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# JOHANNESBURG DEVELOPMENT AGENCY (SOC) LIMITED

Registration No: 2001/005101/07



## 2013/14 Integrated Annual Report v 4.2



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# **CHAPTER 1: JDA OVERVIEW AND LEADERSHIP FOREWORDS**

## SECTION 1: ABOUT THIS REPORT

### Scope and Boundary

Since 2012, JDA has moved progressively towards implementing National Treasury's Municipal Finance Management Act, Act No. 56 of 2003 (MFMA) Circular 63, which requires municipalities to cover prescribed content in their annual reports. In 2012/13 JDA adopted the prescribed template, but only completed some of the data tables. It has since made progress towards providing all of the required data and these tables are included in the 2013/14 Integrated Annual Report.

This year, JDA is also taking into account financial, social and economic factors in an effort to comply with local and international sustainable reporting best practice, including:

- Municipal Finance Management Act, Act No. 56 of 2003 (MFMA)
- South African Statements of Generally Recognised Accounting Practice (SA GRAP)
- Section 46(1) of the Municipal Systems Act, Act No. 32 of 2000 (MSA)
- King Report on Governance for South Africa and the King Code of Governance Principles (King III)
- Discussion papers issued by the South African Integrated Reporting Committee and the International Integrated Reporting Council (IIRC) Integrated Reporting Framework
- Global Reporting Initiative (GRI) Framework
- Millennium Development Goals.

The JDA has set out to align its outcomes with those set out in the Growth and Development Strategy Joburg 2040 (GDS) and the City of Johannesburg's 2013–2016 Integrated Development Plan (IDP).

### Determining Materiality

JDA has applied the principle of materiality in determining pertinent content and disclosure. A matter is material if it is of such relevance and importance that it could substantially influence the assessment of the report and the entity's ability to create value in the short, medium and long term.

The following internal and external criteria were used to identify material issues:

Internal Criteria	External Criteria
City of Johannesburg GDS criteria and objectives	Emerging opportunities and challenges facing JDA
	Changes in the socio-economic development agenda and priorities of national and provincial government
Enterprise risk management process – including key risks impacting JDA's strategic and operational objectives and the associated mitigating activities	Factors which may impact JDA's reputation, thereby influencing its ability to promote sustainable growth

Internal Criteria	External Criteria
Stakeholder expectations and feedback – from residents, ratepayers, business community, civil society, national and provincial government, neighbouring municipalities, designated targeted groups	The provisions of various frameworks including MFMA, Section 46(1) of the MSA, King III, IFRS, Millennium Development Goals, and Broad-based Black Economic Empowerment (BBBEE) Code
JDA's mission, vision and values	
JDA's governance framework and policy environment	

## Assurance Statement

JDA's Integrated Annual Report for 2013/14 was reviewed and assessed by executive management, internal audit, and the Development and Investment and Audit and Risk Committees, to ascertain whether minimum disclosure requirements were adhered to in terms of the following:

Integrated Reporting Framework	MFMA: Circular 63 Annual Reporting Requirements
Ethical leadership and corporate citizenship	Chairperson's Foreword and Executive Summary
Boards and directors <ul style="list-style-type: none"> <li>Board independence</li> <li>Board reporting</li> <li>Board's performance</li> <li>Board committees</li> <li>Directors' remuneration</li> </ul>	Governance <ul style="list-style-type: none"> <li>Governance structures</li> <li>Intergovernmental relations</li> <li>Public accountability participation</li> <li>Supply chain management, bylaws, oversight committees</li> <li>Risk management</li> <li>Anti-corruption and fraud</li> <li>Disclosure of financial interests</li> <li>Councillors and committee</li> </ul>
Audit Committee <ul style="list-style-type: none"> <li>Finance competence</li> <li>Audit Committee performance</li> </ul>	Service delivery
The governance of risk	Organisational development performance
Compliance with laws, codes, rules and standards	Financial performance
Internal Audit <ul style="list-style-type: none"> <li>Assessment of governance risk, management ethics and internal control processes</li> <li></li> </ul>	Appendices, Annual Financial Statements
Governing stakeholders relationships	
Integrated reporting disclosure <ul style="list-style-type: none"> <li>Financial disclosure</li> <li>Sustainability disclosure</li> </ul>	
Integrated reporting philosophy	

The mitigation strategies on the assessment and outcomes of JDA's 2012/13 Annual Report in terms of integrated reporting best practice and MFMA Circular 63 are included as Annexure 2 to this report (page 156).

In future, JDA will continue to refine its approach to further align it with international reporting standards and to promote consistency and accountability with respect to its role in creating sustainable value for all citizens of Johannesburg.

## SECTION 2: ORGANISATIONAL PROFILE

<b>Registration Number:</b>	2001/005101/07
<b>Parent Municipality:</b>	City of Johannesburg Metropolitan Municipality
<b>Directors:</b>	C Coovadia (Acting Chairperson) T Mendrew (Chief Executive Officer) Z Mafata (Chief Financial Officer) E Harvey P Masilo N Selamolela P Mashiane K Govender W Thwala P Kubu (Resigned with effect from 21 May 2014)
<b>Registered Address:</b>	3 President Street, Newtown, Johannesburg
<b>Postal Address:</b>	PO Box 61877, Marshalltown, 2107
<b>Telephone Number:</b>	+27 (0) 11 688 7851
<b>Website:</b>	<a href="http://www.jda.org.za">www.jda.org.za</a>
<b>Bankers:</b>	Standard Bank of SA Limited
<b>Auditors:</b>	The Auditor-General of South Africa
<b>Company Secretary:</b>	Hasani Rodney Shirinda
<b>JDA Vision:</b>	JDA builds a more welcoming and competitive Johannesburg that is a better City to live, work and play in.
<b>JDA Mission:</b>	JDA is a city development agency of the City of Johannesburg that manages and facilitates developments in efficient and innovative ways to build an equitable, sustainable and resilient City.

### Origins

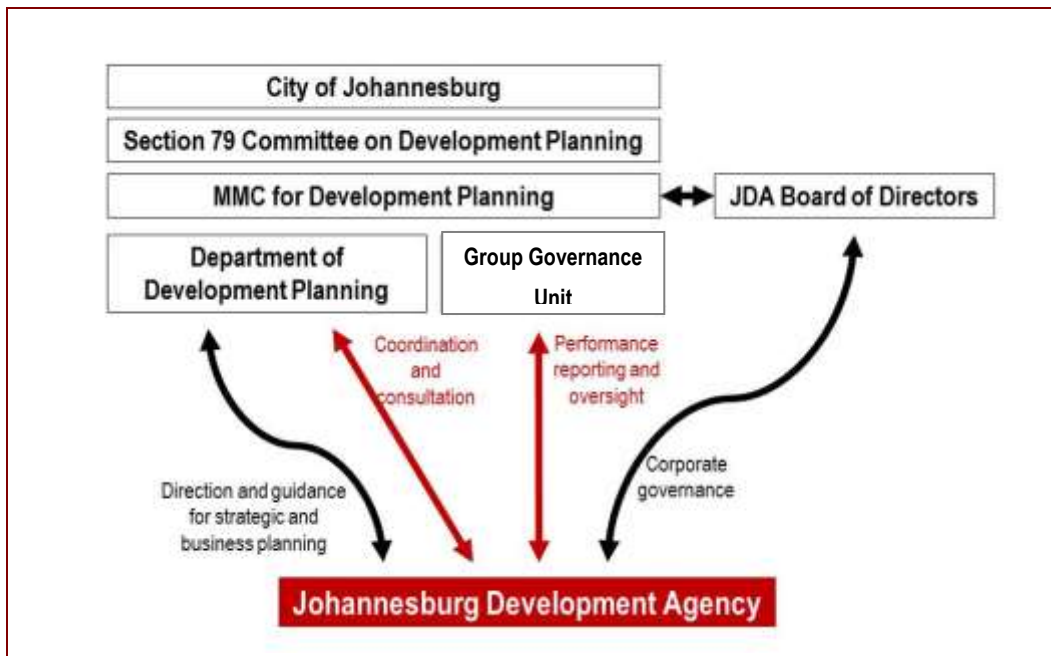
JDA receives its mandate from the City of Johannesburg (CoJ), acting through the Executive Mayor and Council. It is accountable to the Department of Development Planning (DDP) and the Member of the Mayoral Committee (MMC) for Development Planning, who exercises political oversight and to whom JDA submits compliance reports in respect of its performance scorecard. JDA relies on the DDP for spatial direction in terms of its contractual obligations contained in the Service Delivery Agreement and on the MMC for its political mandate and oversight. The Group Governance Unit provides corporate governance and related support, including support pertaining to financial sustainability and compliance reporting and review.

JDA also interacts with the Development Planning Section 79 Oversight Council Committee for political oversight of its activities and functions. Further, JDA forms part of the Economic Development Mayoral Cluster Committee to ensure integration and co-ordination with other departments and entities mandated with spatial transformation and economic growth of the CoJ as articulated in the GDS.

In respect of strategic and operational matters, JDA management is accountable to the Board of Directors, which controls and maintains a fiduciary relationship with the company.

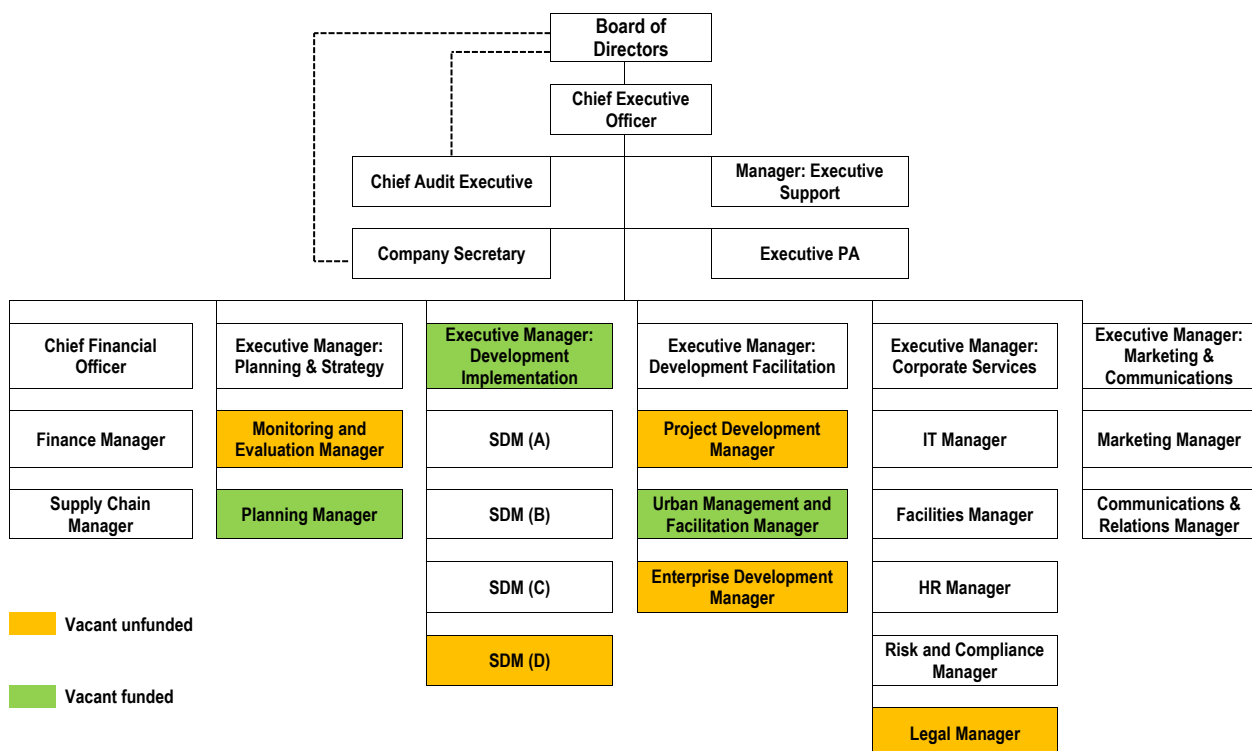
JDA co-ordinates its area-based development activities and other catalytic interventions with the DDP and engages with client departments in the design and construction of infrastructure assets. In the reporting period, JDA’s client departments included the Department of Transport and municipal-owned entities (MOEs) (including Johannesburg Roads Agency (JRA)); the Department of Economic Development (including Johannesburg Property Company (JPC)); Environment, Infrastructure and Services Department (EISD) (including City Power and Pikitup); the Department of Community Development (including Johannesburg City Parks and Zoo (JCPZ)); the Department of Health and the Department of Housing (including the Johannesburg Social Housing Company).

#### JDA’s Relationship with the City of Johannesburg



As noted above, JDA’s capacity to focus on area-based development and to undertake its various functions, is dependent on the DDP’s strategic leadership in respect of all of the CoJ’s development activities. Further, JDA has been appointed as the CoJ’s implementing agent for the Rea Vaya Bus Rapid Transit (BRT) System, some national government funded projects, some Inner City Transformation Roadmap projects and clinic upgrades, among others.

## Organisational Structure



JDA's organisational structure is arranged into six functional units responsible for implementing its programme of work.

**Programme 1: Inner City Transformation** Senior Development Manager for Portfolio A

**Programme 2: Transit-oriented Node Development** Senior Development Manager for Portfolio B

**Programme 3: Growth Management Strategy (GMS) Priority Development Areas** Senior Development Manager for Portfolio B

**Programme 4: Greenways** Senior Development Manager for Portfolio C

*Note: Programmes 1 to 4 are headed by Senior Development Managers who report to the Executive Manager: Development Implementation (vacant).*

**Programme 5: Administration and Management** Office of the CEO, Chief Financial Officer, Executive Manager: Corporate Services and Executive Manager: Marketing and Communications, Company Secretary and Chief Audit Executive

**Programme 6: Development Facilitation** Executive Manager: Development Facilitation and Executive Manager: Planning and Strategy

## **Mandate**

JDA was established by the City of Johannesburg (CoJ) in April 2001 to initiate, stimulate and support development projects and rejuvenate economic activity throughout the Johannesburg metropolitan area. In its first phase of operation, JDA's aim was to create an environment that would attract new investment, increase occupancy levels, and enhance the City's cultural and tourism potential within defined areas. This was done by co-ordinating private and public sector interventions and managing capital investment in area-based economic development initiatives throughout Johannesburg. In this phase JDA's interventions were directed at the urban and economic regeneration of large-scale, multi-faceted areas. The agency avoided small-scale or piecemeal interventions in favour of bold and integrated developments. JDA also drew on the history of Johannesburg to create new symbols of the City, such as the Nelson Mandela Bridge, Walter Sisulu Square of Dedication and Constitution Hill, which are significant to all residents.

In its second phase of operation (2006–2011) JDA continued to focus on developing strategic areas across the City. These included the establishment of integrated sport precincts in Nasrec and Ellis Park, the dedicated bus ways and bus stations for the new Rea Vaya Bus Rapid Transit System and the development of historically marginalised areas such as Orlando West, Orange Farm and Diepsloot.

In the current mayoral term (2011–2016) the role of JDA was extended to include the management and facilitation of area-based developments in efficient and innovative ways to build an equitable, sustainable and resilient City. JDA will achieve this by restructuring the City through developing defined, strategic geographic areas around the City and the movement corridors that link them. It will promote economic growth by creating efficient and competitive business environments that cluster industries and functions in these areas.

## **Key Functions**

JDA promotes growth and development through the development and promotion of efficient urban environments in defined geographic areas. It is mandated to work in all parts of the CoJ, including historically marginalised areas of the City, to regenerate areas that are in decay or declining and enhance their ability to contribute to the development of the City and the quality of life of its residents.

This includes working in areas that require public investment in order to catalyse area-based regeneration and private sector investment. The assessment of private sector investment is guided, in essence, by the theory that public sector interventions (such as investment in infrastructure, urban environment upgrades, proper urban management and provision of tax incentives) in declining areas provides the necessary platform for private sector investment and re-investment in these areas.

JDA's development management services involve the delivery of programmes aimed at achieving the goals of the GDS, within the framework of its mandate from the CoJ. In providing such services, JDA stimulates and implements area-based initiatives involving both capital and non-capital developments through:

- **Development and project packaging:** Identifying strategic opportunities to respond to the CoJ's focus area by bringing together all relevant stakeholders and parties to the initiative, and developing an implementation plan
- **Development, project facilitation and co-ordination:** Working with various stakeholders and parties to ensure that they are undertaking their roles as expected and required
- **Overall development implementation:** In ensuring that the development is implemented as planned, JDA may outsource specific project management functions within a development, while retaining overall accountability as a development manager
- **Assessment of the impact of developments:** Analyse, review and quantify private sector investment in various JDA intervention areas, and assess the socio-economic impact of these interventions. This is achieved through, among others, analyses of property market trends and factors that influence investor interest in JDA development areas.

## Stakeholder Relations

As an agency of the CoJ, JDA interacts closely with various departments and entities in respect of their functional interest in development activities. JDA therefore:

- Operates in line with the GDS principles as articulated in the Integrated Development Plan (IDP)
- Operates within existing, approved CoJ plans and frameworks, such as the Spatial Development Plan of the City, Regional Spatial Development Frameworks (RSDFs) and existing Urban Development Frameworks (UDFs) and precinct plans
- Considers inputs into development designs (especially at feasibility stage) from various entities that will ultimately take over the development once completed
- Co-ordinates inputs into development implementation received from the above-mentioned entities
- Considers inputs into and seeks agreement on the ongoing operations of an initiative once the development is completed
- Acts as an implementation agent for other CoJ departments, including EISD, Housing, Health, Community Development, Transportation and Development Planning.

Where roles overlap in respect of a particular aspect of a development, JDA will consult with the relevant department or entity accordingly. Given the intensive urban management focus of the CoJ, JDA has partnered with the City's Citizen Relations and Urban Management Unit (CRUM) and regional offices to ensure closer co-operation.

## SECTION 3: HIGHLIGHTS FOR THE YEAR

- Capital budget doubled from R376.6 million in 2012/13 to R807.9 million in 2013/14.
- There was an increase in the number of employees from 55 in June 2013 to 61 in June 2014.
- First year of implementation for the *Corridors of Freedom* city development strategy.
- JDA facilitated engagement with stakeholders and practitioners about the space economy transformation objectives of the City of Johannesburg by hosting a national conference on *Spatial Transformation in Cities* in March 2014.
- International showcasing of the Johannesburg development strategy and lessons learnt through Metropolis and C40 events, as well as bilateral engagements with the World Bank, UN-Habitat and Rio de Janeiro
- Change management approach to the merger with the Alexandra Renewal Project.
- Changes in Board membership and orientation of new Members in 2014.
- Restructuring of Board Committees to improve on governance and deepen their oversight responsibilities to respond to the increased mandate of the JDA.
- Ndingilizi Terminus is launched as an innovative public transport interchange for buses and taxis.
- Construction of the third Rea Vaya Trunk Route (1C) from the Inner City to Alexandra and Sandton is launched.
- Implementation of the Enterprise Development Programme as an operational response to Board priorities for the Mayoral term.

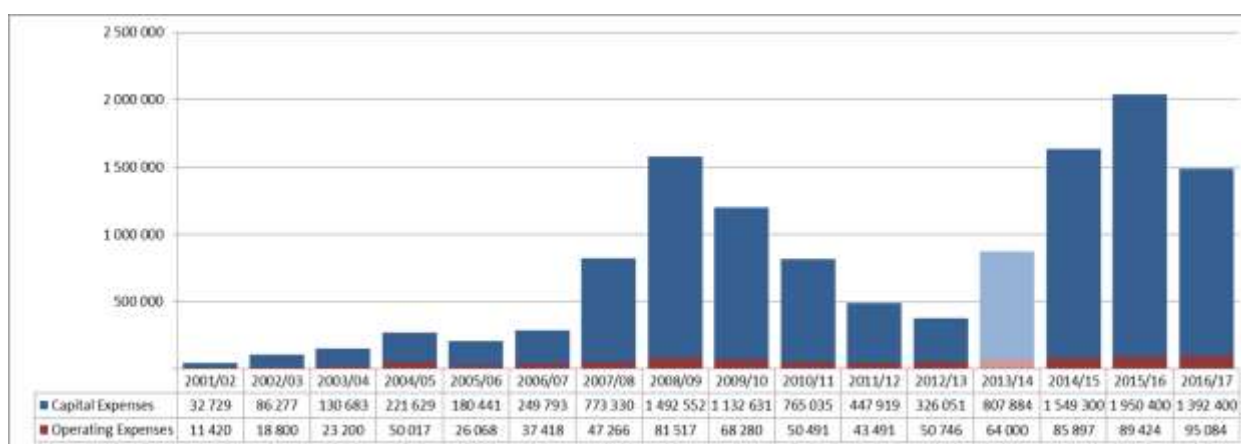
## SECTION 4: FOREWORD BY MEMBER OF THE MAYORAL COMMITTEE

The City of Johannesburg is shaping its vision through the Growth and Development Strategy Joburg 2040 (GDS) and has already made significant progress in this regard. JDA is central to us achieving the goals set in the GDS for our Corridors of Freedom, which will transform our spatial density and ensure our future as the heartbeat of Southern African trade and economic activity.

### Key Service Delivery Improvements

In 2013/14 JDA implemented capital projects to the value of R665.7 million. This is more than double the value of projects implemented in 2012/13 (R326.1 million), and brings its capital expenditure over 13 years to R7 billion.

[Summary of JDA capital and operating expenditure 2001/02 to 2013/14 and medium term projections to 2016/17](#)



From the three year budget estimates, it is clear that JDA faces a substantial increase in the scope of work for 2014/15 and 2015/16. This will require capacity increases and operating efficiency gains to achieve the increased implementation targets.

### Future Outlook

As a City Development Agency, the JDA is positioned to take on an increasing role in 2014/15, focusing on development areas selected for their potential to satisfy strategic objectives such as restructuring the space economy. The scale of JDA operations are to be extended in the future: by increasing the number of development areas; extending the types of developments undertaken by the JDA; and increasing the development facilitation role that the JDA plays in development areas.

The strategic issues that are expected to frame the JDA's operations in 2014/15 are its ability to implement capital works projects to spend the rapidly rising capital budget allocations; and to manage the impact of the amalgamation with the Alex Renewal Project (ARP). The mitigation and response to both of these issues will be important to the organisation's future success.

JDA is continuing to make strides in the development of key infrastructure which will see us meet the targets set for the CoJ. I would like to thank the Executive team and Board of Directors for their constant and valuable inputs and their guidance of JDA.

**Ros Greeff**

**Member of the Mayoral Committee: Development Planning**

**30 June 2014**

## SECTION 5: CHAIRPERSON'S FOREWORD

As we consider the results for 2013/14, I commend the JDA team for achieving capital expenditure of almost 90% of budget. Given that the budget doubled between 2012/13 and 2013/14 this is a satisfactory result. While enterprise development targets were achieved, it is disappointing that fewer individuals were employed in local construction jobs than anticipated. Assessments will be carried out through JDA's Enterprise Development Programme and the City of Johannesburg's Jozi@Work project to improve this performance in the next financial year.

During the review period, the JDA Board and management workshopped strategic challenges facing the organisation and reviewed the Strategic Risk Register for 2014/15. Some of the key topics included:

- Recruiting and retaining skilled staff members to scale up the operation as the capital budget rises over the medium term
- Improving the quality of projects received as implementing assignments from other departments and entities
- The importance of improving stakeholder consultation processes associated with longer-term planning and the CoJ's GDS
- Improving JDA's ability to spend its capital budgets and reduce the 'hockey stick' expenditure trend of concentrated expenditure in the last quarter of the year.

The Board also advised management on the steps to be taken to manage risks during the year ahead. In addition, the Audit and Risk Committee reviewed and approved the JDA's Risk Tolerance Framework and will continue to monitor its implementation by management.

In February 2014, during its annual general meeting, JDA adjusted the composition of its Board. Five members were reassigned to the boards of other entities or retired, and five new members were appointed. All new members were inducted into the organisation in line with the Board Charter. During the review period, the Board considered the new draft Service Delivery Agreement between the CoJ and JDA and made suggestions on the definition of JDA's mandate and service delivery key performance areas. Further, the Memorandum of Incorporation was finalised and comments were sent to the City's Group Governance Unit.

I would like to express my sincere gratitude to the outgoing members and commend the manner in which they have executed their fiduciary responsibilities and their duties on the Board as non-executive directors. I would also like to welcome the new Board members, who are joining JDA to take forward the CoJ's vision of regenerating our City through transit-oriented development and the Corridors of Freedom.

Together we will ensure that the JDA's management improves its performance and we will build appropriate internal control measures to ensure that the entity does not falter in its mission of obtaining a clean audit report from the Auditor-General.

A handwritten signature in black ink, appearing to read 'Cassim Coovadia', is written over a horizontal line.

**Cassim Coovadia**

**Acting Chairperson**

**30 June 2014**

## SECTION 6: CHIEF EXECUTIVE OFFICER'S REPORT

During the reporting period, JDA collected revenue to the value of R63 million against a budget of R62.2 million. The negative variance of R0.8 million can be attributed to the under-recovery of interest income, due to a lower than expected treasury balance from outstanding CoJ claims, and the over-recovery of other income such as additional funding for project implementation. Operating expenses were R57.4 million against a budget of R62.2 million. The variance was caused by employee costs being lower than expected due to unfilled vacancies.

At the start of 2013/14 the JDA team realised that it faced the challenge of spending more than double the capital budget of the previous year on the projects earmarked for implementation. Steps were taken throughout the year to increase the staff complement, and recovery plans were devised and implemented for all development portfolios that were behind schedule by the mid-year point in January 2014. The achievement of spending almost 90% of the budget of just more than R800 million is one that we are satisfied to have achieved.

There is, however, still room for improvement as JDA faced a number of challenges relating to capital expenditure, including:

- Acceleration of construction programmes to meet the deadlines for the end of the financial year resulted in reduced numbers and duration of local jobs
- The concentration of capital expenditure in the last week of the last month of the last quarter in the financial year is not ideal. This places strain on the financial administration systems and makes JDA vulnerable to administrative errors
- The perception is created that JDA's performance is not consistent, as quarterly reports in the second and third quarters reflect missed targets and poor performance.

In order to remedy the above challenges, JDA has implemented a three-year budgeting framework, the impact of which will be evident from 2014/15 with the majority of the professional teams in place. JDA will be able to begin new projects and continue with projects which are already in the construction stage, at the end of the first quarter of 2014/15.

Overall JDA achieved 41 out of 49 key performance indicators. This represents a programme performance level of 84% for the year. Two key performance indicators were partially achieved and six were not achieved.

## Summary of annual performance against key performance indicators per programme

	Number of KPIs	KPI Target achieved	% Target achieved	KPI Target partially achieved	KPI Target not achieved
		●		●	●
Programme 1: Inner City Transformation	7	6	86%	0	1
Programme 2: Transit oriented node development	7	7	100%	0	0
Programme 3: GMS priority areas	7	5	71%	1	1
Programme 4: Greenways	7	5	71%	0	2
Programme 5: Admin and Management	14	13	93%	1	0
Programme 6: Development Facilitation	7	5	71%	0	2
<b>Total</b>	<b>49</b>	<b>41</b>	<b>84%</b>	<b>2</b>	<b>6</b>

2013/14 saw the introduction of a new organisational structure with 69 approved positions. Most vacancies were filled, and 15 new staff members joined the JDA team to implement capital works projects in light of the rising capital budget allocations. We are also in the final stages of recruiting an Executive Manager: Development Implementation. The candidate will assist JDA in better implementing its capital projects within specified timeframes. JDA had nine employment terminations during the year. Two employees sadly passed away, one was dismissed due to misconduct, one contract was not renewed and five people resigned.

A number of developments will continue into the next financial year, the impact of which will be significant for the citizens of Johannesburg. Key developments that are planned for implementation in 2014/15 include the construction of Trunk Route 1C of the Rea Vaya service; and the Great Walk, which is a dedicated pedestrian and cycle way connecting Alexandra and Sandton to improve the daily experience of about 10 000 people who walk this route. We are also expecting to install a pavilion by renowned African architect, David Adjaye, in the Park Station Precinct in the Inner City; and the Ngonyama link road will be completed in Diepsloot.

In preparing this Integrated Annual Report, a number of additions have been made to our reporting practices in order to better satisfy the integrated reporting principles. These are summarised in Annexure 2. We intend to make further improvements to our reporting in the new financial year by including assessments of finance management capacity and service provider performance; improving the definitions of some of our performance indicators (especially the construction progress indicators) and providing more information on our remuneration policy and practice.

I would like to thank the Executive team and every JDA staff member for their unwavering dedication to the achievement of our objectives, and the Board for their steadfast leadership and guidance throughout the year.

**Thanduxolo Mendrew**  
**Chief Executive Officer**  
**30 June 2014**

## **CHAPTER 2: CORPORATE GOVERNANCE**

## **SECTION 1: GOVERNANCE FRAMEWORK**

JDA's Board of Directors and Executive team subscribes to the governance principles as set out in the Code of Conduct for Directors referred to in Section 93L of the MSA; Circular 63 of the MFMA and King III. As a municipal entity, JDA recognises the need to conduct its affairs with integrity to ensure increased public confidence and the confidence of its parent municipality.

It is the policy of the Board to actively review and enhance JDA's systems of internal control and governance to ensure that JDA is managed ethically and within prudently determined risk parameters. During the period under review, the Board conducted compliance assessments in terms of the Companies Act, Act No. 71 of 2008, the MSA and the MFMA to ensure that it conforms to the requirements of these Acts.

### **Implementation of King III**

The Board and Executives recognise and are committed to the principles of openness, integrity and accountability advocated by King III, and therefore ensured that JDA aligned its practices with these principles (see King III checklist in Annexure 3). Although headway was made in this regard during the reporting period, JDA will continue to entrench and strengthen the recommended practices in its governance structures, systems, processes and procedures. The monitoring of King III compliance is the responsibility of the Audit and Risk Committee.

### **Corporate Citizenship**

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

### **Compliance with Laws, Rules, Codes and Standards**

The Board is responsible for ensuring that the entity complies with applicable laws and considers adherence to non-binding rules, codes and standards. The Company Secretary certifies that all statutory returns have been submitted to the Registrar of Companies in terms of Section 268(d) of the Companies Act. Internal Audit provides assurance on compliance with laws and regulations.

## SECTION 2: BOARD OF DIRECTORS

### Introduction

JDA has a unitary board, which comprises both executive and non-executive directors. Mr Cassim Coovadia is the Acting Chairperson of the Board and is a non-executive director. The term of office of the non-executive directors is subject to review at the annual general meeting.

The Board is accountable to the City of Johannesburg Metropolitan Municipality, the sole shareholder, and JDA's stakeholders, the citizens of Johannesburg. A Service Delivery Agreement (SDA), concluded in accordance with the provisions of the MSA, governs the entity's relationship with the CoJ. The Board provides monthly, quarterly, bi-annual and annual reports on its performance and service delivery to the parent municipality as prescribed in the SDA, the MFMA and the MSA. During the previous financial year, the JDA successfully published its Annual Report in line with Section 121 of the MFMA.

Non-executive directors maintain an independent stance to matters under consideration and add to the depth of experience of the Board. The roles of the Chairperson and Chief Executive Officer are separate, with responsibilities divided between them. Members have unlimited access to the Company Secretary, who acts as an advisor to the Board and its committees on matters including compliance with company rules and procedures, statutory regulations and best corporate practices.

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

An annual Board evaluation is undertaken. During the Board evaluation, any shortcomings are addressed and areas of strength are consolidated. The performance of the Board committees is evaluated against their terms of reference.

### Composition of the Board

#### Ms K Simelane

Date of birth	10 December 1958
Service with JDA	24 April 2012- 25 February 2014
Qualifications	BA (Social Work); Higher Diploma in Personnel Management (HDPM); MPhil (Social Policy); Executive Development Programme (EDP)

Experience	Ms Simelane is a human resources specialist. Her other experience include: strategic input and leadership as member of the Board of Directors; Mentorship both formal & informal; Management of executive compensation plans, Chairing Remuneration Committees and Independent Non-Executive for Board Remuneration Committee, Coaching and Mentoring professionals and executive levels. Sourcing and placement of senior executives.
Other boards on which the individual serves	South African Board for Personnel Practice (SABPP); South African Post Office; T-Systems; Johannesburg Water; South African Blood Services The HR Touch

### Mr D Naidu

Date of birth	17 May 1964
Service with JDA	1 October 2008 -25 February 2014
Qualifications	BPaed
Experience	Mr Naidu started his career with Scaw Metals Group Haggie Rand in 1988, thereafter joining OK Distribution in 1990 as an Industrial Engineer. He spent four years at OK Distribution before moving to Spoornet, where he was an operations manager for two years. Mr Naidu later moved to South African Breweries as an Operations Manager in charge of operational productivity and warehouse stock. In 1998, he joined World Class Industrial, which he now owns.
Other boards on which the individual serves	Johannesburg City Power World Class Industrial

### Ms B Majola

Date of birth	15 January 1970
Service with JDA	24 April 2012- 25 February 2014
Qualifications	Certificate in Public relations; and Certificate in Business management
Experience	Ms Majola is a community activist. She has worked in various positions in the construction, security and hospitality industries, and has held leadership positions in political and community organisations.
Other boards on which the individual serves	Johannesburg Social Housing Company

**Ms N Lila**

Date of birth	04 April 1969-25 February 2014
Service with JDA	1 October 2008 -25 February 2014
Qualifications	HDip Acc, CA (SA) B.Compt Management Development Programme
Experience	Ms. Lila serves as the Chief Financial Officer of Eskom Pension and Provident Fund. Ms. Lila's vast experience and areas of interest cover finances, corporate governance, management, the retirement industry, and training and development. She served as Deputy Chairperson of Land and Agricultural Development Bank of South Africa. She served as a Director of Land and Agricultural Development Bank of South Africa and Basil Read Holding Ltd., since August 23, 2012.
Other boards on which the individual serves	Austro Group Nampak

**Mr A Rajah**

Date of birth	02 June 1954
Service with JDA	24 April 2012- 25 February 2014
Qualifications	Local government; and Project management
Experience	Mr Rajah was a member of the negotiating team that established the first democratic local government structures in Johannesburg. He also served as a City councillor from 1994 to 2011. His responsibilities included sports, arts, culture and recreation; planning and development; housing and urbanisation; finance and services; and he served as Chair of the Inner City Committee. Rajah has experience in labour relations and dispute resolution from his time as a unionist.
Other boards on which the individual serves	Johannesburg City Parks

**Ms P Mashiane**

Date of birth	02 August 1965
Service with JDA	24 April 2012 to date
Qualifications	BSc (Chemistry), Project Management, Post- graduate Diploma, Marketing, MBA qualifications
Experience	Ms Mashiane is founder and managing director of Segakweng Enterprise & Strategy Consulting (SEAS). She is a strategist with more than 20 years' experience in the chemical and financial services and advertising industries. Segakweng-Mashiane was a non-executive board member of the Joburg Theatre Complex.
Other boards on which the individual serves	Kgosi Neighbourhood Foundation

**Prof D Thwala**

Date of birth	28 November 1972
Service with JDA	24 April 2012 to date
Qualifications	PhD (Eng.) MSc (Eng.) MSc ( Dev. Planning) Pr CPM FCIOB
Experience	Prof Thwala is a professor at the University of Johannesburg (UJ) in the Faculty of Engineering and the Built Environment. Prof Thwala holds leadership positions in a number of professional and industry bodies, and serves as editor-in-chief of the <i>Journal of Construction Project Management and Innovation</i> .
Other boards on which the individual serves	Johannesburg Social Housing Company

**\*\*Mr P Kubu**

Date of birth	19 June 1952
Service with JDA	24 April 2012 to 21 May 2014
Qualifications	BA, and diplomas in journalism, auctioneering and printing techniques
Experience	Mr Kubu has had a wide-ranging career in the military, tourism, hospitality, and media industries. He is a member of professional and industry associations; and has held directorships with the National Tourism Forum, the National Museum Council and the Veterans Foundation.

Other boards on which the individual serves	PKX Capital
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### Mr P Masilo

Date of birth	18 July 1970
Service with JDA	1 October 2008 to date
Qualifications	B Proc LLB
Experience	Mr Masilo is an attorney with nine years' practical experience specialising in commercial law, criminal law, labour law, and trusts among others. He started his career with Norton Lambrianos Incorporated, a law firm specialising in debt collection for various major banks in the country. He is a partner at R Masilo Attorneys, a law firm specialising in labour relations matters, commercial and criminal litigations. He has been a board member of Bertha Gxowa Hospital, in Germiston, for the past six years.
Other boards on which the individual serves	Bertha Gxowa Hospital; Ekurhuleni Development Company MAXALEX Property Development MAXALEX Property Investment

### Mr T Mendrew

Date of birth	01 October 1973
Service with JDA	1 September 2007 to date
Qualifications	B Proc LLB
Experience	<p>Thanduxolo Mendrew is Chief Executive Officer of the JDA. Before leading the agency, Mendrew was its executive manager for risk and compliance management and human resources.</p> <p>After receiving his Bachelor of Laws (LLB) degree from the University of the Witwatersrand, Mendrew started with legal firm Edward, Nathan &amp; Friedland, in Sandton, as a commercial lawyer specialising in corporate law. Here, he first gained experience on risk and legal compliance in the corporate world before extending his scope to commercial banking, gaining experience in the legal compliance side of corporate finance and debt management.</p> <p>In 2004, he joined the City of Johannesburg as director of corporate governance, where he oversaw the group risk compliance and financial stability of the City's municipal-owned entities.</p>

Other boards on which the individual serves	Mayborn Investments 73 (Pty) Ltd Greater Newtown Development Company Constitution Hill Development Company
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### Ms B Stainbank-Mokhobo

Date of birth	28 March 1964
Service with JDA	April 2013-25 February 2014
Qualifications	BA Communications Hons Employee Relations
Experience	Mrs Stainbank-Mokhobo has extensive working experience in Human Resources.
Other boards on which the individual serves	None

### Mr C Coovadia

Date of birth	31 October 1951
Service with JDA	25 February 2014 to date.
Qualifications	B.Com Effective Directors Programme Governance Housing Finance Finance
Experience	Mr Cassim Coovadia is the Managing Director of the Banking Association of South Africa. Before this Cassim Coovadia was the Executive Trustee of the Community Bank (a low income banking initiative), Accountant for the UDF, Coordinator of ATP NGO, Senior Audit Manager Freedman Scher (Auditors), Office Administrator for the Transvaal Indian Conference (part-time), Partner at Moolajee Coovadia and Company (an accounting practice).  Other previous positions include Publicity Secretary for ACTSTOP Civic Organisation, Director Central Johannesburg Partnership, and Chairperson of the Johannesburg Civic Theatre.
Other boards on which the individual serves	National Business Initiative, Centre of Development Enterprise, The Urban Housing Finance, African Union for Housing Finance, FinMark Trust.

**Dr E Harvey**

Date of birth	15 March 1955
Service with JDA	25 February 2014 to date.
Qualifications	PhD in Sociology; Masters Degree in Public Development and Management
Experience	Dr. Ebrahim Harvey has written the biography of Deputy President Kgalema Montlanthe. The previous positions held were, political writer, commentator and analyst, he is also a former columnist for the Mail & Guardian newspaper, Human Resource Manager at Rabico International, Regional Training and Development Manager at Premier Foods, National Evaluation and Administrative Assistant for the SA Committee for Higher Education, Organiser/Educator for Paper Printing Word & Allied Workers' Union, Storeman at Telkor Electronics and English Teacher at Silverstream High School.
Other boards on which the individual serves	None

**Mr K Govender**

Date of birth	14 May 1974
Service with JDA	25 February 2014 to date.
Qualifications	CA (SA); BCom and Honours
Experience	<p><b>Krishna</b> is a director at Mally Govender and Associates. He was a senior executive serving as the Chief Financial Officer of SuperSport International (Pty) Ltd and has been part of the Multichoice SA Group for the past 5.5 years. In addition to the operational financial management of SuperSport and strategic financial guidance to the senior executive team, <b>Krishna</b> has been a non-executive director of Natal Sharks (Pty) Ltd, Free State Cheetahs (Pty) Ltd, KZN Dolphins (Pty) Ltd, Titans Cricket (Pty) Ltd, Eastern Titans (Pty) Ltd and SuperSport United FC (Pty) Ltd.</p> <p>His public sector experience includes 5 years at the Auditor-General, where he was involved in the statutory audit of various National and Provincial Departments, Municipalities, Statutory Bodies and Public Entities. Having completed his articles at the Auditor-General in 2001, <b>Krishna</b> was offered a consulting position at KPMG on the strength of his public sector experience. He was involved in various consulting projects at executive level, including amongst others:</p> <ul style="list-style-type: none"> <li>• Acting as a Chief Financial Officer (CFO) in an outsourced function for CIPRO.</li> </ul>

Other boards on which the individual serves	<ul style="list-style-type: none"> <li>• Independent Audit Committee member – Johannesburg Social Housing Company (Municipal Entity)</li> <li>• Independent Audit Committee member – Johannesburg City Parks (Municipal Entity)</li> </ul>
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### Ms N Selamolela

Date of birth	1 January 1976
Service with JDA	25 February 2014 to date.
Qualifications	B.Compt (Hons)/CTA and B.Com (Accounting)
Experience	Nokuthula Selamolela is currently the Chief Financial Officer of the FoodBev SETA and was previously a Managing Director of Murhambo Capital (Pty) Ltd. The previous positions held were, Chief Financial Officer for Swiftnet (Pty) Ltd, Chief Financial Officer for the Western Cape Nature Conservation Board, Senior Finance Manager of the Independent Communication Authority, Senior Accountant at Vodacom and Trainee Accountant at Tongaat-Hulett Sugar. Ms Selamolela has vast experience in ICT and her areas of interest cover financial management, corporate finance, training and development and consulting.
Other boards on which the individual serves	Broadband Infracore

### Ms Z Mafata

Date of birth	25 May 1970
Service with JDA	Appointed to the JDA Board on 25 February 2014 to date.
Qualifications	BCom and Honours degree in Accounting
Experience	<p>Zandile Mafata is the Chief Financial Officer of the Johannesburg Development Agency. She has extensive experience in auditing and financial management. Prior to this, Mafata was JDA Finance Manager from 2005 to 2009.</p> <p>After receiving her Secondary Teacher's Diploma from Soweto College of Education, Mafata taught at Thutolore Secondary School in Soweto from 1991 to 1996.</p> <p>She worked for Price Waterhouse Cooper as an audit clerk from 1997 to 2003, then moved to Denel as a corporate accountant from 2003 to 2005.</p>
Other boards on which the individual serves	None

In addition there are three independent Audit Committee members

### Mr Z Samsam

Date of birth	14 July 1974
Service with JDA	25 February 2014 to date.
Qualifications	CA (SA) MCom Finance degree, Post Graduate Diploma in Auditing and a BCom Accounting degree
Experience	Zukisani Samsam is currently a Senior Manager-Pricing Unit at Standard Bank – Structured debt finance division. The previous positions held were, Head Office Financial Accounting Manager at Eskom Enterprises (Pty) Ltd, Technical Assistant to Group Manager: Financial Services at De Beers Consolidated Mines, Audit Manager at Standard Bank Group Internal Audit, and Junior Audit Clerk at Price Water House Coopers.
Other boards on which the individual serves	

### Ms J Vergotine

Date of birth	31 Dec 1970
Service with JDA	April 2013 to date
Qualifications	B Com (Accounting) B Comp (Honours)
Experience	Ms Vergotine has vast experience in matters relating to Treasury, Accounting and Auditing. She is a businesswoman and financial advisor.
Other boards on which the individual serves	• Independent Audit Committee member Joburg City Theatres

### JDA Board of Directors

Board Member	Capacity	Race	Gender	Board Committee Membership
T Mendrew	CEO (Executive)	Black	Male	<ul style="list-style-type: none"> <li>Development and Investment</li> <li>Social and Ethics</li> </ul>
Z Mafata	CFO (Executive)	Black	Female	<ul style="list-style-type: none"> <li>Social and Ethics</li> </ul>
P Masilo	Non-executive	Black	Male	<ul style="list-style-type: none"> <li>Human Resources and Remuneration</li> <li>Social and Ethics</li> </ul>
C Coovadia	Non-executive	Black	Male	<ul style="list-style-type: none"> <li>Development and Investment</li> <li>Human Resources and Remuneration</li> </ul>
N Selamolela	Non-executive	Black	Female	<ul style="list-style-type: none"> <li>Audit and Risk</li> <li>Human Resources and Remuneration</li> </ul>
P Mashiane	Non-executive	Black	Female	<ul style="list-style-type: none"> <li>Social and Ethics</li> <li>Development and Investment</li> </ul>
P Kubu*	Non-executive	Black	Male	<ul style="list-style-type: none"> <li>Development and Investment</li> <li>Social and Ethics</li> </ul>
K Govender	Non-executive	Black	Male	<ul style="list-style-type: none"> <li>Audit and Risk</li> <li>Development and Investment</li> </ul>
W Thwala	Non-executive	Black	Male	<ul style="list-style-type: none"> <li>Audit and Risk</li> </ul>

Board Member	Capacity	Race	Gender	Board Committee Membership
				<ul style="list-style-type: none"> <li>Development and Investment</li> </ul>
E Harvey	Non-executive	Black	Male	<ul style="list-style-type: none"> <li>Human Resources and Remuneration</li> <li>Social and Ethics</li> </ul>

\* Resigned with effect from 21 May 2014

JDA's directors bring together a range of complementary skills and experience which benefits the entity. These include accounting, finance, legal, business management, human resources and labour relations, marketing, and construction and development management.

At JDA's annual general meeting on 25 February 2014, the composition of the Board was reviewed. The following long-serving Board members were reassigned to the boards of other entities, or resigned as directors:

- Dayalan Naidu – Board member since 2009, and chaired the Development and Risk Committee until February 2014
- Nopasika Lila – Board member since 2009, and chaired the Audit and Risk Committee from 2010. Ms Lila is retiring as a non-executive director, and served JDA as an independent member of the Audit and Risk Committee until May 2014.
- Buyi Majola – Board member since 2011 and member of the Social and Ethics Committee
- Boeta Rajah – Board member since 2011 and member of the Social and Ethics Committee
- Papi Kubu – Board member since 2011. Mr Kubu resigned as a member of the Board in May 2014.

## Duties of the Board

The JDA Board retains full and effective control over the company and monitors the implementation of JDA's strategic programmes by executive management through a structured approach of reporting and accountability. It sets the strategic direction of JDA and monitors overall performance. The duties of the Board include:

- Providing effective, transparent, accountable and coherent oversight of JDA's affairs
- Ensuring that JDA complies with all applicable legislation, the Service Delivery Agreement and the various shareholder policy directives issued by its parent municipality from time to time
- Dealing with the parent municipality in good faith and communicating openly and promptly on all pertinent matters requiring the attention of its shareholder
- Determining and developing strategies that set out the purpose and values in accordance with the shareholder mandate and strategic documents such as the IDP
- Reviewing and approving financial objectives, including significant capital allocations and expenditure as determined by the parent municipality
- Considering and ensuring that the entity's size, diversity and skills are efficient to ensure that JDA achieves its strategic objectives.

## Board Charter

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 CoJ 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 King III.

## Board Member and Senior Manager Remuneration

### Board of Directors and Senior Management Remuneration and Allowances for 2013/14

Name	Designation	Salary/ Board Fees R	Pension R	Bonus/ Board Retention Fees R	Travel Allowance R	Total R
<b>Executive Directors and Senior Management</b>						
P Arnott-Job	Senior Development Manager (deceased June 2013)	89 086	-	-	-	89 086
Z Mafata	CFO	1 181 723	-	-	-	1 181 723
T Mendrew	CEO	1 529 750	-	-	-	1 529 750
B Mbewu	CAE (appointed 01/09/2013)	635 002	35 831	-	100 000	770 833
A Noholoza	Senior Development Manager (appointed 01/11/2013)	591 816	28 851	-	-	620 667
V Voyi	Senior Development Manager	886 744	-	-	78 000	964 744
L Visagie	Senior Development Manager	856 657	-	-	75 000	931 657
S Lewis	Executive Manager: Strategy and Planning	982 307	-	-	-	982 307
B Mbuli	Executive Manager: Marketing and Communications	660 000	-	-	219 998	879 998
F Habib	Executive Manager: Corporate Services	987 708	-	-	-	987 708
C Botes	Executive Manager: Development Facilitation (appointed 01/10/2013)	675 000	-	-	-	675 000
<i>Subtotal</i>		9 164 879	64 682	-	472 998	9 702 559
<b>Non-executive Directors and Independent Audit and Risk Committee Members</b>						
N Lila	Board Member	54 560	-	19 840	-	74 400
D Naidu	Board Member	59 520	-	19 840	-	79 360
P Masilo	Board Member	100 198	-	19 840	-	120 038
G Simelane	Board Member	117 062	-	39 675	-	156 737
P Mashiane	Board Member	60 522	-	19 840	-	80 362
B Majola	Board Member	58 536	-	19 840	-	78 376
B Rajah	Board Member	52 590	-	19 840	-	72 430
W Thwala	Board Member	101 210	-	19 840	-	121 050
P Kubu	Board Member	57 550	-	19 840	-	77 390
C Coovadia	Board Member	15 872	-	-	-	15 872
E Harvey	Board Member	24 802	-	-	-	24 802
B Stainbank-Mokhobo	Board Member	14 880	-	-	-	14 880
J Vergotine	Independent Audit and Risk Committee Member	29 760	-	19 840	-	49 600

Name	Designation	Salary/ Board Fees R	Pension R	Bonus/ Board Retention Fees R	Travel Allowance R	Total R
N Selamolela	Independent Audit and Risk Committee Member	38 690	-	19 840	-	58 530
K Govender	Independent Audit and Risk Committee Member	53 570	-	19 840	-	73 410
Z Samsam	Independent Audit and Risk Committee Member	4 960	-	-	-	4 960
<i>Subtotal</i>		844 282	-	257 915	-	1 102 197
<b>Total</b>		<b>10 009 161</b>	<b>64 682</b>	<b>257 915</b>	<b>472 998</b>	<b>10 804 756</b>

The directors' emoluments were taxed according to South African Revenue Services' guidelines.

### Loans and Advances

In accordance with the provisions of the MFMA, JDA has a strict policy in place which prohibits any provisions of loans or advances to directors and employees, therefore no loans or advances were made during the period under review. Further, JDA has not provided any loans to any organisation or person outside of or in the employ of JDA.

### Board Meeting Attendance

The Board meets not less than four times a year to consider matters specifically reserved for its attention. Attendance at meetings held during the year under review is outlined in the tables below.

#### Board Meeting Attendance – July 2013 to March 2014

Name	No of Meetings	Attendance	Apology	Absent
N Lila	5	4	1	0
P Masilo	5	3	2	0
D Naidu	5	5	0	0
G Simelane	5	5	0	0
B Majola	5	4	1	0
P Mashiane	5	3	2	0
A Rajah	5	4	1	0
W Thwala	5	5	0	0
P Kubu	5	4	1	0
B Stainbank-Mokhobo	5	4	1	0
T Mendrew	5	4	1	0

#### Board Meeting Attendance – April 2014 to June 2014

Name	No of Meetings	Attendance	Apology	Absent
C Coovadia	2	1	1	0
E Harvey	2	2	0	0
K Govender	2	2	0	0

Name	No of Meetings	Attendance	Apology	Absent
N Selamolela	2	2	0	0
P Masilo	2	2	0	0
P Mashiane	2	1	1	0
W Thwala	2	2	0	0
P Kubu	2	1	1	0
T Mendrew	2	2	0	0
Z Mafata	2	2	0	0

## SECTION 3: BOARD COMMITTEES

JDA has four Board committees which execute their duties as set out in specific terms of reference. In addition, matters of ethics, procedure and the conduct of committee members are set out in the Board Charter. Each committee is chaired by a non-executive director. During the reporting period, the Board committees were as follows:

- Audit and Risk Committee
- Human Resources and Remuneration Committee
- Development and Investment Committee
- Social and Ethics Committee.

The Board committees meet on a regular basis, and the meeting attendance for 2013/14 is set out in the table below.

### Board Committees Meetings and Attendance – July 2013 to March 2014

Name	Audit				Development and Risk				HR Remuneration				Social and Ethics			
	No. of Meetings	Attendance	Apology	Absent	No. of Meetings	Attendance	Apology	Absent	No. of Meetings	Attendance	Apology	Absent	No. of Meetings	Attendance	Apology	Absent
N Lila	5	4	1	0												
P Masilo	5	3	2	0					4	4	0	0				
D Naidu					3	3	0	0								
G Simelane					3	3	0	0								
B Majola					3	1	1	1					3	3	0	0
P Mashiane													3	3	0	0
A Rajah									4	4	0	0	3	3	0	0
W Thwala					3	3	0	0	4	4	0	0				
P Kubu					3	3	0	0					3	0	3	0
B Stainbank-Mokhobo																
T Mendrew	5	5	0	0	3	3	0	0	4	4	0	0	3	0	3	0
J Vergotine (Independent Audit)	5	3	2	0												
N Selamolela (Independent Audit)	5	2	3	0												
K Govender (Independent Audit)	5	5	0	0												

Board Committee Meetings and Attendance – April 2014 to June 2014

Name	Audit				Development and Risk				HR Remuneration				Social and Ethics			
	No. of Meetings	Attendance	Apology	Absent	No. of Meetings	Attendance	Apology	Absent	No. of Meetings	Attendance	Apology	Absent	No. of Meetings	Attendance	Apology	Absent
C Coovadia					2	2	0		1	0	1					
E Harvey									1	1	0		1	1	0	
K Govender	1	1	0		2	2	0									
N Selamolela	1	1	0						1	1	0					
P Masilo									1	1	0		1	1	0	
P Mashiane					2	2	0						1	1	0	
W Thwala	1	1	0		2	2	0						0	0	0	
P Kubu					2	1	1						1	0	1	
T Mendrew	1	1	0		2	2	0		1	1	0		1	1	0	
Z Mafata	1	1	0		2	2	0		0	0	0		1	0	1	
J Vergotine (Independent Audit)	1	1	0													
Z Samsam (Independent Audit)	1	1	0													
N Lila (Independent Audit)	1	1	0													

### Audit and Risk Committee

The Audit and Risk Committee (previously known as the Audit Committee) comprises three non-executive directors and three independent members as follows:

- K Govender (Chairperson)
- N Selamolela
- W Thwala
- J Vergotine (independent member)
- Z Samsam (independent member)
- N Lila (independent member).

In order for the committee to execute its mandate, most members have a financial background. The Chairperson, Mr K Govender, is a business man with an accounting practice, Mr Z Samsam has served as an independent Audit Committee Member for other Municipal Owned Entity, Prof Thwala has extensive knowledge and experience in Development Planning and Construction, while Ms J Vergotine and Ms N Selamolela are both experienced business women with extensive experience in Auditing and finance.

The committee is responsible for ensuring that all JDA activities are subject to independent and objective review and financial performance oversight. It operates within the parameters of the Audit and Risk Committee Charter, with clear terms of reference as guided by the provisions of Section 166 of the MFMA.

The Audit and Risk Committee has the following responsibilities:

- Reviewing JDA's internal controls and published financial reports for statutory compliance and against standards of best practice, and recommending appropriate disclosures to the Board. The external and internal auditors attend these meetings, and have direct access to the chairperson of the committee and chairperson of the Board
- Reviewing reports from management, Risk and Compliance, and the internal and external auditors, to provide reasonable assurance that control procedures are in place and are being followed
- Reviewing the half-yearly and Annual Financial Statements before submission to the Board, focusing on any changes in accounting policies and practices.

The committee meets not less than four times a year. During 2013/14 the Audit and Risk Committee met six times as per the table on page 36. The committee considered the following matters:

- Draft Business Plan for 2014/15
- Business Continuity Policy and Plan
- Internal Audit Plan and Reports
- Quarterly Risk Management Reports
- Risk Maturity Model
- Risk Tolerance Framework
- Third Quarter Performance Management Report
- Quarterly Dashboard Report.

In 2013/14 JDA set out to achieve a clean audit from the AGSA. In the past, this goal was hampered by material adjustments relating to disclosures in financial statements. To mitigate this, management prepared quarterly financial statements which were reviewed by Internal Audit prior to submission to the Audit and Risk Committee and the Board. The Audit and Risk Committee, assisted by Internal Audit, continued to monitor JDA's internal control environment and ensured that management continued to implement recommendations by Internal Audit in an effort to achieve a clean audit. The Auditor-General expressed an opinion that the financial statements present fairly, in all material aspects, the financial position of the organisation as at 30 June 2014, and its financial performance and cash flows for the year. The JDA therefore received an unqualified audit with one matter of emphasis.

## **Development and Investment Committee**

The Development and Investment Committee (previously known as the Development and Risk Committee) is responsible for evaluating development proposals with a view to making recommendations to the Board for approval.

During 2013/14 the following directors served on the committee:

- C Coovadia (Chairperson)
- P Kubu
- P Mashiane
- K Govender
- W Thwala
- T Mendrew
- Z Mafata.

Meetings are held on a bi-monthly basis, or as required by the chairperson. During 2013/14 the Development and Risk Committee met three times, and has held one meeting since March 2014.

Matters considered by the committee during the period under review include:

- Quarterly Risk Management Reports
- Forensic Fraud Investigation Progress Reports
- Approval of contracting strategies
- Alexandra Renewal Project Report.

### **Human Resources and Remuneration Committee**

In line with best practice in corporate governance, the Board has a Human Resources (HR) and Remuneration Committee which comprises four non-executive directors and is chaired by a non-executive director. The following members served on the committee in 2013/14:

- E Harvey (Chairperson)
- P Masilo
- N Selamolela
- C Coovadia.

The committee meets not less than four times a year. Executive directors are excluded from the HR and Remuneration Committee meetings when matters relating to their remuneration are discussed.

The Human Resources and Remuneration Committee is responsible for drafting human resource policies and strategies for the organisation and approving the remuneration for the CEO, senior executives and staff. It ensures that the remuneration of the CEO and senior management are within the upper limits, as determined by the CoJ, in accordance with the provisions of Section 89(a) of the MFMA. The remuneration of the Chairperson, the non-executive directors and independent Audit and Risk Committee members is determined by the parent municipality.

## **Social and Ethics Committee**

The Social and Ethics Committee is responsible for acting as the social conscience of the business and ensuring that the company conducts itself as a responsible corporate citizen. This means ensuring that the JDA conducts its business in a sustainable manner, having regard for the environment, fostering healthy relationships with all its stakeholders and considering the impact of its work within the community. This committee also considers the treatment of and investment in employees, health and safety practices, black economic empowerment and the ethical corporate culture.

The following members served on the committee during the period under review:

- P Mashiane (Chairperson)
- P Masilo
- E Harvey
- P Kubu.

This committee met four times in 2013/14 and discussed the following matters:

- JDA's Marketing Strategy for 2013/14
- Reports on the enterprise and development results
- Training and Development Report
- Occupational Health and Safety Report
- Employee Code of Ethics Awareness Report.

## **SECTION 4: ROLE OF THE COMPANY SECRETARY**

The Company Secretary manages the processes which ensure that JDA complies with all relevant laws and regulations. He keeps Board members informed of their legal responsibilities, and calls Board meetings and ensures the implementation of Board decisions. The Company Secretary also communicates with the shareholder on matters relating to governance and shareholder reporting.

Other duties of the Company Secretary include:

- Organising meetings, preparing agendas, and taking minutes
- Dealing with correspondence, collating information, writing reports and ensuring decisions made are communicated to the relevant people
- Advising the Board and management on corporate governance matters
- Contributing to meeting discussions, as and when required
- Arranging annual general meetings.

## SECTION 5: RISK MANAGEMENT AND INTERNAL CONTROL

JDA's Board monitors risk through the Audit and Risk Committee, which ensures that there is an effective risk management process and system in place. The committee also makes recommendations to the Board regarding risk strategies and policies that need to be set, implemented and monitored. This approach does not relieve the Board of its accountability and responsibility, as it is expected to exercise care, skill, and diligence in identifying, assessing and monitoring risks as presented by the Audit and Risk Committee.

The committee is responsible for evaluating development proposals and making recommendations for Board approval. This entails examining risks associated with proposed projects, such as the financing risk, risk of returns and risk profiles.

JDA's risk management strategy is guided by the principles of enterprise-wide risk management, in terms of which all identified risk areas are managed systematically and continuously at departmental level. A risk register (see page 45) is in place which is treated as a working risk management document and the identified risks are constantly recorded and properly managed. Management monitors and evaluates the implementation and efficiency of controls and actions identified in the register to improve current controls.

JDA submits its risk management reports to the City's Group Risk Management Committee (GRMC). The GRMC assesses all risks affecting the City and its municipal entities in a holistic manner and makes recommendations to the City Manager and Council on the general effectiveness of risk management processes within the City.

During the fourth quarter JDA workshopped the Strategic Risk Register for 2014/15 with the management team and the Board. Discussions centred on:

- How JDA can best recruit and retain skilled staff members to scale up the operation as the capital budget rises over the medium term
- Improving the quality of projects received as implementing assignments from other departments and entities
- The importance of improving stakeholder consultation processes associated with longer-term planning and the CoJ's GDS
- Improving JDA's ability to spend its capital budgets and reduce the 'hockey stick' expenditure trend of concentrated expenditure in the last quarter of the year.

The Risk Tolerance Framework was reviewed and approved by the Audit and Risk Committee, which will continually monitor management's implementation thereof to ensure that the organisation operates within acceptable tolerance levels.

Strategic Risk Register for the Period Ending June 2014

No	Risk Description	Root Cause	Consequence Description	Inherent Risk	Current Controls	Residual Risk	Risk Owner	Future Actions to Improve Management of the Risk	Progress to Date to Mitigate the Risk to an Acceptable Level	Action Owner	Timeframe
1	Inability to deliver on capital projects	1) Mid-year budget adjustments	1) Reduced scope of projects	Red (10)	1) Development managers will continue to monitor the implementation of multi-year projects to ensure that these are completed on time and within budget	Amber (7.5)	CEO	1) Training to improve project management skills 2) In future, all core staff members will need to complete a project management course	Two Development Unit staff members are scheduled to attend project management courses	HR	August–ongoing
		2) Inadequate project management. Change in CoJ priorities	2) Over/under expenditure on budget		2) Staffing of development teams			2) Enhancing contracting strategies	Senior Development Managers	30/06/2014	
		3) Lack of co-operation by stakeholders (e.g. MOEs)	3) Overrun on project timeframes					3) Improved professional team instructions	Senior Development Managers	31/12/2014	
		4) Inappropriate project planning	4) Negative publicity		4) Development Facilitation resources to assist with project development			4) Make appointments	Senior Development Managers Executive Manager: Development Facilitation	31/10/2014	
		5) Loss of critical staff at crucial points	5) Poor service delivery		5) Targeted skills acquisition				Senior Development Managers Executive Manager: Development Facilitation	31/10/2014	
2	Absence of clear understanding of the mandate and scope of work for JDA	1) Varied and evolving expectations of shareholder	1) Low morale as a result of increasing responsibilities and uncertainty	Red (12)	1) Options analysis and recommendations prepared to inform decisions about institutional change	Amber (9)	CEO	1) Review options analysis and reduce portfolio of technical assistance projects over medium term		CEO	30/06/206
		2) Differing expectations of mandate (Board/shareholder/public/clients)	2) Organisational instability and uncertainty of employees		2) Institutional review process and implications for JDA communicated to staff			2) Manage requests for out-of-scope assistance	CEO	Ongoing	
			3) Organisational instability and uncertainty of employees		3) Resilience and change management training for managers						

No	Risk Description	Root Cause	Consequence Description	Inherent Risk	Current Controls	Residual Risk	Risk Owner	Future Actions to Improve Management of the Risk	Progress to Date to Mitigate the Risk to an Acceptable Level	Action Owner	Timeframe
			4) Non-alignment of organisational mandate and political priorities		4) SLA with shareholder						
3	Failure to optimise shared economic growth impacts resulting from JDA infrastructure investment	1) Pressure to deliver basic services to address backlogs	1) Failure to achieve national priority of economic growth	Red (12)	1) Area-based stakeholder forums to agree on economic development vision	Green (4.8)	CEO	1) Improve communication with stakeholder forums		Executive Manager: Marketing and Communications	Biannually
		2) Limited development facilitation resources	2) Negative perception of JDA's effectiveness		2) Impact assessments to determine relationship between JDA investments and economic growth			2) Partner with Economic Development and Development Planning to ensure that CoJ interventions are aligned	Meetings held with Executive Director: Economic Development regarding urban development zones and economic development in City regions	Executive Manager: Planning and Strategy	Ongoing
					3) Alignment between economic growth objectives and project objectives						
4	Failure to create an adequate number of short-term jobs	1) Non labour-intensive projects	1) Failure to meet IDP goals of job creation.	Red (12)	1) The Stakeholder Relations Manager will continuously monitor the implementation of EPWP guidelines in developments	Amber (9)	Senior Development Managers	Optimise training budgets by standardising them at 1% of contract value and by presenting co-ordinated training through Enterprise Development Programme		Senior Development Managers	30/06/2014
		2) Delay in implementation of capital projects.	2) Negative political and community perception of JDA.		2) Design and scope developments and contracts to optimise labour-intensive construction						
		3) Use of undocumented labourers	3) Service delivery protests against JDA.		3) Require construction contractors to meet job creation targets						
					4) Training budgets within construction contracts						
5	Failure to meet BBBEE/small, medium and micro enterprise (SMME) procurement targets	1) Limited BBBEE business within the industry with skills and experience for big projects	1) Failure to create opportunities for small contractors, leading to the community's	Red (12)	1) Closely monitor work allocated to SMME subcontractors	Red (10.8)	CFO	1) Refine and improve use of managing contractor model	SMME subcontracts have been extended and are monitored carefully	Supply Chain Management Manager/Senior Development Managers	30/06/2014

No	Risk Description	Root Cause	Consequence Description	Inherent Risk	Current Controls	Residual Risk	Risk Owner	Future Actions to Improve Management of the Risk	Progress to Date to Mitigate the Risk to an Acceptable Level	Action Owner	Timeframe
			distrust of JDA								
		2) Inadequate contracting and contract management	2) Inability to assist in transforming the construction industry		2) Implement Enterprise Development Programme			2) Partner with financial institutions to assist SMME contractors	SMME firms have been selected for the incubator programme	Executive Manager: Development Facilitation	30/06/2014
		3) Failure to identify previously disadvantaged individuals with specialised skills within the industry	3) Reputational damage to JDA and the City						Partnership with financial institutions to assist SMME contractors will continue in 2014/15	Executive Manager: Development Facilitation	30/06/2014
		4) Regulatory compliance requirements for contractors (Construction Industry Development Board, MFMA)	4) Failure to create jobs								
6	Inadequate management of stakeholder expectations	1) Ineffective consultation with different stakeholders before and after the completion of a project	1) Bad reputation	Amber (9)	Formal Stakeholder Management Programme was implemented	Green (3.60)	CEO	1) Improve intergovernmental relations	1) Participated in Economic Regions Learning Network, including co-ordination of Gauteng participants 2) Hosted the Spatial Transformation of Cities Conference with national and provincial government partners 3) The establishment of the Development Facilitation function will ensure continuous consultation from inception to completion	Executive Manager: Development Facilitation/ Executive Manager: Planning and Strategy	Monthly
		2) Poor or ineffective communication about the role of JDA	2) Delays in implementation of decisions		Stakeholder Management Plans developed for key programmes			2) Improve CoJ co-ordination and relations	Stakeholder consultations took place in different regions to expose and communicate regarding all JDA projects	CEO	Monthly
		3) Lack of formal stakeholder	3) Damage to the infrastructure		Public relations and communication to support			3) Media training	CEO appointed as official JDA spokesperson and senior	Executive Manager:	30/06/2014

No	Risk Description	Root Cause	Consequence Description	Inherent Risk	Current Controls	Residual Risk	Risk Owner	Future Actions to Improve Management of the Risk	Progress to Date to Mitigate the Risk to an Acceptable Level	Action Owner	Timeframe
		management processes within JDA	developed by JDA		stakeholder engagement				development manager appointed as project development spokesperson Media Briefing and Engagement Manual communicated with senior development managers	Marketing	
		4) Misalignment between expectations of stakeholders and JDA mandate			Additional resources allocated to development facilitation			4) Community Engagement Programme to address this	Community Engagement Programme was implemented to address misalignment	Executive Manager: Marketing	30/06/2014
7	Destabilising effect of national elections	National elections in May 2014	1) Increase in community protests 2) Limited political support	Red (12)	1) Strategic communication 2) Responsive public participation	Green (4.8)	CEO	1) Create communication opportunities and media relationships 2) Public participation and communication to support stakeholder engagement	Media relations opportunities were created to profile JDA projects Implemented a communications campaign to support the community engagement process (e.g. Alexandra community media to support JDA projects in Alex)	Executive Manager: Marketing Executive Manager: Marketing and Senior Development Managers	10/05/2014 10/05/2014
8	Failure of financial management systems	1) Lack of awareness of policies and procedures 2) Poor performance and negligence 3) Non-implementation of approved business processes 4) Inadequate controls (people,	1) Financial loss 2) Overspending of the budget 3) Irregular, fruitless and wasteful expenditure 4) Unreliable financial	Red (16)	1) Regular training of staff on financial systems and controls 2) Developing individual development plans for staff 3) Business Plan process involves executive and senior management 4) Monthly management accounts approved by	Red (12)	CFO	1) Review roles and job descriptions to ensure separation of functional and approval responsibilities 2) Continuous monitoring and auditing 3) Involve senior development managers and heads of department in the Business Plan process 4) Continuous monitoring and auditing	User profiles were created on Great Plains and roles were reviewed to ensure that none are compromised All invoices are reviewed by relevant executive manager before payment is made Monthly reports are submitted to EXCO for review and approval The Internal Audit Plan was structured to addresses continuous monitoring of all sections	Financial and IT Managers CFO and IT Manager Executive Manager: Planning and Strategy Financial Manager	31/12/2014 30/06/2014 30/06/2014 30/06/2014

No	Risk Description	Root Cause	Consequence Description	Inherent Risk	Current Controls	Residual Risk	Risk Owner	Future Actions to Improve Management of the Risk	Progress to Date to Mitigate the Risk to an Acceptable Level	Action Owner	Timeframe
		processes, technology)	information		EXCO. Area management meetings held on a monthly basis				continuous monitoring of all sections		
9	Financial sustainability of the organisation	1) Operating budget shortfalls	1) Loss of expertise due to resignation/lack of projects to be implemented	Red (15)	1) Undertake further feasibility studies for more public-private partnerships	Amber (6.00)	CEO	1) Secure funding for JDA developments from other government grants	First allocation from new Integrated Urban Development Grant for Jabulani in 2014/15	Executive Manager: Planning and Strategy	30/06/2014
		2) Vulnerable business and funding model	2) Lower staff morale		2) Explore other national grant funding			2) Develop a pipeline of property development projects	This is an ongoing process which is monitored by management	Executive Manager: Development Facilitation	30/06/2014
		3) Change in CoJ priorities	3) Lower impact of projects implemented by JDA		3) Cost-saving strategies and efficiency gains			3) Explore opportunities for new partnership programmes	Three new learning partnerships initiated in 2013/14, including City Futures Project, research partnership with Wits and urban management community works project	Executive Manager: Planning and Strategy	30/06/2014
		4) Inability to raise adequate revenue	4) Efficient running of JDA is affected by limited or no revenue to fund its operations		4) Continue to seek technical assistance assignments such as implementation of capital projects on behalf of other CoJ departments			4) Propose new funding model, including increase in development fees	JDA's off-budget funding stream has increased compared to the prior year. Engaging CoJ Transportation Department regarding the possibility of increasing the management fee rate	CFO	30/06/2014
		5) Budget cut for implementation of capital projects	5) Failure to pay for operating expenditure, including salaries						The overall capital budget for JDA has increased based on the current Medium-Term Revenue and Expenditure Framework (MTREF) in comparison with the previous financial year	CFO	30/06/2014
			6) Closure of the entity						The overall capital budget for JDA has increased based on the current MTREF in comparison with the previous financial year	CFO	30/06/2014
10	Fraudulent and corrupt activities	1) Weak internal control procedures	1) Financial loss to the organisation	Red (12)	1) All tender documents include the fraud hotline number to assist employees and	Amber (9.00)	CEO	Fraud risk assessment and management reports	The fraud policy is being reviewed and all staff will be trained on the reviewed policy	Risk and Compliance Manager	30/06/2014

No	Risk Description	Root Cause	Consequence Description	Inherent Risk	Current Controls	Residual Risk	Risk Owner	Future Actions to Improve Management of the Risk	Progress to Date to Mitigate the Risk to an Acceptable Level	Action Owner	Timeframe
					stakeholders in reporting fraud and corruption						
		2) Collusion between employees and service providers and amongst employees	2) Receiving poor quality goods and services		2) Training on fraud prevention			Improve induction process to include fraud prevention. The Risk and Compliance Department will produce a hand-out and presentation to form part of the induction manual		HR/Risk and Compliance Manager	30/06/2014
		3) Inadequate fraud risk management	3) Legal challenges from unsuccessful bidders		3) Increase awareness of the fraud hotline through workshop and posters around JDA's building			Review The Fraud Prevention Policy and training of all employees		Risk and Compliance Manager	30/06/2014
		4) Failure to declare business interests	4) Negative publicity for the organisation		4) Segregation of duties and responsibilities			Declaration of business interest by all employee by the first quarter of each financial year	Declaration of business interest was completed by all employees for 2013/14	Risk and Compliance Manager	30/06/2014
		5) Submission of false supporting tender documentation by service providers	5) Appointment of unsuitable service providers		5) Stricter payment management processes			Conducting verification of information submitted by service providers with independent sources	Bid Evaluation Committee (BEC) is conducting an independent verification to determine if preferred service providers can complete the work	BEC	Ongoing
		6) Internal control overridden by management	6) Financial losses to the entity		6) Regular review and follow up on incidents reported through the fraud hotline			Conduct regular self-assessments to ensure the detection and prevention of control overriding by management	Management is monitoring the reported incidents of fraud through the fraud hotline	Risk and Compliance Manager	30/06/2014
		7) Dishonesty by employees and service providers	7) Poor service delivery					Conduct a lifestyle audit on employees involved in procurement through service providers	Management is monitoring the reported incidents of fraud through the fraud hotline	Risk and Compliance Manager	30/06/2014
11	Inadequate business management information	1) Inappropriate IT governance model	1) Decisions may be based on unreliable/incomplete information (financial loss/reputational damage)	Red (12)	Comprehensive performance information management framework in place	Green	Executive Manager: Corporate Services	Provide training on knowledge management to staff	SharePoint training currently being provided to users on a one-on-one basis	IT Manager	30/06/2014
		2) Lack of information reporting framework	2) Adverse audit finding		2) IT governance model			IT Governance Charter IT Governance Audits IT Governance training for JDA executives	IT Governance Charter in place, and reviewed annually for CI. It includes procedures and standard operating	Executive Manager: Planning and Strategy/IT	30/06/2014

No	Risk Description	Root Cause	Consequence Description	Inherent Risk	Current Controls	Residual Risk	Risk Owner	Future Actions to Improve Management of the Risk	Progress to Date to Mitigate the Risk to an Acceptable Level	Action Owner	Timeframe
								IT Governance training for all other JDA staff	procedures that ensure its implementation in various forms	Manager	
		3) Lack of compliance with business management information processes	3) Loss of institutional knowledge and information		3) Knowledge management project			Institute shared portal Institute electronic archiving	SharePoint portal in place	IT and Systems Manager	31/12/2014
		4) Lack of quality assurance review	4) Loss of institutional knowledge and information		4) Intranet and shared files			Intranet	SharePoint intranet portal in place	IT and Systems Manager	31/12/2014
			5) Criminal liability due to non-compliance with public information laws		5) Business Continuity Plan and Disaster Recovery Plan			Continually review IT Security Policy and procedures	IT security reviewed annually	IT and Systems Manager	Ongoing
			6) Business continuity compromised					Continually review and align Disaster Recovery Plan and Global Business Continuity Plan with JDA business processes and standards	IT Disaster Recovery Plan and Global Business Continuity Plan reviewed annually Business Continuity Plan tested every six months	IT and Systems Manager	Ongoing
12	Collapse of the Information and Communication Technology (ICT) environment	1) Internal/external disasters (natural, hackers, etc.) 2) Aging ICT infrastructure and systems	1) Disruption of JDA business activities 2) Loss of vital information	Red (15)	1) Continue to test other backup information to ensure successful restoring during disaster recoveries 2) Infrastructure management strategies in IT Strategic Plan 3) Business Continuity Plan and Disaster Recovery Plan	Amber (6.00)		Business Continuity Plan	Ensure that there is always a service level agreement for business continuity and disaster recovery	IT and Systems Manager	Annually
									JDA must have an IT Infrastructure Replacement Policy in place which will ensure that a) equipment is tested for efficiency; b) equipment is replaced; and c) there is a standing budget for infrastructure upgrade	IT and Systems Manager	30/10/2014
								Continual review of the Business Continuity Plan	Business Continuity Plan and Disaster Recovery Plan in place with both being audited by independent parties for continual improvement	IT and Systems Manager	Ongoing

No	Risk Description	Root Cause	Consequence Description	Inherent Risk	Current Controls	Residual Risk	Risk Owner	Future Actions to Improve Management of the Risk	Progress to Date to Mitigate the Risk to an Acceptable Level	Action Owner	Timeframe
13	Non-compliance with applicable laws and regulations	1) Ineffective compliance processes and monitoring	1) Financial penalties for JDA	Red (12)	1) Risk and compliance software	Amber (9.00)	CEO	1) Improve use of the software and system	Software system installed for all risk and compliance owners	Manager: Risk and Compliance	31/12/2013
		2) Lack of awareness of new laws or amendments	2) Criminal liability		2) A Regulatory Compliance Universe Assessment to assist management in prioritising applicable legislation with which JDA must comply			2) More training and awareness		Manager: Risk and Compliance	31/03/2014
		3) Lack of understanding of the requirement of the relevant law.	3) Reputational damage of the organisation		3) Risk and Compliance Unit			3) Implement continuous monitoring and auditing	Continuous monitoring and auditing was not implemented due to inability to secure funding from budget adjustment		
		4) Employee negligence and resistance to requirements	4) Costly litigation		4) Scheduled policy and process reviews				The policies register was developed and will be maintained		
14	Inability to absorb Alexandra Renewal Project (ARP) staff and achieve alignment of organisational cultures	1) Poor change management	1) Decline in overall performance	Red (12)	1) Communication with staff	Amber (9.00)	CEO	1) Formal orientation and induction for ARP and JDA staff	First induction session held with ARP staff in May 2014	Executive Manager: Corporate Services	30/04/2014
		2) Resistance from ARP staff	2) Inability to complete ARP projects		2.) Assessment of implications and steps to be taken			2) Performance, development and financial management systems to be reviewed to include ARP		Executive Manager: Corporate Services and CFO	30/06/2014
					3) Senior development managers are being sensitised to 2014/15 ARP projects			3) Systems training for ARP staff		Executive Manager: Corporate Services and CFO	30/06/2014
								Team building and other corporate culture alignment strategies Use business training days to align ARP staff with corporate strategies	Teambuilding took place The newsletter and business training days are used to align staff with corporate strategies	Executive Manager: Marketing and Communication	30/06/2014
15	Inability to attract and	1) Inability to offer attractive,	1) Rewards and compensation	Red (16)	1) Climate survey and responses	Amber (6.4)	CEO	1) Implement outcomes of the climate survey	Job evaluation conducted and report being discussed by	HR Manager	30/06/2014

No	Risk Description	Root Cause	Consequence Description	Inherent Risk	Current Controls	Residual Risk	Risk Owner	Future Actions to Improve Management of the Risk	Progress to Date to Mitigate the Risk to an Acceptable Level	Action Owner	Timeframe
	retain skilled employees	market-related salaries	lagging behind market						EXCO. It will then be submitted to the Human Resources and Remuneration Committee and the Board for final consideration and approval		
		2) Poor relationship between managers and employees	2) <i>Ad hoc</i> , non-standardised practices aimed at dissuading employees from leaving		2) Staff breakaway		2) Develop a Talent Management Strategy	The HR Department will undertake a full-scale skills audit to inform the development of the Talent Management Strategy in 2014/15	HR Manager	30/06/2015	
		3) Lack of sufficient skills in the market	3) Inconsistencies in recognising and appreciating talent		3) Salary benchmarking		3) Categorise employees into (risk) profiles	Salary benchmarking conducted and report being discussed by EXCO. It will then be submitted to the Human Resources and Remuneration Committee and the Board for final consideration and approval	HR Manager	28/02/2014	
		4) Fixed-term contracts and uncertainty			4) Workplace Skills Plan		4) Implement results of job grading and evaluation and salary benchmarking analysis	Discussions still under relating to moving all staff, excluding Section 57, to undefined period contracts	HR Manager	30/06/2014	
		5) Poor succession and retention planning			5) Financial and non-financial rewards			The HR Department will undertake a full-scale skills audit to inform the development of the Talent Management Strategy in 2014/15	HR Manager	30/06/2015	
		6) Salary disparities within the City and determination of low salary limits			6) Good reputation				HR Manager	30/06/2014	
		8) Absence of talent management philosophy							HR Manager	30/06/2014	
		9) No benchmarking of internal skills with the market							HR Manager	28/02/2014	

## SECTION 6: INTERNAL AUDIT FUNCTION

JDA's Internal Audit Function (IAF) is in the process of implementing the approved internal audit policies and procedures aimed at strengthening the internal audit processes and improving the profile of the IAF. Progress reports are submitted to management and the Audit and Risk Committee. The Internal Audit Charter for the 2014/15 financial year was approved by the Audit and Risk Committee during its meeting held on 22 May 2014.

### Resourcing of the IAF

JDA finalised the appointment of a panel of internal audit service providers in line with the approved Internal Audit Resourcing Strategy. Six service providers were appointed to assist the IAF. Internal audit projects will be subcontracted to the appointed service providers on an as-and-when-needed basis.

### Progress against the Approved Internal Audit Plan

The following table reflects progress made in the execution of the approved Strategic Rolling Three-year Internal Audit Plan and One-year Operational Plan:

No.	Project Description	Progress by 30 June 2014
1	Second quarter/mid-year review and performance management system for all JDA employees	Completed
2	Follow-up of previous AGSA findings	Ongoing
3	Follow-up of previous internal audit findings	Ongoing
4	Inability to deliver on capital projects	Completed
5	Destabilising effect of national elections	Completed
6	Fraudulent and corrupt activities	Completed
7	Inability to absorb ARP staff and achieve alignment of organisational cultures	Completed
8	Supply chain management review	Completed
9	Risk management processes	Completed
10	Payroll management	Completed
11	Compliance audit	Completed
12	Financial discipline review	Completed
13	IT review	Completed

## SECTION 7: ICT GOVERNANCE

JDA's ICT infrastructure is sound, and in 2013/14 internet availability was 100% against a target of 96%. The saturation index stood at over 90% usage, a good indicator of value for money for JDA, as it shows that connectivity resources are being fully utilised.

The Business Continuity Plan has been tested periodically during the year, and the disaster recovery resources have been updated as required.

JDA's IT infrastructure and systems are compliant with relevant regulations including the MFMA, Protection of Personal Information (POPI) Act, as well as the following guidelines: the Control Objectives for Information and related Technology (COBIT), and the Information Technology Infrastructure Library. The following steps were taken in July 2013 to strengthen system controls to mitigate opportunities for fraud:

- Limit the number of employees that are able to amend and approve bank detail changes
- Introduce a separate password to access the bank changes module
- Ensure sufficient supporting documentation is kept when suppliers' bank details are changed and audited frequently.
- When invoices are paid the approval forms must be the originals, no photocopies should be processed.
- Under no circumstances should invoices be paid based on bank details per the invoice. If there are any differences the bank details must be verified before payment is processed.
- The relevant people should review the supplier accounts for which they are responsible to ensure that services have been rendered before payment is made.

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

JDA and its Board subscribe to high ethical standards and principles. The leadership provided by the Board is characterised by the values of responsibility, accountability, fairness and transparency, and has been a defining characteristic of JDA since its establishment in 2001.

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 JDA's stakeholders.

### **Code of Conduct**

JDA has developed a Code of Conduct, which has been fully endorsed by the Board and which applies to all directors and employees. The code is consistent with Schedule 1 of the MSA and the provisions of the CoJ Corporate Governance Protocol for Municipal Entities.

The code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism. Through its Code of Conduct, JDA is committed to:

- The highest standards of integrity and behaviour in all its dealings with its stakeholders and society at large
- Carrying on business through fair commercial and competitive practices
- Eliminating discrimination and enabling employees to realise their potential through continuous training and development of their skills
- Being responsible toward environmental and social issues
- Ensuring that each of its directors declares any direct or indirect personal or business interest that might adversely affect them in the proper performance of their stewardship of the entity.

In summary, the code requires that all personnel act with the utmost integrity and objectivity and in compliance with the letter and spirit of both the law and company policies at all times. Failure to act in terms of the code results in disciplinary action. The code is discussed with each new employee as part of the induction process, and all employees are asked to sign an annual declaration confirming their compliance with the code. A copy of the code is available to interested parties upon request. A toll-free anonymous telephone facility exists for the reporting of non-adherence to the code or ethics-related matters. Furthermore, any breach of the code is considered a serious offence and is dealt with accordingly; as a result, this acts as a deterrent. The directors believe that ethical standards are being met and are fully supported by the ethics programme.

## **Declaration of Interest**

In accordance with its Code of Conduct, JDA maintains a register of directors' declarations of interests. The Register is updated annually and as and when each director's declared interests change. A register is circulated at every Board and Board committee meeting for the directors to declare any interest in relation to every matter discussed at a particular meeting.

JDA's Employee Code of Ethics and Terms and Conditions of Employment requires all employees to complete declarations of interest covering shareholding in private companies, membership of close corporations, directorships held, partnerships and joint ventures, remunerative employment outside of JDA, gifts and hospitality and the status of their municipal accounts.

## **Prevention of Fraud and Corruption**

JDA recognises both the sensitivity and damaging consequences of fraud and corruption on the company and its stakeholders. The Anti-Fraud and Corruption Policy was developed in 2014 and strives to ensure that systems, procedures and processes exist in line with good governance, legislative and operational needs, and industry norms and best practice. This policy is designed to ensure that the JDA follows a structured and coherent approach to the management of potential fraud and corruption.

Risks relating to fraud and corruption are included in JDA's risk register.

In order to mitigate such risks, JDA has a Fraud Policy and fraud hotline in place. The hotline number is included on all tender documents, posters are up in the JDA buildings, and regular workshops are conducted to encourage employees and service providers to report fraudulent activities. Management monitors the reported incidents of fraud.

In July 2013 JDA management discovered that an incident of fraud had taken place. The fraud was committed by manipulating supplier invoices and changing supplier banking details on the face of the invoice and in the financial management system. Immediate steps were taken to correct the financial system weakness that allowed unauthorised access, an employee was suspended pending further investigation, and a case of fraud was reported to the SA Police Services. The forensic investigation was carried out by Marsh (Pty) Ltd and an insurance claim was initiated. A second employee was implicated in the fraud for changing bank account details without authorisation and was dismissed following a formal disciplinary process. The insurance claim has been settled.

Employees regularly briefed and trained on fraud prevention, and the induction process for new employees is being revised to include information regarding fraud prevention. Strict payment

management processes are in place and the Bid Evaluation Committee is conducting an independent verification to determine whether preferred service providers can complete the work.

In the previous financial reporting period the JDA received two separate anonymous tip-offs. All these allegations were thoroughly investigated. In the first instance, the investigation was closed after the procurement process for public art was explained to the complainant. The second incident was resolved through the cancellation of the tender which was the source of the complaint. The procurement process was restarted. No financial loss was experienced as a result of this action, and no evidence of employee negligence was found. There is a need to improve internal controls and standardise the disclosure and reporting protocols.

## **CHAPTER 3: SERVICE DELIVERY PERFORMANCE**

## SECTION 1: OPERATIONAL OVERVIEW

### Strategic Objectives

- Restructure the City by developing defined, strategic geographic areas around the City and the movement corridors that link them.
- Promote economic growth by creating efficient and competitive business environments that cluster industries and function in these areas.
- Turn around declining investment trends in these areas by upgrading public spaces, generating shared visions for future development, and encouraging urban management partnerships.
- Develop local economic potential in marginalised areas to promote access to jobs and markets.
- Encourage sustainable energy consumption and land use in the City by developing strategic transit nodes and corridors.
- Promote economic empowerment through the structuring and procurement of JDA developments.
- Support productive development partnerships and co-operation between all stakeholders in these areas.

### JDA's Strategic Agenda for 2013/14

JDA's strategic objectives are aligned with the Growth and Development Strategy Joburg 2040 (GDS), and in particular with the cluster plans for Sustainable Services and Economic Growth. The primary objective towards which JDA will work in the medium term is promoting resilient City strategies by restructuring the spatial logic. The restructuring of the space economy in Johannesburg will depend on achieving the following three development strategies:

- Shifting people closer to jobs: JDA will give more poor people access to markets and jobs through proximity to affordable and efficient transit services by developing key transit nodes to enable key areas to accommodate a greater agglomeration of economic activity, higher residential density, and more intense land use. This strategy will be achieved through JDA's Transit-oriented Node Development Programme and the Inner City Transformation Programme.
- Shifting jobs closer to people: The development of selected nodes in marginalised areas to stimulate local economies, increase competitiveness and broaden access to markets and jobs in these neighbourhoods is an important strategy towards making the space economy more efficient. This will be achieved through the Priority Areas Development Programme.
- Linking jobs and people: The development of high-density movement corridors anchored by transit nodes to restructure city form, promote efficient land use and improve transport energy consumption is the final component of JDA's development strategy for the medium term. This will be achieved through the Greenways Programme.

## JDA Programmes

To achieve the above strategic objectives and priorities and to give effect to its new business model, JDA has structured its operations around four substantive and two operational programmes whose cross-cutting functions enable it to operate in an efficient and effective manner. The six programmes are as follows:

- Programme 1: Inner City Transformation
- Programme 2: Transit-oriented Node Development
- Programme 3: GMS Priority Area Planning and Implementation
- Programme 4: Greenways
- Programme 5: Administration and Management Programme
- Programme 6: Development Facilitation Programme.

The performance of each programme is outlined on pages 66 to 110 of this report.

The four substantive programmes are aimed at the restructuring of the space economy to give poor households better access to well-located accommodation, jobs and markets; to optimise land use and energy consumption; and to improve living standards and mobility for a large number of people in well-serviced and managed transit neighbourhoods. They are linked to three of the master programmes outlined in the GDS, namely enabling resilience, inclusion and sustainability; enabling growth and job creation; and going green. Taken together, the Transit-oriented Node Development and Greenways Programmes comprise the transit-oriented development intervention that will give effect to the 'Corridors of Freedom' introduced in the 2013 State of the City Address.

## **SECTION 2: SUBMISSION OF PERFORMANCE INFORMATION TO AGSA**

**As submitted to the Auditor-General on 29 August 2014**

The performance assessment for 2013/14 compares the actual performance against the measurable performance objectives as set out in the City of Johannesburg's Service Delivery Business and Implementation Plan (SDBIP). The performance measures are aligned with the objectives in the draft Service Delivery Agreement for the JDA. See table overleaf. The SBDIP includes a small set of indicators and targets from the JDA's business plan. A more substantial set of indicators and targets from the JDA's Scorecard for 2013/14 are discussed in Section 3.

In June 2014 the JDA's Programme Performance Information Management Policy and Reporting Framework was reviewed – following an assessment by the Internal Audit team and the assessment of integrated reporting commissioned by the City of Johannesburg. This policy covers the procedures and content in the JDA's programme performance information management system, including:

- (a) Definition of key performance areas and indicators and targets in the business planning process;
- (b) Clear articulation of the link between programme objectives and results and the performance indicators and targets;
- (c) Information gathering and verification processes, and time-frames;
- (d) Reporting requirements and the implication for the presentation of programme performance information;
- (e) Analytical data series, trends and indexes that must be updated periodically;
- (f) Monitoring, evaluation and performance information auditing processes and outputs.

There are a number of controls used to verify programme performance information. For example, the construction progress indicator is supported and verified through the following actions:

- a) Certified verification by the independent professional project manager or engineer.
- b) Ad hoc checks by the development manager to ensure credibility of the information reported.
- c) Ad hoc checks by internal audit to verify a sample of the information.
- d) Oversight visits by the Section 79 Development Planning committee and the Group Governance team of the City of Johannesburg.

Summary of JDA delivery indicators and targets from the City of Johannesburg's Integrated Development Plan (IDP) and Service Delivery Budget and Implementation Plan (SDBIP) for 2013/14

IDP programme	Key Performance Indicator (2013/16)	2013/16 IDP target	2013/16 SDBIP target	Baseline	2013/14 IDP target	2013/14 SDBIP target	2013/14 Achievement as reported by the JDA	Reason for variation
Transit Oriented Development - Priority areas (corridors/ nodes)	Number of Strategic Area Framework (SAF) compiled	6 SAFs compiled	6 SAFs compiled	Existing nodal development frameworks and precinct plans	3 SAFs completed 3 SAFs completed for Empire-Perth; Louis Botha; and Turffontein corridors  Implementation of station precinct upgrades to facilitate walkability and NMT	3 SAFs completed 3 SAFs completed for Empire-Perth; Louis Botha; and Turffontein corridors	100% completion of SAFs for Empire-Perth; Louis Botha; and Turffontein corridors (3 SAFs) (JDA Programme 6)  NMT investments in Soweto, Alexandra, the Empire Perth Corridor and the inner city under construction. (JDA Programme 4)	Target achieved
Rea Vaya BRT roll out (Phase 1C: trunk from Parktown to Alexandra and then Sandton)	% operationalization	100% operationalization	100% operationalization – phase 1 C	Business plan and sustainability study	Detailed design of infrastructure 25% complete and detailed operations design commenced	Detailed design of infrastructure 75% complete	Sections 8 and 15 of Rea Vaya Trunk Route 1C Detailed design 100% complete and construction of first phase at 5% (JDA Programme 4)	Target exceeded

IDP programme	Key Performance Indicator (2013/16)	2013/16 IDP target	2013/16 SDBIP target	Baseline	2013/14 IDP target	2013/14 SDBIP target	2013/14 Achievement as reported by the JDA	Reason for variation
Implementation of the Inner City Road Map			100% of planned work completed per schedule to improve mobility within the Inner City	Inner City Charter <i>Inner City Road Map Implementation Plan</i>	Refurbishment of Noord Street market.  -Eloff Street Linear Market	Refurbishment of Noord Street market.	Noord Street Market construction completed as planned in the Commuter Links project. (JDA Programme 1)  Detailed design completed for Eloff Street intervention through African Food and Culture Hub project. (JDA Programme 1)	Target exceeded

## SECTION 3: PERFORMANCE BY PROGRAMME

Set out below is a report of JDA's performance against its KPIs for 2013/14. The report analyses the performance of JDA in terms of its performance scorecard, measuring performance in terms of both JDA's service delivery mandate and financial and other resource management processes.

Targets are agreed between JDA management, the Board and the CoJ acting through Development Planning and Urban Management (DPUM), and are developed with the aim of improving JDA's performance and efficiency and achieving longer-term goals that have been set for specific developments, such as area based revitalisation.

Key indicators, such as jobs created and capital expenditure to date, are measured and verified by independent (third party) quantity surveyors or project managers for each of JDA's developments. With regard to job opportunities created in terms of the Expanded Public Works Programme (EPWP), CoJ's Economic Development Department undertakes independent verifications of JDA's reported job numbers on a monthly basis.

The key performance indicators (KPIs) set for each JDA substantive programme were:

- Capital expenditure against budget
- Construction progress against target
- Economic empowerment measures, including number of short-term job opportunities created, BBBEE spend commitment as a percentage of total procurement (CAPEX) and SMME spend commitment as a % of total spend (CAPEX)
- Productive development partnership measures, including positive media reports and number of tours or stakeholder events.

For each programme, the KPIs are illustrated as follows:

### Key to indicators:

- Target achieved (at least 75% rating)
- Target partially achieved (at least 50% rating)
- Target not achieved (<50% rating)

Please note that operating expenditure is not reported per programme, but general commentary on operating expenditure against target for the JDA as a whole is provided in the financial review.

## Programme 1: Inner City Transformation

**Programme purpose:** Manage the development of Johannesburg's inner city through capital investment in selected areas; by overseeing integrated investment by other departments and entities; and by facilitating partnership initiatives.

This programme supports the DDP's Sustainable Human Settlements Priority Programme for 2013/14, and strives for inner city transformation through the application of transit-oriented development principles and strategies to improve liveability. The inner city is the primary transit node of Johannesburg, with over one million people moving through it every day (2011 estimate).

Guided by the CoJ's Inner City Transformation Roadmap (ICTR), JDA will focus on strengthening the position of the inner city as a critical business and residential node and the primary gateway to transit networks for the CoJ; financial services networks for the City region; and cross-border trade networks for the African continent. The programme will be implemented in phases aimed at strengthening inner city precincts, addressing movement challenges, and improving the quality of the built environment across the inner city.

The ICTR is the CoJ's statement of intent for transforming the inner city of Johannesburg. It is a framework that recognises the central role of the inner city as an entry point and a place of opportunity for many, including the poor. The inner city continues to be a meeting point for diverse cultures, as scores of individuals aspire to create a livelihood and find a foothold in the heart of Johannesburg. Through the ICTR, the City and multiple stakeholders can collectively pursue the vision of the inner city as 'A place of opportunity: a well-governed, transformed, safe, clean and sustainable inner city of Johannesburg, which offers high quality, sustainable services; supports vibrant economic activity; and provides a welcoming place for all residents, migrants, commuters, workers, traders, investors and tourists.'

The programme includes elements of transit-oriented node and corridor development. Precinct developments are designed to respond to local conditions, needs and advantages, and to achieve economic, social and sustainable development outcomes.

The transit precincts that are being developed in the inner city are the Park Station Precinct and the Westgate Station Precinct. Beyond these nodes, there are a number of precinct and corridor projects that are intended to improve the productivity, inclusivity and liveability of the inner city as a safe, clean and sustainable neighbourhood that serves its growing population. These are the Hillbrow Tower Precinct, and the Inner City Public Places Challenge.

JDA's Business Plan identified six area-based developments under Programme 1 in 2013/14, and in the mid-year adjustment a number of technical assistance projects were identified to be implemented on behalf of client departments and entities. The six developments had a total capital budget of R90 million in 2013/14, which is funded through the inner city upgrading capital allocation on the budget of the Department of Development Planning.

Implementing agency assignments include the construction of an Intelligent Operations Centre for Emergency Management Services, demolition of the Kazerne Parkade for transportation, implementation of capital works projects for the National Department of Arts and Culture in Newtown, and implementation of a public artwork on Beyers Naude Square for the Directorate of Arts, Culture and Heritage. These new technical assistance projects are valued at R36.8 million.

## Performance against KPIs

Key Performance Area	Key Performance Indicators	Baseline (2012/13)	2013/14 Business plan target	2013/14 Mid year adjustment Target	2013/14 Actual	Actual / target	2013/14 Achievement score
<b>Programme 1: Inner city transformation</b>							
<b>Programme purpose: Manage the development of the Johannesburg inner city through capital investments in selected areas, by overseeing integrated investments by other departments and entities, and by facilitating partnership initiatives</b>							
Programme 1: Capital expenditure	Programme 1: % of Capital budget spent for the year to date	100%	100%	100%	82%	82%	●
Programme 1: Operating expenditure	% of operating budget spent (cumulative for the year)	100%	100%	100%	-	-	
Programme 1: Construction progress per quarter		95%	100%	100%	73%	73%	●
Programme 1: Construction progress for the inner city transformation programme		90%	100%	100%	76%	76%	●
Construction progress per project	JDA056 Park Station: Commuter links	100%	100%	100%	100%	100%	●
	JDA059 Park Station: Transnet Land/ Metro Park (land purchase)	80%	100%	100%	0%	0%	●
	JDA072 Park Station: African food and culture hub	NA	100%	100%	100%	100%	●
	JDA033 Westgate Station precinct	100%	100%	100%	100%	100%	●
	JDA035/6 Hillbrow Tower Precinct	NA	100%	100%	100%	100%	●
	JDA068/2 Public places challenge Round 2	NA	100%	100%	80%	80%	●
Programme 1: Construction progress for the inner city technical assistance project		0%	0%	100%	67%	67%	●
Programme 1: Economic empowerment	Number of short-term EPWP job opportunities created in the inner city (number of individuals employed in the quarter)	392	720	1 014	482	48%	●
	BBBEE procurement spend commitment as a % of total capex procurement	70%	100%	100%	113%	113%	●
	SMME procurement spend commitment as a % of total capex procurement	NA	25%	25%	24%	96%	●
Programme 1: Productive development partnerships	Positive media reports as a % of the total number of media reports on the JDA in the Johannesburg Inner City	>90% positive stories	>90% positive stories	>90% positive stories	93%	100%	●
	Number of inner city tours hosted by JDA	6	6	6	12	200%	●

The capital expenditure target of 100% by the end of the fourth quarter was not achieved.

Programme 1 spent 82%, or R98 million of the budget of R127 million by the end of June 2014. Two projects did not achieve the budgeted expenditure: the offer to purchase the Transnet Land sites was not accepted by the Board of Transnet, hence this payment was not made; and the Newtown capital works budget was withdrawn by the National Department of Arts and Culture after its mid-year adjustment. All other projects achieved close to 100% expenditure.

In the course of the year it became clear that it was not meaningful or worthwhile to report on operating expenditure at the programme level. Instead this is discussed in the financial performance section for the organisation as a whole.

Overall, a construction progress rate of 73% was achieved, against the target of 100% completion of works. The underachievement can be attributed to the Transnet Land and Newtown projects, which did not progress as planned. The construction progress target for the programme as a whole is described as being reported per quarter. However, this is a cumulative indicator that builds up to a target of 100% of planned construction works to be completed by the end of the financial year. The individual projects are aggregated into the portfolio and programme categories by calculating a weighted average on the basis of the project's contribution to total capital budget. In Programme 1 this contribution is as follows:

Programme Category	Project name	Capital budget	Contribution to programme
Programme 1: Capital expenditure		126 750 000	
Of which:			
Programme 1: Capital expenditure (DP inner city transformation budget)		90 000 000	71% of programme
Of which:			
	<i>JDA056 Park Station: Commuter links</i>	12 000 000	13%
	<i>JDA059 Park Station: Transnet Land/ Metro Park (land purchase)</i>	20 000 000	22%
	<i>JDA072 Park Station: African food and culture hub</i>	3 000 000	3%
	<i>JDA033 Westgate Station precinct</i>	40 000 000	44%
	<i>JDA035/6 Hillbrow Tower Precinct</i>	5 000 000	6%
	<i>JDA068/2 Public places challenge Round 2</i>	10 000 000	11%
Programme 1: Capital expenditure (EMS and other budgets)		36 750 000	29% of programme
Of which:			
	<i>Intelligent Operations Centre (year 1)</i>	15 000 000	41%
	<i>Kazeme Parkade demolition</i>	9 000 000	24%
	<i>Newtown capex projects (year 1)</i>	12 000 000	33%
	<i>Beyers Naude memorial</i>	750 000	2%

A total of 482 local construction jobs was created in this portfolio, which is less than half of the targeted 1 014 jobs for the year. The limited number of jobs created is largely because of accelerated construction programmes due to delayed starts on many of the projects. This can be mitigated through more disciplined project management in the future.

The quarterly breakdown of this indicator for Programme 1 is as follows:

	Q1 target	Q1 actual	Q2 target	Q2 actual	Q3 target	Q3 actual	Q4 target	Q4 actual	Additional jobs reported after Q4
Number of short-term EPWP job opportunities created in the inner city (number of individuals employed in the quarter)	44	79	97	52	501	172	373	145	34

In the Q4 report we made it clear that the jobs reported excluded construction workers employed in June 2014. These are shown in the last column of the table.

The BBBEE commitment for the 20 active contracts in the Programme 1 portfolio amounts to 115%, which is above target. The BBBEE share of expenditure for all active contracts in Programme 1 will be R72.8 million over the life of these contracts.

SMME procurement spend of 24% for all active contract commitments for the year, was almost on target. This includes the 30% subcontracting requirement in the construction contracts awarded for the Park Station Commuter Links, Westgate Station Precinct, Hillbrow Tower Precinct, Public Places Challenge and Kazerne demolition.

In 2013/14 JDA hosted 12 inner city tours, double the target of 6 tours. The most recent ones were hosted in partnership with the City's Department of Arts Culture and Heritage. Called the 'Blue Plaques Tour', the main aim was to educate stakeholders and showcase Johannesburg's heritage sites.

Programme 1 received significant press coverage during the year, and 93% of this coverage of positive. The only negative media attention was in relation to the eviction of street traders through Operation Clean Sweep in November 2013.

#### Summary of variations against targets and mitigations

Project	Variations between target and actual	Explanation and mitigation
JDA056 Park Station: Commuter Links	Project achieved all targets for the year.	-
JDA059 Park Station: Transnet Land/Metro Park (land purchase)	Expenditure target was not achieved and construction progress was reported as 0% as the land purchase was not finalised.	This resulted from an unexpected decision by the Transnet Board not to accept the offer to purchase that had been negotiated with Transnet Management. New land availability agreements will now have to be concluded.
JDA072 Park Station: African Food and Culture Hub	The project progressed according to plan in terms of capital expenditure and construction progress for the year. No construction jobs were created in this phase as the construction work was limited to site establishment in 2013/14.	-
JDA033 Westgate Station Precinct	Project achieved all targets for the year.	-
JDA035/6 Hillbrow Tower Precinct	The project progressed a little slower than planned. No construction jobs were created in this phase as limited construction work was undertaken by the end of June.	Delays in finalising the detailed designs and contractor procurement were due to public consultations and delays in obtaining approvals from shareholder departments and entities. The construction programme will continue into 2014/15 and the planned works will be completed.
JDA068/2 Public Places Challenge Round 2	The project achieved expenditure targets, but construction progress was at 80% of planned work by the end of June 2014.	There was a delay in getting approval for way leaves and overall late implementation commencement. Expenditure shortfalls were mitigated by purchasing building material for work to be completed in 2014/15.
<b>Technical Assistance Implementing Agreements</b>		
Intelligent Operations Centre (year 1)	Project achieved all targets for the year.	-
Kazerne Parkade Demolition	Project achieved targets for the year.	-

Project	Variations between target and actual	Explanation and mitigation
Newtown CAPEX Projects (year 1)	No implementation was achieved as funding was withdrawn.	Despite initial budget confirmation from the Department of Arts and Culture, the funding was withdrawn after the mid-year adjustment.
Beyers Naude Memorial	Project achieved targets for the year	-

## Expenditure Overview

### Expenditure explanations for Programme 1: Inner City Transformation

	Budget (Business Plan)	Budget (Mid-year adjustment)	Actual Expenditure	Explanation of Variations
<b>Inner City Upgrading (Department Of Development Planning)</b>				
JDA056 Park Station: Commuter Links	12 000 000	12 000 000	12 188 146	Previous financial year commitments carried over to new financial year.
JDA059 Park Station: Transnet Land/Metro Park (land purchase)	20 000 000	20 000 000	0	Transnet Board did not approve acceptance of offer to purchase. Transaction could not be concluded. New land availability agreements will be made.
JDA072 Park Station: African Food and Culture Hub	3 000 000	3 000 000	3 000 000	No variation, project to be implemented in two financial years, 2013/14 and 2015/16
JDA033 Westgate Station Precinct	40 000 000	40 000 000	40 099 576	Previous financial year commitments carried over to new financial year.
JDA035/6 Hillbrow Tower Precinct	5 000 000	5 000 000	5 000 000	No variation, project to be implemented over 2013/14 and 2015/16.
JDA068/2 Public Places Challenge Round 2	10 000 000	10 000 000	10 105 900	Previous financial year commitments carried over to new financial year.
<b>Technical Assistance Implementing Agreements</b>				
Intelligent Operations Centre (year 1)	0	15 000 000	14 814 473	JDA fee still to be added to expenditure. Saving of ±R185 527 expected.
Kazerne Parkade Demolition	0	9 000 000	11 163 221	Budget adjustment by client (Department of Transport).
Newtown CAPEX Projects (year 1)	0	12 000 000	0	Budget withdrawn by client (National Department of Arts and Culture).
Beyers Naude Memorial	0	750 000	520 000	Budget adjusted by client (Directorate of Arts, Culture and Heritage).

## Progress on Projects

### Park Station Precinct

The Park Station Precinct is the primary transit interchange in the City region, with over one million commuters passing through this precinct each day as rail, bus or taxi passengers. The Park Station Precinct is a busy and vibrant part of the inner city. It has significant problems with congestion (both vehicular and pedestrian), conflict between people and vehicles, and conflict between informal traders, pedestrians and retailers. A number of urban management issues can be addressed through environmental design. Priorities include the reduction of crime, safe play spaces for children, more green space, markets for informal traders, managed parking, more taxi facilities, public toilets, and safe walking space for pedestrians and cyclists.

JDA managed three projects in the Park Station Precinct in 2013/14, namely the Inner City Commuter Links Project; Metro Park/Transnet Land Project; and the African Food and Culture Hub Project.

#### **Inner City Commuter Links Project**

This project is halfway through a six-year budget allocation. The work for the reporting period was the continuation of the public environment upgrade project along Noord Street, between Twist and Klein Streets, and from Wanderers to Park Station. In addition, a linear market will be created along King George Street between Noord and De Villiers Streets. The construction work on this phase of the project is complete and expenditure amounted to almost 100% of budget, with a small saving of approximately R6 000. SMME subcontractors undertook more than 30.2% of the value of all works. These subcontractors include cleaning, security and transport services, as well as some SMME construction companies that worked on paving and drainage components of the project. At least 29 local construction workers were employed by the contractor during April and May of 2014.

#### **Metro Park/Transnet Land Project**

The project involves the development of a large-scale park along the railway line in the inner city, using a phased approach, and the development of an international transit and shopping centre on a strategic site near Park Station that is assembled from properties owned by CoJ, Transnet and the SA Post Office. The complete allocation of R20 million for 2013/14 was intended to be spent on purchasing land from Transnet for the Metro Park. The offer to purchase was presented to Transnet, but it had not accepted the offer by the end of June 2014. This means that the R20 million is recorded as a saving for 2013/14. The demolition of the Kazerne Parkade is complete, and the site is ready for development as a shopping and transit centre in 2014/15.

#### **African Food and Culture Hub Project**

The project was developed during the 2013 Business Plan consultations to capture the public imagination through JDA's development works in the inner city. The Executive Mayor at the time expressed a need to capitalise on the role of Park Station as a gateway to Africa by creating a welcoming public place that is a celebration of African food and culture.

The purpose of this project is to identify, brand and facilitate the development of a new public space that is surrounded by appropriate restaurants and shops that reflect a range of African cultures. The detailed design work and implementation of identified upgrade initiatives will be phased over two financial years, commencing in 2013/14.

In 2013/14 JDA spent almost R3 million on detailed designs, community participation processes, stakeholder negotiations and site establishment to upgrade the public environment to develop the vision of the project, including the development of a design pavilion.

In 2014/15 the bulk of the public environment upgrade work will be done, along with a series of activation events such as exhibitions and shows in the African design pavilion.

### *Westgate Station Precinct*

The Westgate Station Precinct is located in the south-western corner of the Johannesburg inner city and is characterised by a multimodal public transport interchange. It includes the Westgate train Station that is owned and operated by the Passenger Rail Agency of South Africa (PRASA), two BRT stations, a mini-bus taxi rank, and holding facilities for Metrobus, as well as privately-owned national long distance buses and cross-border buses. The precinct is also strategically located south of the Newtown Cultural Precinct, west of the Main Street Mall upgrade, and adjacent to the Chinatown and Diagonal Street upgrades carried out by JDA in previous years.

The transport interchange is surrounded by several large parcels of vacant and underdeveloped land, which are mostly privately owned. Some of the owners are identified as Standard Bank for Ussher Site, iProp Limited for the land north-east and west of the Crown Interchange, and the Johannesburg Land Company for the land to the west of the Zurich Insurance Building. The development lease for the Westgate Station has been awarded and the building plans have been submitted to the City of Johannesburg for approval, with construction intended to start in 2014.

The third phase of work with a budget of R40 million was completed in 2013/14. This phase involved the continuation of the public environment upgrade project along selected streets within the precinct, with the focus being on the upgrade of the Westgate Rank. Given the strategic nature of the Westgate node, an in-depth planning exercise was undertaken to ensure sensible changes to the rank. The role of Westgate in the overall inner city taxi and bus transport system had to be considered in terms of the longer-term strategic planning for public transport facilities contained in the framework of the Inner City Transport Study.

Road upgrades were implemented, including paving of sidewalks, kerbing, resurfacing and road marking, storm water inlets, installation of new street furniture (including benches, bins, bollards, and signage), planting of trees, and installation or upgrading of street and pedestrian lighting.

Interventions also included road narrowing to make more space for pedestrians; widening, signalled intersections, directional changes to reduce traffic congestion, and possible new parking and loading arrangements. The upgrade of the Westgate Rank includes reconfiguration of access and egress, new paving, kerbing, resurfacing, road markings, storm water, street furniture, lighting, a formal trading area for informal traders, and the construction of a new ablution block.

All construction work has been completed. To date, SMME subcontractors have completed work to the value of almost 33.7% of the budget (mostly paving). More than 116 local construction workers were employed, and almost 100% of the budget for the year has been spent, with a small saving of about R31 000.

### *Hillbrow Tower Precinct*

Hillbrow is a well-known neighbourhood in the inner city of Johannesburg. The inner city skyline is dominated by the Hillbrow Tower, with its silhouette as a key feature in most graphic images of Johannesburg (including the City of Johannesburg's logo). This densely developed part of the City has always played a role as a reception area for new immigrants. Hillbrow has a reputation as an area that is unsafe and plagued by social problems relating to overcrowding, crime, prostitution and drug dealing.

As part of the Inner City Charter commitments between 2007 and 2012, the City of Johannesburg invested almost R150 million through JDA in Hillbrow, Berea and Yeoville in 2007/08. The work included improving the sidewalks, kerbs and lighting and planting of trees along key streets, as well as the upgrade of five parks (Pieter Roos, Donald Mackay, JZ De Villiers, Alec Gorshel, and Le Roith) and the installation of public artworks. The following year, the Ekhaya Neighbourhood Park was developed and Pullingerkop Park was upgraded.

The Inner City Transformation Roadmap of 2013 recognises Hillbrow's importance as a development node, and recommends that the area-based development approach should be continued in order to make the area more liveable and sustainable. In 2013/14 JDA began a new area-based development in the Hillbrow Tower Precinct, which includes capital works to strengthen pedestrian connections, accommodate art traders, upgrade recreation facilities and improve safety.

In 2013/14 a budget of R5 million was allocated to the development of a design plan for the precinct and to commence with the implementation of identified initiatives along selected streets within the precinct. The professional team completed detailed designs for the initial construction phase and the planned construction for this phase was completed. Construction will continue without pause into 2014/15.

It is encouraging to see that the Hillbrow North property owners have mobilised in anticipation of JDA's development work, and are establishing a new Ekhaya Neighbourhood North. They will be involved in the public participation phase as one of the key stakeholders.

### *Inner City Public Places Challenge*

In the last 11 years, JDA has played a strategic role in investing municipal funds in capital works projects that facilitate private investment in key areas in the inner city. In all JDA developments, partnership with private property owners, investors, businesses and residents is an integral part of the development approach. These collaborations are usually built around neighbourhood development plans with medium- to long-term delivery timeframes. But there are examples of smaller partnership projects where JDA has co-invested with private stakeholders within the framework of a management agreement within a public space.

In 2012/13 JDA committed to three co-funded public environment projects: one which is in partnership with the Braamfontein Improvement District to upgrade the Braamfontein alleyways; one with Propertuity to upgrade streets in the Maboneng Precinct; and one with Lionshare Properties to upgrade streets in the Hotel Precinct. The Hotel Precinct upgrade was started in 2013/14 at a cost of about R2.5 million.

The second round call for proposals from private partners resulted in the identification of projects in Hillbrow, and the core inner city. A further project was identified in the greater Ellis Park neighbourhood for implementation in 2014/15. Initial construction work to the value of R10 million was completed in 2013/14, which is 80% of the planned construction works for the year, and the full extent of the work will be completed in 2014/15.

### *Technical Assistance Projects*

In addition to the projects identified in its Business Plan, JDA is the implementing agent for a project to design a central control unit for Emergency Management Services; and to do a feasibility study for the refurbishment of the Council Chambers at the Metro Centre for the Office of the Speaker. IBM was appointed to provide the ICT solutions for this project, and a team is working on defining user needs for the property development that will be required.

JDA has also been appointed as the implementing agent for the design and installation of a monument on Beyers Naude Square on behalf of the Directorate of Arts, Culture and Heritage. The contract for the curatorship of this work was included in the construction contract for the Inner City Public Places Challenge. Design and public participation are under way, and production and installation will take place in 2014/15.

### *JDA's Co-ordination and Facilitation Role in the Inner City*

JDA plays a supporting role for the Department of Development Planning (DDP) and Community Relations and Urban Management (CRUM) to ensure co-ordinated implementation of the Inner City

Transformation Roadmap. In particular, JDA convenes the Infrastructure Investment Co-ordination Committee, and will report to the Inner City Councillor's Forum and Roadmap Partnership Forum once established.

At development level, JDA convenes the following consultative forums: Westgate Stakeholder Forum; Park Station Stakeholder Forum; and the Hillbrow Tower Precinct Stakeholder Forum. All these forums are intended to ensure that stakeholders are aware of the development vision for the area and that investor confidence is raised. This is particularly important in the Park Station Precinct to achieve the retail strategy for the African Food and Culture Hub.

JDA maintains a number of City Improvement District (CID) partnerships across the inner city, in particular in Newtown and Ellis Park. It also maintains and monitors existing management agreements with private partners for the Ekhaya Neighbourhood Park, Kerk and Joubert Street Markets, Braamfontein Alleyways, and Maboneng.

Property development facilitation in the inner city includes the purchase of Transnet land, development of the Kazerne Parkade property as an international transit and shopping centre, Pikitup's Selby Depot, the Bertrams Priority Block, and various Newtown properties.

## **Programme 2: Transit-oriented Node Development (TOD)**

**Programme purpose:** Manage the development of strategic transit nodes through capital investments; by overseeing integrated investment by other departments and entities; and by facilitating partnership initiatives.

The TOD Programme aims to reshape land use patterns and to promote new mobility systems and mass public transport use to strengthen the position of the inner city as a critical business and affordable residential node and the primary gateway to transit networks for the CoJ, province and the rest of the continent.

The programme involves targeted investment in transit nodes such as Gautrain stations, commuter rail stations, BRT stations and key taxi facilities. In addition to public investment, the development of transit-oriented precincts requires substantial development facilitation to re-orientate property values and land use towards agglomerated and high intensity uses and functions (including high density, affordable housing and suitable office and retail activities).

This is a medium-term programme developed as an IDP sub-programme for the Sustainable Services Cluster, and is highlighted in the DDP's Sustainable Human Settlements Priority Programme for

2013/14. JDA's role in this regard is to support the DDP in planning, facilitating, and implementing public environment upgrading and bulk infrastructure projects that support more intensive private investment, encourage pedestrian movement and the use of public transport, and provide community facilities and amenities for significantly larger and higher density residential populations.

A number of priority TOD precincts have been identified as JDA developments, including:

- Transit precincts in established corridors, such as the Nancefield Railway Station Precinct, Orlando East Station Precinct, and Jabulani Node along the commuter railway line in Soweto
- Transit precincts on the new BRT corridors such as the Empire–Perth, Alexandra–Randburg, and Louis Botha trunk routes. The key development areas are Alexandra, and the Randburg CBD.

The JDA Business Plan identified four developments under Programme 2 in 2013/14, and two technical assistance projects to be implemented on behalf of the DDP.

In the mid-year adjustment for 2013/14 the Nancefield budget was reduced by R35 million, to be spent at a later stage, because of delays in town planning applications that will affect the bulk infrastructure construction timeframes; and an additional R7 million was allocated to Jabulani. Implementation plans were fast-tracked to use this additional funding within the financial year. New technical assistance projects were assigned to JDA as the implementing agent, including Automotive Cluster Projects in Bambanani and Alexandra, and the building of a Rehabilitation Centre and Community Centre on behalf of the CoJ Department of Community Development.

Three Strategic Area Frameworks (SAFs) for the two BRT corridors and Turffontein were finalised and projects for intervention were identified. It is anticipated that future TOD precincts will be identified through the SAFs currently being prepared.

## Performance against KPIs

Key Performance Area	Key Performance Indicators	Baseline (2012/13)		2013/14 Target	Q4 Actual	Q4 Actual / target	Q4 Achievement score
<b>Programme 2: Transit oriented node development</b>							
<b>Programme purpose: Manage the development of strategic transit nodes through capital investments, overseeing integrated investments by other departments and en</b>							
Programme 2: Capital expenditure	Programme 2: % of Capital budget spent (cumulative for the year to date)	100%	100%	100%	93%	93%	●
Programme 2: Construction progress per quarter		100%	100%	100%	95%	95%	●
Programme 2: Construction progress for the USDG transit node programme			100%	100%	100%	100%	●
Construction progress per project	JDA069 Nancefield Station Precinct	100%	100%	100%	100%	100%	●
	JDA070 Jabulani Node	100%	100%	100%	100%	100%	●
	JDA048 Orlando East Station Precinct	100%	100%	100%	100%	100%	●
	JDA 019/02 Randburg Civic Precinct	100%	100%	100%	100%	100%	●
Programme 2: Construction progress for the NDPG and Comdev projects			100%	100%	60%	60%	●
Completion progress per project	Automotive cluster projects	NA	0%	100%	23%	25%	●
	Comdev projects	NA	0%	100%	100%	100%	●
Programme 2: Economic empowerment	Number of short-term EPWP job opportunities created in the transit nodes number of individuals employed)	NA	580	324	110	34%	●
	BBBEE procurement spend as a % of total capex procurement	70%	100%	100%	113%	113%	●
	SMME procurement spend as a % of total capex Procurement	25%	25%	25%	27%	108%	●
Programme 2: Productive development partnerships	Positive media reports as a % of the total number of media reports on the JDA in the TOD precincts	>90% positive stories	>90% positive stories	>90% positive stories	100%	100%	●
	Number of transit node tours hosted by JDA	2	2	2	4	200%	●

The capital expenditure target of 100% for the year was almost achieved as the programme spent 93% of the total budget by the end of June 2014 (R43.5 million of the total budget of R46.3 million). The only significant underspending was in terms of the Automotive Cluster Projects.

As in Programme 1, JDA has reported operating expenditure in a consolidated way for the organisation as a whole.

Two projects had construction targets for 2013/14: Nancefield is 50% complete, and Jabulani is 48% complete. These construction projects are multi-year projects so construction will continue without pause into 2014/15. The construction work planned for 2013/14 was completed as planned (and is reported at 100% for the year). Both projects will be completed in full by December 2014.

The construction progress target for each programme as a whole is described as being reported per quarter. However, this is a cumulative indicator that builds up to a target of 100% of planned construction works to be completed by the end of the financial year.

The individual projects are aggregated into the portfolio and programme categories by calculating a weighted average on the basis of the project's contribution to total capital budget. In Programme 2 this contribution is as follows:

Programme Category	Project name	Capital budget	Contribution to programme
Programme 2: Capital expenditure		<b>46 300 000</b>	
Of which:			
Programme 2: Capital expenditure (USDG budget)		<b>40 500 000</b>	88% of programme
Of which:	<i>JDA069 Nancefield Station Precinct</i>	25 000 000	61%
	<i>JDA070 Jabulani Node</i>	12 000 000	30%
	<i>JDA048 Orlando East Station Precinct</i>	1 000 000	3%
	<i>JDA 019/02 Randburg Civic Precinct</i>	2 500 000	6%
Programme 2: Expenditure (NDPG and Comdev)		<b>5 800 000</b>	12% of programme
Of which:	<i>Automotive cluster projects</i>	3 000 000	52%
	<i>Comdev projects</i>	2 800 000	48%

The programme achieved 110 local construction jobs against a target of 324 for the year. The limited number of jobs is largely due to the short construction programmes resulting from a late start on the two projects in construction and this underperformance can be mitigated through more assertive project management to ensure that the target is achieved.

The quarterly breakdown of this indicator for Programme 2 is as follows:

	Q1 target	Q1 actual	Q2 target	Q2 actual	Q3 target	Q3 actual	Q4 target	Q4 actual	Additional jobs reported after Q4
Number of short-term EPWP job opportunities created in the transit nodes (number of individuals employed)	29	0	60	0	80	50	155	60	0

The BBBEE allocation for the 45 active contracts in the Programme 2 portfolio amounts to 113%. SMME procurement achieved a contract commitment of 27% of the total value of active contracts against a target of 25% for the year.

Four tours were conducted to Programme 2 projects exceeding the target of two tours for the year. The transit precinct developments were mentioned in news articles that focussed mostly on the development potential in Randburg CBD. All of these media reports were positive.

## Summary of variations against targets and mitigations

Project	Variations between target and actual	Explanation and mitigation
JDA069 Nancefield Station Precinct	Project is behind target in terms jobs created.	Delays in the detailed design phase were largely due to scheduling works on infrastructure connection services in co-ordination with Joshco and Gauteng Province Housing Developments. The budget was reduced in the mid-year adjustment to make up for some of the delays, and steps have been taken to speed up town planning application processes. Construction targets for 2013/14 have been achieved for June 2014 and the project will be completed by December 2014. Fewer jobs were created due to accelerated construction programmes.
JDA070 Jabulani Node	Project is behind target in terms jobs created.	Slow procurement and detailed designs as a result of competing needs and priorities amongst stakeholders. Steps have been taken to negotiate the phasing of implementation to prioritise storm water infrastructure ahead of public environment upgrading interventions. Construction will continue into 2014/15 with the completion date in December 2014.
Automotive Cluster Projects	The focus was on planning and design work therefore no construction work was planned.	Two separate professional teams have been appointed and progress has been made in detailed designs. Final outputs were delayed due to land availability issues at Bambanani and an outstanding legal issue at Alexandra. The medium-term budget allocation for 2014 MTREF will allow both projects to be completed by 2016/17.
Social Development Projects (Previously Community Development)	JDA was appointed by CoJ Social Development to manage the planning and implementation of two projects. In the first year (2013/14) the output was to complete detailed designs for implementation in 2014/15. Detailed designs have been concluded for the Golden Harvest Rehabilitation Centre, but the Yetta Nathan Community Centre was only taken to concept and costing stage. Any further work was halted when it became clear that the capital budget allocation was inadequate to build both projects.	During the detailed design phase, JDA will proceed with the planning and implementation of the Golden Harvest Rehabilitation Centre. A professional team was appointed and the concept designs have been approved by Social Development. Construction work will begin early in 2014/15 to implement the project in a phased approach over two years.

## Expenditure Overview

### Expenditure explanations for Programme 2: Transit-oriented Node Developments

	Budget (Business Plan)	Budget (Mid-year Adjustment)	Actual Expenditure	Explanation of Variations
<b>Urban Settlements Development Grant</b>				
JDA069 Nancefield Station Precinct	60 000 000	25 000 000	25 056 202	Previous financial year commitments carried over to new financial year.
JDA070 Jabulani Node	5 000 000	12 000 000	11 878 771	Project expenditure as planned.
JDA048 Orlando East Station Precinct	10 000 000	1 000 000	1 000 000	No variation.
JDA 019/02 Randburg Civic Precinct	2 500 000	2 500 000	2 435 800	Project expenditure as planned.

<b>TA Implementing Assignments</b>				
Automotive Cluster Projects	-	3 000 000	576 213	Land issues on Bambanani Project delayed implementation and expenditure.
Social Development Projects (Yetta Nathan and Golden Harvest Rehab Centres)	16 153 000	2 800 000	2 564 558	Project expenditure as planned.

## **Progress on Projects**

### *Nancefield Station Precinct*

The Nancefield Station Precinct is a flagship TOD project that the City wishes to implement over the medium term. It is one of the projects identified in the Cluster Business Plan as part of the TOD sub-programme, with the aim of creating 'a restructured space economy that gives poor households better access to well-located accommodation, jobs and markets; optimised land use and energy consumption; and improved living standards and mobility for large numbers of people in well serviced and managed transit neighbourhoods.'

The development concept for the precinct was approved by Council in July 2010, and identifies the area as extremely suitable for high density residential accommodation that complements the public transport facilities in the area. The vision is for a transformed area, with the vacant and underutilised land parcels developed with higher density housing and supporting social facilities; development opportunities that will attract private sector investment, including business development; an emphasis on transit-oriented development with Nancefield Station as the focal point within a safe, walkable environment.

In 2013/14, the implementation focus was on bulk services installation and street upgrades, including completing the public environment upgrade along Tsolo Road; implementing some road upgrades/new roads within the precinct; construction of community facilities; and the installation of bulk infrastructure, i.e. storm water, sewerage, portable water and electrical infrastructure, to support all public and private developments within the precinct.

The detailed designs for the 2013/14 construction work were finalised and the construction tender awarded. Construction progress was recorded at 50% of the planned works for the multi-year project. This is on target for the year, and construction will continue into 2015.

### *Jabulani Node*

The City wishes to implement the Jabulani Node over the medium term. This project is identified in the Cluster Business Plan as part of the TOD sub-programme, and the vision is for a transformed area; with the vacant and underutilised land parcels developed with higher density housing and

supporting social facilities; development opportunities to attract private sector investment, including business development; an emphasis on transit-oriented development with Jabulani Station as the focal point of a safe, walkable environment. There is a need to integrate key properties, such as the Jabulani Mall and the new Soweto Theatre, to create a vibrant activity hub that is a destination within the Gauteng region.

JDA was allocated a budget of R12 million for 2013/14, R15 million for 2014/15 and R18.5 million for 2015/16 to implement priority interventions to support all the private developments in the area. Project implementation will focus on catalytic public environment upgrade interventions, with the following being the priorities:

- **Bolani Link Road Public Environment Upgrade:** This project involves the implementation of the complete street design within the area in order to facilitate pedestrian and public transport movement within the Jabulani Precinct. The project will include cyclist infrastructure (sidewalks) to accommodate all modes of transport.
- **Inhlazane Station Link:** This project is a combination of a public environment and infrastructure upgrade in order to link the Jabulani Precinct with the nearby station.
- **Cultural Precinct:** This project involves amphitheatre, play area and public environment upgrades to support the Soweto Theatre.

During the reporting period, the detailed designs for the construction work in Jabulani were completed and approved. The construction tender was awarded and construction progress is at 48% of the planned works for multi-year project. The construction programme for 2013/14 was achieved and this phase of works is to be completed in 2015.

The main reason for the delayed start for the construction was delays in the detailed design because of the phasing of the investment in connecting infrastructure in this new transit precinct. The approval for connecting infrastructure depends on the approval of township establishment applications for new housing developments by Joshco and the Gauteng Province. These applications took longer than expected and delayed JDA's design and approval processes. This is a specific exception in JDA's approach, but in future the status of development applications will have to be taken into account in project planning.

### *Randburg CBD*

Despite its potential as a key regional transit node, Randburg CBD continues to function as a mid-level retail and office node, with less than optimal residential land use and limited public amenities. The Randburg CBD has experienced more than two decades of decline and under-development due

to factors ranging from property trends, lack of maintenance (of buildings and the public environment), competition with other retail and office nodes, and relocation of several key government functions. Despite several plans being commissioned and completed, limited success has been achieved in the last decade in turning Randburg around.

The new Randburg Urban Development Framework (UDF), approved by Council in July 2010, cites the lack of consensus and buy-in from stakeholders on key development proposals and the lack of urban management outside of the City Improvement District area as the main reasons for the ongoing decline, as is illustrated by the ongoing legal battle between property owners and the CoJ over the pedestrian bridge across Bram Fischer Drive and the routing of traffic through the central business district (CBD).

In 2012/13 JDA spent R1 million in support of Joshco's Selkirk Street housing development to relocate the Randburg Clinic to the Randburg Civic Building. In 2013/14, JDA completed work on the Randburg Clinic relocation. It also appointed a professional team for the larger capital expenditure programme in 2014/15 and 2015/16, and detailed designs and a project plan progressed well, with EXCO approval granted for the concept design in June 2014.

### *Orlando East Station Precinct*

Area-based regeneration in townships is a priority for the City of Johannesburg and township renewal is critical for development within the framework of its GDS and IDP.

JDA is implementing the Orlando East/Noordgesig Project given its significance from a heritage perspective, its proximity to the Orlando Stadium, its location on the Rea Vaya BRT route, its proximity to JDA's work in Vilakazi Street and the Johannesburg Property Company's substantial Orlando Ekhaya Project.

JDA has done work to the value of R26.5 million in Orlando East Station Precinct since 2009/10, including the upgrading of parking along Mooki Street, construction of a new public square, upgrading of pedestrian infrastructure along Rathebe Street, public environment upgrading in Noordgesig, and improvements to Plantation Square. While these interventions have improved the quality of the public environment, there is little evidence of private investment that will fulfil this neighbourhood's potential as a transit node.

In 2013/14 JDA commissioned a review of the Orlando East/Noordgesig Urban Development Framework, and a new Capital Works Implementation Plan was developed, with detailed designs for

construction beginning in 2014/15. The professional team completed the UDF review, and detailed design work can begin on the construction work in 2014/15.

### *Technical Assistance Projects: Alexandra and Bambanani Automotive Property Developments and Social Development Projects*

In 2013/14 JDA acted as implementing agent for the CoJ Departments of Development Planning and Economic Development to construct Automotive Cluster Property Developments in Alexandra and Ivory Park (Bambanani). The 2013/14 budget for these projects was R3 million. The work will include the design of, and preparations for, the construction of workshop facilities and other appropriate buildings for the Automotive Cluster Developments. Most of the construction will be completed in 2014/15. Professional teams have been appointed for these projects and detailed designs are being prepared. The City of Johannesburg's Directorate of Social Development has appointed JDA to manage its capital works programme for one project in 2013/14 and 2014/15.

The CoJ Department of Social Development appointed JDA to build a drug rehabilitation centre. The construction of the Golden Harvest Drug Rehabilitation Centre, Northwold, in Region C, will take place over three financial years. The requirements are extensive and it is not yet clear whether the allocated three-year budget of R28.3 million is adequate for this construction. A professional team was appointed to do detailed designs and a cost estimate to inform budget adjustments if necessary. In 2013/14 JDA completed the detailed designs and the professional team was appointed to commence with construction in the next financial year.

### *JDA's Co-ordination and Facilitation Role in the Transit Nodes*

JDA will collaborate with the DDP to ensure that infrastructure investment is co-ordinated in all of the development corridors. SAFs have been commissioned for the three priority corridors of freedom: Louis Botha, Empire–Perth and Turffontein. JDA also supports the TOD Co-ordinating Forum to ensure that other delivery agents in the CoJ align their investments with the SAF plans.

At a precinct level, JDA, through its Development Facilitation team, intends to establish stakeholder forums in key areas, including Nancefield, Randburg and Alexandra.

JDA's property development facilitation in the development corridors includes the identification and assembly of strategic property for development by the CoJ; the introduction of value capture systems to ensure that the City achieves revenue increases associated with rising property values in the development corridors; and specific property development deals, including the Randburg Civic property.

### Programme 3: GMS Priority Development Areas

**Programme purpose:** Manage the development of strategic economic nodes in marginalised areas through capital investments; by overseeing integrated investments by other departments and entities; and by facilitating partnership initiatives.

Through this programme JDA will develop activity nodes in priority development areas that shift the design of the City to improve living conditions and create sustainable human settlements. The programme aims to create new economic opportunities, accommodate employment opportunities, and provide access to markets and mass transit services.

Guided by the UDFs prepared in partnership with DDP, JDA implements multi-year township development projects that include the creation of high streets and activity nodes, and the construction and upgrading of strategic amenities such as transit facilities (including taxi ranks), trading infrastructure, libraries, recreation centres, multi-purpose centres, public open spaces and green spaces. Wherever possible, JDA establishes community development partnerships, including partnerships in the retail and housing sectors, to stimulate private property development.

JDA's Business Plan identified two developments under Programme 3 in 2013/14, and a number of technical assistance projects to be implemented on behalf of the CoJ Departments of Housing, Health and Social Development, including a new assignment to develop a Fire Station in Cosmo City for EMS.

The mid-year budget adjustment included additional funding of R20.9 million for Diepsloot as a result of the increase in the NDPG grant from National Treasury. The total technical assistance project budget was R43 million.

## Performance against KPIs

Key Performance Area	Key Performance Indicators	Baseline (2012/13)	2013/14 Business plan target	2013/14 Mid year adjustment Target	2013/14 Actual	Actual / target	2013/14 Achievement score
<b>Programme 3: GMS High priority area development</b>							
<b>Programme purpose: Manage the development of strategic economic nodes in marginalised areas through capital investments, overseeing integrated investments by</b>							
Programme 3: Total capital expenditure	Programme 3: % of budget spent (cumulative for the year to date)	100%	100%	100%	85%	85%	●
Programme 3: Construction progress		0%	100%	100%	64%	64%	●
Programme 3: Construction progress for the USDG priority areas programme		0%	100%	100%	100%	100%	●
Construction progress per project	JDA010 Klieptown Development	100%	100%	100%	100%	100%	●
Programme 3: Construction progress for the NDPG priority areas programme		0%	100%	100%	65%	65%	●
Construction progress per project	JDA046 Diepsloot Development (Ngonyama road upgrade phase 4)	100%	100%	100%	65%	65%	●
Programme 3: Construction progress for the CoJ clinics		100%	100%	100%	62%	62%	●
Programme 3: Construction progress for Human Settlements - Sol Plaatjie		100%	0%	100%	100%	100%	●
Programme 3: Construction progress for Cosmo City Fire Station		NA	0%	100%	0%	0%	●
Programme 3: Economic empowerment	Number of short-term EPWP job opportunities created in the GMS priority areas (number of individuals employed)	84	624	622	424	68%	●
	BBEE procurement spend as a % of total capex procurement	70%	100%	100%	94%	94%	●
	SMME procurement spend as a % of total capex Procurement	25%	25%	25%	48%	192%	●
Programme 3: Productive development partnerships	Positive media reports as a % of the total number of media reports on the GMS priority areas	>90% positive stories	>90% positive stories	>90% positive stories	98%	100%	●
	Number of priority area tours hosted by JDA	1	2	2	2	100%	●
	Impact studies on Stretford and Klieptown	1	2	2	1	50%	●

The capital expenditure target of 100% for the year was not achieved. Programme 3 achieved 85% or R79.4 million of the capital budget of R93.9 million. The projects responsible for under-expenditure include the Diepsloot Development, which achieved R32.3 million against a budget of R40.9 million (as a result of construction delays due to soil conditions and labour unrest); the Cosmo City Fire Station, which achieved expenditure of R1.2 million against a R4 million budget to deliver designs and a more detailed costing for further fund-raising; and the CoJ Clinics projects where R1.3 million was not spent, largely due to the cancellation of the Mountainview Clinic as a result of land ownership problems.

As in the previous Programmes, JDA has reported operating expenditure in a consolidated way for the organisation as a whole.

The construction progress target for each programme as a whole is described as being reported per quarter. However, this is a cumulative indicator that builds up to a target of 100% of planned construction works to be completed by the end of the financial year.

The individual projects are aggregated into the portfolio and programme categories by calculating a weighted average on the basis of the project's contribution to total capital budget. In Programme 3 this contribution is as follows:

Programme Category	Project name	Capital budget	Contribution to programme
Programme 3: Total capital expenditure		<b>92 800 000</b>	
Of which:			
Programme 3: Capital expenditure (USDG budget)		<b>10 000 000</b>	11% of programme
Of which:	<i>JDA010 Kliptown Development</i>	10 000 000	100.0%
Programme 3: Capital expenditure (NDPG budget)		<b>40 900 000</b>	44% of programme
Of which:	<i>JDA046 Diepsloot Development</i>	40 900 000	100.0%
Programme 3: Expenditure (Comdev budget for Clinics)		<b>25 900 000</b>	28% of programme
Of which	<i>Freedom park</i>	2 000 000	7.7%
	<i>Mountainview</i>	3 000 000	11.6%
	<i>Mpumelelo</i>	9 000 000	34.7%
	<i>Slovoville</i>	8 900 000	34.4%
	<i>Ennerdale</i>	1 000 000	3.9%
	<i>River Park</i>	1 000 000	3.9%
	<i>Halfway House</i>	1 000 000	3.9%
Programme 3: Capital expenditure (USDG allocation for Housing)		<b>12 000 000</b>	13%
Of which	<i>Sol Plaatjie</i>	12 000 000	100%
Programme 3: Expenditure (Cosmo City Fire Station)		<b>4 000 000</b>	4.3%
Of which	<i>Cosmo City Fire Station</i>	4 000 000	100.0%

Both area developments and most of the technical assistance projects are in the construction phase at present. Overall construction progress achieved was 64% against a target of 100% for the portfolio. This was largely due to the delays on the Diepsloot Development detailed in the table below. The planned construction for the Kliptown and Sol Plaatjie Developments was completed before the end of the financial year.

The construction work in this portfolio created employment for 424 individuals from the local community during the year against a target of 622. This is largely due to accelerated construction programmes that relied on mechanical construction processes to complete the planned work before the end of the financial year. If delays are avoided early in the project implementation period, then there will be adequate time for labour intensive construction in future.

The quarterly breakdown of this indicator for Programme 3 is as follows:

	Q1 target	Q1 actual	Q2 target	Q2 actual	Q3 target	Q3 actual	Q4 target	Q4 actual	Additional jobs reported after Q4
Number of short-term EPWP job opportunities created in the GMS priority areas (number of individuals employed)	95	21	82	44	58	59	379	184	116

In the Q4 report we made it clear that the jobs reported excluded construction workers employed in June 2014. These are shown in the last column of the table and included in the annual total.

The BBBEE allocation for the forty-five active contracts in the Programme 3 portfolio amounted to 94%. This is close to the target of 100%. SMME procurement resulted in a commitment of 48% of the total contract value being awarded to SMMEs against a target of 25%.

Media reports on the JDA developments in Programme 3 were mostly positive (98%). The articles focused on a number of themes, mainly around development investment within priority areas. The significant investment to be injected into these areas was highlighted as part of the CoJ's 2014 budget speech, which focused on housing, road infrastructure as well as prioritising the development of clinics. The R217.2 million JRA investment in road infrastructure in areas such as Diepsloot and Orange Farm was highlighted in a number of articles. Vilakazi Street and artworks by Samson Mnisi were mentioned in relation to Soweto's cultural diversity. The launch of Slovoville Clinic by the Executive Mayor received positive coverage.

Two tours were hosted by the JDA during the year; the most recent one was a tour to Orange Farm with development practitioners in May 2014.

An updated impact assessment report on Kliptown was written up and published on the JDA's website. A second impact assessment on Orange Farm is also being prepared there were some delays in finalising this report before the end of the financial year, but a draft has been prepared and this will be completed and published in 2014/15.

#### Summary of variations against targets and mitigations

Project	Variations between target and actual	Explanation and mitigation
JDA010 Kliptown Development	Targets for 2013/14 were achieved	-
JDA046 Diepsloot Development	Project is behind target in terms jobs created and construction progress of 65% was achieved against a target of 100% for the 2013/14 phase of work.	Unexpected rock, community protest and labour unrest all contributed to delays in the construction programme.
<b>Clinics</b>		The clinics portfolio of projects achieved 62% construction progress as a result of the delays detailed below. While

Project	Variations between target and actual	Explanation and mitigation
		there are project level remedial actions to be taken to mitigate underperformance in future, it would also be important to get a multi-year commitment from the client department with clear and adequate funding allocations.
Freedom Park	Targets achieved and project completed	-
Mountainview	Project did not commence	This was due to non-availability of land, since the identified site belongs to Province and not CoJ. An alternate site may be identified by the client for future implementation.
Mpumelelo	Project did not achieve the construction progress or job creation targets for the year.	Soil condition results from the geotechnical investigation delayed construction, which resulted in underspending. The implementation is intended to continue in 2014/15 and funding has been allocated.
Slovoville	The project was completed and the facility is operational	-
Ennerdale	The appointed professional team completed the detailed design as planned	-
River Park	The appointed professional team completed the detailed design as planned	-
Halfway House	The roof repair work was accelerated and completed ahead of plan	-
Sol Plaatjie	Additional work was identified and funded through the mid-year adjustment budget	-
Cosmo City Fire Station (year 1)	Partial achievement of deliverables and progress target	The initial scoping and design work resulted in a construction estimate that exceeded the allocated medium term budget. The client (Emergency Management Services) put the project on hold until additional funds can be secured to complete the construction.

## Expenditure Overview

### Expenditure explanations for Programme 3: GMS Priority Development Areas

	Budget (Business Plan)	Budget (Mid-year Adjustment)	Actual Expenditure	Explanation of Variations
<b>USDG</b>				
JDA010 Kliptown Development	10 000 000	10 000 000	9 753 250	Project expenditure as planned.
<b>NDPG</b>				
JDA046 Diepsloot Development	20 000 000	40 900 000	32 272 361	SMME performance and labour unrest on site were major contributors to delays in construction, resulting in under-expenditure, however multi-year budget allocation will not be affected.
<b>Clinics</b>				
Freedom Park	2 000 000	2 000 000		
Mountainview	15 000 000	3 000 000	0	Project did not commence due to non-availability of land, since the identified site belongs to Province and not CoJ.
Mpumelelo	9 000 000	9 000 000	8 216 085	Soil condition results from the geotechnical investigation delayed construction, which resulted in underspending
Zandspruit	1 000 000	0	0	

	Budget (Business Plan)	Budget (Mid-year Adjustment)	Actual Expenditure	Explanation of Variations
Slovoville	11 000 000	8 900 000	11 422 498	Savings from other clinics were redirected to accelerate construction. The project was completed and the facility is operational
Ennerdale		1 000 000	762 532	A professional team was appointed and specialist studies conducted. The team completed the detailed design at a cost lower than estimated
River Park		1 000 000	797 755	A professional team was appointed and specialist studies conducted. The team completed the detailed design at a cost lower than estimated
Halfway House		1 000 000	3 000 000	Client (CoJ Health) requested that roof repairs be prioritised and savings from other clinics were used
<b>USDG (Housing)</b>				
Sol Plaatjie	3 000 000	12 000 000	11 918 066	Project expenditure as planned
Cosmo City Fire Station	0	4 000 000	1 223 165	Delays were due to client instructions. The design concept has been completed, but it is unlikely that the project will continue in 2014/15

## Progress on Projects

### Kliptown Development

The history of development proposals for Kliptown extends at least as far back as the early 1990s. Emergency services were provided to the area and a plan was developed for Kliptown in 1996. In 2001 a new development project was drawn up and this was partially implemented over the next five years. The Greater Kliptown Development Framework (1996) made proposals for boosting Freedom Square as a historical tourism site, with a museum, public spaces, a park and a mix of shops and informal trading.

The Greater Kliptown Development Project, also referred to as the Greater Kliptown Regeneration Development, was established in November 2001 under the auspices of Blue IQ, and JDA was appointed as the implementing agent. The initial impetus for the Kliptown Project was the commemoration of the 50<sup>th</sup> anniversary of the adoption of the Freedom Charter in Kliptown. This commemoration would centre on the architectural upgrading of Freedom Square. The Greater Kliptown Development Project was initiated with the launch of an architectural competition for the design of Freedom Square in April 2002, which was later renamed the Walter Sisulu Square of Dedication (WSSD).

In addition to the WSSD, JDA built a new taxi facility, improved access roads, and facilitated the environmental rehabilitation of the wetlands and the construction of community facilities, including the museum.

In 2010 JDA began a new four-year project to extend public environment improvements to the residential and business areas around the WSSD, at a total cost of R40 million. Work done to date includes:

- Upgrade of the existing Union Pedestrian Bridge and installation of new ramps (pedestrian linkages) across the railway line
- Completion of 600 m of paving and lighting to create a safe pedestrian walkway along the western side of the railway line
- Public environment upgrade of Union Road, Beacon Road, Main Road, 1<sup>st</sup> Avenue, 2<sup>nd</sup> Avenue, 3<sup>rd</sup> Avenue, 4<sup>th</sup> Avenue, Future Road and Affodil Street, Klipspruit Valley Road and the Northern Precinct. The street and sidewalk upgrades were intended to create an improved environment for economic activity in the neighbourhood around the WSSD, create safe public environments for pedestrians walking to public transit services, and improve or rehabilitate basic municipal services such as storm water drainage and street lights
- CCTV installation on and around the WSSD
- Repair of tower mast lights and installation of new cables at the Visitor Centre, and street lights behind WSSD
- Refurbishment of the Study Centre, Crèche, and Community Hall
- Refurbishment of the Youth Centre
- Dual sports facilities (basketball and netball courts)
- Upgrade of the public park
- Upgrade of soccer facility and landscaping at the Visitor Centre
- Artwork commemorating the history of the area.

In 2013/14, JDA completed 97% of this phase of the development with a final investment of R10 million. The focus was on the upgrade of Fifth Avenue, a Union Road complete street intervention including non-motorised transit infrastructure, and the construction of a small park opposite the Soweto Hotel. SMME contractors completed work to the value of 7% of the contract, and 95 local construction workers were employed on the project.

### *Diepsloot Development*

The Diepsloot Township was established in 1994, as a relocation area for informally settled households from Zevenfontein. It was subsequently used to accommodate informal settlers removed from the Alexandra Far East Bank in 1995. Diepsloot covers approximately 5.18 km<sup>2</sup>, and is located on the northern edge of the metropolitan council area, some 40 km from the Johannesburg inner city and 20 km north of Sandton. It is within close proximity of the Fourways Regional Node and the Midrand Corridor. Diepsloot is bordered by the N14 highway to the north and William Nicol to the east, and falls under Region A in the CoJ's administration, comprising Ward 95 and 96.

The CoJ's development programme for Diepsloot aims to establish the area as a socially, economically and environmentally sustainable human settlement that is spatially integrated into the City, with access to basic services and opportunities for social mobility and economic development.

In 2007 the CoJ was allocated a multi-year capital grant through National Treasury's Neighbourhood Development Partnership Grant (NDPG) to the value of R10 million in 2009/10, R46 million in 2010/11, R10 million in 2011/12, R3.5 million in 2012/13, and R20 million in 2013/14. During the reporting period, National Treasury increased the 2013/14 budget to R40.9 million.

By the beginning of the financial year, the following initiatives had been implemented:

- Public environment upgrade of Ingonyama Road, including the entrance to Diepsloot and the government node (2009/10)
- A second phase of public environment upgrading along Ingonyama Road, construction of two pedestrian bridges, upgrading of the taxi rank and construction of commuter links between the bridges and Ingonyama Road through EPWP funding (2010/11)
- Completion of a third phase of public environment upgrading along Ingonyama Road (2011/12)
- Planning and design work for the final phase of the Ingonyama Road extension, including a bridge and community park (2012/13).

The 2013/14 scope of works entailed paving of sidewalks, storm water upgrades and kerbing and road surfacing for 1.3 km, planting of at least 200 trees along roadways, installation of 80 street lights and associated electrical reticulation infrastructure. Only 60% of the Phase 1 construction work was completed due to delays caused by labour unrest on site. To make up for the delays, 5% of the Phase 2 construction work was completed (initially planned for implementation in 2014/15). SMME contractors completed construction work to the value of 8%, and at least 105 local construction workers were employed through the project.

#### *Technical Assistance Projects: CoJ Clinics Programme, Sol Plaatjie Road Construction, Cosmo City Fire Station and Social Development Projects*

The CoJ's Directorate of Health appointed JDA to manage its capital works programme between 2011/12 and 2013/14. In the first year, a professional team was appointed to design a model clinic that could be adapted for any site. Some work was done in preparing two clinic sites for construction, and costing was done for the budget request for future work. In the second year, one clinic was refurbished and three new clinics were completed.

In 2013/14 the CoJ wished to construct clinics in Freedom Park, Mountainview, Mpumelelo and Slovoville. The clinics would offer an improved healthcare environment and access to healthcare

facilities for the communities in which they are located. 20% of the Mpumelelo Clinic was constructed, while the Slovoville and Freedom Park Clinics were completed. The Mountainview project was delayed as a result of the availability of the preferred site. To make up for the delay, preparatory work is being done for the construction of clinics in Ennerdale, River Park and Halfway House. The construction of the Halfway House Clinic has started and is at 37.5% complete. The construction of the other clinics will be undertaken in 2014/15.

The Sol Plaatjie Housing Development was conceived by the Gauteng Department of Housing in the early 2000s. It was ceded to the Johannesburg Social Housing Company via the City of Johannesburg Housing Department at the beginning of 2006. In 2012/13 JDA was requested to take on the role of implementing agent to build road infrastructure on behalf of the CoJ Department of Housing and Joshco. JDA completed Phase 1 of the construction of roads and storm water in Area 1 and Area 2 of Sol Plaatjie.

JDA will facilitate the implementation of the construction of internal roads, associated storm water and attenuation ponds for Sol Plaatjie from 2013/14–2015/16. The CoJ Department of Housing allocated R12 million for this project in 2013/14. Construction progress is at 55% due to the late appointment of the main contractor.

## Programme 4: Greenways

**Programme purpose:** Manage the development of strategic mass transit services and corridors through capital investments; by overseeing integrated investments by other departments and entities; and by facilitating partnership initiatives.

The Greenways Programme is aimed at reshaping land use patterns to promote new mass public transport corridors (including the roll out of BRT infrastructure) and a new network of non-motorised transport infrastructure that promotes walking, cycling and the use of streets as public open spaces (complete streets).

In JDA's Business Plan for 2013/14, Programme 4 is the corridor component of the transit-oriented development approach that is outlined as a strategic priority in the GDS vision and the State of the City Address for 2013. The Rea Vaya BRT service is the key structuring element, and the approach is to develop station precincts at key transit interchanges.

The Medium-term Implementation Plan (2013/14 to 2015/16) has been developed and agreed to by the National Department of Transport and National Treasury (in terms of the grant funding commitment for the medium term), the Mayoral Committee, and JDA's Board of Directors. This plan

includes the construction of dedicated bus ways and bus stations for Trunk Route 1C (which is made up of Sections 8 and 15); the construction of associated infrastructure, including multi-modal interchange facilities, bridges and road upgrades to ensure mobility and access; bus depots and layovers; and associated non-motorised transit infrastructure.

JDA's adjusted budget identified construction work to the value of R388.5 million on Rea Vaya BRT infrastructure, and two technical assistance projects for the Department of Transport to build non-motorised transit (NMT) infrastructure to support the development of the corridors. JDA intended to implement 24 distinct construction projects valued at R516.2 million related to the Rea Vaya BRT through the Portfolio C team. The funding sources for the projects are the Public Transport Infrastructure and Systems (PTIS) grant from the National Department of Transport and capital budgets allocated by the CoJ for non-motorised transport infrastructure and for the Corridors of Freedom. The work will be dominated by the construction of sections 8 and 15, which provide the bus ways and stations for the third trunk route (1C) that connects the inner city with Alexandra (along Louis Botha Avenue) and Alexandra with Sandton (along Katherine Street).

In the mid-year budget adjustment, additional NMT projects were assigned to JDA, including the construction of cycle ways in the University Precinct and the inner city, and the development of a transit precinct in Westbury.

### Performance against KPIs

Key Performance Area	Key Performance Indicators	Baseline (2012/13)	2013/14 Business plan target	2013/14 mid year adjustment Target	2013/14 Actual	Actual / target	2013/14 Achievement score
<b>Programme 4: Greenways development</b>							
<b>Programme purpose: Manage the development of strategic mass transit services and corridors through capital investments, overseeing integrated investments by other</b>							
Programme 4: Total Capital expenditure	Programme 4: % of budget spent (cumulative for the year to date)	100%	100%	100%	82%	82%	●
Programme 4: Total construction progress per quarter		100%	100%	100%	40%	40%	●
Programme 4: Construction progress for the PTIS funded projects		100%	100%	100%	49%	49%	●
Programme 4: Construction progress for the complete streets projects		100%	100%	100%	100%	100%	●
Programme 4: Construction progress for the Corridors of Freedom NMT projects		100%	0%	100%	100%	12%	●
Programme 4: Economic empowerment	Programme 4: Number of short-term EPWP job opportunities created (number of individuals employed)	1 155	1 631	3 080	306	10%	●
	Programme 4: BBEE procurement spend as a % of total capex procurement	70%	100%	100%	113%	113%	●
	Programme 4: SMME procurement spend as a % of total capex Procurement	NA	25%	25%	49%	112%	●
Programme 4: Productive development partnerships	Programme 4: Positive media reports as a % of the total number of media reports on the BRT	>90% positive stories	>90% positive stories	>90% positive stories	96%	100%	●
	Programme 4: Number of BRT tours hosted by JDA	1	4	4	6	150%	●

Programme 4 achieved capital expenditure of 82% of budget in 2013/14, amounting to expenditure of R453.5 million out of a budget of R516.2 million. Construction work is progressing well on the two major construction projects – sections 8 and 15. The recovery plans that were implemented were successful, and some of the strategic land purchases (for the City Depot and for the Watt Street interchange) have increased expenditure.

As in the previous Programmes, JDA has reported operating expenditure in a consolidated way for the organisation as a whole so this indicator is not reported in this section.

The construction progress target for each programme as a whole is described as being reported per quarter. However, this is a cumulative indicator that builds up to a target of 100% of planned construction works to be completed by the end of the financial year.

The individual projects are aggregated into the portfolio and programme categories by calculating a weighted average on the basis of the project's contribution to total capital budget. In Programme 4 this contribution is as follows:

Programme Category	Project name	Capital budget	Contribution to programme
Programme 4: Construction progress		<b>552 017 292</b>	
Of which:			
Programme 4: Construction progress for PTIS funded projects		<b>427 121 292</b>	77% of programme
Of which:			
	<i>JDA051 BRT Ndingilizi terminal</i>	4 000 000	0.9%
	<i>JDA051 BRT City Depot civil works</i>	20 000 000	4.7%
	<i>JDA051 BRT Booysens daytime layover</i>	25 000 000	5.9%
	<i>JDA051 BRT Section 1 (Klipspruit Valley repairs)</i>	3 000 000	0.7%
	<i>JDA051 BRT Section 1 (Fuel Price Pedestrian bridge)</i>	2 100 000	0.5%
	<i>JDA051 BRT Section 1 (Pedestrian and NMT improvements, Trunk routes)</i>	7 000 000	1.6%
	<i>JDA051 BRT Section 1 (Pedestrian and NMT improvements, feeder routes)</i>	18 000 000	4.2%
	<i>JDA051 BRT Section 2 (Remainder to Main Reef Road)</i>	1 000 000	0.2%
	<i>JDA051 BRT Trunk Route 1C (Station design)</i>	4 000 000	0.9%
	<i>JDA051 BRT Trunk Route 1C (Section 8 Alex to Sandton, year 1)</i>	82 909 205	19.4%
	<i>JDA051 BRT Trunk Route 1C (Section 15 Parktown to Alex, year 1)</i>	216 458 795	50.7%
	<i>JDA051 BRT Trunk Route 1C (NMT and pedestrian improvements)</i>	5 000 000	1.2%
	<i>JDA051 BRT Station improvements and maintenance</i>	34 857 826	8.2%
	<i>JDA051 BRT Depots (Alexandra and Avalon)</i>	3 471 817	0.8%
	<i>JDA051 BRT property valuation and brokerage fees</i>	323 649	0.1%
		73 696 000	13%
Programme 4: Construction progress for complete streets projects		<b>12 000 000</b>	13% of programme
Of which			
	<i>Sidewalk improvements: Kaalfontein Ext 8</i>	10 000 000	13.6%
	<i>NMT infrastructure Soweto</i>	63 696 000	86.4%
Programme 4: Construction progress for Corridors of Freedom NMT projects		<b>51 200 000</b>	10% of programme
Of which			
	<i>University precinct connection to inner city</i>	39 200 000	76.6%
	<i>Westbury NMT</i>	11 000 000	21.4%
	<i>Campus Square NMT</i>	1 000 000	2.0%

Construction progress is reported at 40% based on assessments against multi-year project targets. This is largely due to the late start on the two big construction contracts for Sections 8 and 15 of Trunk Route 1C. A funding roll-over is expected to be approved by National Treasury and this work will be completed in 2014/15. The programme allows reprioritisation of funding between the various projects, so although the JDA did not achieve the construction progress target, other actions were taken such as purchasing land for future depots and transit facilities. The construction works will be continued in 2014/15 to achieve the intended outputs and outcomes within the multi-year framework. As a result it is not necessary to identify further remedial actions, however it is necessary to improve the project development phase of work in this portfolio so that project implementation plans can be rolled out with limited variation in terms of scope, cost and time in future.

Construction jobs in the active projects amounted to 306 for the year against a target of 3 080. This is much lower than expected and does not adequately take into account many local jobs created through SMME construction work in the NMT projects. There is a need to refine the way JDA reports on jobs created through BRT construction.

The quarterly breakdown of this indicator for Programme 4 is as follows:

	Q1 target	Q1 actual	Q2 target	Q2 actual	Q3 target	Q3 actual	Q4 target	Q4 actual	Additional jobs reported after Q4
Programme 4: Number of short-term EPWP job opportunities created (number of individuals employed)	54	63	159	34	579	88	2 288	184	0

The BBBEE allocation for the 37 active contracts in the Programme 4 portfolio amounts to 113% against the target of 100%, with SMME procurement of 49% against a target of 25%. This achievement is due to the proactive approach to support SMME construction companies by employing them on the NMT projects. 90% of the value of the NMT projects was completed by local SMME construction companies. This involves construction work valued at R148.3 million. In five projects in Soweto and Alexandra, a managing contractor was appointed to oversee the subcontracting of the work for a number of SMME contractors.

The Greenways Programme received a significant amount of media attention in 2013/14, 96% of which was positive. On 22 April 2014 the Executive Mayor officially launched the start of construction for Rea Vaya Phase 1C infrastructure in Sandton, followed by the opening of the JRA pedestrian bridge in Alexandra. The event culminated in the Region E Imbizo. A lot of coverage was generated as a result of this announcement, particularly around the iconic walking and cycling bridge that will be delivered as part of Phase 1C infrastructure. Negative reporting was on the Alexandra Business Forum threatening to disrupt construction on Phase 1C as they claimed to be reaping no benefit from

the construction of the route. At the time of this report, JDA had provided a response to the claim and provided clarity on the appointment of SMMEs on the project.

JDA has hosted 6 tours that showcase Rea Vaya sections during the year. This exceeds the target of 4 for the year. The largest recent tour was held with the delegation of media and officials that attended the official announcement of the start of construction on Rea Vaya Phase 1C. The tour started in Sandton and proceeded along the planned Rea Vaya route for this phase through Marlboro, Watt Interchange and Alexandra.

#### Summary of variations against targets and mitigations

Project	Variations between target and actual	Explanation and mitigation
<b>Rea Vaya BRT (PTI Grant)</b>		
<i>JDA051 BRT Ndingilizi terminal</i>	Project has been completed and handed over to COJ Transportation.	-
<i>JDA051 BRT Booyensens daytime layover</i>	Project has been completed on reduced scope of works.	The small scale building was omitted for implementation in 2014/15.
<i>JDA051 BRT City Depot civil works</i>	Construction preparatory work such as land surveys, geotechnical engineering work and detailed design has been completed.	-
<i>JDA051 BRT Section 1 (Fuel Price Pedestrian bridge)</i>	Project has been completed and handed over to the COJ Transportation and JRA.	-
<i>JDA051 BRT Phase1 (Pedestrian and NMT improvements, feeder and complementary routes)</i>	Project is divided into C1B, F1A, F2A and F2B. C1B, F1A and F2A have reached practical completion and F2B is 95% complete.	Final snagging and completion will be achieved in 2014/15. As these are multi-year projects they do not require additional remedial actions.
<i>JDA051 BRT Phase1c (Alex Spur)</i>	Delays in contract award resulted in the project only commencing in June 2014.	A funding roll-over request will ensure that the project can be completed in 2014/15.
<i>JDA051 BRT Trunk Route 1C (Section 8 Alex to Sandton, year 1)</i>	Delays experienced with public consultation and contract award resulted in project commencing in June 2014.	Construction is anticipated to complete in March 2015.
<i>JDA051 BRT Trunk Route 1C (Section 15 Parktown to Alex, year 1)</i>	Delays experienced with public consultation and contract award resulted in project commencing in March 2014.	Construction is anticipated to complete in January 2015.
<i>Phase 1a &amp; b Station Retrofit Items</i>	Construction contract has been awarded and construction is at site establishment stage.	-
<i>Phase 1b Stations Commissioning</i>	Targets reached, project has been completed and the handover process to COJ Transportation is underway.	-
<i>Phase 1b Preparatory Works</i>	Target reached, project completed.	-
<i>BRT Phase 1a &amp; 1b Stations UPS</i>	Construction work is 80% complete.	It is anticipated that construction will be completed in July 2014. In future delays in the construction programme will be mitigated through more diligent project management and project risk management.
<i>BRT Station Precinct and Maintenance</i>	Project has been completed and target reached. Ongoing maintenance is being undertaken in the project prior to handing over to COJ Transportation and City Parks.	-
<b>Transportation projects</b>		
<i>Sidewalk improvements:</i>	Project successfully completed and target	-

Project	Variations between target and actual	Explanation and mitigation
<i>Kaalfontein Ext 8</i>	reached.	
<i>NMT infrastructure Soweto</i>	Construction work in progress, overall progress is 72% for all the different project precincts.	Work should be finalized within the first quarter. The delays in the planned programme of work relate largely to delays in finalizing the designs in consultation with the client department. As these are the first cycleways that are being constructed in the City of Johannesburg at this scale, there are many design lessons to be learnt. In future design processes should be easier and faster.
<b>Development Planning (Corridors of Freedom)</b>		
<i>University precinct connection to inner city</i>	Construction work is in progress, overall progress is 10% for the multi-year target. Extensive delays were experienced in obtaining design drawings which resulted in a late contract award.	Work is to be completed in 2014/15. Future phases of contracting should allow for longer time periods for design approvals.
<i>Westbury Development Precinct</i>	Construction work is in progress, overall progress is 10%.	

## Expenditure Overview

### Expenditure explanations for Programme 4: Greenways

	Budget	Budget (Mid-year Adjustment)	Actual Expenditure	Explanation of Variations
<b>Rea Vaya BRT (PTI Grant)</b>				
JDA051 BRT Ndingilizi Terminal	4 000 000	4 000 000	4 938 568	Savings from other portfolio line items were redirected for additional work for construction of sidewalks on Matlala Street connecting to Meadowlands bus depot and Ndingilizi Terminal.
JDA051 BRT City Depot Civil Works	20 000 000	20 000 000	76 741 455	Allocated budget was exceeded due to land purchase for the main bus depot in the inner city.
JDA051 BRT Booyens Daytime Layover	25 000 000	25 000 000	33 300 000	Allocated budget exceeded due to the use of project contingency for unforeseen items such as mass earthworks, difference in compacted layer thickness, and imported rock fill and geofabric material (site soil conditions required improvement for successful completion of the project).
JDA051 BRT Section 1 (Klipspruit Valley Repairs)	3 000 000	3 000 000	812 028	Project target was not achieved, as further analysis was required to make an informed decision on repairing the structural failure. The work undertaken in 2013/14 provided JDA with options for remedial measures to be undertaken. The project will be continued in 2014/15.
JDA051 BRT Section 1 (Fuel Price Pedestrian Bridge)	2 100 000	2 100 000	3 935 436	Savings from other portfolio line items were redirected to do additional work to enhance the project.
JDA051 BRT Section 1 (Pedestrian and NMT Improvements, Trunk Routes)	7 000 000	7 000 000	0	These projects were funded through CoJ capital funding, so there was no expenditure through the PTI grant.
JDA051 BRT Phase1 (Pedestrian and NMT	18 000 000	18 000 000	0	

	Budget	Budget (Mid-year Adjustment)	Actual Expenditure	Explanation of Variations
Improvements, Feeder Routes)				
JDA051 BRT Phase1 (Pedestrian and NMT Improvements, Feeder and Complementary Routes)	39 000 000	39 000 000	42 655 151	Project targets achieved. Project sections C1B, F1A, F2A and F2B. C1B, F1A and F2A reached practical completion and F2B is 95% complete. All four projects were implemented by SMMEs, with 90% scope of works allocated to them. Savings from other projects were used to fund additional costs.
JDA051 BRT Section 2 (Remainder to Main Reef Road)	1 000 000	1 000 000	164 742	The project target was not achieved. The project was delayed due to integration required between BRT works and housing development planned in and around New Canada Railway Station Precinct. The integration was partially achieved in the fourth quarter. A civil engineer was appointed for design review and implementation monitoring and the tender for contractor prequalification was undertaken. Construction works are anticipated to commence in July 2014.
JDA051 BRT Trunk Route 1C (Station Design)	4 000 000	4 000 000	1 410 000	The project target was not reached due to late commencement linked to extensive consultation on the Phase 1C corridor. Project design engineers, project managers and architects have been appointed. Expenditure was on the design of the new stations.
JDA051 BRT Trunk Route 1C (Section 8 Alexandra to Sandton, Year 1)	82 909 205	82 909 205	11 108 536	Project delays were experienced due to further public consultations on the corridor, which started in September 2013 and is still ongoing. A contract was appointed in February 2014, but the contract was cancelled due to a breach by the appointed contractor. A new contractor was appointed in May 2014.
JDA051 BRT Trunk Route 1C (Section 15 Parktown to Alexandra, Year 1)	315 313 831	216 458 795	162 019 096	Project delays were experienced due to further public consultation on the corridor, which started in September 2013 and is still ongoing. Construction work commenced in March 2014 and is planned for completion in November 2014.
JDA051 BRT Trunk Route 1C (NMT and Pedestrian Improvements)	5 000 000	5 000 000	0	Output postponed for implementation in 2014/15.
<b>Transportation Projects</b>				
Sidewalk Improvements: Kaalfontein Ext 8	10 000 000	10 000 000	10 014 331	Project expenditure according to plan.
NMT Infrastructure Soweto	10 500 000	63 696 000	42 272 150	Construction work by local SMMEs is under way. Delays were experienced in the beginning of the project as production levels were very low. Overall construction progress is 72% complete for the different project precincts.
<b>Development Planning (Corridors of Freedom)</b>				

	Budget	Budget (Mid-year Adjustment)	Actual Expenditure	Explanation of Variations
University Precinct Connection to Inner City	0	18 000 000	19 346 248	Extensive delays were experienced in obtaining designs from the CoJ Department of Transport to enable the design review and construction monitoring process. Further delays were experienced after the construction tender process as the bids received exceeded the allocated budget. These delays have subsequently been addressed and construction is under way. Additional costs are to be funded from savings in other budget lines.
Westbury Development Precinct	0	11 000 000	1 864 431	Project targets were not reached. Project budgets were confirmed in the mid-year budget review and extensive work needed to be undertaken at the design level to inform the interventions to be implemented. A contractor was appointed in May 2014 and construction is under way.
Hillbrow to Park Station Development Precinct	0	1 000 000	690 000	Project targets were not reached. Delays were experienced in awarding the tenders. Traffic and pedestrian studies and baseline design was completed, and detailed design is under way and due for completion in July 2014. The appointment of a contractor will be concluded in the first quarter of 2014/15.
Campus Square NMT	0	1 000 000	360 000	Project targets were not reached. Delays were experienced in awarding the tenders for the professional team. Traffic engineering work and the concept design of the pedestrian bridge was completed.
Langlaagte to UJ Kingsway Campus Development Precinct	0	1 000 000	260 000	Project targets were not reached. Delays were experienced in obtaining external service providers. Concept layout plans and confirmation of the site boundaries and levels were completed. It is anticipated that construction will commence in the first quarter of 2014/15.
<b>Other Post-adjustment Projects</b>				
Randburg Traffic Engineering and Conceptual Plan	0	5 000 00 00	740 000	The project scope was reduced to traffic engineering and concept plan. A traffic engineer was appointed and the reduced scope of works target was achieved. A new appointment will be made in the new financial year for preliminary project implementation and close-out stage.
Purchase of Watt Interchange Land	0	0	22 081 680	A land parcel at the intersection of Pretoria Main and Watt Avenue was identified for development of a public transport interchange in Wynberg. Mayoral Committee approval was obtained and negotiations with the land owner were initiated. The amount spent is on the market value of the property.

	Budget	Budget (Mid-year Adjustment)	Actual Expenditure	Explanation of Variations
Phase 1A and 1B Station Retrofit Items	0	0	10 500 000	Additional budget allocation was made for the design and implementation of the stations' retrofit items, such as waterproof glass and universal access requirements (including the provision of tactile pavers and electrical work), on four stations on Phase 1A and B. The expenditure incurred was on securing long lead items.
Phase 1B Stations Commissioning	0	0		
Phase 1B Preparatory Works	7 000 000	7 000 000		
BRT Phase 1A and 1B Stations' Uninterrupted Power Supply (UPS)	0	0	1 981 553	A service provider was appointed for the stations' UPS (batteries) on Phase 1A and 1B. Supply of the backup batteries is 80% complete. Work will be completed in July 2014.
BRT Station Precinct and Maintenance	0	0	3 517 417	Project completed and target reached. The approved construction and maintenance contract stems from the previous financial year.
BRT Land Acquisition – Property Broker Services	0	0	237 946	Property brokers were appointed for the land acquisition process on Phase 1B and 1C. The expenditure incurred was on drafting of land purchase offers.
BRT Passenger Information	0	0		

## Progress on Projects

### Section 8 of Trunk Route 1C

This route starts at the corner of Pretoria Main Road and Lees Street and goes over the M1 Highway via the proposed flyover, turning left into Katherine Drive then right into West Street, terminating at the Sandton Gautrain Station Precinct along Rivonia Road. The route is approximately 4 km long and has three BRT stations.

The primary objective of the Rea Vaya BRT project is to provide a world-class, affordable, efficient and reliable mass public transit service. More specifically, the construction of dedicated bus ways, stations, depots and associated NMT infrastructure is intended to improve:

- Bus travel times due to priority lanes that are clear of traffic
- Safety of bus commuters and other drivers
- The travel experience for bus commuters
- Integration with other public transport modes, including walking and cycling
- Efficiency and sustainability of public transport from a commuter and operator perspective.

The secondary objectives of BRT are to ensure that the communities surrounding the project benefit in terms of short-term employment and income-generating opportunities during construction, and contribute to the development of sustainable construction companies in the longer term.

The project scope of works entails completion of detailed design and commencement of construction. For the purpose of construction this project will be divided into two main contracts, namely:

- Section 8C: Katherine Street from Sandspruit to West Street (km 0.330 to km 1.960)
- Section 8D: Rivonia Road between Katherine Street and West Street (km 0.0 to km 0.330).

The construction works include:

- Pavement construction on BRT lanes
- Services relocation
- Construction of sidewalks
- Intersection widening
- Relocation and installation of street lights
- Road marking and signage
- Installation of new traffic signals.

### *Section 15 of Trunk Route 1C*

This route starts from the Victoria/Empire Road intersection in Parktown, via Clarendon Road, into Louis Botha Avenue and Pretoria Main Road, and terminates at the intersection of Pretoria Main Road and Lees Streets. The section is approximately 12.6 km long and will have ten stations.

The existing cross-section along Louis Botha Avenue mainly comprises two mixed traffic lanes per direction with dedicated turning (left or right) lanes at certain intersections. The proposed BRT cross-section involves converting the existing inside lane into a dedicated BRT lane and leaving one lane as a mixed traffic lane. It also includes the termination of certain existing right turns to limit the turning conflicts between BRT and mixed traffic. This will improve the operating speed of the BRT. However, all the key access intersections to suburbs along Louis Botha Avenue will be maintained.

Over and above this, this alignment consists of key BRT stations, an approximately 3 m wide sidewalk throughout and soft and hard landscaping. NMT strategies are proposed to encourage commuter mobility and access to the BRT system, within a radius of 1 000 m around each station. Key to this alignment is the proposed Watt Interchange. This interchange will act as a potential transfer point for Section 15, Section 8 and the Alexandra Spur. The future feeder system from Midrand along Old Pretorian Road will be accommodated at this interchange. Another feeder service connecting

Johannesburg and Ekurhuleni along London road will be provided and service will terminate at the proposed Watt Interchange. A proposed public square forms part of the interchange.

For the purpose of construction, this section will be divided into four main contracts of approximately 3 km in length, namely:

- Section 15A: Victoria/Empire Intersection (km 0.0) to Fir Street (km 3.0)
- Section 15B: Fir Street (km 3.0) to Louis Road (km 5.9)
- Section 15C: Louis Road (km 5.9) to Newick Road (km 8.6)
- Section 15D: Newick Road (km 8.6) to Lees Street (km 12.56).

The project scope of works entails completion of detailed design and commencement of construction works, including:

- Pavement construction on BRT lanes
- Services relocation
- Construction of sidewalks
- Relocation and installation of street lights
- Road marking and signage
- Installation of new Traffic Signals.

#### **BRT Phase 1C NMT**

The detailed scope of works includes the construction of paved sidewalks, provision of cycling lanes, provision of traffic calming measures such as speed bumps, upgrading of existing roads, provision of soft and hard landscaping, as well as provision of public lighting.

#### **BRT Fuel and Price Pedestrian Bridge**

The detailed scope of works includes the construction of a pedestrian bridge on the northern section, parallel to the existing railway line by means of parapet concrete walls. Remedial works on the project will include demolition and repair of a section of existing bridge balustrade. The bridge has been completed.

#### **BRT Walk-In Centre**

The CoJ's Transport Department has identified the need for a BRT Walk-in Centre at Park Station. The Walk-in Centre will be developed in an existing heritage building that will be refurbished for use as a museum-type facility for public transport. The facility will provide historical transport information on BRT, PRASA and the Gautrain. The land on which this facility is scheduled for development belongs to Transnet and had not been officially allocated to the City of Johannesburg. JDA will now seek to develop the site in partnership with Transnet.

### **BRT Phase 1B Station Precincts – Public Environment Landscaping**

The scope of work entails paving specified areas in the station's vicinity, landscaping, street lights and furniture. There will be a traffic accommodation component during the implementation of the project. The station precinct upgrades have been completed for Trunk Route 1B.

### **BRT Bus Depots – City**

The City Depot is proposed for location in Selby at the intersection of Earp and John Streets, but the land acquisition process is still to be concluded with the current owner. The required size for the facility is 5 ha (50 000 m<sup>2</sup>). The scope of work entails planning and design of civil engineering components such as a parking area for buses, an administration building, a maintenance area, underground fuel tanks, bus wash and dry bays, and soft and hard landscaping. The site will be shared with the landowner, who intends developing a car workshop. The design work will concentrate on the civil engineering components listed above. The depot design will be similar to the recently completed Dobsonville bus depot.

### **BRT Bus Depots – Selby Bus Layover Facility**

The Selby Bus Layover Facility, proposed along the Pat Mbatha Bus Way, will provide daytime parking for BRT buses. The facility will be developed on a 2 ha (20 000 m<sup>2</sup>) piece of land that is owned by the CoJ. The scope of work entails construction of the bus parking area, provision of a small administration building, road widening at the facility entrance, and provision of a perimeter fence.

### **BRT Bus Depots – Sandton and Midrand/Ivory Park Bus Layover Facilities**

The Sandton and Midrand/Ivory Park Bus Layover Facilities will provide daytime parking for BRT buses when BRT Phase 1C operations commence. The original proposed site for the Sandton facility was at the corner of Katherine and West Streets, a property owned by the CoJ. The feasibility work determined that this was not a suitable site; hence the design of the network will be adjusted to identify a suitable depot site. The site selection process for the Midrand/Ivory Park facility will be undertaken in the next financial year. Construction work on both facilities will commence in 2014/15.

### **Ndingilizi BRT Bus Terminal**

The Ndingilizi BRT Bus Terminal, completed during the reporting period, is an integrated public transport facility that caters for BRT feeder buses and minibus taxi operations. The site is located at 3706 Matlala Drive in Dobsonville, next to Dorothy Nyembe Park, and was operated as a taxi rank. The scope of work entails construction of an integrated public transport facility to accommodate Rea Vaya feeder buses, minibus taxis and park and ride facilities; provision of non-motorised transport facilities; and formalisation of trading space for existing informal traders. Three loading bays for BRT

feeder buses will be provided as well as a dedicated lane for minibus taxis to load and off-load passengers who are using the BRT system.

## Programme 5: Administration and Management

**Programme purpose:** Provide strategic leadership and support services, including the accommodation needs and overall management of JDA.

This programme accommodates shared services such as Finance, Internal Audit, Legal, Marketing and Communications, Risk and Compliance, Supply Chain Management and IT.

### Performance against KPIs

Key Performance Area	Key Performance Indicators	Baseline (2012/13)	2013/14 Business plan target	2013/14 Mid year adjustment	2013/14 Actual	Actual / target	2013/14 Achievement score
<b>Programme 5: Admin and Management</b>							
<b>Programme purpose: Provide strategic leadership and support services, including the accommodation needs and overall management of the JDA</b>							
Programme 5: Human Resources	Compliance in respect of the Employment Equity Plan:	NA	100% compliance	<b>100% compliance</b>	100%	100%	●
	% Black staff as % of total staff	90%	80%	<b>80%</b>	92%	115%	●
	% Female staff as % of total staff	60%	45%	<b>45%</b>	59%	131%	●
	% Black Female managers as % of total senior management	60%	35%	<b>35%</b>	37%	106%	●
	% Staff Turnover (cumulative)	6%	<10%	<b>&lt;10%</b>	13%	70%	●
	Number of HIV voluntary testing opportunities	2	2	<b>2</b>	2	100%	●
	% compliance with Occupational Health and Safety Act at the Bus Factory	80%	80%	<b>80%</b>	80%	100%	●
	% payroll invested in training	3%	3%	<b>3%</b>	3%	107%	●
Programme 5: Financial management and corporate	Unqualified audit reports	100%	100%	<b>100%</b>	100%	100%	●
	% Overspending against operating budget	0%	0%	<b>0%</b>	0%	100%	●
	IT network availability - external	100%	96%	<b>96%</b>	100%	104%	●
Programme 5: Economic Development	Programme 5: BBBEE procurement spend as a % of total opex procurement	70%	100%	<b>100%</b>	135%	135%	●
	Programme 5: SMME procurement spend as a % of total opex Procurement	36%	40%	<b>40%</b>	2%	5%	●
Programme 5: Operating expenditure	Programme 5: % of JDA operating budget spent (cumulative for the year to date)	-	100%	<b>100%</b>	89%	89%	●

The following areas were set for the measurement of this programme:

- Human resources (including employment equity, staff turnover, HIV/AIDS Policy compliance, occupational health and safety compliance, and training and development)
- Financial management and corporate governance
- Economic development
- Operating expenditure.

Performance against the above areas is covered in detail in Chapter 2: Corporate Governance (page 22), Chapter 4: Organisational Development Performance (page 110), and Chapter 5: Financial Performance (page 124). The only target that was not achieved in this programme is staff turnover, as 13% of the original staff complement terminated their employment with the JDA during 2013/14, exceeding the target of 10% for the year. This was due to a combination of factors including two unexpected deaths. Overall the staff complement was increased during the year and there is no evidence of a declining staff retention trend. Remedial actions will involve continued application of the JDA's staff retention strategies in future.

## Programme 6: Development Facilitation

**Programme purpose:** Provide strategic leadership, co-ordination capacity, and analytical and negotiating skills to promote investment, establish and communicate shared development visions, and prepare a pipe-line of implementation-ready property developments and capital works projects.

The programme is intended to give effect to the extended mandate of JDA as the development facilitation agency for the CoJ. In its ideal form this programme includes development implementation, project development, land development and urban management support functions. As the 2013/14 funding allocation did not support the full implementation of this programme during the year, it will be phased in over a three-year period. The initial emphasis will be on land assembly and fundraising, and on establishing a new team to deal with JDA's co-ordination role in the implementation of projects in the inner city, the transit-oriented development nodes and corridors and Alexandra.

In the mid-year adjustment, four JDA capital projects facilitating development were included under this programme, namely the Bruma Lake Rehabilitation Project (previously Programme 1) which will deliver new land for development; and the three Strategic Area Frameworks (SAFs) that have been commissioned on behalf of the CoJ Department of Development Planning to provide the spatial plans that will guide JDA's implementation work on the Corridors of Freedom. The total cost of the above projects is R24.8 million.

## Performance against KPIs

Key Performance Area	Key Performance Indicators	Baseline (2012/13)	2013/14 Business plan target	2013/14 Mid year adjustment Target	2013/14 Actual	Actual / target	2013/14 Achievement score
<b>Programme 6: Development Facilitation</b>							
<b>Programme purpose: Provide strategic leadership, coordination capacity, and analytical and negotiating skills to promote investment, establish and communicate shared development visions, and prepare a pipeline of implementation-ready property developments and capital works projects</b>							
Programme 6: Total Capital expenditure	Programme 6: % of budget spent (cumulative for the year to date)	100%	0%	100%	100%	100%	●
Programme 6: Total construction progress per quarter		0%	100%	100%	100%	100%	●
Programme 6: Construction progress for the DP COF funded projects		0%	100%	100%	100%	100%	●
Programme 6: Construction progress for the EISD funded project		0%	0%	100%	100%	100%	●
Programme 6: Productive development partnerships	Number of investment promotion events hosted by JDA	NA	2	2	4	200%	●
	Number of media events	NA	4	4	4	100%	●
Programme 6: Development planning and feasibility	Number of neighbourhoods with City Futures participative planning completed	NA	3	3	3	100%	●
	Number of property development plans, and project feasibility studies completed	NA	4	4	2	50%	●
Programme 6: Urban management partnerships	Number of active agreements between JDA and CIDs or CBOs	NA	4	4	4	100%	●
	Newtown Cultural Precinct partnership with Department of Arts and Culture	NA	1	1	-	-	

Programme 6 achieved capital expenditure of 100% of total budget by the end of the financial year.

As in the previous Programmes, JDA has reported operating expenditure in a consolidated way for the organisation as a whole so this indicator is not reported in this section.

The construction progress target for each programme as a whole is described as being reported per quarter. However, this is a cumulative indicator that builds up to a target of 100% of planned construction works to be completed by the end of the financial year.

The individual projects are aggregated into the portfolio and programme categories by calculating a weighted average on the basis of the project's contribution to total capital budget. In Programme 6 this contribution is as follows:

Programme Category	Project name	Capital budget	Contribution to programme
Programme 6: Construction progress		23 457 290	
Of which:			
Programme 6: DP CoF funded projects		3 457 290	15% of programme
Of which:			
	JDA PS 001/2013 Strategic Area Framework for Louis Botha Corridor	1 131 331	32.7%
	JDA PS 002/2013 Strategic Area Framework for Empire-Perth Corridor	1 361 328	39.4%
	JDA PS 003/2013 Strategic Area Framework for Turffontein Development Area	964 631	27.9%
Programme 6: EISD funded projects		20 000 000	85% of programme
Of which	Bruma Lake rehabilitation	20 000 000	100.0%

Construction work on the Bruma Lake Project which is funded by the Environment and Infrastructure Services Department (EISD) began and will continue into 2014/15. All of the planned works were completed for the 2013/14 year. Sufficient budget has been secured to complete the planned works in 2014/15 to resolve the water quality problems in a sustainable way.

The three Strategic Area Frameworks (SAFs) have been completed and the DDP has led a substantial series of public consultations and focus group discussions. The visions presented by the SAF plans for the Empire–Perth, Louis Botha and Turffontein development corridors have largely been accepted, but the details of the densification proposals are hotly contested in areas like Melville, Auckland Park, Orange Grove, Houghton and Rosettenville. The initial consultations were extended to ensure that all stakeholders are reached and that the engagements are meaningful. The final drafts of these plans have been prepared and submitted for Council approval early in 2014/15.

Four investment promotion events were hosted during the year, which exceeds the target of 2. The most significant of which was a media event for the Inner City Festival which took place in August 2013. A further investment promotion event to provide property brokers with information about the Corridors of Freedom is scheduled for early in 2014/15.

The launch of the Rea Vaya Trunk Route 1C took the form of a series of activations that included a Mayoral media event, round table discussion, community meeting and tour of the site. Extensive media coverage was achieved. Overall, the targeted number of media events (4) was achieved in the year.

JDA is an active participant in the Newtown Improvement District and the emerging Doornfontein Improvement District, which includes Ellis Park. JDA did not succeed in securing grant funding for the Newtown Improvement District from the National Department of Arts and Culture, but alternative sources of funding have been identified, including a partnership with the new property developers in Newtown. This is intended to result in the restructuring of the Newtown Improvement District into a new and extended CID to cover a wider area and provide more services to the Newtown Cultural Precinct.

### **Expenditure Overview**

	<b>2013/14 Business Plan</b>	<b>2013/14 Mid-year adjustment</b>	<b>Actual Expenditure</b>	<b>Variation and explanations</b>
<b>Programme 6: Development Facilitation</b>	<b>0</b>	<b>24 800 000</b>	<b>24 802 500</b>	

	<b>2013/14 Business Plan</b>	<b>2013/14 Mid-year adjustmen t</b>	<b>Actual Expenditure</b>	<b>Variation and explanations</b>
Bruma Lake Rehabilitation	0	20 000 000	20 000 000	Expenditure target achieved.
Corridors of Freedom naming and branding	0	1 800 000	-	Expenditure target not achieved funding reallocated to Corridors of Freedom SAFs.
Corridors of Freedom SAFs	0	1 300 000	3 100 000	Expenditure target achieved including additional funding from the naming and branding project.
Corridors of Freedom participative planning	0	1 700 000	1 700 000	Expenditure target achieved through the participatory process associated with the SAFs.

# **CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE**

## SECTION 1: INTRODUCTION

In 2013/14 a new structure was approved with 69 positions (as illustrated on page 12). This structure is based on the following principles:

- An Executive Management Committee comprising the CEO, CFO, Executive Manager: Development Implementation, Executive Manager: Planning and Strategy, Executive Manager: Development Facilitation, Executive Manager: Marketing and Communications, and Executive Manager: Corporate Services
- A Chief Audit Executive and a Company Secretary who report to the Board
- Four specialist teams focusing on developments, led by Senior Development Managers (SDMs) responsible for overseeing all developments under their portfolio, assisted by a number of Development Managers and Development Co-ordinators
- The SDMs are fully responsible for all aspects of development, from design to implementation, while the Executive Manager: Development Implementation is responsible for strategic guidance in the conceptualisation, design, implementation and handover of all JDA developments, all transverse and cross-cutting operating issues related to developments, stakeholder relations, operating systems and monitoring and quality control of development projects
- Other administrative departments are responsible for functions such as supply chain management, finance, human resources, risk and compliance, marketing and communications and planning and strategy.

## SECTION 2: EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Average staff turnover for the year was 13% (nine terminations), exceeding the target of 10%. JDA appointed fifteen new staff members during 2013/14, bringing the staff complement to 61 out of the 69 approved posts.

### Staff establishment

Description	Employees				
	2012/13		2013/14		
	No. of Employees	Approved No. of Posts	No. of Employees	No. of Vacancies	% of Vacancies
Top management	1	1	1	0	0%
Executive	7	8	7	1	13%
Senior management	6	11	10	1	9%
Middle management	17	21	19	2	10%
Co-ordinators and administrators	18	22	18	4	18%
Housekeepers	6	6	6	0	0%
<b>Total</b>	<b>55</b>	<b>69</b>	<b>61</b>	<b>8</b>	<b>12%</b>

### Turnover rates since 2010/11

Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year No.	Terminations during the Financial Year No.	Turn-over Rate*
2010/11	54	5	9%
2011/12	50	5	10%
2012/13	55	3	5%
2013/14	61	9	13%

## SECTION 3: HUMAN RESOURCE MANAGEMENT

JDA's overall objective, as set out in its Employment Policy, is to ensure that its employment practices and remuneration policies motivate and retain talented employees and create an attractive work environment, ultimately supporting the JDA vision of being the employer of choice in its field. The Employment Policy is periodically reviewed to ensure that it remains relevant and practical for the changing needs of current and potential employees.

### Injuries, Sickness and Suspensions

Number of days and Cost of Sick Leave (excluding injuries on duty)						
Salary band	Total sick leave Days	Proportion of sick leave without medical certification %	Employees using sick leave No.	Total employees in post* No.	*Average sick leave per Employees Days	Estimated cost R' 000
Lower skilled (Levels 1-2)	59		6	6	9.83	19
Skilled (Levels 3-5)	7		1	2	3.50	3
Highly skilled production (levels 6-8)	76		9	16	4.75	82
Highly skilled supervision (levels 9-12)	65		11	19	3.42	111
Senior management (Levels 13-15)	103		6	10	10.30	267
S57	15		4	8	1.88	53
<b>Total</b>	<b>325</b>		<b>23</b>	<b>61</b>	<b>5.33</b>	<b>535</b>

There was one injury at work that required first aid care. Two employees took sick leave during the year for stress-related illnesses. In all cases the employees made use of the Employee Assistance Programme's advisory and counselling services. Three other employees took long sick leave for surgical procedures and illness. One of these employees is terminally ill and a medical boarding process is underway.

There were two suspensions for financial misconduct during 2013/14. Both of these suspensions were concluded within the year.

## **Performance Rewards**

JDA views performance management as a positive management strategy rather than a punitive process, which ensures that employees feel comfortable to be part of the process.

JDA manages the performance of its managers through a balanced scorecard tool. Individual performance indicators are linked to JDA's objectives and the CoJ's IDP scorecard. Additional objectives are included to reinforce the culture of governance and risk management among managers.

During the reporting period, JDA commenced with the rollout of the performance management scorecard to include all employees in supervisory positions. As part of the coaching and mentorship process, underperforming officials are receiving training to improve their performance levels.

JDA's increasing budget allocation and portfolio has put strain on the performance of its employees. Yet, by financial year end, the team managed to spend almost 90% of the budget. JDA will, however, continue to implement measures to improve its operational effectiveness.

JDA's stakeholders are key to its success, and it will continue to focus on the wellbeing of each customer and society at large. In this regard, JDA continuously sets new standards of service delivery, with its Customer Relationship Programme serving as a pillar for its ongoing success.

## **SECTION 3: CAPACITATING THE JDA WORKFORCE**

### **Skills Development and Training**

JDA is committed to the sustained training and development of its management and staff in order for it to advance with changing times and technology, and thus ensure professional delivery and a competitive edge. Its vision is to provide an integrated learning experience to its employees that will strengthen their commitment to the organisation's values; enhance the leadership capability; and improve its capacity to meet current and future business requirements.

The Learning Strategy is based on four pillars:

- Understanding the educational requirements of the organisation, based on competency assessments
- Best practice learning design
- Timely and appropriate learning delivery
- Assessment of the impact of learning interventions on overall company performance.

JDA has created a culture of both on-the-job and off-the job learning, which is embraced by all employees. Training is an ongoing process of improving employees' knowledge, skills and attitude with a view to improving job performance and/or competitiveness for growth, career advancement and internal promotion.

JDA is currently working on its 2014/15 Workplace Skills Plan and submitted its 2013/14 Annual Training Report, which was due to the Local Government Sector Education and Training Authority (LGSETA) on 30 April 2014, as per amendments to the Skills Development Act, Act No. 97 of 1998.

JDA makes funds available for appropriate training and development programmes that are practical and outcomes based. It also supports employees who wish to attain further qualifications to improve their productivity. During the reporting period, the Skills Development Forum received NQF Level 4 training.

JDA's staff training targets for 2013/14 were cumulative, and by the end of the period, 3.2% of payroll had been spent on training. This amounted to an expenditure of R793 000 (training and wellness) for the year. All training was conducted in line with the Individual Learning Plans of employees.

### Skills Development Expenditure

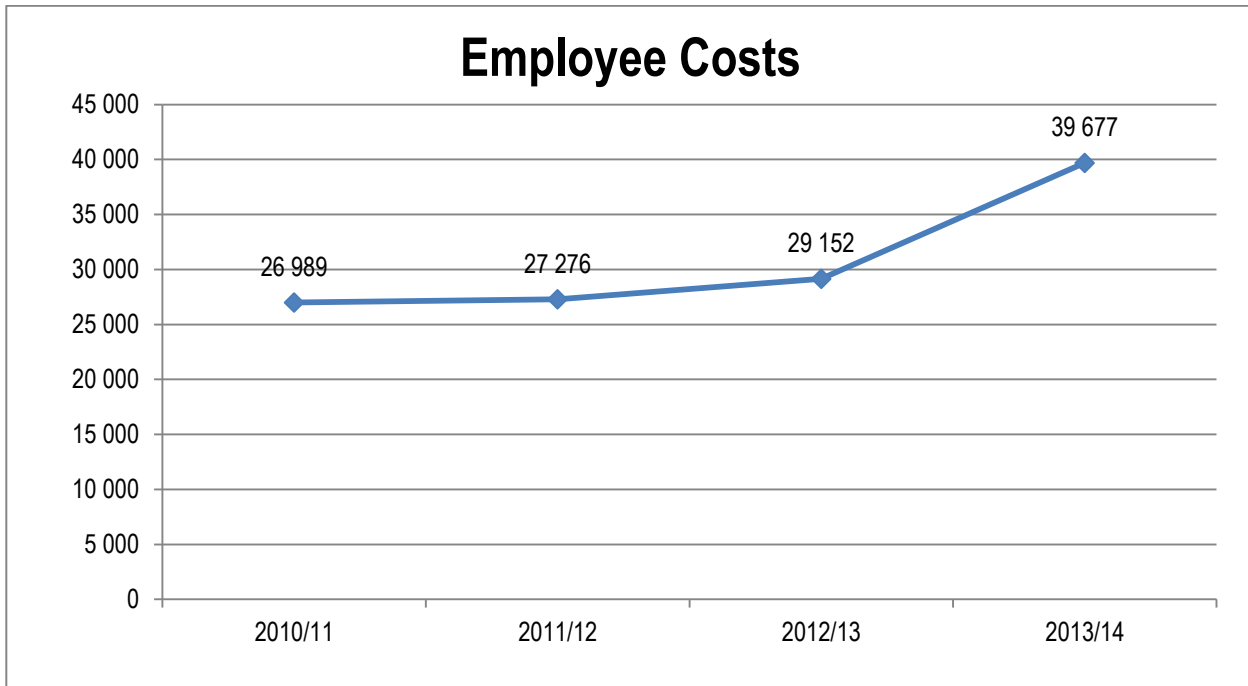
R'000

EMPLOYEES	Gender	Employees as at the beginning of the financial year	Original Budget and Actual Expenditure on skills development 2013/14							
			Learnerships		Skills programmes & other short courses		Other forms of training		Total	
			No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget
CEO and S57	Female	4				16598				16598
	Male	3				14674				14674
Legislators, senior officials and managers	Female	1				3712				3712
	Male	2				5512				5512
Professionals	Female	9				59312				59312
	Male	7				27581				27581
Technicians and associate professionals	Female	5				13400				13400
	Male	1				29850				29850
Clerks	Female	8				26171				26171
	Male	4				21655				21655
Service and sales workers	Female	3				4550				4550
	Male	1				950				950
Plant and machine operators and assemblers	Female									
	Male									
Elementary occupations	Female									
	Male									
Sub total	Female	30				123743				123743
	Male	18				100222				100222
<b>Total</b>		<b>48</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>223965</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>223965</b>
*% and *R value of municipal salaries (original budget) allocated for workplace skills plan.									<b>1</b>	400 000
T4.5.3										

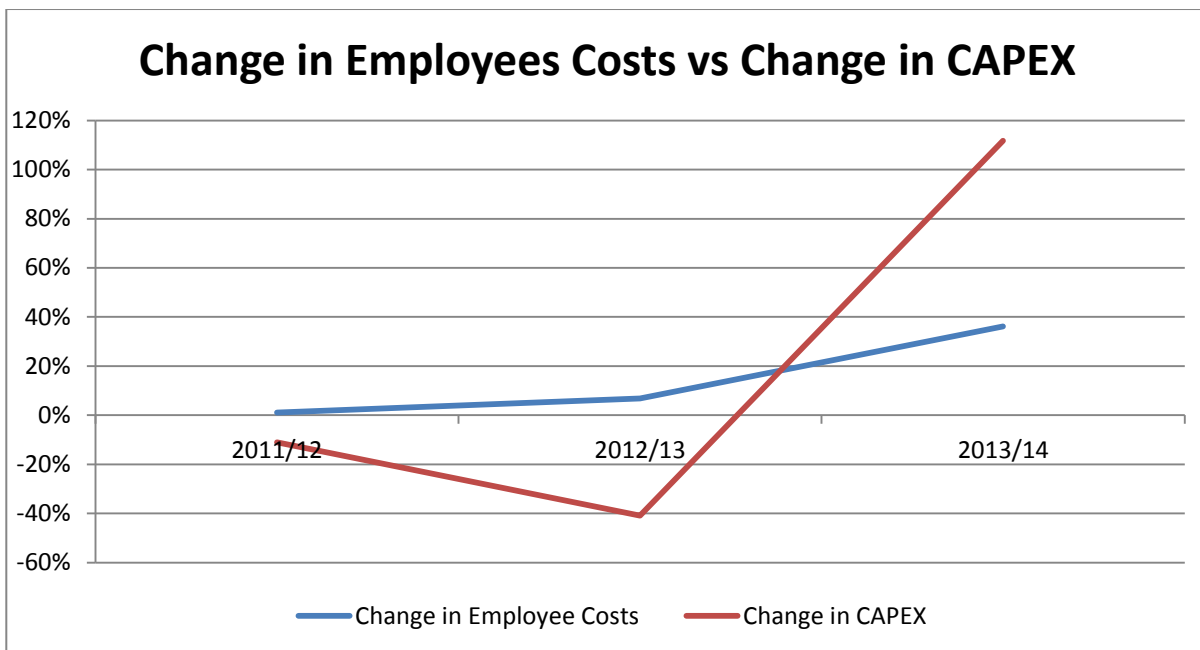
## SECTION 4: MANAGING WORKFORCE EXPENDITURE

### Employee Expenditure

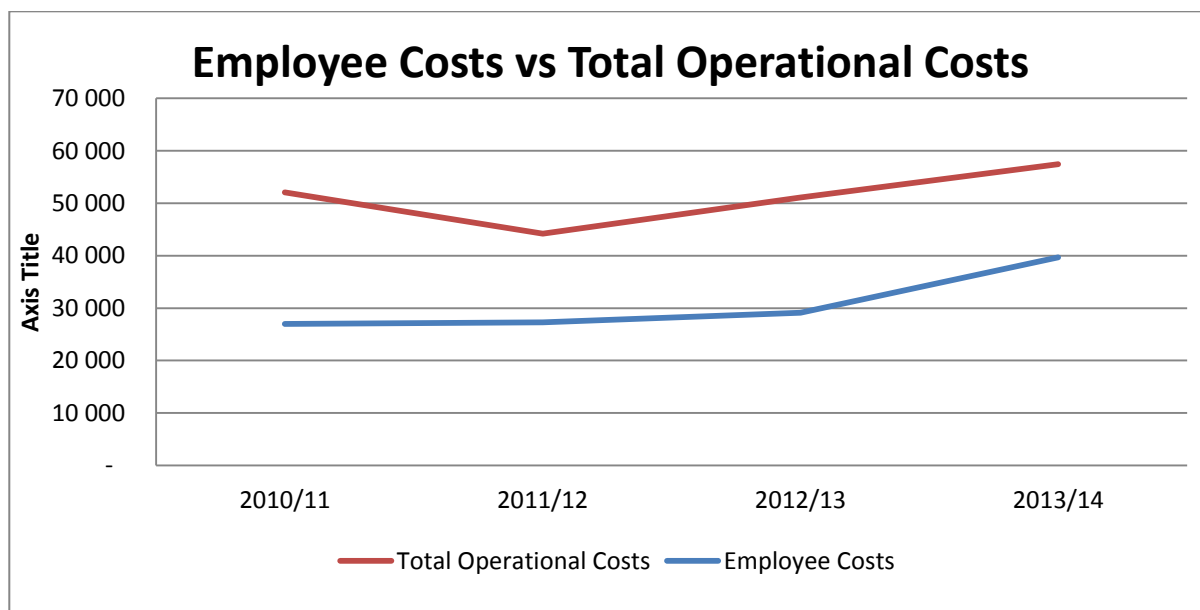
Employee costs R'000



In response to the increasing capital budgets that JDA is mandated to implement, the staff establishment was increased in 2013/14 resulting in increasing expenditure. Employee costs rose from R29.3 million in 2012/13 to R39.7 million in 2013/14. It is expected that this trend will continue in 2014/15.



The graph above shows that the increase in employee costs is directly linked to the increase in CAPEX. An increase in CAPEX in future years is anticipated as a result of approved budgets, and staff has been employed to gear up for the increasing workload.



The graph above shows Employee Costs compared to Total Operational Costs. Employee Costs are a key driver for increasing Operational Costs. Both line items depend on the CAPEX requirement. As CAPEX budgets increase more staff are employed, therefore more equipment, such as laptops, are purchased and these increase depreciation, repairs and maintenance. Other administrative costs such as printing will also grow due to the increase in the number of tender documents.

## SECTION 5: EMPLOYMENT EQUITY

JDA is committed to the principles of equity, non-discrimination and diversity as enshrined in the Constitution and the Employment Equity Act, Act No. 55 of 1998. In this context, JDA seeks to create an institution that reflects the diversity of South African society, and contributes to maximising the human resource potential of all of its people. Equal employment opportunities are offered to all employees.

An Employment Equity (EE) Policy and Plan, designed to achieve the advancement and adequate protection of persons previously disadvantaged by unfair discrimination, has been implemented. Affirmative mechanisms have been introduced to address the development needs of previously disadvantaged individuals by providing unique opportunities for career advancement, growth, training and development. To ensure focus, the Executive Committee and Human Resources and Remuneration Committee provide regular input into the strategies and initiatives regarding EE and its implementation in the organisation.

The EE Plan was developed for the period 1 October 2012 to 30 September 2015 with the overall goal of promoting an environment and culture that supports open communication, where everyone is encouraged to express their views without fear of being victimised, and to ensure fair and consistent application and implementation of all employment practices and procedures.

Appropriate structures and adequate resources have been put in place to co-ordinate and monitor EE implementation across the organisation. JDA undertakes an annual review of its EE processes and general employment practices to provide direction in the implementation of the EE Plan. JDA plans its annual EE targets in terms of its EE Policy, and reports thereon to the Department of Labour in accordance with the provisions of the Employment Equity Act.

The Equity Forum met on a monthly basis and worked on a new Employment Equity Plan for the medium term (2012/13–2016/17), a Skills Development Strategy and the Annual Training Plan.

### Breakdown of Occupational Levels

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	3	0	0	1	2	0	1	1	0	0	8
Senior management	1	1	1	1	4	0	1	0	0	1	10
Professionally qualified, experienced specialists and mid-management	7	0	0	1	6	3	1	1	0	0	19
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	3	0	1	0	10	1	1	0	0	0	16

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Semi-skilled and discretionary decision-making	1	0	0	0	1	0	0	0	0	0	2
Unskilled and defined decision-making	1	0	0	0	5	0	0	0	0	0	6
<b>Total permanent</b>	<b>17</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>28</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>61</b>

## Employment Equity Demographics Status as at 30 June 2014

### Movements

Staff Movements	African		Coloured		Indian		White		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Appointments	6	8					1		15
Resignations	-3	-2							-5
Dismissals	-1								-1
Retirements									0
Absenteeism									0
Termination/Other	-1			-1			-1		-3
<b>Total</b>	<b>1</b>	<b>6</b>	<b>0</b>	<b>-1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6</b>

### Gender Equity

Levels	Black		White		Total
	Male	Female	Male	Female	
Executive and senior management	6	9	2	1	18
Middle management	7	10	1	1	19
Co-ordination/Administration	5	13	0	0	18
Housekeepers/Cleaners	1	5	0	0	6
<b>Total*</b>	<b>19</b>	<b>37</b>	<b>3</b>	<b>2</b>	<b>61</b>
<b>% of total</b>	<b>31%</b>	<b>64%</b>	<b>5%</b>	<b>3%</b>	<b>100%</b>

\* Equity stats exclude three learners, one foreign national and one temporary employee

Levels	JDA Positions
<b>Senior and executive management</b>	Chief Executive Officer, Chief Financial Officer, Company Secretary, Chief Audit Executive, Executive Manager: Planning and Strategy, Executive Manager: Marketing and Communications; Executive Manager: Corporate Services, Executive Manager: Development Facilitation, Senior Development Managers, Human Resource Manager, Supply Chain and Contracts Manager, Finance Manager, Facilities Manager, IT Manager and Risk Manager
<b>Middle management</b>	Development Managers, Accountants, Audit and Risk Officer, Procurement Officer, Marketing Managers, Assistant Development Managers and Manager: Executive Support
<b>Co-ordination/Administrative</b>	Co-ordinators, Receptionist, Personal Assistants, Accounts Payable Officer, Accounts Receivable Officer, IT Officers, Fixed Asset Register Officer, Messenger/Caretaker, Procurement Co-ordinator
<b>Housekeeping</b>	Housekeepers, Cleaners

During the reporting period, JDA exceeded all of its EE targets, including:

- Out of the total staff complement of 61, 55 are black and 38 are female
- 90% Black employees (target: 80%)

- 62% female staff members (target: 45%)
- 44% Black females in management positions and 38% in EXCO (target: 35%)

JDA currently has two employees with physical disabilities (out of a staff complement of 61), constituting 3.3% of the total staff complement and exceeding the COJ's strategic target of 2%.

Whilst JDA exceeded its EE targets and prides itself in having a workforce that is truly representative of the country's demographics, it continuously endeavours to improve equitable representation of people from designated groups in senior management positions. JDA's principle of ensuring material participation of previously disadvantaged companies and individuals is demonstrated by the degree of procurement spend on designated companies and individuals (see page 135 of the Sustainability Report).

## **SECTION 6: EMPLOYEE WELLNESS**

JDA is committed to maintaining a healthy workforce and providing a safe and hygienic working environment. JDA's Employee Assistance Programme is outsourced to Right to Care Health Services, and includes behavioural risk management, free trauma counselling and free legal and financial advice for all employees. Right to Care provides a confidential, 24-hour, 365 days a year personal support and information service which each employee, their partner and immediate family may access through a toll-free number for assistance with issues relating to:

- Stress: work or personal
- Finance: money management, debt
- Law: legal matters, maintenance, child custody, divorce law
- Relationships: family, work, partners, friends
- Substance abuse: alcohol, drugs
- Family matters: childcare and care of the elderly, education, state benefits and allowances
- Health issues: AIDS counselling, illness
- Work: stress management, career matters, maternity, harassment, dealing with a direct supervisor, managing others.

As at March 2014, 84% of employees had used the service. This level of use can mainly be attributed to the fact that employees realise the value the services provided by qualified, experienced counsellors in their required language.

In order to monitor the types of issues which are of concern to employees, JDA receives statistical information to assist it in providing solutions to the particular issues raised. The identities of the employees who use this service remain strictly confidential.

JDA holds wellness days twice a year, in June and in December, where employees are offered the opportunity to have their basic health assessed with regards to blood pressure, blood sugar levels, cholesterol, body mass index, body fat percentage, general fitness and work stress. Employees receive feedback on their assessments as well as guidance in terms of corrective measures and counselling. This initiative displays the support of JDA towards a physically and mentally healthy workforce.

### **Employee Satisfaction**

JDA conducts an annual employee satisfaction survey to assist the organisation to timeously identify issues that need attention from an employee perspective in order to deliver on its mandate. The survey was conducted in June 2014. 54% of the employees completed the survey questionnaire, and

overall 62.4% of surveyed employees responded positively to the questions. This is lower than the 71.6% of positive responses received in 2013, although it represents above average satisfaction when compared with the City of Johannesburg as a group. The areas that have been identified for management response are internal communications, change management and employee wellness.

### **HIV/AIDS in the Workplace**

JDA's HIV/AIDS Policy is fully aligned with that of the CoJ, and its HIV/AIDS Co-ordinator attends regular meetings of the CoJ HIV and AIDS Committee. The policy ensures that no employee is discriminated against based on HIV status. All managers and employees must respect the confidentiality of information regarding existing or potential employees with life threatening illnesses. Any employee who divulges information without the employee's informed knowledge or consent will be disciplined under the disciplinary code. JDA reserves the right to request medical advice or intervention in instances where an employee's performance becomes adversely affected as a result of their illness, or where an employee claims that working in certain situations will not be appropriate due to his/her illness. All employees are encouraged to know their HIV status and to remain healthy if they are infected with HIV.

The HIV/AIDS Programme covers awareness and educational campaigns, the provision of free condoms, videos and free helplines. The programme assists employees who have contracted a life-threatening illness by ensuring that they are treated in a fair, consistent manner and are informed about their rights and employee benefits.

In the period under review, Right to Care circulated weekly and monthly e-mails and newsletters to all JDA staff, which dealt with topics related to HIV/AIDS, including prevention strategies. An opportunity for voluntary counselling and testing was provided in December, during JDA's bi-annual wellness day.

### **Occupational Health and Safety**

Occupational Health and Safety (OHS) Audits are carried out on a monthly basis by the independent OHS Consultant, Empowerisk. Risks and non-compliances with the Occupational Health and Safety Act, Act No. 85 of 1993, are identified and risk mitigation is put in place to diminish the risks and non-compliance. The rate of compliance was estimated at 80% for JDA through a report prepared in June 2014.

## **SECTION 7: EMPLOYEE BENEFITS**

JDA participates in two retirement benefit schemes: eJoburg Retirement Fund and Johannesburg Retirement Fund.

Prior to 2010, the JDA remuneration policy was based on total cost to company and staff had to make their own arrangements for pension. From 2010 membership of eJoburg Retirement Fund became compulsory for all staff in the entity. The total contribution paid by the JDA for the period under review is as follows:

- 1) eJoburg – R1.6 million
- 2) JRF – R19 500 (one staff member).

## **CHAPTER 5: FINANCIAL PERFORMANCE**

## SECTION 1: STATEMENTS OF FINANCIAL PERFORMANCE

The Statements of Financial Performance can be viewed on page 165 of this report.

### Commentary on Financial Performance

A surplus of R5.5 million was recorded for the financial year ended 30 June 2014. Although operating revenue generated exceeded the annual budget by 1%, the main reason for the surplus was an overall under expenditure in the operating expenditure budget by 8%.

#### *Revenue*

In the year under review, JDA's revenue was R63 million against a budget of R62.2 million. The variance of R0.8 million can be attributed to the under-recovery of interest income and over-recovery of other income. The negative variance in interest income of R2.3 million was mainly due to a lower than expected treasury balance from outstanding CoJ claims in the fourth quarter. Other income includes additional funding received, i.e. funding for the launch of Rea Vaya Phase 1C and legal fee reimbursement from CoJ.

#### *Results of Operations*

JDA's operating expenses were R57.2 million against a budget of R62.2 million. The variance relates to an employee cost variance as a result of vacancies. Although most of the budgeted vacancies have subsequently been filled, a few vacancies are still in the recruitment phase, including the positions of Executive Manager: Development Implementation, Development Managers, Risk Manager and Planning Manager.

## SECTION 2: SPENDING AGAINST CAPITAL BUDGET

### Capital Expenditure

Capital budget expenditure was R705 million against a budget of R807 million. The approved capital budget was further reduced to R798 million after the mid-year adjustment when the Department of Arts and Culture reversed the budget approval for property developments in Newtown.

Capital expenditure is discussed under each of JDA's programmes in Chapter 3: Service Delivery Performance (pages 57 to 108).

### Sources of Finance

R thousands	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome
	1	2	3	6	7
<b>Financial Performance</b>					
Property rates			–	–	
Service charges	30 516	496	31 012	31 012	30 141
Investment revenue	3 168	1 832	5 000	5 000	2 315
Transfers recognised - operational	24 977	–	24 977	24 977	24 977
Other own revenue	850	403	1 253	1 253	5 454
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>59 511</b>	<b>2 731</b>	<b>62 242</b>	<b>62 242</b>	<b>62 887</b>

JDA's primary source of operating revenue is the development fee of 4 or 5% charged against all capital expenditure. This yielded R30.1 million in 2013/14. The operating grant from the City of Joburg amounted to R25.0 million.

The primary sources of capital funding are:

- Public Transport Infrastructure Grant
- Urban Settlement Development Grant
- Capital grants from the City of Johannesburg
- Neighbourhood Development Partnership Grant

### Capital Spending of Five Largest Projects

The largest area development projects implemented in 2013/14 are:

- Diepsloot Development – R40.9 million
- Westgate Station Precinct - R39.3 million
- Nancefield Station Precinct – R25.1 million
- Bruma lake rehabilitation – R20.0 million
- Park Station Precinct – R14.6 million

## SECTION 3: CASH FLOW MANAGEMENT AND INVESTMENTS

### Operating Budget Management

In order to effectively manage its operating budget, JDA measures the effectiveness of its budget control of operating costs (indicated by budget variances) and has set a target of 0% over-expenditure. In 2013/14 operating expenditure was R55.4 million against a budget of R62.2 million. This means that 89% of the operating expenditure target was achieved. In the last quarter of the year JDA reduced operating expenditure through austerity measures to avoid a deficit position in the event that revenue targets were not achieved.

## SECTION 4: ASSESSMENT OF ARREARS ON MUNICIPAL TAXES AND SERVICE CHARGES

### Assessment of Municipal Taxes and Service Charges owed to JDA

Not applicable to JDA as it does not levy municipal taxes and service charges.

### Amounts Owed by JDA for Service Charges

Name of Entity	Amount Owed	Status	Comments
Johannesburg Water	Nil	Up to date	N/A
City Power	Nil	Up to date	N/A
City of Johannesburg	Nil	Up to date	N/A

### Assessment of Directors' and Senior Managers' Municipal Accounts

Name	Designation	Name of Municipality	Municipal Account Name/Number	Status as at June 2014	Comments
S Lewis	Executive Manager: Strategy & Planning	City of Johannesburg	202365484	Nil	Account paid up
Z Mafata	Chief Finance Officer	City of Johannesburg	206944274	Nil	Account paid up
T Mendrew	Chief Executive Officer	City of Johannesburg	Holly land (Pty) Ltd 201030171	Nil	Account paid up
V Voyi	Senior Development Manager	City of Johannesburg and City of Managing	1002979455 (Mangaung), 1983203459	Nil	Account paid up
L Visagie	Senior Development Manager	City of Johannesburg	303385695	Nil	Account paid up
R Shirinda	Company Secretary	Ekurhuleni Municipality	1706238428	Nil	Account paid up
B Mbewu	Chief Audit Executive	Tshwane Municipality	5003918863	Nil	Account paid Up
P Masilo	Non-Executive Director	Ekurhuleni Municipality	2603356925	Nil	Account paid up.
P Mashiane	Non-Executive Director	City of Ekurhuleni	2603272804	Nil	Account paid up
C Coovadia	Non-Executive Director	City of Johannesburg	400864220	Nil	Account paid up
N Selamolela	Non-Executive Director	No Account	N/A	N/A	N/A
E Harvey	Non-Executive Director	City of Johannesburg	550857751	Nil	Account Paid up
P Kubu*	Non-Executive Director	City of Johannesburg	900883831	Nil	Account paid up
W Thwala	Non-Executive Director	Ekurhuleni Municipality and Mogale City	800156046, 1705254316, 1705290930, 008000356027018	Nil	Accounts all paid up
K Govender	Non-Executive Director	City of Johannesburg	551971094	Nil	Account paid up

Name	Designation	Name of Municipality	Municipal Account Name/Number	Status as at June 2014	Comments
F Habib	Executive Manager Corporate Services	City of Johannesburg	206916277	Nil	Account paid up
C Botes	Executive Manager Development Facilitation	City of Johannesburg	552623847	Nil	Account paid up
A Noholoza	Senior Development Manager	City of Johannesburg	202734808	Nil	Account Paid up
B Mbuli	-	-	-	-	-

\*Resigned with effect from 21 May 2014

## SECTION 5: OTHER FINANCIAL MATTERS

### Supply Chain Management

JDA has adopted supply chain management (SCM) systems in compliance with the provisions of the MFMA and the National Treasury Municipal Supply Chain Management Regulations, 2005. These systems seek to modernise financial governance and improve accountability and transparency in JDA's processes. An SCM Unit was established in September 2005, which monitors the implementation of JDA's SCM policies in line with the above-mentioned regulations. JDA's SCM policies provide for the exclusion of awards to persons in the service of the state, subject to the exemptions and regulations issued by National Treasury from time to time.

JDA has implemented a three-stage bidding process, with separate committees for each stage, namely:

- Bid Specification Committee
- Bid Evaluation Committee
- Bid Adjudication Committee (two, one for CAPEX and one for operating expenses (OPEX)).

The members of the CAPEX Bid Adjudication Committee are the Chief Financial Officer (Chair), two Senior Development Managers (who are independent of the bid being adjudicated), and the Supply Chain Manager. The members of the OPEX Bid Adjudication Committee are the Chief Financial Officer (Chair), the Supply Chain Manager, the Executive Manager: Marketing, Marketing Manager and Risk and Compliance Manager. Neither of the Bid Adjudication Committees is authorised to make any procurement decisions above R10 million. The CEO makes decisions for procurement above R10 million based on the recommendation of the BAC.

The Board has ensured that the Procurement Policy embraces the objectives of broad-based black economic empowerment (BBBEE). Details regarding BBBEE procurement are set out in the Sustainability Report on page 132.

JDA did not deviate from supply chain policy in making awards during the year.

No unsolicited bids were made or entertained by JDA during the review period and no written complaints were received about tender processes or awards.

The Supply Chain Management policy was reviewed during the year to take into account all new SCM regulations and operational efficiencies.

### **GRAP Compliance**

Compliance with GRAP is discussed in the Accounting Policies note to the Financial Statements.

### **Recommendation and Plans for the Next Financial Year**

JDA's capital budget doubles again in 2014/15, rising to R1.5 billion. There are a number of institutional growth challenges that must be faced, including filling the post of Executive Manager: Development Implementation; modernising and improving project management systems; and recruiting for a number of new posts, especially those in the Development Facilitation team.

The convergence of the Alexandra Renewal Project (ARP) and the JDA is a continuing process that requires active change management to ensure that this process runs smoothly.

## **CHAPTER 6: AUDITOR-GENERAL'S FINDINGS**

## SECTION 1: AUDITOR-GENERAL'S REPORT FOR THE CURRENT YEAR

The JDA's 2014 Financial Statements and Integrated Annual Report were audited by the Auditor-General in accordance with the Public Audit Act (Act 25 of 2004). Once again the JDA received an unqualified audit with one matter of emphasis relating to the uncertainty of future liability resulting from lawsuits where the JDA is a defendant. Other regulatory and legal matters were raised in relation to the measurability and reliability of performance information, compliance with laws and regulations and internal control in relation to the quality assurance of performance information.

Progress was made in that there were very few repeat findings, but the performance information findings represent a decline in internal controls that must be addressed.

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

## SECTION 2: HISTORICAL AUDIT FINDINGS AND REMEDIAL ACTION

In 2012/13 JDA received an unqualified audit with findings relating to invoice management and the quality of financial statements submitted to the AG. The following action has been taken to correct these matters.

### Analysis of 2012/13 Audit Findings

Audit Report Status:	Unqualified with findings
Non-Compliance Issues	Remedial Action Taken
Payment within 30 days	Stricter controls over the invoice management system and continuous monitoring of the invoices received.
Material amendments to the AFS	Financial statements will be reviewed by the internal audit department before submission to the AG.

In addition to the key findings, the AG identified matters for management to improve on. Recommendations included improved controls on non-financial performance information, and supply chain management, IT governance, and financial management improvements. Management has implemented most of the recommendations of the AG contained in the management letter. The Internal Audit function has undertaken various reviews to assess managements' progress in the implementation of the AG's recommendations and has provided its reports to the Audit and Risk Committee.

## SECTION 3: COMMITMENT BY THE BOARD OF DIRECTORS

The table below provides a minimum of three strategic commitments or improvement initiatives per key role players. These will be monitored and tracked during the quarterly engagement with the administrative leadership.

### New and in-progress commitments

Key role players	Current year initiatives and commitments	Focus area targeted by commitment	
<b>Mayor</b>	<b>Key commitments</b>		
	1	None	
	2		
	3		
<b>Accounting Authority /CEO</b>	<b>Key commitments</b>		
	1	Quarterly financial statements with all disclosures will be prepared and be audited by internal audit	Financial statements
	2	Proper and accurate alignment of the JDA scorecard and annual report with regards to how outcomes are documented in the respective documents.	Predetermined objectives
	3	Develop a guideline around invoice management to ensure compliance with section 99(2) of the MFMA	Expenditure management
<b>MPACs</b>	<b>Key commitments</b>		
	1	None	
	2		
	3		
<b>Audit and Risk Committee</b>	<b>Key commitments</b>		
	1	Quarterly financial statements with all disclosures will be prepared and be audited by internal audit.	Financial statements
	2	Quarterly audit of Predetermined objectives by internal audit	Quarterly Reports
	3	Tracking of findings raised by Internal & External Auditors	Internal Controls
<b>Other role player (CFO)</b>	<b>Key commitments</b>		
	1	Quarterly financial statements with all disclosures will be prepared and be audited by internal audit.	Financial statements
	2	Proper and accurate alignment of the JDA scorecard and annual report with regards to how outcomes are documented in the respective documents.	Predetermined objectives
	3	Develop a guideline around invoice management to ensure compliance with section 99(2) of the MFMA	Expenditure management
	4	Review of the finance policies and procedures and have a separate document for policies and a separate document for procedures.	Policy management



Mr K Govender  
Audit and Risk Committee Chairperson

## **CHAPTER 7: SUSTAINABILITY REPORT**

## **SECTION 1: VALUE-ADDED STATEMENT**

JDA's extended mandate to fulfil a broader set of requirements for area based development was given impetus in 2013/14 when the Development Facilitation team was established to support the Development Implementation teams in (a) preparing capital projects for implementation, (b) securing partner and stakeholder support for the achievement of the development vision, (c) progressing property developments and urban management partnerships that will both deepen the impact of JDA's investments and secure the longer term sustainability of the capital assets created.

Working closely with the Department of Development Planning, JDA also played a leadership role in communicating the strategic vision for the Corridors of Freedom and the City of Johannesburg's spatial transformation objectives. By hosting a city conference on spatial transformation with the SA Cities Network and other National Government partners, JDA ensured that Johannesburg's strategy and practice was reviewed by peers from other cities, international experts, and academics and analysts who work in this field.

## SECTION 2: ENVIRONMENTAL IMPACT

Due to the nature of JDA's business, environmental sustainability plays an integral part in each project it undertakes. JDA therefore complies with environmental impact regulations in all its projects. No project, other than the BRT project, required environmental impact assessments or heritage approvals during the review period.

To minimise its environmental impact, all professional teams involved in preparing detailed designs for JDA are briefed to include the following environmental considerations:

- The design of more permeable ground surfaces and soak-aways or swales to reduce the storm water run-off in areas upgraded by JDA to achieve sustainable urban drainage standards
- Indigenous and water-wise planting in all landscaping interventions in compliance with City Parks requirements
- Environmental design for crime prevention guidelines as promoted by the City Safety Programme
- Environmental construction and infrastructure options such as energy efficient lighting and rainwater harvesting
- Environmental health regulations for informal trading where JDA upgrades trading and taxi facilities.

Urban environmental management is an integral part of the urban regeneration projects that JDA implements, as evidenced by the upgrading of parks, the construction of storm water facilities and public transport infrastructure and facilities.

The Rea Vaya BRT service has the potential to reduce the City's transport energy use and the associated carbon emissions in the medium term. The service is currently being used by up to 31 000 people per day, and there is potential to increase the ridership numbers. In 2013/14 JDA also began a significant investment in non-motorised transit infrastructure. This includes a network of cycle lanes and pathways that will encourage the use of public transport by connecting station precincts with the NMT network.

## SECTION 3: ECONOMIC IMPACT

### BBBEE and SMME Procurement

The Board ensures that the Procurement Policy embraces the objectives of BBBEE and the Chief Executive Officer, as the Accounting Officer of JDA, is tasked with ensuring effective implementation thereof.

In 2011 JDA made the shift from evaluating BBBEE on the basis of a formula that takes company shareholding, and management into account, to the new approach of evaluating it on the basis of an independent certification process. Tenderers are required to submit their original and valid BBBEE Status Level Certificate verifying their BBBEE rating. Certificates must be issued by either verification agencies accredited by the South African Accreditation System (SANAS), or by registered auditors approved by the Independent Regulatory Board for Auditors (IRBA).

The BBBEE status level is the measurement of an entity based on its overall performance using a scorecard contained in the Codes of Good Practice on Black Economic Empowerment, issued in terms of Section 9(1) of the Broad-Based Black Economic Empowerment Act, Act No. 53 of 2003. The scorecard takes a range of company issues into account, including shareholding, recruitment, and social development such as corporate social investment, and procurement strategies and results. Bidders with a total annual revenue of R5 million or less are exempted and must submit a certificate issued by a registered auditor, accounting officer or an accredited verification agency confirming this exemption.

The certificates submitted by bidders must comply with the requirements, instructions and guidelines issued by National Treasury and must be in accordance with notices published by the Department of Trade and Industry in the *Government Gazette*.

Under this new approach, the points and the percentage of expenditure that should be claimed are allocated to a tenderer in accordance with the Preferential Procurement Regulations, 2011 published in *Government Gazette* No. 34350 dated 8 June 2011.

The following table is applicable for JDA:

BBBEE Status Level of Contributor	Tenders up to R1 million		Tenders over R1 million	
	Number of Points	% Expenditure Claimed	Number of Points	% Expenditure Claimed
1	20	135	10	135
2	18	125	9	125
3	16	110	8	110
4	12	100	5	100

5	8	80	4	80
6	6	60	3	60
7	4	50	2	50
8	2	10	1	10
<i>Exempt supplier</i>	12	100	5	100
Non-compliant contributor	0	0	0	0

JDA's target in respect of BEE spending as a percentage of total expenditure is 100%, and the target for SMME share of expenditure was 25% for Capex contracts and 40% for Opex contracts.

		Number of contracts	Value of contracts	BBBEE		SMME	
Fourth Quarter	July - June 2014						
Programme 1	Inner city transformation	43	158 879 583	113%	179 897 724	24%	37 457 382
Programme 2	Transit oriented node development	46	158 398 469	113%	179 633 231	27%	43 404 139
Programme 3	GMS priority areas	46	73 388 649	94%	68 802 225	48%	34 992 984
Programme 4	Greenways	40	303 931 058	116%	353 862 366	49%	148 358 669
<b>Total JDA capex</b>		<b>175</b>	<b>694 597 757</b>	<b>113%</b>	<b>782 195 546</b>	<b>38%</b>	<b>264 213 174</b>
Programme 5	Admin and management	30	116 004 994	135%	156 374 135	2%	2 575 234
Programme 6	Development facilitation	4	7 824 286	125%	9 780 358	0%	0
<b>Total JDA opex</b>		<b>34</b>	<b>123 829 280</b>	<b>134%</b>	<b>166 154 492</b>	<b>2%</b>	<b>2 575 234</b>
<b>Total JDA opex and capex</b>		<b>209</b>	<b>818 427 037</b>	<b>116%</b>	<b>948 350 038</b>	<b>33%</b>	<b>266 788 408</b>

JDA awarded 209 contracts during 2013/14 at a value of R818.4 million. In the period under review JDA achieved 116% BBBEE procurement (OPEX and CAPEX). The total BBBEE expenditure commitment in terms of active contracts was therefore R962.0 million at the end of the financial year. The SMME share of expenditure commitment was 33% or R266.8 million.

The capital projects implemented during the review period served as a valuable foundation for ensuring community participation in JDA's construction programmes as a result of the implementation of the Managing Contractor Model of contracting. In particular, Programmes 3 and 4 achieved almost 50% SMME commitments.

Through the JDA's Enterprise Development Programme (which was introduced in 2012/13) support services have been put in place to provide training on how to win work through construction tendering; business development training and mentorship; and an incubator programme to encourage the growth of SMME construction companies. The lessons learnt during 2013/14 will be recorded and analysed to improve the approach to Enterprise Development, and JDA will continue to be sensitive to the financial and regulatory constraints facing small black businesses.

Below is the list of capital contracts awarded by JDA between 1 July 2013 and 30 June 2014.

Project/Contractors Name	Contract Name	BBBEE Score	Contract Value (R)
<b>African Food Hub Boulevard Project 2</b>	Archway Projects	110%	605 000
	Koor Dindar Mothei SA	135%	282 059
	DJP Power Services	100%	153 450
	Mokala Engineering	110%	1 087 325
	Tshidi Gudlhuza Planners and Associates	110%	260 000
	Empowerisk Management Services (Pty) Ltd	110%	73 961
	Kingsway civil	110%	13 570 771
<b>Alexandra Marlboro Automotive Industrial Park</b>	Crane Consulting Consultants	135%	415 044
	Naren Mistry Architects t/a Creative Axis	135%	641 850
	Elukani Engineering Projects	110%	368 000
	Ndlovu Ngwenyama Civil Consultants and Project Managers	125%	918 000
	Mbatha Walters and Simpson (Pty) Ltd	125%	377 000.
	Nemai Consulting	125%	174 950
	Empowerisk Management Services	100%	82 626
<b>Alexandra NMT</b>	LinkD Environmental Services	110%	499 555
<b>Kazerne Project</b>	Jet Demolishers	60%	6 640 863
	Archway Projects	100%	157 000
	Badat Developments	110%	2 125 000
	Urban Soup	100%	2 800 000
<b>BRT Infrastructure</b>	KHB Consulting	100%	2 535 944
	Dlamini Attorneys	135%	790 000
	Spectrum Valuation Services	135%	880 000
<b>CoJ Health CAPEX Programme</b>	Proserve Consulting	125%	774 720
	EVZ Consulting Engineers	80%	562 000
	RSG Engineering Services (Pty) Ltd	110%	258 500
	Empowerisk Management Services (Pty) Ltd	100%	167 679
	Gorogang Plant Hire	125%	5 542 140
<b>CoJ Intelligent Operations Centre (ICT solution)</b>	IBM South Africa (Pty) Ltd	110%	32 342 378
	Naren Mistry Architects t/a Creative Axis	135%	987 000
<b>Cosmo City Fire Station</b>	Osmond Lange Architects	125%	930 725
	Malani Padayachee and Associates (Pty) Ltd	125%	1 941 214
	Ariya Project Managers (Pty) Ltd	100%	694 638
	Tshidi Gudlhuza Planners and Associates cc	110%	208 800
	Theba Consultants and Quantity Surveyors cc	135%	543 971
<b>CoJ Clinics</b>	Akweni Project Managers	110%	1 043 768
	Naren Mistry Architects t/a Creative Axis	135%	1 555 590
<b>Hillbrow Tower Precinct</b>	NMA Effective social strategists (Pty) Ltd	110%	994 120
	Element Consulting Engineers	110%	469 538
	BMK Engineering Consultants	135%	2 468 300
	Mametelele Investment (Pty) Ltd	110%	848 271
	Nyeleti Consulting (Pty) Ltd	125%	261 191
	Koor Dindar Mothei	135%	647 400
	Arup (Pty) Ltd	0%	1 393 600
	Snowball Construction	110%	8 693 246
<b>Social Development Corridor of Freedom Project</b>	MDCC (Pty) Ltd	100%	1 405 040
	BVI Engineering Procurement Management	100%	1 232 000
	KGA Quantity Surveyors	135%	940 413
	Ntsika Architects	135%	1 593 187

Project/Contractors Name	Contract Name	BBBEE Score	Contract Value (R)
	Akwani Project Managers	100%	1 551 875
	Fellows Consulting (Pty) Ltd	125%	3 055 830
<b>Social Development Project</b>	AOS Consulting Engineers	135%	1 481 675
	Multinet	0%	8 703 403
	Bham Tayob Khan (Pty) Ltd	125%	287 724.78
	Koor Dindar Mothei Gauteng	135%	256 660
<b>Nancefield Transit-orientated Development</b>	Nyoni Projects (Pty) Ltd	125%	44 680 693
	PD Naidoo and Associates Consulting Engineers		1 180 745
	Illiso Consulting	125%	4 384 675
	Koor Dindar Mothei Gauteng	125%	693 418
	Archway projects	100%	3 384 000
	Iyer Urban Design Studio	125%	2 248 400
	Tshidi Gudlhuza Planners and Associates	110%	199 500
<b>Inner City Commuter Links</b>	Koor Dindar Mothei Gauteng	135%	486 524
	Mametelele Investments (Pty) Ltd	110%	60 302
	Ikemeleng Architects cc	135%	180 408
	Tshidi Gudlhuza Planners and associates	110%	109 648
	Walker Mare Johannesburg (Pty) Ltd	110%	111 176
	Bergstan SA (Pty) Ltd	125%	226 328
	Ikemeleng Architects	135%	193 415
	Axton Matrix Construction	125%	7 645 348
	Phakamile Engineering cc's	100%	22 972
	Nyeleti Consulting (Pty) Ltd	125%	62 588
	Young, Stuart & Associates Inc.	110%	100 310
	Mashandukani General Trading (Pty) Ltd	110%	78 100
	<b>Inner City Public Places Challenge Round 2</b>	Osmond Lange Architects	125%
Bergstan SA		125%	996 270.00
Seco Project Managers		125%	570 000.00
Lesole Civils		110%	8 616 981
<b>Mpumelelo Clinic</b>	Dryden Projects	135%	10 221 696
<b>Jabulani Node</b>	Nyoni Projects (Pty) Ltd	125%	19 322 580
	Empowerisk Management	100%	149 380
	Motla Consulting Engineers (Pty) Ltd	100%	672 097
<b>NMT Langlaagte to UJ Kingsway Campus</b>	Osmond Lange Architects	125%	512 800
<b>Orlando East/Noordgesig</b>	GMH Twelelo Engineering Consulting	125%	2 513 000
	Akwani Project Managers	110%	1 878 769
	Gudhluza Development Solutions	110%	449 000
	Element Consulting Engineers (Pty) Ltd	110%	754 527
<b>Randburg Precinct Upgrade</b>	Nemai Consulting cc	135%	475 690
	Gapp Architects and Urban Designers (Pty) Ltd	100%	2 002 000
	Math Engineering cc	110%	547 295
	Makhayamahle Builders	110%	916 250
	Mametelele Investments (Pty) Ltd	100%	1 407 330
	KGA Quantity Surveyors	135%	1 207 855
<b>Alexandra Complete Streets</b>	ZAS Architects and Planners	125%	1 439 592
	GMH Tswelelo Consulting Engineers	110%	2 680 000
	Bophelong Construction	100%	43 794 248
<b>Kaalfontein Complete Streets</b>	PH Bagale	100%	1 406 200
	Lesole Civils	110%	6 756 011
<b>Kliptown Public Upgrade</b>	KGA Quantity Surveyors	135%	120 067
	Dihlase Consulting Engineers (Pty) Ltd	100%	79 819
	Hoboyi and Associates cc	125%	186 018

Project/Contractors Name	Contract Name	BBBEE Score	Contract Value (R)
	Marutleng Safety Health and Environment Training Services cc	110%	56 900
	Ikemeleng Architects cc	135%	196 785
	ND Kuvejee Civil and Structural Consulting Engineers cc	110%	444 445
	KGA Quantity Surveyors (Pty) Ltd	135%	100 884
	NMA Effective Social Strategists (Pty) Ltd	110%	259 340
	Lesole Civils cc	110%	6 424 497
<b>Mpumelelo Clinic</b>	Odyssey Architects	110%	152 500
	Delta Built Environment	125%	276 460
	Tshidi Gudlhuza Planners	110%	199 000
	Deltron Consulting	125%	120 000
	Empowerisk Management Services	110%	57 073
	R Mohange and Associates	110%	104 000
<b>Slovoville Clinic</b>	Ikemeleng Architects	135%	61 388
	PH Bagale Incorporated	100%	153 468
	Akweni Construction and Project Management	110%	225 675
	Reflections Institute for Development	110%	432 000
	Empowerisk Management Services (Pty) Ltd	110%	55 528
	Walker Mare Johannesburg (Pty) Ltd	110%	215 438
	Solidare Construction (Pty) Ltd	125%	6 989 192
<b>Diepsloot Development</b>	Koor Dindar Mothei	125%	104 908
	Hlanganani Engineers	110%	339 589
	Ikemeleng Architects cc	135%	398 622
	DJP Power Services (Pty) Ltd	110%	113 681
	Mametelele Investments	110%	199 628
	NT Geomatics Gauteng	110%	66 800
	Hlanganani Engineers and Project Managers	110%	991 345
	WSP SA Civil and Structural Engineers	50%	67 470
	Aurecon SA	110%	112 012
	Strategic Environmental Focus	125%	171 475
	Kingsway Civil cc	100%	15 739 427
	Royal Haskoning DHV	110%	226 860
<b>Sol Plaatjie</b>	Nyeleti Consulting Pty (Ltd)	125%	229 888
	NMA Effective Social Strategists (Pty) Ltd	110%	226 888
	Knight Piesold	125%	786 532
<b>Westgate Station Precinct Public Environment Upgrade</b>	Archway Projects	100%	363 000
	Koor Dindar Mothei Gauteng	135%	378 954
	NMA Effective Social Strategists (Pty) Ltd	110%	159 530
	Selanya Consulting	125%	522 968
	Gibb (Pty) Ltd	125%	453 380
	Goba (Pty) Ltd	110%	594 550
	Gapp Architects	0%	704 000
	Thembakele Consulting Engineers	125%	218 900
	Kingsway Civil cc	100%	31 166 150
<b>Jabulani Transit-oriented Development</b>	Gary White and Associates and Aphane Wiew JV	0%	517 344
	Inkwali Project	110%	310 313
	Koor Dindar Mothei Gauteng	135%	313 094
	PH Bagale Incorporated	100%	445 540
	Tshidi Gudlhuza Planners and Associates	110%	199 500
	Aurecon South Africa (Pty) Ltd	110%	224 025
<b>Social Development Programme</b>	Gibb (Pty) Ltd	125%	1 065 914
	NMA Effective Social Strategist (Pty) Ltd	110%	464 670

Project/Contractors Name	Contract Name	BBBEE Score	Contract Value (R)
	Empowerisk Management	110%	162 253
<b>Bruma Lake Rehabilitation</b>	Walker Mare	110%	550 000
	John Drummond Environmentalist and Planners	100%	1 260 000
	Tshidi Gudlhuza Planners and Associates cc	110%	410 000
	Letchmiah Daya Mandindi Inc.	135%	577 602
	Basil Read	125%	59 672 808
<b>Bambanani Industrial Park</b>	Odyssey Architects SA	110%	897 600
	Akweni Project Managers	110%	567 490
	PD Naidoo and Associates	0%	1 272 345
	Malani Padayachee and Associates	125%	391 625
	Akweni Project Managers	100%	1 526 523
	MMT Consulting Engineers	100%	235 000
	CSE Consulting	100%	80 925.00
<b>BRT</b>	Selanya Consulting Engineers	125%	1 112 475
	Royal Haskoning DHV	110%	646 960
	AECOM	125%	1 600 000
	Bergstan SA Consulting Engineers	125%	1 046 063
	Nyeleti Consulting Engineers	125%	1 520 556
	Element Consulting Engineers	110%	1 415 500
	Nyeleti Consulting Engineers	125%	1 437 520
	WSP Group Africa	110%	2 829 180
	Illiso Consulting	125%	423 740
	Axton Matrix Construction	80%	24 115 358
	Axton Matrix Construction	80%	4 081 300
	Axton Matrix Construction	80%	931 211
	Osmond Lange Architects and Planners	125%	3 163 913
	HHO Africa (Pty) Ltd	125%	12 346 268
	Royal Haskoning DHV (Pty) Ltd	110%	4 522 800
	Marina Landscaping (Pty) Ltd JV Group	110%	122 204
	Smec South Africa (Pty) Ltd	110%	1 805 847
	RSG Engineering (Pty) Ltd	110%	132 500
	Empowerisk Management Services (Pty) Ltd	110%	30 408
	Nyeleti Consulting (Pty) Ltd	125%	68 690
	Lenash International Investments (Pty) Ltd	100%	1 539 031
	AOS Consulting Engineers	135%	1 923 634
	Bergstan SA Consulting and Development Engineers	125%	1 120 000
	Smec South Africa (Pty) Ltd	110%	3 996 040
	Royal Haskoning DHV	110%	11 860 949
	Yikusasa Building Contractor	110%	7 346 834
	Axton Matrix Construction	125%	5 457 174
	Kingsway City Markings JV	100%	12 000 000
	Axton Matrix	125%	12 352 581
	BKS (Pty) Ltd	125%	659 977
	Iyer Urban Design Studio	125%	687 200
	Hlanganani Consulting Engineers and Projects Managers	125%	3 258 022
	ND Kuverjee Consulting Engineers	110%	358 631
Ikemeleng Architects	135%	253 769	
Selanya Consulting Engineers	125%	27 679	
ZAS Architects and Planners	125%	1 439 592	
GMH Tswelelo Consulting Engineers	110%	2 680 000	
Kunene Ramapala Botha Attorneys	100%	151 550	
Bophelong Construction	100%	47 157 310	
Stefanutti Stocks/A re Shomeng JV	125%	25 379 733	

Project/Contractors Name	Contract Name	BBBEE Score	Contract Value (R)
	WBHO	125%	76 098 874
<b>Rea Vaya BRT Depots</b>	LDM Consulting	135%	4 604 741
<b>Rea Vaya BRT NMT Basothong and Mavumbi</b>	Easyway Tarmac Tsurikomi JV	135%	17 155 002
<b>Rea Vaya BRT NMT, Noordgesig and Diepkloof implementation</b>	Easyway Tarmac	135%	8 230 601
<b>Rea Vaya BRT NMT, Orlando and Boomtown</b>	Axton Matrix	80%	9 003 758
<b>Rea Vaya BRT NMT, Lakeview and Klipspruit valley</b>	Axton Matrix	80%	21 862 925
<b>Rea Vaya BRT NMT, Thokoza Park</b>	Easyway Tarmac Tsurikomi JV	135%	17 906 944
<b>Rea Vaya BRT Section 9 Sandton to Randburg</b>	Dip Civils (Pty) Ltd	100%	744 004
<b>Rea Vaya Phase 1c: Construction of Section 8 along Katherine Street</b>	Hatch Goba	110%	69 556 710
<b>Sol Plaatjie</b>	King Civil Engineering Contractors (Pty) Ltd	60%	13 276 707

## SECTION 4: SOCIAL IMPACT

JDA developed a new Corporate Social Investment Policy at the request of the Social and Ethics Committee. This policy provides greater clarity on strategic objectives and priorities, and its implementation will be monitored by the committee. Through the CSI partnerships JDA seeks to achieve developmental objectives such as reducing poverty and inequality; promote civic engagement by improving stakeholder relations; promote social cohesion and build social capital. JDA's thematic focus for CSI support is in the education and training sector in 2013/14, with some environmentally sustainable projects.

The following projects received CSI support during 2013/14:

- Julius Seboali and eNtokozweni Centre in Alexandra (67 minutes of service on Mandela Day in 2013).
- Musenga Vhadzimu Primary School and Carter Primary School in Alexandra (school environment improvements).
- Intlonipho Primary School in Orange Farm (school library construction).
- 'Take a child to work' activities at the Bus Factory.
- Inner City Ambassadors Football Tournament in Ellis Park.
- NICRO and Commission for Gender Equality women's career development expo.
- Johannesburg Housing Company Rooftop garden in Hillbrow.

JDA also continues to provide monitoring support and financial administration for a small grant from the Development Bank of Southern Africa to WASSUP Diepsloot, a community-based organisation

that runs water and sanitation projects in Diepsloot. This grant will allow the organisation to become more established and sustainable, and will fund the repair and maintenance of at least 46 communal toilets and taps.

# **APPENDICES AND ANNEXURES**

## APPENDIX G: RECOMMENDATIONS OF THE AUDIT AND RISK COMMITTEE

Audit & Risk Committee Recommendations		
Date of Committee	Committee recommendations during 2013/14	Recommendations adopted (enter Yes) If not adopted (provide explanation)
24/07/2013	The Audit & Risk Committee recommended the reviewed Materiality Framework for the year ended 30 June 2013 to Board for approval	Yes
	The Audit & Risk Committee recommended the AGSA's plan for the year ended 30 June 2013 to Board for approval	Yes
07/08/2013	The Audit & Risk Committee recommended the unaudited Annual Financial Statements for the year ended 30 June 2013 to the Board for approval	yes
13/11/2013	Fraud Risk Management Report to be a standing agenda item on the Audit & Risk Committee agenda	Yes
	The Audit & Risk Committee approved the Internal Audit Resourcing Strategy incorporating the appointment of the learners registered for the Internal Audit Technician Programme and strategic use of external service providers and mandated the CAE to implement the strategy.	Yes
20/11/2013	The Audit & Risk Committee recommended the Annual Financial Statements for the 2012/13 to the Board for approval	Yes
10/02/2014	The Audit & Risk Committee recommended management to write a letter to the AGSA in an attempt to find a way forward regarding the change in the audit team.	Yes
22/05/2014	The Audit & Risk Charter was recommended to Board for approval	Yes
	The Audit & Risk Committee requested management to provide a status update on the internal audit findings and provide internal audit with same for follow-up	Yes
	Internal Audit to review the third quarter financial statements and annual financial statements and report to the Audit & Risk Committee	Yes
	The Audit & Committee recommended the Risk Tolerance Framework and Risk Maturity Model to the Board for approval	Yes

## APPENDIX H LONG-TERM CONTRACTS AND PUBLIC-PRIVATE PARTNERSHIPS

Schedule of contracts over R10 million and running for more than 1 financial year

Project/Contractors Name	Contract Name	BBBEE Score	Contract Value (R)
<b>African Food and Culture Hub</b>	Kingsway civil	110%	13 570 771
<b>CoJ Intelligent Operations Centre (ICT solution)</b>	IBM South Africa (Pty) Ltd	110%	32 342 378
<b>Nancefield Transit-orientated Development</b>	Nyoni Projects (Pty) Ltd	125%	44 680 693
<b>Mpumelelo Clinic</b>	Dryden Projects	135%	10 221 696
<b>Jabulani Node</b>	Nyoni Projects (Pty) Ltd	125%	19 322 580
<b>Alexandra Complete Streets</b>	Bophelong Construction	100%	43 794 248
<b>Diepsloot Development</b>	Kingsway Civil cc	100%	15 739 427
<b>Westgate Station Precinct</b>	Kingsway Civil cc	100%	31 166 150
<b>Bruma Lake rehabilitation</b>	Basil Read	125%	59 672 808
<b>BRT</b>	Axton Matrix Construction	125%	24 115 358
	HHO Africa (Pty) Ltd	125%	12 346 268
	Royal Haskoning DHV	110%	11 860 949
	Kingsway City Markings JV	100%	12 000 000
	Axton Matrix	125%	12 352 581
	Bophelong Construction	100%	47 157 310
	Stefanutti Stocks/A re Shomeng JV	125%	25 379 733
	WBHO	125%	76 098 874
<b>Rea Vaya BRT NMT Basothong and Mavumbi</b>	Easyway Tarmac Tsurikomi JV	135%	17 155 002
<b>Rea Vaya BRT NMT, Lakeview and Klipspruit valley</b>	Axton Matrix	125%	21 862 925
<b>Rea Vaya BRT NMT, Thokoza Park</b>	Easyway Tarmac Tsurikomi JV	135%	17 906 944
<b>Rea Vaya Phase 1c: Construction of Section 8 along Katherine Street</b>	Hatch Goba	110%	69 556 710
<b>Sol Plaatjie</b>	King Civil Engineering Contractors (Pty) Ltd	60%	13 276 707

There are currently no public-private partnership contracts managed by JDA.

## APPENDIX J: DISCLOSURE OF FINANCIAL INTEREST

Disclosures of Financial Interests		
Period 1 July 2013 to 30 June of 2014		
Position	Name	Description of Financial interests* (Nil / Or details)
<b>Acting Chair</b>	C Coovadia	Nil
<b>Board members</b>	P Masilo	Nil
	P Mashiane	Nil
	D Thwala	Nil
	E Harvey	Nil
	N Selamolela	Nil
	K Govender	Nil
	P Kubu	Nil
	G Simelane	Nil
	A Rajah	Nil
	N Lila	Nil
	B Majola	Nil
	B Stainbank-Mokhobo	Nil
	D Naidu	Nil
<b>CEO</b>	T Mendrew	Nil
<b>Chief Financial Officer</b>	Z Mafata	Nil
<b>Executive Managers</b>	S Lewis	Nil
	F Habib	Nil
	B Mbuli	Nil
<b>Other S57 Officials</b>	R Shirinda	Nil
	B Mbewu	Nil
	A Noholoza	Nil
	V Voyi	Nil
	L Visagie	Nil
	C Botes	Nil

## APPENDIX N: CAPITAL PROGRAMME BY PROJECT

Capital programmes and projects	Source	Mid-year adjustment budget
<b>Capex budget</b>		<b>807 884 000</b>
Of which		
<b>Programme 1: Inner city transformation</b>		<b>126 750 000</b>
Park Station Commuter links	DP ICF	12 000 000
Park Station Metro Park	DP ICF	20 000 000
Park Station African hub	DP ICF	3 000 000
Westgate Station Precinct	DP ICF	40 000 000
Hillbrow Tower Precinct	DP ICF	5 000 000
Public places challenge	DP ICF	10 000 000
Intelligent operations centre	CoJ EMS	15 000 000
Kazerne parkade demolition	Transportation	9 000 000
Newtown capex	National DAC	12 000 000
Beyers Naude Square monument	CoJ DACH	750 000
<b>Programme 2: TOD Node developments</b>		<b>46 300 000</b>
Nancefield Station Precinct	USDG	25 000 000
Jabulani Node	USDG	12 000 000
Orlando East Station Precinct	USDG	1 000 000
Randburg CBD	CoJ	2 500 000
Alex-Marlboro Automotive Cluster	DP NDPG	1 000 000
Bambanani Automotive Cluster	DP NDPG	2 000 000
Com Dev projects (Rehab centre and Community centre)	CoJ Comdev	2 800 000
<b>Programme 3: GMS priority area developments</b>		<b>93 870 000</b>
Kliptown Development	USDG	10 000 000
Diepsloot Development	DP NDPG	40 900 000
CoJ Clinics	Health	26 970 000
Sol Plaatjie	Housing	12 000 000
Cosmo City Fire Station	EMS	4 000 000
<b>Programme 4: Greenways</b>		<b>516 164 000</b>
BRT routes and stations	PTIS	388 468 000
NMT infrastructure Kaalfontein	Transportation	10 000 000
NMT infrastructure Soweto	Transportation	63 696 000
Corridors of Freedom NMT infrastructure University connections	DP CoF	42 000 000
Corridors of Freedom NMT infrastructure Campus Square	DP CoF	1 000 000
Corridors of Freedom NMT infrastructure Westbury Precinct	DP CoF	11 000 000
<b>Programme 6: Development facilitation</b>		<b>24 800 000</b>
Bruma lake rehabilitation	EISD	20 000 000
Corridors of Freedom Naming and branding	DP CoF	1 800 000
Corridors of Freedom Strategic area frameworks	DP CoF	1 300 000
Corridors of Freedom participative planning	DP CoF	1 700 000

## ANNEXURE 1: BALANCED SCORECARD WITH KEY PERFORMANCE AREAS AND INDICATORS

JDA Scorecard 2013/14		21-Nov-13	Version 3.1	Mid year adjustment					
Key Performance Area	Key Performance Indicators	Baseline (2012/13)	2013/14 Target	Q1 Target	Q2 Target	Q3 Target	Q4 Target	Evidence	Validation Methodology
<b>Programme 1: Inner city transformation</b>									
<b>Programme purpose: Manage the development of the Johannesburg inner city through capital investments in selected areas, by overseeing integrated investments by other departments and entities, and by facilitating partnership initiatives</b>									
Programme 1: Capital expenditure	Programme 1: % of Capital budget spent (cumulative for the year to date)	100%	100%	4%	14%	46%	100%	Capital Expenditure Report	Finance reports
Programme 1: Operating expenditure	% of operating budget spent (cumulative for the year)	100%	100%	-	47%	74%	100%	Operating Expenditure Report	Finance reports
Programme 1: Construction progress per quarter		95%	100%	0%	10%	46%	100%		
Programme 1: Construction progress for the inner city transformation programme		90%	100%	0%	13%	40%	100%		
Construction progress per project	JDA056 Park Station: Commuter links	100%	100%	0%	50%	54%	100%	Quarterly development progress reports	External confirmation by professional
	JDA059 Park Station: Transnet Land/ Metro Park (land purchase)	80%	100%	0%	0%	0%	100%	Quarterly development progress reports	External confirmation by professional
	JDA072 Park Station: African food and culture hub	NA	100%	0%	27%	93%	100%	Quarterly development progress reports	External confirmation by professional
	JDA033 Westgate Station precinct	100%	100%	0%	10%	48%	100%	Quarterly development progress reports	External confirmation by professional
	JDA035/6 Hillbrow Tower Precinct	NA	100%	0%	0%	36%	100%	Quarterly development progress reports	External confirmation by professional
	JDA068/2 Public places challenge Round 2	NA	100%	0%	13%	58%	100%	Quarterly development progress reports	External confirmation by professional
Programme 1: Construction progress for the inner city technical assistance project		0%	100%	0%	0%	60%	100%		
Programme 1: Economic empowerment	Number of short-term EPWP job opportunities created in the inner city (number of individuals employed in the quarter)	392	1 014	44	97	463	411	Monthly EPWP employment reports	Schedules of employees signatures
	BBBEE procurement spend as a % of total capex procurement	70%	100%	100%	100%	100%	100%	SCM quarterly performance reports	Contract schedules
	SMME procurement spend as a % of total capex procurement	NA	25%	25%	25%	25%	25%	SCM quarterly performance reports	Contract schedules
Programme 1: Productive development partnerships	Positive media reports as a % of the total number of media reports on the JDA in the Johannesburg Inner City	>90% positive stories	>90% positive stories	>90%	>90%	>90%	>90%	Marketing and communications quarterly performance report	Media monitoring reports
	Number of inner city tours hosted by JDA	6	6	1	2	1	2	Marketing and communications quarterly performance report	Signed attendance registers

Key Performance Area	Key Performance Indicators	Baseline (2012/13)	2013/14 Target	Q1 Target	Q2 Target	Q3 Target	Q4 Target	Evidence	Validation Methodology
<b>Programme 2: Transit oriented node development</b>									
<b>Programme purpose: Manage the development of strategic transit nodes through capital investments, overseeing integrated investments by other departments and entities, and facilitating partnership initiatives</b>									
Programme 2: Capital expenditure	Programme 2: % of Capital budget spent (cumulative for the year to date)	100%	100%	8%	29%	84%	138%	Capital Expenditure Report	Finance reports
Programme 2: Operating expenditure	% of operating budget spent (cumulative for the year)	100%	100%	-	41%	65%	100%	Opex Expenditure Report	Finance reports
Programme 2: Construction progress per quarter		100%	100%	1%	21%	42%	100%		
Programme 2: Construction progress for the USDG transit node programme			100%	1%	24%	47%	100%		
Construction progress per project	JDA069 Nancefield Station Precinct	100%	100%	0%	20%	44%	100%	Quarterly development progress reports	External confirmation by professional
	JDA070 Jabulani Node	100%	100%	0%	17%	42%	100%	Quarterly development progress reports	External confirmation by professional
	JDA048 Orlando East Station Precinct	100%	100%	0%	4%	49%	100%	Quarterly development progress reports	External confirmation by professional
	JDA 019/02 Randburg Civic Precinct	100%	100%	20%	100%	100%	100%	Quarterly development progress reports	External confirmation by professional
Programme 2: Construction progress for the NDPG and Comdev projects			100%	0%	0%	9%	100%		
Completion progress per project	Automotive cluster projects	NA	100%	50%	0%	17%	100%	Quarterly development progress reports	External confirmation by professional
	Comdev projects	NA	100%	50%	0%	0%	100%	Quarterly development progress reports	External confirmation by professional
Programme 2: Economic empowerment	Number of short-term EPWP job opportunities created in the transit nodes number of individuals employed)	NA	324	29	80	200	15	Monthly EPWP employment reports	Schedules of employees signatures
	BBBEE procurement spend as a % of total capex procurement	70%	100%	100%	100%	100%	100%	SCM quarterly performance reports	Contract schedules
	SMME procurement spend as a % of total capex Procurement	25%	25%	25%	25%	25%	25%	SCM quarterly performance reports	Contract schedules
Programme 2: Productive development partnerships	Positive media reports as a % of the total number of media reports on the JDA in the TOD precincts	>90% positive stories	>90% positive stories	>90%	>90%	>90%	>90%	Marketing and communications quarterly performance report	Media monitoring reports
	Number of transit node tours hosted by JDA	2	2	1	0	0	1	Marketing and communications quarterly performance report	Signed attendance registers

Key Performance Area	Key Performance Indicators	Baseline (2012/13)	2013/14 Target	Q1 Target	Q2 Target	Q3 Target	Q4 Target	Evidence	Validation Methodology
<b>Programme 3: GMS High priority area development</b>									
<b>Programme purpose: Manage the development of strategic economic nodes in marginalised areas through capital investments, overseeing integrated investments by other departments and entities, and facilitating partnership initial</b>									
Programme 3: Total capital expenditure	Programme 3: % of budget spent (cumulative for the year to date)	100%	100%	12%	24%	44%	100%	Capital Expenditure Report	Finance reports
Programme 3: Operating expenditure	Programme 3: % of operating budget spent (cumulative for the year)	100%	100%	-	27%	55%	100%	Operating Expenditure Report	Finance reports
Programme 3: Construction progress		0%	100%	3%	13%	47%	100%		
Programme 3: Construction progress for the USDG priority areas programme		0%	100%	0%	20%	50%	100%		
Construction progress per project	JDA010 Kliptown Development	100%	100%	0%	20%	50%	100%	Quarterly development progress reports	External confirmation by professional
Programme 3: Construction progress for the NDPG priority areas programme		0%	100%	0%	5%	50%	100%		
Construction progress per project	JDA046 Diepsloot Development (Ngonyama road upgrade phase 4)	100%	100%	0%	5%	50%	100%	Quarterly development progress reports	External confirmation by professional
Programme 3: Construction progress for the CoJ clinics		100%	100%	6%	26%	60%	100%	Quarterly development progress reports	External confirmation by professional
Programme 3: Construction progress for Human Settlements - Sol Plaatjie		100%	100%	7%	11%	15%	100%	Quarterly development progress reports	External confirmation by professional
Programme 3: Construction progress for Cosmo City Fire Station		NA	100%	0%	0%	25%	100%	Quarterly development progress reports	External confirmation by professional
Programme 3: Economic empowerment	Number of short-term EPWP job opportunities created in the GMS priority areas (number of individuals employed)	84	622	95	82	58	387	Monthly EPWP employment reports	Schedules of employees signatures
	BBBEE procurement spend as a % of total capex procurement	70%	100%	100%	100%	100%	100%	SCM quarterly performance reports	Contract schedules
	SMME procurement spend as a % of total capex Procurement	25%	25%	25%	25%	25%	25%	SCM quarterly performance reports	Contract schedules
Programme 3: Productive development partnerships	Positive media reports as a % of the total number of media reports on the GMS priority areas	>90% positive stories	>90% positive stories	>90%	>90%	>90%	>90%	Marketing and communications quarterly performance report	Media monitoring reports
	Number of priority area tours hosted by JDA	1	2	0	1	0	1	Marketing and communications quarterly performance report	Signed attendance registers
	Impact studies on Streford and Kliptown	1	2	0	1	0	1	Planning and Strategy quarterly reports	Copy of impact studies

Key Performance Area	Key Performance Indicators	Baseline (2012/13)	2013/14 Target	Q1 Target	Q2 Target	Q3 Target	Q4 Target	Evidence	Validation Methodology
<b>Programme 4: Greenways development</b>									
<b>Programme purpose: Manage the development of strategic mass transit services and corridors through capital investments, overseeing integrated investments by other departments and entities, and facilitating partnership initiatives</b>									
Programme 4: Total Capital expenditure	Programme 4: % of budget spent (cumulative for the year to date)	100%	100%	2%	7%	27%	100%	Capital Expenditure Report	Finance reports
Programme 4: Operating expenditure	Programme 4: % of operating budget spent (cumulative for the year to date)	100%	100%	-	22%	35%	100%	Capital Expenditure Report	Finance reports
Programme 4: Total construction progress per quarter		100%	100%	2%	7%	27%	100%		
Programme 4: Construction progress for the PTIS funded projects		100%	100%	2%	7%	24%	100%	SCM quarterly performance reports	JDA quarterly finance reports
Programme 4: Construction progress for the complete streets projects		100%	100%	1%	4%	35%	100%	SCM quarterly performance reports	JDA quarterly finance reports
Programme 4: Construction progress for the Corridors of Freedom NMT projects		100%	100%	0%	4%	34%	100%	SCM quarterly performance reports	Contract schedules
Programme 4: Economic empowerment	Programme 4: Number of short-term EPWP job opportunities created (number of individuals employed)	1 155	3 080	61	173	726	2 634	Quarterly development progress reports	External confirmation by professional
	Programme 4: BBBEE procurement spend as a % of total capex procurement	70%	100%	100%	100%	100%	100%	SCM quarterly performance reports	JDA quarterly finance reports
	Programme 4: SMME procurement spend as a % of total capex Procurement	NA	25%	25%	25%	25%	25%	SCM quarterly performance reports	JDA quarterly finance reports
Programme 4: Productive development partnerships	Programme 4: Positive media reports as a % of the total number of media reports on the BRT	>90% positive stories	>90% positive stories	>90%	>90%	>90%	>90%	Marketing and communications quarterly performance report	Media monitoring reports
	Programme 4: Number of BRT tours hosted by JDA	1	4	1	1	1	1	Marketing and communications quarterly performance report	Signed attendance registers

Key Performance Area	Key Performance Indicators	Baseline (2012/13)	2013/14 Target	Q1 Target	Q2 Target	Q3 Target	Q4 Target	Evidence	Validation Methodology
<b>Programme 5: Admin and Management</b>									
<b>Programme purpose: Provide strategic leadership and support services, including the accomodation needs and overall management of the JDA</b>									
Programme 5: Human Resources	Compliance in respect of the Employment Equity Plan:	NA	<b>100% compliance</b>	100%	100%	100%	100%	HR reports	Staff list
	% Black staff as % of total staff	90%	<b>80%</b>	80%	80%	80%	80%	HR reports	Staff list
	% Female staff as % of total staff	60%	<b>45%</b>	45%	45%	45%	45%	HR reports	Staff list
	% Black Female managers as % of total senior management	60%	<b>35%</b>	35%	35%	35%	35%	HR reports	Staff list
	% Staff Turnover	6%	<b>&lt;10%</b>	<10%	<10%	<10%	<10%	HR reports	Staff list
	Number of HIV voluntary testing opportunities	2	<b>2</b>	0	1	0	1	HR reports	Wellness day programme
	% compliance with Occupational Health and Safety Act at the Bus Factory	80%	<b>80%</b>	80%	80%	80%	80%	HR Quarterly reports	OHS survey report on the bus factory
	% payroll invested in training	3%	<b>3%</b>	0%	1%	2%	3%	Quarterly HR reports	Audited financial statements
Programme 5: Financial management and corporate	Unqualified audit reports	100%	<b>100%</b>	100%	100%	100%	100%	Audit report	External Auditors & Audit Committee
	% Overspending against operating budget	0%	<b>0%</b>	0%	0%	0%	0%	Opex expenditure Report	Finance reports
	IT network availability - external	100%	<b>96%</b>	96%	96%	96%	96%	IT Quarterly report	Availability reports
Programme 5: Economic Development	Programme 5: BBBEE procurement spend as a % of total opex procurement	70%	<b>100%</b>	100%	100%	100%	100%	SCM quarterly performance reports	JDA quarterly finance reports
	Programme 5: SMME procurement spend as a % of total opex Procurement	36%	<b>40%</b>	40%	40%	40%	40%	SCM quarterly performance reports	JDA quarterly finance reports
Programme 5: Operating expenditure	Programme 5: % of operating budget spent (cumulative for the year to date)	100%	<b>100%</b>	36%	58%	87%	100%	Capital Expenditure Report	Finance reports

Key Performance Area	Key Performance Indicators	Baseline (2012/3)	2013/14 Target	Q1 Target	Q2 Target	Q3 Target	Q4 Target	Evidence	Validation Methodology
<b>Programme 6: Development Facilitation</b>									
<b>Programme purpose: Provide strategic leadership, coordination capacity, and analytical and negotiating skills to promote investment, establish and communicate shared development visions, and prepare a pipeline of implementation-ready property developments and capital works projects</b>									
Programme 6: Total Capital expenditure	Programme 6: % of budget spent (cumulative for the year to date)	100%	100%	5%	34%	78%	100%	Quarterly development progress reports	External confirmation by professional
Programme 6: Operating expenditure	Programme 6: % of operating budget spent (cumulative for the year to date)	100%	100%	0%	28%	59%	100%	HR reports	Staff list
Programme 6: Total construction progress per quarter		0%	100%	5%	34%	78%	100%		
Programme 6: Construction progress for the DP COF funded projects		0%	100%	45%	100%	100%	100%	Quarterly development progress reports	External confirmation by professional
Programme 6: Construction progress for the EISD funded project		0%	100%	0%	25%	75%	100%	Quarterly development progress reports	External confirmation by professional
Programme 6: Productive development partnerships	Number of investment promotion events hosted by JDA	NA	2	1	2	1	2	Marketing and communications quarterly performance report	Signed attendance registers
	Number of media events	NA	4	1	1	1	1	Marketing and communications quarterly performance report	Signed attendance registers
Programme 6: Development planning and feasibility	Number of neighbourhoods with City Futures participative planning completed	NA	3	1	0	3	0	Exco approval of studies	Exco minutes
	Number of property development plans, and project feasibility studies completed	NA	4	1	0	0	4	Exco approval of studies	Exco minutes
Programme 6: Urban management partnerships	Number of active agreements between JDA and CIDs or CBOs	NA	2	0	0	0	2	Development Facilitation quarterly reports	Copy of signed agreements
	Newtown Cultural Precinct partnership with Department of Arts and Culture	NA	1	1	0	0	0	Development Facilitation quarterly reports	Copy of signed agreement
Programme 6: Operating expenditure	Programme 6: % of operating budget spent (cumulative for the year to date)	NA	100%	0%	28%	59%	100%	Capital Expenditure Report	Finance reports

## ANNEXURE 2: MITIGATION STRATEGIES ON THE ASSESSMENT OF INTEGRATED REPORTING AND MFMA CIRCULAR 63 (NKONKI REPORT)

The JDA's Annual Report 2013 was evaluated through the following processes:

- a) An internal audit review of the draft Annual Report highlighted a number of inaccuracies and improvements; and
- b) A review by consultants, Nkonki, for Group Governance on the extent to which MOEs have complied with integrated reporting principles.

The recommendations from these reviews were considered by a task team consisting of the EM: Planning and Strategy, the Company Secretary and the CAE in order to prepare a production plan for the Annual Report 2014 that is intended to improve the reporting process and result in a better Annual Report.

Selected priority recommendations from the integrated reporting review of the Annual Report 2013 are summarised in the table below.

Comment	Action taken for 2014 AR
	Use 'integrated report' in the title of the AR 2014
The board should ensure that the company's ethics performance is disclosed in order to provide relevant and reliable information about the quality the company's ethics performance. As part of its sustainability reporting, the board reports on the company's ethics performance and discloses the information in a sustainability report.	Report on ethics performance to be drafted and submitted to Secom, and included in AR 2015.
Every year, non-executive directors classified as 'independent' should undergo an evaluation of the independence by the chairman and the board. If the chairman is not independent, the process should be led by the lead independent director. Independence should be assessed by weighing all relevant factors that may impair independence. The classification of directors in the integrated report, as independent or otherwise, should be done on the basis of this assessment.	Annual independence evaluation to be carried out by Chairman.
The following aspects regarding directors should be disclosed in the integrated report:► Full disclosure of individual directors ► the reasons for the removal, resignation or retirement of directors; ► the composition of the board and board committees and the number of meetings held, attendance at those meetings and the manner in which the board and its committees have discharged its duties;► the education, qualifications and experience of the directors;► the length of service and age of the directors;► whethersupervisingofnewmanagementisrequiredinwhichcaseretentionof boardexperiencewouldbecalledfor;► other significant directorships of each board member;► actual or potential political connections or exposure; and► any other relevant information.	Additional information on Directors included in AR 2014
The AR should provide an overview of the results of the Board appraisal process, performance assessment and the action plans to be implemented, if any.	Additional information on Board appraisal process and outcomes included in AR 2014
The composition of board committees should be disclosed in the integrated report, including any external advisers who regularly attend or are invited to attend committee meetings. The integrated report should disclose the terms of terms of reference of the board committees, as approved by the board.	Additional and consistent information on Board Committees included in AR 2014
Base pay and bonuses: Targets for threshold, expected and stretch targets for performance should be robustly set and monitored and the main performance parameters should be disclosed.	Additional information on bonus provision included in AR 2014
Incentive schemes to encourage retention should be established separately, or should be clearly distinguished, from those related to rewarding performance and should be disclosed in the annual remuneration report voted on by shareholders.	Additional information on retention strategy and incentives included in AR 2014

Comment	Action taken for 2014 AR
In its annual remuneration report, to be included in the integrated report, the company should explain the remuneration policies followed throughout the company with a special focus on executive management, and the strategic objectives that it seeks to achieve, and should provide clear disclosure of the implementation of those policies.	Additional information on remuneration policy and practice to be included in AR 2015
Every year, the audit committee should consider and satisfy itself of the appropriateness of the expertise, resources and adequacy of resources of the finance function and experience of the senior members of management responsible for the financial function. The results of the review should be disclosed in the integrated report.	A report on the appropriateness of finance team capacity and experience must be prepared for Audit Committee consideration. This will be done in 2014/15.
As a minimum, the audit committee should provide the following information in the integrated report: ► a summary of the role of the audit committee; ► a statement on whether or not the audit committee has adopted a formal terms of reference that have been approved by the board and if so, whether the committee satisfied its responsibilities for the year in compliance with its terms of reference; ► the names and qualifications of all members of the audit committee during the period under review, and the period for which they served on the committee; ► the number of audit committee meetings held during the period under review and members' attendance at these meetings; ► a statement on whether or not the audit committee considered and recommended the internal audit charter for approval by the board; ► a description of the working relationship with the chief audit executive; ► information about any other responsibilities assigned to the audit committee by the board; ► a statement on whether the audit committee complied with its legal, regulatory or other responsibilities; and ► a statement on whether or not the audit committee recommended the integrated report to the board for approval. ► That they have reviewed the financial statements in the integrated report, with comments thereon.	Detailed information on Audit Committee included in AR 2014
In its statement in the integrated report, the board should disclose for the period under review any undue, unexpected or unusual risks it has taken in the pursuit of reward as well as any material losses and the causes of the losses. This disclosure should be made with due regard to the company's commercially privileged information. In disclosing the material losses, the board should endeavour to quantify and disclose the impact that these losses have on the company and the responses and interventions implemented by the board and management to prevent recurrence of the losses. The board should disclose any current, imminent or envisaged risk that may threaten the long-term sustainability of the company.	Additional information on undue risks taken included in the AR 2014 if any
The board should disclose details in the integrated report on how it has discharged its responsibility to ensure the establishment of an effective compliance framework and processes.	Additional information on compliance framework and processes included in AR 2014
The board should report on the effectiveness of the system of internal controls. The board should also disclose its views on the effectiveness of the company's risk management processes (assessments, responses and interventions) in the integrated report.	Report on effectiveness of risk management processes and internal controls must be prepared for the Board.
The board should disclose in its integrated report the nature of its dealings with its stakeholders and the outcomes of these dealings.	Additional information on stakeholder relations strategy and implementation to be included in AR 2015.
The annual financial statements should be included in the integrated report. The board should include commentary on the company's financial results. This commentary should include information to enable a stakeholder to make an informed assessment of the company's economic value, by allowing stakeholders insight into the prospects for future value creation and the board's assessment of the key risks which may limit those prospects. The board must disclose whether the company is a going concern and whether it will continue to be a going concern in the financial year ahead. If there is concern about the company's going concern status, the board should give the reasons and the steps it is taking to remedy the situation.	Additional information on going concern and future prospects included in AR 2014
The integrated report should describe how the company has made its money; hence the need to contextualize financial results by reporting on the positive and negative impact the company's operations had on its stakeholders. It is important for sustainability reporting and disclosure to highlight the company's plans to improve the positives and eradicate or mitigate the negatives in the financial year ahead.	Additional commentary on how to improve financial performance included in AR 2014

Comment	Action taken for 2014 AR
This will enable stakeholders to make an informed assessment of the economic value and sustainability of the company.	
Reporting should be integrated across all areas of performance, reflecting the choices made in the strategic decisions adopted by the board, and should include reporting in the triple context of economic, social and environmental issues. Companies should recognize that the principle of transparency in reporting sustainability (commonly but incorrectly referred to as 'non-financial') information is a critical element of effective reporting. The key consideration is whether the information provided has allowed stakeholders to understand the key issues affecting the company as well as the effect the company's operation has had on the economic, social and environmental wellbeing of the community, both positive and negative	Triple bottom line reporting is already in place
Obtaining assurance (of sustainability information), the company should be clear on the scope of the assurance to be provided and this should also be disclosed.	Assurance of information process described in reporting process in AR 2014
Due to the volume and complexity of information conveyed in the integrated report, users benefit from a summary of the integrated report. The company should therefore prepare a summarized integrated reporting additional to the complete integrated report. The objective of the summarized integrated report is to give a concise but balanced view of the company's integrated information. In preparing the summarized integrated report, companies should give due consideration to: ▶ providing key financial information. The International Financial Reporting Standard on Interim Reporting (IAS 34) provides useful guidance as to which financial information and notes should be included; ▶ providing sufficient commentary by the company to ensure an unbiased, succinct overview of the company's financial information; and ▶ providing the company's key performance measures regarding sustainability information. Summarized integrated information should be derived from the underlying integrated report and should include a statement to this effect. The audit committee should engage the external auditors to provide an assurance report on summarized financial information, confirming that the summarized financial information is appropriately derived from the annual financial statements.	Executive summary of AR 2014 is included in forewords
The integrated report should convey adequate information regarding the company's financial and sustainability performance. It should contain the building blocks or 5 guiding principles of Strategic Focus, Connectivity of Information, Future Orientation, Responsiveness and stakeholder inclusiveness, and Conciseness, reliability and materiality. The following content elements should be present (and inter-connected):- Organizational overview and business model- Operating context, including risks and opportunities- Strategic objectives and strategies to achieve those objectives- Governance and remuneration- Performance- Future Outlook. The integrated report should focus on substance over form	Recommended Integrated report format is used as a checklist for the prescribed Treasury format to ensure all content elements are covered

### Annexure 3: King III Checklist

		Meets King III Requirements	Where is it Disclosed?
<b>Chapter 1: Ethical leadership and corporate citizenship</b>			
Para. 49, practice note on ethics management	The Board should ensure that the company's ethics performance is disclosed in order to provide relevant and reliable information about the quality of the company's ethics performance. As part of its sustainability reporting, the Board reports on the company's ethics performance and discloses the information in a sustainability report.	✓	54
<b>Chapter 2: Boards and Directors</b>			
<b>Board Chairman</b>			
Para. 39	If the Board appoints a chairman who is a non-executive director, but is not independent or is an executive director, this should be disclosed in the Integrated Annual Report, together with the reasons and justifications for the appointment.	–	Not applicable
<b>Board composition</b>			
Para. 76	Every year, non-executive directors classified as 'independent' should undergo an evaluation of their independence by the chairman and the Board. If the chairman is not independent, the process should be led by the lead independent director. Independence should be assessed by weighing all relevant factors that may impair independence. The classification of directors in the Integrated Annual Report, as independent or otherwise, should be done on the basis of this assessment.	✓	37
Para. 78	Independent non-executive directors may serve longer than nine years if, after an independence assessment by the Board, there are no relationships or circumstances likely to affect, or appear to affect, the director's judgement. The assessment should show that the independent director's independence of character and judgment is not in any way affected or impaired by the length of service. A statement to this effect should be included in the Integrated Annual Report.	–	Not applicable
<b>Reporting</b>			
Para. 88	The following aspects regarding directors should be disclosed in the Integrated Annual Report:		
	• The reasons for the removal, resignation or retirement of directors	✓	-
	• The composition of the Board and Board committees and the number of meetings held, attendance at those meetings and the manner in which the Board and its committees have discharged its duties	✓	36
	• The education, qualifications and experience of the directors	✓	23
	• The length of service and age of the directors	✓	23
	• Whether supervising of new management is required in which case retention of Board experience would be called for	✓	-
	• Other significant directorships of each Board member	✓	23
	• Actual or potential political connections or exposure	✓	23
	• Any other relevant information.		

		Meets King III Requirements	Where is it Disclosed?
<b>Board performance</b>			
Para. 114	The Board should state in the Integrated Annual Report whether the appraisals of the Board and its committees have been conducted. The report should provide an overview of the results of the performance assessment and the action plans to be implemented, if any.	✓	23
<b>Board committees</b>			
Para. 127	The composition of Board committees should be disclosed in the Integrated Annual Report, including any external advisers who regularly attend or are invited to attend committee meetings.	✓	36
Para. 127	The Integrated Report should disclose the terms of reference of the Board committees, as approved by the Board.	✓	36
<b>Group versus Subsidiary Boards</b>			
Para. 145	Adopting and implementing policies and procedures of the holding company in the operations of the subsidiary company should be a matter for the Board of the subsidiary company to consider and approve, if the subsidiary company's Board considers it appropriate. The subsidiary company should disclose this adoption and implementation in its Integrated Annual Report.	NA	
<b>Directors' remuneration</b>			
Para. 159	Base pay and bonuses: targets for threshold, expected and stretch targets for performance should be robustly set and monitored and the main performance parameters should be disclosed.	NA	
Para. 167	Participation in share incentive schemes should be restricted to employees and executive directors, and should have appropriate limits for individual participation, which should be disclosed.	NA	
Para. 174	To align shareholders' and Executives' interests, vesting of share incentive awards should be conditional on achieving performance conditions. Such performance measures and the reasons for selecting them should be fully disclosed. Where performance measures are based on a comparative group of companies, there should be disclosure of the names of the companies chosen.	NA	
Para. 176	Incentive schemes to encourage retention should be established separately, or should be clearly distinguished, from those related to rewarding performance and should be disclosed in the Annual Remuneration Report voted on by shareholders.	NA	
Para. 180	Companies should provide full disclosure of each individual executive and non-executive director's remuneration, giving details as required in the Companies Act:		
	• Base pay	✓	33
	• Bonuses	✓	33
	• Share-based payments, granting of options or rights	NA	
	• Restraint payments	NA	
	• All other benefits (including present values of existing future awards).	✓	33
	Similar information should be provided for persons falling within the definition of prescribed officers of the Company	NA	

		Meets King III Requirements	Where is it Disclosed?
	as defined in the Companies Act.		
Para. 181	In its Annual Remuneration Report, to be included in the Integrated Annual Report, the company should explain the remuneration policies followed throughout the company with a special focus on executive management, and the strategic objectives that it seeks to achieve, and should provide clear disclosure of the implementation of those policies.	✓	-
Para. 182	The Remuneration Report should explain the policy on base pay, including the use of appropriate benchmarks. A policy to pay salaries on average at above median requires special justification. It should also explain and justify any material payments that may be viewed as being <i>ex gratia</i> in nature.	✓	-
Para. 183–184	Policies regarding Executive employment contracts should be set out in the Annual Remuneration Report.	X	
	These policies normally include at least the following:		
	<ul style="list-style-type: none"> <li>The period of the contract and the period of notice of termination (after the initial period, contracts should normally be renewable yearly)</li> <li>The nature and period of any restraint.</li> </ul>	X –	 Not applicable
Para. 185	The Annual Remuneration Report should disclose the maximum and the expected potential dilution that may result from the incentive awards granted in the current year.	✓	111
<b>Chapter 3: Audit Committee</b>			
<b>Interim results</b>			
Para. 40	Where the external auditor is appointed to perform a publicly reported review of the interim results, the Report of the External Auditor should be made available to users of the interim results and should be summarised in the interim results.	✓	128
<b>Finance function</b>			
Para. 51	Every year, the Audit Committee should consider and satisfy itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the financial function. The results of the review should be disclosed in the Integrated Annual Report.	X	
<b>Internal controls</b>			
Para. 69	The Audit Committee must conclude and report yearly to the stakeholders and the Board on the effectiveness of the company's internal financial controls.	✓	131
Para. 70	Weaknesses in financial control, whether from design, implementation or execution, that are considered material (individually or in combination with other weaknesses) and that resulted in actual material financial loss, fraud or material errors, should be reported to the Board and the stakeholders. It is not intended that this disclosure be made in the form of an exhaustive list, but rather an acknowledgement of the nature and extent of material weaknesses and the corrective action, if any, that has been taken to date of the report.	✓	130
<b>Reporting</b>			

		Meets King III Requirements	Where is it Disclosed?
Para. 85	As a minimum, the Audit Committee should provide the following information in the Annual Financial Statements:		37
	• A summary of the role of the Audit Committee	✓	37
	• A statement on whether or not the Audit Committee has adopted formal terms of reference that have been approved by the Board and if so, whether the committee satisfied its responsibilities for the year in compliance with its terms of reference	✓	37
	• The names and qualifications of all members of the Audit Committee during the period under review, and the period for which they served on the committee	✓	37
	• The number of Audit Committee meetings held during the period under review and members' attendance at these meetings	✓	36
	• A statement on whether or not the Audit Committee considered and recommended the Internal Audit Charter for approval by the Board	✓	37
	• A description of the working relationship with the Chief Audit Executive	✓	-
	• Information about any other responsibilities assigned to the Audit Committee by the Board	✓	38
	• A statement on whether the Audit Committee complied with its legal, regulatory or other responsibilities	✓	38
	• A statement on whether or not the Audit Committee recommended the Integrated Report to the Board for approval.	✓	131
<b>Chapter 4: The governance of risk</b>			
<b>Board's responsibility for risk</b>			
Para. 4	The Board should be able to disclose how it has satisfied itself that risk assessments, responses and interventions are effective.	✓	42
Para. 13	The Board may set limits regarding the company's risk appetite i.e. the risk limits that the Board desires, or is willing, to take. Where the risk appetite exceeds, or deviates materially from the limits of the company's risk tolerance (the company's ability to tolerate), this should be disclosed in the Integrated Annual Report.	✓	42
<b>Risk assessment</b>			
Para. 39	The company's Integrated Annual Report should include key sustainability risks, and responses to these risks and residual sustainability risks.	✓	43
<b>Risk disclosure</b>			
Para. 54	In its statement in the Integrated Annual Report, the Board should disclose for the period under review any undue, unexpected or unusual risks it has taken in the pursuit of reward as well as any material losses and the causes of the losses. This disclosure should be made with due regard to the company's commercially privileged information. In disclosing the material losses, the Board should endeavour to quantify and disclose the impact that these losses have on the company and the responses and interventions implemented by the Board and management to prevent recurrence of the losses.	None	
Para. 55	The Board should disclose any current, imminent or	✓	43

		Meets King III Requirements	Where is it Disclosed?
	envisaged risk that may threaten the long-term sustainability of the Company.		
Para. 56	The Board should also disclose its views on the effectiveness of the company's risk management processes in the Integrated Annual Report.	✓	42
<b>Chapter 5: The governance of information technology</b>			
Para. 9	The Board should take the necessary steps to ensure that there are processes in place to ensure complete, timely, relevant, accurate and accessible IT reporting, firstly from management to the Board, and secondly by the Board in the Integrated Annual Report.	✓	53
<b>Chapter 6: Compliance with laws, codes, rules and standards</b>			
Para. 6	The Board should disclose in the Integrated Annual Report the applicable non-binding rules, codes and standards to which the company adheres on a voluntary basis.	None	
Para. 10	The Board should disclose details in the Integrated Annual Report on how it has discharged its responsibility to ensure the establishment of an effective Compliance Framework and processes.	✓	42
Para. 22	The company should consider disclosing in its Integrated Annual Report any material – or immaterial but often repeated – regulatory penalties, sanctions and fines for contraventions or non-compliance with statutory obligations that were imposed on the company or any of its directors or officers. Disclosure should be considered having regard to whether divulging the information that the disclosure will necessitate, would negatively affect the company, breach confidentiality, or breach any agreement to which it is a party.	None	
<b>Chapter 7: Internal Audit</b>			
<b>The need for and role of Internal Audit</b>			
Para. 1	If the Board, in its discretion, decides not to establish an internal audit function, full reasons should be disclosed in the company's Integrated Annual Report, with an explanation of how adequate assurance of an effective governance, risk management and internal control environment has been maintained.	NA	
<b>Internal controls</b>			
Para. 12	The Board should report on the effectiveness of the system of internal controls in the Integrated Annual Report.	✓	AFS
Para. 30	The Audit Committee should provide comment on the state of the internal financial control environment in the company's Integrated Report.	✓	AFS
<b>Chapter 8: Governing stakeholder relationships</b>			
Para. 22	The Board should disclose in its Integrated Annual Report the nature of its dealings with its stakeholders and the outcomes of these dealings.	-	-
Para. 36	The company should consider disclosing in its Integrated Annual Report the number and reasons for refusals of requests for information that were lodged with the company in terms of the Promotion of Access to Information Act, No. 2 of 2000. Disclosure must be considered having regard to whether divulging the information that the disclosure will necessitate will	none	

		Meets King III Requirements	Where is it Disclosed?
	detrimentally affect the company or breach confidentiality or any agreement to which it is a party.		
<b>Chapter 9: Integrated reporting and disclosure</b>			
<b>Financial disclosure</b>			
Para. 8	The Annual Financial Statements should be included in the Integrated Annual Report.	✓	166
Para. 9	The Board should include commentary on the company's financial results. This commentary should include information to enable a stakeholder to make an informed assessment of the company's economic value, by allowing stakeholders insight into the prospects for future value creation and the Board's assessment of the key risks, which may limit those prospects.	✓	AFS
Para. 10	The Board must disclose whether the company is a going concern and whether it will continue to be a going concern in the financial year ahead. If there is concern about the company's going concern status, the Board should give the reasons and the steps it is taking to remedy the situation.	✓	AFS
<b>Sustainability disclosure</b>			
Para. 11–13	The Integrated Annual Report should describe how the company has made its money; hence the need to contextualise financial results by reporting on the positive and negative impact the company's operations had on its stakeholders. It is important for sustainability reporting and disclosure to highlight the company's plans to improve the positives and eradicate or mitigate the negatives in the financial year ahead. This will enable stakeholders to make an informed assessment of the economic value and sustainability of the company.	NA	
	Reporting should be integrated across all areas of performance, reflecting the choices made in the strategic decisions adopted by the Board, and should include reporting in the triple context of economic, social and environmental issues.	✓	-
	Companies should recognise that the principle of transparency in reporting sustainability (commonly but incorrectly referred to as 'non-financial') information is a critical element of effective reporting. The key consideration is whether the information provided has allowed stakeholders to understand the key issues affecting the company as well as the effect the company's operation has had on the economic, social and environmental wellbeing of the community, both positive and negative.	✓	-
<b>Assurance of sustainability information</b>			
Para. 20	In obtaining assurance (of sustainability information), the company should be clear on the scope of the assurance to be provided and this should also be disclosed.	✓	-
	To the extent that reports are subject to assurance, the name of the assurer should be clearly disclosed, together with the period under review, the scope of the assurance exercise, and the methodology adopted.	✓	-
<b>Summarised Integrated Report</b>			

		Meets King III Requirements	Where is it Disclosed?
Chapter 3 Para. 41	Due to the volume and complexity of information conveyed in the Integrated Annual Report, users benefit from a summary of the Integrated Annual Report. The company should therefore prepare a summarised version in addition to the complete integrated report.	✓	-
<b>Contents of summarised Integrated Report</b>			
Chapter 3	The objective of the summarised Integrated Annual Report is to give a concise but balanced view of the company's integrated information. In preparing the summarised Integrated Annual Report, companies should give due consideration to:	✓	18
Para. 42–43	<ul style="list-style-type: none"> <li>Providing key financial information. The International Financial Reporting Standard on Interim Reporting (IAS 34) provides useful guidance as to which financial information and notes should be included</li> </ul>	✓	-
	<ul style="list-style-type: none"> <li>Providing sufficient commentary by the company to ensure an unbiased, succinct overview of the company's financial information</li> </ul>	✓	AFS
	<ul style="list-style-type: none"> <li>Providing the Company's key performance measures regarding sustainability information.</li> </ul>	✓	-
	Summarised integrated information should be derived from the underlying Integrated Annual Report and should include a statement to this effect.	✓	-
<b>Assurance of summarised Integrated Annual Report</b>			
Chapter 3 Para. 44	The Audit Committee should engage the external auditors to provide an Assurance Report on summarised financial information, confirming that the summarised financial information is appropriately derived from the Annual Financial Statements.	✓	AFS

## ANNEXURE 4: ACRONYMS AND ABBREVIATIONS

<b>AGSA</b>	Auditor-General of South Africa
<b>BBBEE</b>	Broad-based Black Economic Empowerment
<b>BEC</b>	Bid Evaluation Committee
<b>BRT</b>	Bus Rapid Transit
<b>CAPEX</b>	Capital Expenditure
<b>CBD</b>	Central Business District
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>CID</b>	City Improvement District
<b>CoJ</b>	City of Johannesburg
<b>CRUM</b>	Citizen Relations and Urban Management Unit
<b>DDP</b>	Department of Development Planning
<b>EDP</b>	Enterprise Development Programme
<b>EE</b>	Employment Equity
<b>EISD</b>	Environment, Infrastructure and Services Department
<b>EMS</b>	Emergency Management Services
<b>EPWP</b>	Expanded Public Works Programme
<b>EXCO</b>	Executive Committee
<b>GDS</b>	Growth and Development Strategy Joburg 2040
<b>GMS</b>	Growth Management Strategy
<b>GRAP</b>	Generally Recognised Accounting Practices
<b>GRI</b>	Global Reporting Initiative
<b>GRMC</b>	Group Risk Management Committee
<b>HR</b>	Human Resources
<b>IAF</b>	Internal Audit Function
<b>ICT</b>	Information and Communication Technology
<b>ICTR</b>	Inner City Transformation Roadmap
<b>IDP</b>	Integrated Development Plan
<b>IFRS</b>	International Financial Reporting Standards
<b>IIRC</b>	International Integrated Reporting Council
<b>IRBA</b>	Independent Regulatory Board for Auditors
<b>IT</b>	Information Technology
<b>JCPZ</b>	Johannesburg City Parks and Zoo
<b>JPC</b>	Johannesburg Property Company
<b>JRA</b>	Johannesburg Roads Agency
<b>King III</b>	King Report on Governance for South Africa and the King Code of Governance Principles
<b>KPI</b>	Key Performance Indicator
<b>LGSETA</b>	Local Government Sector Education and Training Authority
<b>MFMA</b>	Municipal Finance Management Act, Act No. 56 of 2003
<b>MMC</b>	Member of the Mayoral Committee
<b>MOE</b>	Municipal-owned Entities
<b>MSA</b>	Municipal Systems Act, Act No. 32 of 2000

<b>MTREF</b>	Medium-Term Revenue and Expenditure Framework
<b>NDPG</b>	Neighbourhood Development Partnership Grant
<b>NMT</b>	Non-motorised Transit
<b>OHS</b>	Occupational Health and Safety
<b>OPEX</b>	Operating Expenses
<b>PFMA</b>	Public Finance Management Act, Act No. 1 of 1999
<b>PRASA</b>	Passenger Rail Agency of South Africa
<b>PTIS</b>	Public Transport Infrastructure and Systems
<b>RSDF</b>	Regional Spatial Development Frameworks
<b>SA GAAP</b>	South African Statements of Generally Accepted Accounting Practice
<b>SAF</b>	Strategic Area Frameworks
<b>SANAS</b>	South African Accreditation System
<b>SCM</b>	Supply Chain Management
<b>SDA</b>	Service Delivery Agreement
<b>SDM</b>	Senior Development Manager
<b>SMME</b>	Small, Medium and Micro Enterprise
<b>SOC</b>	State-owned Company
<b>TOD</b>	Transit-oriented Node Development
<b>UDF</b>	Urban Development Frameworks
<b>WSSD</b>	Walter Sisulu Square of Dedication

# VOLUME II: ANNUAL FINANCIAL STATEMENTS



a world class African city

**Johannesburg Development Agency (SOC) Ltd  
(Registration number 2001/005101/07)  
Annual Financial Statements  
for the year ended 30 June 2014**

These annual financial statements were supervised by:  
Zandile Mafata

Auditor-General of South Africa  
Registered Auditors

# Johannesburg Development Agency (SOC) Ltd

(Registration number 2001/005101/07)

Annual Financial Statements for the year ended 30 June 2014

## General Information

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<b>COUNTRY OF INCORPORATION AND DOMICILE</b>	South Africa
<b>NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES</b>	Regenerating the City of Johannesburg through facilitating and/or investing in development projects.
<b>DIRECTORS</b>	C Coovadia (Acting Chairperson) T Mendrew (Chief Executive Officer) K Govender E Harvey Z Mafata (Chief Financial Officer) P Mashiane P Masilo W Thwala
<b>REGISTERED OFFICE</b>	The Bus Factory 3 President Street Newtown Johannesburg 2000
<b>BUSINESS ADDRESS</b>	The Bus Factory 3 President Street Newtown Johannesburg 2000
<b>POSTAL ADDRESS</b>	P O Box 61877 Marshalltown Johannesburg 2001
<b>CONTROLLING ENTITY</b>	The City of Johannesburg Metropolitan Municipality incorporated in South Africa
<b>AUDITORS</b>	Auditor-General of South Africa Registered Auditors
<b>SECRETARY</b>	R Shirinda
<b>COMPANY REGISTRATION NUMBER</b>	2001/005101/07

# Johannesburg Development Agency (SOC) Ltd

(Registration number 2001/005101/07)

Annual Financial Statements for the year ended 30 June 2014

## Index

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The reports and statements set out below comprise the annual financial statements presented to the shareholder:

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### Abbreviations

CJMM	City of Johannesburg Metropolitan Municipality
COID	Compensation for Occupational Injuries and Diseases
JDA	Johannesburg Development Agency (SOC) Ltd
BRT	Rea Vaya Bus Rapid Transport System
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MMC	Member of the Mayoral Committee
MFMA	Municipal Finance Management Act
BAC	Bid Adjudication Committee
SARS	South African Revenue Services
CAE	Chief Audit Executive
CIDB	Construction Industry Development Board

# Johannesburg Development Agency (SOC) Ltd

(Registration number 2001/005101/07)

Annual Financial Statements for the year ended 30 June 2014

## Directors' Responsibilities and Approval

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The directors are required by the MFMA, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the annual financial statements fairly present the financial position of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the fair presentation of the annual financial statements and were given unrestricted access to all financial records and related data.

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

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

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

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

The directors have reviewed the entity's budget for the year to 30 June 2015 and, in the light of this review and the current financial position, they are satisfied that the entity has access to adequate resources to continue in operational existence for the foreseeable future.

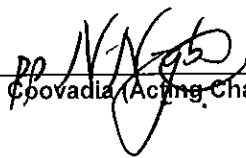
The entity is substantially dependent on the CJMM for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the CJMM has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although the directors are primarily responsible for the financial affairs of the entity, they are supported by the entity's internal auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 6 to 10.

The annual financial statements set out on pages 10 to 69, which have been prepared on the going concern basis, were approved by the directors on 30 November 2014 and were signed on its behalf by:

  
T Mendrow (Chief Executive Officer)

  
C Cbovadia (Acting Chairperson)

# Johannesburg Development Agency (SOC) Ltd

(Registration number 2001/005101/07)

Annual Financial Statements for the year ended 30 June 2014

## Audit and Risk Committee Report

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### INTRODUCTION

We are pleased to present the Audit and Risk Committee report of the JDA, which is in compliance with the Companies Act (the Act) and the requirements of the MFMA. The committee has been appointed for the financial year ended 30 June 2014 and has adopted terms of reference that comply with the Act and King III. These terms of reference have been approved by the board, copies of which are available from the company secretary on request.

### Audit and risk committee members and attendance

The audit committee consists of the members listed hereunder and should meet at least 5 times per annum as per its approved terms of reference. During the current period 6 scheduled meetings were held.

Name of member	Number of meetings attended
Mr K Govender (Non-Executive Chairperson)	5/6
Ms N Lila (Independent Member - Resigned on 09 April 2014)	4/6
Mr P Masilo (Non-Executive Director)	5/6
Ms N Selamolela (Non-Executive Director)	4/6
Ms J Vergotine (Independent Member)	5/6
Mr Z Samsam (Independent Member) (Appointed 25 February 2014)	1/1
Mr W Thwala (Non-executive director)	1/1

### Audit and risk committee responsibility

The committee is solely responsible for its statutory duties in terms of Act and MFMA. In addition, the committee is required to perform other functions determined by the board, including the development and implementation of a policy and plan for a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the Company. We report that we have adopted appropriate formal terms of reference in line with the requirements of section 166(2)(a) of MFMA and conducted our affairs in compliance with these terms of reference and have discharged our responsibilities accordingly.

### The effectiveness of internal control

The committee has received assurance that the system of internal controls applied by the entity over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, internal audit provides the Audit and Risk Committee and management with reasonable assurance that the internal controls are appropriate, adequate and effective. This is achieved by means of the risk based audit process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report of the annual financial statements, and the management report of the Auditor-General South Africa pertaining to the previous financial year, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. In the year under review, it came to the attention of the Audit and Risk Committee that an incident of employee dishonesty and fraud has taken place. This was discovered by management in July 2013, who instituted forensic investigation processes and opened a criminal case with the South African Police Services. The forensic investigation is substantially complete with the only outstanding matter being the issuance of the perpetrator's bank statements by First National Bank and ABSA bank. The insurer has agreed to settle the full amount associated with the fraud. Subsequent to the discovery of the fraud, the adequacy and effectiveness of the system of internal controls was reviewed and confirmed adequate by management and internal audit.

# Johannesburg Development Agency (SOC) Ltd

(Registration number 2001/005101/07)

Annual Financial Statements for the year ended 30 June 2014

## Audit and Risk Committee Report

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### Evaluation of the annual financial statements

The Audit and Risk committee has:

- reviewed and discussed the audited annual financial statements for the current period to be included in the annual report, with the Auditor-General and the board directors;
- reviewed the Auditor-General of South Africa's management report and management's response relating to the previous financial year and is satisfied that the corrective actions that were put in place were implemented effectively thereto;
- reviewed changes in accounting policies and practices and;
- reviewed the entities compliance with legal and regulatory provisions.
- reviewed the reports of the internal auditors. Considered accounting treatments, significant or unusual transactions and accounting judgements;
- Considered the appropriateness of accounting policies and any changes made;
- Reviewed the independent auditor's audit report on the annual financial statements and concluded that the annual financial statements fairly present the financial position of the JDA at the end of the financial year and the results of the operations and cashflows for the financial year.

### Internal audit

We are satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity and its audits.

We have:

- Approved the annual internal audit plan and its annual programme.
- Received and reviewed reports from internal auditors concerning effectiveness and adequacy of the company's internal control environment, systems and processes.
- Reviewed the adequacy and appropriateness of management's corrective action plan as a consequence of the prior year audit findings.

A full time CAE was appointed on 1 September 2013. The co-sourced arrangement with the internal auditors ended 30 June 2013 and subsequently the Risk and Audit Officer continued to man the internal audit function for the first two months of the 1st quarter.

### Risk management

The committee:

- Reviewed the compliance framework and risk management framework;
- Reviewed the JDA's insurance cover;
- Reviewed the JDA's policies on risk management and risk assessment, including fraud risks and information technology risks.

  
\_\_\_\_\_  
K Govender  
(Chairperson of the Audit and Risk Committee)

Date: 28/1/2014



## Report of the Auditor General

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TO THE OF JOHANNESBURG DEVELOPMENT AGENCY (SOC) LTD

### Report on the financial statements

I have audited the accompanying annual financial statements of the Johannesburg Development Agency (SOC) Ltd which comprise the statement of financial position as at 30 June 2014, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the [directors' / accounting officer's / accounting authority's] report, as set out on pages 10 to 69.

#### Responsibility of the directors for the annual financial statements

The directors is responsible for the preparation and fair presentation of these annual financial statements in accordance with [the applicable reporting framework/basis of accounting] [and in the manner required by the [Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA)] [Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)] [Auditor-General audit circular 1 of 2005] , and in the manner required by the Companies Act of South Africa [any applicable enabling legislation]. This responsibility includes:

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error;
- selecting and applying appropriate accounting policies; and
- making accounting estimates that are reasonable in the circumstances.

#### Responsibility of the Auditor-General

As required by [section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA)] [and section XX of any applicable legislation], my responsibility is to express an opinion on these annual financial statements based on my audit.

I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual 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 annual 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;
- reasonableness of accounting estimates made by management; and
- overall presentation of the financial statements.

Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice, GRAP 1 Presentation of Financial Statements requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is still in the process of being developed, I have determined that my audit of any disclosures made by [name of entity] in this respect will be limited to reporting on non-compliance with this disclosure requirement.

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

# **Report of the auditor-general to Gauteng Provincial Legislature and the Council on Johannesburg Development Agency SOC Ltd.**

## **Report on the financial statements**

### **Introduction**

1. I have audited the financial statements of the Johannesburg Development Agency SOC Ltd set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2014, the statement of financial performance, statement of changes in net asset, cash flow statement and the statement of comparison of budget information with actual information 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) (Companies Act), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **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 the Johannesburg Development Agency SOC Ltd as at 30 June 2014, and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the MFMA and the Companies Act.

## **Emphasis of matter**

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

## **Significant uncertainty**

8. As disclosed in note 29 to the financial statements, the entity is the defendant in lawsuits. The ultimate outcome of these matters cannot presently be determined and therefore no provision for any liability, that may result, was made in the financial statements.

## **Report on other legal and regulatory requirements**

9. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

## **Predetermined objectives**

10. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programme presented in the annual performance report of the department for the year ended 30 June 2014.
- Programme 1 – Inner city transformation pp. x - x
  - Programme 3 – GMS High priority area development pp. x - x
  - Programme 4 – Greenways development pp. x - x
11. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

12. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information (FMPPPI)*.
13. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. The material findings in respect of the selected programme are as follows:

## **Usefulness and Reliability of reported performance information**

### **Programme 1 – Inner city transformation**

#### **Basis 1: Usefulness of reported performance information**

15. The FMPPPI requires that the performance targets must be measurable. We could not measure the required performance for 31% of the targets.

#### **Basis 2: Reliability of reported performance information**

16. The FMPPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. The reported performance information was not valid, accurate and complete when compared to the evidence provided. This was due to a lack of technical indicator descriptions for the accurate measurement, recording and monitoring of performance.

### **Programme 3 – GMS High priority area development**

#### **Basis 1: Usefulness of reported performance information**

17. The FMPPPI requires that the performance targets must be measurable. We could not measure the required performance for 31% of the targets.

#### **Basis 2: Reliability of reported performance information**

18. The FMPPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. The reported performance information was not valid, accurate and complete when compared to the evidence provided. This was due to a lack of technical indicator descriptions for the accurate measurement, recording and monitoring of performance.

## **Programme 4 – Greenways development**

### **Basis 1: Usefulness of reported performance information**

19. The FMPPI requires that the performance targets must be measurable. We could not measure the required performance for 36% of the targets.

### **Basis 2: Reliability of reported performance information**

20. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. The reported performance information was not valid, accurate and complete when compared to the evidence provided. This was due to a lack of technical indicator descriptions for the accurate measurement, recording and monitoring of performance.

### **Additional matter**

We draw attention to the following matter:

### **Achievement of planned targets**

21. Refer to the annual performance report on page xx to xx for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on usefulness and reliability of the reported performance information in paragraphs 14 to 19 of this report.

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

22. I performed procedures to obtain evidence that the department had complied with applicable legislation regarding financial matters, financial management and other related matters.
23. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

### **Internal control**

24. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to significant internal control deficiencies that resulted in the findings on the annual performance report included in this report.

### **Leadership**

25. Lack of effective oversight to ensure that the annual performance report was free from material misstatements.

## Financial and performance management

26. Lack of adequate reviews of the annual performance report.
27. Lack of implementation of proper record keeping system to ensure that complete, relevant and accurate information was accessible and available to support performance reporting.

## Governance

28. Accounting officer did not prepare a fraud prevention plan to effectively manage and respond to the emerging fraud risks in the entity.

## Other reports

## Investigations

29. The following investigations, which relate to the municipal entity are in progress or have been completed:
  - One investigation was completed,
  - No investigations are in draft reporting stage and
  - No investigations are still in progress

*Auditor-General*

Johannesburg

28 November 2014



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

# Johannesburg Development Agency (SOC) Ltd

(Registration number 2001/005101/07)

Annual Financial Statements for the year ended 30 June 2014

## Directors' Report

---

The directors submit their report for the year ended 30 June 2014.

### 1. INCORPORATION

The entity was incorporated in terms of the Companies Act 61 of 1973 on 07 March 2001 and obtained its certificate to commence business on the same day. The entity is a state-owned company as defined in the Companies Act No. 71 of 2008.

### 2. REVIEW OF ACTIVITIES

#### Main business and operations

The company is a Municipal Entity as contemplated in Local Government: Municipal Systems Act 32 of 2000. The principal objective of the company is to initiate, stimulate and support development projects that rejuvenate economic activity throughout the Johannesburg Metropolitan area. Its activities and interventions are directed at the urban and economic regeneration through large and small scale, multi-faceted capital infrastructure developments to achieve a spatially restructured city which promotes liveability, economic growth and an efficient and competitive, multi-use environments.

As an agency of the City of Johannesburg Metropolitan Municipality, the JDA obtains its mandate from the City of Johannesburg Metropolitan Municipality, acting through the Executive Mayor and Council. Acting through its Board of Directors, it is accountable to the Member of Mayoral Committee for Development Planning, who exercises political oversight and to whom the JDA undertakes service delivery and compliance reporting in respect of its scorecard. As an agency, JDA interacts closely with the City of Johannesburg Metropolitan Municipality's various departments and municipal entities in respect of their functional interests in development activities. The JDA operates in accordance with the Growth and Development Strategy principles of its parent municipality. Its overall functions are guided by the City of Johannesburg Metropolitan Municipality's existing plans, and spatial and economic frameworks.

Its service delivery mandate is articulated in the Service Delivery Agreement (SDA) with the City of Johannesburg Metropolitan Municipality which serves as a shareholder compact with its parent municipality.

Johannesburg Development Agency (SOC) Ltd manages its resources judiciously, adhering to the prescripts of its Supply Chain Management policies. To that end, the Johannesburg Development Agency (SOC) Ltd follows best practice, balancing the need to support suppliers and ensure their continued survival and sustainability while simultaneously ensuring timeous delivery and execution of its activities, ensuring value for money is received.

The operating results and state of affairs of the entity are fully set out in the attached annual financial statements.

Net surplus of the entity was R 3 585 035 (2013: deficit R 3 352 741).

#### Alexandra Renewal Programme

During the year, the organisation geared itself for the integration of the Alexandra Renewal Programme (ARP) into the JDA with effect from 1 July 2014, in line with the Mayoral Committee resolution. Human resources and related matters were attended to in preparation for the integration. A transfer agreement to effect the transfer of the ARP from the City's department of Development Planning to the JDA was drafted. It is anticipated that the Transfer Agreement will be concluded at the end of September 2014. All employee related costs, including salaries, will not be carried by the JDA. These costs will remain with the CJMM's Development Planning Department. The budget for all other operational costs will be transferred to the JDA once the Transfer Agreement is concluded. Net assets, which consist mainly of computer equipment, will increase by an estimated carrying value of R16,845. No liabilities will be transferred.

# Johannesburg Development Agency (SOC) Ltd

(Registration number 2001/005101/07)

Annual Financial Statements for the year ended 30 June 2014

## Directors' Report

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### Fraud Hotline

As part of its endeavours to curb fraud and corruption in its activities, the entity maintains an anti-corruption Anonymous Tip-off Hotline which, for the period under review, was managed by an independent firm, KPMG until 30 March 2014 and the City of Johannesburg Metropolitan Municipality's tip-off line from 01 April 2014. The JDA encourages all its stakeholders to use the Hotline to report incidents for its investigation of fraud, corruption and maladministration. For the period under review the JDA Hotline received one tip-off.

In June 2014, the JDA received a complaint through the tip-off hotline alleging incidents of maladministration by the Managing Contractor in JDA's Soweto projects. The complainant alleged harsh and improper treatment of small contractors relating to allocations of work, payments and quality supervision. Internal Audit was appointed to investigate the allegations and produced a report for the Audit and Risk Committee and the Development and Investment Committee of the Board. Management has been requested to develop an implementation plan to remedy the matters that arose in the complaint of all JDA Managing Contractor projects to ensure there is no recurrence of similar complaints by SMME's.

In the previous financial reporting period the JDA Hotline received 2 separate anonymous tip-offs. All these allegations were thoroughly investigated. In the first instance, the investigation was closed after procurement process for public art assignment was explained to the complainant. The second incident was resolved by the cancellation of the tender which was the source of the complaint and restart of the procurement process. No financial loss was determined to have been suffered by the entity and no indications of employee gross negligence were found except for the need to improve on the internal control environment. Management has implemented the recommendations contained in the reports of the attorneys and Internal Auditors.

### **3. GOING CONCERN**

The company is substantially dependant on the CJMM for funds for its operations.

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

# Johannesburg Development Agency (SOC) Ltd

(Registration number 2001/005101/07)

Annual Financial Statements for the year ended 30 June 2014

## Directors' Report

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### 4. PROGRESS ON THE FRAUD INVESTIGATION

In July 2013 JDA management discovered that an incident of fraud had taken place at the JDA. After the discovery of the fraud, an employee of the JDA confessed to having committed the fraud. The employee subsequently committed suicide five days after making the confession.

The fraud had been committed by manipulating supplier invoices and changing supplier banking details on the face of the invoice as well as the financial system. Thus, payments which were thought to have been made to authentic suppliers were actually going into the deceased employee's bank account. Furthermore, it was established that certain valid payments, which were due and payable by the JDA to service providers, were made directly from her bank accounts in an endeavour to silence them from raising the alarm by claiming non-payment by the JDA.

A case of fraud was opened with the South African Police Service (SAPS). An insurance claim was also lodged with Alexander Forbes Risk Services through the City's Group Risk and Assurance Department.

Marsh (Pty) Ltd, a division within Alexander Forbes Risk Services, was appointed to undertake a forensic investigation in mid-August 2013.

Marsh (Pty) Ltd have substantially completed the investigation and calculated the quantum of the fraudulent amount to R3,529,457. This represents the total amount of money that was fraudulently diverted from the JDA's bank account to the deceased's bank account over a period of four years since the financial year 2009/10 to 2012/13. In the meantime, SAPS Johannesburg Central Division has transferred the case to the Commercial Crimes Unit.

A claim of R2,956,173 was submitted to the insurers who indicated that the claim will be settled in full. As at 18 July 2014, 80% of the claim had already been settled with confirmation received that the balance will be settled by 31 July 2014. As entitled in law, the insurer might want to recover its direct losses from the monies due to the deceased estate of the former employee and as such, the JDA has instructed its employer cover insurers to withhold amounts due to the estate pending the finalisation of the forensic investigation. By November 2014, the full claim had been received from the insurers.

During the course of the investigation, the forensic investigators discovered that another employee at the JDA had amended suppliers' banking details to the banking details of the deceased employee into which the the fraudulent amounts were being transferred. A disciplinary process was instituted and the outcome of the disciplinary process was a dismissal of the employee in March 2014.

The JDA management has continued to implement the recommended system of internal control enhancements. All implemented controls have been independently verified by internal audit who report to the JDA Executive Committee and relevant Board Committees.

The JDA Strategic and Operational risk registers have been updated accordingly to reflect additional risks identified as a result of the fraudulent activities. This will ensure that the additional risks are on the radar of the JDA management for control and mitigation purposes.

### 5. ACCOUNTING POLICIES

The annual financial statements are prepared in accordance with the prescribed GRAP standards issued by the Accounting Standards Board as the prescribed framework.

### 6. CONTRIBUTION FROM SHAREHOLDER

There were no changes in the authorised or issued share capital of the entity during the year under review, except for the operating subsidy provided to the company by the shareholder, no other contributions were provided.

### 7. DIRECTORS' PERSONAL FINANCIAL INTERESTS

All Directors have made the declarations of their business interest and signed their annual declarations of interests. No director is involved in any undertaking or entity which is in direct competition or whose activities are in conflict with the interests of the company. No director of the company declared any personal financial interest in any contracts considered and entered into by the company during the period under review.

# Johannesburg Development Agency (SOC) Ltd

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Annual Financial Statements for the year ended 30 June 2014

## Directors' Report

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### 8. DIRECTORS

The directors of the entity for the period under review were:

Name	Nationality	Changes
C Coovadia (Acting Chairperson)	South African	Appointed 25 February 2014
Z Mafata (Chief Financial Officer)	South African	Appointed 25 February 2014
T Mendrew (Chief Executive Officer)	South African	
D Naidu	South African	Retired 25 February 2014
P Kubu	South African	Retired 21 May 2014
B Majola	South African	Retired 25 February 2014
N Lila	South African	Retired 09 April 2014
P Mashiane	South African	
P Masilo	South African	
B Stainbank-Mokhobo	South African	Retired 25 February 2014
W Thwala	South African	
N Selamolela	South African	Appointed 25 February 2014
K Govender	South African	Appointed 25 February 2014
A Rajah	South African	Retired 25 February 2014
G Simelane (Chairperson)	South African	Retired 25 February 2014
E Harvey	South African	Appointed 25 February 2014

### 9. SECRETARY

A Goldsmith resigned as the company secretary of the entity on 31 August 2013 and R Shirinda was subsequently appointed on 01 September 2013.

The company secretary of the entity is Rodney Shirinda of:

Business address

The Bus Factory  
3 President Street  
Newtown  
Johannesburg  
2000

Postal address

P O Box 61877  
Marshalltown  
Johannesburg  
2001

# Johannesburg Development Agency (SOC) Ltd

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## Directors' Report

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### 10. CORPORATE GOVERNANCE

#### General

The Board of Directors and the Executive Managers recognise and are committed to the principles of openness, integrity and accountability as contained in the King III Code of Corporate Governance. Through its actions and Board commitment, the shareholder and all stakeholders are assured that the company is managed ethically and in accordance with prudent risk management parameters in compliance with generally accepted corporate practice.

#### Board of directors

The Board is a unitary board which consists of executive and independent non-executive directors. It:

- retains full control over the entity, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- is of a unitary structure comprising:
  - 7 non-executive directors (2013: 10 non-executive directors), all of whom are independent directors as defined in the Code. No director is a disqualified person in terms of Section 93F of the Municipal Systems Act; and
  - 2 executive directors, the Chief Executive Officer and the Chief Financial Officer. The Chief Financial Officer having been appointed as an executive director as at 25 February 2014.
- has established a Board directorship training programme through the annual induction programme and attendance of applicable courses for directors with the Institute of Directors.

#### Board Chairperson and Chief Executive Officer

The Board Chairperson is a non-executive and independent director and is not in the employ of the company, or its parent municipality (as defined by the King Code and the Municipal Systems Act).

The roles of the Board Chairperson and Chief Executive Officer are separate, with responsibilities divided between them and no individual has unfettered powers of discretion. The powers and duties of the Chief Executive Officer are properly delegated and are contained in a written delegation of duties document. Although functionally reporting to the Chief Executive Officer, the Chief Financial Officer is a full member of the Board and owes fiduciary duties to the entity and the entire Board in relation to the prudent financial management of the company.

#### Audit and Risk Committee

The members of the Audit and Risk Committee are: Mr K Govender, Ms N Selamolela, Mr W Thwala, Ms J Vergotine and Mr Z Samsam. The chairperson of the Audit and Risk committee is Mr K Govender, who is a non-executive director. The committee has 2 independent members i.e: Ms J Vergotine and Mr Z Samsam. The Audit Committee has met on 6 occasions during 2013/14 to review matters necessary to fulfill its role including the approval of financial statements. The Chief Executive Officer and Chief Financial Officer are not a members of the Audit and Risk Committee but have a standing invitation to attend meetings.

#### Development and Investment Committee

The members of the Development and Investment Committee are: Mr C Coovadia, Mr K Govender, Ms P Mashiane, Mr W Thwala, Mr T Mendrew and Ms Z Mafata. The chairperson of the Development and Investment Committee is Mr C Coovadia, who is a non-executive director and the Acting Chairperson of the Board. The Development and Investment Committee met on 6 occasions during 2013/14 to review matters necessary to fulfill its role including examining the risks associated with the proposed projects such as the financing, returns and risk profiles.

#### HR and Remuneration Committee

The members of the HR and Remuneration Committee are Dr E Harvey, Mr P Masilo, Ms N Selamolela and Mr C Coovadia. The chairperson of the HR and Remuneration Committee is Dr E Harvey who is a non-executive director. The HR and Remuneration Committee has met on 5 occasions during 2013/14 to review matters necessary to fulfil their role.

The remuneration of the Chief Executive Officer and the Chief Financial Officer is determined by the Board of Directors within the upper limits determined by the City of Johannesburg Metropolitan Municipality.

# Johannesburg Development Agency (SOC) Ltd

(Registration number 2001/005101/07)

Annual Financial Statements for the year ended 30 June 2014

## Directors' Report

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### Social and Ethics Committee

The members of the Social and Ethics Committee are Ms P Mashiane, Mr P Masilo and Dr E Harvey. The chairperson of the social and ethics committee is Ms P Mashiane who is a non-executive director. The Social and Ethics Committee met on 4 occasions during 2013/14 to review matters necessary to fulfil their role.

### Internal audit

The entity has established an internal audit function which is headed by a Chief Audit Executive (CAE) who commenced work on 1 September 2013. This is as per the Circular 65 of the MFMA that was effective as from 13 November 2012. For the first two months of 2013/14, the internal audit function was undertaken by the Risk and Audit Officer.

### 11. CONTROLLING ENTITY

The entity's controlling entity is CJMM.

### 12. SPECIAL RESOLUTIONS

None.

### 13. BANKERS

The management of the treasury function within the Company is managed under the auspices of the CJMM's Treasury department and Assets and Liabilities Committee.

### 14. AUDITORS

Auditor-General of South Africa, Johannesburg will continue in office in accordance with the Public Audit Act No 25, section 92 of the MFMA and section 90 of the Companies Act.

### 15. EVENTS AFTER THE REPORTING DATE

During the year, the organisation geared itself for the integration of the Alexandra Renewal Programme (ARP) into the JDA with effect from 1 July 2014, in line with the Mayoral Committee resolution. Human resources and related matters were attended to in preparation for the integration. A transfer agreement to effect the transfer of the ARP from the City's department of Development Planning to the JDA was drafted. It is anticipated that the Transfer Agreement will be concluded at the end of September 2014. All employee related costs, including salaries, will not be carried by the JDA. These costs will remain with the CJMM's Development Planning Department. The budget for all other operational costs will be transferred to the JDA once the Transfer Agreement is concluded. Net assets, which consist mainly of computer equipment, will increase by an estimated carrying value of R16,845. No liabilities will be transferred.

An objection was filed before year end for interest and penalties that was charged by SARS. On the 9th September 2014, the JDA received a letter indicating that SARS had agreed to waive the interest and penalties previously charged. This event is classified as an adjusting subsequent event and has been correctly reflected in the financial statements for the year ended 30 June 2014.

### 16. FUNDS HELD BY CJMM

During the 2008/2009 financial year, the JDA held money in the Attorney's Trust account for the purchase of land for roads widening for the BRT and the Bertrams Priority Block. At the end of the 2008/2009 financial year, these funds were transferred to the CJMM and then subsequently transferred back into the JDA's sweeping account.

	BRT Land Acquisition	Northern Gateway BRT Troyeville	Bertrams Priority Block	Total
Balance as at 01 July 2013	34 951 712	2 789 472	15 841 351	53 582 535
Movement through the year (Security costs)	-	-	(726 838)	(726 838)
	<u>34 951 712</u>	<u>2 789 472</u>	<u>15 114 513</u>	<u>52 855 697</u>

# Johannesburg Development Agency (SOC) Ltd

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Annual Financial Statements for the year ended 30 June 2014

## Company Secretary's Certification

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

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended and the Municipal Finance Management Act, Act 56 of 2003, I certify that the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.



R. Shinda  
Company Secretary

Johannesburg, Newtown

# Johannesburg Development Agency (SOC) Ltd

(Registration number 2001/005101/07)

Annual Financial Statements for the year ended 30 June 2014

## Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013 Restated*
<b>ASSETS</b>			
<b>Current Assets</b>			
Trade and other receivables from exchange transactions	3	496 104 082	208 108 348
Cash and cash equivalents	4	9 898 943	1 291 268
		<b>506 003 025</b>	<b>209 399 616</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	5	6 619 981	7 313 284
Intangible assets	6	331 821	539 312
Deferred tax	7	1 278 064	1 181 419
		<b>8 229 866</b>	<b>9 034 015</b>
<b>Total Assets</b>		<b>514 232 891</b>	<b>218 433 631</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Loans from shareholders	2	63 551 188	64 516 692
Finance lease obligation	8	207 554	221 470
Trade and other payables from exchange transactions	9	364 913 372	83 828 837
VAT payable	10	14 152 520	10 448 243
Provisions	11	3 020 868	2 461 629
		<b>445 845 502</b>	<b>161 476 871</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	8	-	152 334
Deferred tax	7	5 581 246	3 370 686
Project Funds payable	12	11 426 901	5 639 534
		<b>17 008 147</b>	<b>9 162 554</b>
<b>Total Liabilities</b>		<b>462 853 649</b>	<b>170 639 425</b>
<b>Net Assets</b>		<b>51 379 242</b>	<b>47 794 206</b>
<b>NET ASSETS</b>			
Contribution from shareholder	13	16 277 624	16 277 624
Accumulated surplus		35 101 615	31 516 580
<b>Total Net Assets</b>		<b>51 379 239</b>	<b>47 794 204</b>

\* See Note 32

# Johannesburg Development Agency (SOC) Ltd

(Registration number 2001/005101/07)

Annual Financial Statements for the year ended 30 June 2014

## Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013 Restated*
<b>Revenue</b>			
Bus factory income	14	363 245	422 952
Government grants & subsidies	15	24 977 000	24 308 000
Interest received - investment	16	2 314 891	5 682 460
Recovery of Diepsloot Sanitation Project		285 200	158 330
Rendering of services	14	30 141 230	15 297 964
Sundry income		4 048 812	1 203 056
Tender fee income	14	756 802	559 573
<b>Total revenue</b>		<b>62 887 180</b>	<b>47 632 335</b>
<b>Expenditure</b>			
Employee related costs	17	(36 612 029)	(30 277 245)
Administration	18	(1 113 054)	(317 416)
Depreciation and amortisation	19	(1 418 723)	(1 367 930)
Finance costs	20	(386 571)	(256 619)
Allowance for impairment of current receivables	22	(164 826)	(30 060)
Repairs and maintenance		(386 744)	(642 022)
General Expenses	21	(17 876 302)	(18 196 089)
<b>Total expenditure</b>		<b>(56 958 249)</b>	<b>(51 087 381)</b>
<b>Operating surplus (deficit)</b>		<b>5 928 931</b>	<b>(3 455 046)</b>
(Loss)/gain on disposal of property, plant and equipment		(229 981)	(13 993)
<b>Surplus (deficit) before taxation</b>		<b>5 698 950</b>	<b>(3 469 039)</b>
Taxation	23	(2 113 915)	116 298
<b>Surplus (deficit) for the year</b>		<b>3 585 035</b>	<b>(3 352 741)</b>

\* See Note 32

# Johannesburg Development Agency (SOC) Ltd

(Registration number 2001/005101/07)

Annual Financial Statements for the year ended 30 June 2014

## Statement of Changes in Net Assets

Figures in Rand	Note(s)	Share capital	Share premium	Total share capital	Accumulated surplus	Total net assets
<b>Balance at 01 July 2012 as restated</b>		<b>60</b>	<b>16 277 564</b>	<b>16 277 624</b>	<b>34 869 321</b>	<b>51 146 945</b>
Changes in net assets						
Deficit for the year		-	-	-	(3 352 741)	(3 352 741)
Total changes		-	-	-	(3 352 741)	(3 352 741)
Opening balance as previously reported		60	16 277 564	16 277 624	32 155 845	48 433 469
Adjustments						
Prior year adjustments	32	-	-	-	(639 265)	(639 265)
<b>Balance at 01 July 2013 as restated</b>		<b>60</b>	<b>16 277 564</b>	<b>16 277 624</b>	<b>31 516 580</b>	<b>47 794 204</b>
Changes in net assets						
Surplus for the year		-	-	-	3 585 035	3 585 035
Total changes		-	-	-	3 585 035	3 585 035
<b>Balance at 30 June 2014</b>		<b>60</b>	<b>16 277 564</b>	<b>16 277 624</b>	<b>35 101 615</b>	<b>51 379 239</b>

# Johannesburg Development Agency (SOC) Ltd

(Registration number 2001/005101/07)

Annual Financial Statements for the year ended 30 June 2014

## Cash Flow Statement

Figures in Rand	Note(s)	2014	2013 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants		24 977 000	24 308 000
Interest income		2 219 260	5 682 460
Other receipts		1 802 676	1 279 417
Other cash item		558 559 128	281 086 289
		<u>587 558 064</u>	<u>312 356 166</u>
<b>Payments</b>			
Employee costs		(36 046 172)	(30 079 949)
Suppliers		(546 336 758)	(343 564 336)
Finance costs		(386 571)	(278 816)
		<u>(582 769 501)</u>	<u>(373 923 101)</u>
<b>Net cash flows from operating activities</b>	27	<u>4 788 563</u>	<u>(61 566 935)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(625 164)	(566 758)
Purchase of other intangible assets	6	-	(171 707)
<b>Net cash flows from investing activities</b>		<u>(625 164)</u>	<u>(738 465)</u>
<b>Cash flows from financing activities</b>			
Movement in project funds payable		5 787 367	(4 385 966)
Repayment of shareholders loan		(965 504)	67 013 410
Finance lease payments		(377 587)	(278 252)
<b>Net cash flows from financing activities</b>		<u>4 444 276</u>	<u>62 349 192</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>8 607 675</u>	<u>43 792</u>
Cash and cash equivalents at the beginning of the year		<u>1 291 268</u>	<u>1 247 473</u>
<b>Cash and cash equivalents at the end of the year</b>	4	<u>9 898 943</u>	<u>1 291 265</u>

\* See Note 32

# Johannesburg Development Agency (SOC) Ltd

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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Rendering of services	30 516 000	496 054	31 012 054	30 141 230	(870 824)	39
Facilitation income	-	-	-	285 200	285 200	
Tender fee income	350 000	150 000	500 000	756 802	256 802	39
Bus factory income	380 000	-	380 000	363 245	(16 755)	39
Other income	120 000	252 830	372 830	4 048 812	3 675 982	39
Interest received - investment	3 168 000	1 832 000	5 000 000	2 314 891	(2 685 109)	
<b>Total revenue from exchange transactions</b>	<b>34 534 000</b>	<b>2 730 884</b>	<b>37 264 884</b>	<b>37 910 180</b>	<b>645 296</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Government grants & subsidies	24 977 000	-	24 977 000	24 977 000	-	
<b>Total revenue</b>	<b>59 511 000</b>	<b>2 730 884</b>	<b>62 241 884</b>	<b>62 887 180</b>	<b>645 296</b>	
<b>Expenditure</b>						
Personnel	(38 965 000)	(1 006 752)	(39 971 752)	(36 612 029)	3 359 723	39
Administration	(678 200)	(21 000)	(699 200)	(113 054)	586 146	
Depreciation and amortisation	(1 207 259)	(19 507)	(1 226 766)	(1 418 723)	(191 957)	
Finance costs	(50 000)	(47 000)	(97 000)	(386 571)	(289 571)	39
Bad debts	-	-	-	(164 826)	(164 826)	
Repairs and maintenance	(767 262)	(48 092)	(815 354)	(386 744)	428 610	
General Expenses	(17 793 279)	(1 618 533)	(19 411 812)	(17 876 302)	1 535 510	39
<b>Total expenditure</b>	<b>(59 461 000)</b>	<b>(2 760 884)</b>	<b>(62 221 884)</b>	<b>(56 958 249)</b>	<b>5 263 635</b>	
<b>Operating surplus</b>	<b>50 000</b>	<b>(30 000)</b>	<b>20 000</b>	<b>5 928 931</b>	<b>5 908 931</b>	
Loss on disposal of assets and liabilities	(50 000)	30 000	(20 000)	(229 981)	(209 981)	39
<b>Surplus before taxation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 698 950</b>	<b>5 698 950</b>	
Taxation	-	-	-	2 113 915	2 113 915	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 585 035</b>	<b>3 585 035</b>	

# Johannesburg Development Agency (SOC) Ltd

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Annual Financial Statements for the year ended 30 June 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Trade and other receivables from exchange transactions	162 896 000	-	162 896 000	496 104 082	333 208 082	39
Cash and cash equivalents	1 291 000	-	1 291 000	9 898 943	8 607 943	39
	<b>164 187 000</b>	-	<b>164 187 000</b>	<b>506 003 025</b>	<b>341 816 025</b>	
<b>Non-Current Assets</b>						
Property, plant and equipment	6 460 000	-	6 460 000	6 619 981	159 981	
Intangible assets	516 000	-	516 000	331 821	(184 179)	
Deferred tax	651 000	-	651 000	1 278 064	627 064	
	<b>7 627 000</b>	-	<b>7 627 000</b>	<b>8 229 866</b>	<b>602 866</b>	
<b>Total Assets</b>	<b>171 814 000</b>	-	<b>171 814 000</b>	<b>514 232 891</b>	<b>342 418 891</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Loans from shareholders	62 666 000	-	62 666 000	63 551 188	885 188	
Finance lease obligation	207 554	-	207 554	207 554	-	
Trade and other payables from exchange transactions	43 758 556	-	43 758 556	364 913 372	321 154 816	39
VAT payable	14 181 890	-	14 181 890	14 152 520	(29 370)	
Provisions	-	-	-	3 020 868	3 020 868	39
	<b>120 814 000</b>	-	<b>120 814 000</b>	<b>445 845 502</b>	<b>325 031 502</b>	
<b>Non-Current Liabilities</b>						
Deferred tax	4 861 775	-	4 861 775	5 581 246	719 471	
Project Funds payable	2 501 000	-	2 501 000	11 426 901	8 925 901	39
	<b>7 362 775</b>	-	<b>7 362 775</b>	<b>17 008 147</b>	<b>9 645 372</b>	
<b>Total Liabilities</b>	<b>128 176 775</b>	-	<b>128 176 775</b>	<b>462 853 649</b>	<b>334 676 874</b>	
<b>Net Assets</b>	<b>43 637 225</b>	-	<b>43 637 225</b>	<b>51 379 242</b>	<b>7 742 017</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
Contribution from shareholder	16 277 624	-	16 277 624	16 277 624	-	
<b>Reserves</b>						
Accumulated surplus	27 359 601	-	27 359 601	35 101 618	7 742 017	
<b>Total Net Assets</b>	<b>43 637 225</b>	-	<b>43 637 225</b>	<b>51 379 242</b>	<b>7 742 017</b>	

# Johannesburg Development Agency (SOC) Ltd

(Registration number 2001/005101/07)

Annual Financial Statements for the year ended 30 June 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Grants	24 977 000	-	24 977 000	24 977 000	-	
CAPEX funding	161 463 583	-	161 463 583	558 559 128	397 095 545	
Other receipts	1 279 417	-	1 279 417	4 021 936	2 742 519	
	<b>187 720 000</b>	<b>-</b>	<b>187 720 000</b>	<b>587 558 064</b>	<b>399 838 064</b>	
<b>Payments</b>						
Employee costs & Supplier payments	(75 239 000)	-	(75 239 000)	(582 769 501)	(507 530 501)	
<b>Net cash flows from operating activities</b>	<b>112 481 000</b>	<b>-</b>	<b>112 481 000</b>	<b>4 788 563</b>	<b>(107 692 437)</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(738 000)	-	(738 000)	(625 164)	112 836	
<b>Cash flows from financing activities</b>						
Repayment of shareholders loan	(112 523 000)	-	-	4 444 276	4 444 276	
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(780 000)</b>	<b>-</b>	<b>111 743 000</b>	<b>8 607 675</b>	<b>(103 135 325)</b>	
Cash and cash equivalents at the beginning of the year	1 291 264	-	1 291 264	-	(1 291 264)	
<b>Cash and cash equivalents at the end of the year</b>	<b>511 264</b>	<b>-</b>	<b>113 034 264</b>	<b>8 607 675</b>	<b>(104 426 589)</b>	

# Johannesburg Development Agency (SOC) Ltd

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Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the MFMA.

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

The following GRAP standards have been approved and are effective:

GRAP 1 - Presentation of financial statements  
GRAP 2 - Cashflow statements  
GRAP 3 - Accounting policies, changes in accounting estimates and errors  
GRAP 4 - The effects of changes in foreign exchange rates  
GRAP 5 - Borrowing costs  
GRAP 6 - Consolidated and separate financial statements  
GRAP 7 - Investments in associates  
GRAP 8 - Interest in joint ventures  
GRAP 9 - Revenue from exchange transactions  
GRAP 10 - Financial reporting in hyperinflationary economies  
GRAP 11 - Construction contracts  
GRAP 12 - Inventories  
GRAP 13 - Leases  
GRAP 14 - Events after the reporting date  
GRAP 16 - Investment property  
GRAP 17 - Property, plant and equipment  
GRAP 19 - Provisions, contingent liabilities and contingent assets  
GRAP 21 - Impairment of non-cash generating assets  
GRAP 23 - Revenue from non-exchange transactions  
GRAP 24 - Presentation of budget information  
GRAP 25 - Employee benefits  
GRAP 26 - Impairment of cash-generating assets  
GRAP 103 - Heritage assets  
GRAP 104 - Financial instruments  
GRAP 100 - Non-current assets held for sale and discontinued operations  
GRAP 101 - Agriculture  
GRAP 102 - Intangible assets

The following GRAP statements have been approved but are not yet effective:

GRAP 20 - Related party disclosures  
GRAP 32 - Service Concession Arrangements - Grantor  
GRAP 105 - Transfer of functions between entities under common control  
GRAP 106 - Transfer of functions between entities not under common control  
GRAP 107 - Mergers  
GRAP 108 - Standard of GRAP on Statutory Receivables

# Johannesburg Development Agency (SOC) Ltd

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Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.1 Transfer of functions between entities under common control

#### Definitions

An acquirer is the entity that obtains control of the acquiree or transferor.

Carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

Control is the power to govern the financial and operating policies of another entity so as to benefit from its activities.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

A merger is the establishment of a new combined entity in which none of the former entities obtains control over any other and no acquirer can be identified.

Transfer date is the date on which the acquirer obtains control of the function and the transferor loses control of that function.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

A transferor is the entity that relinquishes control of a function.

Common control - For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole entity. Although functions may have outputs, outputs are not required to qualify as a function. The three elements of a function are defined as follows:

- Input: Any resource that creates, or has the ability to create, outputs when one or more processes are applied to it.
- Process: Any system, standard, protocol, convention or rule that when applied to an input or inputs, creates or has the ability to create outputs.
- Output: The result of inputs and processes applied to achieve and improve efficiency. This may be in the form of achieving service delivery objectives, or the delivery of goods and/or services.

#### Identifying the acquirer and transferor

For each transfer of functions between entities under common control an acquirer and transferor are identified. All relevant facts and circumstances are considered in identifying the acquirer and transferor.

The terms and conditions of a transfer of functions undertaken between entities under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which entity to the transaction or event is the transferor(s) and which entity is the acquirer. Where the binding arrangement does not clearly identify the acquirer or the transferor, the behaviour or actions of the entities may indicate which entity is the acquirer and which entity is the transferor.

Determining the acquirer includes a consideration of, amongst other things, which of the entities involved in the transfer of functions initiated the transaction or event, the relative size of the entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

# Johannesburg Development Agency (SOC) Ltd

(Registration number 2001/005101/07)

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.1 Transfer of functions between entities under common control (continued)

#### Determining the transfer date

The acquirer and the transferor identify the transfer date, which is the date on which the acquirer obtains control and the transferor loses control of that function.

All relevant facts and circumstances are considered in identifying the transfer date.

#### Assets acquired [transferred] and liabilities assumed [relinquished]

The recognition of assets and liabilities, is subject to the following conditions:

The assets acquired and the liabilities assumed are part of what had been agreed in terms of the binding arrangement (if applicable), rather than the result of separate transactions.

#### Determining what is part of the transfer of functions transaction

Where the entity and the transferor have a pre-existing relationship before or when negotiations for a transfer of functions began, or where a binding arrangement is entered into during the negotiations that are separate from a transfer of functions, any amounts that are not part of what were transferred in a transfer of functions are identified. This policy only applies to the consideration transferred and the assets acquired and liabilities assumed in a transfer of functions as governed by the terms and conditions of the binding arrangement.

The following factors are considered, which are neither mutually exclusive nor individually conclusive, to determine whether a transaction is part of a transfer or function or whether the transaction is separate:

- the reasons for the transaction
- the timing of the transaction

#### Effective settlement of a pre-existing relationship between the entity (as acquirer) and transferor in a transfer of functions

A pre-existing relationship between the entity (as acquirer) and the transferor may be contractual or non-contractual. If a transfer of functions in effect settles a pre-existing relationship, the entity (as acquirer) recognises a gain or loss, measured as follows:

- for a pre-existing non-contractual relationship, fair value.
- for a pre-existing contractual relationship, the lesser of the following:
  - the amount by which the binding arrangement is favourable or unfavourable from the perspective of the entity (as acquirer) when compared with terms for current market transactions for the same or similar items.
  - the amount of any stated settlement provisions in the binding arrangement available to the counterparty to whom the contract is unfavourable.

If the latter is less, the difference is included as part of a transfer of functions accounting. The amount of gain or loss recognised may depend in part on whether the entity (as acquirer) had previously recognised a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.

# Johannesburg Development Agency (SOC) Ltd

(Registration number 2001/005101/07)

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.1 Transfer of functions between entities under common control (continued)

#### Accounting by the entity as acquirer

##### Acquisition-related costs

Acquisition-related costs are costs that the entity incurs to affect the transfer of functions. These costs include advisory, legal, accounting and other professional or consulting fees and general administrative costs. The entity accounts for acquisition-related costs as expenses in the period in which the costs are incurred and the services are received, with the exception of the costs incurred to issue debt or equity securities, which are recognised in accordance with the Standard of GRAP on Financial Instruments.

The Alexandra Renewal Programme was transferred to the JDA as from 01 July 2014. All employee related costs, including salaries, will not be carried by the JDA. These costs will remain with CJMM's Development Planning Department. The budget for all other operational costs will be transferred to the JDA once the Transfer Agreement is concluded.

Net assets will increase by an estimated value of R16,845, which is made up mainly of computer equipment.

No liabilities will be transferred.

# Johannesburg Development Agency (SOC) Ltd

(Registration number 2001/005101/07)

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.2 Significant judgements and sources of estimation uncertainty

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

#### a. Bonus provision

Bonus provision was raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 11 - Provisions.

#### b. Relationship with majority shareholder and classification as principal

The JDA is an agency of the CJMM as a municipal entity. The JDA implements capital projects as part of the City's infrastructure programme. The CJMM makes capital budget available for these projects. The JDA contracts with suppliers and delivers these projects. The JDA pays suppliers, and then claims the capital expenditure against the budget from the CJMM. The CJMM then reimburses the JDA including a pre-determined rate of management fees, after the invoices have been submitted and scrutinised as correct.

Since the JDA does not capitalise any of these assets in its financials and CJMM capitalises all 'Work in Progress', i.e. as invoices are sent for reimbursement, the JDA is of the view that this revenue, which is received in arrears, cannot be classified as 'grant revenue'. Furthermore, CJMM does not recognise this as an expense paid to the JDA or grant. CJMM benefits totally from all implementation work done by the JDA, as at the completion of each project they add yet another asset to their register. The JDA bears all the contractual risk with the suppliers and regardless of any defaults in claims received from the controlling entity, the JDA will be liable to the suppliers for actual work performed. The only assets in the JDA's financials is a motor vehicle, computer equipment, furniture and improvements to the office building. All these are paid from the operational funding and capitalised in the statement of financial position.

#### Project funds payable

This represents funds received from CJMM and other funders. The funds are to be used for the identified projects. Although these amounts are payable on demand to CJMM and other funders, no agreement has been reached regarding the payment of these funds. Since these funds have been with the JDA for periods of more than a year, management has therefore made the judgement that these funds will be classified as non-current liability until repayment terms with CJMM are in place. Refer to note 12 for details.

### 1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

# Johannesburg Development Agency (SOC) Ltd

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Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.3 Property, plant and equipment (continued)

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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

Item	Estimated useful lives
Leasehold property (Including Carports)	10 - 20 years
Furniture and fixtures	10 - 15 years
Motor vehicles	7 years
Office equipment	6 - 10 years
Computer Equipment	5 - 10 years
Leased Assets - Printers	3 years
Printers and servers	6 - 7 years

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

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

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

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

# Johannesburg Development Agency (SOC) Ltd

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## Accounting Policies

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### 1.3 Property, plant and equipment (continued)

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

### 1.4 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

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

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

# Johannesburg Development Agency (SOC) Ltd

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Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.4 Intangible assets (continued)

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

Item	Useful life
Computer software, internally generated	8 years

### 1.5 Financial instruments

#### Initial recognition and measurement

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

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

Financial instruments are measured initially at fair value.

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

#### Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

#### Impairment of financial assets

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

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

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

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

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

The loan to shareholder is classified as loans and receivables. The entity does not provide loans to directors, managers and employees.

# Johannesburg Development Agency (SOC) Ltd

(Registration number 2001/005101/07)

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.5 Financial instruments (continued)

#### Receivables from exchange transactions

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

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

However, the JDA's major debtor is the CJMM, which is also the controlling entity and the likelihood of defaults is remote. Amortisation of related party debtors has therefore not been undertaken.

Trade and other receivables are classified as loans and receivables.

Prepaid expenses are expenditures paid for in one accounting period, but for which the underlying asset will not be entirely consumed until a future period. When the asset is eventually consumed, it is charged to expense.

#### Payables from exchange transactions

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

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. These are initially and subsequently recorded at fair value through profit and loss.

#### Bank overdraft and borrowings

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

### 1.6 Tax

#### Current tax assets and liabilities

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

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

#### Deferred tax assets and liabilities

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

# Johannesburg Development Agency (SOC) Ltd

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Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.6 Tax (continued)

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

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

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

#### Tax expenses

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

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

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

### 1.7 Leases

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

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Finance leases - lessee

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

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

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

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

#### Operating leases - lessor

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

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

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

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

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

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### 1.8 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

#### - Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### - Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

#### Recognition and measurement (Individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

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### 1.8 Impairment of cash-generating assets (continued)

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### 1.9 Impairment of non-cash-generating assets

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

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

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

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

Depreciation/amortisation is the systematic allocation of the depreciable amount of an asset over its useful life.

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

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

Useful life is either:

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

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

#### - Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### - Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### - Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

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### 1.9 Impairment of non-cash-generating assets (continued)

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### 1.10 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave, sick leave and bonuses, are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

### 1.11 Provisions and contingencies

Provisions are recognised when:

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

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If the entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

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### 1.11 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 29.

A contingent liability is disclosed, unless the possibility of an outflow of resources is remote. Unless the possibility of an outflow in settlement is remote, the entity discloses for each class of contingent liability at the end of the reporting period a brief description of the nature of the contingent liability and, where applicable:

- an estimate of its financial effect;
- an indication of the uncertainties relating to the amount or timing of any cashflow and;
- the possibility of any reimbursements.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and

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### 1.11 Provisions and contingencies (continued)

- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

A contingent asset is disclosed, unless the possibility of an inflow of resources is remote. Unless the possibility of an inflow in settlement is remote, the entity discloses for each class of contingent asset at the end of the reporting period a brief description of the nature of the contingent asset and, where applicable:

- an estimate of its financial effect;
- an indication of the uncertainties relating to the amount or timing of any cashflow and;
- the possibility of any reimbursements.

### 1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the development projects at the reporting date based on actual expenditure and progress certificates on capital projects.

#### Interest

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

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Annual Financial Statements for the year ended 30 June 2014

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### 1.13 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The entity assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt.

When government remit grants on a re-imburement basis, revenue, is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Capital grants are funds due from the CJMM for capital expenditure incurred on projects.

The monthly expenditure incurred for each project is accounted for as work in progress. The monthly equivalent of the work in progress is claimed from the CJMM.

#### Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

### 1.14 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

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### 1.15 Related Parties

A party is related to an entity if:

1. Directly or indirectly through one or more intermediaries, the party:
  - a) Controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
  - b) Has an interest in an entity that gives it significant influence over the entity; or
  - c) Has joint control over the entity.
2. The party is an associate of an entity;
3. The party is a joint venture in which the entity is a venture;
4. The party is a member of the key management personnel of the entity or its parents;
5. The party is a close member of the family of an individual referred to in (1) and (4);
6. The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (4) or (5), or
7. The party is a post employment benefit plan for the benefit of employees of entity, or of any entity, or of any entity that is related party of the entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Relationships between parents and subsidiaries shall be disclosed irrespective of whether there have been transactions between those related parties. An entity shall disclose the name of the entity's parent and, if different, the ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces financial statements available for public use, the name of the next most senior parent that does so shall also be disclosed.

The JDA is a subsidiary of the CJMM and as a result is classified as a municipal entity. The JDA has identified the controlling entity and all fellow controlled entities as related parties and all related party transactions and balances are disclosed accordingly.

Employees identified as key personnel are all employees on the executive management committee of the JDA. Details of transactions with these individuals are included in the employee costs note.

### 1.16 Budget information

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2013/07/01 to 2014/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.17 Unauthorised expenditure

Unauthorised expenditure means overspending of the approved budget or a main activity within the budget.

Unauthorised expenditure is expenditure not in accordance with the approved annual budget or in the main activity, not in accordance with the purpose of the main activity.

Unauthorised expenditure that was incurred and identified during the current financial year and which was not condoned by the Council or the Board of Directors or the relevant authority must be recorded appropriately in the unauthorised expenditure register. If liability for the unauthorised expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The unauthorised expenditure register must also be updated accordingly. If the unauthorised expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the unauthorised expenditure register.

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### 1.18 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.19 Irregular expenditure

Irregular expenditure means expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including the MFMA.

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by CJMM or the Board of Directors of the JDA or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

### 1.20 Financial risk management

The financial risk management is under the control of the Audit and Risk committee.

Cash flow forecasts are prepared on a quarterly basis and there is adequate monitoring of the treasury account.

#### Interest rate risk

Deposits attract interest rates that vary with prime. The company policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on surplus/ deficit. The interest rate is pre-determined by the Treasury Department of the CJMM with the bank and any fluctuations in the interest rate is as per this agreement.

#### Credit risk

Credit risk consists mainly of cash equivalents and trade receivables.

Trade receivables comprise of only one major debtor being the CJMM and rental debtors which is a small customer base of Bus Factory tenants. An initial deposit is held for all rental customers to cover a portion any defaults on the rental agreement.

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## Accounting Policies

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### 1.21 Commitments

Commitments are regarded as any contractual agreement entered into by the entity with a third party and where the contractual terms and deliverables go beyond the financial year.

Budgetary commitments relate to the capital budget approved by CJMM for the following financial year.

Commitments identified relate to:

- Multi-year contracts with contractors and professionals and is reflected as the remaining balance in the on-going contract.
- The approved core capital budget of the entity for the following financial year.

### 1.22 Changes in estimates and errors

The effect of a change in an accounting estimate shall be recognised prospectively by including it in profit or loss in;

- the period of the change, if the change affects that period only, or
- the period of the change and future periods, if the change affects both.

All material prior period errors are corrected retrospectively in the first set of financial statements authorised for issue after the discovery by management by;

- restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

However, if it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the entity must restate the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable.

Further, if it is impracticable to determine the cumulative effect, the beginning of the current period, of an error on all prior periods, the entity must restate the comparative information to correct the error prospectively from the earliest date practicable.

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### 1.23 VAT (Payable) / Receivable

VAT is an indirect tax based on the consumption in the economy. Vendors act as the agent of the government in collecting the VAT charged on taxable transactions. SARS is a government agency which administers the VAT Act and ensures that the tax is collected and that the tax law is properly enforced.

The generally accepted essential characteristics of a VAT type transaction are as follows:

- The tax applies generally to transactions related to goods and services.
- It is proportional to the price charged for the goods and services.
- It is charged at each stage of the production and distribution process.
- The taxable person (vendor) may deduct the tax paid during the preceding stages ( i.e. the burden of the tax is on the final consumer)

VAT is only charged on taxable supplies made by a vendor. Taxable supplies include supplies for which VAT is charged at either the standard rate or zero rate, but does not include:

- salaries and wages;
- hobbies or any recreational pursuits (not conducted in the form of a business);
- exempt supplies (as defined in the VAT Act).

The South African VAT is destination based, which means that only the consumption of goods and services in South Africa is taxed. VAT is therefore paid on the supply of goods or services in South Africa as well as on the importation of goods into South Africa. VAT is currently levied at the standard rate of 14% on most supplies and importations, but there is a limited range of goods and services which are either exempt, or which are subject to tax at the zero rate (for example, exports are taxed at 0%). The importation of services is only subject to VAT where the importer is not a vendor, or where the services are imported for private, exempt or other non-taxable purposes. Certain imports of goods or services are exempt from VAT.

VAT is recognised on the earlier of receipt of payment or invoice. The vendor reports to SARS at the end of every tax period on a VAT 201 return, where the input tax incurred for the tax period is offset against the output tax collected for the tax period and the balance is paid to SARS. It sometimes occurs that the result of the calculation for the tax period is a refund, instead of an amount payable to SARS. Refunds must be paid by SARS within 21 working days of receiving the correctly completed refund return, otherwise interest at the prescribed rate is payable by SARS to the vendor. However, interest is not paid if certain conditions are not met.

As VAT is an invoice-based tax, vendors are generally required to account for VAT on the invoice (accrual) basis, but the payments (cash) basis is allowed in some cases.

At the end of each month the amount owing to or from SARS is recognised as the net effect of of output tax collected and input tax incurred.

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## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>2. LOANS TO/(FROM) SHAREHOLDERS</b>		
Sweeping account	(10 695 491)	(10 934 157)
City of Johannesburg Metropolitan Municipality - BRT Land and Bertrams Priority Block Acquisition Fund	(52 855 697)	(53 582 535)
	<b>(63 551 188)</b>	<b>(64 516 692)</b>

Sweeping account

The company has a sweeping arrangement with the CJMM whereby all cash is swept on a daily basis to the CJMM's bank account. Interest is paid and earned on this account at the CJMM Treasury rate.

BRT Land and Bertrams Priority Block Acquisition Funds

During the 2008/2009 financial year, the JDA held money in the Attorney's Trust account for the purchase of land for roads widening for the BRT and the Bertrams Priority Block. At the end of the 2008/2009 financial year, these funds were transferred to the CJMM. Subsequently the funds were transferred back into the JDA's sweeping account administered by the CJMM.

The loan has no terms and conditions and bears interest at the CJMM treasury rate.

### 3. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Deposits	55 000	55 000
Insurance Recovery Debtor	2 280 000	-
Rental debtors	64 282	178 143
Sundry debtors	-	9 536
Prepaid expenses	555 716	624 928
Related party debtors	493 149 084	207 240 741
	<b>496 104 082</b>	<b>208 108 348</b>

Deposits paid relates to a utility deposit that is held by City Power for the Bus Factory electricity account.

Rental debtors consist of the rental outstanding from the Bus Factory tenants. These tenants are currently managed by Broll Property Group

Sundry debtors represent debtors outside of the ordinary course of business.

Prepaid expenses relates to computer network and licencing costs that was paid in advance for the annual connection costs to Continuity SA (Pty) Ltd.

Related party debtors relate to funds owed by the CJMM for expenditure incurred on capital projects

Trade and other receivables, other than rental debtors, are non-interest bearing and are generally repayable between 30 and 60 days. Rental debtor outstanding balances are interest-bearing and are generally repayable between 30 and 60 days.

#### Trade and other receivables pledged as security

No trade and other receivables were pledged as security at the end of the year.

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## Notes to the Annual Financial Statements

Figures in Rand 2014      2013

### 3. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

#### Trade receivables past due but not impaired

Trade receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2014, R16,929,746 (2013: R29,072,631) were 3 months past due but not impaired because the debtor is the CJMM and the possibility of default is remote.

Trade and receivables are fairly valued.

+3 months past due	16 929 746	29 072 631
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#### Rental debtors

Outstanding rental debtors with a total value of R164,826 (2013: R30,060) considered irrecoverable were written off in the year under review. The rental debtors were written off due to long outstanding rental debts not recovered from the tenants. This was after consistent recovery efforts by the rental agent proved fruitless. The rental debtors written off were as follows:

Tenant	Write-off	Total
A2 Promotions	26 033	26 033
Craft Council of South Africa	111 608	111 608
Craft ya Rona	5 726	5 726
Thuthukani Jewellers	4 576	4 576
Vuyani Marketing	18 746	18 746
Less: Deposits held	(1 863)	(1 863)
	<b>164 826</b>	<b>164 826</b>

### 4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	-	129
Alexandra Heritage Project Funds	6 157 615	-
ABSA	2 399 953	-
Ring-fenced bank balance	1 341 375	1 291 139
	<b>9 898 943</b>	<b>1 291 268</b>

The bank balance relates to the previous ABSA sweeping account that treasury is in the process of closing.

Ring-fenced balance relates to money received from Industrial Development Corporation for feasibility studies for Orange Farm; Diepsloot and Orlando West. The funders had requested a separate bank account for their funds. On completion of the feasibility studies the funders were informed about the remaining balance and a directive was sought on remittance of the balance. To date, no communication was received from the funders. This account is a current account held at ABSA.

The funds received for the Alexandra Heritage Project from the National Department of Tourism relates to funds deposited into a separate bank account for exclusive use for this project. The account is held with Standard Bank South Africa.

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### 5. PROPERTY, PLANT AND EQUIPMENT

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	2 073 593	(946 821)	1 126 772	2 034 560	(782 901)	1 251 659
Motor vehicles	136 013	(130 179)	5 834	136 013	(110 750)	25 263
Office equipment	241 950	(43 813)	198 137	72 421	(27 249)	45 172
Computer Equipment	1 924 176	(1 032 538)	891 638	2 514 386	(1 266 289)	1 248 097
Leasehold improvements	5 177 883	(1 399 301)	3 778 582	5 177 883	(1 139 906)	4 037 977
Computer Equipment - Servers	871 497	(409 588)	461 909	875 236	(460 742)	414 494
Leased assets	662 553	(505 444)	157 109	539 807	(249 185)	290 622
<b>Total</b>	<b>11 087 665</b>	<b>(4 467 684)</b>	<b>6 619 981</b>	<b>11 350 306</b>	<b>(4 037 022)</b>	<b>7 313 284</b>

#### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	1 251 659	39 034	-	(163 921)	1 126 772
Motor vehicles	25 263	-	-	(19 429)	5 834
Office equipment	45 172	169 529	-	(16 564)	198 137
Computer Equipment	1 248 097	249 505	(229 980)	(375 984)	891 638
Leasehold improvements	4 037 977	-	-	(259 395)	3 778 582
Computer Equipment - Servers	414 494	167 096	-	(119 681)	461 909
Leased assets	290 622	122 746	-	(256 259)	157 109
	<b>7 313 284</b>	<b>747 910</b>	<b>(229 980)</b>	<b>(1 211 233)</b>	<b>6 619 981</b>

#### Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	629 396	935 412	(863)	(312 286)	1 251 659
Motor vehicles	52 464	-	-	(27 201)	25 263
Office equipment	51 334	1 200	-	(7 362)	45 172
Computer Equipment	1 134 642	425 730	(12 440)	(299 835)	1 248 097
Leasehold improvements	4 296 318	-	-	(258 341)	4 037 977
Computer Equipment - Servers	503 807	23 406	-	(112 719)	414 494
Leased assets	409 158	59 340	-	(177 876)	290 622
	<b>7 077 119</b>	<b>1 445 088</b>	<b>(13 303)</b>	<b>(1 195 620)</b>	<b>7 313 284</b>

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### 5. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2014			2013		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Leased assets - Printers	662 553	(505 444)	157 109	539 807	(249 185)	290 622
Leasehold improvements	5 177 883	(1 399 301)	3 778 582	5 177 883	(1 139 906)	4 037 977
<b>Total</b>	<b>5 840 436</b>	<b>(1 904 745)</b>	<b>3 935 691</b>	<b>5 717 690</b>	<b>(1 389 091)</b>	<b>4 328 599</b>

#### Assets subject to finance lease (Net carrying amount)

Leasehold improvements	3 778 582	4 037 977
Printers	157 109	290 622
	<b>3 935 691</b>	<b>4 328 599</b>

#### Other information

##### Leasehold improvements

The property, plant and equipment are not pledged for security.

Leasehold improvements are carried at historical cost. The title deeds for The Bus Factory are registered in the name of the CJMM.

### 6. INTANGIBLE ASSETS

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	1 469 120	(1 137 299)	331 821	1 469 120	(929 808)	539 312

#### Reconciliation of intangible assets - 2014

	Opening balance	Amortisation	Total
Computer software, internally generated	539 312	(207 491)	331 821

#### Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	539 916	171 707	(172 311)	539 312

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<b>7. DEFERRED TAX</b>		
<b>Deferred tax liability</b>		
Property, plant and equipment	(1 617 584)	(1 815 541)
Temporary difference - S24C Allowance	(3 963 662)	(1 555 145)
<b>Total deferred tax liability</b>	<b>(5 581 246)</b>	<b>(3 370 686)</b>
<b>Deferred tax asset</b>		
Provisions	1 219 949	1 076 742
Leases	58 115	104 677
Deferred tax balance from temporary differences other than unused tax losses	1 278 064	1 181 419
<b>Total deferred tax asset</b>	<b>1 278 064</b>	<b>1 181 419</b>
Deferred tax liability	(5 581 246)	(3 370 686)
Deferred tax asset	1 278 064	1 181 419
<b>Total net deferred tax liability</b>	<b>(4 303 182)</b>	<b>(2 189 267)</b>
<b>Reconciliation of deferred tax asset \ (liability)</b>		
At beginning of year	(2 189 267)	(2 305 567)
Originating differences on tangible fixed assets	197 956	(227 704)
Originating differences on the S24C allowance	(2 408 516)	206 898
Originating differences arising from leases	(46 562)	(31 566)
Originating differences arising from provisions	143 207	168 672
	<b>(4 303 182)</b>	<b>(2 189 267)</b>
<p>The deferred tax liability arose out of the implementation of the S24C allowance. According to the SARS, entities were never set up to make profit. In the case of the JDA, although the subsidy from the CJMM does not cover the operational expenditure in the previous financial years, we were able to generate sufficient management fees to end up in a surplus position. The surplus is viewed as unspent allocation by SARS. SARS then allows a S24C allowance which gives rise to deferred tax.</p>		
<b>8. FINANCE LEASE OBLIGATION</b>		
<b>Minimum lease payments due</b>		
- within one year	221 391	280 036
- in second to fifth year inclusive	-	163 366
	221 391	443 402
less: future finance charges	(13 837)	(69 598)
<b>Present value of minimum lease payments</b>	<b>207 554</b>	<b>373 804</b>
<b>Finance lease payable</b>		
Opening balance	373 804	486 585
Lease obligation current year	211 337	165 471
Lease payments	(377 587)	(278 252)
	<b>207 554</b>	<b>373 804</b>
Non-current liabilities	-	152 334
Current liabilities	207 554	221 470
	<b>207 554</b>	<b>373 804</b>

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### 8. FINANCE LEASE OBLIGATION (continued)

The JDA has leased 25 photocopier machines from Motswako Office Solutions (Pty) Ltd for a period of 3 years and 3 photocopiers for a period of 17 months. The lease agreement provides for monthly payments of R33,046 in advance and no residual value.

### 9. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Accrued expenses	982 166	672 175
Deposits received from tenants	44 835	36 698
Accrued leave pay	1 336 093	1 383 878
Related Parties payables	808 466	555 257
Retentions held on construction contracts	61 926 875	45 389 951
Trade payables	299 814 937	35 790 878
	<b>364 913 372</b>	<b>83 828 837</b>

Accrued expenses relates to invoices that were received after year end for work performed in the current financial year.

Deposits received from tenants represents deposits held on the initial rental agreements with the Bus Factory tenants.

Accrued leave pay relates to days owed to staff members at the reporting date calculated based on the daily pay rate.

Related party payables relate to funds owed to the CJMM and other entities for expenditure incurred and services rendered by the CJMM and other municipal entities.

Trade payables relate to suppliers payable for work done in the normal course of business.

### 10. VAT PAYABLE

VAT payable	14 152 520	10 448 243
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### 11. PROVISIONS

#### Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	2 461 629	2 527 277	(1 468 898)	(499 140)	3 020 868

The performance management system is designed to ensure that the JDA's business strategy is translated into measurable key performance areas and indicators for employees. At the beginning of each financial year each employee concludes a performance management contract with a scorecard. Although the performance review in respect of the 2013/14 financial year was completed during August 2014, bonus payments to qualifying employees are made after the finalisation of the 2013/14 audit and upon receipt of an unqualified audit report from the Auditor General. Included in the current year provision is bonus provision relating to senior managers in respect of the 2012/13 year.

### 12. PROJECT FUNDS PAYABLE

<b>Project Funds</b>		
Balance beginning of year	5 639 534	10 025 500
Funding received for the year	710 537 394	393 564 659
Expenditure for the year	(704 750 027)	(397 950 625)
	<b>11 426 901</b>	<b>5 639 534</b>

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Figures in Rand	2014	2013
<b>12. PROJECT FUNDS PAYABLE (continued)</b>		
<b>Funds Payable</b>		
Jewel City	-	13 130
Constitution Hill	-	76 692
Kelvin Power	-	220 002
Johannesburg Water	1 558 673	1 558 673
Non-BRT (Transportation)	2 782 384	2 782 384
Industrial Development Corporation	988 653	988 653
Inner City Public Places Challenge	1 000 000	-
Alexandra Heritage Centre	5 097 191	-
	<b>11 426 901</b>	<b>5 639 534</b>

The project funds payable relates to funding that was previously received in advance from CJMM for the implementation of projects. The remaining balances represent the projects that were either implemented below the original estimated cost or recoveries that were received after the completion of the projects.

Except for the funds from the Industrial Development Corporation, these remaining funds are from original capex advances from the CJMM for the implementation of the related projects and are therefore due and payable to the CJMM.

### 13. CONTRIBUTION FROM SHAREHOLDER

<b>Authorised</b>		
100 Ordinary Type A shares of R1 each or par value of R1	100	100
<b>Issued</b>		
60 Ordinary Type A shares of R1	60	60
Share premium	16 277 564	16 277 564
	<b>16 277 624</b>	<b>16 277 624</b>

All issued shares are fully paid up by CJMM. CJMM paid a share premium for these shares. The initial amount was issued in 2002 and was R3,489,664. The balance of this amount was paid to the JDA in 2003.

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Figures in Rand	2014	2013
<b>14. REVENUE</b>		
Rendering of services	30 141 230	15 297 964
Fees earned	285 200	158 330
Tender fee income	756 802	559 573
Bus factory income	363 245	422 952
Sundry Income	4 048 812	1 203 056
Interest received - investment	2 314 891	5 682 460
Government grants & subsidies	24 977 000	24 308 000
	<b>62 887 180</b>	<b>47 632 335</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Rendering of services	30 141 230	15 297 964
Fees earned	285 200	158 330
Tender fee income	756 802	559 573
Bus factory income	363 245	422 952
Sundry income	4 048 812	1 203 056
Interest received - investment	2 314 891	5 682 460
	<b>37 910 180</b>	<b>23 324 335</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Transfer revenue</b>		
Government grants & subsidies	24 977 000	24 308 000
<b>Rendering of Services</b>		
Management fees are earned through the rendering of services by the JDA on projects funded by the CJMM and other funders. The JDA's Service Level Agreement with the CJMM and with each of the other funders stipulates the percentage fee to be claimed by the JDA for actual capital expenditure spent. The capital expenditure incurred and the management fees earned are claimed from CJMM on a monthly basis.		
<b>15. GOVERNMENT GRANTS AND SUBSIDIES</b>		
Government grant (operating)	24 977 000	24 308 000
<b>16. INVESTMENT REVENUE</b>		
<b>Interest revenue</b>		
Bank	2 214 303	5 653 673
Interest charged on trade and other receivables	4 957	28 787
Interest recovered - SARS	95 631	-
	<b>2 314 891</b>	<b>5 682 460</b>

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Figures in Rand	2014	2013
<b>17. EMPLOYEE RELATED COSTS</b>		
Basic	33 141 053	26 678 261
Provision for bonuses	2 028 184	1 816 833
UIF	213 220	197 341
COID	290 430	206 127
SDL	316 469	282 686
Group life benefit	513 085	446 782
Leave pay accrual charge	109 588	649 215
	<b>36 612 029</b>	<b>30 277 245</b>
Included in the employee related costs are the following key management personnel (as referred to in note 30):		
<b>Remuneration of Chief Executive Officer</b>		
Annual Remuneration	1 529 750	1 374 100
Performance Bonuses	-	120 072
	<b>1 529 750</b>	<b>1 494 172</b>
<b>Remuneration of Chief Financial Officer</b>		
Annual Remuneration	1 181 723	1 120 117
Performance Bonus	-	106 082
	<b>1 181 723</b>	<b>1 226 199</b>
<b>Remuneration of Chief Audit Executive</b>		
Annual Remuneration	635 000	-
Car Allowance	100 000	-
Contributions to Pension Funds	35 831	-
	<b>770 831</b>	<b>-</b>
<b>Remuneration of other Executive Managers</b>		
Annual Remuneration	3 305 015	1 502 601
Performance Bonus	-	102 442
Travel Allowances	219 998	60 333
	<b>3 525 013</b>	<b>1 665 376</b>
<b>Remuneration of Senior Development Managers</b>		
Annual Remuneration	2 424 302	2 713 571
Performance Bonus	-	228 602
Contributions to Pension Funds	28 851	-
Travel Allowances	153 000	153 000
	<b>2 606 153</b>	<b>3 095 173</b>
<b>18. ADMINISTRATIVE AND MANAGEMENT FEES</b>		
Administration and management fees - Bus Factory Agents; Archiving costs	113 054	317 416

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<b>19. DEPRECIATION AND AMORTISATION</b>		
Property, plant and equipment	1 211 232	1 195 619
Intangible assets	207 491	172 311
	<b>1 418 723</b>	<b>1 367 930</b>
<b>20. FINANCE COSTS</b>		
Trade and other payables - Telkom	3 621	1 858
Bank overdraft	311 564	16
The South African Revenue Service	-	158 391
Finance leases	71 386	96 354
	<b>386 571</b>	<b>256 619</b>
<b>21. GENERAL EXPENSES</b>		
Advertising	1 085 115	1 053 616
Auditors remuneration	1 547 833	1 448 565
Bank charges	33 803	35 133
CEO's Special Projects	-	15 000
Cellphone Expenses	353 873	300 566
Computer expenses	2 500 098	2 122 744
Consulting and professional fees	1 661 304	2 418 857
Diepsloot Sanitation Project costs	285 200	158 330
Enterprise Development Fees	366 837	-
Hygiene and office plant services	104 612	87 202
Insurance	152 439	307 675
Internal Audit Fees	305 621	630 255
Loss due to fraud	-	981 847
Marketing	3 075 765	1 591 599
Meetings and Entertainment	177 990	136 757
Motor vehicle expenses	20 434	21 616
Placement fees	1 608 732	1 214 220
Planning and Strategy	631 862	1 800 157
Postage and courier	50	592
Printing and stationery	532 289	620 934
Project co-ordination fees	2 663	6 632
Project maintenance costs	215 694	242 979
Security (Guarding of municipal property)	1 095 564	862 509
Staff welfare	598 159	431 406
Telephone and fax	250 626	220 317
Training	410 254	396 158
Travel - local	23 487	81 449
Utilities	835 998	1 008 974
	<b>17 876 302</b>	<b>18 196 089</b>
<b>22. DEBT IMPAIRMENT</b>		
Debt impairment	164 826	30 060

The amount impaired during the 2013 financial year relates to an uncollectable rental from the Bus Factory tenants.

During the current period, long outstanding rental debtors were written off.

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### 23. TAXATION

#### Major components of the tax expense (income)

<b>Deferred</b>		
Originating and reversing temporary differences	2 113 915	(116 298)

#### Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	28,00 %	28,00 %
Tax effect on permanent differences	8,00 %	38,00 %
Add: Tax effect of timing differences	2,75 %	(69,35)%
	<u>38,75 %</u>	<u>(3,35)%</u>

No provision has been made for 2014 tax as the entity has no taxable income.

### 24. AUDITORS' REMUNERATION

External audit fees	1 547 833	1 448 565
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### 25. OPERATING LEASE

#### Operating leases - as lessor (income)

<b>Minimum lease payments due</b>		
- within one year	121 092	196 217
- in second to fifth year	444 000	444 000
	<u>565 092</u>	<u>640 217</u>

The operating lease income relates to rental of the Bus Factory offices to tenants. The lease agreements general period is three years and is based on a rental fee per square metre of rental space.

### 26. DIRECTORS' EMOLUMENTS

#### Executive

##### 2014

	Emoluments	Total
T Mendrew (Chief Executive Officer)	1 529 750	1 529 750
Z Mafata (Chief Financial Officer)	1 181 723	1 181 723
	<u>2 711 473</u>	<u>2 711 473</u>

##### 2013

	Emoluments	Performance bonus	Total
T Mendrew (Acting Chief Executive Officer)	1 374 100	120 072	1 494 172

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### 26. DIRECTORS' EMOLUMENTS (continued)

#### Non-executive

#### 2014

	Directors' fees	Retainers	Total
G Simelane (Chairperson - Resigned)	117 062	39 675	156 737
P Mashiane	60 522	19 840	80 362
C Coovadia	15 872	-	15 872
N Lila	54 560	19 840	74 400
B Majola	58 536	19 840	78 376
P Masilo	100 198	19 840	120 038
B Stainbank-Mokhobo	14 880	-	14 880
D Naidu	59 520	19 840	79 360
A Rajah	52 590	19 840	72 430
Z Samsam (Independent Audit and Risk Committee Member)	4 960	-	4 960
E Harvey	24 802	-	24 802
W Thwala	101 210	19 840	121 050
P Kubu	57 550	19 840	77 390
J Vergotine (Independent Audit and Risk Committee Member)	29 760	19 840	49 600
K Govender	53 570	19 840	73 410
N Selamolela	38 690	19 840	58 530
	<b>844 282</b>	<b>257 915</b>	<b>1 102 197</b>

#### 2013

	Directors' fees	Retainers	Total
G Simelane (Chairperson)	81 352	39 675	121 027
P Kubu	57 550	19 840	77 390
N Lila	127 970	19 840	147 810
B Majola	83 338	19 840	103 178
P Mashiane	36 710	19 840	56 550
P Masilo	128 962	19 840	148 802
D Naidu	89 282	19 840	109 122
A Rajah	80 372	19 840	100 212
N Selamolela (Independent Audit Committee member)	54 560	19 840	74 400
J Vergotine (Independent Audit Committee member)	34 720	19 840	54 560
W Thwala	83 350	19 840	103 190
K Govender (Independent Audit Committee member)	34 720	19 840	54 560
	<b>892 886</b>	<b>257 915</b>	<b>1 150 801</b>

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<b>27. CASH GENERATED FROM (USED IN) OPERATIONS</b>		
Surplus (deficit)	3 585 035	(3 352 741)
<b>Adjustments for:</b>		
Depreciation and amortisation	1 418 723	1 367 930
Loss on disposal of assets	229 981	13 993
Debt impairment	164 826	30 060
Movements in provisions	559 239	(16 310)
Annual charge for deferred tax	2 113 915	(116 298)
Movement in expenditure - non cash components	88 592	166 604
Prior period error	-	(878 329)
<b>Changes in working capital:</b>		
Trade and other receivables from exchange transactions	(287 995 734)	(78 669 239)
Impairment of Bus Factory tenants	(164 826)	(30 060)
Trade and other payables from exchange transactions	281 084 535	18 854 126
VAT	3 704 277	1 063 329
	<b>4 788 563</b>	<b>(61 566 935)</b>
<b>28. COMMITMENTS</b>		
<b>Commitments in respect of capital expenditure:</b>		
<b>Approved and not yet contracted for</b>		
• Kliptown Renewal Project	20 000 000	10 000 000
• Orlando East Station Precinct	40 000 000	1 000 000
• Nancefield Station Precinct	60 000 000	60 000 000
• Randburg Precinct Upgrade	66 500 000	2 500 000
• Jabulani Transit Orientated Development	15 000 000	9 000 000
• Alexandra Precinct	33 189 000	-
	<b>234 689 000</b>	<b>82 500 000</b>
<b>Approved and contracted for</b>		
• Contractual costs committed for multi-year contracts	601 497 007	116 844 538
The contractual costs committed arise from the related construction work as well as professional services which was contracted for but not yet incurred on 30 June 2014.		
<b>This expenditure will be financed from:</b>		
Government Grants	836 186 007	199 344 538
The approved and contracted for commitments consist of the following:		
<b>Portfolio A</b>		
Randburg	7 179 318	1 011 250
Hillbrow Tower	11 013 779	-
African Food Hub	14 304 079	-
Inner City Public Places Challenge	2 870 004	710 095
Bruma Lake Rehabilitation	43 590 136	-
Kaserne Redevelopment	3 544 320	-
Community Development Corridors of Freedom	4 748 595	-
IOC	19 319 969	-
Cosmo City Fire Station	3 154 428	-
Inner City Commuter Links	-	9 280 452
Westgate Station Precinct	-	3 045 914
	<b>109 724 628</b>	<b>14 047 711</b>

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<b>28. COMMITMENTS (continued)</b>		
<b>Portfolio B</b>		
Esselen Clinic	1 864 926	-
Orchards Clinic	1 391 555	-
Westbury Clinic	1 143 535	-
Noordgesig Clinic	1 824 970	-
Golden Harvest Clinic	3 394 447	-
Diepsloot	19 394 459	4 398 785
Sol Plaatjie	4 249 032	-
Alex Marlboro Automotive	2 473 577	-
Bambanani Automotive	3 887 152	-
Halfway House Clinic	4 122 962	-
River Park Clinic	1 631 284	-
Ennerdale Clinic	1 543 567	-
Orlando East/ Noordgesig Transit Oriented Development	8 012 291	-
Alexandra Heritage Centre	2 101 638	-
Mpumelelo Clinic	3 756 265	-
Nancefield Transit Oriented Development	34 780 876	-
Jabulani Transit Oriented Development	11 802 247	2 603 615
Slovoville Clinic	-	9 755 604
Mountainview Clinic	-	1 147 125
	<b>107 374 783</b>	<b>17 905 129</b>
<b>Portfolio C</b>		
UJ Cycle Lanes	56 542 674	-
Non-Motorised Transport	85 548 973	-
BRT Various	242 305 949	84 891 700
	<b>384 397 596</b>	<b>84 891 700</b>
<b>Total Approved and Contracted</b>	<b>601 497 007</b>	<b>116 844 538</b>

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### 29. CONTINGENT LIABILITIES

#### Bertrams Priority Block

The JDA has entered into legal proceedings regarding the relocation of illegal occupants in various buildings around the Bertrams Priority Block. Eviction proceedings have been instituted in the South Gauteng High Court. Negotiations are underway with illegal occupants to settle the matter out of court.

Progress made since 2012 - Some of the illegal occupants have agreed to be reallocated to properties operated by the Johannesburg Social Housing Company. The few that would be left because of inability to meet monthly rental payments will be accommodated by the Department of Housing. Since this, no progress has been made in this matter due to ongoing negotiations for reallocations and the legal proceedings have been put in abeyance until alternate accommodation is found by the JDA and CJMM.

#### Ubuntu Kraal (Pty) Ltd vs JDA & CJMM

The JDA has been served with summons for loss of income and damages to property by the operators of the establishment known as Ubuntu Kraal in Soweto, Johannesburg. The damages were alleged to have been caused by flooding due to the JDA activities in the construction of the Rea Vaya BRT infrastructure along Klipspruit Valley Road. The amount of damages claimed by the plaintiffs is R23.5 million.

#### Achvsim Chijoike vs JDA and Skymark Security (Pty) Ltd

JDA was incorrectly cited as a party to the proceedings relating to claim for injury suffered by Plaintiff resulting from a shooting incident that occurred in Randburg in December 2010. The plaintiff alleged that the person implicated in the shooting ( a security guard) was in the employ of the JDA and was acting on behalf of the JDA. The JDA disputes all the allegations. The proceedings have not been set down yet.

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### 29. CONTINGENT LIABILITIES (continued)

#### BRT - Themba Convenience Store

The CJMM and the JDA were served with a summons by Tembu Convenience Centre CC, trading as a convenience store and Engen Fuel dealership, for loss of income amounting to more than R17 million, as a result of BRT construction works. The City has filed its papers defending the matter in the South Gauteng High Court. The matter has still not been put on a trial roll and the plaintiffs have applied for a set-down.

#### SARS VAT Ruling

Up to May 2008, there was a thinking that the JDA was regarded as an agent and not the principal and thus was not allowed to account for Output and Input Value Added Tax on capital expenditure funded by the City of Johannesburg on projects rolled out by the JDA. This view was upheld in a ruling issued by the South African Revenue Service dated February 2008, with reference number TCS01/2008.

Subsequent to the said ruling, and further engagement with the South African Revenue Service through Deloitte, a second ruling by SARS dated 13 May 2008, stated the following: "The JDA acted as a principal and not an agent on behalf of the COJ. Further, the payments received by JDA constituted of consideration for a taxable supply which is subject to VAT at the standard rate in terms of section 7 (1) (a) of the VAT Act. Furthermore, JDA should have accounted for output tax on the receipt of the consideration for those services and could have been permitted to claim the VAT incurred on goods and services, pertaining to the agreement, as input tax." SARS requested the JDA to recalculate VAT for all the periods starting with the 2002 year through to 30 June 2007.

Deloitte were appointed by the JDA to calculate the net Value Added Tax payable to/ receivable from the South African Revenue Service for the periods 2002 to 2007.

A provision for Value Added Tax payable of R8,261,946 was raised in the financial statements in 2008/09.

During the 2011 financial year, an amount of R7,848,985 was paid over to SARS based on calculations prepared by Deloitte. In June 2012, SARS conducted an audit of the work performed by Deloitte after which an assessment will be issued. A final assessment has still not been issued by the South African Revenue Service. Based on the payments made, no provision has been raised in the annual financial statements until the final assessment has been received

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<b>30. RELATED PARTIES</b>		
Relationships		
Controlling entity		
Other members of the group		
		City of Johannesburg Metropolitan Municipality Johannesburg Social Housing Company (SOC) Ltd City of Johannesburg Property Company (SOC) Ltd City Power Johannesburg (SOC) Ltd Johannesburg City Parks and Zoo NPC Johannesburg Development Agency (SOC) Ltd Johannesburg Metropolitan Bus Services (SOC) Ltd Johannesburg Roads Agency (SOC) Ltd The Johannesburg Tourism Company NPC Johannesburg Water (SOC) Ltd Pikitup Johannesburg (SOC) Ltd Joburg City Theatres (SOC) Ltd The Johannesburg Fresh Produce Market (SOC) Ltd Refer to note 17
Members of key management (included in employee costs)		
<b>Related party balances</b>		
<b>Amounts included in Loans,</b>		
<b>Trade and other receivables regarding related parties</b>		
CJMM - Projects	20 672 954	32 361 811
Department of Transportation, Planning and Management - Projects	334 866 624	79 497 855
Inner City Funding - Projects	37 736 906	38 817 256
Department of Social Development - Projects	2 784 173	-
Department of Social Development - Trade	119 412	-
Department of Transportation, Planning and Management - Trade	14 230 965	3 769 709
Inner City Funding - Trade	1 886 845	1 940 863
Office of the Speaker - Projects	-	496 470
CJMM - Trade	1 003 261	1 604 010
Department of Environment Management Services - Projects	39 435 414	-
Department of Health - Projects	14 197 653	15 061 376
City of Johannesburg Housing - Projects	8 154 623	18 588 610
Department of Environment Management Services - Trade	1 647 493	-
Department of Health - Trade	953 339	723 202
City of Johannesburg Housing - Trade	570 824	1 301 203
Community Development - Projects	14 179 617	12 455 595
Community Development - Trade	708 981	622 780
	<b>493 149 084</b>	<b>207 240 740</b>
<b>Amounts included in Loans,</b>		
<b>Trade and other payables regarding related parties</b>		
CJMM	808 466	555 257

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<b>30. RELATED PARTIES (continued)</b>		
<b>Related party transactions</b>		
<b>Purchases from related parties</b>		
CJMM - Corporate Services	1 154 301	-
Johannesburg Metropolitan Bus Services (SOC) Ltd	39 390	-
CJMM - Interest paid	311 564	16
	<b>1 505 255</b>	<b>16</b>
<b>Income from related parties</b>		
CJMM - Interest received	2 118 607	5 653 673
CJMM- Grant	24 977 000	24 308 000
CJMM - WASSUP facilitation income	285 200	-
	<b>27 380 807</b>	<b>29 961 673</b>
<b>Payments to related parties</b>		
CJMM	534 097	1 217 864

Purchases from related parties are listed above.

These services were supplied by the related parties and the CJMM in terms of Section 45 of the Municipal Supply Chain Management of 2005.

Awards to spouses and close family members

None

Terms and conditions

There are no terms and conditions and no interest is due or payable to any related parties listed above. All related party transactions are on an arm's length basis.

### 31. CHANGE IN ESTIMATE

#### Property, plant and equipment

##### Computer Equipment

The useful life of computer equipment was estimated in 2013 to be between 5-6 years depending on the individual assets. In the current period management have revised their estimate to be between 5-10 years. The effect of this revision has increased the depreciation charges for the current and future periods by R 106 665

The impact on deferred tax is R29,866.

The impact on the cash flow statement is Rnil.

##### Office Equipment

The useful life of the office equipment was estimated in 2013 to be 6 years. In the current period management have revised their estimate to be between 6 - 10 years. The effect of this revision has decreased the depreciation for the current and future periods by R 74

The impact on deferred tax is R20,62.

The impact on the cash flow statement is Rnil.

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### 31. CHANGE IN ESTIMATE (continued)

#### Computer Equipment - Printers, and servers

The useful life of the printers servers was estimated in 2013 to be 3 - 6 years. In the current period management have revised their estimate to between 6 - 7 years. The effect of this revision has decreased the depreciation for the current and future periods by R 7 137

The impact on deferred tax is R1,998.37.

The impact on the cash flow statement is Rnil.

#### Motor vehicles

The useful life of the motor vehicle was estimated in 2013 to be 5 years. In the current period management have revised their estimate to 7 years. The effect of this revision has decreased the depreciation for the current and future periods by R 7 237.

The impact on deferred tax is R2,026.44

The impact on the cash flow statement is Rnil.

### 32. PRIOR PERIOD ERRORS

#### Statement of financial position

Carrying value of property, plant and equipment	-	(639 265)
Deferred tax asset - Section 24C allowance	-	197 684
Deferred tax liability - PPE adjustment	-	(197 684)
	-	<b>(639 265)</b>

#### Statement of financial performance

Depreciation adjustment on property, plant and equipment	-	(239 065)
Other income - Previous expensed assets	-	878 330
	-	<b>639 265</b>

#### Cash flow statement

##### Cash flow from operating activities

Other income	-	878 330
Depreciation	-	(239 065)
	-	<b>639 265</b>

##### Cash flow from investing activities

Property, plant and equipment	-	(639 265)
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#### The correction of the error(s) results in the restatement of comparative figures as follows - 2013

The restatement of the property, plant and equipment was as a result of restating the prior year carrying values for GRAP compliance of zero value assets. This resulted in the earliest prior year adjustment as these assets had previous carrying values of Rnil.

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### 33. RISK MANAGEMENT

#### Capital risk management

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

The capital structure of the entity consists of debt, which includes the borrowings disclosed in notes 2 and 8, cash and cash equivalents disclosed in note 4, and equity as disclosed in the statement of financial position.

As stated in the note regarding going concern, the entity's existence is dependant on the continued support from the controlling entity CJMM.

There are no externally imposed capital requirements.

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

#### Financial risk management

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

The entity is a wholly owned subsidiary of CJMM. Risk management is carried out by a central treasury department (City Treasury) within the CJMM under policies approved by CJMM's Assets & Liabilities Committee of which the entity's CFO is a part of. City Treasury identifies and evaluates financial risks in close co-operation with the Assets & Liabilities Committee. The Assets & Liabilities Committee provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk and credit risk.

#### Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities. The entity also received an annual grant from CJMM which mitigates to a large extent the liquidity risk of the entity.

The table below analyses the entity's financial liabilities based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	364 913 372	-	-	-
At 30 June 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	83 828 839	-	-	-

#### Interest rate risk

The company has significant interest-bearing assets in the form of the treasury account. The financial asset subject to the above is the Sweeping account with CJMM. The following table highlights the likely cashflow risk to the company in the event of an interest rate fluctuation. The current interest rate is 5.73%.

#### Interest rate - Sweeping account

6,73	1 251 847	1 117 327
4,73	(1 251 847)	(1 117 327)
	-	-

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### 33. RISK MANAGEMENT (continued)

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, intercompany debtors and other receivables. Through CJMM's Treasury Department, the entity only transacts with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprises of one major debtor being the CJMM and rental debtors which is a small customer base. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. With the CJMM being the sole debtor of the JDA, credit risk on trade receivables is considered minimal. No changes occurred in the management of these risks from the prior year.

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

Financial instrument		
Loans from shareholders - refer to note 2	(63 551 187)	(64 514 866)
Trade and other receivables - refer to note 3	496 103 944	208 118 340

The prior year is misstated by a nett amount of R8,166. The Loans from Shareholders for the 2012/13 period was R64,516,692 as per note 2 and Trade and other receivables for the 2012/13 period was R208,108,348 as per note 3.

### 34. GOING CONCERN

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

### 35. EVENTS AFTER THE REPORTING DATE

During the year, the organisation geared itself for the integration of the Alexandra Renewal Programme (ARP) into the JDA with effect from 1 July 2014, in line with the Mayoral Committee resolution. Human resources and related matters were attended to in preparation for the integration. A transfer agreement to effect the transfer of the ARP from the City's department of Development Planning to the JDA was drafted. It is anticipated that the Transfer Agreement will be concluded at the end of September 2014. All employee related costs, including salaries, will not be carried by the JDA. These costs will remain with the CJMM's Development Planning Department. The budget for all other operational costs will be transferred to the JDA once the Transfer Agreement is concluded. Net assets, which consist mainly of computer equipment, will increase by an estimated carrying value of R16,845. No liabilities will be transferred.

An objection was filed before year end for interest and penalties that was charged by SARS. On the 9th September 2014, the JDA received a letter indicating that SARS had agreed to waive the interest and penalties previously charged. This event is classified as an adjusting subsequent event and has been correctly reflected in the financial statements for the year ended 30 June 2014.

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<b>36. UNAUTHORISED EXPENDITURE</b>		
<b>Reconciliation of irregular expenditure</b>		
Opening balance	1 454 701	-
Unauthorised expenditure current year	-	3 854 701
Approved by the Board	-	(2 400 000)
Recovery of unauthorised expenditure	(1 077 478)	-
	<b>377 223</b>	<b>1 454 701</b>

The unauthorised expenditure relates to the over expenditure against the approved budget.

Subsequent to the approval of the mid-year budget downward adjustment of 2012/13, it was evident that the JDA would report a deficit of approximately R4.1 million. The JDA Board approved the utilisation of reserves up to the value of R2.4 million with the balance of R1.7 million expected to be generated from interest revenue and other income to fund the deficit.

The higher electricity costs incurred during the 2012/13 financial year as a result of the change in the method of calculating consumption, the higher recruitment costs as well as the fraud suffered in the current year resulted in the major over-expenditure in these line items.

The unauthorised expenditure was communicated to CJMM Budget Office with the aim of obtaining condonation from Council.

### 37. FRUITLESS AND WASTEFUL EXPENDITURE

<b>Reconciliation of fruitless and wasteful expenditure</b>		
Opening balance	3 095 937	-
Fruitless and wasteful expenditure current year	558 789	1 142 096
Fruitless and wasteful expenditure prior year	20 485	1 953 841
Fruitless and wasteful expenditure recovered	(3 295 408)	-
	<b>379 803</b>	<b>3 095 937</b>

<b>Detail of expenditure 2014</b>	<b>Fraud adjustment</b>	<b>Interest and penalties paid</b>	<b>Total</b>
Fruitless and wasteful expenditure identified - 2014	20 485	558 789	579 274

In July 2013, an incident of fraud was discovered internally. The fraud was committed at an employee level and a team of forensic auditors was contracted to quantify the amount of the fraud and uncover any further involvement of other employees in the incident. The information was received after the reporting date but prior to the date of authorisation of the 2012/13 annual financial statements. The amount of the fraud committed over a four year period was estimated at R2,935,688. By the end of the investigation, which was around May 2014, the forensic investigators concluded that:

- Total fraudulent payments forged by perpetrator:	R3,529,457
- Paid to JDA suppliers:	(R573,284)
- Net fraudulent amount	<u>R2,956,173</u>

The insurer agreed to settle, in full, the net fraudulent amount of R2,956,173. As at 18 July 2014, the insurer has paid R2,364,938 with the balance expected before 31 July 2014. By November 2014, the full claim had been received from the insurers. The above amounts include VAT.

The interest and penalties paid relates to an amount charged by SARS on VAT return submissions. An objection was filed in dispute of this. A letter was received from SARS dated 9th September 2014, indicating that the interest and penalties previously charged had been waived. Total interest charged and recovered was - R243,604.

Interest relating to late receipt of Telkom invoices - R3,621.

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### 37. FRUITLESS AND WASTEFUL EXPENDITURE (continued)

#### Detail on expenditure - 2013

	Loss due to fraud	Interest and penalties paid	Total
Fruitless and wasteful expenditure identified - 2013	981 847	160 249	1 142 096
Fruitless and wasteful expenditure identified - 2010 - 2012	1 953 841	-	1 953 841
	<b>2 935 688</b>	<b>160 249</b>	<b>3 095 937</b>

In July 2013, an incident of fraud was discovered internally. The fraud was committed at an employee level and a team of forensic auditors was contracted to quantify the amount of the fraud and uncover any further involvement of other employees in the incident. The information was received after the reporting date but prior to the date of authorisation of the 2012/13 annual financial statements. The amount of the fraud committed over a four year period was estimated at R2,935,688.

The interest and penalties paid relates to an amount charged by SARS on late payment of VAT returns. An objection was filed in dispute of this and no communication was received as yet regarding the result of the objection. Total interest charged - R158,391.

Interest relating to late receipt of Telkom invoices - R1,858.

### 38. IRREGULAR EXPENDITURE

#### Reconciliation of irregular expenditure

Opening balance	189 337	-
Movement for the year	140 416	189 337
	<b>329 753</b>	<b>189 337</b>

#### Details of irregular expenditure – 2014

Yawee IT Solutions (Pty) Ltd	89 532
Broll Property Management - 2014	14 297
Broll Property Management - relating to prior years	36 587
	<b>140 416</b>

#### Yawee IT Solutions (Pty) Ltd

The supplier had previously declared in the initial supplier documentation that they were in the service of the state. The supplier was erroneously included in the panel of professional services and subsequently services were rendered from the supplier. Expenditure incurred with a service provider that is in service of the state in terms of the MFMA and Supply Chain processes of the JDA is considered irregular. To remedy the situation, the supplier was notified of their removal from the panel and any further interaction was cancelled. A disciplinary process was undertaken against the Supply Chain Manager for negligence and a warning letter issued. No loss was suffered by the JDA as the payment was for actual work performed.

#### Broll Property Management

The agreement between Greater Newtown Development Company and Broll Property Management was extended from 1 January 2011 to a month to month basis. Broll Property Management charges a monthly management fee on all rentals collected from the Bus Factory tenants (i.e the administrative fee); however this administrative fee results in irregular expenditure as the contract runs on a month to month basis without proper Supply Chain Management processes followed to re-advertise for the services to be rendered.

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### 38. IRREGULAR EXPENDITURE (continued)

#### Details of irregular expenditure - 2013

Spoormaker (Pty) Ltd	151 337
Yawee IT Solutions (Pty) Ltd	38 000
	<u>189 337</u>

#### Spoormaker (Pty) Ltd

On renewal of the professional team related to the COJ Clinics programme, one of the service providers was omitted. This resulted in services being provided without a duly approved contract. Expenditure incurred without a valid contract in terms of the Supply Chain processes of the JDA was therefore irregular. To remedy the situation, the Board of Directors were requested to condone this expenditure in accordance with the MFMA. A disciplinary process has been initiated against the employees for negligence. No loss was suffered by the JDA as the payment was for actual work performed.

#### Yawee IT Solutions (Pty) Ltd

The supplier had previously declared in the initial supplier documentation that they were in the service of the state. The supplier was erroneously included in the panel of professional services and subsequently services were rendered from the supplier. Expenditure incurred with a service provider that is in service of the state in terms of the MFMA and Supply Chain processes of the JDA is considered irregular. To remedy the situation, the supplier will be notified of their removal from the panel and any further interaction will be cancelled. A disciplinary process has been initiated against the employee for negligence. No loss was suffered by the JDA as the payment was for actual work performed.

### 39. ACTUAL OPERATING EXPENDITURE VERSUS BUDGETED OPERATING EXPENDITURE

In the Statement of Comparative and Actual Information, the narrative explanations on major variances are as follows:

#### Revenue from exchange transactions

The negative variance in development management fees is as a result of only 89% of the total capital budget being spent in the year under review. This was due to:

- delays as a result of a lengthy community participation process in sections 8 and 15 of BRT implementation;
- more time set aside for planning because of the multi-year budget process.

The effect of this planning will be evident in the results of Quarter 1 of the 2014/15 year.

The positive variance in tender fees was due to a higher than expected number of tender applicants as originally estimated.

The positive variance in the other income line due to an insurance recovery received relating to the fraud claim from 2013.

The negative variance on interest received line item was mainly due to a slower than expected receipt of capex claims from CJMM. The major contributors to the outstanding claims is CJMM Transportation and Department of Health.

#### Expenditure

The positive variance in the employees costs was as a result of key personnel vacancies that were either filled later than expected or not at all. The current key vacancies that are still not filled are the Executive Manager: Development Implementation, Risk and Compliance Manager and Planning Manager. Subsequently, the Planning and Risk & Compliance Managers' have been appointed.

The negative variances in the finance costs relate to unexpected interest that was charged on a negative sweeping account balance.

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### 39. ACTUAL OPERATING EXPENDITURE VERSUS BUDGETED OPERATING EXPENDITURE (continued)

The positive variance in the general expenditure line item is due to cost-saving measures implemented by management.

The negative variance in the loss on disposal of assets relates to a mass disposal of electronic equipment that were considered obsolete as part of the annual impairment assessment of property, plant and equipment. Most of the electronic equipment were either not in good working condition or not compatible with the JDA's current servers and networks.

#### Statement of financial position

The Trade and Other Receivables variance is mainly due to the high value of capital claims that were submitted to CJMM at the end of June 2014. The capital expenditure incurred during June represented atleast 50% of the total capital budget. These claims will only be settled by CJMM during the 1st quarter of the 2014/15 year.

The Cash and Cash Equivalents variance is due to funding that was received in advance from the National Department of Tourism. These funds relate to the implementation of the Alexandra Heritage Centre.

The Trade and Other Payables variance is due to the high value of capital expenditure that was incurred before year end. The capital expenditure incurred during June represented atleast 50% of the total capital budget. The suppliers were paid during the month of July 2014.

The Project Funds Payable variance is mainly due the additional funding received in advance from the National Department of Tourism for the Alexandra Heritage Centre and the Braamfontein Improvement District for the Inner City Public Places Challenge.

#### Cashflow Statement

The variance relating to the CAPEX funding is mainly due to a major increase in the JDA's capital budget as compared to the 2012/13 year and the late settlement of 2012/13 claims from CJMM. The capital project budget increased from R380 million in the 2012/13 year to R780 million in the 2013/14 year.

The variance in the Other Receipts cashflow related to additional income that was received during the financial year. These included portion of the fraud recovery from insurance, higher than expected tender fees and facilitation income received relating to the Diepsloot Sanititation Project.

The variance relating to payments made to employees and suppliers is mainly due to the high value of CAPEX expenditure that was incurred during the current financial year. The capital project budget increased from R380 million in the 2012/13 year to R780 million in the 2013/14 year.

The variance relating the Repayment of the Shareholders' loan is mainly due to high value of creditor payments that were made in the last quarter of the financial year and the delayed settlement of claims by CJMM during the year.

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<b>40. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS</b>		
Sinetech CC	2 476 941	-

The Accounting Officer approved a deviation from normal supply chain processes as per Regulation 36 (1)(a)(v) for the appointment of Sinetech CC to supply, install, and repair UPS or backup battery systems at Rea Vaya BRT stations. In accordance to the design of the Intellectual Ticketing Systems and other electronic devices at stations, Sinetech CC is the sole provider of the UPS as it is the service provider that has the South African licence for the system required at the BRT stations.

### Stations Retrofit Items

Deviation - Reducing tender advert period from 30 days to 14 days.

Reason for shortening tender period was to expedite retrofitting stations with glass panels, tactile pavers for the visually impaired and to comply with universal access requirements for public transport.