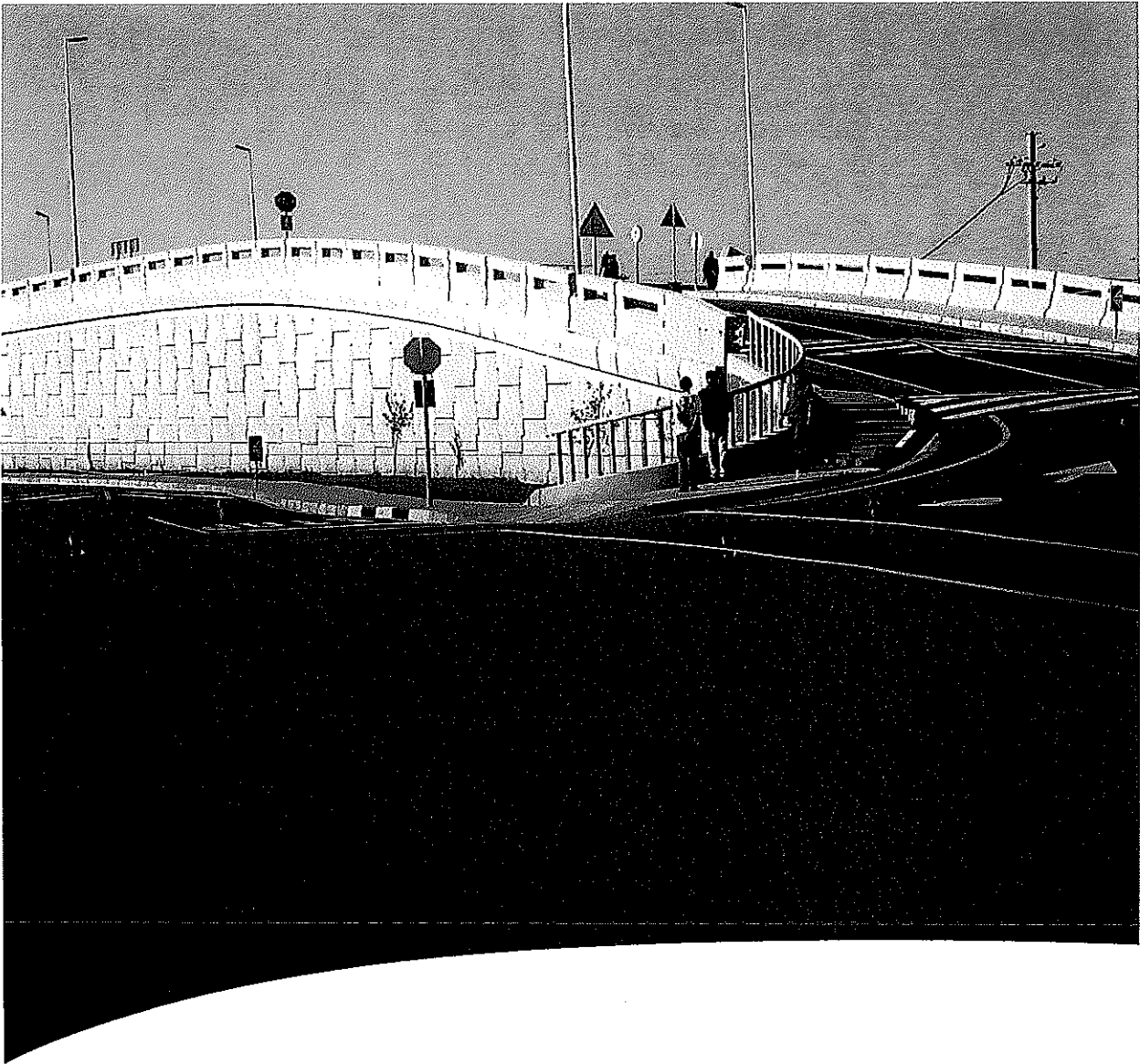


# JRA ANNUAL REPORT

2015/16



a world class African city



*Mobility made easy*

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## About Our Annual Report

For the Johannesburg Roads Agency (JRA) the concept of Integrated Reporting is a process. We remain committed to furthering the development and enhancement of our report as we work within the requirements of Treasury as well as those of the framework of the City which require that we conform to the City wide reporting template.<sup>1</sup>

In meeting these reporting requirements, we have simultaneously taken into account the juristic nature of the JRA as a company and tried to meet the recommendations of the International Integrated Reporting Framework (IIRF). While striving to meet these diverse requirements we have strictly adhered to the directives of Treasury and thus do not always follow the recommendations of the IIRF. This has also resulted in a number of anomalies in the report which arise from the need to meet the sometimes conflicting reporting requirements. The numbering of items strictly adheres to the Shareholder and Treasury format and thus does not always follow the sequence which best practice reporting may indicate.

Our aim behind this report is to provide information to all our stakeholders in a manner which allows for transparent and clear communication of useful and succinct information. To this end we want to provide a true picture of the JRA across the areas of performance and sustainability with a clear link to both our strategy and risks.

Within the City guidance on the report structure we do not provide a stand-alone sustainability report. A section of the report is however devoted to the concept of sustainability and we continue to work towards a point where we will be able to provide a comprehensive sustainability report. We remain some way from being able to consider having any of the elements of the sustainability report externally assured.

We believe that our report still meets most of the requirements of Integrated Reporting in so far as we provide both historic and forward looking information about the JRA in a clear, accurate and transparent manner and thus enable all our stakeholders to gain insight into our business.

In line with recommendations from the previous year, this year we strive to produce a more concise report and thus the detailed information is provided, not as part of the report, but as links to information available on our website.

We will continue to look for ways to improve our reporting and remain committed to the principles of Integrated Reporting.

### Materiality Matrix (determined by understanding our Stakeholders)

<sup>1</sup>

The format of the Annual Report follows the directives of our Shareholder, in the form of the Johannesburg City, as well as those of the Treasury as contained in Circulars 11 and 63 of the Municipal Finance Management Act, No 56 of 2003. The template provides for the content and structure of the report to meet the reporting imperatives of municipalities in such a way as to allow for comparisons between municipalities.

In determining materiality for purposes of our reporting we have given priority to matters which are of high concern to our Stakeholders and which have a significant impact on our business and our ability to meet our mandate and achieve our strategy.

Reference Point		Substantive Stakeholder Concerns with impact for JRA (Risks)
Stakeholder Feedback – formal and Informal	External	<ul style="list-style-type: none"> <li>• Service Delivery and productivity (Customer charter commitments)</li> <li>• Enhanced mobility (Corridors of freedom, bridges)</li> <li>• Financial stability</li> <li>• Procurement (BEE), empowerment and transformation (Supply chain management)</li> <li>• Capacity – internal and through outsourcing / empowerment (Jozi@Work)</li> <li>• Health &amp; safety and remuneration</li> <li>• Fraud</li> <li>• Governance</li> <li>• Environment (Green and Blue economy)</li> <li>• Communications and information dissemination</li> <li>• Enhanced technological utilization (Smart City)</li> </ul>
	Internal	
Shareholder Compact	Customer Charter	
Service Level Agreement		
Service Delivery Agreement	City JRA	
Strategy		
Business Plan / SDBIP/ Pips		
Company Score Card (KPIs)		
Risk register		

**What our Stakeholders want to hear about**

Summary of the significant frameworks and legislation used to prepare this report

- Municipal Finance management Act (MFMA)
- Generally Recognised Accounting Principles (GAP)
- International Financial reporting Standards (IFRS)
- Municipal Systems Act (MSA)
- King III Code on Corporate Governance (King III)
- International Integrated Reporting Council Framework and discussion papers (IIRC)
- Global Reporting Initiative Framework (GRI – G4)
- Joburg 2040 Growth and Development Strategy (GDS)
- 2012/16 Integrated Development Plan (IDP)

Assurance Process for Integrated Report

The Board is responsible for ensuring that there is effective leadership and decision making regarding the preparation and presentation of the integrated report, including the identification and oversight of the employees actively involved in the process.

To this end the Board, assisted by its various Committees, has applied its collective mind to the report and is satisfied that it fairly represents the status of the company.

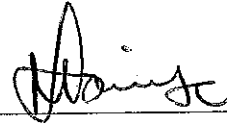
The Board approved the 2015/16 integrated report together with the financial statements, in line with the combined assurance process followed, on the 2<sup>nd</sup> December 2016.



Ms J Manche  
Board Chairman



Mr H Mashele  
Chairman: Audit and  
Finance Committee



Ms L Mashamaite  
Chairman: Social and  
Ethics Committee

# Chapter 1

## CORPORATE PROFILE & LEADERSHIP

### 1.1 Company Profile and overview of the entity

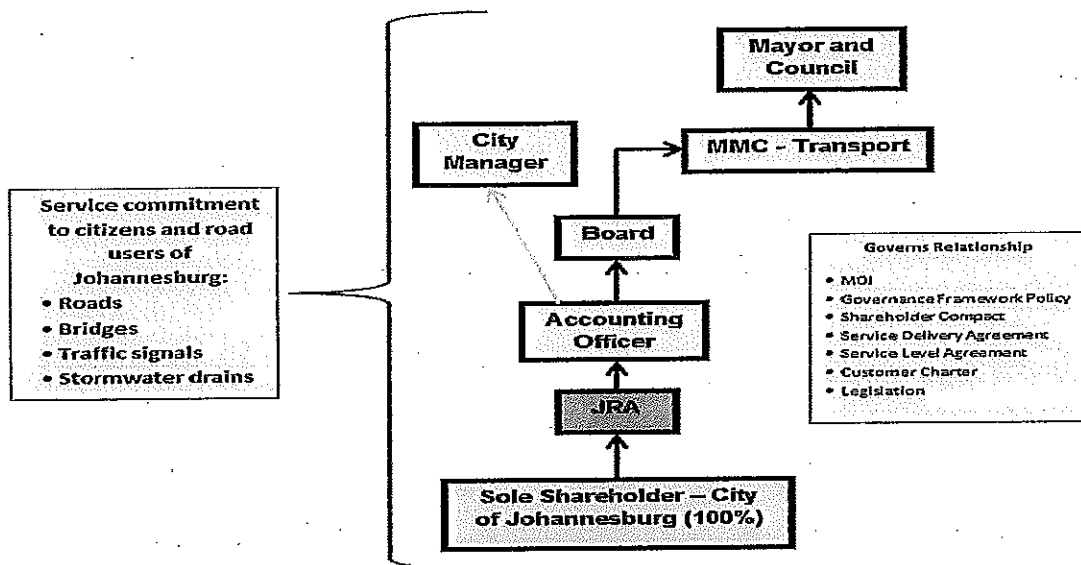
The JRA is the roads agency mandated by the City of Johannesburg with the design, construction and maintenance of roads and roads related infrastructure within the City of Johannesburg.

The Johannesburg Roads Agency (SOC) Ltd commenced its business on the 01 January 2000. The City of Johannesburg (COJ / the City) is the sole shareholder of the Company, which was formed as an alternative service delivery mechanism regulated under Chapter 8A of the Municipal Systems Act.

The JRA is a registered State Owned Company (SOC) and is thus also regulated by the Companies Act 71 of 2008 (the Companies Act) and exists as a separate legal entity from its shareholder. The business and affairs of the JRA are managed by the Board while taking into account its authority, and responsibility, as an accounting authority in relation to the City.

The performance of the entity is measured against the deliverables contained in the agreements with the City and which are translated into Key performance Indicators (KPIs) contained in the company score card as more fully explained in the Performance Management section of this report. (Section 4.4)

From a governance perspective, the JRA falls within the transport sector together with the Transportation Department and Metro bus (COJ entity). Administratively, the sector is responsible and accountable to the City Manager whilst politically it is accountable to the Member of the Mayoral Committee (MMC) responsible for Transportation.



## 1.2 Our Delivery Model – how we do what we do!

The JRA is a service delivery agent for the City of Johannesburg and as such we have a socio-economic responsibility to balance the available public funding and the service requirements of the rate payers, and road users, of Johannesburg. The JRA business plan must follow a development process which includes extensive consultation and alignment with both the City, and National, imperatives which determine the optimum utilisation of our various capitals. This in turn informs our targeted outcomes which once again feed back into the on-going consultative process.

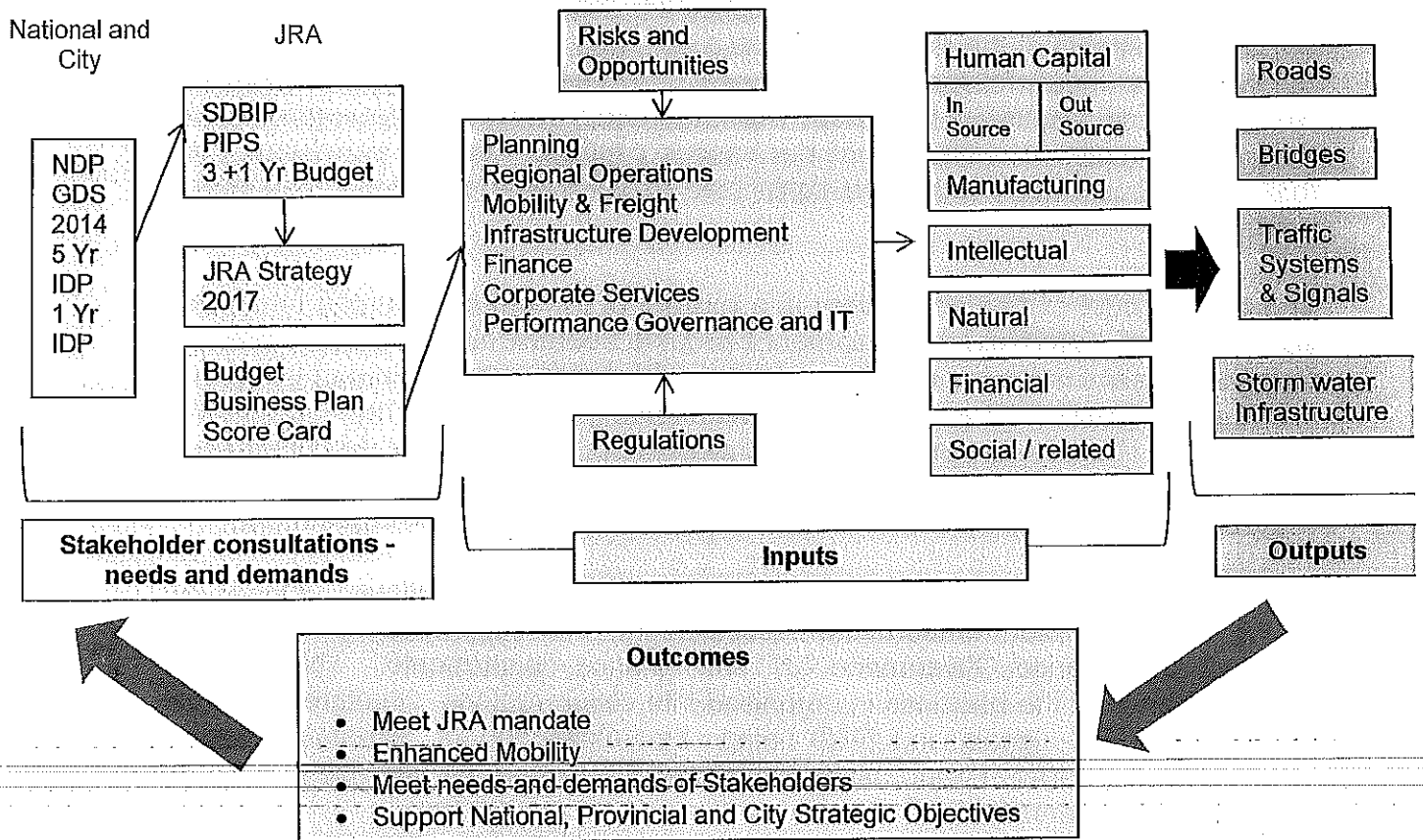
The current model of service delivery is a mixture of in- and out-sourced functions with our people, buildings and equipment being the bedrock of our service delivery. Day to day maintenance is primarily an insourced function supplemented by service providers appointed in terms of our procurement policies and the Jozi@Work programme<sup>2</sup>. The capital projects, which include both construction, re-construction and rehabilitation projects, are outsourced to service providers who are then overseen and monitored by our in-house Infrastructure Development department.

The four core operational departments, being Regional Operations, Mobility & Freight, Planning and Infrastructure Development, are supported by Corporate Services, Performance Governance & IT and Finance departments. The service delivery element of the business is organised into seven regions, structured around depots, with traffic signals and RSD being stand-alone depots. Strategic assets, including the motorways depot, asphalt plant and the laboratory, are also managed under Regional Operations.

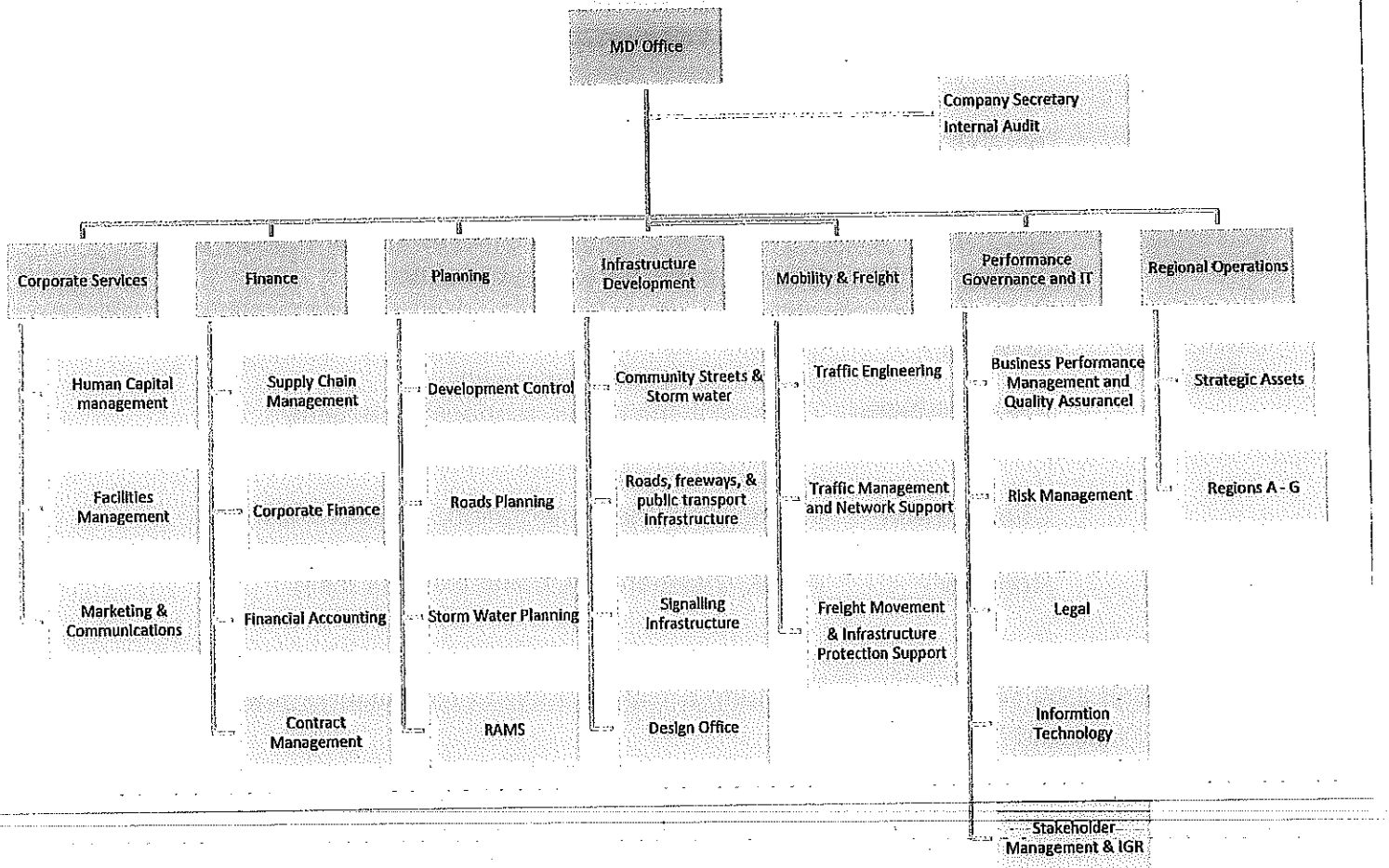
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<sup>2</sup> Jozi@Work is a City initiative aimed at capacitating and empowering local communities to participate in local service delivery.

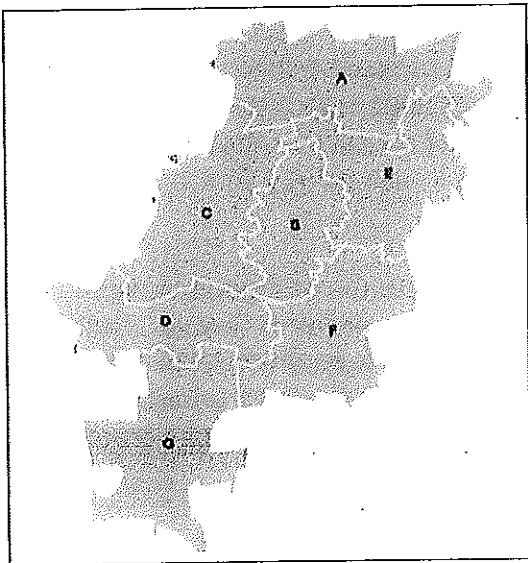
The following model demonstrates our business model.



Our people, buildings and equipment are the bedrock of our service delivery. The business model and structuring of the JRA sees the company managed by six Heads of Department (HoDs) and the Chief Financial Officer, reporting directly to the Managing Director, who is also the Accounting Officer as legislatively defined.



Regional Division:



Region	Area
A	Diepsloot and Kya Sands, Dainfern, Midrand, Lanseria, Fourways
B	Randburg, Rosebank, Emmarentia, Greenside, Melville, Mayfair, Northcliff, Rosebank, Parktown, Parktown North
C	Roodepoort, Constantia Kloof, Northgate, Florida, Bram Fischerville
D	Doornkop, Soweto, Dobsonville, Protea Glen
E	Alexandra, Wynberg, Sandton, Orange Grove, Houghton
F	Inner City, Johannesburg South
G	Orange Farm, Weilers Farm, Ennerdale, Lenasia, Eldorado Park, Protea South

Strategic assets:

- Fleet & Plant
- Asphalt Plant
- Laboratory
- Resurfacing Depot
- Motorways Depot
- Traffic Signals Depot

The Company's Head Office is situated in the Central Business District (CBD) of Johannesburg.

### 1.3 Strategic Objectives

**Our Vision:** The JRA's vision is to be the best city roads authority that enables economic growth and sustainability.

**Our Mission:** The JRA's mission is that we commit to provide quality roads that are accessible, safe and liveable for our communities

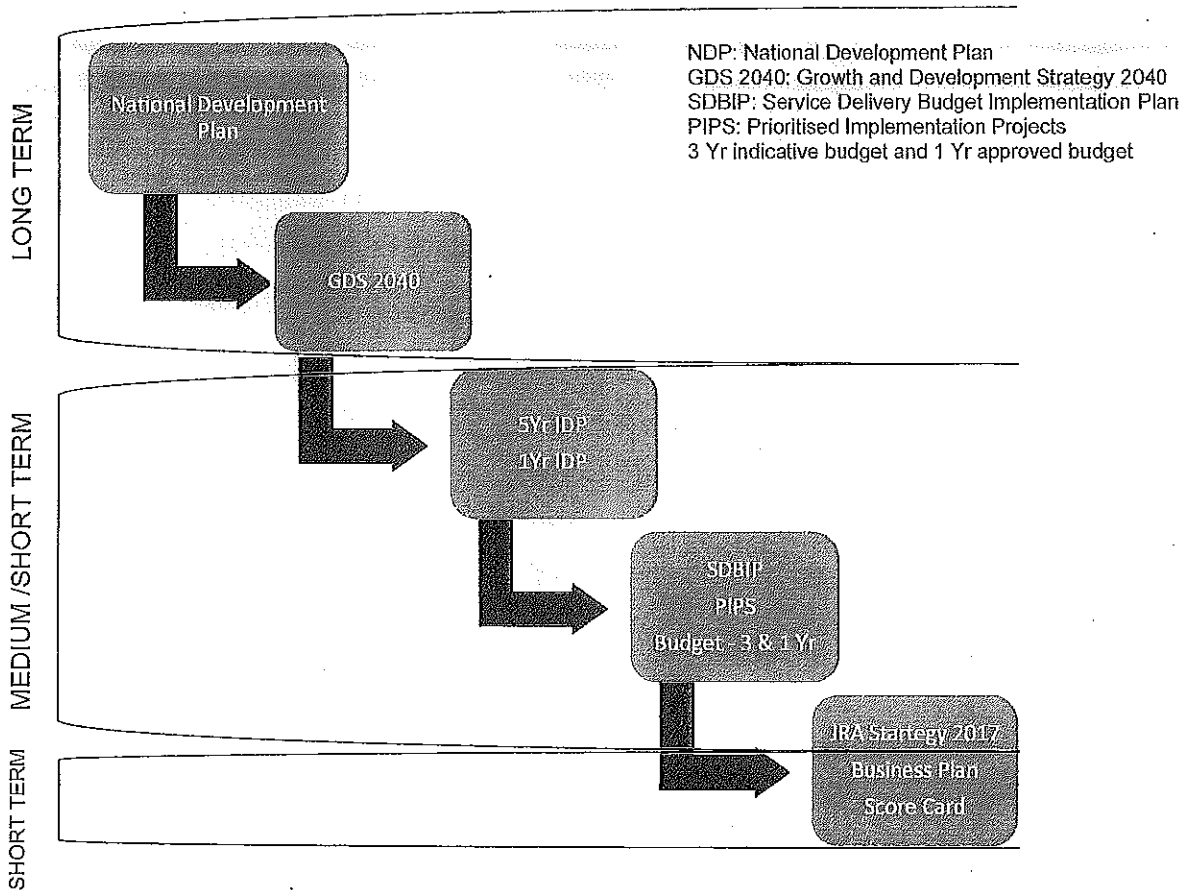
<b>Our Core Values:</b>	<b>Respect</b>	Caring for the customer, prioritising communities, ensuring equity
	<b>Accountability</b>	The man in the mirror, responsible actions
	<b>Ubuntu</b>	Compassion for communities and road users, empathy, humility
	<b>Cooperation</b>	Working together, integration, collaboration and pooling resources
	<b>Honesty</b>	Ethics, transparency, doing the right thing

#### Alignment of JRA Strategy and short term Business Plan to the National and City Strategic Plans and Objectives

As both a Municipal and Stated Owned Entity the JRA participates in a regulated process to develop the strategy which must support that of the City, the Gauteng Province and National Government. The process results in short, medium and long term objectives which are measurable and supported by the necessary budget allocations.

The City's long term vision is set out in the COJ Growth and Development Strategy (GDS) 2040. Ten priorities (PIPs) have been identified to realise this strategy and the 5 year Integrated Development Plan (IDP) translates these long term outcomes into implementation programmes. The JRA has defined its role in supporting the City's PIPs and its programmes and priorities are geared to ensuring that the City's objectives are achieved.

The PIP to which the JRA responds is that of sustainable human settlements, which has a Joburg Strategy 2000 outcome of providing a resilient, liveable and sustainable urban environment underpinned by infrastructure supportive of a low-carbon economy. The JRA contributes through improved mobility and urbanisation which translates into the road resurfacing, gravel road upgrade and the conversion of open drains programmes.



## JRA Strategy

The JRA has developed the JRA Strategy 2017 which is reviewed annually at a joint workshop attended by management and the Board (cross reference to [LINK: www.jra.org.za](http://www.jra.org.za) – strategy 2017). During the 2016/17 management will commence with the review of the strategy which will be aligned to the newly elected Council term.

Our Strategy 2017 identifies six strategic objectives which are set out in detail in our on line Strategy 2017 document, and which are summarised as follows:

**Strategic Assets**

- An adequately resourced Resurfacing Depot that carries out a significant portion of the JRA's resurfacing spend delivering quality resurfacing of the City's roads.
- Functional soils and asphalt materials laboratories that conduct most of the JRA's materials testing.
- Upgraded and efficient asphalt plant that supplies JRA and generates revenue through external sales.

**Traffic Regulation**

- Functional traffic signals that improve the road users' experience.
- Compliance with the SA Road Traffic Signs Manual (SARTSM) standards for both traffic signs and signals.
- Deployment of alternative power sources where appropriate to ensure resource sustainability.

**Road Network Development**

- Funded routine and periodic maintenance regime to preserve city's roads.
- Improved visual condition index (VCI) against the 2008 baseline VCI
- Adequate protection of road infrastructure assets to ensure road user safety and preserve asset value.

**Stormwater Management**

- Safer communities through the provision of safe and adequate sub-surface storm-water drainage systems.
- Adequate stormwater infrastructure maintenance regime to ensure structurally sound, safe and blockage-free drainage network
- Application of urban drainage principles to preserve and use surface runoff

**Alternative Funding Options**

- Maximise the JRA's contribution to the city's financial resilience and sustainability priority focus
- Savings from internal efficiency and approval productivity
- Savings from routine vandalism and infrastructure theft

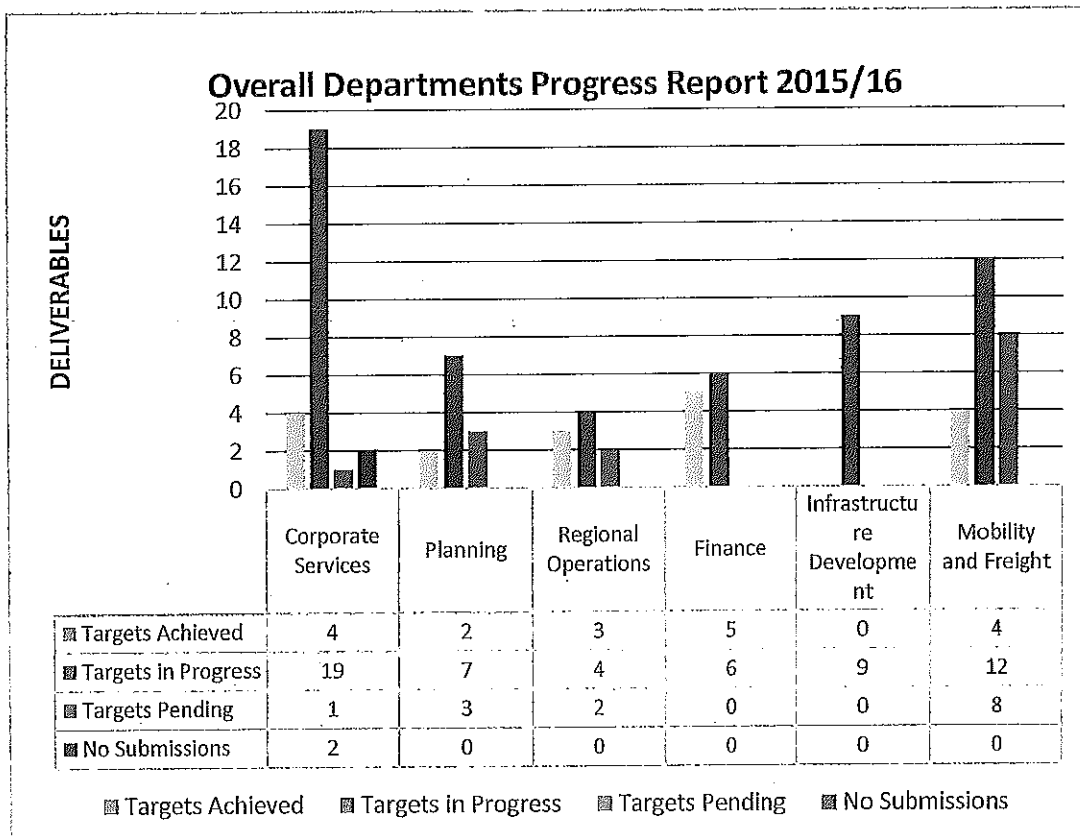
**Partnerships**

- Partnership that responds to the city's priorities, the JRA's and the National Development Plan
- Strong links with municipal NGOs and other civil society structures to proactively address and empower the unemployed, the youth and women
- Improved collaboration with Local Governments and Municipal Entities (LMEs)

Adjustment to respond to changing priorities

The JRA Strategy 2017 has been revised during the review period to ensure that our strategy remains relevant and is adjusted, where necessary to meet the changing demands of our environment. This review process also allows us to map our progress in implementing actions which will enable us to delivery on our strategy.

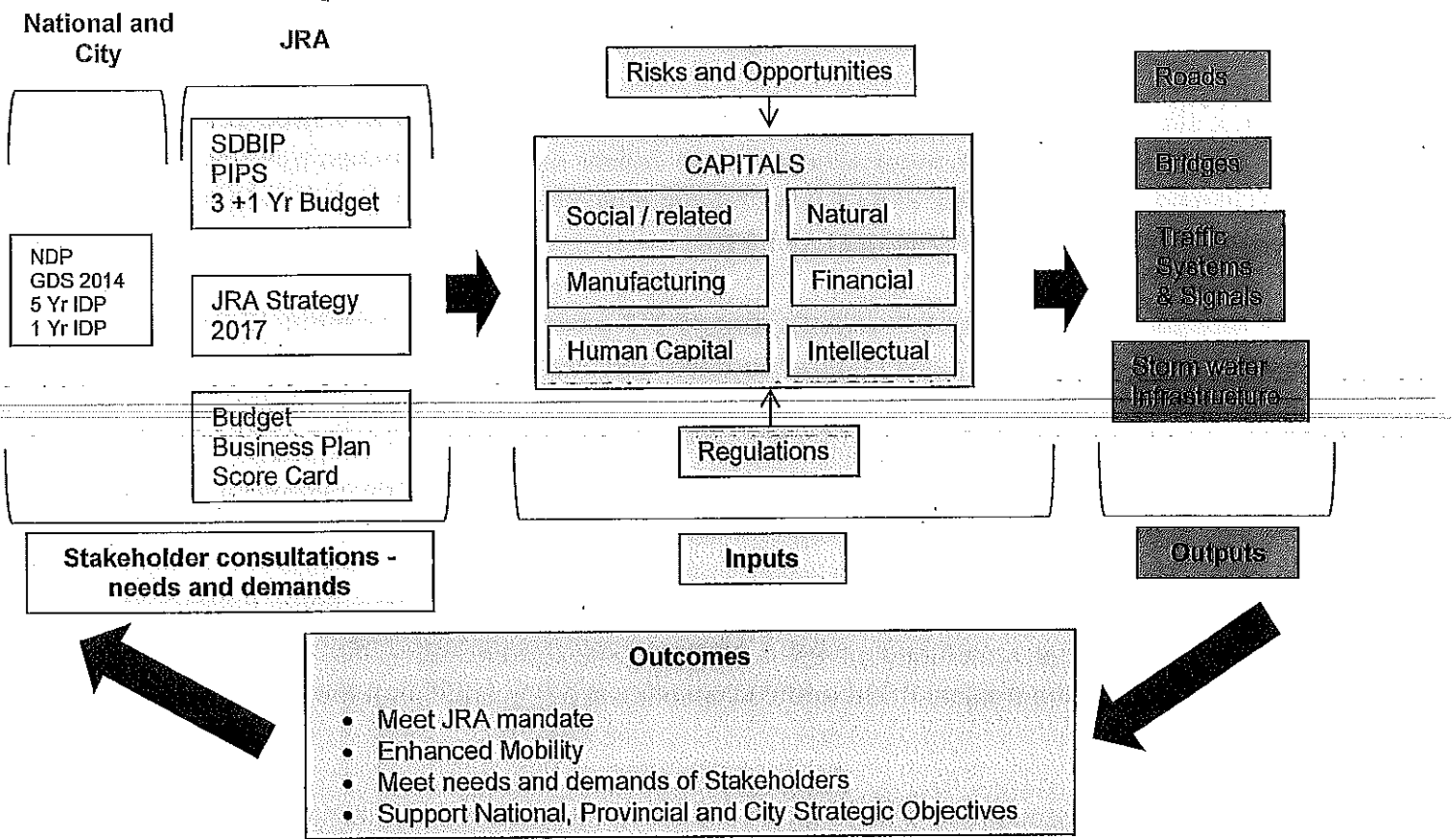
The graph below represents progress of the JRA Strategy 2017, against deliverables as at the end of 2015/16 financial year.



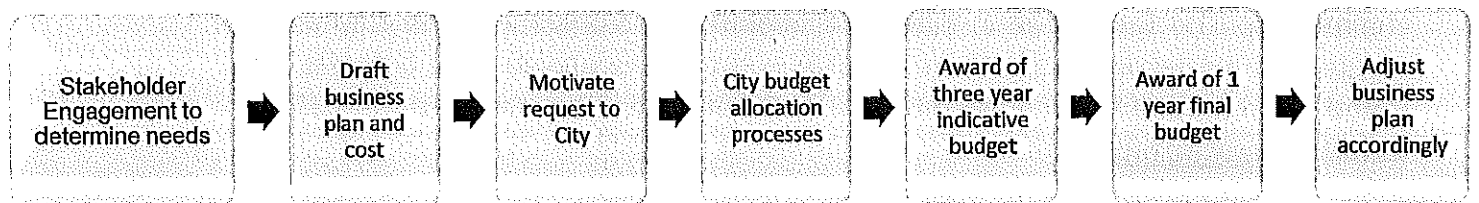
## 1.4 Value Creation Process

### Business Plan Development

The JRA is a service delivery agent for the City of Johannesburg and as such we have a socio-economic responsibility to balance the available public funding and the service requirements of the rate payers, and road users, of Johannesburg. The JRA business plan must follow a development process which includes extensive consultation and alignment with both the City and National imperatives which determine the optimum utilisation of our various capitals. This in turn informs our targeted outcomes which once again feed back into the on-going consultative process.



### JRA budget allocation related to the Business Plan



## 1.5 Message from the Member of the Mayoral Committee (MMC Transport)

It gives me pleasure to present the 2015/16 Annual Report although it relates to the period prior to my appointment. In this regard I acknowledge Councillor Christine Walters under whose guidance the 2015/16 financial year occurred.

Unfortunately, this year the JRA has not maintained its clean audit status. The audit remains unqualified with matters of emphasis. During the review period the entity had to contend with a number of challenges which included the lack of a permanent managing director as well as labour disruptions. Despite these challenges the company was still ably managed by Mr Mpho Kau who filled the managing director position in an acting capacity until the appointment of Dr Phillips in May 2016. We extend our thanks to Mr Kau and the management team for a job well done.

Service delivery remains the key focus of the organisation and in this regard the ability to spend the capital budget allocation and deliver on capital projects remains critical. The JRA spent 85.2% of its Capex budget which fell short of the 95% target but was up from the 2014/15 amount of 71.5%.

The Company has reviewed the JRA Strategy 2017 which is now entering its final phase. Significant delivery milestones have been achieved during the period which will be further improved upon in the coming year. Noteworthy is the road resurfacing programme and the upgrading of the M1 and M2 freeways. The upgrading of the asphalt plant and the laboratory remains on-going with the storm water conversion, and traffic congestion management programmes on track.

This year has also seen the Company pay close attention to stakeholder management with the structuring of the function being streamlined. This, together with an intensive drive against fraud and corruption, will enjoy additional focus in the 2016/17 FY.

Although the newly appointed Managing Director has commenced with a number of initiatives to address service delivery shortcomings, this will be the main area of engagement for the forthcoming period. In this regard improvement interventions have been developed and are being implemented.

The Board of Directors was appointed in March 2016 with Ms Jackie Manche as the chairperson. The Board has in place a Shareholder Compact with the City which regulates the relationship between the JRA and the Shareholder and commits the Board to an agreed list of deliverables. The Compact can be viewed on the JRA's website. ([www.jrs.org.za](http://www.jrs.org.za)).

I would like to take this opportunity to extend my appreciation to both the Board of Directors and to the Executive Management Team, especially Mr Kau who has filled the position of acting Managing Director for most of the review period.

In closing I would like to assure the citizens of Johannesburg that I am fully committed to delivery services to all communities within defined organisational priorities and with the focus on the on-going maintenance and upgrade of the infrastructure. In this regard management, and the employees of the Entity, are encouraged to refocus on both routine maintenance as well as the delivery on major capital projects.

---

Councillor Nonhlanhla Helen Makhuba  
Member of the Mayoral Committee for Transport



## 1.6 Foreword by the Chairman of the Board

On behalf of the Board of Directors of the Johannesburg Roads Agency (JRA) it gives me pleasure to present the 2015/16 annual integrated report. Unfortunately, the JRA has not managed to retain its clean audit status but still has an unqualified audit outcome with matters of emphasis.

The JRA received a capital expenditure allocation of R 1 340 547 million for the 2015/ 16 financial year of which 85.2% (2014/15 71%) was spent. Overall performance for the review period showed an improvement on the previous year's performance from 63.4% in 2014/15 to 72.12% in 2015/16. This level of performance is still not at the level we would like to see and we continue to strive towards improving on that in the current year

During the coming year the JRA Strategy 2017 will draw to a close. The Municipal Systems Act (MSA) outlines the objectives and procedures for integrated planning and service delivery for municipalities. The Act further states that municipal councils must: "within a prescribed period after the start of its elected term, adopt a single inclusive and strategic plan for the development of a municipality." The JRA has commenced with preparations to develop a new strategy and review its delivery mechanism in line with the strategy. The JRA looks forward to the strategic review as well as revisiting the organisational priorities under the leadership of the executive mayor and members of the mayoral committee.

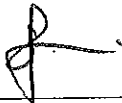
We have intensified our focus on ways to address service delivery shortcomings, to this end a number of interventions have been identified and we remain optimistic that these will bear fruit in the 2016/17 period. In addition to focusing on service delivery we have also enhanced our stakeholder engagement processes and it is envisaged that this will enable us to better respond to our customers. We have also reinvigorated our ethics programme with a zero tolerance towards all forms of fraud and corruption. This is being backed with a strict programme of consequence management.

At the Annual General Meeting held on the 15th March 2016 Dr Ramasia was replaced on the board with Mr Govender. I extend to Dr Ramasia our thanks for his contribution to the JRA during his tenure and welcome Mr Govender to the company. Dr Phillips has been appointed as an executive director in his capacity as Managing Director. Save for these changes, the Board remained unchanged. All appointments have been made in accordance with the Local Government: Municipal Systems Act and as a body the Board has the necessary skills, expertise and experience to enable it to fulfil its mandate.

I would like to extend my thanks to Mr Kau for his willingness to assume the role of acting Managing Director for most of the period under review as well as for his steady hand which kept the company on track during a difficult period.

I would like to acknowledge the unerring commitment and effort of the serving Board of Directors and Committee Members who went well beyond expectations during this period to ensure that the entity remained on track.. They gave so generously of their time and expertise and demonstrated their true commitment to the JRA and the citizens of Johannesburg.

Finally I would like to take this opportunity to welcome the new administration, the executive mayor, the MMC for Transport and the mayoral committee. We remain committed to serving the City of Johannesburg, all its citizens and road users.



---

Ms Jackie Manche

Chairman

30<sup>th</sup> November 2016

## 1.7 Managing Director Report

As I joined the JRA in May 2016 and thus was at the helm of the organisation for only part of the last quarter of the review period I must commence this report by acknowledging the leadership of Mr Mpho Kau who has been the acting managing director for most of 2015/16.

The JRA has operated under a number of challenges in this review period including labour disruptions, resource constraints and day to day operational issues such as procurement delays and challenges with contractors. That said, we were still able to improve our performance from 63.4% in 2014/15 to 72.12%. This is still not at the level that we are targeting and in this regard a number of improvement initiatives have been developed. These plans are in the implementation phase and cover the areas of Customer Relations Management, Supply Chain Management, Traffic Signals Management and routine road maintenance.

The JRA has maintained a position of financial stability but has regrettably not been able to also repeat the clean audit outcome of the previous two years. This year we have received an unqualified audit but with two matters of emphasis. While this is not the outcome we had anticipated the one matter relates to a restatement in the financials which does not impact the income statement. The other matter relates to monthly reporting on the performance on contractors, which was not done for every month.

Despite the regression from a clean audit to an unqualified audit with two matters of emphasis, this is not a sign that management is not continuing to focus on improving internal controls in the organisation. Management has made detailed commitments to the Auditor General regarding further improvements to internal controls to address all the findings in the 2015/16 audit.

The company has maintained its position of a positive cash balance which stands at R 309 941 million at the end of the year (R 425 737 million at the end of June 2015). The accumulated surplus at end of the year was R 195 499 million as compared to R 166 802 million at the end of June 2015.

The CAPEX spend was at 85.2% (2014/15 - 71%) which, although falling short of the 90% target was an improvement on the previous year. The total CAPEX expenditure incurred for the twelve months was R 1 141 365 million against an adjusted budget of R 1 340 547 million. We remain confident that our aim of awarding multiyear contracts will deliver an increased Capex spend year on year. In addition, a number

of previously identified shortcomings have been addressed, or are being addressed, through our intervention plans which were mentioned above. These included shortcomings which were identified in the Supply Chain Management (SCM) process as well as challenges associated with project planning and risk identification.

One of the on-going challenges which results in unnecessary delays, specifically in relation to infrastructure projects, is capacity of contractors, including lack of adequate financial resources, inability to fully comply with the SHE requirements and poor construction management capabilities. Stakeholder engagement at a community level in areas where projects are implemented also requires additional attention to ensure smooth implementation. We believe that these challenges will be partially addressed through the implementation of the new Infrastructure Procurement Standards as issued by Treasury as well as efforts to bolster our internal project management capabilities.

We are confident that we will improve on our Capex spend and I am happy to report that the three year CAPEX plan has enabled us as at the beginning of the 2016/17 period to have committed an estimated R927 412 980 million of the Capex budget.

Information pertaining to the status of delivery by each of the departments within the JRA is set out in detail in this Report (see Chapter three); however I would like to take this opportunity to highlight some of our successes.

Our Planning department has completed a number of storm water master plans as part of the flood mitigation strategy, including the preliminary design reports for Braamfontein, Bosmont, Klein Jukskei and Bez Valley catchment areas. The Road Asset Management (RAMS) GIS verification system has allowed us to update the City wide road asset register and to capture images and locations of 700 000 JRA assets. This has improved our ability to pick up defects in all the regions, enhanced proactive maintenance planning and reduced maintenance times, which had resulted in better road conditions and traffic management.

Traffic signals received focused attention. The aging traffic signal control equipment as well as most aging power cables were replaced. Copper earthing mats were installed at the signals most vulnerable to outages due to lightning strikes. To address the scourge of vandalism an infrastructure protection unit was launched. Remote monitoring systems have been installed at all traffic signals.

Some of the highlights of our Capital Projects are the M1/ M2 Soweto highway improvement project which saw the rehabilitation of three bridges and a portion of the M1 highway. This will be ongoing into the new financial year and includes the M1 double decker bridge as well as the Oxford and Federation bridges.

The roads resurfacing programme continued and supports the maintenance of a quality road network with 587 Lane Km of roads being resurfaced.

After delays with the completion of the Naledi Bridge in the previous financial year, due to the relocation of the 132KV cable, the project was completed and the bridge officially opened to provide safe access for communities previously separate by a railway line.

One cannot mention one's successes without also acknowledging the challenges. During the year we unfortunately had to dismiss the Head of Department for Corporate Services; however we remain committed to holding people accountable. The short term contract of the Head of Department for Regional Operations will come to an end early in 2016/17 and a recruitment process to fill the position is being undertaken. In selecting a Head of Department the focus will be on the implementation of the intervention plans for that area of the business as well as a turnaround in service delivery, specifically meeting the customer service charter which deals with, amongst other things, our response time to attend to pothole repairs, storm water management, manhole cover replacement, reinstatements, the repair of traffic signals and the provision of signage and road markings.

Another area which has presented challenges is the migration to the SAP system. This project was combined with the City wide project and as a result the JRA was required to adjust its implementation plan, and dates, to coordinate with the City. It is anticipated that implementation will take place in 2016/17. The delay in SAP implementation has resulted in the continuation of some accounting and operational challenges which we had anticipated would be addressed.

One of the areas which I have personally intervened in is the resolution of audit findings, both from our Internal Audit Unit as well as Auditor-General findings. In an effort to strive for an enhanced resolution rate this has been elevated to a level of executive responsibility. During the previous year external audit conducted by the Auditor General a total of 33 findings were raised of which 90%, against a target of 100%, have been found by Internal Audit to be satisfactorily resolved. We continue to drive ethical behaviour through the Management Ethics Forum and we have taken steps to enhance our fraud investigative capacity within the organisation.

The Annual General Meeting in March 2016 saw the replacement of one board member. Our Board and its Committees continue to function well and in line with their terms of reference, approved work plans and corporate calendar.

We experienced labour unrest with the South African Municipal Workers Union (SAMWU) affiliated JRA employees embarking on strike action. This related primarily to salary dissatisfaction which is being addressed centrally by the City of Johannesburg to ensure parity across the various entities.

My staff and I remain conscious of the need to improve the level of service delivery and would like to reassure the Shareholder, the citizens and road users of Johannesburg of our on-going commitment to the ensuring we meet expectations. I believe that the various intervention plans which we have developed will assist us in delivering the desired results. While we strive to meet our customer charter standards we will continue to hold all accountable and will be transparent in what we do and responsible for all our actions.

In closing I would like to thank both the outgoing and incoming MMCs for Transport. Councillor Christine Walters who has supported the JRA for a number of years and provided guidance and wise counsel, and Councillor Nonhlanhla Helen Makhuba who took up her role early in the new financial year and who has already demonstrated her willingness to engage with, and support, the JRA and management.

Thanks are also extended to the board members who have ably held the course during this past year giving generously of their time and expertise as well as to management and staff who make the JRA what it is.

In closing I would also like to acknowledge the support we receive from the office of the Auditor General and the various group functions within the City of Johannesburg.

As we face a year of change and opportunity I would like to acknowledge the on-going commitment of the Johannesburg rate payers in funding the JRA which enables us fulfil our mandate and our motto of "Mobility made Easy".



Dr Sean Phillips  
Managing Director  
30 November 2016

## 1.8 Chief Financial Officer's Report

I am pleased to report that the financial turnaround achieved in the previous financial year has been maintained with the JRA once again producing positive results.

The detailed financial performance report is contained in section 2.2.3 of this report and the abridged annual financial statements. Without repeating the information contained therein I would like to highlight some of the areas of our 2015/16 financial performance.

The company generated a net deficit of R2.7 million compared to a R182 million surplus in the previous financial year which was mainly attributable to the recovery of a large outstanding amount from the City of Johannesburg in 2014/15. It is also necessary to acknowledge that the nature of our business is service delivery and it is not envisaged that our stakeholders would necessarily be comforted by a large positive bank balance and surplus.

We have continued to achieve another year-on-year reduction in irregular expenditure which is the culmination of hard work on the part of both our contracts management and procurement departments. The irregular expenditure incurred relates primarily to the appointment of a service provider on an emergency basis whose tax matters were not in order at the time of the award and the matter has been referred for further investigation.

The table below analyses five key ratios for the last five years in line with the Financial Development Plan (FDP) of the City of Johannesburg.

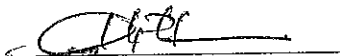
KEY RATIO	Target FDP	2016	2015	2014	2013	2012
<b>Current ratio</b>	1.0	1.3	1.2	1.0	0.7	0.5
<b>Solvency</b>	2.1	1.51	1.4	1.1	0.9	0.8
<b>Debt to Revenue</b>	45%	4%	3%	4%	12%	13%
<b>Interest to Expenditure</b>	7%	0%	0%	1%	1%	2%
<b>Remuneration to Expenditure</b>	30%	47%	49%	51%	56%	47%

The target for the current ratio was met in the current year and the solvency ratio target was not achieved in the current year. The trend is that the financial position has improved significantly from the previous two years and the company is solvent in the financial year ended 30 June 2016. The long term debt borrowings and the related interest costs are well within targets following the elimination of the overdraft which affected the cash flows negatively in the past two financial years.

The target on employee costs still remains elusive and is primarily as a result of the business model of the JRA which sees employee costs made up of operational departments who generally work on road repairs and maintenance programmes. The proper allocation of these employees costs (excluding employee costs for road maintenance) results in the ratio reducing to only 13% of total expenditure. The company is labour intensive and is made up of large internal teams for road maintenance.

KEY COMPONENTS	Target	2016	2015	2014	2013	2012
		R'000	R'000	R'000	R'000	R'000
Bank and cash/(Overdraft)		309 941	425 740	96 606	(50 845)	(151 294)
Solvency (Insolvency)		391 699	348 273	108 011	(46 136)	(152 201)
Net Surplus (Deficit)		(2 756)	181 841	120 434	59 761	(160 571)

The net deficit mainly results from an increase in costs associated with costs of road maintenance during the year and the significant budget cuts during the mid-year budget adjustment process.



Goodwill Mbatha CA(SA)

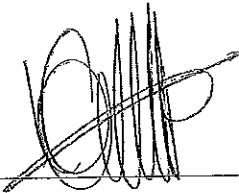
Chief Financial Officer

30 November 2016

## 1.9 Company Secretary's Certificate

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 and the Municipal Finance Management Act, Act 56 of 2003, I certify that, to the best of my knowledge and belief, the company has lodged for the year ended 30 June 2015, with the Companies and Intellectual Property Commission all such returns as are required and that all such returns are true, correct and up to date.



Karen Elizabeth Mills

Company Secretary

Johannesburg 30 November 2016

## Chapter 2

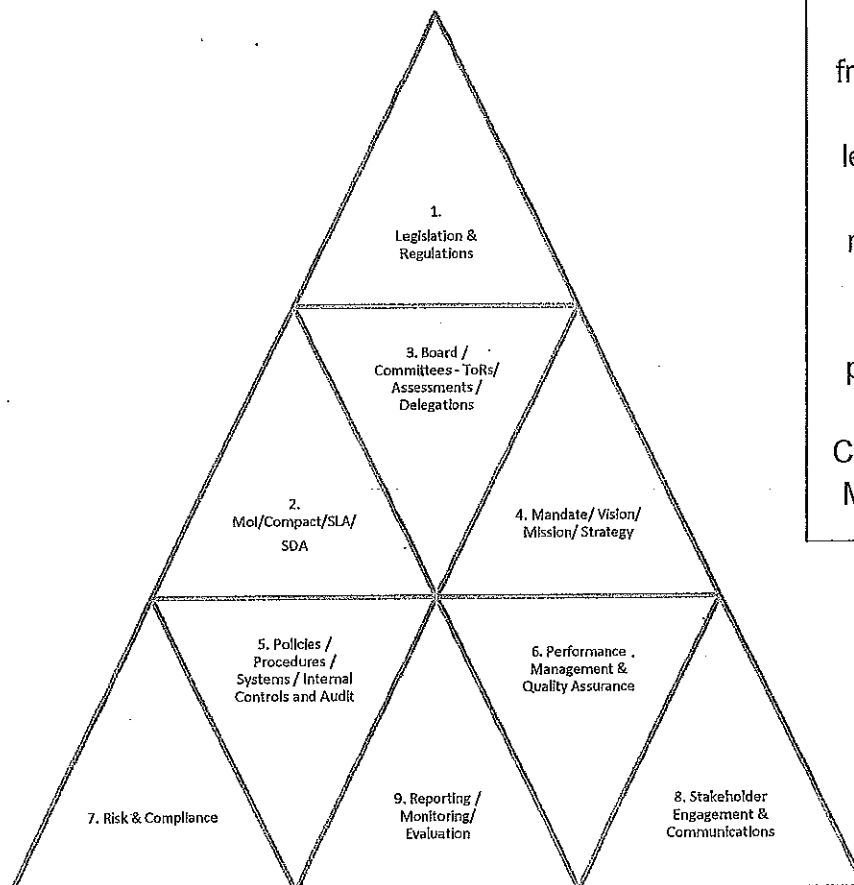
# GOVERNANCE

### 2.1 Corporate Governance Statement

The JRA is committed to the application of the principles of good governance throughout the business including the demonstration of responsibility, accountability and transparency in the effective management of the resources under our control.


Our governance structures meet the requirements of legislation and comply with best practice standards. Governance for the JRA includes a multi-faceted system of checks and balance incorporating our various governance structures, internal and external controls, risk, compliance as well as reporting and oversight as demonstrated in the diagram below.

#### Governance Framework



We have a governance framework which operates within the overarching legislative framework and extends from the relationship with the sole shareholder, as the representative of the people of Johannesburg, through our Board and Committees and Executive Management Committee.

1	<b>Legislation &amp; Regulations</b>	<p>The entity operates in a regulated environment which includes a number of Acts as well as regulations (e.g. Supply Chain Management Regs / Code of Conduct for Municipal Employees)</p> <p>The annual returns in terms of Companies Act No 71 of 2008 (Companies Act) were submitted in accordance with the legislation. We believe that we have fundamentally met the requirements of major applicable legislation (e.g. MFMA, MSA, Treasury regulations. Where applicable corrective actions with associated time lines for completion have been developed.</p>
2	<b>Board / Committees</b>	<p>Board, and Committees, operate within approved charters / terms of reference and annual assessment with training interventions including a one day IoD workshop having been held. There is an approved delegation of authority to Committees and Executive Management.</p> <p>The annual corporate calendar, including the Board and Committee work plans, is developed in line with the City of Johannesburg's calendar ensuring that matters are addressed adequately and timeously.</p>
3	<b>Mol/Compact/ SLA/ SDA</b>	<p>The JRA is directed by the CoJ Governance Framework, the Mol and the various agreements between the Shareholder and the entity</p> <p>We believe that it is incumbent on us to disclose that we have not as yet met the requirements of the Companies Act in so far as we continue to operate under our original Memorandum and Articles of Association. The Draft Memorandum of Incorporation was approved by the Shareholder at the AGM in February 2015 and has been lodged with CIPC; however, it has been rejected. The issues raised are being addressed at a shareholder level.</p>
4	<b>Mandate/ Vision/ Mission/ Strategy</b>	<p>We have a clear mandate, vision and mission and we have developed our JRA Strategy 2017 within the scope of the COJ GDS 2040 (Growth and Development Strategy of Joburg).</p>
5	<b>Policies / Procedures / Systems/ Internal Control / Audit</b>	<p>The Board has responsibility for the system of internal control which enables it, together with the combined assurances provided by management, auditors and Committees, to provide a reasonable assurance against material misstatement and loss and of the maintenance of proper accounting records and reliable financial information.</p> <p>The Board is also responsible for ensuring the adequate prevention and detection of fraud and irregularities and the safeguarding of the company assets.</p> <p>The company has an independent whistle blowing facility hotline which provides all stakeholders with a mechanism for the reporting of irregularities. The internal control system is evaluation by the Internal Audit department in accordance with the annually approved audit schedule.</p>
6	<b>Performance Management and Quality Assurance</b>	<p>There is an established performance management and quality assurance process which enables the company to monitor its performance against agreed deliverables and ensure the quality thereof. (Cross reference section 2.3)</p>
7	<b>Risk and Compliance</b>	<p>We have a risk management function within the JRA which is dealt with in detail in the body of this report.(Cross reference section 2.6)</p> <p>The company has appointed a compliance officer and has an approved Compliance Policy which has been reviewed in line with that of the CoJ. Compliance remains a core focus for the company and we strive ensure that we are able to meet compliance requirements in terms of major legislation as well as standards, codes and rules associated with our industry. A detailed monthly compliance report is considered by the executive management and submitted quarterly to the Remuneration HR and Social &amp; Ethics Committees, which in turn reports to the Board.</p>
8	<b>Stakeholder Engagement / Communications</b>	<p>This governance structure is complimented by a structured stakeholder engagement framework as well as a successful communications department. (Cross reference section 2.8)</p>

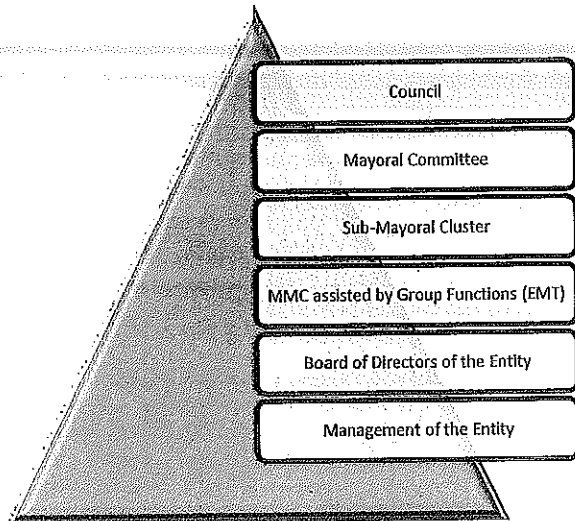
	<p><b>Reporting Monitoring and Evaluation</b></p>	<p>The Board is responsible for the preparation and presentation of the information contained in the financial statements and the integrated report as well as the quarterly reports which are submitted to the shareholder and made public. The Business Monitoring and Evaluation unit provides support with the development of company performance scorecard and reporting.</p> <p>Through its various committees the board exercises its monitoring and evaluation function and operational performance, financial position, compliance, risk, including implementation of corrective actions, and actions to correct audit findings are monitored on a quarterly basis. The board and committees also evaluate all decisions of the businesses in line with the various terms of reference and the charter.</p>
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### Leadership and Accountability

The board provides leadership based on sound ethical principles and all board and committee members fully subscribe to the Code of Ethical Conduct of the company.

The relationship between the JRA, its Board and the City is regulated in a number of documents. The main ones are summarised below and can be viewed on our website (LINK: [www.jra.org.za](http://www.jra.org.za)).

- Founding documents of the company / Memorandum of Incorporation (MOI) – the MOI has not been completed as some shortcomings have been raised by the Registrar of Companies which are being addressed by the shareholder.
- Governance Framework – regulates such relationship between the City and the Boards of MEs including issues such as the selection, appointment and remuneration of directors.
- Shareholder Compact – signed in May 2015 and is a contract between the City and the Board and enunciates the expectations and commitments between the parties.
- Service Delivery Agreement – signed 27<sup>th</sup> May 2015 in pursuance of Section 18(20) of the municipal Systems Act which contemplates an agreement between the City and the ME which sets out the framework within which the JRA is assigned the task of rendering services on behalf of the City.
- Service Level Agreement – signed September 2015 and sets out the details relating to the City's expectation in respect of service levels. This agreement is also a reflection of the Customer Service Charter which embodies the JRA's commitment to the City and the Citizens of Johannesburg.



The Council, as the representative of the shareholder, appoints the Board of the JRA to provide effective transparent, accountable corporate governance. The Board provides strategic direction, leadership and conducts oversight on the affairs of the municipal entity. The Board is accountable to the Council through the Quarterly meetings with the MMC as the representative of the shareholder. At the quarterly meetings the Chairperson of the Board presents the performance of the entity.

### King III

The governance structures of the JRA are committed to the principles of the King III Code and as part of our compliance process we track our compliance thereto. There remain a number of areas of non-compliance which cover the following main areas:

- Broadly there remains a lack of any assurance around the integrated report and there is no provision regarding the external assurance of the sustainability report.
- Given that the JRA is a municipal entity and thus activities are influenced by the socio-political agenda there are limited corporate citizenship policies within the JRA.
- JRA does not have a CIO, however this is a recommendation of the IT Maturity initiative and which is currently being addressed.
- There are some shortcomings around the formalization of stakeholder engagement and the relevant policies are not fully developed nor published.

In this regard you are referred to the detailed report which is contained on our website LINK:([www.jra.org.za](http://www.jra.org.za)) however in summary include areas primarily relating to corporate citizenship, succession planning and external assurances on sustainability.

### Corporate Citizenship

(Cross reference section 2.9)

### **2.2 Board of Directors**

The JRA has a unitary board with both executive and non-executive directors. The Board has overall responsibility for governance and operates in terms of a Board Charter which clearly defines its primary **functions** including the determination and

direction of strategy, review of performance against the business plan, determining and monitoring compliance with policies and procedures and the management of risk. The Board retains effective control of the company and the formal **delegation of authority** is in place. The Managing Director is the chief accounting officer in terms of the MFMA.

All directors are **appointed** by the Shareholder annually and the selection and vetting process is driven solely by the Shareholder in accordance with the City's Governance Framework (LINK: [www.jra.org.za](http://www.jra.org.za) -2). All the directors are non-executive, save for the ex officio Managing Director and the Chief Financial Officer, with the role of the Chairman and the Chief Executive Officer being separate. The executive directors have five year fixed term contracts with the company. It is the opinion of the Board that all the non-executive directors meet the definition of **independence**, in terms of the Companies Act, municipal legislation and King III.

A new managing director, Dr Phillips, and Mr Govender were appointed to the board in March 2016 and Dr Ramasia resigned as a non-executive director. A **board induction** was facilitated by the Company Secretary and the shareholder representatives, following the AGM and the appointment of new members. A directors' toolkit is issued annually to all directors. The balance of the directors and all the independent audit committee members were reappointed after the Annual General Meeting which was held in March 2016.

The governance structure allows that both Board and Committee members have **unrestricted access** to management as well as all records and information of the Company. The Board has approved a formal process to enable members of both the Board and its Committees to access, at company cost, **external advice**.

During the year an externally facilitated workshop was held with the board for purposes of highlighting best practice and addressing any also to identify and address any concerns raised at board level. This included facilitated introspection and robust discussion. An internal **assessment** was undertaken in respect of the all the Committees. The opinion of members was that the overall functioning of the Board and Committees is good. To facilitate on-going development and training membership of the Institute of Directors is offered to all directors and independent audit committee members as well as executives.

In accordance with the legislative requirements the members are all signatories to the company's **Code of Ethical Conduct** and make a full **disclosure** in the form of an annual declaration of interests which is updated as and when any changes in information dictate. Non -executive directors receive no benefit other than director's fees. Where a conflict does arise directors are required to excuse themselves from the meeting at which such matters are addressed. In terms of the MFMA and Supply Chain Regulation 44 Board and Committee members will potentially be in breach of the legislation should they undertake work for other municipalities. This matter was previously addressed by way of an exemption granted by the previous Minister of Finance, which exemption has expired. This matter has been addressed with the City's Group Governance department which has engaged with the Treasury Department.

The Board Charter has set out the requisite skills set and responsibilities of the Board and Committees, as a collective. The Board is satisfied that it has the necessary **skills and expertise** to effectively discharge its mandate.

Directors and Officers Liability insurance cover is in place, through the City, in respect of potential liability attaching to the execution of duties as directors or officers of the company. All cover is in accordance with that available in terms of current legislation.

The summarised information relating to each Board and Committee member is as follows:

<p><b>1. Jackie Manche (Chairman)</b>  Qualifications : BA (Hons), Wits and UCT  : Special programme in urban and regional studies in developing countries and Master of City Planning (Massachusetts Institute of Technology)  : Executive development programme – University of Pennsylvania  First Appointment: 2015 February  Position: Independent Non-Executive Chairperson and member of Remunerations &amp; HR Committee (Incorporating Social and Ethics)</p> <p>Ms Manche joins the JRA as from February 2015 as the Chairperson of the Board. Her experience includes a wide number of positions within the government sector, including as a consultant, as CEO of ICASA and as a research analysis for a number of financial institutions in respect of public sector projects. She possesses skills in governance, fiscal management and budgeting, systems and capacity building specifically within the public sector.</p>
<p><b>2. Harry Mashele</b>  Qualifications: MBA in Marketing and Industrial-Engineering, B. Sc in Physics and Applied Mathematics, Senior Secondary Teachers Certificate (SSTC)  First Appointment: 2013 March  Position: Independent Non-Executive member, Chairman of the Audit &amp; Finance Committee, and member of the Risk &amp; IT Committee</p> <p>Mr Mashele joined the JRA in March 2013. He was appointed as the Chairman of the Audit Committee as of the 2013 and was reappointed for the 2014/2015 Financial Year. He served as a member of the Service Delivery Committee in 2013/2014 financial year. His skills include Transport and Logistics specialist, Corporate Affairs and Strategy Development. He is experienced in being a non-executive member of the board for various companies, i.e. Protec, B2B Africa and Metro Trading Company (MTC).</p>
<p><b>3. Lethabo Mashamaite</b>  Qualifications: MBA in Business Administration, Bachelor of Technology-Marketing, National Diploma Marketing  First Appointment: 2012 March  Position: Independent Non-Executive member, Chairman of the Remunerations &amp; HR Committee (Incorporating Social and Ethics), and member of the Audit Committee.</p> <p>Lethabo Mashamaite is a business professional with over 20 years' experience gained in both the private and public sector. She holds an MBA degree from the University of Pretoria. Her skills include strategy development and execution, turnaround strategies, business process reengineering, marketing and communications, media, new product launches, event management, business management, training, and policy development. Lethabo has management experience and high strategic level experience, having served on boards.</p>
<p><b>4. Erick Ngomane</b>  Qualifications: B. Sc. Eng (Civil), GDE (Project Management)</p>

First Appointment: 2012 March

Position: Independent Non-Executive member, Chairman of the Service Delivery Committee.

Mr Ngomane joined the JRA on March 2012. He was appointed a chairman of the Service Delivery Committee and was reappointed for the position for the 2014/2015 financial year. He further possess skills in Public Transport Planning and Studies, Traffic impact studies, Traffic calming and safety studies, Road signs planning and design. He is a member of the South African Institution of Civil Engineers – SAICE.

He has been involved in the intensive data collection projects for the preparation on Integrated Transport Plans (ITP).

**5. Albert Torres**

Qualifications: B. Com (Hons), Certificate in Theory of Accounting

First Appointment: 2014 February

Position: Independent Non-Executive member, Chairman of the Risk & IT Committee and member of the Audit & Finance Committee.

Mr Torres joined JRA in February 2014. He is a member of the Audit & Finance Committee and the Chairman of the Risk & IT Committee. He is an Accountant by profession.

He has many years' experience in financial management, auditing, forensic accounting, due diligence investigations and consulting experience. He holds professional memberships and accreditations with the South African Institute of Professional Accountants (SAIPA), Association of Certified Fraud Examiners (International Body) (ACFE) and Institute of Commercial Forensic Practitioners (ICFP).

**6. Nompumelelo Msezane**

Qualifications: BSc (Ed), BSC (Hons), MSc (Environmental Management), MDP

First Appointment: 2012 March

Position: Independent Non-Executive member, and member of the Service Delivery Committee

Ms Msezane joined the JRA in March 2012. She is a member of the Audit & Finance Committee and the member of the Service Delivery Committee. Her skills include Environmental Management, Water quality management, Water resource management and public participation.

**7. Linda Nxumalo**

Qualifications: MBA in Global Business and Business Strategy, Executive Development program BABM (Hons), International Business Management BABM (Hons), International Business Management Executive Development program

First Appointment: 2013 March

Position: Independent Non-Executive member, and member of the Service Delivery Committee and Remunerations & HR Committee (Incorporating Social and Ethics)

Ms Nxumalo joined JRA in March 2013. She is a member of the Remunerations Committee and the Service Delivery Committee. She has the skills in leadership, business transformation, and change management strategy. A strong assertive go-getter woman who has been a non-executive director in a number of companies. Past and Present Board positions include: Metropolitan Trading Company (MTC); Meropa; Domba Investments – partners and Cofounders with Sun International of the Meropa Entertainment World; Ikageng Itireleng (past Board Chairperson) as well as Tshisimane Women Investment

Company.
<p><b>8. James Maina</b>  Qualifications: BEng (Hons) (civil), MEng (civil), PhD (civil)  First Appointment: March 2012.  Position: Independent Non-Executive member and member of the Service Delivery Committee.</p> <p>Prof. Maina joined the JRA on March 2012. He was overseas during 2013/14 and was reappointed to the Board in October 2014. He is a university Professor with skills in road construction materials, road pavement analysis, design, evaluation and construction practices as well as Auditing for Quality Assurance and Quality Control in road construction projects.</p>
<p><b>1. Poobalan Govender</b>  Qualifications: B.ED, H.ED and B.Sc.  First Appointment: March 2016  Position: Independent Non-Executive member,</p> <p>Mr. Govender was appointed to the Board of the JRA at the AGM on the 15<sup>th</sup> March 2016. He has held a number of positions in education including Acting Principal, Deputy Principal and Head of Science. He has served both Shell &amp; BP and Shell Chemicals as a Research and Development Chemist. Mr. Govender was involved with process optimization studies on the production of Epoxy and Polyamide resins. He was, in the early 80's, invited to be a part of the team at the Shell Research facility in Amsterdam to investigate and establish process controls for a low energy manufacture of epoxy resins. He has a wide experience in Quality Control and Laboratory Management. Mr. Govender currently serves on the Risk &amp; IT and the Service Delivery Committees.</p>
<p>Please cross reference to Executive Management Table for information pertaining to Executive Directors – Managing Director and Chief Financial Officer</p>

Attendance at meetings, both Board and Committees, as well as fees paid is set out in detail in Annexure A

Remuneration of both executive and non-executive directors and independent audit committee members is dealt with comprehensively in the Remuneration Report.

### 2.3 Board Committees and Executive Management

Cross Reference to Annexure A for attendance

The purpose of the Board Committees is to assist the Board with the discharge of certain responsibilities.

All the Committees have defined mandates and operate under approved Terms of Reference, which have been reviewed and updated during the current year. The chairs of all the Committees are Board members and report to the Board quarterly. Members have unlimited access to all information, and staff members, as they deem necessary to enable them to fully discharge their duties.

All the Committees have complied with, and discharged, their duties in accordance with the approved Terms of Reference and legislation.

The Committees are as follows:

Body	Composition	Mandate
Audit and Finance Committee	<p>The Committee is comprised of three board and three independent Audit Committee members.</p> <p>The inclusion of three non-board members is not in line with the Companies Act, however, the MFMA takes precedence and these appointments are in accordance with the MFMA and its directives. All members meet the qualification requirements of King III being, academic qualifications, or experience, in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management.</p> <p>Following the Annual General Meeting at which the Shareholder appoints the Audit Committee members, all members were reappointed. Mr Mashele remains as the chairman of the Committee.</p>	<p>The Committee has complied with Section 94 (7) of the Companies Act and Section 166 of the MFMA. The Committee has a specific mandate which is set out in detail in the Terms of Reference (available on the JRA website) and which is summarised as follows, with references to the MFMA:</p> <ul style="list-style-type: none"> <li>• Responsibilities relating to Internal Control [s 166 (2) (a) (i)]</li> <li>• Responsibilities relating to Internal Audit Services [s166 (2) (a) (i)]</li> <li>• Responsibilities relating to Accounting and Financial Reporting [s 166(2) (a) (iii) &amp; (iv)]</li> <li>• Responsibilities relating to Performance Management &amp; Performance Evaluation [s 166 (2) (a) (v)] and [s 166 (2) (a) (viii) respectively]</li> <li>• Responsibilities relating to Corporate Governance [s166 (2) (a) (vi)]</li> <li>• Responsibilities relating to Corporate Governance</li> <li>• Responsibilities relating to the External Audit Function performed by the Auditor-General [s 166 (2) (c)]</li> <li>• Responsibilities relating to Ethics and Forensic Investigations [s 166 (2) (a) (ix) &amp; s166 (2) (d)]</li> </ul>
		<ul style="list-style-type: none"> <li>• Responsibilities relating to Reporting [s 166 (2) (a), (b), (c), s121 (3) (j) and s121 (4) (g)]</li> </ul> <p>The Committee is also mandated to:</p> <ul style="list-style-type: none"> <li>• Make submissions to the board on any matter concerning the company's accounting policies, financial control, records and reporting;</li> <li>• Performed such other oversight functions as determined by the Board.</li> </ul>
Risk and IT Committee	<p>The Committee is comprised of three non-executive Board members with the Managing Director and the Chief Financial Officer also serving on this Committee.</p> <p>Following the Annual General Meeting Mr Torres was again confirmed as chairman with Mr Mashele, Ms Msezane, Prof Maina, and Mr Govender appointed as members.</p> <p>The Head of Department (Performance, Governance, IT – includes Risk Management), Manager: Risk and the Manager: IT are invitees to the meetings.</p>	<p>The Committee's mandate encompasses the oversight of Risk as well as Information Technology.</p> <p>It must be noted that risk oversight is the responsibility of the Audit Committee in terms of the MFMA and thus the Committee reports through to both the Board and the Audit Committee in accordance with its terms of reference and includes the submission of the minutes of the Committee to the Board. The chairmen of the Audit and Finance and Risk and IT Committees serve on both Committees, and on the Board.</p>

<p style="text-align: center;"><b>Service Delivery Committee</b></p>	<p>The Committee is comprised of four non-executive Board members with the Managing Director also serving on this Committee.</p> <p>The respective operational Heads of Department are invitees to the meetings.</p> <p>Following the Annual General Mr Ngomane was confirmed as chairman of the Committee together with Ms Msezane, Ms Nxumalo, Mr Govender and Prof Maina, all of whom are independent non-executive directors.</p>	<p>This Committee oversees the main function of the JRA and is of critical importance in overseeing service delivery and the performance against the Customer Charter Standards.</p> <p>The Committee is thus mandated to exercise oversee in respect of Regional Operations (roads and storm water maintenance), Mobility and Freight (traffic signals, road markings and freight management), Infrastructure Development (Capex projects) and Planning.</p>
<p style="text-align: center;"><b>Human Resources, Remuneration and Social &amp; Ethics Committee</b></p>	<p>The Committee consists of four independent non-executive directors and the Managing Director is also a Committee member but only has a vote in respect of the social and ethics mandate of the Committee. He excuses himself from any decisions regarding remuneration and thus the Committee composition meets the practice guidelines of King III.</p> <p>The Head of Department: Corporate Services is a standing invitee to the meeting.</p> <p>Following the Annual General Meeting, Ms Mashamaite was confirmed as chairman of the Committee together with Ms Nxumalo, Ms Manche and Mr Ngomane who are all independent non-executive Board members.</p>	<p>This Committee has a dual function in so far as, in addition to overseeing remuneration and human resource issues, it fulfils the legislated social and ethics mandate.</p> <p>In terms of the Companies Act (Social and Ethics Committee) the Committee oversees sustainability and a detailed Social and Ethical Committee Report is prepared and submitted to the Committee quarterly.</p>

### Executive Management Team (EMT)

The EMT is comprised of the Heads of Departments and the CFO as set out below. EMT operates with approved Terms of Reference and takes responsibility for the overall management of the Company.

Dr Phillips was appointed as the managing Director in May 2016 following the resigned of Mr Macozoma in the previous year. During the greater part of the review period, Mr Kau occupied an acting managing director position.

In April 2016 Mr Matsuma, HoD: Corporate Services was suspended and finally dismissed in June 2016 following a disciplinary process which took the form of a pre-dismissal arbitration process. Mr Motsherane, the Ops Manager Human Capital Management has been the acting head of department and will continue in the acting position pending the finalisation of the recruitment process to replace Mr Matsuma.

The current EMT is made up as follows:

**Sean Phillips (51yrs)**

Qualifications : Master of Management (MM) (Cum Laude); Doctorate (PhD); Master of Science (MSc); Bachelor of Engineering (BEng Hons).

Position: **Managing Director**

Dr Phillips joined the JRA in May 2016. His previous appointments include Chief Executive Officer, Municipal Infrastructure Support Agent; Director General, Department of Performance Monitoring and Evaluation, The Presidency; Managing Director of Global Sustainable Development (GSD); Programme Manager: Competitive Supplier Development Programme, Department of Public Enterprises; Chief Operations Officer, National Department of Public Works; Head of Department, Public Works, Limpopo (at the time, the Department of Public Works in Limpopo was responsible for the provincial road network in addition to government buildings); Chief Director: Roads and Bridges, Department of Public Works, Limpopo (including Chairperson of the Board of the Northern Province Road Agency; Director: Public Works Programmes, Department of Transport and Public Works, Gauteng; Researcher, Department of Civil and Environmental Engineering, University of the Witwatersrand; Engineer, James Crosswell and Associates Consulting Engineers.

**Mpho Kau (45yrs)**

Qualifications : B. Tech Degree in Civil Engineering

Position: **Head of Department: Infrastructure development**

Mr Kau joined the JRA in 2009 and is the head of the infrastructure development department which deals with the Capital Expenditure Projects. As HoD: ID Mr Kau is responsible for the Capex budget. His previous appointments include Director of Technical Services at Ukhahlamba District Municipality and Office Manager and Senior Technician at BKS (now AECOM). He is a Member of the Institute of Municipal Engineers of South Africa (IMESA). He has previously worked in the consulting and construction sectors.

**Goodwill Mbatha (40yrs)**

Qualifications : CA(SA)

Position: **Chief Financial Officer/ Finance Director**

Mr G Mbatha joined the JRA in 2012 as CFO, and in this capacity has overall responsibility for the JRA finances. His previous appointments include Senior Manager at Deloitte and Senior Manager at the Auditor General. He is a Member of the South African Institute of Chartered Accountants. He has previously worked in the financial and auditing sectors.

**Thulani Makhubela (44yrs)**

Qualifications : Bachelor of Laws (B.luris), Bachelor of Laws (LLB), Certificate in Advanced Labour Law and Certificate in Executive Development Programme.

Position: **Head of Department: Planning**

Advocate Thulani Makhubela has been with the JRA since 2004 and moved to the position as head of planning in 2007. As HoD: Planning he is responsible for the development of business strategies, policies, procedures and performance standards of the JRA, as well as monitoring and reporting on

the overall performance of the company. The Planning department is also responsible for development control, design and general co-ordination of infrastructure development. His expertise and previous appointments include working as a Labour Law Consultant for the Counsel for Workers Rights, Legal Advisor for the University of South Africa and practicing as an Advocate. He has worked in several other entities holding various executive positions. He holds various Non-Exec Directorship including, Board: Black Bond (PTY) Ltd (Chairman) and Mathew Goniwe School of Business Leadership (NED).

**Darryll Howard Thomas (61yrs)**

Qualifications: MSc. Engineering (Transportation Engineering) / BSc. Civil Engineering / Datametrics Diploma / Pr. Eng

Position: **Head of Department: Mobility & Freight**

Mr Thomas joined the JRA in April 2013 as HOD: Mobility & Freight Department, and in this capacity has overall responsibility for the Johannesburg Traffic Management / Traffic Control (including traffic signals) / Intelligent Transport Systems (ITS): Traffic Engineering (including geometric / traffic signal design and traffic safety design); Freight Movement Support and Infrastructure Protection (mitigating the effects of vandalism)

He has previously only worked in the Transportation Engineering Sector including eThekweni Transport Authority (Durban); Johannesburg Roads Agency; and Private Sector as ITS and Transportation Consultant

He is a Member of the ITS SA, having served on the Board from 2001 to 2012, including 2 years as President

**Fikile Ramatseba (43 yrs)**

Qualifications: B.Comm. (Accounting Finance, Business Administration), MBL (Business and Corporate Strategy, Advanced Financial Accounting, Investment Analysis and Portfolio Management), Senior Management Development Programme, Certificate in Insurance and Risk Management, Development and Management in Local Government U – UKZN, Unisa, Stellenbosch, Wits

Position: **Head of Department: Performance, Governance, Information Technology**

Mrs Ramatseba joined the JRA in February 2015 in the capacity of Head of Department: Performance Governance and IT. She is responsible for Business Performance Management and Quality Assurance; Risk Management; Legal, and Information Technology (IT). She is also responsible for seamless integration of JRA departments and until recently the coordination of the MD's Office including Internal Audit, Company Secretariat and Stakeholder Management and Inter-Governmental Relations.

She has approximately 20 years' experience in the public (SARS, Transnet) and private sector (Unilever, Tetra Pak, Sanlam, Mutual & Federal), in the areas of accounting, corporate governance, strategy, operations, public-private-partnership, supply chain management, outsourcing, IT, programme/project and people management. She is a member of the Institute of Directors and Institute of Risk Management. She has and continues to serve in a board and board committees of listed and public entities.

**Sedimo Sindane (42yrs)**

Qualifications: BTech Civil Eng/Transportation Planning; and National Diploma in Civil Engineering

**Position: Head of Department: Regional Operations**

Ms Sindane joined the JRA in March 2015 on a short term contract ending September 2015 as the Head of Regional Operations. In her capacity she has overall responsibility to provide strategic direction to the Department and oversight role for all the 7 regions of the City.

She was a Site Engineer in North West Department of Public Works responsible for construction of rural roads. From there she joined the private sector as a Transportation Engineer focusing on transport studies for public and private sector developments. She further enriched her Transportation skills when she worked for City of Johannesburg Transport Department. She received a balance of transport planning and operations when she joined the FIFA Local Organising Committee as a Transport Manager for all World Cup host Cities. She got introduced to planning for Economic Infrastructure when she joined BlueIQ Pty Ltd. Her responsibilities at BlueIQ included conducting and facilitating feasibility studies, implementation of programs and projects, development of key economic infrastructure master plans and reporting to relevant structures within the agency and government.

**Permanent Invitee: Ms Boaratwa Leshope (33yrs)**

Qualifications : BTech Internal Auditing and Certified Fraud Examiner

**Position: Chief Audit Executive (Ops Manager Internal Audit)**

Ms Leshope joined the JRA in August 2009 as an Audit Manager and was promoted to the position of the Operations Manager Internal Audit in December 2012. In this capacity she has overall responsibility for the management of the Internal Audit Function which includes fraud investigations and awareness. Her previous appointments include working as an Assistant Director and Senior Internal Auditor at the National Department of Public Works, Port Elizabeth Region. She is a Member of the Institute of Internal Auditors and Association of Certified Fraud Examiners). She has 9 years auditing experience with 7 years of experience in fraud examination.

## **2.4 Remuneration Report**

The JRA falls within a number of broad remuneration philosophies by virtue of its positioning as one of a number of wholly owned entity of the City of Johannesburg. As such remuneration is influenced by a City wide approach and by collective agreements at a municipal level.

Within these limitations the JRA still aims to be an attractive employer able to attract and retain skilled employees. To this end the JRA aims to offer market related remuneration packages while also maintaining internal equity and a system of linking remuneration to job grades.

The Board approves all increases however these are recommended by the Shareholder and are aligned with the collective agreements or the City wide approved increases.

### Non-Executive Remuneration

The remuneration of the Board of Directors and Committee members is determined in accordance with the City policy which applies to all entities. The policy sets the remuneration parameters and scales and was last reviewed in April 2015 and remains unchanged from 2014/15. The approved remuneration is as follows:

Payment Type	Position	2014/15 (R)	2015/16 (R)
<b>Per Board Meeting</b>	Chairperson	11 408	11 408
	Member	5 704	5 704
<b>Per Committee Meeting (other than Audit Committee)</b>	Chairperson	6 845	6 845
	Member	4 566	4 566
<b>Per Audit Committee Meeting</b>	Chairman	11 408	11 408
	Member	5 704	5 704
<b>Retainer (Annually)</b>	Board Chairman	45 626	45 626
	Board and Independent audit Committee members	22 816	22 816

Payment is made up of a once off retainer that is paid at the end of the financial period, subject to members meeting the criteria set out in the policy; as well as a payment per meeting, subject to attendance. The policy stipulates conditions, over and above meeting attendance, which must be met to ensure payment. There are strict provisions relating to the reimbursement of travel and other disbursements. The full policy is available on the website. ([WWW. LINK City Governance Framework](#))

The City has several agreements with the Board which regulate performance, as set out in Section 1.2 of the Integrated Report. The tangible deliverables are contained in the company Scorecard with the JRA reporting against these performance deliverables quarterly. The performance against the targets is audited annually.

During the review period the Committees and Board found it necessary to have a number of special meetings occasioned by the fact that the Company experienced some disruption due to the resignation of the Managing Director in May 2015. The process to fill the vacancy was conducted in accordance with the regulations to the Municipal Systems Act and thus also required the convening of special meetings to approve the various stages in the process. These additional meetings have impacted on the fees paid for the review period.

The table below reflects the fees paid to the Non-Executive Directors during the 2015/16 FY

Name - Non- Executive Director / Independent Audit Committee member	Fees Paid (inclusive annual retainer – rounded to closest R 1000)		
	Payment 2013/14	Payment 2014/15	Payment 2015/16

	R	R	R
KC Shubane (Chairman) (Resigned Feb 2015)	127 000	105 000	N/A
L Mashamaite (Remco chair)	120 000	257 000	249 855
H Mashele (Audit Chair)	118 000	216 000	191 663
E Ngomane (Service Delivery Chair)	65 500	98 000	124 354
L Nxumalo	90 000	113 000	152 898
SM Maimane (Resigned Feb 2015)	52 500	18 000	N/A
M Msezane	52 500	96 000	122 088
A Torres (Risk Chair)	20 000	155 000	155 160
J Maina	N/A	29 000	76 442
MA Ramasia (Appointed Feb 2015 / Resigned 15 March 2016)	N/A	22 000	39 928
J Manche (Chairman) (Appointed Feb 2015)	N/A	65 000	172 262
P Govender (Appointed 15 March 2016)	N/A	N/A	11 408
J Maboja (Indep. Audit Com. Member)	50 000	66 000	61 606
R Theunissen (Indep. Audit Com. Member)	60 000	66 000	62 744
B Nyakale (Indep. Audit Com. Member)	5 000	26 000	38 790
	<b>760 000</b>	<b>1 331 000</b>	<b>1 459 198</b>

### Managerial and Executive Level

Employee remuneration includes executive directors (Level 1 MD & Level 2 CFO), management (Levels 3, 4 and 5) and employees (Below Level 5) who fall within the bargaining unit.

Remuneration is determined in accordance with the JRA Remuneration Policy as well as the pay scales set out by the City on an annual basis. During the last quarter of the 2014/15 period the new Remuneration and Reward Policy was developed together with a revised Performance Management Policy. The development of these new policies followed an extensive review of the job descriptions, as well as a skills audit and benchmarking exercise. The Performance Management Policy was approved in June 2015 with the Remuneration Policies for both permanent employees and senior management finally approved on the 29<sup>th</sup> March 2016.

All managers (assistant managers up to the Managing Director –level 5 and above) enjoy a Cost to Company (CTC) reward structure as well as a performance bonus.

The CTC package structure comprises a fixed guaranteed package, including retirement contributions, as well as the variable structuring applicable to elective benefits. This structuring allows for a degree of flexibility to take into account employees' personal requirements. The elective structuring options extend to the choice of medical aid cover and the level of retirement fund contributions in excess of the prescribed minimum.

The performance management process includes the completion of performance management agreements with the company, which include score cards that are informed by the company score card. Management is measured against their score cards and may qualify for performance bonuses of up to a maximum of 14% (as determined by the City for 2014/15) of the total annual remuneration. Bonus

payments are impacted by the overall performance of the company as well as the confirmation of the performance figure as an outcome of the external audit. During the review period the performance management process was not fully implemented due to a number of challenges with the provisions of the policy which were challenged. As a result the decision not to pay bonuses for the 2014/15 period was reconsidered and a retrospective payment made in the 2015/16 period. The payment of the bonus for the 2015/16 period is subject to the same challenges and will thus be addressed in a similar manner to that of the 2014/15 period. The policy is being thoroughly reviewed and it is anticipated that a fully functioning performance management system will be in operation in respect of the 2016/17 review period and will be directly linked to measurable individual performance against key deliverables. The details of the company score card can be viewed on WWW.LINK.co.za.

During the 2015/16 period the Managing Director received a 5.3% increase. Levels 2 to 9 received a 7% increase. All increases were effective from 1 July 2015.

The policies applicable to executive employment are consistent with those applicable to all staff. All executives have five year fixed term contracts. No ex gratia payments have been made to any executive or staff member. Remuneration received by the Managing Director and Head of Departments for the 2015/16 FY is set out below. It should be noted that Mr Macozoma resigned with effect from June 2015.

Position	Gross Salary	YTD Gross Salary	Months Worked
	(R)	(R)	
MD	192 600	390 550	2
CFO	126 689	1 545 734	12
HOD: Corporate Services	108 448	1 324 836	12
HOD: Mobility & Freight	110 028	1 344 000	12
HOD: Planning	106 935	1 306 193	12
HOD: Regional Operations	110 696	1 343 424	12
HOD : Infrastructure Development	113 562	1 362 746	12
HOD: Performance Governance IT	115 916	1 356 651	12

#### Bargaining Unit

A separate remuneration structure is applicable to bargaining unit employees. These employees' salaries are structured according to the outcome of negotiations with Organised Labour consisting of the South African Local Government Association (SALGA) and the two municipal unions being Imatu and Samwu. A wage agreement with Labour came to an end in the 2014/15 period and a new agreement (WWW. LINK.co.za) was agreed covering a three year period. This agreement has been implemented and provided for a 7% increase with effect from the 1<sup>st</sup> July 2015 and thereafter is linked to the Consumer Price Index. The uncertainty around the

participation of the JRA in the centralised bargaining unit continues despite an agreement being signed to include all the City of Johannesburg Municipal Entities into the bargaining unit. The challenge remains at a Labour level and the matter is being addressed at a City level. In the interim the wage agreement is accepted by the JRA. In terms of the current agreement with Labour, employees below Level 5 do not participate in the performance bonus scheme but do qualify for a 13<sup>th</sup> cheque.

#### Retention and Incentives

As previously reported, as the JRA is a public entity there is no scope for the establishment of any share incentive / profit share scheme. The JRA Talent Acquisition and Retention Policy does not have a provision which uses financial incentives to encourage retention however regular salary benchmarking is undertaken to ensure that salaries remain competitive. The City wide parity exercise will include a benchmarking exercise of salaries against both City Municipal Entities as well as private companies having similar sized work forces. The outcome of this exercise for levels 7, 8 and 9 was completed in July 2016 and resulted in salary adjustments to bring all employees into the same salary bands. The exercise in respect of the remainder of the employment levels will be completed in the 2016/17 FY.

#### Retirement

Staff have a variety of retirement funding options available with the company making a contribution in respect of all employees in line with an agreement between the City and Labour and applicable to all Municipal Entities including the JRA.

### **2.5 Company Secretarial Function**

Ms Karen Mills is the appointed company secretary and she meets with the requirements of the legislation and King III. Members have unlimited access to the company secretary who is responsible for the maintaining of the information systems and processes that enable the Board to fulfil its role. The Company Secretary is also responsible to the Board for ensuring that Board procedures are complied with and advising the Board on governance matters. All Directors have access to the Company Secretary for advice and services. Independent advisory services are retained by the Company Secretary at the request of the Board and in accordance with the approved processes.

Ms Mills holds B.Proc and LLB degrees and the Board has satisfied itself that she is qualified to perform her duties in accordance with the applicable legislation and is a fit and proper person for the post.

### **2.6 Risk Management and Internal Controls**

The company has developed risk management architecture and practises as set out in the risk management policy and framework, including risk appetite and tolerance levels, which are yet to be agreed by the board in 2016/17. The Risk and IT Committee and the Board, retain overall responsibility for the management of risk. The risk methodology incorporates on-going risk identification and assessment,

application of internal control mechanisms and mitigation actions, the adequacy and effectiveness of which is monitored and measured by the Internal Audit unit.

The various control mechanisms are outlined in the company approved policies and procedures which are supported by a system of processes and Standing Operating Procedures (SOPs). These controls include, amongst others, the delegation and segregation of duties, agreed levels of authorisation, supervisor, monitoring and reporting. The Internal Audit unit assess and monitor the application and effectiveness of the controls with reports on the findings of such assessments presented to management and the Audit and Finance Committee, and Board. Recommendations to address any shortcomings are made and remedial actions agreed with management. The implementation of agreed management actions are tracked and reported on in terms of the Agreed Management Actions Policy. Where shortcomings were identified follow-up audits are conducted or if appropriate proof of implementation requested, to ensure that the recommended corrective action has been taken. This process feeds into the combined assurance model which assists management, generally as the first line of defence to provide assurances to the board and shareholder. The system has inherent limitations and thus even an effective internal control system only provides reasonable assurance with respect to the overall correctness of information presented. The risk registers informs the annual audit plan which can be adapted during the year to address a changing risk profile.

Financial risk is addressed in the CFO's report (section 1.8) save to say that the JRA maintains a system of financial controls for the purpose of ensuring effective financial management and to protect against material loss and unauthorised acquisition, use or disposal of assets. Transactions must also be properly authorised and recorded. Underpinning financial controls is the entrenchment of a strong ethical climate as more fully set out in the company Code of Ethical Conduct. Controls include the recruitment and selection process and the screening and checking of prospective employees, the required annual declaration of interests and on-going training and development of staff.

Following the assessment of our risk management processes in the previous year we have continued with our improvement programme and enhancements to the system and methodology which have delivered a more effective risk management outcome. Despite these steps the Risk Maturity Assessment conducted in 2015/16 delivered not only a poor response rate from management but also highlighted the need for further interventions. The assessment results have been noted with a follow up assessment and risk awareness and training campaign to be undertaken in 2016/17.

We consider risks across the business which include, but are not limited to, strategic, operational, key projects, fraud and ethics risk. The transfer of risk takes place within the insurance strategy which falls under the City of Johannesburg. In addition to the register of strategic and operational risks, a register of emerging risks and risk/loss events has also been developed to identify potential risks. In line with this activity major projects are assessed for emerging risks as well as the tracking of potential risks against a loss event register. This will enable the company to limit the number of unexpected and unusual risks.

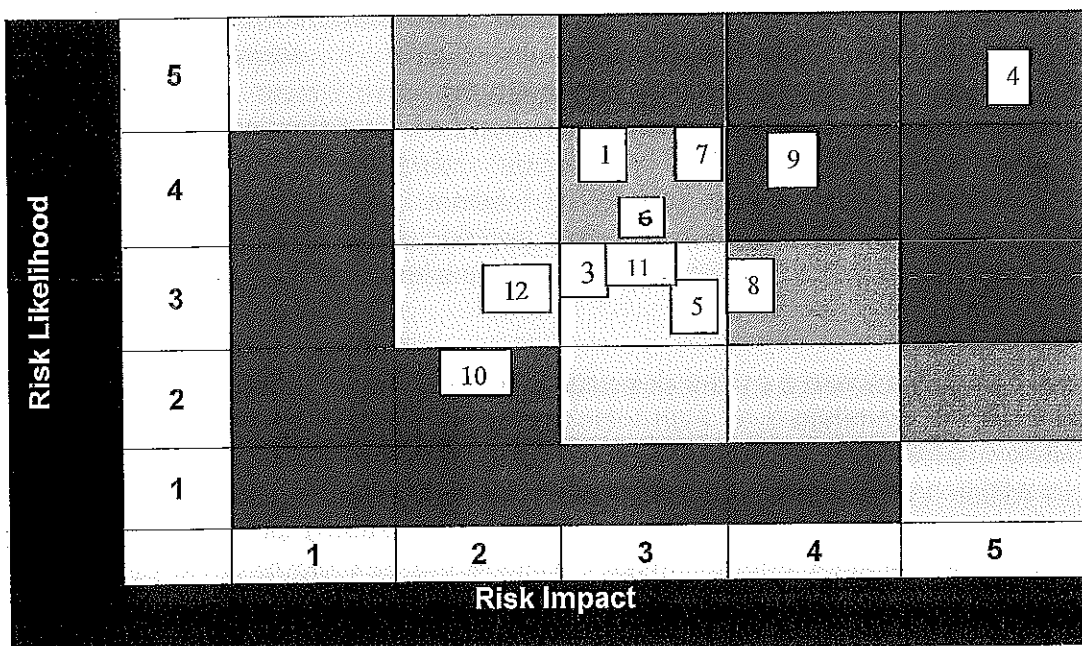
The strategic risk register is revisited annually by way of a workshop with the participation of Board members, the Group Risk department (City of Johannesburg) and a wide representation of management. The risks are aligned with those of the City. The review of the strategic risks remains a standing agenda item for the Board every quarter. We continue to monitor the progress made with the implementation of mitigating actions and the rating of the various risks. It remains the responsibility of each individual, relative to their position, to familiarise themselves with the risk management process, to recognise real or anticipated risks and to take appropriate action. The operational risk register is compiled at a departmental level and reviewed by the Executive Risk Management Committee and Risk and IT Committee quarterly.

The IT disaster recovery plan has been developed however the overall business continuity plan remains outstanding as it was to be developed in conjunction with the City process. This is a major concern to management and responsibility for the development thereof has been escalated. Management has resolved to accelerate the business continuity management in 2016/17 and this would formalize the coordination of related activities such as the IT disaster recovery plan and crisis management.

While the Board, and the Risk and IT Committee, have indicated further enhancements required in respect of the risk management system it remains generally satisfied that the system is suitable for the business and the relevant risk considerations have been taken into account when determining the JRA's strategy. The Board is also satisfied that the system informs the Board of all the risks facing the Company. The issue of the effectiveness of controls is addressed in the Audit Committee report (section 5.8).

Strategic Risks:

Figure below shows the JRA's strategic residual risk heat map.



1. Inability to achieve Capex target	4. Ineffective Business Continuity Management	7. Inability to implement the ICT & Information Security Governance	10. Lack of integrated asset life cycle planning and costing management
2. Inability to deliver services	5. Labour unrest	8. Theft, Fraud & Corruption	11. Inability to respond to the infrastructure demand due to urban development
3. Inability to realise the vision of the JRA due to lack of implementation of the strategy	6. Non-Compliance to legislation, policies and procedures	9. Inability to attract, develop, manage and retain talent	12. Inadequate funding and financial management

## 2.7 Internal Audit Function

(Cross refer to section 2.6 above for details regarding internal controls)

Internal Audit provides a supportive role to the management of the organisation and the Audit and Finance Committee of the Board. The units' primary objective is to provide an assurance function by identifying and evaluating significant exposures to risk, and contributing to the improvement of risk management processes, governance and internal control systems. This is achieved through an independent and objective review of the operation of the internal control systems for adequacy and effectiveness in mitigating risks. The review includes the evaluation of the company's system of internal controls, as well as identification and reporting of the significant business risks and exposures which are brought to the attention of management and the Audit and Finance Committee. This is achieved through the presentation of comprehensive internal audit reports.

The findings, and recommendations, from these audits are made to management and the Board of Directors. Corrective actions are taken to address control deficiencies and opportunities for improving the systems. The Board, operating through its Audit Committee, provides oversight in respect of the financial reporting process and internal control systems. As previously stated, there are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. As a result only reasonable-assurance as to the effectiveness of the internal control system can be provided.

The annual audit plan is informed by the risk profile of the company, is approved by the Audit and Finance Committee and also includes follow up and ad hoc audits. During the review period not all audits as per the approved audit plan were completed. In addition to the areas flagged through the risk process, a number of continuous audits are undertaken in accordance with the Treasury guidelines and the requirements of the Auditor General. These include the Key Control Tests and Performance audits.

The state of internal controls based on the audits completed within 2015/16 financial year is that controls are adequate but ineffective to provide reasonable assurance that JRA objectives will be achieved. The list of audits which took place in line with the approved audit work plan for 2015/16 period is as follows:

<b>Name Audit Area</b>	<b>Quarter</b>	<b>Opinion Expressed</b>	<b>Rating</b>
IT General controls audit	Q1	Adequate but ineffective	Yellow
Business Planning and Development	Q1	Adequate with a need for improvement on the effectiveness.	Yellow
Mobility and Freight Infrastructure Maintenance Including infrastructure protection follow up audit	Q1	Adequate but ineffective	Yellow
Key Control Assessment(Q1 to Q3)	Q1-Q3	Adequate with a need for improvement on the effectiveness	Yellow
Legal Services Management follow up Audit	Q1 to Q4	Adequate but ineffective	Yellow
Performance Information Audit (Q4 2014/15 to Q2 2015/16).	Q4 2014/15 to Q2 2015/16	Adequate with a need for improvement on the effectiveness	Yellow
Recruitment Interview Observations	Q1	Adequate and effective	Green
Bids Observations Continuous Audit(Q1 to Q3)	Q1 to q3	Adequate with a need for improvement on the effectiveness	Yellow
Payroll Management Audit	Q2	Adequate but ineffective	Yellow
Asphalt Plant Management follow-up Audit	Q2	Adequate with the need for improvement on the effectiveness	Yellow
Budget Management Follow Up Audit	Q2 to Q4	Adequate with the need for improvement on the effectiveness	Yellow
Contract Management Follow Up Audit	Q2	Adequate but ineffective	Yellow
Risk Management Follow-up Audit	Q3	Adequate and effective	Green
Training and development	Q3	Adequate with the need for improvement on the effectiveness	Yellow
SMME Development Strategy Implementation Audit	Q4	Adequate but ineffective	Yellow
Employee Wellness Management Audit	Q4	Adequate with the need for improvement on the effectiveness	Yellow
Facilities Management Audit	Q4	Adequate but ineffective	Yellow
Fraud Management Controls Audit	Q4	Adequate and partially effective	Yellow

Name Audit Area	Quarter	Opinion Expressed	Rating
Leave Management Audit	Q4	Adequate but ineffective	Yellow

## 2.8 Corporate Ethics and Organizational Integrity (To be read in conjunction with section 2.11)

The JRA's Code of Ethical Conduct is based on Schedule 2 of the Municipal Systems Act No 44 of 2003 and has been adopted and endorsed by the Board. In addition hereto we have appointed an ethics officer and established a Management Ethics Forum which operates under approved Terms of Reference, and has management and employee nominated members as well as union representation. An ethics implementation plan, in conjunction with the fraud prevention plan, has been developed and approved for roll out in 2016/17. This includes targeted focus areas per month supported by communications.

We are pleased to advise that the Forum has operated well during the review period and has resulted in the ethics and fraud reports being reviewed by the Forum as an independent oversight body. Confidentiality is maintained and areas which indicate possible shortcomings in fraud, corruption and /or ethical behaviour controls are investigated and remedial plans developed as a proactive intervention.

During the review period an external audit was undertaken which focused on fraud management controls. ~~Some shortcomings were identified and are being addressed.~~

The Social and Ethics Committee oversees the issue of ethics and receives quarterly reports in this regard.

A concerted effort has been made to ensure that all employees formally **declare** any **interests** they have in entities doing business with the municipality and, where such **conflict** exists, they must obtain written consent for the continuation of such activities. Employees may not accept gifts or donations and a **gift register** is maintained in this regard. Employees may not engage in work outside that for which they are employed by the JRA. All Board and Committee meetings commence with a declarations of interests. Breaches of the Code of Ethics, as well as other matters of impropriety, may be reported through access to the Whistle Blowing hotline by all stakeholders.

The developments within this area demonstrate the seriousness with which the JRA takes the matter of fraud and corruption as well as management and the Board's commitment to the eradication of fraud and corruption. The company has taken cognisance of the Regulations to the MSA pertaining to the blacklisting of staff convicted of fraud and corruption which disallows re-employment within government sector entities for prescribed periods.

The JRA is committed to working against corruption in all its forms, including nepotism, extortion and bribery. It is the JRA's stated policy to investigate all allegations of fraud and corruption and to take the necessary steps against those suspected of such behaviour. This will include the institution of disciplinary steps against employees and may result in the laying of criminal charges against those

found guilty. The necessary steps, including criminal and civil action will also be taken in the cases of suppliers, bidders and others found to be implicit in such behaviour. The JRA has a zero tolerance approach to fraud and corruption which will be vigorously implemented.

An externally managed Whistle Blowers facility hotline is in place and all matters reported through the hotline are brought to the attention of the Audit and Finance and Social and Ethics Committees.

## **2.9 Sustainability Report**

(Including report from the Social and Ethics Committee and Stakeholder Engagement Report)

### Background and Methodology

We have considered the format and structure of our sustainability report and have concluded that we have not reached the level of maturity where we are able to prepare a stand-alone sustainability report. We have also taken into account our position as a public sector organisation which is not primarily an income generating company and the format of the overall integrated report as dictated by our shareholder.

During the review period we have given consideration to the recommended GRI framework and while we report against a large number of the indicators we do not fully conform to this best practice standard. We do however make use of the GRI (4) framework which informs our reporting to the various specialised committees overseeing element of the framework which fall within their terms of reference. The sustainability section of this report is not externally assured and we do not make any declaration regarding our application level.

Given the mandate of the Social and Ethics Committee, together with its need to report to Shareholders, it is the view of the company that the issue of sustainability, stakeholder engagement and the report from the Social and Ethics Committee to Shareholders are best incorporated into one report from the Chairperson of the said Committee.

We have considered what the concept of sustainability reporting means for the organisation and accept that it is not an end goal but rather a system of on-going activities and processes which will support and measure our performance against sustainability objectives. We support and endorse the commitment to long term sustainability including the need to balance development pressure and consideration for our environment while simultaneously encompassing both social fairness as well as environmental accountability.

Our starting point when considering our approach to sustainability was to apply the concept of materiality for purposes of identify what business activities needed to be prioritised for reporting purposes. Our materiality matrix (Cross reference to section 1.2) explains how we prioritised matters with the overriding determining factor being the level of importance allocated by our Stakeholders as well as those issues which have a significant impact on our business, our ability to meet our mandate and to achieve our strategy.

## Oversight Structures

The oversight of sustainability, and stakeholder engagement, are functions delegated to the Social and Ethics Committee by the Board. The Committee operates in terms of approved terms of reference and has discharged its mandate in terms thereof and in terms of the legislation. The Committee reports to the Board quarterly and is required to report to Shareholders annually.

Neither the JRA, nor its auditors in the form of the Auditor-General, are yet at a point where any of the items in the Sustainability Report can be externally assured. This is an aspect of sustainability reporting which will have to be developed within the public entity environment

## Material Aspects of Sustainability

The table below represents the major sustainability priorities, linked to the various capitals of the company, and demonstrates the utilisation in support of our long term sustainability:

Priority	Capital	Actions which have supported the priorities
Service Delivery and productivity (Customer charter commitments)	Manufacturing and Human	<p>Cross Reference Sections 3 which deals with service delivery performance and more specifically section 3.6 Performance against Objectives.</p> <p>The <b>Customer Charter</b> is the agreement between the JRA and City and regulates delivery of services to the citizens of Johannesburg.</p>
Enhanced mobility (Corridors of freedom, bridges)	Manufacturing and Intellectual	<p>The JRA acknowledges the need to provide an infrastructure which enhances mobility while at the same time linking the different areas of the City which were historically separate. The City wide Corridors of Freedom project addresses this need while at the same time supports mobility through the introduction of different transport options. The JRA has contributed to the programme through:</p> <ul style="list-style-type: none"> <li>• The upgrading of the Turffontein, Empire /Perth and Louis Botha Storm water infrastructure</li> <li>• Upgrade of M1 to GFIP (Gauteng Freeway Improvement Project) standards, repairs to the double decker bridge and to the Oxford / Federation Bridge.</li> <li>• City wide road resurfacing programme within the corridors</li> <li>• Bridge re/construction and repair programme including Naledi/Protea Bridge and flood prevention at Conrad Drive Bridge, Blairgowrie</li> </ul>
Financial stability	Financial	Cross reference Section 5 – Financial Performance

Procurement (BEE), empowerment and transformation (Supply chain management)	Financial and Intellectual	<p>For detailed reporting on Supply Chain Management please cross reference section 2.12</p> <p>We have supported the development of SMMEs and suppliers through of development of the SMME desk and the establishment of the SMME database. This initiative has contributed to the up skilling of small and medium contractors in the construction environment and has also provided opportunities for partnering between large suppliers and SMMEs.</p> <p>In addition we strictly apply the empowerment imperatives in the selection and appointment of service providers across all areas of our business.</p> <p>Payment of service providers within the required 30 days of invoice as required in terms of the legislation pertaining to state entities continues to be strictly monitored and remains a priority for the company.</p> <p>Implementation of the Jozi@Work programme has resulted in the inclusion of community based groups in the service delivery model.</p>
Capacity – internal and through outsourcing / empowerment (Jozi@Work)	Human	<p>Internal Capacity – Cross Reference Section 4.1</p> <p>Outsourcing – Jozi@Work and empowerment – Cross reference above.</p> <p>The company has commenced implementation the Jozi@Work programme during the year and SMMEs in the respective regions have been registered. Tailor-made work packages have been ring-fenced for award to SMMEs and Cooperatives in both the CAPEX project environment and the maintenance / operations environment. The areas of Enterprise / SMME Development and the support of BBBEE remain a primary focus of the JRA and are in line with the City's Growth and Development Strategy 2040. Projects are awarded through the Supply Chain Management tender processes and are geared towards supporting entities which meet the legislated BBBEE requirements. The company is also very aware of the need, and benefits, of identifying, developing and supporting SMMEs and proactively work towards this goal.</p> <p>Total Jozi@Work expenditure amounted to R177m with Capex accounting for R111m @8.6% of total Capex and Opex at R106m @30% of Contracted Services.</p>
Health & safety and remuneration	Human	<p>Health and Safety – cross reference to Section 3.5</p> <p>Remuneration cross reference to Remuneration Report Section 2.4</p>
Fraud	Social and relationship	Cross reference Section 2.10
Governance	Intellectual and Social and relationship	Cross Reference - The whole of Chapter Two of the report is dedicated to Governance

Environment (Green and Blue economy)	Natural and Intellectual	<ul style="list-style-type: none"> <li>• Carbon Foot Print: The CoJ Environment Infrastructure Services Department has appointed consultants to assist the CoJ and Entities to update the Greenhouse Gas Inventory. The project is called "Outcomes of GHG Scenario planning and target setting". CoJ and Entities are participating; providing the necessary information and supporting the consultants were necessary. The JRA Fleet will be tested for Vehicle Emission Testing in 2016/17 to be able to obtain accurate information regarding the mileage compared with the opacity of the smoke. The data will be used for carbon footprint calculations as well as to determine fuel consumption. 4 Hybrid cars are currently in use at JRA as leased by CoJ.</li> <li>• Recycling / resurfacing equipment – The recycling of road resurfacing material is on-going.</li> <li>• Energy efficiency: Facilities Management continues with the on-going implementation and maintenance of energy savings interventions and Power factor correction equipment (PFC) repair is 100% complete which should result in a 20% reduction in power consumption. 70% of the program to install 13 geyser timer switches enabling load limitation is complete.</li> <li>• Air Pollution: The Asphalt Plant emission limits have exceeded the legislative requirements and pose serious environmental pollution and health hazards to the neighbouring residents. This in turn led to the authorities issuing a notification to close the Plant. Despite this the provisional atmospheric emission license has been extended to the 30<sup>th</sup> April 2017 whereafter the JRA will be required to apply for a permanent license. In the interim the Board has approved the replacement of the Asphalt Plant and the process is underway. This will ensure that the requirements of the legislation regarding air quality and atmospheric pollution are met.</li> <li>• Waste Management: A temporary waste storage facilities design and site assessments were carried out in July 2016 and identified shortcomings which indicated that the depots are non-compliant. The establishment of temporary waste management facilities at depots, the cost of which was included in the approved capital expenditure budgets for the depots upgrade.</li> <li>• The ISO 9001:2008 is on-going although the time estimates have slipped.</li> <li>• The Sustainable Urban Drainage Systems upgrade is ongoing.</li> <li>• Congestion management: revised signal designs completed to reduce delay and improve congestion through intersections. Road master planning completed for areas of high density development.</li> </ul>
Communications and information dissemination	Intellectual and Social and relationship	Cross reference to section 2.9.4 below
Enhanced technological utilization (Smart City)	Intellectual	<ul style="list-style-type: none"> <li>• Launch of advanced version of Find &amp; Fix Mobile App</li> <li>• Cloud based ATMS (Advanced Traffic Management System) ;</li> <li>• Wireless Traffic Signal Technology with Security Surveillance;</li> <li>• Video-based mobile road defect inspection technology;</li> <li>• Intelligent Security (IS) for Road Infrastructure;</li> <li>• Signal Technology for visually impaired</li> </ul>

## Stakeholder Engagement

The JRA has a wide range of stakeholders with diverse views that are important to the sustainability of our business. We routinely engage with stakeholders on issues that matter to them and those that are important to the JRA's activities and service delivery.

In order to positively profile the City, the JRA implemented an integrated Communications and Stakeholder engagement plan. The objectives of the engagement plan are fourfold:

- Improve Stakeholder perceptions and experiences using media and other platforms to build confidence and trust, and to create awareness amongst relevant target publics about JRA in terms of service delivery;
- Focus on Customer and Citizens Relations;
- Enhanced Branding of the City and Flagship Programmes; and
- Informed Internal Stakeholders.

Stakeholder engagement is a two way process and we value the opportunity to enhance our accessibility and provide information about the JRA as a method of enabling our stakeholders to engage with us. We strive to provide information in a clear and easily understood format and expect to receive stakeholder feedback in a responsible and cooperative manner.

Our stakeholder engagement framework sets out our stakeholders and our methods of engagement. We however recognise key stakeholder groups as our customers, staff, shareholder and suppliers. In this regard we would like to highlight some of the engagements as follows:

### Customers

- The JRA bridges flagship project was launched by the Executive Mayor in August 2015 and included a communication campaign on the M1 bridge rehabilitation using radio, print, electronic and social media as well as electronic, road billboards and street pole adverts, and the distribution of 20 000 flyers to road users. Additional coverage included the SANRAL Visual Messaging boards, GAUTRAIN and REAVAYA website.
- Improved media presence and positive coverage significantly improved the overall negative coverage to proactive, neutral or positive coverage.
- The linking of the JRA Find&Fix mobile app to a "Just tell us" media campaign improved overall perception of the company and reinforced the City's "Active Citizenry" priority focus. It also aimed at improving reporting of all service delivery defects, improving service delivery and improving the relationship between the JRA and its communities. This campaign also ensured the receipt of customer feedback on the quality of service delivered, including compliance with Service Standards. To date, the mobile app has 13 564 registered users and over 63 000 service delivery issues have been logged via this platform.
- Social media has become a vital tool in managing the online reputation and presence of the JRA brand and its daily operations and this platform of

engagement with our stakeholders has exponentially increased our social media accounts: Twitter has increased from 4000(March 2014) to 42,400 followers and Facebook has received 36,959 users and 162,063 hits.

- To measure our reputation and evaluate how stakeholders perceive our performance in relation to their expectations, the JRA will be routinely conducting a Bi-annual Customer Satisfaction Survey externally and an Internal Climate Survey internally. This will be used as a baseline for future surveys.

### **Staff**

An Internal Climate Survey was completed in the previous financial year with valuable insight into the overall "health" of the entity from an employee perspective. The overall findings reflect that communication, fairness as well as compensation and benefits are key concerns for employees at the JRA. Additional comments from staff also focussed on challenges in leadership and/or managerial skills, human resources issues, integrity as well as career growth and development. The report outlines all "derailers" and drivers and also recommends interventions with timelines. We are currently implementing these recommendations to ensure an engaged and motivated staff complement for the successful execution of our strategic mandate.

### **Shareholder**

The JRA operates within the framework of the Municipal Systems and Structures Acts and as such reports to the City of Johannesburg quarterly. The Chairman of the Board meets with the MMC (Municipal Councillor) on a quarterly basis to address any issues of a service delivery nature. The JRA regularly receives, and replies to, questions from the Section 79 Portfolio Committee. This is a Committee of the Municipal Council established in terms of the Municipal Structures Act. The Committee is accountable to the Council and has an oversight role. It is made up of councillors from various political parties. The Committee has no decision making powers and can only make recommendations.

### **Suppliers**

Please cross refer to section 2.12

### **Statutory Obligations**

The Group has a formal disclosure in terms of the Promotion of Access to Information Act, 2000 (The Act) in terms of which requests for information will be entertained by the company. Issues are also raised through the office of the Public Protector.

All statutory information required to be published in terms of the legislation applicable to the Group, all requisite submissions and all requests for information, have been fully complied with, although the required information to be published on the company website still remains a work in progress. As part of the compliance process a detailed compliance report is reviewed by management monthly and is submitted