

**JSHCO**  
JOHANNESBURG SOCIAL  
HOUSING COMPANY



**Joburg**  
a world class African city

ANNUAL REPORT  
FOR THE YEAR ENDED JUNE 2013

# ADDRESS DETAILS

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

**COMPANY INFORMATION:**

**Registration number:** 2003/008063/07  
**Registered Address:** 1st Floor,  
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**Bankers:** Standard Bank of SA Limited  
**Auditors:** Auditor-General

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## SCOPE OF REPORT

This annual report covers JOSHCO's governance, financial, social responsibility, environmental, economic and overall sustainability performance for the year.

It provides an account of JOSHCO's progress up to the end of June 2013 and offers a forward – looking perspective in terms of future plans and value generating developments.

## CHAPTER ONE: INTRODUCTION AND CORPORATE PROFILE



## SECTION 1: CORPORATE PROFILE

### INTRODUCTION

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

The Johannesburg Social Housing Company SOC Limited (“JOSHCO”) was established in November 2003 by the City of Johannesburg (City). JOSHCO’s mandate is to provide and manage affordable rental housing for the lower income market as an integral part of efforts to eradicate the housing backlog of the City. JOSHCO is a registered social housing institution and is accredited by the Social Housing Regulatory Authority (SHRA). JOSHCO predominantly serves families whose total household income is between R1500 and R7500 per month.

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

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

As at the end of the financial year of 2012/2013, JOSHCO’s staff complement consisted of eighty five (85) full time (contract and permanent) employees. The organizational chart below provides an outline of the capacities in which JOSHCO utilizes its human resource.

## SECTION 2: STRATEGIC OBJECTIVES

### JOSHCO’S STRATEGIC GOALS

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

- Producing more housing that fits into the city vision of denser, less resource hungry, sustainable settlements. To achieve this, consideration must be given to economies of scale, so that the difference between revenue and costs does not grow ever larger. Operating revenues must exceed operating costs as a base case. This must be done to address the current situation where JOSHCO is ‘an unregulated social grantor’.
- Locating developments close to transport corridors made up of taxi routes, Bus Rapid Transport (BRT), other bus routes and railway stations.

- Effectively doing business in a political environment. This will involve ethical decision-making versus stakeholder management, bearing in mind the effects of poverty.
- Freeing up capacity from wasteful activities, and spending this on raising capital from funders other than the shareholder. This could be by expanding non-shareholder investment, the sale of business, ring-fencing, and borrowing against the City's balance sheet.
- Assisting emerging businesses to remain sustainable by including costs to make this possible

## SECTION 3: SALIENT FEATURES

### 2.1 Revenue Collection:

JOSHCO's revenue collection **target for the 2012/13 is 87%** of billing. For the period ended 30 June 13, the collection level **achieved was 86%** (2011/12 – 87%). The cumulative quarterly collection levels were:

- Quarter 1 – 80%;
- Quarter 2 – 87%;
- Quarter 3 – 85%; and
- Quarter 4 – 86%

The 1% shortfall in achieving the target of 87% was due to one defining factor and which relates as follows: Staff went on a 'go-slow' on the 20 June 13. The industrial action intensified on the 24 June 13 were staff left their work stations unattended and only returned on the 10 July 13. Consequently, tenants/MOEs/COJ could not be engaged at month-end for collections. Month-end is considered as the most critical part of the month for collections as tenants usually receive their salaries at this time, and MOEs and COJ make transfers and require remittance advices before month-end. This factor was the single factor that influenced non-achievement of the target and is evident by considering the average monthly collection for the quarter (Apr 13 to May 13) of R5,584,136 compared to the collection for the month of Jun13 which was R4,750,312. Given that Jun13 is also the year-end, collection usually intensifies in the last month. For Jun12 (prior financial year) the collection level was 90% for the month as opposed to Jun13 where the collection level for the month was 80%.

In addition to the monthly collection levels, the graph also illustrates an annual increase of 13% on tenant debt (R30.3m to R34.4m) for the 2012/13 financial year. This is a significant improvement from the prior financial year which demonstrated a 30% increase in tenant debt (R23.3m to R30.3m). The improvement is attributed to:

- The implementation of the improved policies and procedures that were ratified by the Board of Directors in Jul12;
- The staff capacity with structured and focused deliverables; and
- The implementation of the performance management system on revenue.

## 2.2 Financial Management:

The following analysis is drawn from the financial performance report ended 30 June 13. The summary is provided in terms of “flagship projects” and “administrative enablers”:

<b>Sub-programme</b>	<b>Actual (R'm)</b>	<b>Budget (R'm)</b>	<b>Variance (R'm)</b>	<b>Variance %</b>
Revenue	R97.9	R96.6	R1.3	1%
Less: Expenditure	(R96.3)	(R96.6)	R0.3	0%
<b>Core Mandate (Deliverables):</b>	<b>(R50.3)</b>	<b>(R49.6)</b>	<b>(R0.7)</b>	<b>(1%)</b>
Repairs & maintenance (Flagship 1)	(R18.3)	(R16.8)	(R1.5)	(8%)
Utility costs (Flagship 2)	(R20.9)	(R22.1)	R1.2	5%
Community development & other project costs (Flagship 3)	(R11.1)	(R10.7)	(R0.4)	(3%)
<b>Administrative Costs:</b>	<b>(R46.0)</b>	<b>(R47.0)</b>	<b>R1.0</b>	<b>2%</b>
Governance & staff costs (Enabler 1)	(R27.7)	(R28.9)	R1.2	4%
General expenses (Enabler 2)	(R15.5)	(R14.6)	(R0.9)	(6%)
Statutory / Contractual costs	(R2.8)	(R3.5)	R0.7	20%
<b>NET SURPLUS</b>	<b>R1.6</b>	<b>R0.0</b>	<b>R1.6</b>	

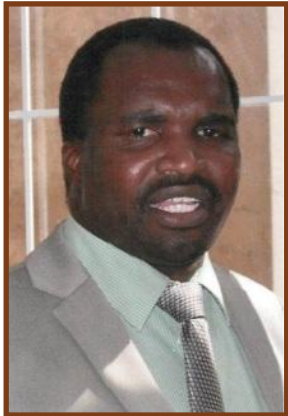
## 2.3 Capex Expenditure

As at the end of June 2013 JOSHCO's performance on capital projects reflected an actual expenditure of R160.7m against a budget of R134.5m. This translated to a percentage achievement of 119% for the financial year.

## 2.4 Solvency ratio

As at end of June 2013 JOSHCO continued to operate as a going-concern for the foreseeable future. The going-concern of JOSCHO over the short-term (12 months) was demonstrated by considering the positive balance of the accumulated reserves of R18.7 million. It was further supported by the current ratio which showed the liquidity of the entity as 1.5:1 (current assets to current liabilities).

## SECTION 4: FOREWORD BY MEMBER OF THE MAYORAL COMMITTEE



In May 2013 the Executive Mayor of the City, Councillor Parks Tau, emphasized the importance of corridor and node developments.

*“Transit-oriented Development (TOD) – Corridors of Freedom, a new spatial vision that will dismantle apartheid-style human settlements and replace them with high-density, mixed-use residential developments.”*

*“About R450 million of the R100 billion infrastructure provision will be spent on the rejuvenation of the Johannesburg inner city.”*

*“To compliment the effective public transport system, residential developments within the Corridors of Freedom, will be located in close proximity to office developments, shopping malls, places of leisure, recreational facilities, schools, clinics, police stations.”*

**Clr. Dan Bovu, MMC: Housing**



## SECTION 5: CHAIRPERSON'S FOREWORD

During the year under review, the entity has been able to strengthen its position with various stakeholders. Our ability to meet the expectations of a broad and multicultural customer base often required innovative and continuous inventive approaches when

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interacting and executing our activities. We cemented our performance by ensuring that all the objectives in our corporate scorecard were met and exceeded our expectations.

The entity always factored its mandate and the aspirations of the Shareholder into the strategic plans. Operations were very effective in implementing the key deliverables defined in the strategic plan and our detailed Expanded Public Works Programme and its timeous implementation helped to fast track those issues that embrace the national agenda. The momentum set in the previous financial year increased during this period and resulted in us, once again, delivering on those programmes that served as the mayoral priorities.

The favourable financial position we have achieved will strengthen our position going forward. In spite of the portfolio growth and disproportionate funding in relation to the portfolio of services, we have been able to cement our position through increased productivity and efficiencies. All departments comprising marketing, operations, human resources, internal audit, risk management and finance, continued to perform at a high standard collectively.

With constant guidance and vigilance, the Board of Directors, through its audit committee, dedicated itself to ensuring that all the issues that were raised by the auditor general in last year's audit were rectified. Processes were put in place to ensure that the entity's internal controls were above board.

***Zeona Jacobs – Chairperson of the Board of Directors***

## **SECTION 6: CHIEF EXECUTIVE OFFICERS REVIEW**



The following summarises the highlights and the lowlights of the 2012/2013 financial year:-

### **Highlights:**

JOSHCO customer satisfaction levels rose by nine percent (9%) from 69% in 2011/2012 to 78% in 2012/13. JOSHCO had experienced a year on year improvement in customer satisfaction levels up until 2011/2012 when it had declined. Following that decline, JOSHCO had carried out remedial actions focusing on the areas of low satisfaction in the previous year, which has resulted in improved satisfaction levels in the reporting year.

Three projects enjoyed the instillation of beautiful new children's recreational and play areas. Although JOSHCO had budgeted only for two, savings were achieved by supply chain management which made it possible to stretch the budget to install three children's play areas, all in inner city projects where the need is most acute, due to the lack of such facilities in this area.

1844 Jobs were created over the 12 months making up the financial year. Several of JOSHCO's projects benefited through Extended Public Works Programme (EPWP) funding. This funding made it possible for JOSHCO to exceed its pre-determined

objective by almost 1000 jobs.

Taken over the full 12 months of the financial year, some R201, 7 million of the R218, 7 million spent by JOSHCO was procured from Small to Medium Enterprises and emerging black suppliers, thus representing 92, 2% of all expenditure procured by JOSHCO in 2012/2013.

JOSHCO expended capital resources of R160, 7 million against an initial approved budget of R134, 5 million. On the face of it, this represents a Capital over expenditure of 19, 5%. This "over expenditure" was propelled chiefly by JOSHCO's Fleurhof project which yielded 140 completed units against an approved target of 84. The reader must take note that this "over expenditure" did not constitute unauthorised expenditure on JOSHCO's part because the resources for this construction were confirmed by the Provincial Government in writing, and the resources from national government for this project had been committed to JOSHCO contractually.

#### **Lowlights:**

Rental Revenue Collections compared with rental revenue billed achieved 86%. This represents a -1% variance against the pre-determined target for the year of 87%. This target was negatively affected by the loss of one working week at the end of June 2013 where JOSHCO did not have credit controllers performing collection functions.

JOSHCO procured and placed under management 6914 of the 7250 units planned for in the 2012/2013 financial year. The negative variance of 336 units was the result of the phases not completed in Kliptown Golf Course by the Provincial Government. JOSHCO has removed this from future year targets because the last number of years have demonstrated that this dependency on Provincial Government performance is not one which JOSHCO management can adequately control.

Some 172 units achieved certified completion. The pre-determined target for the year was 321. Although "completion certificates" were not obtained at 30 June 2013 for 149 units (in other words 149 of the 321 units constructed could not be physically occupied by tenants on 30 June 2013); the achievement of these certificates was imminent in most cases because the construction of these units were at a very advanced stage. Reasons for not having achieved these outstanding certificates in time related primarily to three causes - NHBRC certification; labour work stoppages on site; and rain delays. These completion certificates will all be produced during the first half of the 2013/2014 financial year.

In the last quarter of the financial year JOSHCO experienced unanticipated industrial action for a period of 13 days, which had a major impact in the performance of the entity.

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

## **SECTION 7: CHIEF FINANCIAL OFFICER'S REVIEW**



JOSHCO has once again achieved a 'clean audit report' from the Auditor-General of South Africa. This is consistent with prior years and attests to its corporate governance over its performance management system and compliances to all laws and regulations. Over the financial year, the Office of the Chief Financial Officer was responsible and accountable for 3 functional areas of operation i.e. finance, supply chain management and the revenue departments. This did not serve as a limitation, as through the operation of these divisions; we served to integrate the business into a cohesive unit in servicing our clients and hence surpassing some of our targets.

Revenue and expenditure were recorded on the accrual basis of accounting, and have subsequently resulted in a net surplus of R1.6m. In terms of company policy, variances in excess of R970 000 (1% on total revenue) must be reported and supported with explanations. From the above the following reasons for the material variances are provided:

- Total revenue – the variance on the budgeted revenue is R1.3m. The majority of the variance is attributed to project funds received from donors and which are held in trust. These funds have therefore earned the company more investment income (interest) than initially anticipated.
- Repairs & maintenance – the variance from budget is R1.5m. The variance is largely due to unplanned maintenance carried out on geysers and other plumbing for housing projects.
- Utility costs – the savings incurred on utility costs relates to the corrections and subsequent refunds from the City of Johannesburg (COJ) on its billing.
- Governance & staff costs – the savings on staff costs relate to the vacant positions that were not filled during the course of the year.
- General expenses – the variance from the budget of R900k relates to a large extent on subsidies not paid by the COJ for prior years. These receivables were written-off and amounted to R2.8m.

The going-concern of JOSCHO over the short-term (12 months) can be demonstrated by considering the positive balance of the accumulated reserves of R16.6m. It is further supported by the current ratio which shows the liquidity of the entity as 1.4:1 (current assets to current liabilities). The solvency ratio is 1.06: 1 at the end of Jun13. The entity is therefore able to continue its operations over the foreseeable future.

JOSHCO is currently dependent on a subsidy from the City of Johannesburg over the medium-term. It is the intention of the Board of Directors and management to become self-sufficient in the management of the housing stock. To this end, JOSHCO intends to be more innovative in its systems for the take-on of tenants and rental collections, and the implementation of efficiencies in practicing supply chain management.

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

## **SECTION 8: STATEMENT OF RESPONSIBILITY**

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

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

The Auditor-General, who was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board of Directors and committees of the Board, has audited the financial statement. The directors believe that all representations made to the Auditor-General during their audit are valid and appropriate. The financial statements were approved by the Board of Directors on 29 August 2013 and signed on its behalf by the Chairperson of the Board, Miss Zeona Jacobs.

## **CHAPTER TWO: GOVERNANCE**



## SECTION 1: CORPORATE GOVERNANCE STATEMENT

### INTRODUCTION

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

**i. Ethical Leadership**

The board provides effective leadership based on a principled foundation and the entity subscribes to high ethical standards. Responsible leadership, characterised by the values of responsibility, accountability, fairness and transparency, has been a defining characteristic of the entity since the company's establishment.

The fundamental objective has always been to do business ethically while building a sustainable company that recognises the short- and long-term impact of its activities on the economy, society and the environment. In its deliberations, decisions and actions, the board is sensitive to the legitimate interests and expectations of the company's stakeholders.

**ii. Corporate Governance**

The entity applies the governance principles contained in King III and continues to further entrench and strengthen recommended practices in our governance structures, systems, processes and procedures. The Board of Directors and Executives recognise and are committed to the principles of openness, integrity and accountability advocated by the King III Code on Corporate Governance. Through this process, shareholders and other stakeholders may derive assurance that the entity is being ethically managed according to prudently determined risk parameters in compliance with generally accepted corporate practices. Monitoring the entity's compliance with King Code on Corporate Governance forms part of the mandate of the audit committee. The entity has complied with the Code in all respect during the year under review.

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

The Protocol is premised on the principles enunciated in the King Report for Corporate Governance for South Africa 2009 (King III).The Company steadfastly consolidated its position in respect of adherence to the King III report on Corporate Governance. The entity practices are, in most material instances, in line with the principles set out in the King III Report. Ongoing steps are however taken to align practices with the Report's recommendations and the Board continually reviews our progress to ensure that we improve our Corporate Governance. During the year under review the Company entrenched its risk management reviews and reporting and compliance assessments were conducted in terms of the Companies Act and the Municipal Finance Management Act (MFMA). The annual Board assessments and evaluations were conducted and an annual report for the previous year was effectively completed in accordance with the terms of section 121 of the Municipal Finance Management Act.

**iii. Corporate Citizenship**

The board and management recognise that the entity is formed under a political structure. As such, it has a social and moral standing in society with all the attendant responsibilities. The board is therefore responsible for ensuring that the entity protects, enhances and invests in the well-being of the economy, society and natural environment, and pursues its activities within the limits of social, political and environmental responsibilities outlined in international conventions on human rights.

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

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

## **SECTION 2: BOARD OF DIRECTORS**

The Board of Directors is presided over by a non-executive Chairperson. The non-executive Directors take responsibility for ensuring the Chairperson encourages proper deliberation of all matters requiring the Board's attention. The Board, under the Chairpersonship of Ms. Zeona Jacobs, meets at least quarterly, retains full and effective control over the Company and monitors executive management through the structured approach to reporting and accountability. The Board of Directors comprises of nine non-executives and one executive Director. The Directors have a range of skills and experience that they bring to the benefit of JOSHCO.

The Board of Directors has adopted the Board Charter which encapsulates the City of Johannesburg Governance Protocol and includes matters of ethics, procedure and the conduct of committee members. Registers are kept and updated on the disclosure and declaration of interests of directors and senior management. The Board and Senior Management ensure that there is full material compliance to all relevant legislation. The Company Secretary has certified in terms of section 268(d) of the Companies Act that all statutory returns have been submitted to the Registrar of Companies.

Attendance of meetings held during the year by the Board and its committees was as follows:

\*The Board was retired March 11 2013.  
#The Board was appointed March 11 2013.

NAME	BOARD			CORPORATE SUPPORT			AUDIT			DEVELOPMENT			RISK			SOCIAL ETHICS AND		
	Attendance	Absent	Apologies	Attendance	Absent	Apologies	Attendance	Absent	Apologies	Attendance	Absent	Apologies	Attendance	Absent	Apologies	Attendance	Absent	Apologies
<b>Total Number of Meetings</b>	<b>8</b>			<b>5</b>			<b>7</b>			<b>4</b>			<b>4</b>			<b>1</b>		
1. Z. Jacobs	8	-	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1	-	-
2. T. Sethaelo	8	-	-	n/a	n/a	n/a	n/a	n/a	n/a	4	-	-	n/a	n/a	n/a	n/a	n/a	n/a
3. N. Tshabalala	7	-	1	5	-	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1	-	-
4. D.W. Thwala*	1	-	-	n/a	n/a	n/a	n/a	n/a	n/a	2	-	-	n/a	n/a	n/a	n/a	n/a	n/a
5. I. Makopo	5	-	3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
6. L. Mathlape	7	-	1	5	-	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
7. G Sengoara	7	-	1	n/a	n/a	n/a	n/a	n/a	n/a	4	-	-	n/a	n/a	n/a	n/a	n/a	n/a
8. Y. Gordhan#	5	-	3	n/a	n/a	n/a	4	-	1	n/a	n/a	n/a	4	-	-	n/a	n/a	n/a
9. M Mphahlele	7	-	1	n/a	n/a	n/a	6	-	1	4	-	-	n/a	n/a	n/a	n/a	n/a	n/a
10. E. Maphatsoe	-	8	-	-	5	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
11. R Gallocher	6	-	-	5	-	-	7	-	-	4	-	-	4	-	-	1	-	-

member on 11 2013.  
member appointed March 11 2013.

NAME OF INDEPENDENT AUDIT COMMITTEE MEMBER	AUDIT COMMITTEE MEETING ATENDANCES		
	Attendance	Absent	Apologies
<b>Total Number of Meetings</b>	<b>7</b>		
1. Errol Tait	7	-	-
2. A. Kanana#	5	-	-
3. K. Mdutshane	7	-	-
4. K. Govender*	1	-	-

## BOARD COMPOSITION

The Directors at the end of the financial year 2012/2013 as at 30 June 2013 were as follows:

Member	Capacity: Executive/Non- Executive	Race	Gender	Skills
2. Zeona Jacobs	Chairperson	C	F	Human Resources, Corporate Governance
3. *YaswantGhordan	NED	I	M	Finance and Auditing
4. Lesenyego Matlhape	NED	A	M	Human Resources and Labour relations.
5. Isaac Makopo	NED	A	M	Community activist, labour and dispute resolution.
6. MoopeMphahlele	NED	A	M	Audit and Corporate Governance
7. ThembiSethaelo	NED	A	F	People Management, Interpersonal Communication and Conflict Resolution.
8. NompumeleloTshabalala	NED	A	F	Business administration.
9. Glenda Sengoara	NED	A	F	Project Management.
10. Emmanuel Maphatsoe	NED	A	M	Community activist; Leadership and Project Management.
11. #Professor WelingtonDidibhukuThwala	NED	A	M	Construction; Engineering; Business Leadership

\*The above Board member was retired on 11 March 2013.

#The above Board member was appointed on 11 March 2013.

### SECTION 3: BOARD COMMITTEES

#### AUDIT COMMITTEE

The Audit Committee has met six times during the financial year. Four ordinary meetings were held, one each quarter and two special meetings throughout the financial year in order to receive reports on Audit matters concluded and to consider the 2012/2013 annual financial statements and audit report. The composition of the Committee is compliant with the Municipal Finance Management Act. The terms of reference of the Audit Committee were adopted by the Audit Committee.

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

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

Member	Capacity: Executive	Executive/Non- Executive	Race	Gender	Age	Qualifications
1. K Govender*	Independent Member	Audit Committee	I	M	37	B Com; B Com (Honours); CA (SA)
2. E Tait	Independent Member	Audit Committee	W	M	73	ACIS
3. A Kanana*	Independent Member	Audit Committee	A	M	31	B Com; B Com (Honours); CA (SA)
4. K. Mdtshane	Independent Member	Audit Committee	A	F	40	B Com; B Com (Honours); CA (SA)
5. M Mphahlele	NED		A	M	40	B Com Accounting; Post Graduate Diploma in Computer Auditing; MDP: GIBS
6. Y Gordhan*	NED		I	M	62	B Com; B Com (Honours); CA (SA); Master of Science (Business Administration)

\*Retired  
as at 11  
March  
2013

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e of the Audit Committee as delegated by the Board of Director in the Audit Charter includes:-

- i. Financial Reporting and Reliability of Financial Information;
- ii. Business Planning and Budget Implementation;
- iii. In liaison with and assist the Risk Committee to identify financial, business and operational risk areas of the company to be covered in the scope of internal and external Audits;
- iv. Ensure that the Accounting Officer of the company has put in place appropriate internal control systems;
- v. Monitor and review the effectiveness of the internal Audit function;
- vi. Oversee the relationship of the company with the Auditor-General;
- vii. Review the consistency of, and any changes to, the accounting policies of the company both on a year-on-year basis and across the company and the City of Johannesburg;
- viii. Review the company's arrangements for its employees to raise concerns, in absolute confidence and confidentiality, about possible wrongdoing or improprieties in financial reporting and other matters;
- ix. Monitor and review the performance information provided by the company against the approved business plan, the City's Integrated Development Plan and the Growth and Development Strategy and provide to the Board of Directors an authoritative and credible view of the performance of the company.

## CORPORATE SUPPORT COMMITTEE

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

Members of the Corporate Support Committee are as follows:-

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

### **Mandate**

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

- i. Overseeing of the setting and administering of remuneration at all levels in the company;
- ii. Overseeing the establishment of a remuneration policy that will promote the achievement of strategic objectives and encourage individual performance;
- iii. Reviewing the outcomes of the implementation of the remuneration policy for whether the set objectives are being achieved;
- iv. Ensuring that all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued;
- v. Consider the results of the evaluation of the performance of the CEO and other executive directors, both as directors and as executives in determining remuneration;
- vi. Select an appropriate comparative source when comparing remuneration levels;
- vii. Advise on the remuneration of non-executive directors;
- viii. Management development and succession plans for executive levels; and
- ix. Make recommendations to the Board where necessary or take approved action within its delegated authority.

### **DEVELOPMENT COMMITTEE**

There have been a total of four Committee meetings during the financial year. The Committee currently consisted of the following members:-

M Mphahlele	Non-Executive Director
R Gallocher (CEO)	Executive Director
Glenda Sengoara (Chairperson)	Non-Executive Director
ThembiSethaelo	Non-Executive Director

### **Mandate**

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

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

## **RISK MANAGEMENT COMMITTEE**

The Risk Management Committee has had 4 meetings during the financial year. Mr E. Tait, an independent Audit Committee member is the Chairperson of the subcommittee which is made up of all Senior Managers.

### **Mandate**

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

- i. Oversee the development and annual review of a policy and plan for risk management to recommend for approval to the Audit Committee and Board;
- ii. Monitor implementation of the policy and plan for risk management taking place by means of risk management systems and processes;
- iii. Oversee that the risk management plan is widely disseminated throughout the company and integrated in the day-to-day activities of the Company;
- iv. Ensure that risk management assessments are performed on a continuous basis;
- v. Ensure that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks;
- vi. Express the Committee's formal opinion to the Audit Committee on the effectiveness of the system and process of risk management;
- vii. Review reporting concerning risk management that is to be included in the integrated report for it being timely, comprehensive and relevant.

## **SOCIAL AND ETHICS COMMITTEE**

The Social and Ethics Committee held its first ordinary meeting at the beginning of the financial year. The Committee currently consists of the following members:-

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

### **Mandate**

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

- i. Social and economical development, including the organization's standing in terms of the goal and purpose of UN Global Compact principles, recommendations regarding corruption, Employment Equity Act and Broad-Based Black Economic Empowerment.

- ii. Good corporate citizenship including promotion of equality, contribution to development of communities.
- iii. The environment, health and public safety.
- iv. Consumer relationships.
- v. Labour and Employment.
- vi. To draw matters to the attention of the Board as occasion requires.
- vii. To report to the Shareholders at the AGM on matters within its mandate.

#### SECTION 4: DIRECTORS AND SENIOR MANAGEMENT REMUNERATION

The remuneration of directors is in accordance with the Council approved rates. A schedule of the total fees paid to Non-Executive Directors is presented below:

Name	Designation	Retainers for 2012/2013	Payment for meeting attendances	Remuneration Year to date( R )
Z. Jacobs	Chairperson of the Board	-	R 162 097.10	R 162 097.10
Name	Designation	Retainers for 2012/2013	Payment for meeting attendances	Remuneration Year to date( R )
N. Tshabalala	Non-Executive Director	R 19 840.00	R 71 138.34	R 90 978.34
*Y. Gordhan	Non-Executive Director	R 19 840.00	R 63 141.16	R 82 981.16
G. Sengoara	Non-Executive Director	R 19 840.00	R 63 120.96	R 82 960.96
M. Mphahlele	Non-Executive Director	R 19 840.00	R129 249.70	R149 089.70
I. Makopo	Non-Executive Director	R 19 840.00	R 25 048.00	R 44 888.00
Dr L Matlhape	Non-Executive Director	R 19 840.00	R 73 140.16	R 92 980.16
T. Sethaelo	Non-Executive Director	R 19 840.00	R 59 115.30	R 78 955.30
E. Maphatsoe	Non-Executive Director	R0.00	R 0 .00	R 0.00
#Prof. W.E Thwala	Non-Executive Director	R0.00	R 9 019.30	R 9 019.30
<b>TOTAL</b>		<b>R138 880.00</b>	<b>R660 079.62</b>	<b>R798 959.62</b>

\* The above Board member was retired on 11 March 2013.

# The above Board member was appointed on 11 March 2013.

A schedule of the total fees paid to Independent Audit Committee members is presented below:

Name	Designation	Retainers for 2012/2013	Payment for meeting attendances	Remuneration Year to date( R )
Errol Tait	Independent Member	R19 840.00	R 41 078.72	R 60 918.72
KhanyisaMdutshane	Independent Member	R19 840.00	R 40 076.80	R 59 916.80
AyandaKanana	Independent Member	R19 840.00	R 49 187.00	R 69 027.00
Krishna Govender*	Independent Member	-		

\*Appointed on 11 March 2013

#### Senior Managers Remuneration as at 30<sup>th</sup> June 2013:-

DESIGNATION	Gross Remuneration Amount	Remuneration Year to date( R )
Chief Executive Officer	342 974.25	1 510 918.70
Chief Financial Officer	262 500.00	1 050 000.00
Manager: Housing	221 566.26	976 075.02
Manager: Development	0.00*	682 688.62
Manager: Business Planning and Risk Management	231 126.75	714 052.00
Manager: Corporate Support	168 741.24	598 178.41
Company Secretary	134 247.75	570 930.13
<b>TOTAL</b>	<b>1 361 156.25</b>	<b>6 099 814.08</b>

\* Position vacant

## SECTION 5: COMPANY SECRETARIAL FUNCTION

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

## SECTION 6: RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

Internal auditors monitor the operation of the internal control systems and report findings and recommendations to management and the board of directors. Corrective actions are taken to address control deficiencies and other opportunities for improving the system as they are defined. The board, operating through its audit committee, provides supervisions of the financial reporting process and internal control systems. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls.

Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation and the safeguarding of assets. Furthermore, the effectiveness of internal control systems can change with circumstances. A document and tested business continuity plan exist to ensure the continuity of business-critical activities. The entity assessed its internal control systems as at 30 June 2013 in relation to the criteria for effective internal control over financial reporting described in its Internal Control Manual. The internal control process has been in place up to the date of approval of the annual report and financial statements. Based on its assessment, the group believed that, as at 30 June 2013, its system of internal control over financial reporting and over safeguarding of assets against unauthorised acquisitions, use or disposition, met those criteria.

## SECTION 7: INTERNAL AUDIT FUNCTION

The entity's internal audit department has a current staff complement of three senior qualified persons. It has a specific mandate from the audit committee and independently appraises the adequacy and effectiveness of the company's systems, financial internal controls and accounting records, reporting its findings to local and divisional management and the auditor-general as well as the audit committee. The Internal Audit Executive reports to the Chief Financial Officer on a functional basis.

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

Internal audit started in the second quarter of the financial year. Gobodo Forensic and Investigative Accounting (Pty) Ltd (Gobodo)(now taken over by Sekela Xabiso) were appointed for a three (3) year period in 2011, and this was their final year.

The programme for the financial year and the comments thereof are provided herein below:-

Nr	Audits	To start	Status	Notes
1	Supply Chain Management	Nov 12	Complete	The audit was completed by the end of June 2013, and all issues raised were resolved.
2	Risk Management	Oct 12	Complete	The audit was completed by the end of June 2013, and all issues raised were resolved.
3	Performance Against Objectives	Oct 12	Complete	The audit was completed by the end of June 2013,

				and all issues raised were resolved.
4	Performance Against Objectives	Jan 13	Feb 13	The audit was completed by the end of June 2013, and all issues raised were resolved.
5	Strategic Business Plan	Nov 12	Complete	The audit was completed by the end of June 2013, and all issues raised were resolved.
6	Logical Access Review	Nov 12	Complete	The audit was completed by the end of June 2013, and all issues raised were resolved.

## SECTION 8: CORPORATE ETHICS AND ORGANISATIONAL INTERGRITY

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

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

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

## SECTION 9: SUSTAINABILITY REPORTING

### Sustainability Vision

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

### Sustainability policies and strategies

As part of ensuring the sustainability of its operations, JOSHCO will implement policies and strategies addressing sustainability issues. JOSHCO's strategic objectives provide guidelines on how JOSHCO's resources are mobilized to achieve maximum alignment with the shareholder compact and optimize community benefit from community development programmes.

### Sustainability commitments

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

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

Over the years JOSHCO has put in place a risk management structure which is aligned to that of the City. JOSHCO performs about two (2) risk reviews where management and the Board identify strategic risks and come up with actions to improve and mitigate those risks.

JOSHCO also holds 4 ordinary Risk Management Committee meetings where management and the Board engage and discuss operational risk registers and reports.

In terms of governance processes, JOSHCO endeavors to comply with all legislative requirements governing governance issues and processes. The Board strives to comply with the principles of King III at all times, and also the new Companies Act of 2008.

### **Stakeholder engagement**

JOSHCO engages with its Shareholder Unit through various platforms. Regular meetings are also being held with the Shareholder and the results of such engagements guide our overall organizational strategy.

JOSHCO also engages with its tenants who are an integral part of our business. Customer satisfaction surveys are conducted annually to ensure that we keep happy customers. JOSHCO has also produced a tenant handbook as a form of communication to our customers and ensuring that they understand their responsibilities as occupiers of our units. JOSHCO continues to be proactive in dealing with community concerns and interests.

### **Economic impacts**

In view of the fact that JOSHCO commands a medium size budget of over R200 million rand in the reporting year, the impact of this expenditure for small business as well as employment creation is very positive as further described in the accounting officer's report.

### **Socio-economic development**

While JOSHCO's core business is focused upon house construction and management, the performance indicators of the organization encompass broader issues such as community development, job creation, support to persons with disabilities etc.

JOSHCO's programmes are also aligned with the overall development objectives in the City's IDP and these programmes have broader positive socio-economic spin offs.

### **Transformation and empowering employees**

JOSHCO has always maintained their 1% salary expenditure on providing its employees with additional skills by having an annual training plan, where staff is taken to various institutions to be trained on particular aspects relating to their job functions.

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

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

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

## **SECTION 10: CORPORATE SOCIAL RESPONSIBILITY REPORT**

### **2.1 Creation of employment opportunities for unemployed tenants and community members**

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

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

It is our response aimed at bridging the gap between the growing economy and the large numbers of unskilled unemployed people due to the legacy of the past, which left large proportions of our population unskilled and unemployable. Through the epwpprogramme, joshco managed to create 1 844 jobs for the 2012/2013 financial year.

### **2.2 Community Development Programme**

JOSHCO's community development programme for 2012/2013 includes the following objectives:-

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

The following Community Development initiatives were implemented in the 2012/2013 financial year.

### **2.2.1 Gender Violence Workshop: Kliptown Golf Course**

The programme of the day was designed with the purpose to launch the programme that will look at the challenges of violence against women and children within the Kliptown community Golf Course. Various organisations made presentations that shed light to the complex nature of the challenge that South Africans face regarding gender and children violence. The Golf Course tenants committee played an active role in the organizing of the event.

The JOSHCO Gender Workshop / Event took place on the 17 December 2012. The outcomes earmarked for this workshop / event was to reflect on the challenges that the Kliptown Golf Course residents encounter with regard to violence against gender and children and the relevance to the 16 Days of Activism. In addition, a workshop to identify, assess the status of gender and children violence within Kliptown Golf Course residential area, solutions and recommendations to be undertaken on transforming the challenges facing this community. The day included activities for children.



### **Presentations:**

Organisations that were represented and who also participated were the following:

1. Sonke Gender Justice; Mr. Stubbs Maluleke
2. Siyakhula Trust: ZandileQcabashe
3. Time Change: Barbara Hill
4. Community Safety: Mr. Khathelo
5. ANC Women's League:
6. MoAfrikalthlokomele: Mr. Boy Mabeta

The highlights of the presentations were:

1. There is still a culture of not reporting gender related crimes in our communities
2. Need to have an attitude change against violence and abuse in the families
3. Create a conducive family environments to raise children free from abuse and violence
4. Violence does not discriminate on gender and children
5. Gender and children violence cannot be justified
6. Violence and abuse are unacceptable
7. Types of gender and children abuses and violence in the society
  - a. Economic abuse

- b. Emotional abuse
  - c. Physical abuse
  - d. Spiritual abuse
  - e. Sexual abuse
8. Alarming statistics on gender and children abuse and violence in South Africa
- a. POWA- 2 out of 6 partners die at the hands of the their spouses
  - b. Institute of Security Studies – 90% of women in South Africa have experienced violence and abuse of some kind.
    - i. 58% experienced economic abuse
    - ii. 71% of women experience sexual abuse
    - iii. 42% experienced all forms of abuse
9. Reasons why gender and children abuse and violence are perpetuated
- a. Poverty
  - b. Irresponsible single parenting
  - c. Neglect and lack of parental care
  - d. Toxic and Abusive relationships by adults
  - e. Irresponsible sexual behaviour by adults
  - f. Lack of love between the spouses and lack of love to children
  - g. Selfish parental interest above children born
  - h. Absent parents
  - i. Absent fathers
  - j. Lack of discipline
  - k. Abused children
  - l. Gangsterism
  - m. Engaging in sexual work
  - n. Loss of Ubuntu values
10. Ways to prevent gender and children violence and abuse
- a. Social Transformation –
    - i. Improving the living conditions by breaking the cycle of dependence and economic development (e.g. embarking on Government supported programmes such as Women COOPS, establishing grassroots organisations, reporting on abuse and domestic related violence
    - ii. Sorting out the problems relating to ownership of property
  - b. Education essential tool that leads to access of employment opportunities
  - c. Pursuing legal action through organisations such as (Legal Aid, Human Rights commission, Non-Profit Organisations, Social Workers etc.)

- d. Establishing Community Policing Forums to work with SAPS
  - i. To identify and eliminate risks in the area
  - ii. To promote crime monitoring in the community
  - iii. To report on suspicious strangers, abuses, violence and criminal activities
  - iv. Promote communication amongst the community members by sharing mobiles, alerts of strange suspicious developments
    - Being advised on the trends and developments and different types of crimes and criminal activities taking place in the community and communities around.
    - Being alerted on the criminals and criminal activities and targeted areas
    - Being notified about the criminals arrested so that other victims could come forward to report
  - v. Patrolling the streets
  - vi. Report crime use 0795251326 – this will be received by the commander/ or commanders office for the Kliptown community area.

### Resolutions

Follow-up workshops will be organised to develop a comprehensive programme on discouraging and prevention of gender and children abuse and violence in the Kliptown Golf Course community that will have action plans, implemented, monitored and evaluated. The programme will assess the current status and how to turn it around for the benefit of the residents, develop action plans and implement them, monitor and evaluate the results and use the results to further develop learning points for future improvements.

JOSHCO in conjunction with the residential committee will arrange for the appropriate date for this engagement.

### 2.2.2 Upliftment of the youth within our communities

Joshco supported a group of young stars who reside in the Inner City with the launch of their music career.



This event took place on the 2 March 2013.

### 2.2.3 Creation of recreational spaces in our projects

The following recreational spaces were created and launched during the 2012/2013 financial year:-



**MBV (Indoor Play Equipment)**



**Raschers (Indoor Play Equipment)**



**Launch of the AA House Recreational Park**



The recreational park at AA House was officially opened on the 7<sup>th</sup> June 2013. The official opening of the park was done by Ms Cheryl Holmes. The Community Policing Forum was also invited as their day to day duties include monitoring the kids at the play area.

## ENVIRONMENT, HEALTH AND PUBLIC SAFETY

### ENVIRONMENTAL INITIATIVES OF THE ORGANIZATION

#### 1.1 Water conservation awareness

##### 1.1.1 Water Week Events

As the National Water Week unfolded, Joshco was buzzing with its Community Development Projects.

**The 22<sup>nd</sup> March 2013, was the Stakeholder Engagement Session held in Newton, Johannesburg, followed by the Roadshow on the 26<sup>th</sup> in Diepsloot.**



**Inner City Youth Tour to Water Plant**



**Inner City Tenants Workshop on Water & Energy Conservation**



The 27<sup>th</sup> was the Awareness Campaign held in the AA House comprising of tenants from the AA and Rashers.



The theme this year was “Water is life, respect it, conserve it and enjoy it”

## 1.2 Joshco projects promoting environmental safety and awareness

### 1.2.1 Number of project designs incorporating rain water harvesting and energy efficiencies

In the 2012/2013 Joshco managed to complete two projects incorporating water harvesting and energy efficiencies.

## HEALTH AND PUBLIC SAFETY INITIATIVES

- 2.1 Joshco ensures compliance with the health and safety laws and regulations of South Africa. The Business Planning and Risk department has formed a Health and Safety Committee during the financial year, which is responsible for ensuring safety of the staff at head office. The Committee ensures that at least once a year a fire drill is performed as required by the law. The Committee also ensures that the inspectors from the City perform random inspections in ensuring compliance with the health and safety regulations.
- 2.2 The planned maintenance programme for 2012/13 focuses on the servicing of fire, smoke detection and gas systems in all JOSHCO projects. JOSHCO services all these equipment annually. At the end of the 2012/13 financial year 100% of the planned maintenance programme was implemented. Condition assessments for all the projects were completed in 2012/13 to enable JOSHCO to develop a long term maintenance plan over 5 years and to budget adequately to implement the maintenance programme based on the condition assessments.
- 2.3 One health and safety training was held during the financial year wherein 39 fire marshals were trained. The team consisted of JOSHCO staff and tenants
- 2.4 JOSHCO also supported the formation of Community Police Forums to ensure the safety of our tenants in various projects.



**AA House CPF**



**Antea Hostel CPF**

## SECTION 11: ANTI-CORRUPTION AND FRAUD

Through various channels JOSHCO continues to preach zero tolerance when it comes to fraud and corruption. Community members and employees are encouraged to report such incidents through the fraud hotline (whistle blowers). The number for the fraud hotline is 0800 002 587. The identity of the person reporting the incident will not be revealed unless the person chose not to remain anonymous.

Directors of the organisation are also required to sign annual declaration of interest they hold in any contracts that the organisation might enter into. To this end Directors are supplied with a form on which to declare their interests and declared interests are then entered in the register. As at date of this report there have not been any material interests declared.

In continuing to reduce the high levels of corruption, JOSHCO produced an Anti-Corruption video. The video aims at sending out a strong message to both the employees and tenants of JOSHCO, to refrain from committing acts of fraud and corruption. The video further displays what consequences the staff and tenants would face should they try to commit fraudulent activities. The video will be displayed at our reception area for employees and customers of JOSHCO to view. Furthermore, JOSHCO produced an internal newsletter for staff which sends out a strong message that fraud and corruption actions should be reported through a fraud hotline. The incidents reported in the hotline are presented and discussed at the Board and Sub Committee meetings held on a quarterly basis.

## **CHAPTER THREE: SERVICE DELIVERY PERFORMANCE**



## INTRODUCTION

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

## SECTION 1: HIGHLIGHTS AND ACHIEVEMENTS

The year ending 30 June 2013 was notable due to the following achievements:-

- Customer satisfaction levels were achieved at 78% in 2012/13.
- Three recreational spaces were created in the inner city projects.
- 1844 Jobs were created through Extended Public Works Programme (EPWP) funding.
- 91% of expenditure was procured from Small to Medium Enterprises and emerging black suppliers.
- The Community development programme for the financial year was fully implemented.

## SECTION 2: FINANCIAL PERFORMANCE

### STATEMENT OF FINANCIAL PERFORMANCE

#### 2.1 Net surplus

Revenue and expenditure were recorded on the accrual basis of accounting, and have subsequently resulted in a net surplus of R3.2m. In considering the net surplus, cognizance must be maintained with regards to year-end closure procedures. Therefore the R3.2m net surplus for the 2012/13 financial year would change upon final reporting on the 31Aug13.

This financial variance of actual versus budget is expected to strengthen the financial position and improve the solvency of the entity.

#### 2.2 Revenue

The variance on budgeted revenue was marginal (R0.3m). On closer inspection, it is apparent that the shortfall was as a result of rental billing that could not take place due to delays experienced on the take-on of new project stock. The rental billing was however supplemented by the investment income and agency fees to reduce the variance on surplus to R0.3m.

#### 2.3 Expenditure

The overall expenditure for the financial year reflects an under-expenditure of R3.5m (3% variance from budget). The core deliverables (the flagship projects) reflect an over-expenditure of R0.5m and administrative expenditure a saving of R4m. This is in keeping with the COJ's vision to improve service delivery and reduce administrative costs.

## **2.4 Repairs and maintenance**

The costs incurred to date amounts to R18.3m versus a budget of R16.8m (8% over-expenditure). The over-expenditure relates largely to unplanned maintenance carried out on geysers and other plumbing. This is an area that requires consideration in terms of the development of new projects.

With regards to stock inherited from COJ i.e. Claremont, Bellavista and Eldorado Park; management intends to limit the extent of service to these projects due to the low collection levels. The replacement of geysers will therefore not take place on these projects unless the tenants pay for the replacement.

## **2.5 Utility Costs**

The costs incurred are R20.7m compared to a budget of R22.1m (6% under-expenditure). As at 30Jun13, R34m remains payable to the COJ for utility costs that have been billed on projects.

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

The actual costs incurred were R11.1m versus a budget of R10.7m (3% over-expenditure).

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

The actual costs amounts to R27.3m compared to a budget of R28.9m (5% variance). Due to the year-end closure procedures it expected that there would be further adjustments with regards to performance bonuses and leave provisions.

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

The actual costs amounted to R11.9m versus a budget of R14.6m (18% under-expenditure). The savings related to consulting services to review the accounting standards and maintenance costs for the telephone management system.

## **STATEMENT OF FINANCIAL POSITION**

### **2.9 Non-Current Assets**

There has been no material change to non-current assets for the 2012/13 financial year. Depreciation and amortisation for the 12 months has been accounted for on property, plant and equipment and intangible assets respectively.

## **2.10 Current Assets**

Current assets increased by R102.4m (from R93.7m to R196.1m). Of the R102.4m, the majority of the increase related to trade and other receivables of R40.1m and cash & cash equivalents of R62.3m.

Inclusive of the balance on trade and other receivables, the net amount owed by tenants after the provision for bad debts was R8.9m, the project debtors on development was R113.4m and other debtors (VAT refund, supplier overpayments, and other recoveries) were R2.9m.

## **2.11 Non- Current Liabilities**

The movement on non-current liabilities of R34.3m (R53.2m to R87.5m) relates to:

Capital repayments on leased property i.e. Kiptown Golf Course and where ownership will transfer to the lessee at the end of the lease term;

The debt with DBSA is R18.5m payable bi-annual instalments; and

The deferred income of R34.3m relates to revenue received in advance and that can only be recognised as revenue upon completion of contracted work.

## **2.12 Current Liabilities**

Current liabilities increased by R64.8m. The increase relates to the salaries and municipal costs payable to the COJ loan account, and accounts payable to service providers.

## **CASH FLOW STATEMENT**

Cash and cash equivalents has increased by 750% (R62.3m). The balance at the end of Jun13 was R70.6m. The substantial increase can be attributed to donor funding received for City Deep and Fleurhof projects which funds are held in trust.

## **SECTION 3: CAPITAL PROJECTS**

These projects are directed towards the development, renovation and upgrade of COJ properties that are to be leased as housing units. JOSHCO's performance on capital projects reflects an actual expenditure of R160.7m against a budget of R134.5m. This translates to a percentage achievement of 119% for the financial year.

FUNDING SOURCES	PROJECT NAME	ADJ BUDGET	Quarter 1	Quarter 2	Quarter 3	Quarter 4	TOTAL SPENT TO DATE	AVAILABLE MONEY	PERFORMANCE AGAINST BUDGET %
JOSHCO	<a href="#">City Deep</a>	11 952 000	0	5 808 878	256 524	5 886 598	11 952 000	0	100.00%
	<a href="#">Klipspruit</a>	6 326 000	0	0	0	6 326 000	6 326 000	0	100.00%
	<a href="#">Fluerhof</a>	15 000 000	0	7 848 092	6 401 462	513 000	14 762 554	237 446	98.42%
	<a href="#">AA House</a>	1 632 000	0	0	1 631 284	0	1 631 284	716	99.96%
	<a href="#">Roodeport</a>	1 000 000	0	0	86 400	124 600	211 000	789 000	78.90%
	<a href="#">OrlandoEkha ya</a>	8 400 000	0	2 779 725	893 437	4 726 838.00	8 400 000	0	100.00%
	<a href="#">Selby</a>	15 690 000	0	5 153 525	2 063 641	8 472 834.00	15 690 000	0	100.00%
	<b><u>SUB TOTAL</u></b>	<b>60 000 000</b>	<b>0</b>	<b>21 590 220</b>	<b>11 332 748</b>	<b>26 049 870.00</b>	<b>58 972 838</b>	<b>1 027 162</b>	<b>98.29%</b>
CONDITIONAL GRANTS AND SUBSIDIES	<a href="#">Antea</a>	6 000 000	127000	0	414397	4 852 514	5 393 911	606 089	10.10%
	<a href="#">Bellavista Infill</a>	1 000 000	0	0	0	33 395	33 395	966 605	96.66%
	<a href="#">Dobsonville</a>	7 000 000	3562000	0	1420041	1 574 902	6 556 943	443 057	93.67%
	<a href="#">Fluerhof</a>	0	0	0	24472933	13 437 277	37 910 210	-37 910 210	37910210000.00%
	<a href="#">Lombardy East</a>	1 500 000	0	0	0	1 277 699	1 277 699	222 301	85.18%
	<a href="#">Klipspruit</a>	11 742 000	0	0	3444760	5 780 125	9 224 885	2 517 115	78.56%
	<a href="#">RandburgSilk irk</a>	8 000 000	0	817252.31	2512067	4 479 218	7 808 537	191 463	97.61%
	<a href="#">Pennyville</a>	3 000 000	0	0	0	0	0	3 000 000	0.00%
	<a href="#">CITY DEEP C,D,E</a>	7 505 000	0	0	536388	7 505 000	8 041 388	-536 388	107.15%
	<a href="#">OrlandoEkha a</a>	11 273 000	0	0	0	8 286 243	8 286 243	2 986 757	73.51%
	<a href="#">Selby Village</a>	16 000 000	368000	0	6178371	9 453 389	15 999 760	240	100.00%
	<a href="#">Turffontein</a>	1 500 000	0	0	0	1 200 924	1 200 924	299 076	80.06%
<b><u>SUB TOTAL</u></b>	<b>74 520 000</b>	<b>4 057 000</b>	<b>817 252</b>	<b>38 978 957</b>	<b>57 880 686</b>	<b>101 733 895</b>	<b>-27 213 895</b>	<b>136.52%</b>	
Total	134 520 000	4 057 000	22 407 472	50 311 705	83 930 556	160 706 733	-26 186 733	119.47%	

## SECTION 4: PERFORMANCE AGAINST IDP AND CITY SCORECARD

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

### 1. Key performance area: DEVELOPMENT OF HOUSING

#### **Number of new units built**

A total of 140 new units were built, resulting in an underachievement by 45 units as per the set target of 185 units.

#### **Number of Special Projects (Emergency Housing completed)**

There was no target set for this KPA this financial year, thus no actual was achieved.

#### **Number of hostel re-developments completed**

The actual achieved was 32 units, against the target of 136 units.

#### **Number of Inner City units upgraded**

There was no target set for this financial year, thus no units were upgraded this financial year.

#### **Number of project designs incorporating water harvesting and energy efficiencies.**

The target of 2 projects was achieved this financial year.

#### **Number of waste reduction initiatives implemented in new developments.**

The target of 2 projects was still at implementation phase at the end of the financial year.

### 2. Key performance area: MANAGEMENT OF HOUSING

#### **Number of units procured and under management**

6914 units were procured and brought under JOSHCO management as at the end of the June 2013. The target was under achieved by 602 units.

#### **Number of allocations administered (leases signed)**

564 lease contracts were signed for billing as at the end of the June 2013 which exceeded the annual target of 564 by 131 leases.

#### **% of planned maintenance programme implemented**

Some 100% of the planned maintenance programme for the year was implemented, thus meeting the target for the year.

#### **% of customer complaint case files closed**

Some 95% of the customer complaints received by JOSHCO had been resolved at 30 June 2013 thereby exceeding the planned target by 5%.

#### **% complaints remedied per the satisfaction survey**

100% of the complaints logged were remedied during the financial year thus exceeding the annual target by 10%.

#### **% completion of occupancy audits in projects under management**

90% of the occupancy audits were completed this financial year thus meeting the annual target.

**3. Key performance area: COLLECTION OF HOUSING REVENUE**

**Housing revenue collected as % of amount billed**

The collection performance rate achieved for the year was 86%. The target was under achieved by 1% of the annual target of 87%.

**Number of units billed as % of total number units under management**

The target for the KPI was under achieved by 1.29% as a result of some of the hostel projects being converted to family units.

**Number of attachment orders obtained**

16 attachment orders were obtained during this financial year against the target of 5. The target was exceeded by 11 orders.

**Number of garnishee orders obtained**

10 garnishee orders were obtained this financial year against the target of 100.

**% recovered on default accounts handed over**

The percentage achieved for default accounts recovery for the year was 36, 3%, thereby exceeding the annual target of 30% by 6, 3%.

**% rent defaulters evicted**

28 evictions were carried out during the course of the financial year against the annual target of 2.

**4. Key performance area: EFFECTIVE FINANCIAL MANAGEMENT**

**% Variance against ME's operating budget**

The actual expenditure was within budget with a negative variance of 1%.

**% of ME's capital budget spent**

The target for this key performance indicator was met as 119% of the budget was spent as against the target of 100%.

**Fully GRAP compliant register of assets.**

The company, after the final audit results has achieved the target of 100% compliance.

**Reconciliation of Inter-company balances with the CoJ.**

This key performance indicator has been achieved as the balances have been agreed between the company and the CoJ.

**Reconciliation of Intra-company balances with other ME's.**

The year-end confirmations between JOSHCO and the affected ME's were signed and the financial statements were finalized in terms of those confirmations.

**Compliance with income tax and vat requirements**

The target for this key performance indicator was fully achieved as all returns were submitted.

**% Attainment of clean audit report**

For the seventh time in a row, the company has once again obtained a clean audit report.

**Procurement spent on BEE and SME's as a percentage of total procurement.**

As indicated above the percentage of 89% exceeded the expected percentage of 75%.

**5. Key performance area: ACHIEVEMENT OF CORPORATE GOVERNANCE STANDARDS**

**Risk management reviews performed**

A total of one risk review was performed during the year under review. This assisted the organization in identifying and managing all strategic and operational risks.

**% Compliance with Corporate Governance Protocols**

The target set for the year for compliance with corporate governance protocols required that 100% compliance with the protocols be achieved during the year under review. No non-compliance to these protocols was reported during the reporting year and therefore the target was fully met.

**6. Key performance area:MANAGEMENT OF HUMAN RESOURCES**

**% Compliance with Skills Development Plan**

The skills development plan for the organization was fully implemented for the year with more than 1% of the salary bill being expended within the year under review and an active bursary programme was implemented.

**% Compliance with EE Plan**

The target for the year of 89% was underachieved by 7,2% .

**% Compliance with HIV/Aids programme**

The planned programme for HIV and Aids awareness at JOSHCO was fully implemented thus representing a 100% achievement.

**7. Key performance area:MANAGEMENT OF CLIENT SERVICES**

**% satisfactory rating by customers for Joshco**

The annual target of 65% was exceeded by 13% at 78%.

**Number of communication products distributed**

8 communications products were produced during the year thus exceeding the annual target by 9.

**Number of communications events concluded**

10 communication events were held during the year under review against the annual target of 4.

**% Implementation of satisfactory rating by customers for Joshco**

The annual target of 80% was exceeded by 20% at 100%.

**Number of tenant training sessions on water and energy conservation**

5 training sessions were held against the target of 4.

### Stakeholder Matrix

The annual target of 1 was not achieved.

### 8. Key performance area: COMMUNITY DEVELOPMENT

#### Number of recreational and common spaces

4 recreational and common spaces were created against the annual target of 2.

#### % Implementation of Community Development programmes

The target for this key performance area was fully achieved at 100%.

#### Number of Jobs Created

JOSHCO lent the full weight of its efforts toward supporting the Extended Public Works Programme (EPWP) with the creation of some 2003 jobs in the year. This achievement is also a factor of the positive expenditure performance on the capital budget, and the resultant increase in the numbers of houses produced.

### PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2013 BALANCE SCORECARD WITH KEY PERFORMANCE AREAS AND INDICATORS

Five-Year Objective	Strategic	Five-Year Programmes and Key Programme achievement	IDP	2012/13 Delivery Agenda	Key Performance Area	Key Performance Indicator	Baseline	Total Target 2012/13	Quarterly Targets and Actual 2012/2013							
									Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual
Promote good management and maintenance of City housing stock and associated infrastructure	good	Sustainable settlements programmes (Housing component)	human (Housing)	Details in Business Plan	Development of Housing	Number of new units built (green/brown/inst)	185	0	0	0	0	0	0	0	185	140
Promote good management and maintenance of City housing stock and associated infrastructure	good	Sustainable settlements programmes (Housing component)	human (Housing)	Details in Business Plan		Number of Special Projects (emergency housing completed)	207	-	0	0	0	0	0	0	-	0

Through a hostel upgrading programme that is sensitive to issues of affordability and quality living environments upgrade 5000 units.	Hostels conversion programme	Details in Business Plan		Number of hostel unit re - development completed	71	136	0	0	0	0	0	0	0	136	32
Structure partnerships with stakeholders to promote an inner city and older centers residential accommodation programme.	Inner-city and older centers residential Upgrade Programme	Details in Business Plan		Number of inner city upgrades	187	-	0	0	0	0	0	0	0	-	0
Promote good management and maintenance of City housing stock and associated infrastructure	Sustainable human settlements programmes (Housing component)	Details in Business Plan		Number of project designs	New	2	0	0	0	2	0	0	0	2	2
Promote good management and maintenance of City housing stock and associated infrastructure	Sustainable human settlements programmes (Housing component)	Details in Business Plan		Number of waste reduction initiatives implemented in new developments	New	0	0	0	0	0	0	0	0	2	0
Five-Year Strategic Objective	Five-Year IDP Programmes and Key Programme achievement	2012/13 Delivery Agenda	Key Performance Area	Key Performance Indicator	Baseline	Total Target 2012/13	Quarterly Targets and Actual 2012/2013								
							Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	
Promote good management and maintenance of City housing stock and associated infrastructure.	City public housing stock upgrade and transfer programme	Details in Business Plan	Housing Management	Number of units procured and under management X	8280	7516	6981	6831	7227	6828	7354	6970	7516	6914	

Promote good management and maintenance of City housing stock and associated infrastructure.	City public housing stock upgrade and transfer programme	Details in Business Plan		Number of allocations administered (leases signed)	<b>1065</b>	564	275	309	127	261	162	100	-	125
Promote good management and maintenance of City housing stock and associated infrastructure.	City public housing stock upgrade and transfer programme	Details in Business Plan		% of planned maintenance programme implemented X	<b>100</b>	100	-	-	40	16	60	16	100	100
Promote good management and maintenance of City housing stock and associated infrastructure.	City public housing stock upgrade and transfer programme	Details in Business Plan		% of customer complaint case-files closed	<b>99,7</b>	90	90	99,6	90	97	90	96	90	95
Promote good management and maintenance of City housing stock and associated infrastructure.	City public housing stock upgrade and transfer programme	Details in Business Plan		% of complaints remedied per satisfaction survey	<b>New</b>	90	90	-	90	-	90	-	90	100
Structure partnerships with stakeholders to promote an inner city and older centers residential accommodation programme	Effective financial sustainability of the city is promoted by JOSHCO turning around the performance of the city's rental housing stock portfolio	Details in Business Plan		% Completion of occupancy audits in projects under management	<b>New</b>	90	10	9	30	39	60	60	90	90
Promote good management and maintenance of City housing stock and associated infrastructure.	Effective financial sustainability of the city is promoted by JOSHCO turning around the performance of the city's rental housing stock portfolio	Details in Business Plan	Collection of Housing Revenue	Housing revenue collected as % of amount billed	<b>87</b>	81	80	82	87	84	85	84	87	86
Promote good management and maintenance of City housing stock and associated infrastructure.	Effective financial sustainability of the city is promoted by JOSHCO turning around the	Details in Business Plan		No. of units billed as %of total number of units under management	<b>96,4</b>	100	90	96	92	97,81	93	97,94	100	98,71

infrastructure.	performance of the city's rental housing stock portfolio													
Settlement restructuring	Restore order and liveability in council estates	Details in Business Plan	No of attachments orders obtained	51	5	0	6	1	3	2	7	2	0	
Promote good management and maintenance of City housing stock and associated infrastructure	Effective financial sustainability of the city is promoted by JOSHCO turning around the performance of the city's rental housing stock portfolio	Details in Business Plan	No of garnishee orders issued.	0	100	0	0	0	5	50	5	50	0	
Settlement restructuring	Restore order and liveability in council estates	Details in Business Plan	% recovered on default accounts handed over	26,46	30	10	4,58	15	4,77	20	18,68	30	36,30	
Promote good management and maintenance of City housing stock and associated infrastructure	Effective financial sustainability of the city is promoted by JOSHCO turning around the performance of the city's rental housing stock portfolio	Details in Business Plan	Number of rent defaulters evicted	18	2	0	7	0	0	1	7	1	14	

Five-Year Objective	Strategic	Five-Year IDP Programmes and Key Programme achievement	2012/13 Delivery Agenda	Key Performance Area	Key Performance Indicator	Baseline	Total Target 2012/13	Quarterly Targets and actual 2012/2013							
								Qtr 1 Target	Qtr 1 Actual	Qtr 2 Target	Qtr 2 Actual	Qtr 3 Target	Qtr 3 Actual	Qtr 4 Target	Qtr 4 Actual

Promote good management and maintenance of City housing stock and associated infrastructure.	City public housing stock upgrade and transfer programme	Details in Business Plan	Effective Financial Management	% Variance against ME's operating budget	3	1	0-30	-28	0-20	<5	0-10	<1	0-5	1	
Promote good management and maintenance of City housing stock and associated infrastructure.	City public housing stock upgrade and transfer programme	Details in Business Plan		% of ME's capital budget spent	99.81	100	10	3	30	20	70	57	100	119	
Promote good management and maintenance of City housing stock and associated infrastructure.	City public housing stock upgrade and transfer programme	Details in Business Plan		Fully SA GAAP compliant register of assets	100	100	100.	100	100	100	100	100	100	100	100
Promote good management and maintenance of City housing stock and associated infrastructure.	City public housing stock upgrade and transfer programme	Details in Business Plan		Reconciliation of Intercompany balances with the CoJ	100	100	100	100	100	100	100	100	100	100	100
Promote good management and maintenance of City housing stock and associated infrastructure.	City public housing stock upgrade and transfer programme	Details in Business Plan		Reconciliation of Intra company balances with other ME's	100	100	100	100	100	100	100	100	100	100	100

Promote good management and maintenance of City housing stock and associated infrastructure.	City public housing stock upgrade and transfer programme	Details in Business Plan		Compliance with income tax and vat requirements	100	100	100	100	100	100	100	100	100	100
Promote good management and maintenance of City housing stock and associated infrastructure.	City public housing stock upgrade and transfer programme	Details in Business Plan		% Attainment of clean audit report in previous year	100	100	-	100	100	100	100	100	100	100
Promote good management and maintenance of City housing stock and associated infrastructure.	City public housing stock upgrade and transfer programme	Details in Business Plan		Procurement spent on BEE and SME as a percentage of total procurement	81	75	75	92	75	80	75	97	75	89
Five-Year Strategic Objective	Five-Year IDP Programmes and Key Programme achievement	2012/13 Delivery Agenda	Key Performance Area	Key Performance Indicator	Baseline	Total Target 2012/13	Quarterly Targets and actual 2012/2013							
							Qtr 1 Target	Qtr 1 Actual	Qtr 2 Target	Qtr 2 Actual	Qtr 3 Target	Qtr 3 Actual	Qtr 4 Target	Qtr 4 Actual
Promote good management and maintenance of City housing stock and associated infrastructure.	City public housing stock upgrade and transfer programme	Details in Business Plan		Risk management reviews performed	1	2	-	0	1	0	-	1	1	1
Promote good management and	City public housing stock upgrade and	Details in Business Plan		% compliance with corporate	100	100	100	100	100	98	100	100	100	100

maintenance of City housing stock and associated infrastructure.	transfer programme			governance protocols										
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Five-Year Strategic Objective	Five-Year IDP Programmes and Key Programme achievement	2012/13 Delivery Agenda	Key Performance Area	Key Performance Indicator	Baseline	Total Target 2012/13	Quarterly Targets and actual 2012/2013							
							Qtr 1 Target	Qtr 1 Actual	Qtr 2 Target	Qtr 2 Actual	Qtr 3 Target	Qtr 3 Actual	Qtr 4 Target	Qtr 4 Actual
							Promote good management and maintenance of City housing stock and associated infrastructure	City public housing stock upgrade and transfer programme	Details in Business Plan	Management of Human Resources	% compliance with Skills Development Plan	100	100	-
Promote good management and maintenance of City housing stock and associated infrastructure	City public housing stock upgrade and transfer programme	Details in Business Plan	% compliance with EE Plan	90,9	89	67	90,9	67	90,9		70	72,7	89	81,8
Promote good management and maintenance of City housing stock and associated infrastructure	City public housing stock upgrade and transfer programme	Details in Business Plan	% compliance with HIV/AIDS programme	100	100	20	0	60	100		80	100	100	100
Promote good management and maintenance of City housing stock and associated infrastructure	City public housing stock upgrade and transfer programme	Details in Business Plan	Management of Client Services	% satisfactory rating by customers for JOSHCO services	69	65	0	0	-	-	-	-	60	78
Structure partnerships with stakeholders to promote an inner city and older centers residential accommodation programme	Restore order and liveability in Council Estates	Details in Business Plan	Management of Client Services	Number of communication products distributed	14	8	2	4	0	5	3	3	3	5

Structure partnerships with stakeholders to promote an inner city and older centers residential accommodation programme	Restore order and liveability in Council Estates	Details in Business Plan		Number of communications events concluded	6	4	1	0	1	2	1	3	1	5
Structure partnerships with stakeholders to promote an inner city and older centers residential accommodation programme	Restore order and liveability in Council Estates	Details in Business Plan		% Implementation of stakeholder programmes	96,6	80	0	0	20	33	50	50	80	100
Structure partnerships with stakeholders to promote an inner city and older centers residential accommodation programme	Restore order and liveability in Council Estates	Details in Business Plan		Number of tenant training sessions on water and energy conservation	New	4	1	0	1	0	1	1	1	4
Structure partnerships with stakeholders to promote an inner city and older centers residential accommodation programme	Restore order and liveability in Council Estates	Details in Business Plan		Stakeholder Matrix	New	1	0	0	0	0	1	0	0	*
Structure partnerships with stakeholders to promote an inner city and older centers residential accommodation programme	Restore order and liveability in Council Estates	Details in Business Plan	Community Development	Number of recreational and common spaces	3	2	0	0	0	0	1	0	1	3

Structure partnerships with stakeholders to promote an inner city and older centers residential accommodation programme	Restore order and liveability in Council Estates	Details in Business Plan		Number of jobs created	2003	850	0	98	200	469	300	298	350	979
Structure partnerships with stakeholders to promote an inner city and older centers residential accommodation programme	Restore order and liveability in Council Estates	Details in Business Plan		% Implementation of Community development programmes	New	90	0	0	20	28.57	80	92	90	100

\*All returns for this financial year were submitted.

## SECTION 5: ASSESMENT OF ARREARS ON SERVICES CHARGES

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

Detail	0-30 days	31-60 days	61-90 days	91-180 days	181& over	Total
Debtor's Age Analysis by income source	R 872 808.47	R2 455 691.59	R1 944 933.23	R1 611 887.45	R27 541 159.15	R34 426 479.89

### 5.2 Amounts owed by entity for service charges

Name of Entity	Amount Owed	Status	Comments
COJ Revenue	R32 578 979.54	Amount due	The previous years' invoices are disputed.

### 5.3. 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 2013
Zeona Jacobs	Non-Executive Director	City of Johannesburg	Awaiting information	Awaiting information
Isaac Makopo	Non-Executive Director	City of Johannesburg	Not Applicable	Not applicable
Lesenyego Matlhape	Non-Executive Director	City of Johannesburg	Awaiting information	Awaiting information
Wellington Thwala	Non-Executive Director	City of Johannesburg	Awaiting information	
ThembiSethaelo	Non-Executive Director	Ekurhuleni Municipality	MA & FTP Sethaelo 1700373377	Awaiting information
Emmanuel Maphatsoe	Non-Executive Director	City of Johannesburg	Awaiting information	Awaiting information
NompumeleloTshabalala	Non-Executive Director	City of Johannesburg	N Tshabalala 80018915	Current
Glenda Sengoara	Non-Executive Director	City of Johannesburg	Injectrade 154 (Pty) Ltd	Awaiting information
MoopeMphahlele	Non-Executive Director	City of Tshwane	M MphahlelePretoria Acc935	Awaiting information
<b>Executive Committee Members</b>				
Rory Gallocher	Chief Executive Officer	City of Johannesburg	R Gallocher 400775820	Current
Celiwe Nkosi	Company Secretary	City of Johannesburg	C C Nkosi 240036597	Current
Cheryl Holmes	EM: Housing Management	City of Johannesburg	C Holmes 501615381	Awaiting information
Gary Randall	SM: Business Planning and Risk Management	Ekurhuleni Municipality	G Randall 2603746073	Awaiting information
Sharmila McCall	SM: Corporate Support		Awaiting information	Awaiting information

## SECTION 6: STATEMENT OF AMOUNTS OWED BY GOVERNMENT DEPARTMENTS AND PUBLIC ENTITIES

Name of Department	Amounts owed	Account Status
CAM	R 26 422 781.67	60 days overdue
USDG	R 22 942 396.34	Current
COJ Housing	R 3 643 289.77	180 days overdue
Department of Economic Development (EPWP)	R 19 888 638.88	180 days overdue
Provincial Grants	R 37 904 257.65	180 days overdue
<b>Total</b>	<b>R110 801 364.31</b>	

## SECTION 7: RECOMMENDATIONS AND PLANS FOR NEXT FINANCIAL YEAR

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

### **Measures to address revenue shortfall**

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

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

### **Measures to address overspending on budget**

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

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

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

In former council estates, such as Bellavista, Claremont and Eldorado Park, issues concerning ownership and tenant's resistance to pay continue to be a challenge. In all hostels, JOSHCO continues to engage with other municipal entities with the intention of getting them to deduct rental in arrears from the employees' salaries. In all

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

### **Projects incorporating increased Capex**

The entity's budget allocation for the next financial year is R436 million for various development projects.

The City has allocated a budget for inner city infrastructure development to the amount of R298 million rand. JOSHCO will be allocated R214, 8 million rand of the total amount to be split between various inner city projects.

### **Co-production programmes**

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

### **Corridors of freedom initiatives**

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

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

# CHAPTER FOUR: HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT



## SECTION 1: HUMAN RESOURCES MANAGEMENT

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

review of the business mandate of Joshco has enabled the company to make enhancements to the organisational structure through the guidance of the Board of Directors.

The last quarter of 2012/2013 was used effectively to plan and implement all the programmes under Corporate Support. Corporate Support is vital to the planning and implementation of programmes such as Staff Development and Training, Employee Assistance Programme (EAP), Performance Management System, monitoring the adherence to Employment Equity and Diversity, Payroll Management, Staff Growth and Recruitment Planning, Benefits Administration, enforcing compliance to Labour Legislation and HR policies, developing the HIV and AIDS programme, Customer Service, communication of CoJ Growth and Development Strategy (GDS 2040), Marketing, Communication and Brand Management

Key deliverables listed in the table below reflect progress in each area:

<b>Deliverables</b>	<b>Status</b>	<b>Comments</b>
HR Policies and Procedures	Implemented	Compliance and enforcement of policies is on-going. Review of policies to be done by LLF prior to being submitted for Board approval, as per negotiated agreement
Labour Issues	Implemented/ Planning in progress	The LLF meetings are convened monthly. Further labour matters are addressed as they arise. A current issue is the demarcation dispute. IMATU has requested that JOSHCO become party to this dispute. Employees have embarked on industrial action on 24 June 2013. Management is engaging with stakeholders to resolve the issues..
Training and Development	Implemented/ Planning in progress	Training for the new financial year has been scheduled as per Departmental ILPs. Procurement is on-going and has been finalised in instances where course accreditation has been confirmed.
Employee Assistance Programme and HIV and AIDS	Contract of the previous service provider (Katanutta) ended on 28 February 2013	Procurement processes are in place to secure a new service provider
Performance Management	Implemented/ Planning in progress	The current policy which covers Fixed Term Employees will be reviewed, to include permanent employees in order to implement salary progression based on merit
Employment Equity and Diversity	Implemented/ Planning in progress	Joshco continues to strive to achieve its EE targets. The fourth quarter has seen progress in that there are just 2 categories that are non-compliant
Payroll Management and Benefits administration	Implemented/ Planning in progress	Monitoring of payroll and benefits is continuous.
Staff Recruitment	Implemented as per approved growth plan	A report on recruitment for the third quarter is included in this document
Marketing and Communications	Implemented/ Planning in progress	The marketing strategy/plan is included in this report.

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

## SECTION 2: EMPLOYMENT EQUITY

### 2.1 EMPLOYMENT EQUITY TARGETS AND RATIOS

#### 2.1.1 Senior Management Category

JOSHCO's employment equity ratio target for management category staff from previously disadvantaged backgrounds was 75%. JOSHCO has exceeded its target by eight point three percent (8.3%) with eighty three point three percent (83.3%) of the management team having been drawn from individuals from previously disadvantaged backgrounds (5 out of 6) members of the management team).

JOSHCO's employment equity ratio target for staff falling within the management category being women is 30%. As at the end of the third quarter of 2012/2013, JOSHCO had exceeded this target by twenty percent (20%) with fifty percent (50%) of women in the management category (3 out of 6 members of the management team).

#### 2.1.2 Middle Management Category

In the middle management category seventy two point two percent (72.2%) which represents thirteen out of eighteen (13 out of 18) of the staff were drawn from PDI designated groups against an employment equity target ratio of 40%. The target was exceeded by thirty two point two percent (32.2%). The target for women in this category is thirty percent (30%). The percentage achieved for women in this category is twenty seven point seven percent (27.7%) representing five out of eighteen (5 out of 18) employees. This represents a shortfall of two point two percent (2.2%) of women in the Middle Management category. Joshco will endeavour to increase the number of women in this category with future recruitment and by working towards empowering women through succession planning and retention.

#### 2.1.3 Supervisor / Skilled Category

In the skilled/supervisory level, hundred percent (100%) of staff representing fourteen (14) employees were previously disadvantaged individuals (PDI) against an employment equity target ratio of forty percent (40%) and the target was exceeded by sixty percent (60%). Fifty seven point one percent (57.1%) of staff in this category were women which represents eight out of fourteen (8 out of 14) employees against a target ratio of 30%, the target was exceeded by twenty seven point one percent (27.1%).

#### 2.1.4 Semi Skilled Category

In the semi -skilled category 97.72% of staff were drawn from PDI designated groups, against a target of eighty percent (80%) representing forty four employees out of which fifty percent (50%) were women, representing twenty two out of forty three (22 out of 44) employees, against a target of 60%. The representation of women in this category is ten percent (10%) below target. JOSHCO is continuously working towards achieving and exceeding this target by prioritising the appointment of women in this category.

#### 2.1.5 Unskilled Category

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

#### 2.1.6 Overall Race and Gender Analysis

JOSHCO's overall employment equity figures across all job types may be summarised as follows: JOSHCO employed forty seven percent (47%) of women representing forty out of eighty five (40 out of 85) against an overall target of 50%. This was below target by three percent (3%) and will be addressed during the current year's recruitment.

Ninety four point eleven percent (94.11%) of staff were PDIs representing eighty out of eighty five (80 out of 85) employees against an overall target of 75%. The target was exceeded by nineteen point eleven percent (19.11%). Of the eighty five (85) employees, sixty two point three percent (62.3%) were on fulltime employment contracts representing fifty (53) employees while thirty seven point six percent (37.6%) occupied contract positions.

Of the eighty five (85) staff, JOSHCO had employed eighty one point one percent (81.1%) Africans representing sixty seven employees (69), five point eight percent (5.8%) Indians representing five (5) employees, seven percent (7%) Coloureds representing six (6) employees and five point eight percent (5.8%) Whites representing five (5) employees.

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

JOSHCO's EE performance against targets represents eighty one point eight percent (81.8%) compliance which represents nine out of eleven (9 out of 11) targets met and exceeded in various categories and race/ gender classifications as indicated in the summary below. The two (2) categories below target were that of women in the middle management (2.2%) and women in the semi-skilled category (10%).

2.1.7 Employment Equity Summary

Occupational level	EE Target (Race)	EE Actual (Race)	EE Target (Gender)	EE Actual (Actual)	Disability Target	Disability Actual
Senior Management	75	83.3	30	50	2% of total workforce	2,35
Middle Management	40	72.2	30	27.7		0
Supervisory	40	100	30	57.1		0
Semiskilled	80	97.72	60	50		1
Unskilled	80	100	60	66.6		0

The complete updated staff establishment together with each post holder's race, gender, and disability classification has been tabulated below for verification against the statistics provided above.

Employee Categories according to positions, race, gender and disability as at 30 June 2013

No.	Name	Department	Race				Gender		Disability
			A	C	I	W	F	M	
Senior Management									
1.	Rory Gallocher	CEO's Office				■		■	
2.	Cheryl Holmes	Housing Management		■			■		
3.	Sharmla Mc Call	Corporate Support			■		■		1
4.	Gary Randall	CEO's Office		■				■	
5.	Vernon Naidoo	Finance			■			■	
6.	Celiwe Nkosi	CEO's Office	■				■		
	Sub-Total		1	2	2	1	3	3	1
Middle Management									
7.	Nadima Ahmed	Management			■		■		
8.	Dimakatso Lekalakala	Management	■				■		
9.	Vuledzani Matizda	Revenue, SCM& Fin	■					■	
10.	Reginald Mosena	Management	■					■	
11.	Charmaine Naidoo	Management		■			■		
12.	Luvuyo Mabece	Development	■					■	

No.	Name	Department	Race				Gender		Disability
			A	C	I	W	F	M	
13.	Jeffrey Smith	Management				■		■	
14.	James Maluleke	Development	■					■	
15.	Tumelo Medupe	Development	■					■	
16.	Obakeng Nyundu	Development	■				■		
17.	Michael Mohoase	Development	■					■	
18.	Alex Ngqwebo	Revenue, SCM & Finance	■					■	
19.	Warren Dyksman	Business Planning & Risk				■		■	
20.	Moses Madlela	Management	■					■	
21.	Bheki Zwane	Revenue, SCM & Finance	■					■	
22.	Kennedy Kente	Revenue	■					■	
23.	Nthabiiseng Mphela		■				■		
24.	Jaco Scheepers					■		■	
	Sub-Total		13	1	1	3	5	13	0
Supervisory or Skilled									
25.	Nompumelelo Ngobese	Revenue, SCM & Finance	■				■		
26.	Patrick Mohlahlo	Management	■					■	
27.	Stephen Serapelo	Management	■					■	

No.	Name	Department	Race				Gender		Disability
			A	C	I	W	F	M	
28.	Ronald Mutheiwana	Management	■					■	
29.	Busi Baloyi	Development	■				■		
30.	Maipelo Manyapetsa	Corporate Support	■				■		
31.	Janine Govender	Management			■		■		
32.	Patrick Makhunga	Management	■					■	
33.	Bafedile Morake	Revenue, SCM & Finance	■				■		
34.	Gerald Shuping	Revenue, SCM & Finance	■					■	
35.	Tebogo Manchidi	Executive Assistant	■				■		
36.	Sade	Executive Assistant		■			■		
37.	Retshidisitswe Leepo	Paralegal	■				■		
38.	Siyambonga Gcobo	Procurement Administrator	■					■	
	Sub-Total		12	1	1	0	8	6	0
Semi Skilled									
39.	Barbara Sokhulu	Management	■				■		
40.	David Seleke	Revenue, SCM & Finance	■					■	
41.	Velile Ntombela	Revenue, SCM & Finance	■				■		
42.	Khanyi Msomi	Revenue, SCM & Finance	■				■		■

No.	Name	Department	Race				Gender		Disability
			A	C	I	W	F	M	
43.	Dudu Sukazi	Revenue, SCM & Finance	■				■		
44.	Darlington Masalesa	Revenue, SCM & Finance	■					■	
45.	Eddie Lesole	Management	■					■	
46.	Sipho Dlamini	Management	■					■	
47.	Cynthia Morake	Management	■				■		
48.	Queen Makwela	Management	■				■		
49.	Charity Sedise	Management	■				■		
50.	Kholwane Baloyi	Management	■				■		
51.	Sydney Seema	Management	■					■	
52.	Ronnel Aronson	Management		■			■		
53.	Pulane Tsotetsi	Management	■				■		
54.	AmeerMakhasa	Management	■					■	
55.	Itumeleng Moleko	Management	■					■	
56.	Nelson Tau	Revenue, SCM & Finance	■					■	
57.	Eric Mbhiza	Management	■					■	
58.	Robert Muthubi	Management	■					■	
59.	Thokozani Maseko	Revenue, SCM & Finance	■					■	

No.	Name	Department	Race				Gender		Disability
			A	C	I	W	F	M	
60.	Ndileka Ncobo	Management	■				■		
61.	Khanyi Zulu	Management	■				■		
62.	Nelson Kefile	Management	■					■	
63.	Nadia Davids	Management		■			■		
64.	Khanyi Setlhatlole	Corporate Support	■				■		
65.	Thabo Sekoma	Revenue, SCM & Finance	■					■	
66.	Sarah Toure	Management	■				■		
67.	Thomas Nkanyani	Management	■					■	
68.	Willie Lekgwathi	Management	■					■	
69.	David Sebopa	Management	■					■	
70.	Wiseman Mkhize	Management	■					■	
71.	Innocentia Mthembu	Management	■				■		
72.	Lindiwe Mabaso	Management	■				■		
73.	Thabiso Seloma	Revenue	■				■		
74.	Malcolm Reddy	Revenue			■			■	
75.	Paseka Modikwane	Revenue	■					■	
76.	Nkululeko Mooi	Revenue	■					■	

No.	Name	Department	Race				Gender		Disability
			A	C	I	W	F	M	
77.	Pauline Nhlangulela	Management	■				■		
78.	Ntsika Pemba	Management	■					■	
79.	Sibongile Njilo	Revenue : SCM & Finance	■				■		
80.	NtombifuthiKhumalo	Revenue SCM & Finance	■				■		
81.	ChantelCaseiro	Management				■	■		
82.	Strike Mabuse	Management	■					■	
	Sub-Total		40	2	1	1	22	22	1
Unskilled									
83.	Celina Matebesi	Corporate Support	■				■		
84.	LettieLedwaba	Corporate Support	■				■		
85.	Edwin Mooimane	Management	■					■	
	Sub-Total		3	0	0	0	2	1	0
	Total		69	6	5	5	36	40	1

### SECTION 3: SKILLS DEVELOPMENT AND TRAINING

JOSHCO is required to spend one percent (1%) of the salary budget on staff development and training. Joshco has committed itself to making a long term investment in staff development by allocating more than the prescribed percentage requirement. Evidence of this can be found in previous financial years and this has resulted in the implementation of the bursary scheme. Individual Learning Plans play a key role in the training needs analysis and in determining training programmes which would benefit both Joshco and employees and enhance performance. Worthy of note in the third quarter was the fact that the bursary continues to be well received and utilised by JOSHCO staff.

- Corporate Support is playing a key role in ensuring that the courses of study being embarked on by employees are accredited.
- 12 Bursary applications were received. 7 were approved, 4 were declined for various reasons and 1 application was withdrawn.
- ILPs were incorporated into the training plan for 2013 programmes.

Training Completed in the financial year of 2012/2013

Attendees	Course/Training	Service Provider/ Facilitator	Dates
Revenue Management	Credit Management	Vukuzani Training	August/September 2012
Housing Managers	Labour Relations	Workplace Technologies Performance	February 2013
Housing Supervisors	Basic Maintenance	NASHO	October 2012
Leasing Administrators	Basic Maintenance	NASHO	November 2012
Housing Managers	Labour Relations	Workplace Technologies Performance	14 and 15 Feb
SCM and Finance	Implementing new PPPFA in Supply Chain Processes (MFMA)	Palama Training	Feb 2013
Finance Staff	Excel	IIR Training	April 2013

Supply Chain Staff	Implementing New PPPFA in Supply Chain Processes	Palama Training	April 2013
Housing Manager	Individual Voice and Pronunciation Skills	Creative Minds	June 2013

In the last quarter of 2012/13 JOSHCO spent an amount of R 278 878.00 comprising of 1.03% of staff costs.

#### **SECTION 4: PERFORMANCE MANAGEMENT**

The Performance Management Process developed by the City of Johannesburg and endorsed by the Board of Directors is currently being used for all Fixed Term Contract employees.

The agreement on salary progression based on merit for permanent employees necessitates that the existing policy be reviewed to include permanent employees. This will be developed and implemented in the new financial year.

#### **SECTION 5: HIV/AIDS IN THE WORKPLACE**

The organisation develops an HIV/Aids plan annually. The plan consists of various methods to create awareness of the disease and also educates employees on the disease.

The Company is in the process of appointing an employee wellness service provider who will play a major role in offering counseling services to affected employees.

#### **SECTION 6: EMPLOYEE BENEFITS**

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

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

## SECTION 7: SUPPLY CHAIN MANAGEMENT

JOSHCO has updated its SCM policies and procedures in the 2012/13 financial year and have been verified by independent auditors and ratified by the Board of Directors. The “clean audit report” received from the Auditor-General (SA) for the 2011/12 financial period further serves as testimony that JOSHCO maintains effective and efficient supply chain principles as contained in the Municipal Finance Management Act (MFMA), the Municipal Supply Chain Management Regulations (MSCMR) and the other legislation governing supply chain management. JOSHCO is supported by a dedicated division responsible and accountable for supply chain management, the outcomes of which are directed by the CEO and CFO.

The socio-economic strategies in implementing BBBEE for the 2012/13 financial year have been exceedingly successful and as a result JOSHCO has achieved 89% for the period against a target of 75%. This achievement is consistent with prior reporting periods.

A summary of the results are as follows:

Capex	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Actual Expenditure on Capex	3 948 716.52	24 165 899.64	48 257 993.00	80 936 000.00	<b>157 308 609.16</b>
Actual spent on SMME/BEE	1 496 914.12	15 327 227.17	46 010 664.73	81 268 411.10	<b>144 103 217.11</b>
% Spent on SMME/BEE	<b>38%</b>	<b>63%</b>	<b>95%</b>	<b>100%</b>	<b>92%</b>
Opex					
Actual Expenditure on Opex	12 090 050.80	9 819 233.14	4 508 464.91	7 723 043.74	<b>34 140 792.59</b>
Actual spent on SMME/BEE	5 745 818.47	10 980 447.38	5 061 451.00	4 622 757.00	<b>26 410 473.84</b>
% Spent on SMME/BEE	<b>48%</b>	<b>112%</b>	<b>112%</b>	<b>60%</b>	<b>77%</b>
<b>Total Spent Overall</b>	<b>16 038 767.32</b>	<b>33 985 132.78</b>	<b>52 766 457.91</b>	<b>88 659 043.74</b>	<b>191 449 401.75</b>
<b>Actual spent on SMME/BEE</b>	<b>7 242 732.59</b>	<b>26 307 674.54</b>	<b>51 072 115.73</b>	<b>85 891 168.10</b>	<b>170 513 690.95</b>
<b>% Spent on SMME/BEE</b>	<b>45%</b>	<b>77%</b>	<b>97%</b>	<b>97%</b>	<b>89%</b>

## CHAPTER FIVE: FINANCIAL PERFORMANCE

### INTRODUCTION

This chapter serves to inform the reader of the overall financial performance of the entity for the whole financial year.

**SECTION 1: STATEMENT OF FINANCIAL POSITION**

**SECTION 2: STATEMENT OF FINANCIAL PERFORMANCE AND NOTES**

**SECTION 3: CASH FLOW STATEMENT**

**SECTION 4: STATEMENT OF CHANGES IN NET ASSETS**

## **CHAPTER SIX: ANNUAL FINANCIAL STATEMENTS**



1. I have audited the financial statements of Johannesburg Social Housing Company SOC Ltd set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2013, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

#### **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) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and Companies Act of South Africa, 2008 (Act No. 71 of 2008), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor-General's responsibility**

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. 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.
4. 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.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Opinion**

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of Johannesburg social housing company SOC Ltd as at 30 June 2013, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and Companies Act of South Africa, 2008 (Act No. 71 of 2008).

### **Emphasis of matters**

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

### **Leasing of rental stock**

8. As disclosed in note 22 to the financial statements, the entity had an operating lease resulting from the service delivery agreement entered in with the City of Johannesburg Metropolitan Municipality (CoJMM). In terms of the service delivery agreement the CoJMM leased out the rental stock at zero value for an unidentifiable period and the rental income received was not shared between the parties as it was part of the Johannesburg Social Housing Company SOC Ltd's operational budget.

### **Material impairment**

9. As disclosed in note 11 to the financial statements, material impairments to the amount of R28 122 187 (2012: R25 803 393) representing 74% (2012: 77%) of consumer debtors were incurred, as the recoverability of these amounts are doubtful.

### **Additional matters**

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

### **Unaudited supplementary schedules**

11. The supplementary information set out on pages **xx** to **xx** does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

### **Other reports required by the Companies Act**

12. As part of my audit of the financial statements for the year ended 30 June 2013, I have read the Directors' Report, the Certificate by Company Secretary and the Report of the Audit Committee for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports I have not identified material inconsistencies between the reports and the audited financial statements. I have not audited the reports and accordingly do not express an opinion on them.

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

13. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

### **Predetermined objectives**

14. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages **xx** to **xx** of the annual report.
15. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

16. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

### **Compliance with laws and regulations**

17. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters.
18. I did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA.

### **Internal control**

19. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations.
20. I did not identify any deficiencies in internal control which we considered sufficiently significant for inclusion in this report.



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

Johannesburg

29 November 2013

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

- No audit findings to be reported on.

## **SECTION 3: COMMITMENTS BY THE BOARD**

- The board commits that it will continue performing its fiduciary duties in the best interest of the entity. The Board will continue to strengthen relations with all the stakeholders to maintain the current standard of the organisation and strive towards achieving its mandate.