on the long term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill.

The estimates are discounted at a pre-tax discount rate that reflect current market assessments of the time value of money.

The increase in the restoration provision due to passage of time is recognised as borrowing cost in the income statement.

The cost of ongoing programmes to prevent and control pollution and rehabilitate the environment is recognised as an expense when incurred.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

# Accounting Policies

**1.1 Significant judgements and sources of estimation uncertainty (continued)**

A provision is recognised when:
- the company has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

**Taxation**

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The entity recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The entity recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the entity to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the entity to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

**Useful lives of assets**

The entity's management determines the estimated useful lives and related depreciation charges for the items of property, plant and equipment. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

**Post retirement benefits**

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

**Effective interest rate**

The Company used the City of Johannesburg Metropolitan Municipality Treasury borrowing rate as a point of departure and basis for discounting financial instruments.

**Allowance for doubtful debts**

The company assesses its trade receivables / held to maturity investments and/or loans and receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in the statement of Financial Performance, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The provision for impairment is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the effective interest rate computed at initial recognition

**1.2 Property, plant and equipment**

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

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

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

# Accounting Policies

**1.2 Property, plant and equipment (continued)**

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

| **Item** | **Average useful life** |
|---|---|
| Land | Indefinite |
| Buildings | 10-20 years |
| Plant and machinery | 6-10 years |
| Furniture and fixtures | 10 years |
| Office equipment | 6-10 years |
| IT equipment | 6-10 years |
| Infrastructure - Landfills | |
| • Goudkoppies | 17 years |
| • Robinson deep | 18 years |
| • Marie Louise | 7 years |
| • Ennerdale | 14 years |
| Bins and containers | 6-10 years |
| Signage | 6-10 years |

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

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

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

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

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

# Accounting Policies

### 1.3 Intangible assets

An asset is identified as an intangible asset when it:
- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the entity or from other rights and obligations.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

| Item | Useful life |
|---|---|
| Computer software -SAP | 4 years |
| Other computer software | 15 years |

### 1.4 Investment in associate

An investment in an associate is carried at fair value and classified as fair value through surplus or deficit.

### 1.5 Financial instruments

**Initial recognition and measurement**

Financial instruments are recognised initially when the entity becomes a party to the contractual provisions of the instruments.

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

**Loans to (from) economic entities**

# Accounting Policies

**1.5 Financial instruments (continued)**

These include loans to and from controlling entities, fellow controlled entities, controlled entities, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to economic entities are classified as loans and receivables.

Loans from economic entities are classified as financial liabilities measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised in surplus or deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

**Loans to shareholders, directors, managers and employees**

These financial assets are classified as loans and receivables.

**Trade and other receivables**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

**Trade and other payables**

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

**Cash and cash equivalents**

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

Cash and cash equivalents comprise cash on hand . These are initially and subsequently recorded at fair value. Cash and cash equivalents are classified as loans and receivable financial instruments.

**Bank overdraft and borrowings**

# Accounting Policies

**1.5 Financial instruments (continued)**

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the entity's accounting policy for borrowing costs.

Other financial liabilities are measured initially at fair value and subsequently at amortised cost, using the effective interest rate method. Bank overdraft and borrowings are classified as loans and payables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

**1.6 Tax**

**Current tax assets and liabilities**

In the event that tax is payable it is based on taxable surplus for the year. Taxable surplus differs from surplus as reported in the statement of financial performance because it excludes income and expenses that are taxable or tax deductible in other years and it further excludes items that are never taxable or tax deductible.

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

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

**Deferred tax assets and liabilities**

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

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

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

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

**Tax expenses**

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

# Accounting Policies

### 1.7 Leases

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

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Financial Performance on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

**Finance leases - lessee**

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

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

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

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

**Operating leases - lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

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

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

**Operating leases - lessee**

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

### 1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

# Accounting Policies

**1.8 Inventories (continued)**

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

**1.9 Impairment of cash-generating assets**

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

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

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

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

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the entity.

Criteria developed by the entity to distinguish cash-generating assets from non-cash-generating assets are as follow:

**1.10 Impairment of non-cash-generating assets**

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

# Accounting Policies

**1.10 Impairment of non-cash-generating assets (continued)**

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

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

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

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the entity.

Criteria developed by the entity to distinguish non-cash-generating assets from cash-generating assets.

**1.11 Share capital**

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

Equity instruments issued by the company are classified according to the substance of the contractual arrangements entered into.

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

**1.12 Employee benefits**

**Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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

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

**Defined contribution plans**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

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

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

# Accounting Policies

**1.12 Employee benefits (continued)**

The company's contributions to the defined contribution plans are charged to the Statement of Financial Performance in the financial year to which they relate.

The company's has no further payment obligations once the contributions have been paid.

**Defined benefit plans**

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

The majority of the company employees are members of various defined benefit plans, the assets of which are held in separate trustee-administrated funds. These retirement funds are generally funded by payments from employees, the company and the City of Johannesburg Metropolitan Municipality.

For defined benefit plans, the accounting costs are assessed and charged to the Statement of Financial Performance. The obligation is measured at the present value of the estimated future cash flows using interest rates of government securities that have terms to maturity approximating the terms of the related liability.

Any asset is limited to unrecognised actuarial losses, plus the present value of available refunds and reduction in future contributions to the plan.

Actuarial gains and losses are charged to the Statement of Financial Performance as the cost occur.

**Other post retirement obligations**

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

# Accounting Policies

**1.12 Employee benefits (continued)**

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

**1.13 Provisions and contingencies**

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

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

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

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

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

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

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

# Accounting Policies

**1.13 Provisions and contingencies (continued)**

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

**1.14 Revenue from exchange transactions**

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

**Measurement**

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

# Accounting Policies

**1.14 Revenue from exchange transactions (continued)**

**Rendering of services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

**1.15 Revenue from non-exchange transactions**

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

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

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

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

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

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

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

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

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

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

# Accounting Policies

**1.15 Revenue from non-exchange transactions (continued)**

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

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

**Recognition**

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

**Measurement**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

**Transfers**

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

**1.16 Comparative figures**

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

**1.17 Unauthorised expenditure**

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

# Accounting Policies

**1.18 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

**1.19 Irregular expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act ( Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the public bearers act (Act No. 20 of 1998) or in contraventions of the Supply Chain Management Policy. Irregular expenditure is accounted for an expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue.

## Notes to the Annual Financial Statements

| Figures in Rand | 2011 | Restated 2010 |
|---|---|---|

### 2. New standards and interpretations

### 2.1 Standards and interpretations issued, but not yet effective

At the date of authorisation of these Annual Financial Statements, the following Standards and Interpretations were in issue but not yet effective:

- GRAP 18 - Segment Reporting
- GRAP 21 - Impairment of non-Cash-Generating Assets
- GRAP 23 - Revenue from non-Exchange Transactions (Taxes and Transfers)
- GRAP 24 - Presentation of Budget Information in Financial Statements
- GRAP 25 - Employee benefits
- GRAP 26 - Impairment of Cash-Generating Assets
- GRAP 103 - Heritage Assets
- GRAP 104 - Financial Instruments

### 3. Inventories

| | | |
|---|---|---|
| Equipment stock | 149 338 | 131 501 |
| Bin Liners | 232 232 | 449 141 |
| Protective clothing | 673 160 | 1 188 159 |
| Consumable stock | 665 595 | 831 853 |
| Compost stock | 513 060 | 276 446 |
| | **2 233 385** | **2 877 100** |

### 4. Loans to/from shareholder

| | | |
|---|---|---|
| City of Johannesburg Metropolitan Municipality - Notional loans<br>Terms and conditions | 89 510 221 | 84 769 221 |
| City of Johannesburg Metropolitan Municipality - Conduit Mirror loans<br>Terms and conditions | - | (3 022 612) |
| City of Johannesburg Metropolitan Municipality - No Interest bearing<br>Terms and conditions | - | (500 000) |
| City of Johannesburg Metropolitan Municipality - Unsecured<br>Terms and conditions | (107 980 411) | (168 185 933) |
| City of Johannesburg Metropolitan Municipality - Unsecured Other loans<br>Terms and conditions | 32 046 776 | 27 334 792 |
| City of Johannesburg Metropolitan Municipality - Capex Loans<br>Terms and conditions | (132 548 132) | (145 755 678) |
| City of Johannesburg Metropolitan Municipality - Sweeping account<br>Terms and conditions | 28 413 795 | 74 531 537 |
| | **(90 557 751)** | **(130 828 673)** |
| | | |
| Non-current assets | 89 510 221 | 84 769 221 |
| Current assets | 63 983 183 | 101 866 329 |
| Non-current liabilities | (115 283 100) | (115 894 410) |
| Current liabilities | (128 768 055) | (201 569 813) |
| | **(90 557 751)** | **(130 828 673)** |

**Credit quality of loans to shareholder**

The entity's management considers that the loans to the shareholder that are not impaired for each of the reporting dates under review are of good quality. The loans between the entity and the City of Johannesburg Metropolitan Municipality are monitored by the City of Johannesburg Metropolitan Municipality Treasury Department.

# Notes to the Annual Financial Statements

| Figures in Rand | 2011 | Restated 2010 |
|---|---|---|

**4. Loans to/from shareholder (continued)**

**Loans to shareholder past due but not impaired**

There are no loans to the shareholder that are past due and not impaired. All past due loans were considered for impairment and were subsequently impaired. Refer note below.

**Loans to shareholder impaired**

As of 30 June 2011, loans to shareholder of R - (2010: R 2 115 321) were impaired and provided for.

The ageing of these loans is as follows:

| | | |
|---|---|---|
| Over 6 months | - | 2 115 321 |

**Reconciliation of provision for impairment of loans to shareholder**

| | | |
|---|---|---|
| Opening balance | (2 049 845) | (1 838 600) |
| Unwinding of discount | - | (211 245) |
| | **(2 049 845)** | **(2 049 845)** |

The creation and release of provision for impaired receivables have been included in operating expenses in the statement of financial performance . Unwinding of discount is included in the statement of financial performance Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The entity does not hold any collateral as security.

**Notional loans**

| | | |
|---|---|---|
| Loans at beginning of the year | 84 769 221 | 79 530 221 |
| Advances | 4 741 000 | 5 239 000 |
| | **89 510 221** | **84 769 221** |

**Conduit mirror loans**

| | | |
|---|---|---|
| Loans at beginning of the year | (3 022 613) | (5 626 621) |
| Interest paid | 293 133 | 711 736 |
| Repayments | 2 729 480 | 1 892 272 |
| | **-** | **(3 022 613)** |

Conduit mirror loan represents bridging finance on capital expenditure granted at inception and is payable over 32 quarterly instalments at an interest rate of 15% per annum.

**No interest bearing**

| | | |
|---|---|---|
| Loans at beginning of the year | (500 000) | (2 500 000) |
| Repayments | 500 000 | 2 000 000 |
| | **-** | **(500 000)** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2011 | Restated 2010 |
|---|---|---|

**4. Loans to/from shareholder (continued)**

**Unsecured**

| | | |
|---|---|---|
| In respect of operating expenditure | (107 980 411) | (168 185 933) |

**Unsecured other loans**

| | | |
|---|---|---|
| In respect of operating expenditure | 32 046 776 | 27 334 792 |

**Capex loans**

| | | |
|---|---|---|
| Loans at beginning of the year | (145 755 675) | (146 378 955) |
| Receipts | (15 025 667) | (22 898 299) |
| Repayments | 13 367 767 | 8 611 565 |
| Interest paid | 14 865 446 | 14 910 014 |
| | **(132 548 129)** | **(145 755 675)** |

The terms of payments between 12% to 14% interest rate per annum and the payment terms ranging between 30 and 40 quarterly instalment.

**Sweeping account**

| | | |
|---|---|---|
| Opening balance for the year | 74 531 537 | 31 011 100 |
| Movement for the year | (46 117 742) | 43 520 437 |
| | **28 413 795** | **74 531 537** |

The sweeping account represent cash on hand as at 30 June 2010.

**5. Amount owed by SARS**

| | | |
|---|---|---|
| Opening balance | 31 901 554 | - |
| Movements | - | 31 901 554 |
| Amount paid from SARS | (29 762 985) | - |
| **Total** | **2 138 569** | **31 901 554** |

**6. Trade and other receivables**

| | | |
|---|---|---|
| Sundry debtor | 29 460 984 | 14 650 637 |
| Prepaid expenses | 408 264 | - |
| VAT | - | 3 964 253 |
| | **29 869 248** | **18 614 890** |

**7. Consumer debtors**

**Gross balances**

| | | |
|---|---|---|
| Refuse | 175 768 702 | 176 214 670 |

**Less: Provision for debt impairment**

| | | |
|---|---|---|
| Refuse | (150 416 807) | (110 054 757) |

**Net balance**

## Notes to the Annual Financial Statements

| Figures in Rand | 2011 | Restated 2010 |
|---|---|---|
| **7. Consumer debtors (continued)** | | |
| Refuse | 25 351 895 | 66 159 913 |
| **Refuse** | | |
| Current (0 - 30 days) | 6 139 891 | 14 292 275 |
| 31 - 60 days | 560 174 | 6 378 094 |
| 61 - 90 days | 781 532 | 5 199 397 |
| 91 - 120 days | 2 290 735 | 4 054 485 |
| 121 - 365 days | 15 579 563 | 36 235 662 |
| | **25 351 895** | **66 159 913** |
| **Reconciliation of debt impairment provision** | | |
| Balance at beginning of the year | (110 054 757) | (34 549 734) |
| Contributions to provision | (40 362 050) | (75 505 023) |
| | **(150 416 807)** | **(110 054 757)** |

**8. Cash and cash equivalents**

The Company has a sweeping arrangement with the City of Johannesburg Metropolitan Municipality whereby all cash is swept on a daily basis to the City of Johannesburg Metropolitan Municipality's bank account. Petty cash is reflected as being on hand. The cash owed to the company by the City of Johannesburg Metropolitan Municipality is reflected as an amount due from the shareholder.

Cash and cash equivalents consist of:

| | | |
|---|---|---|
| Cash on hand | 11 221 | 11 221 |

## Notes to the Annual Financial Statements

| Figures in Rand | 2011 | Restated 2010 |
|---|---|---|

### 9. Property, plant and equipment

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 3 972 399 | - | 3 972 399 | 3 972 399 | - | 3 972 399 |
| Buildings | 155 393 423 | (75 247 741) | 80 145 682 | 147 197 000 | (69 278 745) | 77 918 255 |
| Plant and machinery | 20 014 277 | (16 108 383) | 3 905 894 | 20 014 277 | (14 442 495) | 5 571 782 |
| Furniture and fixtures | 7 802 817 | (5 098 562) | 2 704 255 | 7 802 817 | (4 431 616) | 3 371 201 |
| Office equipment | 8 008 972 | (5 821 305) | 2 187 667 | 7 997 323 | (5 340 728) | 2 656 595 |
| IT equipment | 19 214 490 | (12 456 780) | 6 757 710 | 19 019 222 | (11 165 996) | 7 853 226 |
| Landfill sites | 233 251 015 | (103 256 992) | 129 994 023 | 232 567 819 | (93 465 901) | 139 101 918 |
| Bins and containers | 208 762 363 | (177 588 128) | 31 174 235 | 201 179 881 | (162 136 373) | 39 043 508 |
| Signage | 4 391 899 | (2 734 746) | 1 657 153 | 4 391 899 | (2 430 385) | 1 961 514 |
| **Total** | **660 811 655** | **(398 312 637)** | **262 499 018** | **644 142 637** | **(362 692 239)** | **281 450 398** |

**Reconciliation of property, plant and equipment - 2011**

| | Opening balance | Additions | Disposals | Depreciation | Total |
|---|---|---|---|---|---|
| Land | 3 972 399 | - | - | - | 3 972 399 |
| Buildings | 77 918 255 | 8 196 423 | - | (5 968 996) | 80 145 682 |
| Plant and machinery | 5 571 782 | - | - | (1 665 888) | 3 905 894 |
| Furniture and fixtures | 3 371 201 | - | - | (666 946) | 2 704 255 |
| Office equipment | 2 656 595 | 11 649 | - | (480 577) | 2 187 667 |
| IT equipment | 7 853 226 | 195 268 | - | (1 290 784) | 6 757 710 |
| Landfill sites | 139 101 918 | 24 347 618 | (23 664 422) | (9 791 091) | 129 994 023 |
| Bins and containers | 39 043 508 | 7 582 482 | - | (15 451 755) | 31 174 235 |
| Signage | 1 961 514 | - | - | (304 361) | 1 657 153 |
| | **281 450 398** | **40 333 440** | **(23 664 422)** | **(35 620 398)** | **262 499 018** |

**Reconciliation of property, plant and equipment - 2010**

| | Opening balance | Additions | Disposals | Depreciation | Total |
|---|---|---|---|---|---|
| Land | 3 972 399 | - | - | - | 3 972 399 |
| Buildings | 66 261 897 | 16 847 264 | - | (5 190 906) | 77 918 255 |
| Plant and machinery | 10 832 998 | - | (2 153 575) | (3 107 641) | 5 571 782 |
| Furniture and fixtures | 3 708 053 | 336 101 | - | (672 953) | 3 371 201 |
| Office equipment | 2 447 023 | 626 769 | (705) | (416 492) | 2 656 595 |
| IT equipment | 8 882 519 | 193 441 | - | (1 222 734) | 7 853 226 |
| Landfill sites | 91 958 841 | 51 036 351 | - | (3 893 274) | 139 101 918 |
| Bins and containers | 51 868 676 | 10 806 222 | (95 857) | (23 535 533) | 39 043 508 |
| Signage | 1 966 236 | 285 622 | - | (290 344) | 1 961 514 |
| | **241 898 642** | **80 131 770** | **(2 250 137)** | **(38 329 877)** | **281 450 398** |

| Figures in Rand | 2011 | Restated 2010 |
|---|---|---|

**9. Property, plant and equipment (continued)**

**Compensation received for losses on property, plant and equipment – included in operating profit.**

| | | |
|---|---|---|
| IT equipment | - | 648 142 |

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

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation | Carrying value | Cost / Valuation | Accumulated depreciation | Carrying value |
| Building | 12 690 358 | (12 160 897) | 529 461 | 12 550 000 | (9 621 667) | 2 928 333 |

**Assets subject to finance lease (Net carrying amount)**

| | | |
|---|---|---|
| Buildings | 418 333 | 1 673 333 |
| IT equipment | 111 129 | - |
| | **529 462** | **1 673 333** |

Freehold land and buildings is carried at historical cost. The title deeds are registered in the name of the City of Johannesburg.

Freehold land and buildings to the value of R 119,7m were purchased from City of Johannesburg Metropolitan Municipality in terms of the sale of business agreement dated 15 November 2001.

| **Fully Depreciated Assets** | **Cost** | **Accumulated Depreciation** | **Carrying Amount** |
|---|---|---|---|
| Plant and machinery | 2 711 802 | (2 711 802) | - |
| Furniture and fixtures | 939 569 | (939 569) | - |
| Office equipment | 54 242 | (54 242) | - |
| IT Equipment | 440 550 | (440 550) | - |
| Bins and containers | 54 511 039 | (54 511 039) | - |
| | **58 657 202** | **(58 657 202)** | **-** |

The entity plans to replace these assets in the ordinary course of events once CAPEX becomes available.

# Notes to the Annual Financial Statements

| Figures in Rand | 2011 | Restated 2010 |
|---|---|---|

## 10. Intangible assets

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software | 40 717 303 | (17 261 067) | 23 456 236 | 40 717 303 | (8 733 869) | 31 983 434 |

**Reconciliation of intangible assets - 2011**

| | Opening balance | Amortisation | Total |
|---|---|---|---|
| Computer software | 31 983 434 | (8 527 198) | 23 456 236 |

**Reconciliation of intangible assets - 2010**

| | Opening balance | Additions | Amortisation | Total |
|---|---|---|---|---|
| Computer software | 33 495 129 | 6 577 032 | (8 088 727) | 31 983 434 |

## 11. Investment in associate

| Name of entity | Listed / Unlisted | % holding 2011 | % holding 2010 | Carrying amount 2011 | Carrying amount 2010 |
|---|---|---|---|---|---|
| Fried shelf 128 (Pty) Ltd | | 50,00 % | 50,00 % | 10 964 207 | 3 422 715 |

The carrying amounts of associates are shown net of impairment losses.

**Movements in carrying value**

| | | |
|---|---|---|
| Opening balance | 3 422 715 | 2 377 650 |
| Share of surplus | 948 942 | 135 415 |
| Share in revaluation reserve | 6 592 550 | 909 650 |
| | **10 964 207** | **3 422 715** |

**Summary of financial information of associate**

| | | |
|---|---|---|
| Total assets | 27 709 304 | 11 012 414 |
| Total liabilities | (8 184 110) | (5 269 337) |
| Revenue | 2 127 395 | 144 875 |
| Surplus (deficit) | 13 552 921 | 1 349 814 |

**Associates with different reporting dates**

The financial year-end of the associate is the last day of February. The year ends of the two entities are more than three months apart. The entity made adjustments to the accounts of the associate to bring the two year ends in line with each other

## 12. Financial assets by category

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

# Notes to the Annual Financial Statements

| Figures in Rand | 2011 | Restated 2010 |
|---|---|---|

**12. Financial assets by category (continued)**

**2011**

| | Loans and receivables | Total |
|---|---|---|
| Loans to shareholder | 153 493 404 | 153 493 404 |
| Investment of associate | 10 881 297 | 10 881 297 |
| Trade and other receivables | 29 869 248 | 29 869 248 |
| | **194 243 949** | **194 243 949** |

**2010**

| | Loans and receivables | Total |
|---|---|---|
| Loans to shareholder | 186 635 550 | 186 635 550 |
| Trade and other receivables | 18 614 890 | 18 614 890 |
| Investment in associate | 3 422 715 | 3 422 715 |
| | **208 673 155** | **208 673 155** |

**13. Deferred tax**

**Deferred tax asset / (liability)**

| | | |
|---|---|---|
| At beginning of the year | - | 89 742 138 |
| Other movements | - | (89 742 138) |
| | **-** | **-** |

**14. Finance lease obligation**

| | | |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | 1 429 615 | 3 935 149 |
| - in second to fifth year inclusive | 44 863 | 1 352 707 |
| | 1 474 478 | 5 287 856 |
| less: future finance charges | (180 247) | (1 698 389) |
| **Present value of minimum lease payments** | **1 294 231** | **3 589 467** |
| **Present value of minimum lease payments due** | | |
| - within one year | 1 250 696 | 2 408 298 |
| - in second to fifth year inclusive | 43 536 | 1 181 169 |
| | **1 294 232** | **3 589 467** |
| Current liabilities | 1 250 696 | 2 408 298 |
| Non-current liabilities | 43 570 | 1 181 169 |
| | **1 294 266** | **3 589 467** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2011 | Restated 2010 |
|---|---|---|

## 15. Trade and other payables

| | | |
|---|---|---|
| Trade payables | 149 897 774 | 170 426 020 |
| Accrued leave pay | 32 202 282 | 28 900 245 |
| Accrued bonus | 17 439 265 | 14 035 747 |
| Sundry Creditors | 16 533 776 | 5 732 494 |
| Skill development levy rebate | 473 453 | - |
| Other Creditors | 2 778 280 | - |
| Related party creditor | 5 807 895 | 3 159 606 |
| | **225 132 725** | **222 254 112** |

## 16. Deferred income

**Movement during the year**

| | | |
|---|---|---|
| Balance at the beginning of the year | 454 146 | - |
| Additions during the year | 379 187 | 1 000 000 |
| Income recognition during the year | (333 333) | (545 854) |
| | **500 000** | **454 146** |

Deferred income represents advertising rental income received in advance amounting to R 1 000 000 to be recognised over 3 year period commencing 1 January 2010 and ending 31 December 2012.

| Figures in Rand | 2011 | Restated 2010 |
|---|---|---|

**17. Employee benefit obligations**

**17.1 Defined benefit plan**

| **Post-retirement liability** | | |
|---|---|---|
| Post-Retirement Medical Aid Plan | (9 281 000) | (11 160 000) |
| Post-Retirement Housing Subsidy Plan | (70 000) | (123 000) |
| Retirement Gratuity Plan | (74 578 932) | (66 705 932) |
| | **(83 929 932)** | **(77 988 932)** |

**17.1.1 Post retirement medical aid plan**

Pikitup Johannesburg (Proprietary) Limited has obligations to subsidise medical aid contributions in respect of certain qualifying staff and pensioners and their surviving spouses. Only pensioners and employees who were aged 50 or older and were members of Lamaf (previously called Jomed) and Munimed medical schemes on 1 July 2003.

The above liability is unfunded. However, The City of Johannesburg Metropolitan Municipality has undertaken to cover such portion of the liability for the staff of Pikitup Johannesburg (Proprietary) Limited who are entitled to benefits that relate to their service with Pikitup Johannesburg (Proprietary) Limited since the company's establishment. This amount was determined at 1 July 2003 and has been crystallised in the form of a notional loan account which earned interest of R 532,000 (2010 R601 000) and against which the company may claim benefit payments made. This loan does not constitute an asset and in terms of IAS 19 cannot be offset against the liability.

The City of Johannesburg Metropolitan Municipality operates 6 accredited medical aid schemes, namely Global Health, Hosmed, Munimed, Bonitas, Samwumed and LA Health. Pensioners continue on the option they belonged to on the day of their retirement.

**Amounts recognised in the Statement of financial position**

The fair value of plan assets includes:

**Movements for the year**

| | | |
|---|---|---|
| Opening balance | (11 160 000) | (8 910 000) |
| Net expense recognised in the Statement of Financial Performance | 1 879 000 | (2 250 000) |
| | **(9 281 000)** | **(11 160 000)** |

**Net expense recognised in the Statement of Financial Performance**

| | | |
|---|---|---|
| Past service cost | (156 000) | (235 000) |
| Interest cost | (897 000) | (749 000) |
| Actuarial (gains) losses | 2 797 000 | (1 299 000) |
| Benefits paid | 135 000 | 33 000 |
| | **1 879 000** | **(2 250 000)** |

**Notional loan account**

| | | |
|---|---|---|
| Opening balance | 9 511 000 | 8 910 000 |
| Interest received | 532 000 | 601 000 |
| **Balance at end of year** | **10 043 000** | **9 511 000** |

| Figures in Rand | 2011 | Restated 2010 |
|---|---|---|

**17. Employee benefit obligations (continued)**

**Key assumptions used**

Assumptions used on last valuation on 30 June 2011.

| | | |
|---|---|---|
| Discount rates used | 8,60 % | 9,00 % |
| Expected rate of return on assets | 8,60 % | 9,00 % |

**17.1.2Post retirement housing subsidy plan**

Pikitup Johannesburg (Proprietary) Limited provides housing subsidies in respect of certain qualifying staff members. In the event that the housing loan that the subsidy related to is not fully repaid at retirement date, the subsidy will continue into the members' retirement. The subsidy amount is based on the subsidy being being received at the date of valuation. The subsidy amount is assumed to remain constant and to continue for a period of 10 years after retirement.

The above liability is unfunded. However, The City of Johannesburg Metropolitan Municipality has undertaken to cover such portion of the liability for the staff of Pikitup Johannesburg (Proprietary) Limited who are entitled to benefits that relate to their service with the City of Johannesburg Metropolitan Municipality since the company's establishment. This amount was determined at 1 July 2003 and has been crystallised in the form of a notional loan account which earned interest of R nil (2010: Rnil) and against which the company may claim benefit payments made. This loan does not constitute an asset and in terms of IAS 19 cannot be offset against the liability.

**Amounts recognised in the Statement of Financial Position**

The fair value of plan assets includes:

**Movements for the year**

| | | |
|---|---|---|
| Opening balance | (123 000) | (116 000) |
| Net expense recognised in the Statement of Financial Performance | 53 000 | (7 000) |
| | **(70 000)** | **(123 000)** |

**Net expense recognised in the Statement of Financial Performance**

| | | |
|---|---|---|
| Current service cost | (4 000) | (2 000) |
| Interest cost | (11 000) | (10 000) |
| Actuarial (gains) losses | 68 000 | 5 000 |
| | **53 000** | **(7 000)** |

**Notional loan account**

| | | |
|---|---|---|
| Opening balance | - | 116 000 |
| Other | - | (116 000) |
| **Balance at end of year** | **-** | **-** |

**Key assumptions used**

Assumptions used on last valuation on 30 June 2011.

| | | |
|---|---|---|
| Discount rates used | 8,60 % | 9,00 % |
| Expected rate of return on assets | 8,60 % | 9,00 % |

| Figures in Rand | 2011 | Restated 2010 |
|---|---|---|

**17. Employee benefit obligations (continued)**

**17.1.3Post retirement gratuity plan**

Pikitup Johannesburg (Proprietary) Limited provides gratuities on retirement or prior death in respect of certain qualifying staff members who have service with The City of Johannesburg Metropolitan Municipality or Pikitup Johannesburg (Proprietary) Limited when they were not members of one of the retirement funds and who meet certain service requirements in terms of The City of Johannesburg Metropolitan Municipality's conditions of employment. The gratuity amount is based on 1 month's salary per year of non-retirement funding service.

The above liability is unfunded. However, The City of Johannesburg Metropolitan Municipality has undertaken to cover such portion of the liability for the staff of Pikitup Johannesburg (Proprietary) Limited who are entitled to benefits that relates to their service with the City of Johannesburg Metropolitan Municipality since the company's establishment. This amount was determined at 1 July 2003 and has been crystallised in the form of a notional loan account which earned interest of R 4,209,000 (2010: 4,755, 000) and against which the company may claim benefit payments made. This loan does not constitute a plan assets and in terms of IAS 19 cannot be offset against the liability.

The plan is a post-retirement gratuity benefit plan.

**Amounts recognised in the Statement of financial position**

The fair value of plan assets includes:

**Movements for the year**

| | | |
|---|---|---|
| Opening balance | (66 705 932) | (76 126 000) |
| Net expense recognised in the statement of financial performance | (4 082 000) | 9 420 068 |
| | **(70 787 932)** | **(66 705 932)** |

**Net expense recognised in the statement of financial performance**

| | | |
|---|---|---|
| Interest cost | (6 373 000) | (2 604 932) |
| Actuarial (gains) losses | 47 000 | 12 025 000 |
| Benefits paid | 2 244 000 | - |
| | **(4 082 000)** | **9 420 068** |

**Notional loan account**

| | | |
|---|---|---|
| Opening balance | 75 258 000 | 70 504 000 |
| Interest received | 4 209 000 | 4 755 000 |
| **Balance at end of year** | **79 467 000** | **75 259 000** |

**Key assumptions used**

Assumptions used on last valuation on 30 June 2011.

| | | |
|---|---|---|
| Discount rates used | 8,60 % | 9,00 % |
| Expected rate of return on assets | 8,60 % | 9,00 % |
| Expected increase in salaries | 5,90 % | 5,90 % |

## Notes to the Annual Financial Statements

| Figures in Rand | 2011 | Restated 2010 |
|---|---|---|

**17. Employee benefit obligations (continued)**

**17.2Defined contribution plan**

It is the policy of the company to provide retirement benefits to all its employees on a voluntary basis. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Amendment Act (65 of 2001), exist for this purpose.

The company is under no obligation to cover any unfunded benefits and the cost incurred are included under employee benefits in the Statement of Financial Performance.

| | | |
|---|---|---|
| The total economic entity contribution to such schemes | 35 244 216 | 33 449 960 |

Included in defined contribution plan information above, is the following plan(s) which is (are) a Multi-Employer Funds and is (are) a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the entity to account for the plan(s) as a defined benefit plan(s). The entity accounted for this (these) plan(s) as a defined contribution plan(s):

| Figures in Rand | 2011 | Restated 2010 |
|---|---|---|

### 18. Provision

**Reconciliation of provisions - 2011**

| | Opening Balance | Additions | Utilised during the year | Reversed during the year | Change in discount factor | Total |
|---|---|---|---|---|---|---|
| Escalation on contracts | 2 440 347 | 1 162 147 | (2 427 041) | - | - | 1 175 453 |
| Environmental rehabilitation: Closed landfill site | 125 328 916 | - | (2 451 370) | 8 459 702 | (40 412 468) | 90 924 780 |
| Environmental rehabilitation: Open landfill sites | 236 970 147 | 3 289 317 | (4 922 420) | 15 995 485 | (35 282 503) | 216 050 026 |
| | **364 739 410** | **4 451 464** | **(9 800 831)** | **24 455 187** | **(75 694 971)** | **308 150 259** |

**Reconciliation of provisions - 2010**

| | Opening Balance | Additions | Utilised during the year | Reversed during the year | Total |
|---|---|---|---|---|---|
| Escalation on contracts | 7 622 670 | 2 866 006 | (8 048 329) | - | 2 440 347 |
| Environmental rehabilitation: Closed landfill site | 130 665 623 | - | (19 148 063) | 13 811 356 | 125 328 916 |
| Environmental rehabilitation: Open landfill sites | 173 464 939 | 45 169 964 | - | 18 335 244 | 236 970 147 |
| | **311 753 232** | **48 035 970** | **(27 196 392)** | **32 146 600** | **364 739 410** |

| | | |
|---|---|---|
| Non-current liabilities (Landfill rehabilitation) | 306 974 806 | 362 299 063 |
| Current liabilities | 1 175 453 | 2 440 347 |
| | **308 150 259** | **364 739 410** |

The provision is management's best estimate of the obligations to settle escalations on procurement service contract and the environmental obligations to rehabilitate the various landfill sites upon closure.

The calculations of the landfill rehabilitation are based on the following assumptions in line with the permits requirements and consistent with prior years.,

- The final side slopes for each landfills are 1:3;
- The cover to waste ratio is 1:5 for each site;
- the growth rates for each site are based zero growth;
- The final landfill footprint extends over the entire landfill property size (excluding infrastructure and a 20m buffer zone between the site boundary and the toe of the landfill ;
- The density of the waste is calculated using both the survey and weighbridge data;

The final landfill airspace estimation was performed by the Topographical surveyor appointed by the Company who has extensive experience in the field with an Advance Mine Survey Certificate - M3.

## Notes to the Annual Financial Statements

| Figures in Rand | 2011 | Restated 2010 |
|---|---|---|

### 19. Financial liabilities by category

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

**2011**

| | Financial liabilities at amortised cost | Total |
|---|---|---|
| Loans from shareholder | 244 051 155 | 244 051 155 |
| Trade and other payables | 225 132 773 | 225 132 773 |
| | **469 183 928** | **469 183 928** |

**2010**

| | Financial liabilities at amortised cost | Total |
|---|---|---|
| Loans from shareholder | 317 464 223 | 317 464 223 |
| Trade and other payables | 222 254 120 | 222 254 120 |
| | **539 718 343** | **539 718 343** |

### 20. Share capital

| | | |
|---|---|---|
| **Authorised** | | |
| 1000 Ordinary Shares of R1 each | 1 000 | 1 000 |
| **Issued** | | |
| 1000 Ordinary share of R1 each | 1 000 | 1 000 |

### 21. Revaluation reserve

The revaluation reserve arises from the revaluation of the investment and it's distributable in terms of the articles of association. The valuation was performed by the Directors of Friedshelf 128 (Pty) Ltd.

| | | |
|---|---|---|
| Opening balance | 3 808 452 | 2 898 802 |
| Change during the year | 6 592 550 | 909 650 |
| | **10 401 002** | **3 808 452** |

### 22. Revenue

| | | |
|---|---|---|
| Service charges | 1 132 937 603 | 1 050 446 772 |
| Rental income | 3 145 820 | 3 560 903 |
| Government grants | 25 577 766 | 15 417 158 |
| Fair value adjustments | (12 673 025) | (11 704 594) |
| Sundry revenue | 6 506 513 | 7 965 843 |
| | **1 155 494 677** | **1 065 686 082** |

## Notes to the Annual Financial Statements

| Figures in Rand | 2011 | Restated 2010 |
|---|---|---|
| **22. Revenue (continued)** | | |
| **The amount included in revenue arising from exchanges of goods or services are as follows:** | | |
| Service charges | 1 132 937 603 | 1 050 446 772 |
| Rental income | 3 145 820 | 3 560 903 |
| Miscellaneous other revenue | 6 506 513 | 7 965 843 |
| | **1 142 589 936** | **1 061 973 518** |
| **The amount included in revenue arising from non-exchange transactions is as follows:** | | |
| **Taxation revenue** | | |
| **Transfer revenue** | | |
| Levies | 25 577 766 | 15 417 158 |
| Fair value adjustments | (12 673 025) | (11 704 594) |
| | **12 904 741** | **3 712 564** |
| **23. Service charges** | | |
| Service charges | 207 827 603 | 203 927 772 |
| Service fee in lieu of refuse removal from CJMM | 925 110 000 | 846 519 000 |
| | **1 132 937 603** | **1 050 446 772** |
| **24. Government grants and subsidies** | | |
| Municipal infrastructure grants | 25 577 766 | 15 417 158 |
| **Municipal infrastructure grants** | | |
| Current year receipts | 25 577 766 | 15 417 158 |
| Conditions met - transferred to revenue | (25 577 766) | (15 417 158) |
| **Conditions still to be met - transferred to liabilities** | **-** | **-** |
| **25. Other revenue** | | |
| Discount received | 14 204 | - |
| Bad debts recovered | - | 49 592 |
| Insurance proceeds | - | 648 142 |
| | **14 204** | **697 734** |
| **26. Operating deficit** | | |
| Operating deficit for the year is stated after accounting for the following: | | |
| **Operating lease charges** | | |
| Premises | | |
| • Contractual amounts | 608 416 | 564 700 |
| Amortisation on intangible assets | 8 527 198 | 8 088 727 |
| Depreciation on property, plant and equipment | 35 620 398 | 38 329 860 |
| Employee costs | 433 390 576 | 418 375 755 |

## Notes to the Annual Financial Statements

| Figures in Rand | | 2011 | Restated 2010 |
|---|---|---|---|
| **27. Employee related costs** | | | |
| Basic salaries | | 301 074 642 | 281 694 596 |
| Hostel charges | | 4 025 071 | 3 544 921 |
| Provident fund contributions | | 21 293 | 25 627 |
| Uniforms and protective clothing | | 2 712 138 | 4 063 751 |
| Medical examinations | | 113 292 | 1 005 355 |
| Housing benefits and allowances | | 1 360 609 | 2 055 305 |
| Overtime payments | | 27 628 598 | 24 726 349 |
| Bonus | | 24 255 133 | 10 219 007 |
| Hostel recoveries | | (234 140) | (246 620) |
| UIF | | 2 993 564 | 2 570 104 |
| WCA | | 2 815 916 | 2 200 540 |
| SDL | | 3 210 534 | 2 363 017 |
| Leave pay provision charge | | 4 051 840 | 14 728 797 |
| Other allowances | 17 | 750 796 | 287 058 |
| Bargaining council levies | | 117 497 | 114 647 |
| Gratuities | | 5 291 187 | 5 972 690 |
| Unfunded liabilities - Pension funds | | (946 481) | (10 526 000) |
| Post-employment benefits - Pension - Defined contribution plan | 17 | 35 244 216 | 33 449 960 |
| Acting allowances | | 894 767 | 987 089 |
| Casual Locomotion | | 312 115 | 556 358 |
| Permanent locomotion | | 15 522 388 | 15 500 317 |
| Casual services | | 2 175 601 | 23 082 887 |
| | | **433 390 576** | **418 375 755** |
| **28. Depreciation and amortisation** | | | |
| Property, plant and equipment | | 35 620 398 | 38 329 860 |
| Intangible assets | | 8 527 198 | 8 088 727 |
| | | **44 147 596** | **46 418 587** |
| **29. Finance costs** | | | |
| Shareholders loan account | | 15 158 570 | 15 621 752 |
| Interest paid on RMB borrowing | | - | 8 757 794 |
| Interest on fair value adjustments of expenditure | | 2 094 480 | 2 668 477 |
| Other interest paid | | 2 170 000 | (9 306 323) |
| Finance leases | | 1 531 709 | 1 963 793 |
| Interest unwinding on rehabilitation of landfill | | 24 455 186 | 32 146 600 |
| Fair value adjustments on payables | | (625 514) | 1 978 268 |
| Interest unwinding (reversal)/addition | | (48 816 269) | (3 593 953) |
| | | **(4 031 838)** | **50 236 408** |

## Notes to the Annual Financial Statements

| Figures in Rand | 2011 | Restated 2010 |
|---|---|---|

### 30. Taxation

**Major components of the tax expense**

| | | |
|---|---|---|
| **Deferred** | | |
| Deferred tax | - | 89 742 138 |

**Reconciliation of the tax expense**

Reconciliation between applicable tax rate and average effective tax rate.

| | | |
|---|---|---|
| Income tax charge to income statement | - % | (50,01)% |
| Tax loss used/not utilised | - % | 78,77 % |
| Non-deductible expenditure | - % | 1,66 % |
| Non-taxable income | - % | (2,42)% |
| | **- %** | **28,00 %** |

### 31. Auditors' remuneration

| | | |
|---|---|---|
| Fees for audit services | 1 802 067 | 984 371 |

### 32. Cash generated from (used in) operations

| | | |
|---|---|---|
| Surplus (deficit) | 3 799 812 | (263 011 385) |
| **Adjustments for:** | | |
| Depreciation and amortisation | 44 147 596 | 46 418 587 |
| Adjustment on infrastructure | 23 664 427 | 46 513 761 |
| Debt impairment | 40 177 046 | 77 399 221 |
| Movements in operating lease assets and accruals | - | (19 237) |
| Movements in retirement benefit assets and liabilities | 5 941 000 | (7 163 068) |
| Movements in provisions | (56 589 151) | 52 986 178 |
| Movement in tax receivable and payable | 29 762 984 | (57 838 801) |
| Other non-cash items | (7 541 492) | (1 045 065) |
| Inventories | 643 715 | 206 189 |
| Trade and other receivables | (11 254 358) | 25 797 813 |
| Consumer debtors | 630 972 | (84 669 384) |
| Investment in associates | 6 592 550 | (909 649) |
| Trade and other payables | 2 878 608 | 44 606 506 |
| Deferred income | 45 854 | - |
| | **82 899 563** | **(120 728 334)** |

### 33. Tax refunded

| | | |
|---|---|---|
| Balance at beginning of the year | 31 901 554 | (25 937 247) |
| Balance at end of the year | (2 138 570) | (31 901 554) |
| | **29 762 984** | **(57 838 801)** |

## Notes to the Annual Financial Statements

| Figures in Rand | 2011 | Restated 2010 |
|---|---|---|

### 34. Commitments

**Commitments in respect of capital expenditure:**

| | | |
|---|---|---|
| **Authorised and not yet contracted for** | | |
| • Property, plant and equipment | 35 000 000 | 22 200 000 |
| • Infrastructure | 15 000 000 | 24 000 000 |
| | **50 000 000** | **46 200 000** |
| **Authorised and contracted for** | | |
| • Property, plant and equipment | 5 801 400 | 5 000 000 |
| **This expenditure will be financed from:** | | |
| External Loans | 21 801 400 | 21 544 000 |
| Government Grants | 34 000 000 | 19 010 000 |
| | **55 801 400** | **40 554 000** |

**Operating leases - as lessee (Fleet)**

The operating lease commitment relate to the Fleet Africa whose term expires on 31 December 2011. The term of the new fleet contract are yet to be determined.

The other operating lease relates to the office automation, Midrand depot and parking.

| | | |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | 90 790 022 | 177 945 396 |
| - in second to fifth year inclusive | 1 471 217 | 249 008 |
| | **92 261 239** | **178 194 404** |

**Operating leases – as lessor (income)**

| | | |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | 3 191 674 | 3 191 674 |
| - in second to fifth year inclusive | 1 595 837 | 4 787 511 |
| | **4 787 511** | **7 979 185** |

### 35. Contingencies

Freehold land, buildings and servitudes purchased from The City of Johannesburg Metropolitan Municipality in terms of the sale of business agreement, have not as yet been transferred into the name of Pikitup Johannesburg SOC Ltd. Transfer duties might be payable by the company on the transfer of property. It is not possible to estimate an expected amount.

| Figures in Rand | 2011 | Restated 2010 |
|---|---|---|

### 36. Related parties

Relationships

| | |
|---|---|
| Controlling entity | The City of Johannesburg Metropolitan Municipality |
| | City of Joburg Property Company SOC Ltd |
| | City Power Johannesburg SOC Ltd |
| | Johannesburg City Parks NPC |
| | Johannesburg Development Agency SOC Ltd |
| | Johannesburg Metropolitan Bus Services SOC Ltd |
| | Johannesburg Roads Agency SOC Ltd |
| | The Johannesburg Tourism Company NPC |
| | Johannesburg Water SOC Ltd |
| | The Metropolitan Trading Company SOC Ltd |
| | Pikitup Johannesburg SOC Ltd |
| | Roodepoort City Theatre NPC |
| | Joburg Theatre SOC Ltd |
| | The Johannesburg Fresh Produce Market SOC Ltd |
| | The Johannesburg Zoo NPC |
| | Fried shelf 128 (Pty) Ltd |
| | Greater Newtown Development Company (Pty) Ltd |
| | Constitutional Hill Development Company (Pty) Ltd |
| | Johannesburg Social Housing Company SOC Ltd |

Following the implementation of Phakama effective from 1 July 2010, Services provided by Pikitup to sister companies within the City of Johannesburg have now been consolidated.

**Related party balances**

| | | |
|---|---|---|
| **Amounts included in Loans, Trade and other receivables regarding related parties** | | |
| City of Johannesburg Metropolitan Municipality | 803 590 | 330 356 |
| Johannesburg Metropolitan Bus Services SOC Ltd | - | 22 803 |
| City Power Johannesburg SOC Ltd | - | 3 653 |
| Johannesburg Water SOC Ltd | - | 1 089 |
| Joburg Theatre SOC Ltd | - | 36 312 |
| Johannesburg City Parks NPC | - | 39 768 |
| Johannesburg Roads Agency SOC Ltd | - | 30 330 |
| | **803 590** | **464 311** |
| **Amounts included in Loans, Trade and other payables regarding related parties** | | |
| City of Johannesburg Metropolitan Municipality | 5 057 962 | 73 555 |
| Johannesburg Social Housing Company SOC Ltd | 270 504 | 2 827 308 |
| Johannesburg Water SOC Ltd | 430 679 | 222 684 |
| Johannesburg City Parks NPC | 31 705 | 36 059 |
| Johannesburg Roads Agency SOC Ltd | 17 045 | - |
| | **5 807 895** | **3 159 606** |
| **Loans accounts owing by related parties** | | |
| City of Johannesburg Metropolitan Municipality | 153 493 404 | 186 635 550 |
| **Loan account owing to related parties** | | |
| City of Johannesburg Metropolitan Municipality | 244 051 155 | 317 464 223 |

| Figures in Rand | 2011 | Restated 2010 |
|---|---|---|

**36. Related parties (continued)**

**Related party transactions**

| | | |
|---|---|---|
| **Sales to related parties** | | |
| City of Johannesburg Metropolitan Municipality | 989 248 607 | 846 602 286 |
| Johannesburg Social Housing Company SOC Ltd | - | 323 104 |
| Johannesburg Metropolitan Bus Services SOC Ltd | - | 36 325 |
| City Power Johannesburg SOC Ltd | - | 122 729 |
| Johannesburg Water SOC Ltd | - | 2 822 516 |
| Johannesburg Zoo NPC | - | 36 339 |
| Joburg Theatre SOC Ltd | - | 26 066 |
| Johannesburg City Parks NPC | - | 459 720 |
| Johannesburg Development Agency SOC Ltd | - | 18 854 |
| Johannesburg Roads Agency SOC Ltd | - | 79 804 |
| | **989 248 607** | **850 527 743** |
| **Purchases from related parties** | | |
| City of Johannesburg Metropolitan Municipality | 20 086 743 | 28 151 371 |
| Johannesburg Social Housing Company SOC Ltd | 3 371 179 | 3 076 783 |
| Johannesburg Metropolitan Bus Services SOC Ltd | - | 7 770 |
| City Power Johannesburg SOC Ltd | - | 1 701 536 |
| Johannesburg Water SOC Ltd | 430 679 | 804 367 |
| Johannesburg City Parks NPC | 70 330 | 90 821 |
| Johannesburg Roads Agency SOC Ltd | 17 045 | - |
| | **23 975 976** | **33 832 648** |
| **Other expenses paid to (received from) related parties** | | |
| City of Johannesburg Metropolitan Municipality - sweeping account interest received | (1 678 159) | (8 369 776) |

**37. Change in estimate**

**Property, plant and equipment**

The useful life of Infrastructure was estimated in 2010 be between 13 and 30 years. In the current period management have revised their estimates to between 7 and 18 years.

The impact of the change in estimate is the increase in the annual depreciation by R 319 713

The impact on the future periods is R 5 036 627. on annual depreciation.

## Notes to the Annual Financial Statements

| Figures in Rand | 2011 | Restated 2010 |
|---|---|---|

### 38. Prior period errors

Retained earnings was adjusted due to the Taxation refunds from SARS for the period 2008 and 2009 financial years. These were as a result of the re-submission of Income Tax returns during the period under review. The R 5 170 340 relates to the penalties and interest refunded for the period 2008 as a result of the objection lodged by the Company.

Other adjustments relate to depreciation charge and the reversal of stale cheques.

| | | |
|---|---|---|
| **Statement of financial position** | | |
| PIKITUP - Adjustment against opening accumulated deficit | - | (18 289 955) |
| PIKITUP - Taxation | - | 23 359 490 |
| PIKITUP - Property plant and equipment | - | (135 587) |
| PIKITUP - Trade and other payables | - | 1 492 900 |
| PIKITUP - Trade and other receivables | - | 71 999 |
| PIKITUP - Intangible asset | - | (310 245) |
| | **-** | **6 188 602** |
| **Statement of financial performance** | | |
| PIKITUP - Consultants | - | (1 051 513) |
| PIKITUP - Amortisation | - | 105 250 |
| PIKITUP - SARS Penalty Recovered | - | (5 170 340) |
| PIKITUP - Revenue | - | (71 999) |
| | **-** | **(6 188 602)** |

### 39. Comparative figures

Where items have been reclassified, comparative figures have been restated.

The effects of the reclassification are as follows:

| | | |
|---|---|---|
| **Statement of financial position** | | |
| Investment in associate-classified as Asset held for sale in prior year | - | 3 350 277 |
| Deferred income - classified as Operating lease liability in the prior year | 500 000 | 454 146 |
| Consumer debtors - classified as trade and other receivable in the prior year | - | 66 087 914 |

| Figures in Rand | 2011 | Restated 2010 |
|---|---|---|

### 40. Risk management

**Financial risk management**

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

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. The company is a wholly owned subsidiary of the City of Johannesburg Metropolitan Municipality. Risk management is carried out by a central treasury department within the Metro Municipality (company treasury) under policies approved by the directors. Company treasury identifies and evaluates financial risks in close co-operation with the company's operating units. The directors provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk.

**Liquidity risk**

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, company treasury maintains flexibility in funding by maintaining availability under committed credit lines. The City of Johannesburg Metropolitan Municipality provides liquidity to the company on an ongoing basis.

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities. The entity also receives an annual subsidy from the City of Johannesburg Metropolitan Municipality which mitigates to a large extent the liquidity risk of the entity.

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. No defaults or breaches occurred during the year and the entity is in good standing with its payables.

| At 30 June 2011 | Not later than one month | Later than month and not later than three months | Later than three months and not later than one year | Later than one year |
|---|---|---|---|---|
| Shareholders loans | - | 116 521 478 | 17 265 032 | 115 283 100 |
| Trade and other payables | 92 076 254 | 63 629 418 | 37 224 774 | 32 202 282 |
| Trade and other receivables | - | 29 555 947 | 100 000 000 | 150 000 000 |

| At 30 June 2010 | Not later than one month | later than one month and not later than three months | Later than three months and not later one year | Later than one year |
|---|---|---|---|---|
| Shareholder loans | - | 173 798 191 | 27 068 422 | 116 597 610 |
| Trade and other payables | 87 819 521 | 82 606 507 | 22 927 847 | 28 900 245 |
| Trade and other receivables | - | 27 904 291 | 60 000 000 | 70 000 000 |

| Figures in Rand | 2011 | Restated 2010 |
|---|---|---|

**40. Risk management (continued)**

**Credit risk**

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

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

**41. Going concern**

We draw attention to the fact that at 30 June 2011, the entity had accumulated deficits of R 363 443 155 and that the entity's total liabilities exceed its assets by R 353 041 153.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the subordination agreement and letter of support referred to in note 42 of these annual financial statements will remain in force for so long as it takes to restore the solvency of the entity.

**42. Subordination agreement and undertaking of support**

CJMM has agreed to assist the entity by subordinating, subject to certain terms and conditions, it's claims against the entity in favour of, and for the benefit of the creditors of the entity to the value of R 244 051 155. Note that this subordination agreement may effect the terms of repayment of the interest bearing loan from the shareholder.

After year end the subordination agreement with CJMM in favour of and for the benefit of the creditors of the entity has been extended to a value of R 244 051 155.

In addition thereto the shareholder has undertaken to support the company by way of an issue of a letter of support in terms of which CJMM confirms to continue to provide financial support to the company until the solvency of the company has been restored.

**43. Unauthorised expenditure**

| | | |
|---|---|---|
| **Reconciliation of irregular expenditure** | | |
| Unauthorised expenditure current year | - | 150 886 275 |
| Noted by Council | - | (150 886 275) |
| | **-** | **-** |

Relates to the expenditure incurred in excess of the budget allocation. The report was tabled in the Mayoral Committee on the 2 September 2010, and Council meeting of the 23 September 2010.

## Notes to the Annual Financial Statements

| Figures in Rand | 2011 | Restated 2010 |
|---|---|---|

### 44. Fruitless and wasteful expenditure

| **Reconciliation of fruitless and wasteful expenditure** | | |
|---|---|---|
| Unauthorised expenditure current year | - | 59 482 |
| Approved by Council or condoned | - | (59 482) |
| | **-** | **-** |

Penalties and interest to SARS occurred as a result of non rendition of IRP6

### 45. Irregular expenditure

| **Reconciliation of irregular expenditure** | | |
|---|---|---|
| | 1 476 002 | 1 379 696 |

The irregular expenditure relates to an amount paid to Bytes Communication Systems. The tender expired in 2008 and has been running on a month to month basis following the need to have an Information Communication Technology (ICT) strategy formulated to deal with ICT solutions in Pikitup. Following the conclusion of the ICT strategy ,the process of concluding a tender and contract are underway.

### 46. Supply chain management deviations in accordance with Regulation 36

No SCM deviations took place during the year under review.

### 47. Fraudulent Expenditure revealed by forensic investigation

| **Fraudulent expenditure** | | |
|---|---|---|
| Gratuity payments | - | 752 129 |

Relates to the alleged payroll irregularities pertaining to advance gratuity payments.

# Notes to the Annual Financial Statements

Figures in Rand

## 48. Directors' emoluments

### Executive

**2011**

| | Emoluments |
|---|---|
| Mr Nkosi ZT (Managing Director) | 1 704 174 |

**2010**

| | Emoluments |
|---|---|
| Mr Nkosi ZT (Managing Director) | 1 675 615 |

# Notes to the Annual Financial Statements

Figures in Rand

**48. Directors' emoluments (continued)**

**Non-executive**

**2011**

| | Directors' fees |
|---|---|
| Mrs Radebe PF (Chairperson) | 222 958 |
| Ms Botha A | 58 573 |
| Mr Brenner L | 6 745 |
| Mr Buys R | 39 543 |
| Mr Hattingh W | 63 760 |
| Mr Kgomo SJ | 98 166 |
| Dr Mabuya NB | 25 371 |
| Ms Malope M | 39 677 |
| Ms Mashanda T | 139 687 |
| Mr Mashika D | 94 509 |
| Ms Msezane N | 13 270 |
| Dr Ndema Y | 13 277 |
| Mr Nemukula VC | 145 924 |
| Dr Nyabeze WRR | 25 304 |
| Ms Parirenyatwa K | 13 491 |
| Dr Phaho D | 69 344 |
| Mr Raghubir S | 77 441 |
| Dr Ruiters C | 99 043 |
| Mr Sutherland HAB | 25 332 |
| | **1 271 415** |

**2010**

| | Directors' fees |
|---|---|
| Mrs Radebe PF (Chairperson) | 207 230 |
| Ms Botha A | 78 612 |
| Mr Buys R | 13 226 |
| Mr Hattingh W | 54 679 |
| Mr Kgomo SJ | 74 069 |
| Ms Malope M | 50 491 |
| Ms Mashanda T | 142 440 |
| Mr Mashika D | 18 516 |
| Mr Nemukula VC | 108 109 |
| Dr Phaho D | 79 957 |
| Mr Raghubir S | 69 759 |
| Dr Ruiters C | 105 285 |
| | **1 002 373** |

# Notes to the Annual Financial Statements

Figures in Rand

## 49. Statement of comparative and actual information

### 2011

| | Original budget | Revised budget | Actual outcome | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|---|---|---|---|---|---|
| **Financial Performance** | | | | | | |
| Service charges (A) | 1 145 976 759 | 1 134 737 564 | 1 132 937 603 | 1 799 961 | 100 % | 99 % |
| Interest received (B) | 16 098 278 | 5 000 000 | 14 662 790 | (9 662 790) | 293 % | 91 % |
| Government grant and subsidies (C) | 24 000 000 | 27 500 000 | 25 577 766 | 1 922 234 | 93 % | 107 % |
| Other revenue | 5 176 547 | 10 040 534 | (3 006 488) | 13 047 022 | (30)% | (58)% |
| **Total revenue (excluding capital transfers and contributions)** | **1 191 251 584** | **1 177 278 098** | **1 170 171 671** | **7 106 427** | **99 %** | **98 %** |
| Employee costs (D) | (438 883 107) | (436 220 296) | (433 390 576) | (2 829 720) | 99 % | 99 % |
| Bad debts (E) | (13 906 019) | (13 904 790) | (40 177 046) | 26 272 256 | 289 % | 289 % |
| Depreciation and asset impairment | (42 841 572) | (43 186 904) | (44 147 596) | 960 692 | 102 % | 103 % |
| Finance costs (F) | (68 443 547) | (81 352 906) | 4 031 838 | (85 384 744) | (5)% | (6)% |
| Other expenditure (G) | (603 177 338) | (575 113 199) | (653 637 421) | 78 524 222 | 114 % | 108 % |
| **Total expenditure** | **(1 167 251 583)** | **(1 149 778 095)** | **(1 167 320 801)** | **17 542 706** | **102 %** | **100 %** |
| **Surplus/(Deficit)** | **24 000 001** | **27 500 003** | **2 850 870** | **24 649 133** | **10 %** | **12 %** |

# Notes to the Annual Financial Statements

Figures in Rand

**49. Statement of comparative and actual information (continued)**

| | | Original budget | Final budget | Actual outcome | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|---|---|---|---|---|---|---|
| Share of surplus (deficit) of associate | - | - | - | 948 942 | (948 942) | - % | - % |
| **Surplus/(Deficit) for the year** | | **24 000 001** | **27 500 003** | **3 799 812** | **23 700 191** | **14 %** | **16 %** |

# Notes to the Annual Financial Statements

Figures in Rand

**49. Statement of comparative and actual information (continued)**

| | Original budget | Final budget | Actual outcome | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|---|---|---|---|---|---|
| **Capital expenditure and funds sources** | | | | | | |
| Total capital expenditure | 51 200 000 | 54 706 550 | 40 333 440 | 14 373 110 | 74 % | 79 % |
| **Sources of capital funds** | | | | | | |
| Municipal infrastructure grant (H) | 24 000 000 | 27 500 000 | 25 577 766 | 1 922 234 | 93 % | 107 % |
| Finance lease | - | - | 140 358 | (140 358) | - % | - % |
| COJ Loan (I) | 27 200 000 | 27 206 550 | 15 025 667 | 12 180 883 | 55 % | 55 % |
| Seta Grant | - | - | 11 649 | (11 649) | - % | - % |
| **Total sources of capital funds** | **51 200 000** | **54 706 550** | **40 755 440** | **13 951 110** | **74 %** | **80 %** |

**Comments on material variances - Financial performance**

A- Service charges - commercial revenue including city cleaning levy was lower than expected for the year mainly due to loss of commercial customers due to sporadic strikes.

B- Interest received - includes amounts received from outstanding debtors, the sweeping account and fair value adjustments.

C- Government grants - relates to Municipal Infrastructure Grant funding. The amount was in relation to capital

expenditure. D- Employee costs - lower than expected due to moratorium placed on filling of vacant positions..

E- Bad debts - higher provision required due to a decrease in debt collection levels

F- Finance costs - decrease in the fair value adjustments relating to landfill rehabilitation provision.

G- Other expenditure - relates in the main to fleet and cleaning services due to the cost incurred to ensure 100% fleet availability, fuel price fluctuations and additional cleaning and recovery costs during the April Pikitup strike action and disposal fees which were higher than budgeted due tariff increases from external landfill operators.

# Notes to the Annual Financial Statements

Figures in Rand

**49. Statement of comparative and actual information (continued)**

**Comments on material variances - Capital expenditure**

H- Municipal Infrastructure Grant - the variance was due to the fact that the appointed services provider couldn't finish the project in time. This relates to underground

bins. I- COJ Loan - the underspending was due to the fact that the contractor appointed for the orange farm deport couldn't perform and was placed on mora.

# Pikitup Johannesburg SOC Limited

(Registration number 2000/029899/07)
Trading as Pikitup
Annual Financial Statements for the year ended 30 June 2011