



Johannesburg Roads Agency Integrated Report

2022/23

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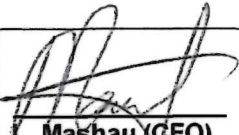
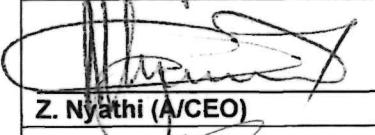


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Bankers:	Standard Bank of SA Limited
Auditors:	Auditor General South Africa (AGSA)

Approval

 L. Mashau (CFO)	Date: <u>04/12/2023</u>
 Z. Nyathi (A/CEO)	Date: <u>04/12/2023</u>
 E. Botha (Board Chairperson)	Date: <u>04/12/2023</u>
 F. K. Kunene (MMC: Transport)	Date: <u>04/12/2023</u>

GLOSSARY OF TERMS / LIST OF ACRONYMS

Acronym	Meaning	Acronym	Meaning
AFS	Annual Financial Statements	MMC	Member of the Mayoral Committee
AFRIT	Audit, Finance, Risk & Information Technology	MISA	Municipal Infrastructure Support Agency
AGM	Annual General Meeting	MSA	Municipal Systems Act
BEE	Black Economic Empowerment	NED	Non-Executive Director
B-BBEE	Broad Based Black Economic Empowerment	NMT	Non-motorised transit
CAPEX	Capital Expenditure	NSDS	National Skills Development Strategy
GFIS	Group Forensic Investigation Services	OHASA	Occupational Health and Safety Act
CoJ	City of Johannesburg	OPEX	Operational Expenditure
CSR	Corporate Social Responsibility	PAYE	Pay as You Earn (tax)
DDR	Detail Design Report	PDR	Preliminary Design Report
EAP	Employee Assistance Programme	PMD	Performance Management and Development Policy
EE	Employment Equity	REMSEC	Remuneration, Social and Ethics Committee
EFT	Electronic Funds Transfer	RFQ	Request for Quotation
EMT	Executive Management Team	RO	Regional Operations
EPWP	Expanded Public Works Programme	SCM	Supply Chain Management
FDP	Financial Development Plan	SDBIP	Service Delivery and Budget Implementation Plan
FICA	Financial intelligence Centre Act	SMMEs	Small Medium Micro Enterprises
FY	Financial Year	SOE	State Owned Enterprise
GAC	Group Audit Committee	SOP	Standard Operating Procedure
GDS	Growth and Development Strategy	SOW	Scope of Work
GRAS	Group Risk and Assurance Services	UIFW	Unauthorised, Irregular, Fruitless and Wasteful
IDP	Integrated Development Plan	UPS	Uninterrupted Power Supply
ITS	Intelligent Transport System	USDG	Urban Settlements Development Grant
IIRC	International Integrated Reporting Council	VAT	Value Added Tax
IFRS	International Financial Reporting Standards		
ICT	Information, Communication and Technology		
IFRS	International Financial Reporting Standards		
JDE	JD Edwards		
JSIP	Johannesburg Strategic Information Platform		
KING IV	Code on Corporate Governance		
MFMA	Municipal Financial Management		
MMC	Member of the Mayoral Committee		

Basis of Preparation

The Johannesburg Roads Agency SOC Limited (JRA) is required by law to prepare an Integrated Report annually. This Integrated Report is compiled in terms of the relevant Legislation, Circulars, and International guidelines (Municipal Finance Management Act (MFMA), Municipal System Act (MSA) and National Treasury MFMA Circular 63, International Integrated Reporting Council (IIRC) and the King Code of Governance for South Africa.

Scope of Report

The 2022/23 Integrated Report of the JRA covers the period 1 July 2022 to 30 June 2023 and is presented in two volumes:

- **Volume 1:** A narrative and statistical description of major developments during the year and of value generated in various ways, including the Corporate Governance Report; and,
- **Volume 2:** Annual Financial Statements

Materiality

The principle of materiality has informed the presentation of information that shows the JRA's value-creation in the short, medium, and long term as presented in the report. The following material aspects were identified for the 2022/23 reporting year, i.e., matters that are important and of interest to the Shareholder, the customers, stakeholders, employees, organised labour, contractors, suppliers and service providers, the community, the media, and the public.

Assurance

Annually, the Integrated Report is subjected to an assurance process that includes reviews by the JRA Internal Audit, the Board of Directors and its sub-committees, the Group Performance Audit Committee, the Municipal Public Accounts Committee and externally by the Auditor General of South Africa. Each year, the report is presented at CoJ Council for oversight by the Municipal Public Accounts (MPAC) Committee and for approval. The Board and Management confirm the reliability and completeness of the information included in the Integrated Report.

Statement of Responsibility

The Board of Directors reviewed the content presented in this report and believes the report is an accurate representation of the prospects and performance of the Entity. The Audit, Finance, Risk & Information Technology committee (AFRIT), considered the report and recommend it for approval by the Board. The Board approved the 2022/23 IR and released it to the Shareholder on 5 December 2023.

Feedback

Your feedback is important to us. It enhances our reporting content and processes. Please send your comments to mmafenya@jra.org.za. Readers can also interact with us on our social media platforms.

CHAPTER 1: LEADERSHIP & CORPORATE PROFILE

Section 1: MMC's Foreword

As Member of the Mayoral Committee responsible for Transportation in the City of Johannesburg, it gives me great pleasure to present the Johannesburg Road Agency Integrated Report for the 2022/23 financial year.

Strategic alignment

The Johannesburg Roads Agency (JRA) is an important service delivery agent for the achievement of the City of Johannesburg's long-term Growth and Development Strategy, its five-year Integrated Development Plan and annual Service Delivery and Budget Implementation Plan (SDBIP). In its planning and delivery, the JRA must demonstrate that it is aligned and informed by the strategic objectives of the City. In 2022/23 the JRA played an important role in the attainment of the strategic objectives of the Government of Local Unity.

The JRA's mandate of providing a quality road network and related infrastructure, primarily focusing on the quality of roads [and bridges](#), functioning traffic signals and safe storm water systems has value beyond the City of Johannesburg.

Performance against IDP imperatives

From an IDP perspective the shareholder requires the JRA to focus on three important performance areas; the resurfacing of roads, upgrading of gravel roads and conversion of existing open stormwater systems & storm water planning. These three programmes are important for the attainment of the City's objectives on spatial transformation.

To this end, I am pleased that in 2022/23 the JRA met its commitments to the City on the resurfacing of roads. Due to financial constraints experienced in the City, the entity was required to cut its budget drastically and therefore making it difficult for the entity to achieve targets on the upgrading of gravel roads and conversion of existing open stormwater systems Key Performance Indicators (KPI's). However, despite the budget cut and cash flow problems, the JRA managed to spend 87% of its revised capex budget.

As a result of this expenditure the JRA managed to create work opportunities and to support several SMME's further contributing positively to the City's objectives of job creation and SMME support. Through a system of MMC/Board Chairperson quarterly performance reviews, we have sought to ensure the JRA maintains focus on its performance objectives, with an efficacy level of success (see [Chapter 3 and 5 for details on non-financial and non-financial](#) performance respectively.)

Corrective measures

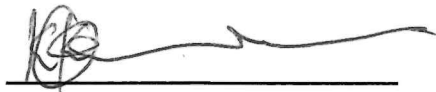
Despite the progress made in 2022/23, as MMC I note that there continues to be room for improvement in the JRA. Some of the areas of focus include improving performance on service standards, establishing stability at executive management level, improved communication and engagement of stakeholders as well as transformative implementation of projects. The JRA must consolidate its gains and carry these into the 2023/24 financial year, continuously improving service delivery and the provision of good quality road infrastructure.

Methods used / implemented to improve public participation and accountability

The JRA has participated in City-wide public participation processes in the development of its business plan and budget for concluded financial year. I am please to note that most of the programmes implemented by the JRA respond to the critical areas raised by residents. The implementation of Operation Restore and Service Delivery Blitzes, ensured greater collaboration between the JRA and Councillors in the different wards. Thus, creating a conduit for improved service delivery. In the year under review the JRA also participated in the City's accountability platforms in particular the Section 79 Committee of Council.

Appreciation

I would like to thank the Section 79 Committee on Transportation for their oversight and holding us accountable at all times. I would also like to thank the Chairperson, the JRA Board, the Acting Chief Executive Officer, Executive Management and staff of the JRA who continue to support the attainment of service delivery objectives that prioritise the mobility and safety of our people.



Councillor Kenny Kunene

MMC: Transportation

Section 2: Acting Board Chairperson's Report

This Integrated Report presents key achievements, milestones and focus areas for the Board of Directors for the 2022/23 financial year. The Annual General Meeting (AGM) convened on 11 March 2023 confirmed the appointment of JRA Board of Directors.

Stabilising the Executive Management Team

Of critical concern to the Board was the negative media coverage pertaining to the former JRA Chief Executive Officer (CEO) Mr Mahanuke. This required the Board's urgent attention. The allegations were of a serious nature, with far-reaching ramifications and were subjected to an independent investigation leading to the failure by the former CEO to respond to the charges levelled against him. After following all policy and legislative prescripts the JRA Board resolved to immediately terminate his appointment with the Johannesburg Roads Agency based on the failure of the former CEO to provide any counterevidence to the evidence of fraud detected in his CV, which was provided to the JRA during his recruitment process. These findings were laid out in an independent investigation report and were also shared with the former CEO and the Shareholder.

In ensuring business continuity the Board appointed an Acting CEO until the recruitment process is finalised. The recruitment process for the CEO has not been completed and it is envisaged to be concluded during the 2023/2024 financial year.

The Board finalised the appointment of the Chief Financial Officer (CFO) who assumed his responsibility on 01 November 2023. While the recruitment process was underway the JRA operated with an Acting CFO who was seconded from the Shareholder, the City of Johannesburg.

Other recruitments finalised were that of the Operations Manager: Internal Audit and two Heads of Departments for Infrastructure Development and Public Relations and Stakeholder Engagement Departments.

Service Delivery

In relation to service delivery performance the JRA prioritised the following programmes. The JRA resurfaced 257.128 lane kilometres against a target of 122.0 lane kilometres and upgraded 8.304km of gravel roads to surfaced standard against a target of 15km. In relation to conversion of open stormwater channels to underground stormwater drainage system, the JRA converted 0.159 km against a target of 2.7km.

The entity has achieved the expenditure of 87% on its capital budget against the revised budget of R795.21 million in 2022/23 financial year. The entity has struggled to meet some of its objectives due to challenges related to procurement, contractor appointment, poor performing contractors and non-approval of revised targets at mid-term in line with budget rebasing.

The Board also prioritised the resolution of operational inefficiencies pertaining to the Asphalt Plant which was operating below its capacity. Upon assuming office, the Board prioritised the re-operationalisation of the Asphalt plant. I am pleased to say that at present all internal teams are supplied with the asphalt produced by the JRA plant. Subsequently the Board approved the commercialisation phase which will be realised in the outer years. National Treasury is being

engaged including the private sector to ensure that this asset reaches its full commercial capacity. This remains a standing agenda item in all Board meetings.

Through the Service Delivery Committee, the Board and the JRA remain committed to the delivery of agreed services, at agreed levels, monitoring and reviewing of key performance indicators, levels of service and technical standards and monitoring of all CAPEX projects.

Internal Controls

The Board is responsible for demonstrating accountability and corporate governance in accordance with the Companies Act and the MFMA. It is on this basis that the Audit Finance Risk and IT (AFR & IT) Board Committee has been established as a key pillar that focuses on the JRA audit, finance, risk and IT issues. It is an independent advisory committee that advises the Accounting Officer and the Board of Directors in relation to, amongst other things, oversight responsibilities in respect of the financial reporting process, the systems of internal control, risk management, accounting policies, performance management, governance, the audit process and the JRA's process for monitoring compliance with laws regulations and standards of best practice. The effectiveness of the committee was demonstrated through approval of a risk-based audit approach, review of quarterly reporting of performance and financial information, and risk processes.

Through the Remunerations Social and Ethics Committee the Board ensured that the JRA operates with a formal and transparent reward systems, policies and processes to support and enhance the Company's performance and promote the achievement of strategic objectives and encourage individual performance which will address basic salary, benefits in kind, any annual bonuses, performance-based incentives, pensions, and other benefits.

The Board continues to hold management accountable for the implementation of approved internal controls and maintaining an adequate, effective control environment with the aim of preventing and reducing irregular fruitless and wasteful expenditure.

Appreciation

A special thank you to the Board of Directors, Independent Audit Committee Members, Executive Directors, and Company Secretary, who displayed high levels of commitment, leadership and for robustly engaging on issues. Lastly to the Executive Management Team and all JRA employees that have enabled the company to make progress in the period under review.



Ewan Botha
Board Chairman

Section 3: Acting CEO's Report

I am pleased to present the Johannesburg Roads Agency Integrated Report for 2022/23. This report communicates our corporate governance arrangements, the progress we have made against our plans, recognises our employees, and presents the Entity's financial situation.

Functions of the JRA

The JRA is an entity of the City of Johannesburg (CoJ). Our mandate is to design, construct and maintain roads and stormwater infrastructure on behalf of the CoJ Metropolitan Municipality. The Entity is established under the Department of Transportation which provides policy direction. The JRA is also an implementing agent for some Department of Transportation projects and accounts to the Shareholder through the CoJ Council and Section 79 Committee on Transportation.

Financial Position

In 2022/23 financial year, the JRA received a budget of R1, 413 billion. As at June 30, 2023, the Entity had spent 117% of this operating budget. The Entity also received a capital expenditure budget of R688.4 million. As at 30 June 2023, the Entity had spent R688 million, which is 87% of the budget inclusive of provisional accruals and commitments. The JRA revenue sources include the CoJ (R501,636 million), Developers' Contribution (R173,616 million) and USDG (R13,162 million). The entity was also within the City's Financial Development Plan targets for liquidity and sustainability ratios. *(See Chapter 5).*

Service Delivery Performance

From a service delivery perspective, the Entity achieved 75% of the targets approved by the Board in the Annual Business Plan and Corporate Scorecard in line with the financial and other resources provided. In the financial year, the Entity resurfaced a total of 261.76L/km lane kilometres against a target of 122 lane km. Furthermore, the JRA upgraded a total of 8.41km of gravel roads to surfaced standard against a target of 15km. In relation to conversion of open stormwater channels to a total of 0.170km of open channels have been converted against a target of 2.7km. Given the condition of the City's roads, significant investment is required if overall condition of roads and related infrastructure is to be improved. The entity struggled to meet some of its objectives due to challenges related to procurement, contractor appointment, poor performing contractors, and non-approval of revised targets at mid-term in line with budget rebasing *(See Chapter 3).*

Partnerships

The JRA entered into partnership with private sector organisations to address the effects of load shedding and ease mobility through enhanced traffic flow in Johannesburg. One of the innovative solutions JRA is implementing is using the back-up power sourced from generators or alternative energy sources such as solar panels on buildings next to traffic intersections to power the traffic intersections during load shedding. This will ensure uninterrupted power supply in major intersections such as these, improving overall user safety and mobility on the City's roads. With over 2020 signalised intersections in Johannesburg, JRA is piloting this project with 50 other traffic intersections with the assistance of organizations that have shown interest.

Johannesburg, JRA is piloting this project with 50 other traffic intersections with the assistance of organizations that have shown interest.

This initiative aligns with one of the City's Mayoral Priority towards building a Smart City, which aims to improve the City's use of technology to enhance service delivery, reduce waste, promote energy efficiency, and implement initiatives such as Smart Management Systems. In addition to enhancing the safety of road users, the initiative will also help to stop the theft and vandalism of JRA traffic lights for copper cables during load shedding.

Executive Management Team

The JRA currently operates with an Acting Chief Executive Officer until the vacancy is permanently filled. To this end Mr Zweli Nyathi (from 09 June 2023) assumed the Acting CEO responsibility in the financial year *(See Chapter 2)*.

Clean Audit Process

The JRA attained an unqualified audit opinion in the 2021/22 financial year and maintained this audit opinion in the 2022/23 financial year. In relation to audit findings, overall, the JRA commenced the year with 29 Audit Findings. As at June 30, 2023, 24 (83%) were resolved and (5) 17% unresolved. 88% of matters affecting the audit report were resolved. 84% of findings falling in the "other important matters" category were resolved. There is one finding falling under "Administrative matters" that remains unresolved. This will be prioritised *(See Chapter 2)*.

Risk Management

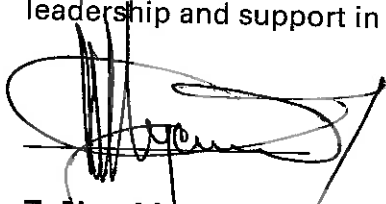
In relation to Risk Management, the JRA managed to implement over 90% of the actions envisaged in the Risk Management Action Plan *(See Chapter 2)*.

Challenges

Despite the progress made, there are some service delivery challenges encountered. The lack of a comprehensive fleet and plant contract, as well as infrastructure vandalism continues to be a challenge. I would like to take this opportunity therefore to urge our communities to guard their public assets with jealousy and help curb these social ills of infrastructure vandalism.

Appreciation

As the Acting Accounting Officer, I am generally satisfied of the plans that the JRA management has put in place and are executing to redress the key challenges that the Entity faces. In conclusion, I would like to appreciate the JRA workforce for its continued dedication to work. I would also like to thank the JRA Board, MMC and Executive Management for their leadership and support in 2022/23 financial year.



Z. Nyathi
Acting CEO

Section 4: Chief Financial Officer's Report

The purpose of this report is to present the 2022/2023 financial performance for the Johannesburg Roads Agency for the period ending 30 June 2023. The detailed financial performance information is contained in Chapter Five of this report and in Annexures B to D. As a service delivery entity, the JRA strives to balance the attainment of liquidity and profitability ratios with the attainment of key service delivery targets.

In 2022/23 financial year, JRA had an approved adjustment operating budget of R1, 413 billion. On 30 June 2023, the Company had an Operating Expenditure and Income of R1,660 billion and R1,347billion, respectively. The Operating Expenditure is therefore 117% of the approved adjusted budget.

The JRA has an adjustment Capital Budget of R795.2 million for 2022/23 financial year. As of 30 June 2023, the entity spent R688 million, which is 87% of the adjustment Capital Budget when provisional accruals and commitments are included (refer to Chapter 5 and Annexure D for details of expenditure). The table below illustrates 2022/23 key ratios for the period ending 30 June 2023 that are in line with the Financial Development Plan (FDP) of the City of Johannesburg.

Table 1: Summary Ratios

KEY RATIO	Target FDP	(2022/23)	Performance Against Target (RAG Status)
Current ratio	1	0.81	
Solvency ratio	2	1.10	
Accumulated Surplus/(Deficit)	R50M	R (513)M	
Cash on hand	R50M	R 477.9M	
Salaries ratio	35%	24.22%	
Repairs & Maintenance ratio	7%	5%	

The entity has a positive 2022/23 current ratio at the end of 30 June 2023, and the ratio also met the FDP target in the current period. The current ratio measures the company's ability to pay its short-term obligations. Current ratio of 0.81 means that for JRA's current assets are 0.19 more the than the current liabilities.

The 2022/23 solvency ratio for the period ending 30 June 2023 is below the FDP target of 2. The solvency ratio measures the company's ability to meet its long-term debt obligations. The entity's ratio of 1.10 indicates that JRA's cash flow is insufficient to meet its long-term liabilities. JRA is solvent for the period ending 30 June 2023. The Solvency ratio indicates that the company will have difficulty meeting the interest on its debts. The JRA is well below 1.5 ratio. The financial position has deteriorated significantly in the year under review. The deterioration can be attributed to the prior period error relating to Developer Contribution. Developer Contribution is now disclosed in the JRA's Statement of Financial Position as a payable where it was previously recognised as revenue. The cumulative correction of the AFS has led to a depletion of the accumulated surplus into an accumulated deficit. This once off event is expected to be corrected in the next financial year when the entity is expected to return to break-even and surplus position.

The JRA's remuneration to operating expenditure ratio for the period ending 30 June 2023 is 24.22%. The target on employee costs is in line is below the targeted percentage. JRA's employee costs for Regional Operations and Mobility and Freight are reallocated to cost of road maintenance. If the ratio exceeds the norm it could indicate inefficiencies, overstaffing or even the incorrect focus due to misdirected expenditure to non-essentials or non-service delivery related expenditure. Various factors need to be considered when commenting on this ratio, such as the powers and functions performed by the entity, as this can create distortions in the outcomes, if the analysis ignores such factors.

The JRA intercompany Sweeping Account has a favourable balance of R 206,6 million at the end of June 2023. The Sweeping Balance represents a loan to Shareholders in the Statement of Financial Position. Developers Contribution Account has a balance of R477.9 million as of 30 June 2023. Therefore, the total Cash on hand for the period ending 30 June 2023 amounts to R 477.9 million.

The overall debtors' book shows a decline from R277 million to R225 million in the 4th quarter. The decrease is attributable to improvement on the collection of debtors. The collection efforts are bearing positive results on the cashflow of the JRA in that the Income and Asset unit has managed to reduce debtors by 19% which represents R52 million collected in the 4th quarter.

JRA is progressively improving the financial controls and it is envisaged that the entity will meet all the financial ratio targets as set by the Shareholder (CoJ). Based on the year-to-date performance, the Company remains solvent and will meet its financial obligations.



Lufuno Mashau
Chief Financial Officer

Section 5: Corporate Profile and Overview of the Entity

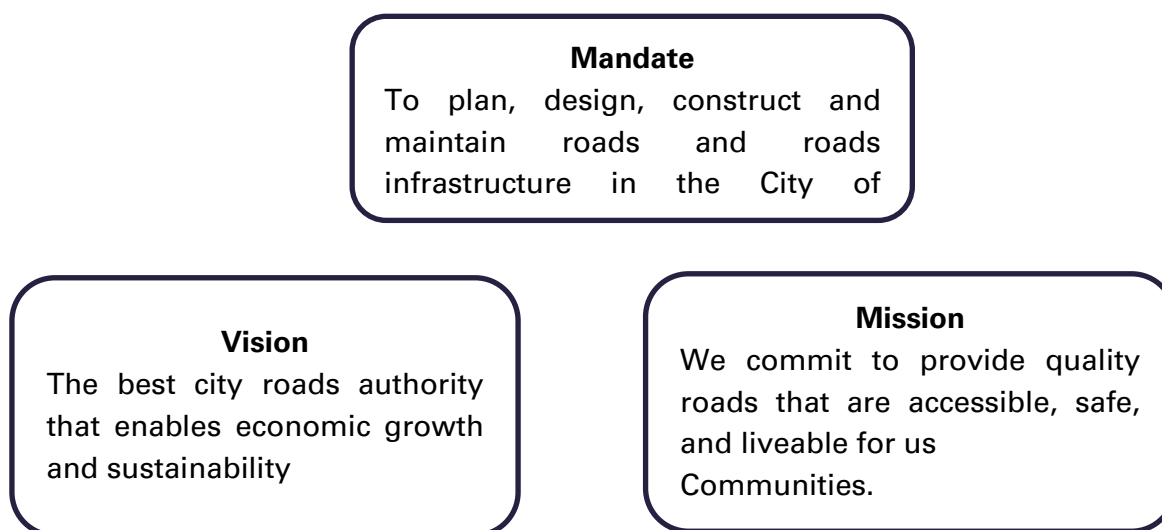
The Johannesburg Roads Agency (JRA) (herein referred to as the Company / Entity/MoE) is an entity of the City of Johannesburg (CoJ). It was established in 2001 to design, construct and maintain roads and stormwater infrastructure on behalf of the CoJ Metropolitan Municipality.

The Entity, together with Metrobus is established under the Department of Transportation. The Department provides overall transport policy direction with the JRA serving as an implementing agent for relevant processes, programmes and projects. The JRA is part of the Economic Growth Cluster and participates in CoJ governance structures of Technical and Sub-mayoral Cluster, CoJ Extended Executive Management, Mayoral Committee, Council and Section 79 Committees.

The JRA delivers on its mandate through a staff compliment of over 1 500 employees operating in seven regions of (CoJ). The Strategic Assets Depot and the Resurfacing Depot complement delivery. The JRA oversees over 14 000km of Johannesburg’s road network.

JRA Mandate, Vision, Mission, and values

The JRA aims to be the best roads authority, providing quality roads and living up to a core set of values.



JRA Values

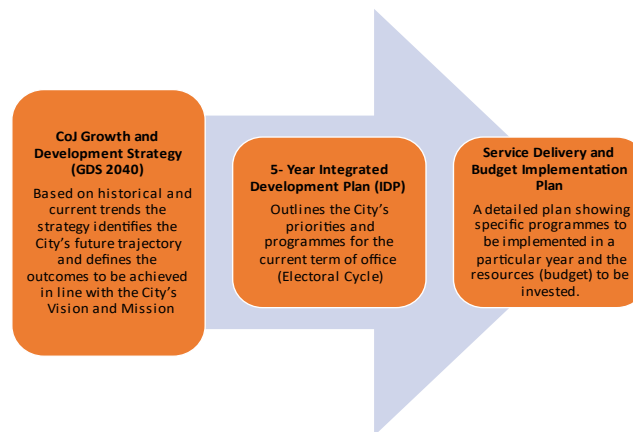
Respect	Caring for customers, prioritising communities, ensuring equity
Accountability	How one behaves when no one is watching
Ubuntu	Compassion for communities and road users, empathy, humility
Cooperation	Working together, integration, collaboration, and pooling resources
Honesty	Ethics, transparency, doing the right thing.

Section 6: Strategic Objectives

6.1. CoJ Strategic Planning Framework

Strategic Planning in the JRA is guided by the overall strategic planning framework of the City of Johannesburg. This framework sets out the City's long-term strategic focus, its **Growth and Development Strategy (GDS 2040)** and the long-term envisaged strategic outcomes. These inform the priorities to be focused on in a particular 5-year **Integrated Development Plan (IDP)** period, the medium-term expenditure framework, and the programmes to be implemented. Based on these priorities and programmes, on an annual basis key interventions and budgetary resources are allocated to relevant interventions in the **Service Delivery and Budget Implementation Programme (SDBIP)**. This strategic planning framework is illustrated below.

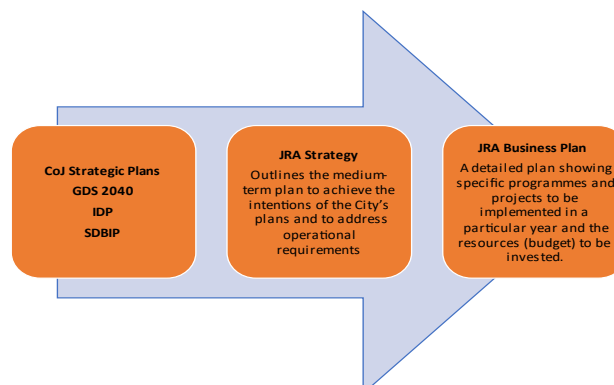
Figure 1.1. The CoJ Strategic Planning Framework



6.1. JRA Strategic Planning Approach

The GDS 2040, 5-Year IDP and SDBIP inform the strategic planning processes in City Departments and entities. In the JRA the strategic direction set out by the CoJ informs the development of the medium-term strategy (**JRA Strategy 2027**), its **annual business planning and budgeting process** as well as the performance indicators and targets to be achieved in a particular year (**Corporate Scorecard**). This is illustrated in the figure below.

Figure 1.2. JRA Strategic Planning Approach



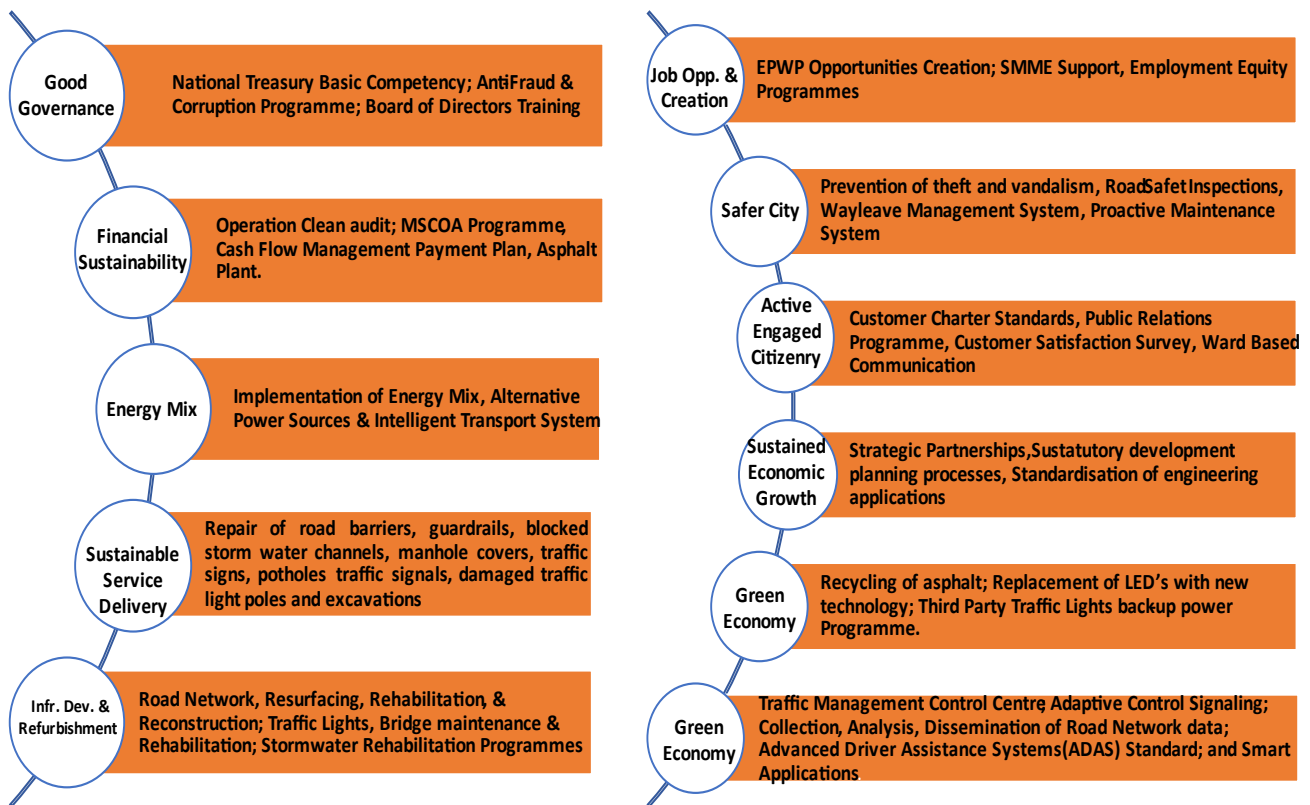
The JRA Strategy has four key strategic pillars upon which key programmes and interventions are built. Each of the pillars has a set of focus areas (programmes) that drive business operations for the strategy period. These programmes have several interventions and activities aligned to them. The successful implementation of the strategy will produce the desired reality for JRA on its goals, objectives and mandate. The desired outcome has been defined for each strategic pillar in the figure below.

Figure 1.4. JRA Strategic Pillars and Outcomes

6.2. Alignment between CoJ Priorities and JRA Programmes

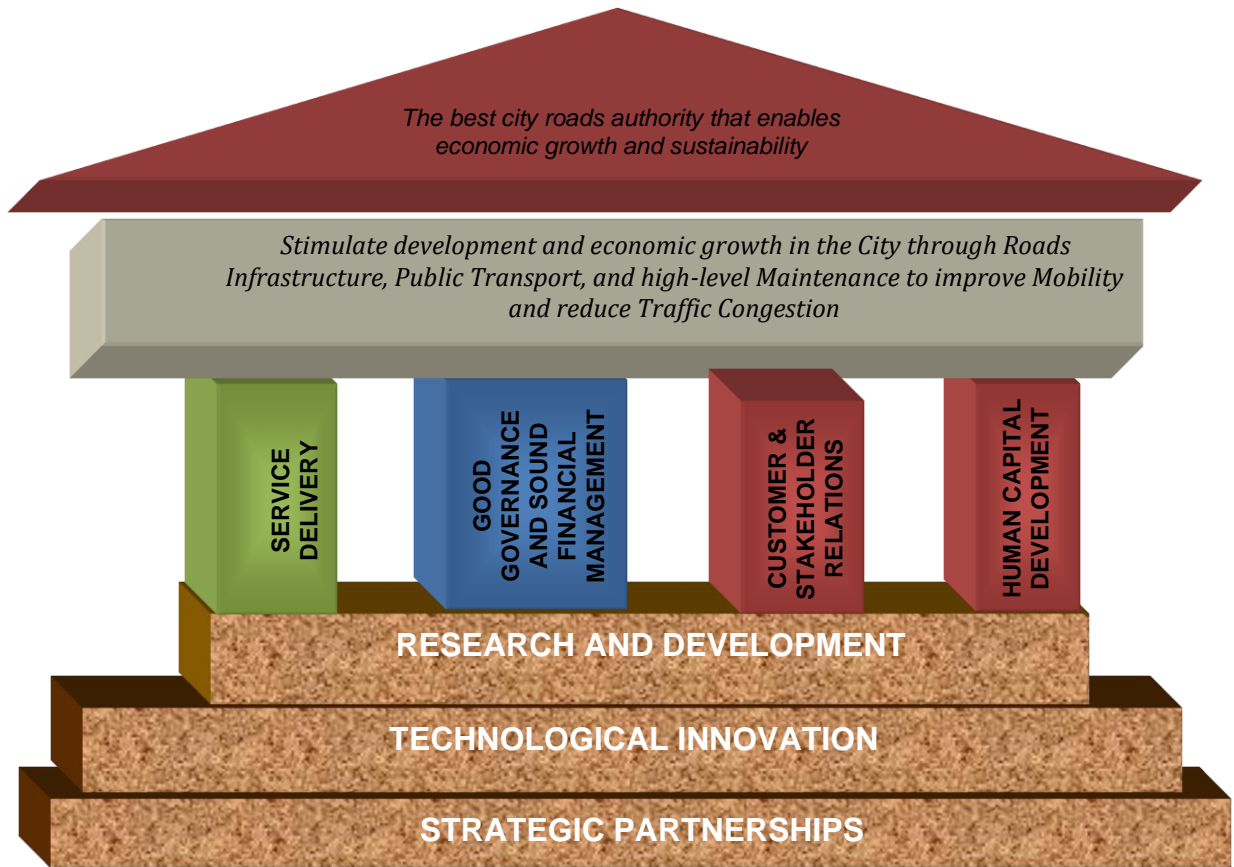
In the 2022/23 financial year the City of Johannesburg identified eleven (11) priorities as illustrated below. These priorities informed the programmes and projects implemented by the JRA as reflected in the figure below.

Table 1.3: JRA alignment to CoJ Priorities and Outcomes



6.3. JRA Strategic Objectives

The JRA Strategy has identified key strategic pillars upon which key programmes and interventions are built. Each of the pillars has a set of focus areas (programmes) that drive business operations for the strategy period. These programmes have several interventions and activities aligned to them. The successful implementation of the strategy will produce the desired reality for JRA on its goals, objectives and mandate.



The desired outcome has been defined for each strategic pillar in the table below.

Table 1.1: Desired outcome and strategic pillars

Strategic Pillar	Desired Outcome	Strategic Pillar	Desired Outcome
Service Delivery	<p>Roads Infrastructure</p> <ul style="list-style-type: none"> Rollout of capital reinvestment in the City's road network system to reduce the backlog. Preserve road infrastructure through routine and periodic road maintenance. Improve visual condition of roads through a Visual Condition Index (VCI) assessment. Reduced theft and vandalism Visible street names and clear road markings. <p>Stormwater Infrastructure</p> <ul style="list-style-type: none"> Construction of new and upgrades of old stormwater systems. 	<p>Good Governance and Sound Financial Management</p>	<ul style="list-style-type: none"> Adequate funding levels for the JRA. An efficient and financially viable Asphalt Plant. Achieve a Clean Audit Contribute to the city's financial resilience and sustainability priority. Realise savings from protecting infrastructure, internal efficiency and improved productivity.
		<p>Customer and Stakeholder Relations</p>	<ul style="list-style-type: none"> Attainment of approved Customer Charter Service Standards. Improve the public image of JRA.

Strategic Pillar	Desired Outcome	Strategic Pillar	Desired Outcome
	<ul style="list-style-type: none"> • A structurally sound, safe and blockage free drainage network. • Proactive stormwater maintenance and regionalised stormwater maintenance planning. • Safer communities through the provision of safe and adequate sub-surface storm water drainage systems. 		<ul style="list-style-type: none"> • Development and implementation of public relations and communications strategy.
	<p>Traffic Signals</p> <ul style="list-style-type: none"> • Functional traffic signals that improve the road user experience. • A traffic signals maintenance regime that incorporates prevention, remote monitoring, regular inspections, and rapid response. • Compliance with the SA Road Traffic Signs Manual (SARTSM) standards. • Deployment of alternative power sources to ensure resource sustainability. <p>Bridges</p> <ul style="list-style-type: none"> • Rollout major capital reinvestment in the City's bridges and reduce backlog. • Routine and periodic bridges maintenance regime. 	<p>Human Capital Development and Management</p>	<ul style="list-style-type: none"> • Improved quality through establishment of the JRA Training Academy. • Reduce the vacancy ratio. • Continuous skills and professional development programmes. • Development and Implementation of Human Resources Strategy.

6.4. JRA Business Model – Regional Service Delivery

The company implements a region-based service delivery model through regional depots and four core departments namely (i) Regional Operations, (ii) Mobility & Freight, (iii) Planning, and (iv) Infrastructure Development – that are supported by Corporate Services, Performance Governance & Information Technology, Public Relations & Stakeholder Engagement and Finance departments. The service delivery element of the business is organised into seven regions, structured around depots, with traffic signals and re-surfacing depot (RSD) being stand-alone depots. The JRA also owns and manages the following strategic assets namely Fleet and Plant; Asphalt Plant; Laboratory; Resurfacing Depot; Motorways Depot and Traffic Signals Depot, under Regional Operations.

Figure 1.5: CoJ regions in which the JRA operates.

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



6.5. Competitive Landscape

The JRA is the sole municipal entity established to design and maintain municipal roads and related infrastructure. Despite the absence of direct competitors in the execution of this mandate, the JRA works in partnership with other private sector entities in delivering its function. The JRA has partnered private sector entities such as Discovery, AVIS and other entities for initiatives that assist with pothole filling as well as powering of traffic signals during power outages.

CHAPTER 2: CORPORATE GOVERNANCE

Corporate Governance Statement – King IV Declaration

In line with King Code IV, in this section and through-out the report, the JRA demonstrates the **principles** that have been adopted to achieve corporate governance, and which recommended **practices** have been implemented to support the achievement of the principles. Overall, the report discloses the **impact** and **effect** of those King Code IV principles and practices in the JRA.

Section 1: Composition Key Activities and Remuneration of Board of Directors

1.1. Leadership, Ethics and Corporate Citizenship

Leadership: Principle 1 – The governing body should lead ethically and effectively.

The JRA Board sets the tone for ethics in the organisation and adheres to its fiduciary duties, functions as outlined in its Charter and is expected to always act in the best interests of the JRA. The spirit of the Code is to support ethical and good business conduct by all individuals covered by it as reflected in the scope detailed in following sections. The purpose of the Code is to provide a framework which seeks to broadly define the standards of ethical conduct by which all JRA employees will be bound. The Code seeks to provide principles for behaviour but also sets out specific prohibited actions within the scope of the legislation, as defined.

Declaration of Interest:

In line with the MSA no 32 of 2000, Schedule II, the Board of Directors, Independent Audit Committee Members and JRA employees at all levels are required to declare their interest at the beginning of each financial year and when their financial position changes. This is a mandatory legislative compliance requirement in terms of the Code of Conduct for Municipal Employees Board and Independent Audit Committee Members.

The signing of Declaration of Interest forms is also an internal control utilised to manage potential conflict of interests further necessitating that Board Members declare interests at the commencement of each Board and Board Sub-Committee meeting. In line with the legislative prescripts:

- Board members are not permitted to contract their services to the JRA in their personal capacity;
- The Board has ensured this procedure is cascaded downwards with all employees required to complete declaration of interest forms annually. All employees participating in the supply chain processes (BSC, BEC and BAC) are also expected to declare their interests to avoid conflict of interests;
- The Board will continue to embed a strong ethical culture within the organization;
- The Board has also dealt with allegations of unethical practices within Executive Management; and
- Board evaluations are conducted by the Shareholder through the Group Governance Department on an annual basis.

The Board is compliant with the principles of the Code of Ethics and Conduct which is based on integrity, competence, responsibility, accountability, fairness, and transparency (ICRAFT) in

achieving the ethical and effective leadership of the Company. The Board is expected to always act in the best interests of the JRA.

- In 2022/23 financial year all Board Members completed their Declarations of Interest, an internal control that assist in managing potential conflict of interests. Board members are not permitted to contract their services to the JRA in their personal capacity;
- Board Members also declared their interests at the commencement of each Board and Board Sub-Committee meeting;
- The Board has ensured this procedure is cascaded downwards with all employees required to complete declaration of interest forms annually. All employees participating in the supply chain processes (BSC, BEC and BAC) are also expected to declare their interests to avoid conflict of interests;
- The Board will continue to embed a strong ethical culture within the organization.
- The Board has also dealt with allegations of unethical practices within Executive Management.
- Board evaluations are conducted by the Shareholder through the Group Governance Department

1.2. Organisational Ethics

Principle 2: The governing body should govern the ethics of the organization in a way that supports the establishment of an ethical culture.

The JRA Board has implemented deliberate steps to support the establish an ethical culture and to ensure ethical practice is pervasive through-out the organisation. The Board has delegated the Remuneration and Social and Ethics Committee (REMSEC) with the responsibility to ensure the relevant policy environment exists to monitor compliance with JRA Codes, Policies and Frameworks.

- The Board has adopted the JRAs core values of respect, accountability, ubuntu, cooperation and honesty support ethical conduct, and these inform the Code of Conduct, all Policies and Strategic Plans.
- The JRA has several policies that support the establishment of an ethical culture including; JRA Code of Ethical Conduct; Whistle Blowing Policy; Fraud Prevention Policy; Ethics Framework; and Supply Chain Management Policy
- In 2022/23, the Board considered and approved the Supply Chain Management Policy. The rest of these policies are due for review and will be prioritised in the 2023/24 financial year.
- The JRA has established an Ethics Forum, convened by the Ethics Champion which monitors organisational ethics and communicates critical ethics related communication to the organisation.
- There has been regular electronic and poster communication in various languages to employees at Head Office and the Depots to encourage ethical behaviour.
- Two induction sessions were held in the financial year to new and existing employees on the governance, ethics and ethical behaviour obligations of employees. The induction also deals with compliance obligations e.g., declarations of interest) of

employees to enhance ethical behaviour.

The JRA Board encourages reporting of unethical behaviour and has a whistle blower policy which, together with the hotline and other anonymous avenues which have been used by employees and external parties, including service providers, to report suspected fraud anonymously. Several cases were reported in the year under review as reflected in the [anti-fraud and corruption section](#) of this report. Matters for investigation are escalated to GFIS for investigation purposes and once investigative reports have been finalised they are submitted to the Accounting Officer for administrative processes. Matters pertaining to the Board of Directors are administered at Board level.

Ethics Management Forum

The Forum is accountable to the Remuneration, Social & Ethics Committee for the institutionalization of Ethics in the JRA. The Forum performs all necessary functions to ensure it fulfils its responsibilities which are outlined as follows:

- Reviewing of the Code of Ethics;
- Assessing ethics risks;
- Discussion of ethical dilemmas;
- Ethics training;
- Assessing and informing the JRA's ethics performance; and
- Make decisions in relation to actions to be taken to institutionalise ethical behaviour and / or in respect of remedial action to address identified behaviour which fails to meet the required standard of ethics.

Where an extension of scope is required, authority will be granted by the Executive Management Team (EMT) and subsequently rooted to REMSEC Committee.

In the financial year, The JRA created awareness around the importance of embedding an ethical culture in the workplace through internal communication messages and released ethics statements relating to the importance of whistleblowing. Furthermore;

- There has been regular electronic and poster communication in various languages to employees at Head Office and the Depots to encourage ethical behaviour.
- Two induction sessions were held in the financial year to new and existing employees on the governance, ethics and ethical behaviour obligations of employees. The induction also deals with compliance obligations e.g., declarations of interest) of employees to enhance ethical behaviour.

1.3. Responsible Corporate Citizenship

Principle 3: The governing body should ensure that the organization is and is seen to be a responsible corporate citizen.

As a public sector organisation, the Board as decision makers, ensures that the JRA is a responsible corporate citizen by considering how the Entity impacts its stakeholder, customers, employees, the environment, local communities, and everyone along the supply chain. This is necessary if the JRA is to create value for its road users as it pursues its mandate to properly plan, build, maintain, and operate road infrastructure. The Board ensures the JRA

enables the economic and social objectives of road users and overall to support the economic development objectives of Johannesburg and Gauteng through some of the interventions below;

- In terms of service delivery, the JRA supports and cares for its communities and has prioritised marginalised areas for key programmes that include gravel roads upgrading as well as conversion of storm water channels to covered or underground systems to mitigate flooding.
- The JRA has implemented an SMME Desk that supports small and medium enterprises in their economic development. Through its commitment to ensure a portion of capital budget is spent on SMMEs, the JRA contributes to the development of skills development as well as creation of job opportunities. In 2022/23 142 SMMEs were supported and 163 EPWP opportunities created over and above the job opportunities created by main contractors.
- The JRA cares for the community and in 2022/23 received and investigated 37 petitions received through CoJ Petitions Committee from the public relating to road safety.
- The JRA also undertook road safety inspections and implemented recommendations to improve road safety mainly in areas around public facilities such as schools.
- The Company's Corporate Social Investment ("CSI") programs are focused on education (awareness) and skills development, while employees' wellness and training are also a strong focus. The JRA cares for its employees and has an Employment Equity Plan to guide recruitment, with an Employee Relations Department to support employees in various ways. The JRA runs an internship programme and appoints interns in various departments in the JRA to give young graduates internship experience and exposure to the work environment. Some of the awareness campaigns and other programmes held are reported in the [corporate social responsibility section](#) of the report.
- The JRA also supports its employees with subsidised education payments to enable them to upskill and further their studies. In 2022/23 financial year over 50 employees benefitted from this intervention.

1.4. Strategy and Performance

Strategy and Performance: Principle 4 – The governing body should appreciate that the organization's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creations process.

The Board Charter sets out the roles and responsibilities of the Board in respect of the core business of the JRA, i.e., development, approval and implementation of company strategy (JRA Strategy 2027), Annual Business Planning and Budgeting process, the identification of risks and overall risk management, governance and performance management processes.

To ensure that this function is effectively executed, the Board Charter delegates responsibilities to other committees such as Audit, Finance, Risk and Information Technology Committee

(AFRIT), Service Delivery Committee (SDC) and Remunerations and Social Ethics Committee (REMSEC).

- In 2022/23 the Board convened an annual strategy meeting attended by executive and operational management to discuss the proposed JRA multi-year Strategy that sets out how the core business mandate and objectives will be achieved in the medium term to ensure the sustainability of the Company.
- The Board considered and approved annual Business Plan and Budget which was monitored on a quarterly basis.
- The Boars also considered and approved the quarterly performance reports of the JRA.
- The Board considered and approved the Strategic and Operational Risk Registers.
- To provide assurance the AFRIT Committee Internal Audit Plans – including a rolling 3-year plan, internal audit reports, management controls assessments and external assurance reports.

Details of the JRA's performance on its predetermined objectives are contained in [Chapter 3 of this report](#).

1.5. Reporting

Principle 5: The governing body should ensure that reports issued by the organization enable stakeholders to make informed assessments of the organization's performance, and its short, medium, and long-term prospects.

- Through-out the year the JRA Board ensured timely and accurate dissemination of compliance and other reports, in line with the legislative compliance timelines as well as internal Shareholder requirements.
- In 2022/23 financial and non-financial performance was reported on a quarterly basis and followed up with participation in City-wide platforms that include technical and sub-mayoral cluster meetings Mayoral Committee as well as external assurance platforms such as Group Risk, Audit and Performance Committees. All quarterly and integrated reports were placed on the Company website.
- Applicable reporting frameworks are used to ensure accurate and effective reporting, and materiality is considered when determining the level of information included in Company reports.
- All financial and non-financial information published by the Company undergoes a comprehensive review, with input from Internal Audit, prior to the release.
- The Company provides timely and equitable disclosure of financial information and non-financial information is available in the Company's annual report available on the JRA website.
- The Board has constantly made recommendations to Executive Management on the quality of information to be included in the JRA reports.

1.6. Governing Structures and Delegation

Primary Role and responsibilities of Governing Body

Principle 6: The governing body should serve as the focal point and custodian of corporate governance in the organization.

The Board Charter regulates the conduct of those in control of the Entity, ensuring the establishment of structures and processes that enable directors to discharge their legal responsibilities. It sets out the roles and responsibilities of the Board, as well as the procedures to be followed by the directors at Board meetings. Overall, the JRA Board is the custodian of corporate governance and is responsible for how the JRA is governed, develops strategy, manages risk and is sustainable. The Board is satisfied that it has fulfilled its responsibilities in accordance with the Board Charter and has established within the JRA the necessary structures and processes for effective corporate governance.

1.7. Composition of Governing Body

Principle 7: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.






The JRA Board comprises ten diverse and independent Non-Executive Directors **70%** of whom are female, four Independent Audit Committee (IAC) members and two Non-Executive Directors, i.e., the Chief Executive Officer and Chief Financial Officer.

The policy for board appointments is implemented by the Shareholder (City of Johannesburg), who must ensure that there is an appropriate balance of diversity, skills and experience to fulfil the Board mandate. This aligns with the principles of King IV. Mr. Charles Cilliers was appointed as the JRA Board Chairperson.

During the financial year Mr. Charles Cilliers (Board Chairperson), Ms. Alice Puka (AFR&IT Chairperson); and Ms. Rochelle Daniel (IACM) resigned during the financial year. The brief profiles of JRA Board Members in 2022/23 financial year are contained in the figure below.

1.7.1. JRA Non-Exexutive Directors

				
<p>Mr. Charles Cilliers: Board Chairman (44) (Resigned) (BA. Communication Science; BA Honours - Language Studies; Master of Arts; Masters Business Management; IOD: Being a Director).</p>	<p>Dr Ravendran Govender: REMSEC Chairperson (61) (Bachelor of Medicine and Surgery (MBChB); PgD Business Management; Certificate in Board Leadership).</p>	<p>Ms. Siphosethu Mtamzeli: SDC & AFRIT (31) (Bachelor's degree in International Relations and Media Studies; Certificate in Monitoring and Evaluation; Certificate in Breaking Barriers to Entry into the Public Sector; Certificate in Teaching English as a Foreign Language</p>	<p>Ms. Victoria Mamogobo: SDC (37) (Call Centre Communication, Telephone Sale and Questioning, Microsoft Office; Communication Skills, Data Capturing and Typing, Inbound and Outbound Calls; Diploma in Business Management (part-time).</p>	<p>Mr. Kabelo Mofokeng: REMSEC (50) (Higher Certificate in Education; Diploma in Occupationally Directed ETD Practices; SAP Certificate of Competency in Stock and Distribution: Train the Trainer.</p>

				
<p>Ms. Alvarno Francis: AFR&IT (33) (B. Com Degree; B. Comm Project Officer).</p>	<p>Ms. Cleoparta Lourens: REMSEC (35) (NQF Long Term Insurance; Higher Certificate in Financial Planning; Advanced Certificate in Financial Planning; RE5).</p>	<p>Ms. Alice Puka: AFR&IT Chairperson (31) (Resigned) (Bachelor of Law Degree; Medical Negligence; Practice Management Training (in progress)).</p>	<p>Mr. Daniel Nyamazane: SDC Chairperson (53) (Bachelor of Commerce; Diploma in Real Estate; Diploma in Project Management; Currently pursuing M.SC in Real Estate.</p>	<p>Ms. Zenzokuhle Xaba: SDC (36) (National Diploma in Law (Paralegal Studies; BCom Degree in Supply Chain Management (SCM); International Dip. In Procurement and Supply.</p>

*Sharon Kleinbooi (National Diploma Health; Professional / Registered Nurse; Certificate & Diploma in Counselling (43). *E. Bowan was appointed Chairperson of the Board after the resignation of Mr. Charles Cilliers (Board Chairperson). The Chief Executive Officer and CFO (below) are Executive Directors on the JRA Board of Directors.

1.7.2. Executive Directors

Chief Executive Officer



The Board appointed Zweli Nyathi as the Acting Chief Executive Officer, who holds the required skills and knowledge for this position. The CEO is responsible for ensuring business and operational continuity and to accelerate service delivery with the aim of enabling mobility in the City of Johannesburg. The CEO is an Executive Director on the Board of Directors of the JRA.

The Chief Executive Officer is a critical and strategic position for any organization, as the primary purpose of this position is to direct and control the company's operations and give strategic guidance to ensure that the Company achieves its mission and objectives. Post the appointment of the substantive CEO of the JRA, numerous allegations surfaced which were subjected to an independent investigation and disciplinary process which subsequently resulted in the dismissal of the COE.

Chief Financial Officer



The Board also appointed Lufuno Mashau as Acting CFO of the JRA after the resignation of Dikeledi Thindisa. Mr Mashau holds the required skills and knowledge for this position. The CEO is an Executive Director on the Board of Directors of the JRA.

The Chief Financial Officer (CFO) is a senior executive responsible for managing the financial actions of the JRA. The CFO is responsible for tracking cash flow and financial planning, financial reporting to higher management and stakeholders, ensuring compliance with regulations, and managing the company's financial risk.

1.7.3. Independent⁵ Audit Committee Members (IACM)

There are four Independent Audit Committee members appointed to the Board as reflected in the table below.

Independent Audit Committee Members	
Nison Khoza (Bachelor of Commerce Accounting; Bank Seta funded Work Readiness Programme; Virtual Banking & Credit Training)	Rochelle Daniel (Advanced Certificate in Ed. Computer Integrated Education; Dip. in Commercial Education; Assessor course; Business Development and Entrepreneurship) (Resigned)
Derek Martin (BA; Higher Dip. in Education; Honours In Public Administration; Master's in Public Administration)	Thando Kwela (Bachelor of Commerce: Human Resource Management)

Company Secretary

The JRA's Company Secretary is appointed in terms of the Companies Act, No. 71 of 2008, as amended. The Company Secretary is not a member of the Board but is performance reviewed and evaluated by the Chairperson of the Board, in consultation with the Board, every year.

The Company Secretary, Ms. Phumla Thandeka Majola is responsible for providing support to the Board and for developing systems and processes to enable the Board to function effectively. She provides guidance and support regarding the powers, roles and responsibilities of the Board and its committees and on corporate governance matters, the Companies Act and other governance related legislation. She serves as the main link between the Board and the JRA Executive Management Team. The Company Secretary reports to the Board functionally and to the CEO administratively and holds the required qualifications and skills to perform this function. The tables below provide the record of attendance of Members of the Board.



NED	28/07/22	30/08/22	27/10/22	07/11/22	15/11/22	29/11/22	13/12/22	21/12/22	27/01/23	01/03/23	25/04/23	27/02/23	27/06/23
		Special		Special	Special	Special	Special	Special		Special			
Tiyani Sambo	N/A	X	Resigned	Resigned	Resigned	Resigned	Resigned	Resigned	Resigned	Resigned	-	-	-
Thabo Motloug	✓	✓	✓	✓	✓	✓	✓	✓	✓	Retired	Retired	Retired	Retired
Hazel Mtimkhulu	✓	✓	✓	✓	✓	✓	✓	✓	✓	Retired	Retired	Retired	Retired
Msizi Myeza	✓	✓	✓	✓	✓	✓	✓	✓	✓	Retired	Retired	Retired	Retired
Nompumelelo Mkhize	✓	✓	✓	✓	✓	✓	✓	✓	✓	Retired	Retired	Retired	Retired
Innocent Mthembu	✓	✓	✓	✓	✓	✓	✓	✓	✓	Retired	Retired	Retired	Retired
Boitumelo Mokgatle	✓	✓	✓	✓	✓	✓	✓	✓	✓	Retired	Retired	Retired	Retired
Silver Bapela	✓	Resigned	Resigned	Resigned	Resigned	Resigned	Resigned	Resigned	Resigned	-	-	-	-
Tshepo Phetla	✓	X	✓	✓	✓	✓	✓	✓	✓	Retired	Retired	Retired	Retired
Siyabonga Nodu A/CEO	✓												
Tshepo Mahanuke CEO		✓	✓	X	X								
Louis Nel A/CEO						✓	✓	✓	✓	✓	✓		
Zweli Nyathi A/CEO												✓	✓
Makgopong Thindisa CFO	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Resigned	Resigned
Lufuno Mashau A/CFO												✓	✓
Charles Cilliers										✓	✓	✓	✓
Alice Puka										✓	✓	X	X
Ravendran Govender										✓	✓	✓	✓
Daniel Nyamazane										✓	✓	✓	✓
Cleopatra Lourens										✓	✓	✓	✓

NED	28/07/22	30/08/22	27/10/22	07/11/22	15/11/22	29/11/22	13/12/22	21/12/22	27/01/23	01/03/23	25/04/23	27/02/23	27/06/23
		Special		Special	Special	Special	Special	Special		Special			
Kabelo Mofokeng										✓	✓	✓	✓
Alvarno Francis										✓	✓	✓	✓
Siphosethu Mtamzeli										✓	✓	✓	✓
Zenzokuhle Xaba										✓	✓	✓	✓
Victoria Mamogobo										✓	✓	✓	✓
Sharon Kleinbooi										✓	✓	✓	✓

1.8. Committees of the Governing Body

Principle 8: The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.

The JRA Board has delegated certain governance functions to its Committees to assist the Board in meeting its oversight responsibility. This established a balance of power at Board Level. All Board committees established conform to the Companies Act and King IV requirements, have Terms of Reference and are chaired by independent Non-Executive Directors. In 2022/23 The JRA Board had three sub-committees; the Audit, Finance and Risk and Information Technology Committee (AFRIT); the Remuneration and Social Ethics Committee (REMSEC); and the Service Delivery Committee (SDC).

The company secretariat provides secretarial services for each Board Committee and the Chairperson of each Committee reports its findings to the Board after each formal Committee meeting. The Board acknowledges its accountability to the Shareholder for the actions of these Committees and is satisfied that they have met their respective responsibilities for the year under review.

Remuneration and Social Ethics (REMSEC) Committee

REMSEC deals with, among others, governance matters such as oversight of compliance with corporate practices and code of ethics as well as remuneration matters such as oversight of inter alia remuneration policies, remuneration packages and all other matters relating to human resources and /or labour related matters. In 2022/23 the Committee held four ordinary meetings and one special meeting as illustrated below

NED	Remuneration, Social & Ethics Committee (REMSEC)				
	15/07/22	14/10/22	12/12/22	16/01/23	14/04/23
	Ordinary	Ordinary	Special	Ordinary	Ordinary
Tiyani Sambo	N/A	-	-	-	-
Thabo Motloug	N/A	N/A	N/A	N/A	Retired
Hazel Mtimkhulu	✓	✓	✓	✓	Retired
Msizi Myeza	N/A	N/A	N/A	N/A	Retired
Nompumelelo Mkhize	N/A	N/A	N/A	N/A	Retired
Innocent Mthembu	✓	✓	✓	✓	Retired
Boitumelo Mokgatle	✓	✓	✓	✓	Retired
Silver Bapela	N/A	N/A	N/A	N/A	Retired
Tshepo Phetla	✓	✓	✓	✓	Retired
Charles Cilliers	-	-	-	-	N/A
Alice Puka	-	-	-	-	N/A
Ravendran Govender	-	-	-	-	✓
Daniel Nyamazane	-	-	-	-	✓

Cleopatra Lourens	-	-	-	-	✓
Kabelo Mofokeng	-	-	-	-	✓
Alvarno Francis	-	-	-	-	N/A
Siphosethu Mtamzeli	-	-	-	-	N/A
Zenzokuhle Xaba	-	-	-	-	N/A
Victoria Mamogobo	-	-	-	-	N/A
Sharon Kleinbooi	-	-	-	-	✓

Audit, Finance, Risk and Information Technology (AFRIT) Committee

AFRIT deals with, among others, financial management matters, in particular oversight of all matters relating to financial accounting, accounting policies, reporting and disclosure. It also deals with risk management and ICT governance, exercising oversight over risk management issues, the process of identifying material risks and mitigation actions, as well as oversight over ICT governance as envisaged in King Code IV. It also exercises oversight over internal and external audit functions, overseeing internal and external audit policy, including activities, scope, adequacy and effectiveness of the internal audit function and audit plans. Review or approval of external audit plans, findings, problems, reports and fees. In the year under review AFRIT held four ordinary and three special meetings.

NED	Audit, Finance, Risk and IT Committee (AFRIT)						
	13/07/22	24/08/22	12/10/22	28/11/22	12/01/23	13/04/23	26/01/23
		Special		Special			Special
Tiyani Sambo	N/A	N/A	-	-	-	-	-
Thabo Motloug	✓	✓	N/A	N/A	N/A	Retired	Retired
Hazel Mtimkhulu	N/A	N/A	N/A	N/A	N/A	Retired	Retired
Msizi Myeza	N/A	N/A	N/A	N/A	N/A	Retired	Retired
Nompumelelo Mkhize	N/A	N/A	N/A	N/A	N/A	Retired	Retired
Innocent Mthembu	N/A	N/A	✓	✓	✓	Retired	Retired
Boitumelo Mokgatle	X	✓	✓	✓	✓	Retired	Retired
Silver Bapela	N/A	-	-	-	-	-	-
Tshepo Phetla	N/A	N/A	N/A	N/A	N/A	Retired	Retired
Charles Cilliers	-	-	-	-	-	N/A	N/A
Alice Puka	-	-	-	-	-	✓	X
Ravendran Govender	-	-	-	-	-	✓	✓
Daniel Nyamazane	-	-	-	-	-	N/A	N/A
Cleopatra Lourens	-	-	-	-	-	N/A	N/A
Kabelo Mofokeng	-	-	-	-	-	N/A	N/A
Alvarno Francis	-	-	-	-	-	✓	✓
Siphosethu Mtamzeli	-	-	-	-	-	N/A	N/A

Zenzokuhle Xaba	-	-	-	-	-	N/A	N/A
Victoria Mamogobo	-	-	-	-	-	N/A	N/A
Sharon Kleinbooi	-	-	-	-	-	N/A	N/A
	Independent Audit Committee						
Thabo Mongatane	✓	✓	✓	✓	✓	N/A	N/A
Karen Parirenyatwa	✓	✓	✓	✓	✓	N/A	N/A
Sello Makhubela	X	X	N/A	N/A	N/A	N/A	N/A
Nison Khosa	N/A	N/A	N/A	N/A	N/A	✓	✓
Derek Martin	N/A	N/A	N/A	N/A	N/A	✓	✓
Thando Kwela	N/A	N/A	N/A	N/A	N/A	X	X
Rochelle Daniels	N/A	N/A	N/A	N/A	N/A	✓	X

Service Delivery Committee (SDC)

SDC deals with, among others, strategy development and implementation and organisational performance, identification of the appropriate indicators and targets and relevant reporting and accountability in support of the service delivery mandate. The Committee also deals with stakeholder engagement and relationships, conducting oversight over effective stakeholder engagement and responsiveness. In 2022/23 the Committee held four ordinary meetings as illustrated below.

NED	Service Delivery Committee (SDC)			
	12/07/22	11/10/22	19/01/23	12/04/23
Tiyani Sambo	N/A	N/A	N/A	-
Thabo Motloung	✓	N/A	N/A	Retired
Hazel Mtimkhulu	✓	✓	✓	Retired
Msizi Myeza	✓	✓	✓	Retired
Nompumelelo Mkhize	✓	✓	✓	Retired
Innocent Mthembu	N/A	N/A	N/A	Retired
Boitumelo Mokgatle	N/A	N/A	N/A	Retired
Silver Bapela	✓	N/A	N/A	Retired
Tshepo Phetla	N/A	N/A	N/A	Retired
Charles Cilliers	-	-	-	N/A
Alice Puka	-	-	-	✓
Ravendran Govender	-	-	-	n/a
Daniel Nyamazane	-	-	-	✓
Cleopatra Lourens	-	-	-	N/A

Kabelo Mofokeng	-	-	-	N/A
Alvarno Francis	-	-	-	N/A
Siphosethu Mtamzeli	-	-	-	✓
Zenzokuhle Xaba	-	-	-	✓
Victoria Mamogobo	-	-	-	✓
Sharon Kleinbooi	-	-	-	N/A

Outside of the Independent Audit Committee Members, the Board and its Committees did not have any external advisers or invitees that regularly attended the Board or Committee Meetings.

1.9. Evaluations of the Performance of the Governing Body

Principle 9: The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.

The Shareholder (City of Johannesburg) assesses the Board’s performance on an annual basis. In 22/23 financial year the assessment was conducted in November 2022. The outcome is important in informing the training requirements for the 2023/24 financial year. An external party conducts these detailed evaluation procedures. There is an opportunity for self-review procedures that can be performed by the Board and its Directors if required.

1.10. Appointment and Delegation to Management

Principle 10: The governing body should ensure that the appointment of and delegation to management contribute to the role clarity and effective exercise of authority and responsibilities.

The Board sets the parameters for the powers that are delegated to management by considering and approving the JRA Delegations of Authority. This maintains a clear balance of power by delegating specific powers and delegations of authorities to operating management. The delegations of Authority are approved every three years or more regularly if required. The Board is satisfied that the existing Delegations of Authority contributes to role clarity and the effective exercise of authority. The Board appoints the JRA Chief Executive Officer on a five-year fixed term contract.

1.11. Risk Governance

Principle 11: The governing body should govern risk in a way that supports the organization in setting and achieving its strategic targets.

The JRA Board takes overall responsibility for risk management with a formal process implemented for managing risk while delegating authority to the Audit Finance, Risk Committee, and Information Technology Committee. AFRIT oversees the risk management processes within the Company and reports back to the Board. On an annual basis, the

Board reviews the JRA strategic and operational risk registers to ensure risks are being managed within a tolerable level and that sufficient attention is being paid to reducing risk items where the risk is considered unacceptable.

The Risk Management function supports the enterprise-wide risk approach by identifying, evaluating, and measuring Strategic and Operational risks and compliance in all functional areas of the JRA, as well as maintaining adequate internal controls. The risk management function in consultation with functional areas develops and monitors implementation of action plans identified in the strategic and operational risk registers. The Executive Committee is responsible for ensuring that operational management considers and implements the appropriate risk responses. The Executive Committee ensures that risk management is performed on a continuous basis and reports to AFRIT on this matter on a quarterly basis. For detailed report on the management of risk see Section 4 on risk management.

1.12. Information Technology Governance

Principle 12: The governing body should govern technology and information in a way to support the organization in setting and achieving its strategic objectives.

The Board takes overall responsibility for the governance of technology and the governance of information. It has delegated the oversight to the AFRIT Committee who exercise oversight on executive management's development and implementation of the IT Strategy and accompanying policies. The executive management reports back to AFRIT on a quarterly basis. The PGIT department is responsible for systems governance and implementation within the Group. Therefore, Board has oversight over the policies, systems and procedures that the JRA develops and implements to manage its data and to ensure business continuity is proactively managed.

1.13. Compliance Governance

Principle 13: The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organization being ethical and a good corporate citizen.

The Board assumes overall responsibility for compliance with applicable laws, regulations, and adopted codes and standards in the JRA. It has delegated the oversight function to the AFRIT Committee which ensures that the JRA effectively implements the CoJ Group Compliance and Risk Management Framework to ensure that the Company complies with all applicable laws and regulations. The Board reinforces a compliance culture through the JRA to ensure that continuous compliance risk management is implemented and adhered to and receives an assessment of compliance on a quarterly basis from the Group Compliance Unit. The Board ensures, through executive management that areas of non-compliance are responded to adequately. The Board aims to continue to evaluate and document the full risk and compliance environment within the JRA. For details on the compliance universe refer to Section 7 on Compliance with Laws and Regulations.

1.14. Remuneration Governance

Principle 14: The governing body should ensure that the organization remunerates fairly, responsibly, and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium, and long-term.

The JRA Board ensures that there is an appropriate policy environment and procedures aligned to the Group Policy Framework and the Collective Bargaining outcomes to provide assurance that the remuneration practices of the JRA are fair, responsible, and transparent. To achieve this objective the Board has delegated the function to REMSEC which in the year under review; Ensured that the following policies relating to performance management and remuneration are in place;

- Performance Management and Development Policy, Remuneration, Rewards and Recognition Policy, among other related policies.
- Oversaw and advised the Board on the appointments of Senior Executives and CEO by participating in the selection and recommending candidates for appointment to the Board.
- Reviewing and approving the individual performance targets and methodology applicable to the year-end performance management process and outcomes.
- REMSEC Committee is satisfied that the stated objectives of the remuneration policies and frameworks have been achieved.

1.15. Assurance

Principle 15: The governing body should ensure that assurance services and functions enable an effective control environment and that these support the integrity of information for internal decision-making and of the organization's external reports.

The Board assumes overall responsibility for arrangements in respect of assurance services and has delegated the responsibility for ensuring effective implementation of the assurance functions to AFRIT. The combined assurance model covers the significant risks applicable to the Company, and AFRIT is satisfied with the expertise, effectiveness and adequacy of arrangements in place for combined assurance. The Company operates a combined assurance framework based on the three lines of defense, which aims to optimize the assurance coverage obtained from management, internal audit with respect to the JRA's key risks. In the year under review AFRIT considered and approved the Risk based Internal Audit Plan. The assurance providers assess and evaluate the control environment's effectiveness and information integrity. These assessments encompass financial, operational, and compliance aspects and are reflected in [Chapter Six](#) of this report.

1.16. Stakeholder Relationships

Principle 16: In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder inclusive approach that balances the needs, interests, and expectations of material stakeholders in the best interests of the organization over time.

The Board recognizes that the JRA has various stakeholders and so implements a stakeholder-inclusive approach in respect of the overall governance of the businesses. The Public Relations and Stakeholder Engagement is responsible for ensuring the maintenance of stakeholder relationships on behalf of the JRA through various engagements strategies. The Board also acknowledges that communication with stakeholders in respect of financial and non-financial information is vital and so the JRA Integrated Report post Board approval serves at the CoJ Council and is put through a public consultation process. The reports are also placed on the JRA website.

The JRA participates in City-wide public consultation processes for the formulation of the Integrated Development Plan and the Annual Business Plan. The JRA is also part of various awareness programmes in various community projects as part of its Corporate Social Investment program. Through PR&SE the JRA maintains continual engagement with customers, partners, and suppliers, as well as individual shareholders through formal or informal channels.

1.17. Responsibilities of Institutional Investors

Principle 17: The governing body of an institutional organization should ensure that responsible investment is practiced by the organization to promote the good governance and the creation of value by the companies in which it invests.

This principle is not applicable to the JRA and is therefore not reported on in this report.

Section 2: High-Level Organisational Structure

The management of the JRA is accountable for strategic and operational matters to the Board of Directors. In 2022/23, the JRA executive management was composed of the Chief Executive Officer (CEO) supported by the CFO and seven (7) Heads of Departments (HoDs). The HoDs lead four core service delivery and technical departments (Infrastructure Planning, Regional Operations, Mobility and Freight, and Infrastructure Development) and three support departments (Corporate Services, Finance, Public Relations and Stakeholder Engagement and Performance Governance and Information Technology). Figure 2.2. below illustrates the high-level organisational structure of the JRA.

2.1. Executive Management

The Executive Committee is responsible for implementing the company's strategy and managing the operational activities of the JRA. The committee holds ordinary meetings at least once a month and special meetings as and when required. The Committee is chaired by JRA the CEO.

During the year under review, the committee reviewed among other things, the JRA's top strategic and operational risks, the risk strategy action plans, business plan, budget, performance reports and policies. The members of the executive committee as at 30 June 2023 and their qualifications are provided in Figure 2.3. below.

2.1. JRA Organogram

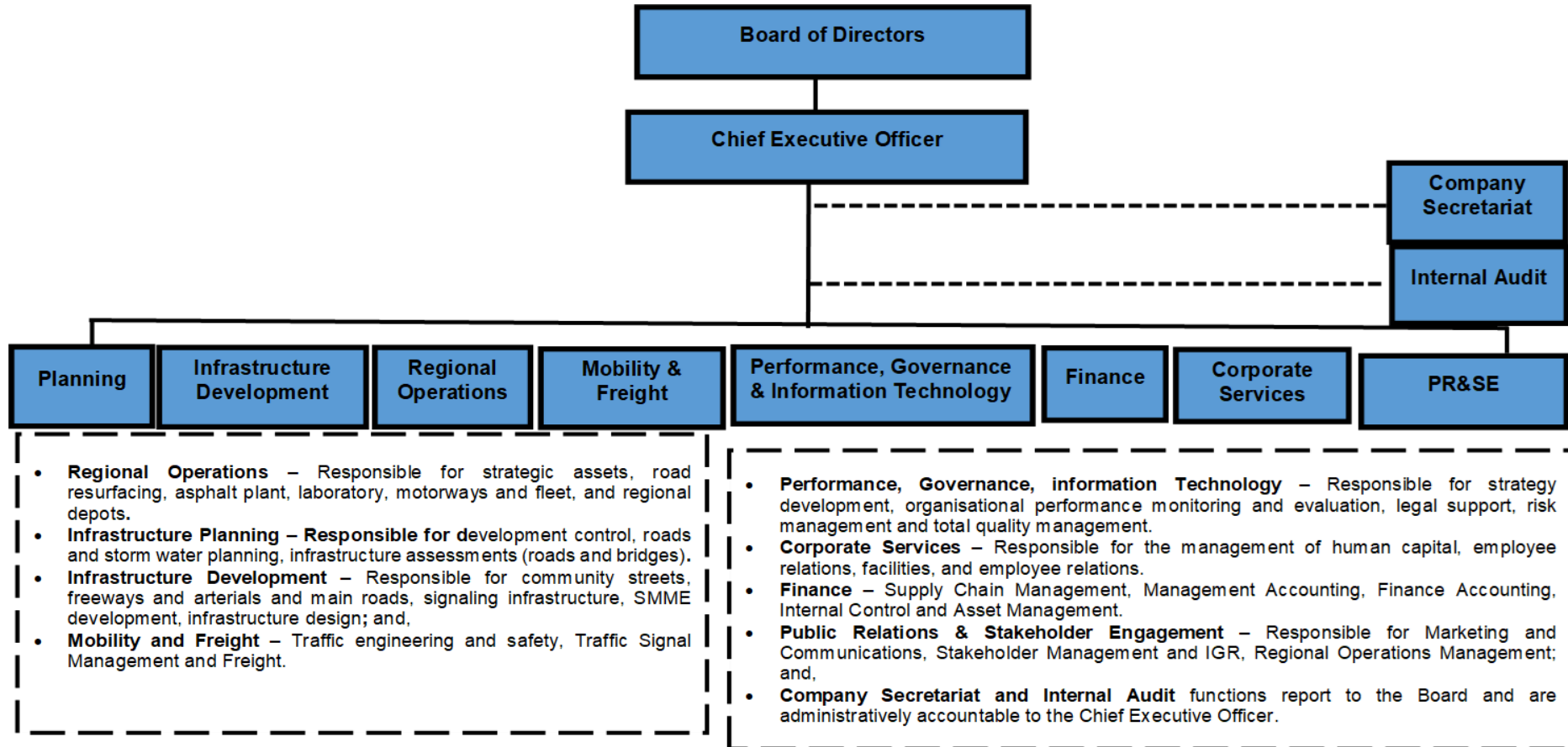







Figure 1.1. High level organisational structure of the Johannesburg Roads Agency

Figure 2.2. High-level organisational structure of the JRA (above) and Figure 2.3. JRA Executive Management (below)

				
<p>Zweli Nyathi (Acting Chief Executive Officer)* MBA Majoring in Information and Communication Technology; Current Studies – PhD in Technology Innovation and Management</p>	<p>Lufuno Mashau (Acting Chief Finance Officer)* B.Compt Accounting Science; Executive Leadership Programme (GIBS)</p>	<p>Lawrence Maseko (Acting HoD: Regional Operations)* BA Public Administration; Cert. Municipal Financial Management; Dip Business Software New Managers Programme (NMP); Cert. Development and Management of Local Government; Cert. Principle of Business and Management; Cert. Management Services; Cert. Facilities Management</p>	<p>Mr Louis Nel (HoD: Mobility and Freight) NDIP; NHDIP; BSC (Hons); Executive Municipal Finance (MFMA)</p>	<p>Mr Musa Mkhacane (HoD) Infrastructure Planning Pr. Tech Eng. (Nt. Dip. Civil Engineering; B-Tech Urban Engineering; Higher Cert. Project Management)</p>

				
<p>Ms Sindiswa Mathebula (Acting HoD: Corporate Services)* Post Graduate Dip: Public Administration; B-Tech: Industrial Engineering; NDip: Industrial Engineering; Adv Cert: Project Management (PMBok); Certificate in Local Government Finance</p>	<p>Mr Kwazelela Mcetywa (Pr. Tech Eng, PMP) (HoD: Infrastructure Development) M.Eng. Civil Engineering; MBA; BSc Honours; B.Tech. Civil Engineering.</p>	<p>Ms. Ayanda Ntshingila (HoD: Public Relations & Stakeholder Engagement) B.Soc.Sci in Public Administration and Industrial Psychology (UCT) Management Advancement Programme (MAP): Wits Business School General Management Programmes: Gordons Institute of Business (GIBS)</p>	<p>Mr. Sekati Mangena (HoD: PGIT) PgD. Business Management; BCOM; Advance Management: Municipal Governance. Cert. Local Government Finance Municipal Finance Management Programme (MFMP)</p>	<p>Khaya Meslane: Ops Manager Internal Audit. Left the JRA on June 30, 2023</p>

*Acting Appointment – Tshupo Mahanuke (CEO) left the JRA on 09 June 2023; Dikeledi Thindisa (CFO) left the JRA April 2023; Muziwandile Nkonyane (HoD: Regional Operations) left the JRA on 10 February 2023; Siyabonga Nodu (HoD: Corporate Services) seconded to CoJ on 12 December 2022.

Section 3: Governance and Stakeholder Relationships

The below table presents the JRA stakeholder engagement process.

Table 2.5: JRA stakeholder matrix and engagement

JRA's stakeholders	How we engage	Key issues	Why we Engage
<ul style="list-style-type: none"> Shareholder Communities JRA Board of Directors and leadership Employees and Union Councillors, ward committees and section 79 committees Customers, suppliers, and service providers Private sector National and Provincial government Civil society, NGO's and designated targeted groups. 	<ul style="list-style-type: none"> Media correspondence Print media Radio TV broadcasts Social media platforms Bulk SMS JRA email banners Internal posters Connect newsletter CEO's roadshows and staff meetings JRA intranet Public speaking engagements Tradeshows and exhibitions 	<ul style="list-style-type: none"> Traffic regulatory queries: Faulty traffic signals, old road signs and marking Road Infrastructure: pothole, road barriers installation and repair, traffic lights maintenance and installation, traffic calming measures; development of sidewalks; development and repairs to pedestrian bridges; surfacing of gravel roads, replacement of manhole covers Stormwater Infrastructure: Conversion of open storm water channels Training and career progression Personal development requests Pay and working conditions Safety and quality standards 	<ul style="list-style-type: none"> Inform Partner Consult Involve Collaborate

Therefore, our strategic and performance plans are informed by extensive stakeholder and public consultations, which are conducted as part of the City-wide public participation processes. As part of this consultation exercise the JRA's 2022/23 Business Plan against which this Integrated Report is produced, was subjected to public scrutiny. The public consultation process enables the City and entity to comply with the requirements of the Municipal Systems Act and the Municipal Finance Management Act. The most dominant matters raised across all regions are as follows;

Table 2.6: Stakeholder issues raised

Stakeholders	Issues Raised
City of Johannesburg residents; Ratepayers; Business community; Civil society; National and provincial government; Designated targeted groups.	<ul style="list-style-type: none"> Installation of traffic calming measures; Development of sidewalks; Development and repairs to pedestrian bridges; Surfacing of gravel roads; Maintenance and servicing of Gauteng Provincial Government Traffic Signal Infrastructure Conversion of open storm water channels especially in flooding hotspots Replacement of manhole covers; and General road maintenance (pothole patching, barriers installation and repair, traffic lights maintenance).

To respond to these issues the JRA implements several programmes as well as the City's Customer Charter Standards. The JRA has seven standards, with 21 sub-targets that it strives to

meet to respond to customer and resident queries. The [details on the JRA performance](#) on these standards and programmes are contained in Chapter 3 of this report.

Section 4: Risk Management

Principle 11: The governing body should govern risk in a way that supports the organization in setting and achieving its strategic targets.

The JRA Board takes overall responsibility for risk management with a formal process implemented for managing risk while delegating authority to the Audit Finance, Risk Committee, and Information Technology Committee (AFRIT). The Committee oversees the risk management processes within the Company and reports back to the Board. On an annual basis, the Board reviews the Group risk register to ensure risks are being managed within a tolerable level and that sufficient attention is being paid to reducing risk items where the risk is considered unacceptable. The JRA approach to risk management aims to protect value and to make the business sustainable over time and to maintain an appropriate balance between realising opportunities for gains and minimising adverse impacts.

At management level, the Accounting Officer (AO) has established the necessary structures, put risk and compliance management on the strategic agenda of executive management as mandated by the Board of Directors. The JRA has a risk management unit that supports the enterprise-wide risk approach by identifying, evaluating, and measuring strategic and operational risks and compliance in all functional areas of the JRA, as well as maintaining adequate internal controls; The risk management unit in consultation with functional areas develops and monitors implementation of action plans identified in the strategic and operational risk registers.

The Executive Committee is responsible for ensuring that operational management considers and implements the appropriate risk responses. The Executive Committee ensures that risk management is performed on a continual basis and reports and presents to the Board on this matter on an annual basis. The JRA integrated approach to risk management is aligned to the CoJ Group Risk Management Framework and Group Risk Management Policy and identification of strategic risks is informed by the parent municipality. The JRA's approach to risk management is illustrated in the figure below.

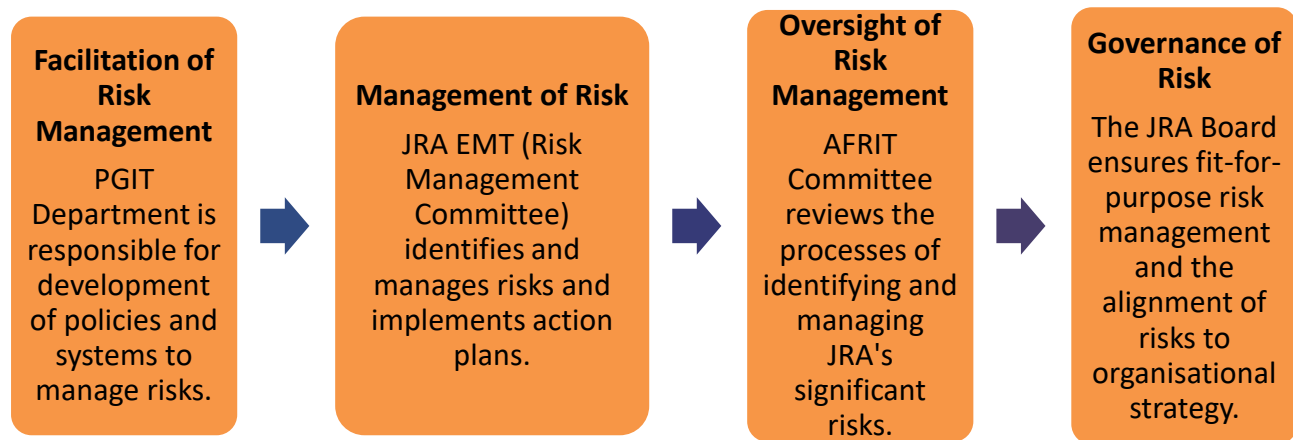
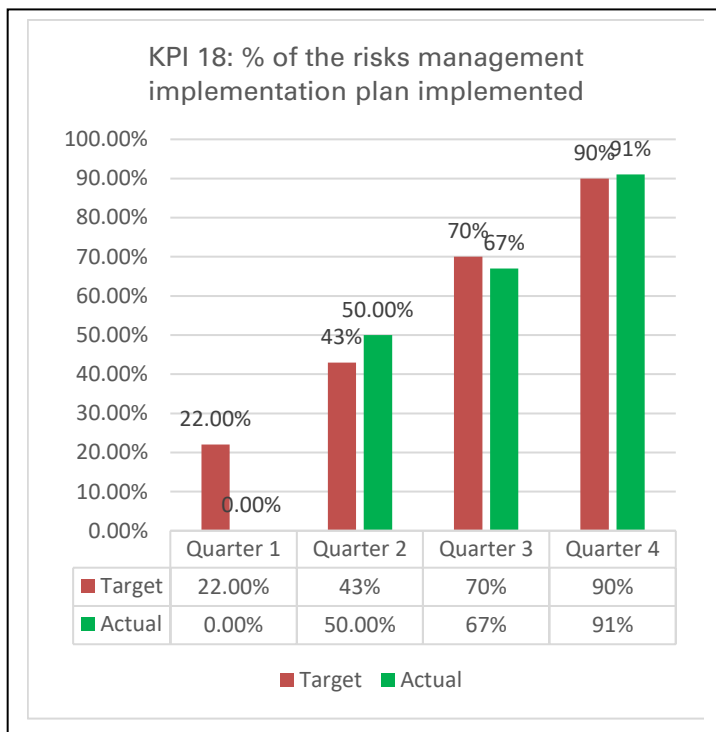


Figure 2.4. JRA Risk Governance









For 2022/23 financial year, the following strategic risks were identified as having a potential material impact on the JRA; Road Infrastructure Failure (roads, bridges, stormwater, traffic signals); Environmental hazards; Inability to spend capex budget funding; Inability to maximise asphalt plant; Theft and vandalism of road infrastructure; Governance failures; Inadequate and ineffective communication systems with relevant stakeholders; Fraud, theft and corruption; Weakened workforce due to high exposure to Covid-19 virus; Poor quality of work (projects); Ineffective Business Continuity Management system; Cyber-attack, data fraud and data theft; and Inadequate records management system. Ninety-one (91%) of the planned actions were completed as illustrated in the graph below.



The company undertakes risk assessments on a regular basis and develops appropriate responses in line with the Enterprise Risk Management Framework. The efficacy of these responses is monitored and reported to the Shareholder’s governance structures on a regular basis.

The JRA approved its Risk Management Maturity Framework, Business Continuity Management Framework; and Risk Appetite and Tolerance Framework for the period 2021-24. The graph above illustrates implementation of risk management plan. Below is the status of the strategic risk profile as of June 2023.

No	Strategic Risk	Residual Risk Exposure	2022/23 Residual Risk Exposure	Movement
1.	Road Infrastructure Failure (roads, bridges, stormwater, traffic signals)	High	High	
2.	Environmental hazards	Medium	Medium	
3	Inability to spend capex budget funding	High	High	
4	Inability to maximise asphalt plant	High	High	
5	Theft and vandalism of road infrastructure	High	High	

No	Strategic Risk	Residual Risk Exposure	2022/23 Residual Risk Exposure	Movement
6	Governance failures	High	High	
7	Inadequate and ineffective communication systems with relevant stakeholders	High	High	
8	Fraud, theft, and corruption	High	High	
9	Weakened workforce due to high exposure to Covid-19 virus.	Low	Low	
10	Poor quality of work - projects	High	High	
11	Ineffective Business Continuity Management system	Medium	Medium	
12	Cyber-attack, data fraud and data theft	Medium	Medium	
13	Inadequate records management system	High	High	

Reduced



Constant



Increased



JRA Strategic and Operational Risks and their linkage to Short, medium and Long-Term Institutional Strategies and Plans

No.	RISK	STRATEGIC OPPRTUNITIES	BUSINESS PLAN PROGRAMME	SDBIP/IDP	GDS 2040 ¹
1	Governance failures	Improved financial management and accountability	Good Governance	Priority 1: Good Governance	Outcome 4
2	Failure to recruit, promote growth and retain skilled personnel	Skills development for employees.	Create a well-resourced and diverse pool of critical skills.	Priority 1: Good Governance	Outcome 3
3	Insufficient funding for capex & opex projects	<ul style="list-style-type: none"> - Access to Grant Funding - Financial sustainability - Potential for income generation through: <ul style="list-style-type: none"> o Asphalt Plant commercialisation o Working agreements i.e., SLA (CoJ, MTC, Joburg Water, City Power, Gautrans etc.) 	Improving and strengthening the City's financial position through prudent financial management practices	Priority 2: Financial Sustainability	Outcome 4
4	Unreliable power supply	Traffic management centre	ICT Governance	Priority 3: Energy Mix	Outcome 2
5	Road Infrastructure Failure (roads, bridges, stormwater, traffic signals)	<ul style="list-style-type: none"> - Road and stormwater infrastructure upgrading - Implementation of the stormwater master plans. 	To ensure quality and timeous service delivery of Road infrastructure within the City of Joburg	Priority 4: Sustainable Service Delivery Priority 5: Infrastructure Development and Refurbishment	Outcome 1 & 2
6	Delayed implementation & completion of projects	Improved value creation for road users	To ensure efficient & effective service delivery through highly efficient Project Management to achieve project goals in a consistent manner, addressing appropriate risk & stakeholder requirement	Priority 4: Sustainable Service Delivery Priority 5: Infrastructure Development and Refurbishment	Outcome 1 & 3
7	Inability to maximise asphalt plant	The advanced uses of the new Asphalt Plant such as recycling of material as well as	Company performance	Priority 4: Sustainable Service Delivery	Outcome 4

¹ GDS 2040 Outcomes: Outcome 1: Improved quality of life and development-driven resilience for all; Outcome 2: Provide a resilient, liveable, sustainable urban environment – underpinned by smart infrastructure supportive of a low carbon economy; Outcome 3: An inclusive, job-intensive, resilient, competitive and smart economy that harnesses the potential of citizens; and, Outcome 4: A high performing metropolitan government that proactively contributes to and builds a sustainable, socially inclusive, locally integrated and globally competitive Gauteng City Region.

		production of cold mix is a positive step towards cost reduction.		Priority 5: Infrastructure Development and Refurbishment	
8	Fraud, theft and corruption		Good Governance	Priority 7: Safer City	Outcome 4
9	Cyber-attack, data fraud and data theft		ICT Governance	Priority 7: Safer City	
10	Dissatisfied Stakeholders		Improve perception of the organisation	Priority 8: Active and Engaged Citizenry	
11	Environmental hazards		Ensure hygienic environment	Priority 9: Sustained Economic Growth	Outcome 2
12	Failure to conduct research, development and application of innovation	Private and public partnerships in the following: Implementation of roads and stormwater projects; Projects funding; freight and logistics. Partnerships with universities and research institutions for research work in the following: New road construction methodologies that optimise resource use; New road construction materials; Sustainable roads and stormwater infrastructure design; Traffic data analysis and algorithms.	A Smart City that embraces ICT innovation as a force for good	Priority 10: Smart City	Outcome 2
13	Ineffective Business Continuity Management system	Improved systems performance	ICT Governance	Priority 10: Smart City	Outcome 2

JRA Top 6 Operational Risks and their linkage to Short, medium and Long-Term Institutional Strategies and Plans

No.	RISK	STRATEGIC OPPRTUNITIES	BUSINESS PLAN PROGRAMME	SDBIP/ IDP	GDS 2040
1	Occupational Injuries	Improved productivity and reduced injury rate	Health, Safety and Environmental Compliance	Priority 9: Sustained Economic Growth	Outcome 1
2	Inefficient security systems and processes	Improved optimisation of road infrastructure and reduced replacement costs	ICT Governance	Priority 10: Smart City	
3	Long overdue faulty traffic signals	Increased opportunity for partnerships and improved value creation for road users	Customer Charter Service Standards	Priority 4: Sustainable Service Delivery Priority 5: Infrastructure Development and Refurbishment	Outcome 1 & 2

No.	RISK	STRATEGIC OPPRTUNITIES	BUSINESS PLAN PROGRAMME	SDBIP/ IDP	GDS 2040
4	Late payments of service providers	Financial sustainability and improved support and sustainability of SMMEs	Improving and strengthening the City's financial position through prudent financial management practices	Priority 2: Financial Sustainability	Outcome 4
5	Road deterioration	Road and stormwater infrastructure upgrading	Customer Charter Service Standards	Priority 4: Sustainable Service Delivery Priority 5: Infrastructure Development and Refurbishment	Outcome 1 & 2
6	Delayed implementation of projects during construction stages (work stoppages)	Improved support and sustainability of SMMEs and improved EPWP opportunities	To ensure efficient & effective service delivery through highly efficient Project Management to achieve project goals in a consistent manner, addressing appropriate risk & stakeholder requirement	Priority 4: Sustainable Service Delivery Priority 5: Infrastructure Development and Refurbishment	Outcome 1 & 3

4.1. Opportunities

Risks, Opportunities and Dependencies

Table 2.9 below reflects the assessment of the company's key risks and the opportunities emerging out of mitigation plans to manage the risks. The risks and opportunities identified are linked to dependencies that needed to be managed for effective mitigation.

Table 2.9: JRA's key risks, opportunities, and dependencies

No.	Risks	Opportunities	Dependencies
1	Road Infrastructure Failure (roads, bridges, stormwater, traffic signals)	<ul style="list-style-type: none"> Improve proactive maintenance, project management resources, and increase budgetary allocations to key infrastructure maintenance Reduction in public liability claims 	<ul style="list-style-type: none"> Strong interdependency with the Johannesburg Development Agency, Housing Department and Development Planning Department for infrastructure projects implementation.
2	Governance failures	<ul style="list-style-type: none"> Achievement of objectives Improved audit outcomes Proactive community disruptions 	<ul style="list-style-type: none"> Management of interdependencies with other key City entities such as City Power and Joburg Water. Alignment and dependency on the City-wide Group Governance frameworks.
3	Inability to maximise asphalt plant	<ul style="list-style-type: none"> Potential income generation through Asphalt Plant commercialization 	<ul style="list-style-type: none"> Dependent on working agreements with Joburg Water, City Power, etc,
4	Fraud, theft, and corruption	<ul style="list-style-type: none"> Invest in alternative technologies and increase engagements with sectoral departments such as Public safety 	<ul style="list-style-type: none"> Engagements with Public Safety Department and Development control units in Development Planning as well as relevant provincial departments.
5	Poor quality of work - projects - internal work	<ul style="list-style-type: none"> Demand improved contractor performance 	<ul style="list-style-type: none"> Dependency on the Contractor's ability to fund the project and its operations.

4.2. Internal Controls

The adopted risk methodology also entails the application of internal control mechanisms and mitigation actions, the adequacy, and effectiveness of which are monitored and measured by the Internal Audit Unit (see Chapter 6). 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).

Through the ISO 9001 programme the JRA has developed several SOPs, and the Total Quality Management Unit is extensively involved in several process improvement initiatives. The implementation of SOPs and internal controls remains an area of continuous improvement in risk mitigation and reduction of internal and external audit findings. The Board, the Accounting Officer, and management are committed to improving the state of internal controls.

Section 5: Anti-Corruption and Fraud Investigations

The Johannesburg Roads Agency (JRA) is committed to the fight against fraud and corruption which represent a significant potential risk to the JRA's assets, service delivery efficiency and reputation. The JRA does not tolerate corrupt or fraudulent activities either from internal or external stakeholders. Working together with the Ethics Management Forum and Group Forensic and Investigation Services consequence management to all finalised cases is implemented. The JRA has a confidential whistle blowing hotline. During the year there were reports received and these were submitted to the Group Forensics Department as reflected in the table below.

GFIS No.	Date	Case Type	Status
11/07/2022	05/07/2022	Fraud / Corruption	In Progress
46/06/2022	17/06/2022	Maladministration	In Progress
59/06/2022	23/06/2022	Fraud / Corruption	In Progress
5/09/2022	05/09/2022	Fraud / Corruption	In Progress
35/09/2022	21/09/2022	Fraud / Corruption	In Progress

To mitigate against the occurrence or reoccurrence of corruption and fraud instances, the Entity conducts an awareness campaign through posters prompting good and ethical practices are erected throughout the JRA building and depots. On a quarterly basis a compliance report is prepared and submitted to the Remunerations and Social Ethics Committee. Concluded forensic investigations received from Group Forensic Services are administered by the JRA management.

Section 6: Technology and Information Governance

Principle 12: The governing body should govern technology and information in a way to support the organization in setting and achieving its strategic objectives.

The Board, through the AFRIT Committee takes overall responsibility for the governance of technology and information, and delegates the management thereof to the Executive Committee who reports back at Board and Board Committee meetings. AFRIT Committee is accountable for ethical and effective management of the JRA's information technology resources with which it aims to achieve strategic outcomes and create value for stakeholders.

The PGIT department is responsible for systems governance and implementation within the JRA and has an Information Technology Steering Committee to manage It Policy implementation. Regular feedback is provided to governance authorities based on the work performed by Business Systems.

The JRA operates based on an approved IT Governance Policy Framework and several IT policies which identify key elements for the effective management of information and technology. This ensures that company information and ICT systems are secure, protected, assessed, controlled, developed and maintained in line with the company's objectives and response to emerging technological trends.

ICT has the potential not simply to make the business of the JRA more efficient by automating processes but also to ensure that it plays a strategic role, for instance, through the data gathering, sharing and analysis potential and capabilities it offers. The roles of the JRA ICT Governance structures are illustrated in the figure below.

Figure 2.5. JRA ICT Governance structure



JRA	Role
JRA Board	<ul style="list-style-type: none"> Adopts the JRA ICT Strategy key priorities, programmes, and budget allocation.
Remuneration HR & Social Ethics & Service Delivery Committee	<ul style="list-style-type: none"> Oversees the JRA ICT Strategy Implementation over the period identified for the implementation outlined in the Roadmap and Implementation Plan Ensures the JRA ICT Strategy review process is aligned to JRA Priorities
Audit, Finance, Risk & IT Committee	<ul style="list-style-type: none"> Reviews and determines key priorities for the JRA ICT Strategy Adopts the JRA ICT Operating model to implement the JRA ICT Strategy Reviews and adopts JRA ICT Governance and Risk Framework and implementation plan Reviews and determines the JRA ICT Strategy implementation budget allocation requirements Ensures alignment of the JRA ICT Strategy and related ICT Governance to the ICT Strategy of the GCTO for the City of Johannesburg
Executive Management Committee	<ul style="list-style-type: none"> Allocates budget to implement the JRA ICT Strategy over the period identified for the implementation as outlined in the roadmap and implementation Implement the JRA ICT Strategy over the period identified for the implementation as outlined in the roadmap and implementation Allocates resources to implement the JRA ICT Strategy

In the financial year the following milestones were achieved:

- JDE (ERP) system availability remained at acceptable levels;
- Improved network connectivity;
- Improved incident management (service desk);
- Allocation of desktops, laptops and mobile devices to the company's workforce;
- Implementation of the latest anti-virus and firewall to improve on IT security;

- Improved resolution rate of audit findings;
- Improved mitigation plans on operational and strategic risks;
- Business process automation; and,
- Implementation of Microsoft Power Business Intelligence (BI) for CAPEX projects reporting for the Infrastructure Development (ID) and Planning Departments

Despite the progress described above, the ICT function is faced with several challenges which hinder its ability to offer better support, including the following with recommendations to mitigate:

Challenge	Recommendations
1. Load Shedding	The JRA needs to invest in adequate backup power for the Head Office as well as all its geographically dispersed depots.
2. High level of manual business processes	Digitalisation should be made a strategic objective and driven at that level
3. Aging IT Infrastructure	Investments need to be made to upgrade the current IT equipment
4. Outdated ERP system	Migration to SAP or other preferred system should be prioritized

Section 7: Compliance with Laws & Regulations

Principle 11: The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organization being ethical and a good corporate citizen.

The Board assumes overall responsibility for JRA’s compliance with applicable laws, regulations and codes. The City-wide Group Risk and Compliance process is applicable to the JRA and ensure that the Company complies with all applicable laws and regulations and reinforces a compliance culture. This ensures that continuous compliance risk management is implemented and adhered to.

By-Laws

In relation to by-laws the JRA implements the CoJ Wayleave process as provided for in the Public Road and Miscellaneous Bylaws. Wayleaves allow the right, primarily to utility companies to work in the “road reserve” to bury cables or to access utility lanes. The wayleave process allows the JRA to monitor and control all work within the road reserve so that it conforms to JRA standards, policies and service delivery agreement.

During the year under review, the Group Compliance Unit assessed the JRA’s compliance with identified legislation and regulations on a regular basis. The assessment summarised the compliance levels as reflected in the table below which should be read in conjunction with mitigations measures contained in annexure H, Annexure G is the Compliance Universe for the JRA.

AREA	TOTAL	COMPLIANT	NON-COMPLIANT
Companies Act	6	6	0
Labour Relations & Employment Laws	11	7	4
Finance Tax	7	4	3
Environmental	3	2	1
Fraud Corruption Ethics and Compliance	5	3	2

AREA	TOTAL	COMPLIANT	NON-COMPLIANT
Road and Traffic Management Act	3	2	1
ICT	1	1	0
Capital Projects Requirements	2	1	1
General – MFMA	12	11	1
Environmental	3	2	1

7.1. Declaration of Interests

All employees of the city and municipal owned entities at all levels are required to declare their interest at the beginning of each financial year, a mandatory legislative compliance requirement in terms of the Code of Conduct for Municipal Employees. 1546, Declaration of Interest forms were received by the office of the Ops Manager: HCM with a total of 12 outstanding declarations of Interest forms.

Table 6.1: Summary of Declarations forms JRA employees

JRA staff component	Total number of signed declarations forms	%age Coverage	%age Non-Complaint
1558	1546	99%	1%

Table 6.2: Outstanding Declarations and other factors affecting the total Submission.

All Board and Independent Audit Committee members have signed the code of ethical conduct and declaration of interest forms for the 2022 / 2023 financial year.

JRA Value Creation Process

Like other public sector organizations, the JRA is increasingly challenged with maintaining or improving outcomes within the same or reducing resources. Communicating how, and how well prepared the Entity is, to achieve this is critical to public accountability.

The JRA's mandate is to plan, build, maintain, and operate road infrastructure for it to create value for road users. The JRA understands that road infrastructure is an essential part of daily life, and that individual road users, logistic firms, and public transportation agencies expect reliable and safe road infrastructure for traveling from one location to another and transporting goods and people. The JRA aspires to deliver services that create value for the short-term and long term demands of road users.

The JRA's activities through-out the financial year influence the value creation of Johannesburg's road infrastructure. The Entity has a responsibility to provide road infrastructure that is beneficial for road users, and through road maintenance and traffic management activities, contributes to the importance of road infrastructure to the value-creation process of road users.

The JRA facilitates the value creation of road users by maintaining, upgrading or renewing road infrastructure, the provision of information about the current traffic situation, redirection routes in case of traffic jams, and suggestions for appropriate driving behavior.

Road users want to have a good experience of road maintenance and traffic management through clean, even roads, ease of navigation, clear road signage and efficient traffic redirection where required. Through key activities, the JRA contributes to the value creation of road infrastructure and envisages an infrastructure development and maintenance strategy that is beneficial for road users.

Based on strategic priorities and previous performance, the JRA continues to focus on the strategic institutional performance areas of road resurfacing, gravel roads upgrades, the conversion of open stormwater channels, the customer service standards which include infrastructure maintenance and the reduction of traffic signal downtime as part of the process of creating value for road users. Looking ahead the JRA will consolidate these strategic performance areas by focusing on research and innovation as well as development of partnerships to improve value creation for road users.

The JRA's value creation model is illustrated in Figure 3.1 below.

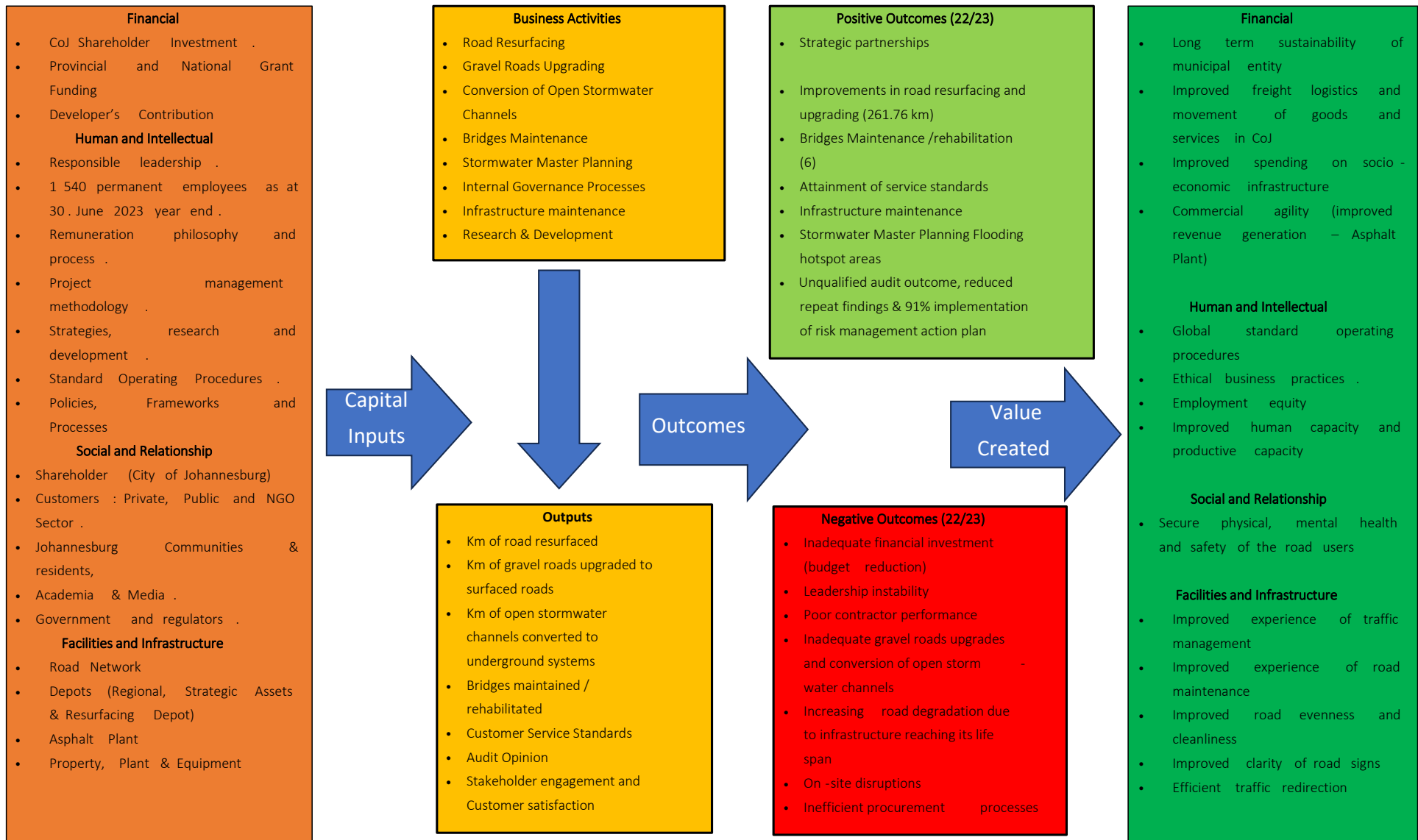


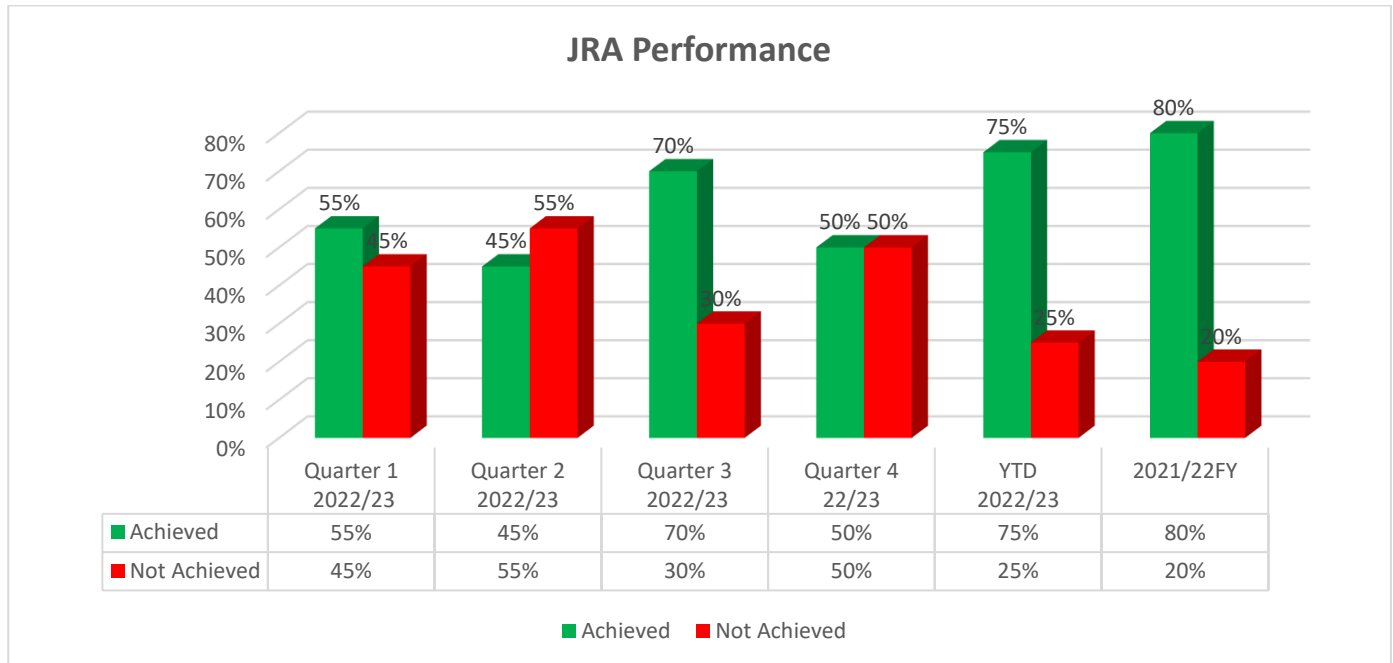
Figure 3.1. JRA Value Creation Process

Section 1: Highlights and Achievements

Through-out the financial year, there were service delivery highlights and other milestones, the JRA achieved. These include;

Organisational Performance

The overall performance overview for the JRA in 2022/23 financial is reflected in the graph below. In 22/23 the JRA achieved 75% of its targets compared to 80% in the previous financial year. It is expected that further performance improvements will take place in the 2023/24 financial to exceed the performance target of 80%.



Service Delivery Matters;

- Protea Glen emergency stormwater improvements Ward 135;
- Phiri Stormwater Infrastructure Upgrade in Ward 15 And 33; and,
- Klipspruit Valley Road Reconstruction and Rehabilitation in Orlando West.
- Launch of Phase Two: Klein Jukskei Bond Stream Stormwater Project in Ferndale (Ward 104)
- The JRA re-opened Primrose and Iris Streets

Strategic Partnerships;

The JRA also explored various partnerships including the following;

- Traffic Signal Backup Power Initiative – An initiative to partner with the private and non-government sectors to mitigate the effects of loadshedding and ensure identified traffic signals remain functional during loadshedding. Partnerships have been finalised with Investec and Vodacom among others;
- The Pothole Patrol Training Academy in partnership with Discovery and Avis to improve road maintenance through filling of potholes;

Section 2: Service Delivery Challenges

In 2022/23 financial year the JRA experienced some challenges;

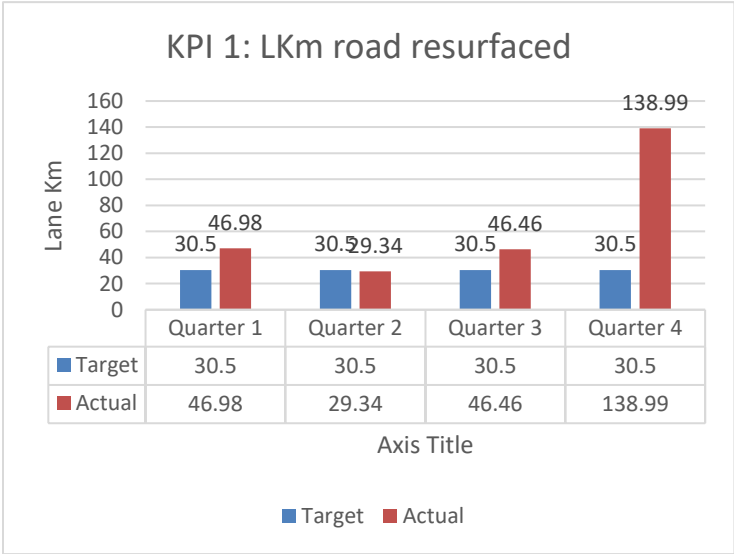
Challenges	Mitigations
1. Late appointment of contractors for several projects contributed to underperformance in key programmes. Poor performance by contractor in some projects such as Mayibuye saw the contract terminated, further delaying project implementation. Challenges with compliance with contract management processes in Mayibuye and Orange Farm projects leading to delays.	The contractors were appointed during the third quarter for: <ul style="list-style-type: none"> • Ivory Park 7B (Khosa Street): • Bram Fischerville (Ward 44 and 49): • Kanana park Ext 1 and Ext 2 projects • Improved project management and contracts management
2. Budget adjustments – The JRA capital budget was reduced in the mid-term budget adjustment from R314.6m to R175.7m. There was no reduction in the target leading to certain performance targets not being met.	Improved project implementation and expenditure from the commencement of the fiscal year
4. Inability to pay service providers due to cashflow issues at the COJ. This has negatively impacted service providers as it has placed a strain on their cashflow which resulted in them not achieving their production rates as initially planned	Constant engagements with the COJ, as well as submission of indicative cashflows
5. The lack of resources for pro-active maintenance	<ul style="list-style-type: none"> • The contract for manholes covers was approved and stock been delivered to assist in key backlogs. • The posts of Assistant Managers have been advertised and interviews conducted to improve planning mechanisms within the Regions. • Depots requested to initiate proactive plans for arterial routes.
6. Non availability of material affecting programmes such as resolving the pole overs and fixing traffic signals	Improvements in the procurement process and the resolution of the local content matter.

Section 3: Response to Strategic Direction

Annually, the JRA implements the following key strategic programmes: roads resurfacing; gravel roads upgrading; bridges management; storm water management (storm water master planning and storm water upgrades); traffic signals management, freight support programmes and safety investigations; customer service charter standards; and internal governance and other internal processes.

3.1. Infrastructure Development

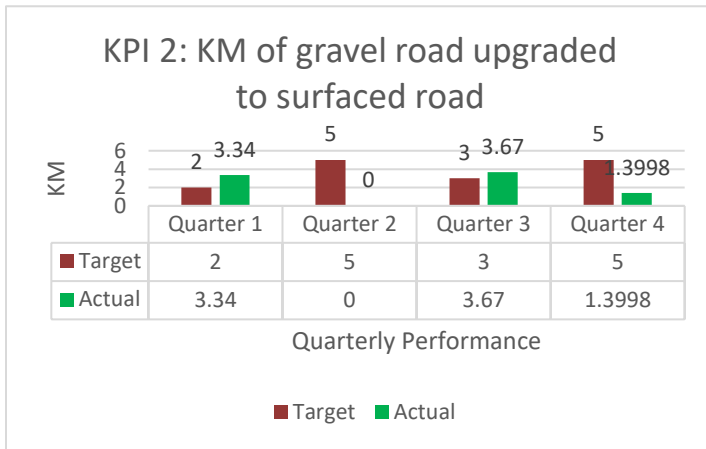
3.1.1. Roads Resurfacing Programme



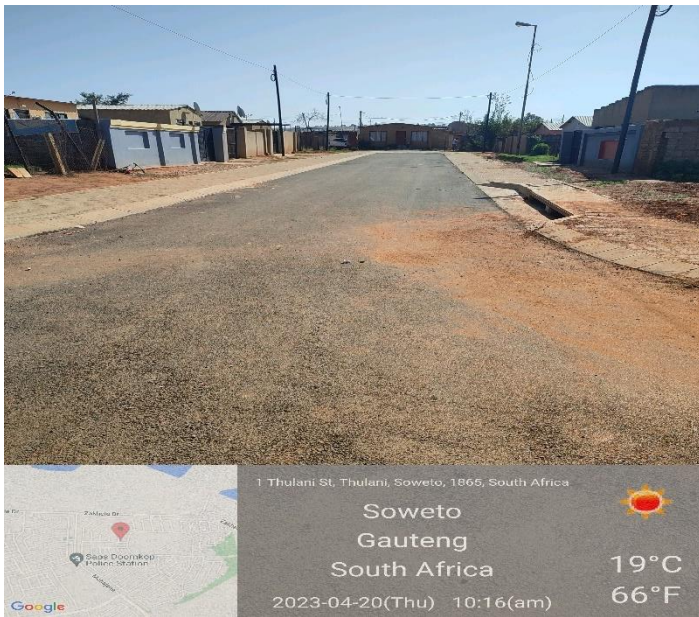
The JRA manages over 12 000 km of road network. Due to the poor to extremely poor state of the roads they require rehabilitation or reconstruction. The JRA undertakes resurfacing as a short to medium term strategy to prevent complete failure of the road network. In 2022/23 261.771km were resurfaced against an annual target of 1221km city-wide, in wards that include 26, 74, 112, 121, 93, 130, 46, 11, 17, 18 and 53. The images below illustrate some of the work undertaken. The graph illustrates the quarterly performance.



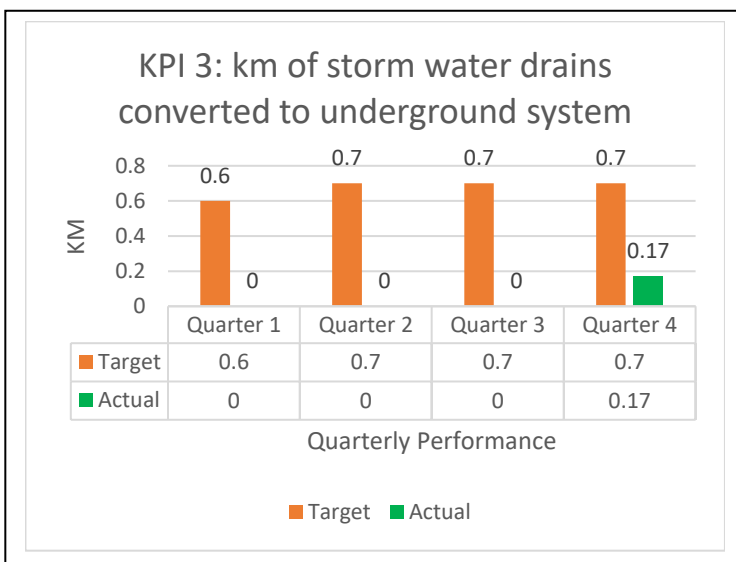
3.1.2. Gravel Road Upgrade Programme



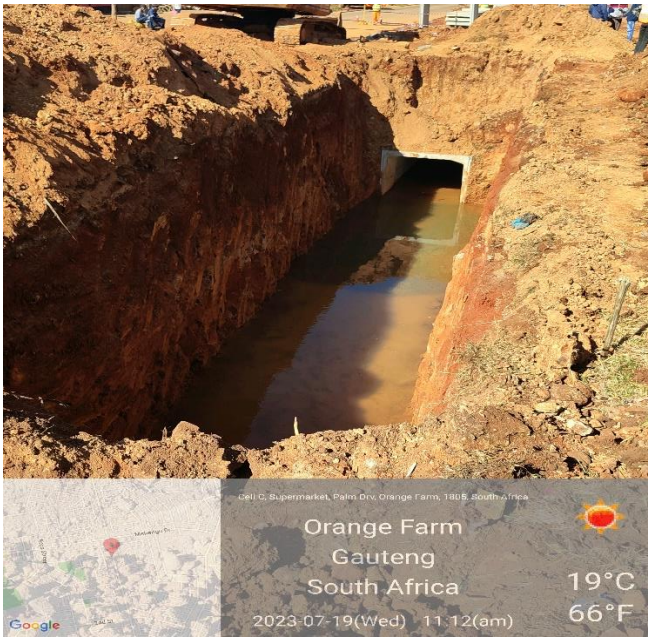
The JRA also upgrades gravel roads into surfaced standard mostly in marginalized areas across the city informed by available budget. In 2022/23 8.41km against a target of 15km. bulk of the upgraded roads are in the following areas; Orange Farm, Doornkop/Thulani, Mayibuye, Drieziek, Poortjie and Kaalfontein. The graph illustrates quarterly performance.



3.1.3. Open Drains Conversions



The JRA embarked on a programme of converting all open storm water channel systems into underground pipe and or culvert systems. During the 2022/23 the focus was on Bram Fischerville, Orange Farm and Ivory Park. The programme faced the challenge of late appointments of contractors with the contractor for Orange Farm and Ivory Park completed in Q3 and the appointment for Bram Fischerville was underway at year-end. A total of 0.17km of open drains were converted against an annual target of 2.7km.

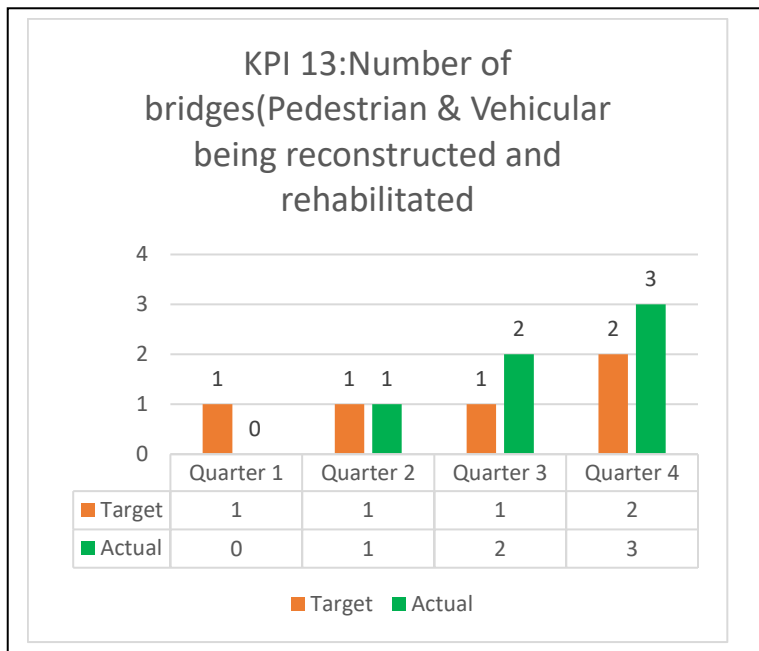


3.2. Infrastructure Planning

The Infrastructure Planning (IP) Department in the JRA provides consultative services internally to implementing departments such as Mobility & Freight, Infrastructure Development (ID) and Regional Operations (RO), with respect to project planning of projects and other maintenance activities. Based on these internal consulting activities the department undertakes periodic assessments of roads and related infrastructure, production of detailed designs for capital projects, research and development, development control, roads and stormwater planning including road asset management systems. This contributes to the development of JRA Strategic Plans as well as the organisational the 10-year Infrastructure Plan that guide future improvements within the City and direct allocation of financial resources.

3.2.1. Bridges Management Programme

There are currently 68 bridges that require urgent rehabilitation and or reconstruction across the City of which fourteen were elevated as high priority. In 2022/23 work was undertaken on the following bridges Maphumulo and Buccleuch Bridge in Region E, ward 32, Pierre Rd Bridge in Region C, ward 97, West Road Culvert, Canterbury and Mastiff Culvert. The M2 Bridge (Rissik Off-ramp) and M2 bridge repairs and upgrading of bridge parapet walls and abutments and related stormwater drainage along the M1 & M2, are within the planning stages and are envisaged to be handed over to ID for implementation



early next financial year. The table below contains a list of bridge projects for which detail designs were completed and are ready for implementation pending conclusion of procurement processes

by implementing departments and the availability of budget.

No.	Project Description	Region	Condition	Estimated Cost
1	Buccleuch Drive Bridge	E		R 34,444,608.55
2	Maphumulo Street culvert bridge in Zola	D		R 28,903,072.00
3	Mzimhlophe Pedestrian Bridge	D		R14,770,000.00
4	Seder Street Bridge, Region B (Ward 98).	B		R 12,133,885.02
5	Mzilikazi street Bridge	D		R 50,666,473.00
6	Mmila & Vincent in Meadowlands, Soweto	D		R 38,713,312.00
7	Queen Elizabeth Bridge over rail	F		R 35,348,699.50
8	First street Over Rail	F		R 71,848,784.34
9	Legwale & Mphatlalatsane Street Bridge	D		R 91,458,114.00
				R378,286,948.41

3.2.2. Roads and Stormwater Master planning

For the 2022/23 financial year, the JRA prioritized eight sub-catchments for stormwater master planning studies which was to culminate in a storm water masterplan report and drawing for these areas. These sub-catchments were Zakariyya Park & Ennerdale; Lenasia and Extensions; Greater Lombardy East, West Area, and Rembrandt Park; Cosmo City; Greater Bezuidenhout Valley Area; Localized SMP for Dennis Road in Athol (litigation ongoing); Localized detailed SMP for Orlando West Flooding Intervention and Alleviation; and Norwood Hydropedology (litigation ongoing). Progress in the award of contracts was slow, which led to the appointments only been made in the first week of June 2023. Tenders for this contract closed on 18th of March 2022 and the SCM process took 14 months to complete leading to little progress in the prioritized sub-catchments. Since the award in the first week of June 2023, instructions have been given to the two service providers to start with SMP's in Cosmo City and Lenasia. Not much was achieved within the last two weeks of the financial year and the projects identified will be carried over into the 2023/24 financial year.

3.2.3. Catchment Management

The JRA attends to catchments and sub-catchment in the City that are constantly stressed during the wet season. The following catchment were identified for development of catchment management plans: Sandspruit from Killarney to Paulshof; Diepkloof Ext 3, Mogase View Tributary; Innesfree Park Tributary to Sandspruit Sandton CBD; Helderkruin Streams Roodepoort. Only two appointments materialized in the 2022/23 Financial Year, that of Innesfree Park and Helderkruin Streams. Budget for the other projects was lost at mid-year adjustment due to delays in the appointment of service providers.

3.2.4. Rehabilitation of Aged and Incapacitated Stormwater

With the rapid densification and the age of the stormwater infrastructure in the City, the demand has grown to review most of the stormwater systems, local and bulk, either to establish if they meet the demand in capacity or the condition of the older stormwater infrastructure. In the 2022/23 financial year, the areas of focus were: Denver open stormwater channel through the informal settlement; Aged Stormwater culvert within Roedean School Parktown; Turffontein West, collapsed stormwater channel; and Orange Grove collapsed stormwater culvert. Two

appointments were made in the financial year, Turffontein West in Orange Grove (an existing project from the previous fiscal year), and Roedean School in Parktown.

3.3.5. Pavement Management System

A Pavement Management Systems (PMS) is critical for identifying inadequacies within the

4. Mobility and Freight



The increased loadshedding levels in 2022/23 financial year negatively affected traffic signals uptime in the City. The JRA invited partnerships with the private sector to manage the challenge and ensure that traffic signals along major intersections operate during load shedding. Vodacom South Africa (VSA) is the latest company and property owner to partner with the Johannesburg Roads Agency (JRA) to ensure that traffic signals along major intersections operate during load shedding. In response to this initiative, the JRA received more than 200 enquiries from interested partners to connect the traffic signal intersections to their backup power supply. The list includes companies from telecoms, financial sector, schools, malls and developers signing up with the JRA on this initiative. The map shows the number of intersections already adopted in Sandton. In total the JRA has issued 40 SLA's affecting more than 150 intersections across the City. These

partnership initiatives emphasise the importance of business and government working together to tackle societal challenges.

In 2022/23 financial year, the following key service delivery highlights and milestones were achieved:

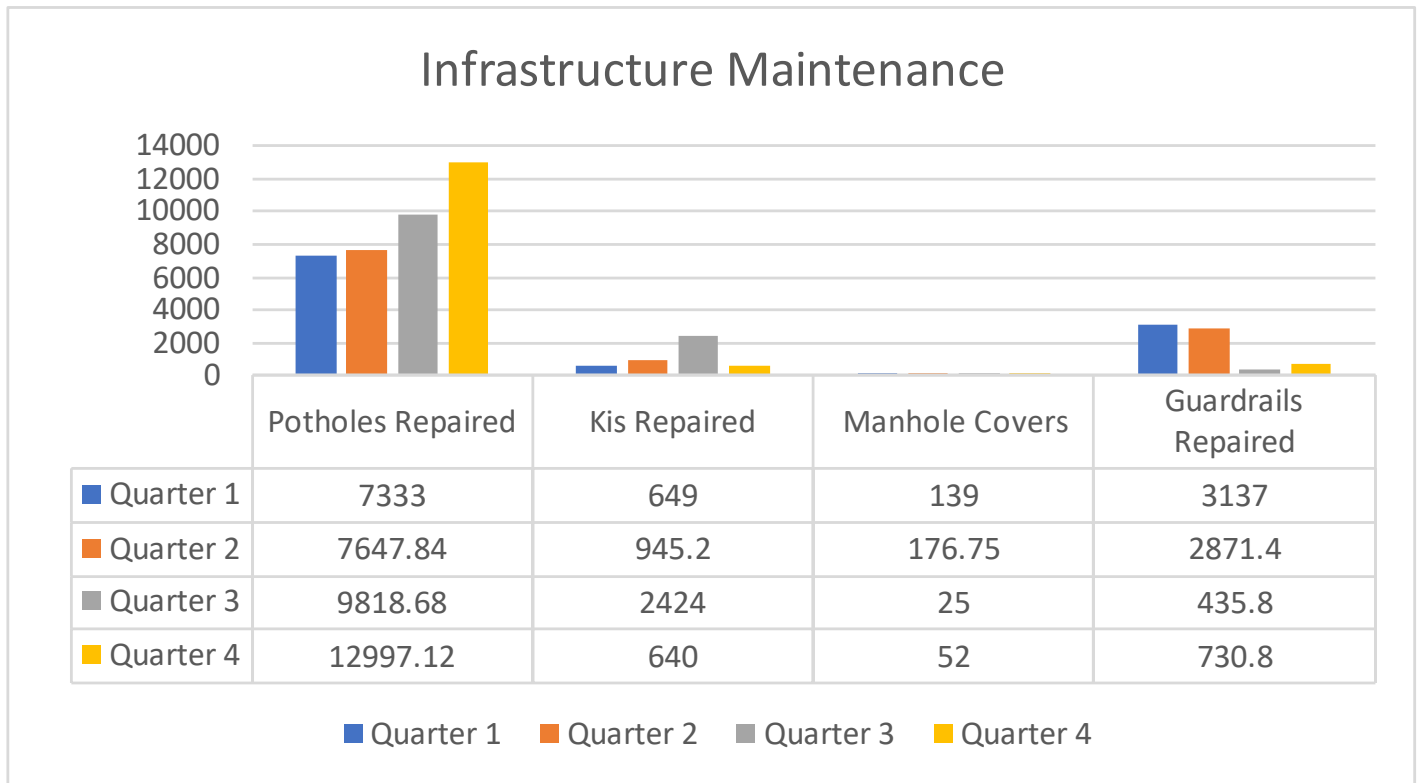
- The JRA resolved 85.76% of all traffic signal technical faults reported through the City's call Centre. Loadshedding contributed to a high number of calls, but the faults are resolved power returns, however, the system would have captured them as outstanding.
- The JRA revised and designed new traffic signal timings at 289 traffic signals against an annual target of 200;
- In the year 37 investigation reports were finalized and submitted with recommendations to the Petition Committee for all 37 petitions received (100% against a target of 90%);
- The company undertook and completed 466 road safety investigations have been completed against an annual target of 300;
- The company conducted and completed 370 traffic impact assessments against an annual target of 350.
- The unavailability of critical spares and tools still impacts on performance. The controller spares tender has finally passed through the BSC stage and is ready to be advertised.

- The JRA did not meet its targets on repairing and replacing reported pole overs in this quarter and managed to resolve only 9 against a total of 112 reported in this period (12%) against a target of 40%. A lack of critical materials such as cable, poles and stubbiest has been a major impact.

5. Regional Operations

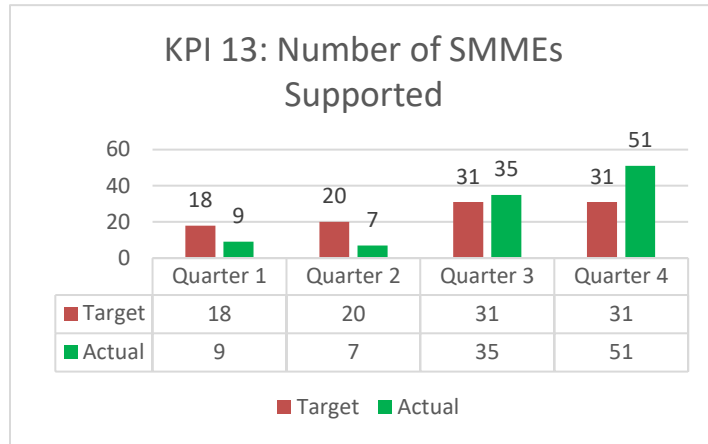
5.1. Infrastructure Maintenance

The JRA, through its maintenance department, is responsible for both proactive and reactive maintenance of the road network within the City of Johannesburg. The activities include inter alia, different methodologies of routine maintenance, 12997.12 potholes were repaired during the quarter under review. In terms of other road maintenance, a total of 640 kerb inlets (KI) were unblocked and cleared. Furthermore 52 manhole covers including KI tops were replaced and 730.80m of guardrails were replaced.



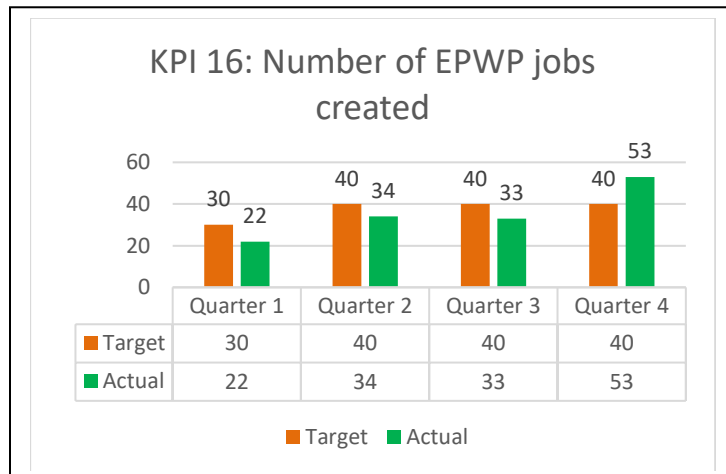
6. Governance and Internal Processes

SMMEs Supported



The JRA has a programme to support SMMEs and to create Expanded Public Works Programmes. In relation to SMME in 2022/23, the JRA supported 102 SMMEs a target of 100. The performance was aided by the appointment of main contractors' key projects which enabled the appointment of local SMME subcontractors timeously.

EPWP Jobs Created



In relation to EPWP opportunities created, in the period under review, the JRA created a total of 142 EPWP opportunities against a target of 150 in infrastructure projects that were under implementation. This underperformance in EPWP job opportunities created is attributed to the delay in the appointment of contractors.

Public Relation and Stakeholder Engagements

- During the financial year, the PR&SE Department facilitated Regional Stakeholder engagements that were held in Regions A – G to ensure better informed community of road users.
- Notable engagements included Operation restore, signing of bus operating company agreement with Taxi industry, Easter Road safety launch, IDP summit, the reopening of Primrose and Iris streets, launch of new pothole patrol partner and training academy and mayoral oversight. JRA's branding was also set up at identified sites for brand visibility and maximum exposure. 9 Media Releases were sent out in the last quarter:
- The organisation also participated in the City's Joint Operations Committee (JOC) – Events & Compliance during this time.
- The Regional Operations Managers continued to process queries and complaints that are escalated to their offices via various regional stakeholders such as councillors, resident's associations and some of the member of the public when the operational department is unable to deliver services at the expected period. Most queries came through the WhatsApp Messenger service, phone calls and emails.

- The following activities were rolled out in the different Regions: Ward Council Forums; Operation Restore; Visible Service Delivery meetings; Walk-about Councillor's Forums; Oversight visits; Mayoral Golden Connection Tours; Regional Joint Operations meetings; Attending ASD meetings; Proactive Maintenance plan session with RO; Kleena JoBurg; and Citizen Engagement Awareness Campaigns.
- As is the norm, proactive Traffic Advisory reports are submitted twice a day to all media partners (10h00 and 15h00)

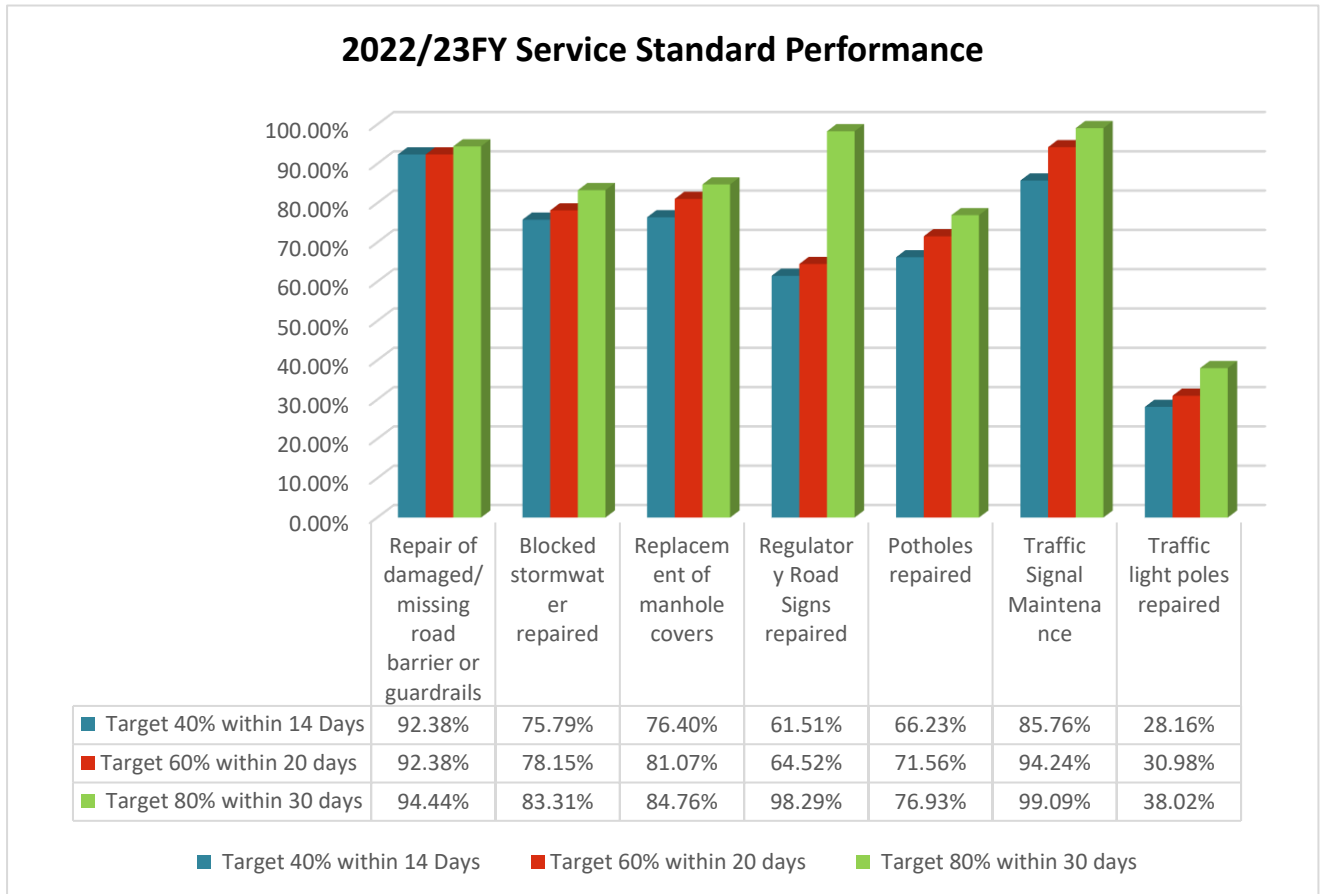
Below are some images from the images undertaken, of the media engagements and JRA Operation Restore as well as the Mayor on Duty Activation in Ivory P, Kaarlfontein, which focused on with a focus on service delivery issues in Kaarlfontein.



Section 4: Performance Against Service Standards.

The CoJ Customer allocates seven (7) service standards for implemented by the JRA (See Annexure). These relate to; repair of potholes; regulatory road signs repaired; traffic signal maintenance; repair of damaged / missing road barriers or guardrails; repair of damaged traffic light poles; blocked storm water repair and replacement of manholes covers. The Charter sets three (3) sub targets for each of the service standards. In 2022/23, the JRA achieved 16 of the 21 targets (76.19%). The graph below illustrates the detailed performance against these service standards.

Figure 3.2: JRA Service Standards Performance Graph

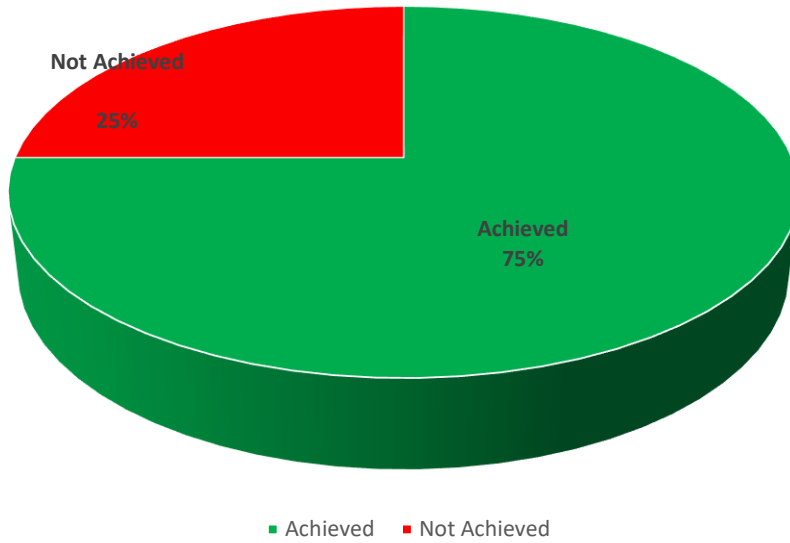


Section 5: Performance Against Pre-Determined Objectives

For 2022/23 The JRA has 20 KPI's (3 Institutional KPIs; 8 Circular 88 Indicators; and 9 Entity Scorecard KPIs). Out of the 20 KPIs due, the Entity achieved 15 (75%) and failed to meet 5 (25%). The table and pie chart below illustrate the in-year and annual performance in relation to the pre-determined objectives.

JRA Corporate Scorecard Programmes	Number of KPIs	Achieved	Not Achieved	%age Achievement
Institutional SDBIP KPIs	3	1	2	33.3%
Circular 88 Indicators	8	7	1	87.5%
Entity Scorecards KPIs	9	7	2	77.8%
Total	20	15	5	75%

JRA Performance 2022/23



JRA Performance

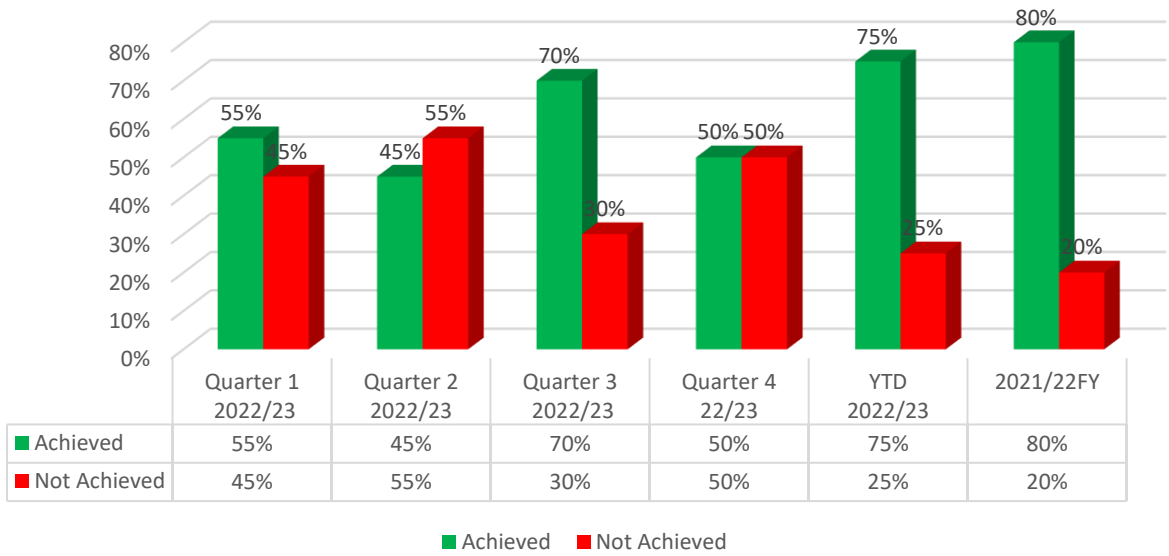


Table 5.1 Performance On Institutional SDBIP Indicators

KPI No.	KPI	2021/22 Baseline	2022/23 Annual Target	Mid-Year Adjustment Target	2022/23 Performance	Reasons for Over / Under Performance	Mitigation Action
1	Number of lane kilometres of roads resurfaced.	131.191km	122 L km	N/A	261.76L/km	Additional budget was allocated to the resurfacing programme and additional contractors engaged from panel of resurfacing contractors.	N/A
2	Number of kilometres of gravel roads upgraded to surfaced roads	20.685km	15 km	N/A	8.41km	The underachievement is due to the late appointment of contractors and termination of existing contract for Mayibuye due to poor performance. Budget was reduced in the mid-term budget adjustment R314.6m to R175.7m however there was no reduction in the target.	The contractors were appointed during the third quarter for: <ul style="list-style-type: none"> Ivory Park 7B (Xhosa Street) Bram Fischerville (Ward 44 and 49) Kanana park Ext 1 and Ext 2 projects The Mayibuye contract was terminated.
3	Number of kilometres of storm water drains converted to underground systems – Braamfischerville	3.05km	2.7 km	N/A	0.17km	The underachievement is due to the delayed appointment of contractors for Ivory Park and Orange Farm stormwater conversions projects. Budget was reduced in the mid-term budget adjustment R35.0m to R15.4m however there was no reduction in the target.	The appointment of the contractor for Bram Fischerville is in progress, while the Orange Farm project commenced only on 27th March 2023 and the Ivory Park project commenced only on 26th April 2023.

Table 5.2 Performance On Circular 88 Indicators

KPI No.	KPI	2021/22 Baseline	2022/23 Annual Target	Mid-Year Adjustment Target	2022/23 Performance	Reasons for Over / Under Performance	Mitigation Action
4	Percentage of unsurfaced roads graded	(538.674km/720) 71,44%	(720km/1440km) 50%	N/A	(878.37km/720) 121.99%	Additional budget was allocated to the resurfacing programme and additional contractors engaged from panel of resurfacing contractors.	N/A
5	Percentage of municipal road lanes which has been resurfaced and resealed	3.28%	4%	N/A	6.55%	The overall programme progressed faster than anticipated. Internal teams (RSD) and 8 resurfacing contractors implemented the work.	N/A
6	KMs of new municipal road lanes built	41.371km	30 lkm	14km	16.821km	The contractors were appointed during the third quarter for: <ul style="list-style-type: none"> Ivory Park 7B (Xhosa Street) Bram Fischerville (Ward 44 and 49); Kanana park Ext 1 and Ext 2 projects Mayibuye contract was terminated 	N/A
7	Staff vacancy rate	11.8%	12%	N/A	15.33%	Despite appointments being made, there is continuous increase in the staff turnover rate as a result efforts to reduce the vacancy rate seems to be not realised.	Improved SCM processes as it affects the advertising, background checks and psychometric assessments process

KPI No.	KPI	2021/22 Baseline	2022/23 Annual Target	Mid-Year Adjustment Target	2022/23 Performance	Reasons for Over / Under Performance	Mitigation Action
8	Percentage of vacant posts filled within 3 months	1%	1%	N/A	1.03%	The JRA appointed additional fixed-term administrative capacity to expedite the recruitment processes	N/A
9	Number of active suspensions longer than three months	16	28	N/A	8	There has been a quicker resolution of disciplinary matters leading to some matters being resolved within 90 days	N/A
10	Quarterly salary bill of suspended officials	R6 227 061.38	12 000*	N/A	R 6 412 925.26	There were fewer suspensions in the financial year while other disciplinary matters were resolved	N/A
11	Number of repeat audit Findings	2	4	N/A	4	Management managed to resolve the following findings; Appointment of a permanent Head of IA; Cash flow statement; Commitments (Accuracy of commitments disclosure & Commitments not correctly accounted for in the AFS); Accounting policy omission (Financial instruments); Related party disclosure (Finding communicated from group auditors); Policies not reviewed or outdated; and Irregular, fruitless and wasteful expenditure not prevented.	N/A

*This amount is reflected as R'000

Table 5.3: Table 5.2 Performance On Entity Scorecard Indicators

KPI No.	KPI	2021/22 Baseline	2022/23 Annual Target	Mid-Year Adjustment Target	2022/23 Performance	Reasons for non-achievement and or exceeding target	Action plan to improve performance
12	Number of bridges (Pedestrian & Vehicular) being reconstructed (replacement) and or rehabilitated	6	6	N/A	6	Work progressed on Maphumulo and Buccleuch Bridge in Region E, ward 32, Pierre Rd Bridge in Region C.	N/A
13	Number of SMMEs supported	106	10	78	102	Progress on some capital projects expenditure led to improved performance	N/A
14	Number of signalised traffic intersections upgraded (as a % of budget spend)	New	40%	95%	99.99%	N/A	N/A
15	Number of EPWP jobs created	303	500	150	142	The implementation of capital projects encountered challenges that include late appointment of contractors leading to fewer	To improve the contractor appointment process, quicker project implementation and creation of EPWP opportunities

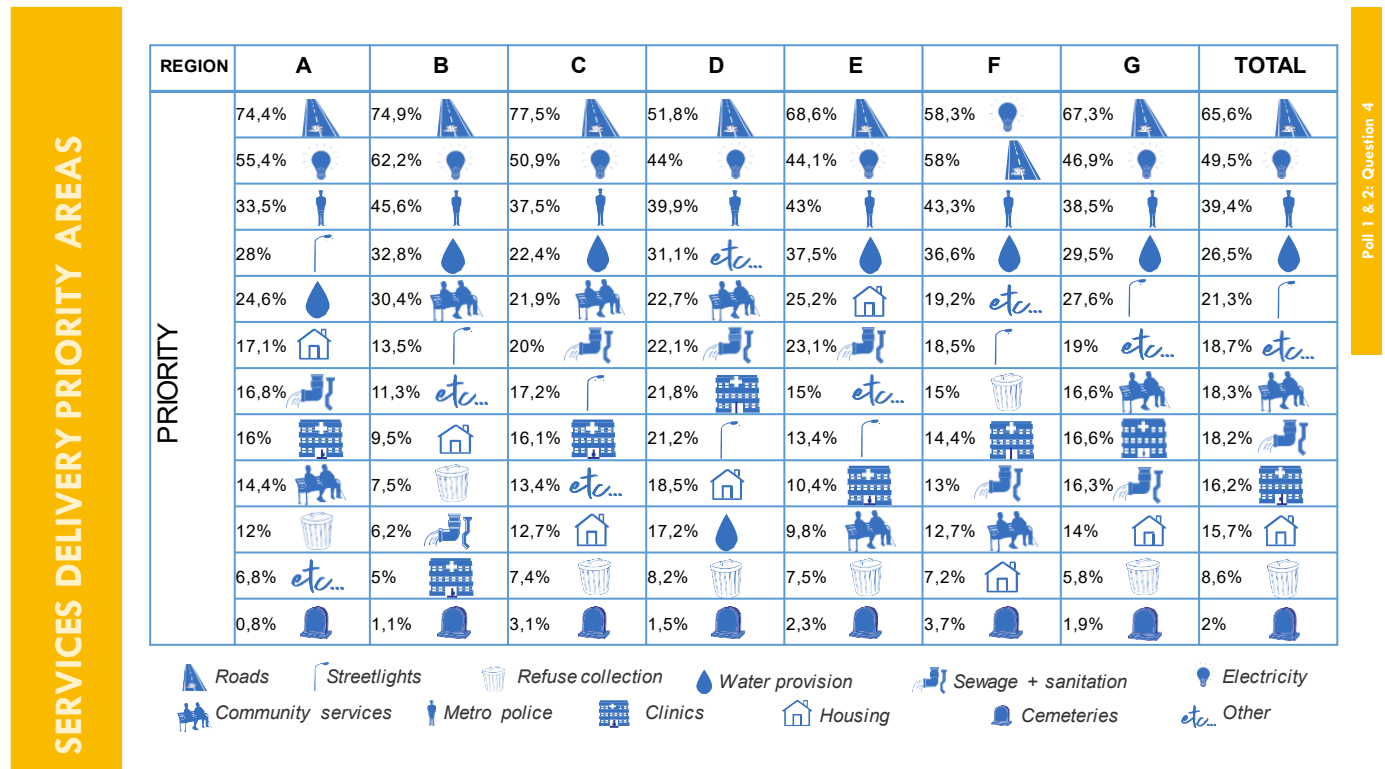
KPI No.	KPI	2021/22 Baseline	2022/23 Annual Target	Mid-Year Adjustment Target	2022/23 Performance	Reasons for non-achievement and or exceeding target	Action plan to improve performance
						EPWP opportunities being created	
16	Percentage budget expenditure on implementation of the stormwater master planning projects	100%	95%	N/A	42.52%	The JRA business plan allocated R28 million to this programme. Funding was not approved. Through internal re-allocations, R12 million was allocated to this project of which 99% was utilised. As the JRA business Plan was not adjusted from R28 million to R12 million, performance was calculated against the budget stated in the business plan leading to underperformance on the KPI.	The JRA to ensure that all budget adjustments are reflected accurately in the business to ensure credible performance reporting
17	Percentage of the risk management implementation plan implemented	New	90%	N/A	91,67%	N/A	N/A
18	% of budget expenditure on M1 Motorway Renewal and Rehabilitation	86.49%	100%	95%	99.26%	N/A	N/A
19	% of Budget expenditure on M2 Motorway Renewal and Rehabilitation	98.19%	100%	95%	99.94%	N/A	N/A
20	% of Budget expenditure on M70 (Soweto Highway) Motorway Renewal and Rehabilitation	78.12%	100%	95%	99.92%	N/A	N/A

Section 6: Public Satisfaction With Municipal Services

The JRA is part of a City-wide satisfaction survey (poll) conducted by the City of Johannesburg. For the period under review, the Customer Satisfaction Polling surveys were conducted during February and March 2023 (Poll 1) and March and May 2023 (Poll 2). The poll covered the City's performance across a range of issues. The results of the survey are used to inform programme implementation processes in the CoJ. In the period under review, the City telephonically surveyed 2800 randomly sampled residents across the municipality over 2 separate survey rounds (with 1400 surveyed residents per round), called Poll 1 and Poll 2. The survey sought to amongst other objectives; to identify key priority areas for municipal intervention; assess citizen affinity towards the City; assess public perception on municipal progress and performance in terms of key focus areas and to assess perceptions around service delivery performance. Overall, and in relation to roads the following emerged;

- 77% of residents felt that there is a lack of service delivery. Highest service delivery dissatisfaction ratings reported by respondents were:
 - Road infrastructure and maintenance
 - By-law enforcement
 - Public safety, and;
 - Damage response, e.g., floods and fallen trees
- The top 4 service delivery areas that deserve priority, according to respondents, are:
 - Quality and effective road infrastructure and maintenance
 - Stable supply of electricity
 - Effective crime prevention, by-law enforcement, safety, security and effective policing; and;
 - Stable and quality water provision

Overall roads emerged as a priority service delivery area in the seven regions of the City.



Section 7: Recommendations and Plans for the next Financial Year

In the 2023/24 Business Plan the JRA plans to improve overall performance by focusing on the existing priorities of roads resurfacing, gravel roads upgrades as well as conversion of open stormwater channels to closed channels. The entity will also focus on priorities deemed quick wins that include an organisational design to improve the Entity's ability to execute its strategy, as well other internal system improvements that make the organisation more agile. The JRA will also focus on the re-establishment of the training academy and invest more in innovation and partnerships. Major interventions will also include getting the Asphalt plant functional and commercialized and the implementation of an improved ERP system. The SANAS Accreditation of the Materials Laboratory is also a key focus area looking ahead. The JRA will continue with its priority programmes in line with the eleven CoJ priorities in 2023/24 financial year.

CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

The JRA aims to be an employer of choice by applying a progressive policy framework that ensures the recruitment and retention of talent through its Human Capital Management function. The company's employment policy allows employment practices that help to attract the best talent and remuneration policies that motivate and retain talented employees and create a desirable and appealing work environment. The company periodically reviews all its employment policies and practices in line with applicable prescripts to ensure that it remains relevant and competitive in attaining and acquiring the best talent in the labour market. Overall, in the JRA the Corporate Services Department has overall responsibility for the development and implementation of an effective organisational development and performance management system.

Section 1: Employee Remuneration

Table 4.1: Total employee costs

Category	Amount (R)
Executive Management	R 23,647,799.35
Senior Management	R 65,591,859.92
Professionally qualified and experienced specialists and mid-management	R 224,088,161.43
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	R 234,765,677.37
Semi-skilled and discretionary decision making	R 109,024,971.74
Unskilled and defined decision making	R 262,672,968.19
Total	R 919,791,438.00

Table 4.2 Staff cost as a percentage of adjusted operating budget.

R	2023/24
Total Salary Cost	658 993
YTD Operating Budget 2022/23	1 060 311
% of Salary to Operating Budget	62.15%

Please note that included in the salary cost are the cleaning and security staff, which are paid by COJ and charged to JRA.

Section 2: Key Vacancies

Table 4.3: Progress in relation to the filling of key senior vacant posts

Vacant Post	Progress
Chief Executive Officer	To be advertised
Chief Financial Officer	To be advertised
HoD Regional Operations	To be advertised

Vacancy Rate

This section provides information about rate of vacancies against the total population of funded posts within the approved organisational structure. The company has 2523 authorised positions on the approved structure. There are 386 vacant positions in total of which, 136 are funded positions, and 250 are unfunded leading to a 15.3% vacancy rate as illustrated in the table below.

Table 4.4: Vacancy ratio

Department	Positions Available	Vacant Funded Positions	Vacant Unfunded Positions	Total Vacant Positions	JRA - Percentage
CEO's Office	17	1	1	2	11.8%
Public Relations & Stakeholder Management	44	3	1	4	9.1%
Mobility and Freight	291	13	13	1	0.3%
Corporate Services	103	3	7	10	9.7%
Planning	54	1	0	1	1.9%
PGIT	60	5	1	6	10.0%
Infrastructure Development	55	0	0	0	0.0%
Regional Operations	1747	99	209	308	17.6%
Finance	152	11	18	29	19.1%
Total	2523	136	250	386	15.3%

Staff Turnover

Table 4.5: Staff Turnover

Turnover (Reason)	Staff Leaving JRA
Resignation	12
Death	8
Dismissal	3
Medical Boarding	3
Retirement	42
Contract Termination	2
Total	70

Staff Movement

The below table provides an illustration of the staff movement recorded under this reporting period. Of interest to note is that the staff movement numbers are concentrated around African male employees.

Table 4.6: Staff Movement

Staff Movements	African		Coloured		Indian		Whites	
	Male	Female	Male	Female	Male	Female	Male	Female
Appointments	18	12	-	-	-	1	-	-

Staff Movements	African		Coloured		Indian		Whites	
	Male	Female	Male	Female	Male	Female	Male	Female
Recruitments	-	-	-	-	-	-	-	-
Resignations	2	-	-	-	-	-	-	-
Death	1	1	-	-	-	-	-	-
Dismissals	0		-	-	-	-	-	-
Retirements	10	5	-	-	-	-	-	-

Section 3: Employment Equity

The JRA has an Employment Equity Plan, whose implementation together with other corporate services policies is monitored by the Remuneration and Social, Ethics Committee (REMSEC). The achievement of targets is reported to the Board and the Shareholder on a quarterly basis. JRA is committed to the practice of and respect for equity in diversity and the provision of skills development opportunities to all employees.

Description	MALE				FEMALE				TOTAL
	A	C	I	W	A	C	I	W	
Province population	45.30%	1.30%	1.90%	7.40%	35.70%	1.30%	1.00%	6.10%	
Current no employees	945	11	6	32	516	9	4	17	1540
Required no of employees to EAP	745	21	31	121	587	21	16	100	
Gap	200	-10	-25	-89	-71	-12	-12	-83	
Current %	62.40%	0.70%	0.40%	2%	32.50%	0.60%	0.10%	1.20%	100%
Gap %	-17%	1%	2%	5%	3%	1%	1%	5%	
Representation status	over	under	under	under	under	under	under	under	

Youth Desk Launch

Youth Development is an intricate and essential plan within the EE strategy. The JRA launched the Youth Desk on the 14th of June 2023, in line with the Youth Month. The main objective is to empower the youth employees of JRA, to gain leadership skills, to raise issues and organize to make changes, and to connect and build support networks in the workplace. This desk is a key element in to hear, develop, mentor and assist the youth within the JRA. Through the Youth Desk, the JRA plans improve coaching and mentoring for Subsidized Education holders within the JRA, career planning workshops, improved succession planning and accelerated development and registration programmes for young professionals. The table below shows the number of Youth Employees in the JRA as at June 2023 (19%).

OCCUPATIONAL LEVEL	MALE				FEMALE				TOTAL
	A	C	I	W	A	C	I	W	
Top Management									
Senior Management	1								1

Professional Qualified	13			9	1			23
Skilled Technical	50			44				94
Semi-Skilled	108	1	2	68				179
Unskilled								
Temporary								

Section 4: Skills Development Training

Table 4.8: Status of skills development at JRA

Strategic Skills	Education and Training Priority	Internal Training Provider	External Training provider	Total Number of Training
Improve Efficiency Improve Efficiency	Interns	-	-	-
	Degrees/Diplomas/Certificates (Employees)	-	-	-
	MFMP	-	-	-
	MFMA Senior Managers	-	4	4
	Contract Revenue Adjustment	-	-	-
	Assessor & Moderator	-	-	-
	Electrical Training Apprenticeship	-	4	4
	Performance Management KPI Training	430	-	430
	Induction	27		27
	Barricading	-	-	-
	Road Construction	-	-	-
Total				465

Section 5: Performance Management

The performance management unit trained all employees on the application of performance management and development during the month of July and August 2022. This was done to ensure employees could meet the submission deadline of 31 August 2022. During quarter 2 the performance management unit conducted quality assurance on submitted performance management documents. The unit also provided support during the moderation of performance management documents during December 2022. The performance management bonuses were paid during December 2022.

In quarter 3 the Performance Management Unit prepared a schedule for employees who were not paid their performance bonuses in December 2022. During quarter 4 the Performance Management Unit continued to conduct quality assurance. The Performance Management Unit was requested to conduct training at the depots in preparation for submission of the 2023/2024 performance management documents.

Section 6: Disciplinary Matters and Outcomes

The following disciplinary cases were conducted during the 2022/23 financial year.

Table 4.9: Disciplinary cases conducted and finalised

Nature of Case	Number of Employees	Outcome
Absenteeism	5	3 Hearings in progress. 2 Finalized: 1 dismissal, 1 Final written warning
Insubordination	1	Hearing in progress
Racism	1	ER instructed to put the hearing on hold.
Dereliction of duties	3	Hearings in progress
Irregular expenditure	5	Charges withdrawn
Attempted theft	6	5 Hearing in progress. 1 concluded and awaiting sanction.
Illegal strike action	54	54 employees charged. Written warnings issued.
Abuse of sick leave	1	Finalized: Withdrawn.
Misuse of JRA vehicle; bringing name of JRA into disrepute	2	Hearings to sit on 17/03/2023, 12.04.2023, 17.05.2023, 15.06.2023.
Fraud	1	Contract terminated on 9.06.2023.
Theft	2	Hearings in progress
Insolent behaviour	1	Hearing in progress
Gross dereliction of duties; insubordination	1	Dismissed on 10.02.2023

Suspensions

The following employees were on suspension during the reporting period.

Table 4.10: Suspensions at JRA

Level	Category of Violations	Date Suspensions	Date of upliftment	Gross Salary Paid	Disciplinary Action Taken / Status of Case
IT Manager	Gross Dereliction of duties	2022.10.03		R808,187.85	Hearing in progress
Foreman	Misuse of Company car. Bringing the name of JRA into dispute.	2022.09.29		R410,147.64	Hearing finalized, awaiting sanction.
General worker	Alleged theft	2022.06.01		R186,671.04	Hearing finalized, awaiting sanction.
Level 1	Alleged dishonesty by submitting fraudulent qualifications	2022.11.17 – put on special leave, 2022.12.27 – put on	Terminated on 9.06.2023	R1 354 882.75	Finalized. Contract terminated on 9.06.2023

		suspension.			
Level 3	Alleged dishonesty by misleading the Board	28.11.2022		R990,968.86	Hearing in progress
Level 3	Alleged dishonesty by soliciting bribes from appointed contractors	2023.01.26		R774,874.70	Hearing in progress
Cleaner	Alleged theft of laptops	24.04.2023		R20,196.52	Hearing in progress
Cleaner	Alleged theft of laptops	24.04.2023		R20,196.52	Hearing in progress
Level 2	Dereliction of duties	2020.10.06	2022.09.05		Finalized. Dismissed on 10.02.2023
Security Officer	Attempted theft	2022.03.04	2022.09.30	R27,129.66	Hearing in progress
Security Officer	Attempted theft	2022.03.04	2022.09.30	R27,129.66	Hearing in progress
Security Officer	Attempted theft	2022.03.04	2022.09.30	R27,129.66	Hearing in progress
Security Officer	Attempted theft	2022.03.04	2022.09.30	R27,129.66	Hearing in progress

Section 7: Leave and Productivity Management

A summary of the leave provisions during the 2022/23 FY is presented below: Figure 4.12: Leave and productivity management.

Category	Number of leave days
Annual leave	8088
Sick leave	6841
Family Responsibility leave	919
Study leave	331
Long service leave	700
Extended sick leave	0
Unpaid leave	1156
Leave encashment	14086

Section 8: Employee Wellness

The table below provides information on Health and Wellness programmes that were embarked upon during the 2022/23 FY:

Table 4.13: Employee Wellness

Health & Physical Wellbeing	
Program	Activities
Blood donation drive	Seven (7) Blood donation drives were successfully held at Head office. The number of blood donors and the facilities provided by JRA for blood donation met the South African National Blood Services' requirements.
Sports Committee	JRA Sports committee revived, and regular meetings held. Overall, 12 Sports Committee meetings were held. Meetings are held once a month and when the need arises to address any emerging issues from time to time.
Sports Tournament	Soccer and Netball tournament held at Marks Park. The JRA has also established an internal Soccer League which currently consists of six soccer teams including Head office. It is envisaged that moving forward each Region and Depot will have a team represented in the League.
IMSSA Employee Wellness Program	The Wellness Program encompassed mass participation in Sports to encourage healthy lifestyles. It was held in Polokwane, Limpopo and the JRA was represented by 60 employees. The JRA participated in soccer, netball, snooker, and road running.
Health Screening Campaigns	Four Health Screening Campaigns were held in all the Regions, that is one Campaign in each quarter.
Annual Retirement Workshop	One Retirement Workshop was successfully held to prepare sixty (60) retirees for retirement. They issued with service certificates.
Induction Workshop	One Induction workshop was attended wherein the Wellness Unit delivered a presentation on Employee Wellness to 50 newly appointed General Workers.
Educational Communique's sent out to all employees via Marketing Department	Oral Health; World Asthma Day; Smoking Cessation; Drug Awareness; Cancer Awareness; Headache and Migraine Week; Suicide Awareness; Heart attack Awareness; World AIDS Day Communique; and Mental Health Awareness Communique
Managerial EAP Training	
EAP Training for Managers	An EAP manual has been developed to help Managers/Team Leaders and Supervisors become more familiar with program issues.

Section 9: Employee Benefits

As prescribed in the Basic Conditions of Employment Act (BCEA) JRA employees are provided with a range of employment benefits by the company through membership in the following accredited funds:

Table 4.16: Pensions and Medical Aid Funds

MEDICAL AID	Name of the Medical Aid	No of employees
	Bonitas	353
	Key Health	116

	Sizwe Hosmed	56
	LA Health	292
	SAMWU Med	178
	Non members	545
	Total	1540
PENSION FUNDS	Name of Fund	No of employees
	E-Joburg	1343
	City of Johannesburg Pension Fund	127
	Municipality Gratuity & Pension Fund	68
	National Fund for Municipal Workers	1
	Employees who were given the option to have their own Retirement Annuity when employed by JRA	1
	Total	1540

Section 9: Occupational Health and Safety

9.1. Health & Safety Programme

Injury incidents in the company are reported based on the Disabling Injury Frequency Rate (DIFR) values. DIFR is defined as the number of disabling injuries per 200 000 employees' hours worked over a 12-month period (an accident resulting in the loss of one or more shifts). The acceptable and recommended best practice DIFR value is one (1). It is important to manage injury incidents to levels below the value of one. There were thirty (30) disabling injury cases reported during 2022/23.

Table 4.17: Injuries on duty

Activity	Q1		Q2		Q3		Q4		Target / Comment
	21/22	22/23	21/22	22/23	21/22	22/23	21/22	22/23	
Injuries on Duty (No of reportable cases)	5	8	9	8	13	7	13	7	The acceptable and recommended best practice DIFR value is a value of one.
Reportable Cases Rate (DIFR)	0,24	0,670	0,65	0,85	1,213	1,1	1.73	1.33	
KPIs									

The table 4.17 denotes that the DIFR is above the value of one (1) which is standing at 1,33 during 2022/23 financial year. Table also demonstrates reduced accidents of thirty (30) reported in 2022/23 compared to forty (40) accidents reported during the 2021/22 financial year. The SHE Unit recommended mitigating measures to prevent reoccurrence of accidents to line managers in the form of accident investigations, safety promotion through applicable awareness and toolbox talks sessions.

9.2. Environmental Management

The report on Atmospheric emission assessment compliance corroborated the Asphalt plant operations with McAdam requirements in terms of the Air Quality Act. This report was submitted to Gauteng Department of Agriculture, Rural and Development (GDARD) for 2022 financial year to maintain and comply with the requirements of the Asphalt Plant Atmospheric Emission Licence (AEL). The Atmospheric emission assessment compliance report was uploaded into the National Atmospheric Emission Inventory System on 13 February 2023 for auditing the compliance of emissions discharged to the atmosphere from Asphalt plant operations.

Environmental audits carried out at depots revealed that accumulation of waste was not resolved as teams were unable to dump waste at the appropriate Pikitup landfill sites due to the default payments by the JRA. The SHE Unit has engaged Regional Operations department to resolve the matter and remove the accumulated waste with immediate effect to maintain minimum storage of 100 m³ in the depots yard in terms of the National Environmental: Waste Act. A report has been submitted to Executive Management Team for interventions to address the identified challenges of non-compliance in relation to storage and disposal of waste.

9.3. Occupational Health Service

There were four Health Risk Assessments conducted in the period under review at the Laboratory Depot and Asphalt plant Fleet Depot RSD Surfacing Motorways. Over 700 employees attended Hazard Identification and Risk Assessment (HIRA) presentations that were conducted across all depots as well as at the Asphalt Plant and Mobility and Freight Department. The presentations communicated the inherent risks within the work activities, current controls as well as recommendations for continuous improvement to reduce or eliminate residual risk.

Section 10: Corporate Social Responsibility

The JRA conducts different activities as part of its Corporate Social Responsibility programme. These are coordinated through the Public Relations and Stakeholder Engagement (PRSE) department as well as relevant technical departments. In 2022/23 some of the activities that the JRA undertook as part of CSR include;

- **Easter Road Safety Campaign** – Launch at Grasmere Engen Garage;
- **Road Safety Awareness Campaign** Main Street – Reduction of speed and distracted driving.
- **Driver Appreciation Day** Brixton Multi-purpose Centre – To appreciate mass transport transit drivers for the sterling work they perform daily.
- **Scholar Transport Driver Safety Awareness Programme** Kliptown, Soweto and Cosmo City – Reduction of speed and distracted driving
- **School Transport Week** Sci-Bono, Newtown – Importance of Science, Technology, Engineering and Mathematics (STEM) as gateway subjects to access skills in demand and hard to fill vacancies.
- **Transport Month activation** Transport Museum – High school learners, were taken on a tour to the Transport Museum to learn about the origin and history of transport in South Africa
- **JP Morgan Corporate Challenge** – Sandton Region E CoJ Water Point

- **Soweto Marathon Promotion of Healthy Lifestyle** – Soweto Theatre CoJ Water Point
- **Promotion of Healthy Lifestyle: 94.7 Ride Joburg Cycling Challenge** – Mandela Park CoJ Water Point

CHAPTER 5: FINANCIAL PERFORMANCE AND EXPOSURE

Section 1: Statement of Financial Position At June 30, 2023

	2022-2023 R(000)
2022/2023 Operating surplus / (deficit) as of 31 June 2023	(R321M)
2022/2023 Cash on hand (Developer's account and loan to COJ)	R 477M
2022/2023 Accumulative Surplus / (Deficit)	(R 512M)

(Refer to Annexure B for June 2023 Statement of Financial Position)

Section 2: Statement of Financial Performance

Component	2023 Operating Budget	Actual (2022/2023)	Variance	Comment
2022/2023 Income	R'000 1,413,748	R'000 1,341,085	R'000 (72,662)	Reinstatements, Developers Income, Management Fees and Jobbings are under budget for the year-to-date figures
2022/2023 Expenditure	1,413,748	1,660,232	(246,484,)	Leasing of vehicles and contractors are over the adjusted budget.
2022/2023 Surplus/ (Deficit)	0	(319,147)	(319,147)	The deficit was due to prior period error correction effected in the year under review relating to the accounting treatment of Developer Contribution Income.

Notes to financial position / performance (as of 31 June 2023):

The 2022/2023 cumulative Actual Income is above Budget by R 1,408 million. This is due to the following reasons:

- Reinstatements, Management Fees and Jobbing are under budget for the year-to-date interim figures.
- The change in accounting policy led to the developer's income been accounted for as liability and not income. This includes the interest of the developers' bank account which is no longer seen as income to the JRA.
- The 2022/2023 Cumulative Operating expenditure is above budget by R25,3 million mainly because leasing of vehicles and contractors are over the adjusted budget.

Over/Under spending:

- **2022/2023 Consulting fees:** These are expenses related to the use of external consultants. Expenditure to date is R9.1 million, which is under the budget amount by 1.66%. The use of consultants within the JRA was to be utilized to address the capacity shortages within certain business units.

- **2022/2023 Depreciation and asset impairment:** The increase in the budgeted amount for depreciation was to accommodate the procurement of laptops and plant equipment of which some have been procured.
- **2022/2023 Materials expenditure:** Interim Material costs are R46,7 million under YTD adjustment budget as of 30 June 2023, due to road and traffic signal and increased road maintenance needs.
- **2022/2023 Leased Expenditure:** This is the interim expenditure relating to the motor vehicles and other leases by JRA from service providers and costs from the City. Accumulated expenditure as of 30 June 2023 is R153,5 million which is above the YTD Adjustment budget of R147,1 million resulting in an overspending of R6,3 million.
- **2022/2023 Employee Costs:** Accumulated expenditure to date is R919,8million of the adjustment budget of R906,5 million resulting in overspending of R13,5 million. This includes the “insourced” security and cleaning staff expenses shown under Employee costs.

Section 3: Employee Cashflow Statement

Refer to Annexure C for 2022/2023 Interim Cash Flow Statement

Section 4: Capital Projects and Expenditure

Capital Projects & Expenditure (2022/2023 CAPEX Expenditure)

Budget		Q1	Q2 Cumulative	Q3 Cumulative	Cumulative (2022/2023)
2016-17 (R 1 472 946 000)	Expenditure	R 213,644 850	R 519 285 867	R 702, 044, 000	R 1, 288, 026, 000
	%	14,84 %	36,06%	47,7%	87,4%
2017-18 (R 1 121 086 000)	Expenditure	R 140 052 822	R 458 622 627	R 640 007 000	R 1,092,688,501
	%	11.5%	37,8%	57,1%	97, 4%
2018-19 (R 1 301 847 000)	Expenditure	R 162 494 005	R 494,151,605	R 681,126,046	R 1, 292, 145, 004
	%	13.5%	40,96%	52,32%	99%
2019-20 (R 1 140 860 000)	Expenditure	R 340 901 123	R 682 223 153	R 798, 736, 529	R 934, 521, 550
	%	29, 88%	59,8%	70%	82%
2020-21 (R 978 195 300)	Expenditure	R 66 059 812	R 204 845 109	R 320 170 903	R726 091 878
	%	6,38%	19,78%	30,93%	74,23%
2021-22 (R 863 707 000)	Expenditure	R147 585 152	R354 669 469	R497 382 976	R736 361 602
	%	16,96%	40,76%	57,16%	85.26%
2022-23 (R 795 214 000.)	Expenditure	R149 453 580.77	R244,774 910	R373,803,734.38	688,148,045.51
	%	14%	22%	47.01%	87%

Capital Projects & Expenditure (2022/2023 CAPEX expenditure)

Refer to the attached Annexure D for detail. Please note that the summary includes commitments and accruals.

Funding Sources

Table 5.1: Funding Source

Details	Budget (R'000)	Actual (R'000) (2022/2023)	2022/23 % Spent
COJ Funded	594,175	501,369	84%
JRA Funded from Developers Contribution (Other)	155,957	173,616	111%
USDG	45,082	13,162	29%
Total	795,214	688,148	87%

Section 5: Ratio Analysis

Table 5.2: Summary Ratios

KEY RATIO	Target FDP	2022/23	Performance Against Target (RAG Status)
Current ratio	1	0.81	
Solvency ratio	2	1.10	
Accumulated Surplus	R50M	(R315M)	
Cash on hand	R50M	R477M	
Salaries ratio	35%	24.22%	
Repairs & Maintenance ratio	7%	5%	
Notes			

Notes:

JRA's Remuneration to Operating Expenditure Ratio for the period ending 30 June 2023 is 24.22%. The target on employee costs is in line with the target. JRA's employee's costs for Regional Operations and Mobility and Freight are reallocated to cost of road maintenance. Although some of the FDP targets were not met on ratios, the company is financially sound and solvent.

Cost coverage: The 2022/2023 interim cost coverage ratio for JRA is 5.80 Months. This is calculated based on Cash on Hand (sweeping and developers contribution) divided by average monthly operating adjustment budget for expenditure.

Section 6: Supply Chain Management & BBEE

Table 5.3: BBEE Expenditure

	%	RAG Status
Total payments made (excluding payroll amounts) – R263,340,435.15	56.42% % Against a target of 75% p.a.	
Capex Percentage	R91,388,630.37 18.88%	
Opex Percentage	R181,769,761.74 37.55%	

The new Preferential Procure Policy Framework Act came into effect on 1 January 2023. The B-BBEE point allocations have changed which impact future reporting. JRA reported B-BBEE spend of 56.42% against a scorecard target of 75% per annum.

Payment of suppliers within 30 days

	Q4 (2021/22)	Q1	Q2	Q3	Q4	Target
% compliance in respect of payment of all service providers within 30 days	April: 99.60% May :100% June:100% Average: 99.87%	July'22: 100% August: 99.50% Sept 99.70% Average: 99.73%	Oct '22: 100% Nov'22: 98 % Dec 22: 54% Average: 84%	January 87% February 75% March 96% Average: 86%	April 94% May 99% June % Provisional 100% Average 97,67%	100%

The average compliance rate on payment within 30 days for 2022/23 is 92%. This is due to the increased allocation of cashflow per the management interventions for payment of sensitive accounts. The cash flow constraints impacted on the operations and timing of payments resulting in an increased number of frustrated service providers.

Report on Irregular, Fruitless and Wasteful Expenditure and Due Processes

Irregular expenditure – The opening balance on the 1st of July 2022 is R806 768 969. Irregular Expenditure incurred during the 2022/23 financial year amounts to R431,037,323. During the year the Board certified as irrecoverable and wrote off R820 099 563 irregular expenditure following detailed investigations and in line with MFMA Circular 68. The closing balance of irregular expenditure is at R417 706 728.

Fruitless and Wasteful Expenditure – Fruitless and Wasteful expenditure incurred for the year ended 30 June 2023 is R7 120 992 bringing the cumulative balance from July 2022 to date to R62 913 635. The amount refers to interest charged on Eskom invoices that were received and paid late.

Deviations -The total deviations from July 2022 to 30 June 2023 amounts to R4, 145, 585.

Debtors

In the normal course of business, the JRA enters transactions with various external parties, some of whom are Related Parties, other Government Entities and Third Parties. These transactions are deemed to be at arms' length whereby cash is paid upon exchange or payment terms are extended to the external party. In other instances, these transactions are of non-exchange nature. The following summary of the Age Analysis by category of Debtor:

Description	%	Open Amount	Current	31 - 60	61 - 90	91 - 120	Over 120
Related Parties	89.29%	201,751,318.44	63,621,317.59	2,329,890.67	8,041,887.53	909,685.65	126,848,537.00
Other Govt entities	9.77%	22,079,444.75	-	-	-	(0.01)	22,079,444.76
Third Parties	0.94%	2,127,789.95	(420,762.80)	23,935.16	22,887.20	40,233.48	2,461,496.91
		225,958,553.14	63,200,554.79	2,353,825.83	8,064,774.73	949,919.12	151,389,478.67

From the above table, the following observations can be made:

- That, the overall debtors' book shows a decline from R515 million to R461 million in the 2022/23 financial year. The decrease is attributable to improvement in the collection of debtors. The collection efforts are bearing positive results on the cashflow of the JRA in that the Income and Asset unit has managed to reduce debtors by 11% from previous financial year.
- Related Parties are those entities which fall within the ownership and control of the City of Johannesburg with whom the JRA does business. Under normal circumstances, the

transactions between the entities are underpinned by an SLA failing which, a purchase order may become a trigger for doing business.

- iii. The total amount owed by related parties' debtors is R410 million, which represents 89% of the total debtors. It has increased from R392 million to R410 million when compared with previous financial year. The related party transactions pose minimal risk of payment to the JRA. The normal process requires all related entities to confirm the outstanding balances owing/owed to one another, as well as the transactions that gave rise to those balances. This process ensures that all disputes are eradicated. Furthermore, due to the austerity measures of intercompany confirmations and reporting for each quarter and monthly, management is confident that bulk of the invoices will be settled, as the departments clear the accrued transactions. Furthermore, Corporate Finance-Capex unit is continuously engaging with City of Johannesburg departments to resolve any challenges of old invoices which are attributable to two reasons; a. the queries raised on invoices and any disputes of transactions, however JRA is clearing up the queries raised by the client; and b. challenges of cashflow.
- iv. Third Parties are non-government owned and controlled entities. They account for 0.94% of the total book, an increase of 0.13% from last quarter is attributed to the interest charges on the overdue account. The overdue debtors in this category have been provided as doubtful debts. Follow up process on any outstanding or due amounts still to be paid is performed to ensure recovery. The net overdue amount of R2m in over 182 days has been provided for as doubtful debts, furthermore interest charges have been levied on the line item at prime rate on monthly basis. Recommendations have been made to the Board to write-off the amount owed due to debtors being irrecoverable.
- v. Other Government Entities are owned and controlled by other spheres of government but fall outside the City of Johannesburg. This category of debtor's accounts for 9.77% of the overall book in the 4th quarter. These debtors are stagnant besides the follow up on the over 180 days due by the Department of Road and Transport and IDC. A commitment to settle the account was made, however JRA still has unresolved tax clearance status challenges. The DRT does not want to pay JRA is tax compliant. The matter is given most important consideration to reach consensus between the parties involved, options for COJ to collect the monies owed on our behalf is under consideration.
- vi. **Bad Debts Provision**
For the financial year provision amounting to R2,205,072.92 was disclosed against JRA debtors. All debtors are assessed monthly, and provisions made and adjusted during the Impairment assessment as per GRAP 104. The following debtors as per below schedule has been recommended for write-off by the Board:

Description	Amount
Eyethu Translodge & Plant	1,646,184.82
Asphalt Sales	276,795.56
Sipho Tshabalala	12,092.54
Phofu Bahurutshe	270,000.00
Payments and Developer's Income Debtor	135,401.41
Institute for Local Government	5,750.00
AFRI-INFRA Group Holdings	352,800,00
AFRI-INFRA Group Holdings	117,497,42
SEEDI Development Projects Reclassification	754,168,93
Outstanding Metro Claims	83,309,658
Total	86,880,348,68

All other long outstanding amounts are being monitored closely and ongoing communication is made with debtors to recover what is being owed to JRA.

Section 7: Litigations and Insurance Claims Against / To MoE

In summary, the following litigation and public liability claims were received during 2022/23:

Table 8.1: Pending litigations and possible liabilities

Litigation area	Total number of cases
Contractual disputes	7
Delict (damages)	4
Labour (review applications)	1
Others (Letters of Demand)	25

Insurance Claims against/to MOE

Table 8.2: Public Liability Claims received during 2022/2023:

Quarter Periods	Amount claimed	Number of claims
Jul 2022 to Sep 2022	R 52758053.28	264
Oct 2022 to Dec 2022	R 17237564.55	144
Jan 2023 to Mar 2023	R 20712775.19	269
Apr 2023 to Jun 2023	R 36248664.27	234

Total Amount for the 2022-23 financial year is **R126 957 057.30**

Section 9: Statements of Accounts Owed by and to Government

Table: 9.1: Amounts Owed by and to Government Departments and Public Entities

Name	Amount (R)
Department of Road and Transport	22,018,000
Industrial Development Corporation	61,500
Total	22,079,500

CHAPTER 6: INTERNAL AND EXTERNAL AUDIT FINDING

Section 1: Progress on Internal Audit Plan

The internal audit plan for the 2022/23 financial year was developed using the top strategic and operational risks of the JRA. The status of the projects as of 30 June 2023 is summarized and reflected as follows;

Table 6.1: Progress with audit plan

Description	Total projects	Deferred	Not yet started	Planning phase	Execution phase	Reporting/ Completed	Comments
Projects completed	33	0	0	0	0	33	None
Progress (percentage)	100%	0%	0%	0%	0%	100%	None

Section 2: Progress on Resolution of IA Findings

Remedial Actions undertaken by Management to address the non-achievement:

In 2022/23 the JRA resolved 68% of all due Internal Audit findings. To improve resolution of findings, there is continuous engagement between management and Internal Audit on tracking and reporting, and management is fast tracking the submission of matters requiring Board and Committee approvals. Findings are a standing agenda item at EMT for continuous oversight. Monthly and quarterly reports were submitted to the Shareholder and the Audit and Finance Committee, respectively.

Section 3: Progress on Resolution of AG Findings

The summary of performance in relation to AG findings is detailed below;

3.1. 2022/23 AG Audit

During the 2022/23 financial year, the JRA resolved 83% of due AG findings.

Description	Total	Resolved	Unresolved
Matters affecting the audit report	9	8	1
Other important Matters	19	16	3
Administrative matters	1	0	1
Total	29	24	5
OVERALL PERFORMANCE - % Resolution of AGSA Audit Findings		83%	17%

3.2. AG Repeat Findings

The JRA had a total of 12 repeat findings and managed to resolve 8 (66%) of the repeat findings. The remaining four repeat findings will be prioritised for resolution in the next financial year.

Section 4: Overall State of Internal Controls

The overall conclusion of the state of internal controls based on the following audits completed from the 1st of July 2022 to 30 June 2023 is that controls are adequate but ineffective to provide reasonable assurance that JRA objectives will be achieved:

Table 6.3: State of internal controls

Name Audit Area	Date Completed	Opinion Expressed	Original Rating
Laboratory Management follow up	Quarter 1	Adequate and Effective	Green
Records Management	Quarter 1	Inadequate	Red
Inventory Management	Quarter 1	Adequate but Ineffective	Yellow
Review of Interim Financial Statements	Quarter 1	Adequate but Ineffective	Yellow
Review of Annual Financial Statements	Quarter 1	Adequate but Ineffective	Yellow
IT Governance and strategy follow -up	Quarter 1	Adequate and Effective	Green
Employee Verification	Quarter 1	Adequate but Ineffective	Yellow
Capex verification	Quarter 1	Adequate but Ineffective	Yellow
Audit of Performance information Q4	Quarter 1	Adequate but Ineffective	Yellow
Leave Management follow up	Quarter 2	Adequate but Ineffective	Yellow
Road Infrastructure Management	Quarter 2	Adequate but Ineffective	Yellow
EPWP follow up	Quarter 2	Adequate but Ineffective	Yellow
Q1 Audit of performance information	Quarter 2	Adequate but ineffective	Yellow
Traffic Signal Management	Quarter 3	Adequate but Ineffective	Yellow
Employee Relations And Wellness Audit	Quarter 3	Adequate but Ineffective	Yellow
Total Quality Management Audit	Quarter 3	Adequate but Ineffective	Yellow

Name Audit Area	Date Completed	Opinion Expressed	Original Rating
Recruitment follow up audit	Quarter 3	Adequate but Ineffective	Yellow
Stakeholder Management & IGR Audit Control Self-Assessment	Quarter 3	Inadequate	Red
Audit of performance information	Quarter 3	Adequate but Ineffective	Yellow
IT General Controls Follow Up Audit	Quarter 3	Adequate but Ineffective	Yellow
Expenditure Management & Accounts Payable Follow- Up Audit	Quarter 3	Adequate and Effective	Green
Contract Development Follow Up Audit	Quarter 4	Adequate but Ineffective	Yellow
Contract Management Follow Up Audit	Quarter 4	Adequate but Ineffective	Yellow
Revenue Management	Quarter 4	Adequate but Ineffective	Yellow
Overtime Audit Management	Quarter 4	Adequate but Ineffective	Yellow
RFQ closing process Q1,Q2,Q3 & Q4	Quarter 4	Adequate and Effective	Green
Bids closing process Q1&Q2	Quarter 4	Adequate and effective	Green

Section 5: Report of the Audit Committee

5.1. Introduction

It is the responsibility of the Audit Committee, duly appointed by the Shareholders in a general meeting, to issue this report for the 2022/2023 financial year. The composition of the Committee and attendance of the Committee members are addressed in the Governance Report (Chapter 2). The activities of the Committee are guided by the legislated mandate as well as detailed Terms of Reference duly informed by Section 66 of the Municipal Finance Management Act 56 of 2003 (MFMA), the Municipal Systems Act No 32 of 2000 (Municipal Systems Act), Section 94 of the Companies Act No 71 of 2008 (Companies Act) and King IV and are approved by the Board. The Annual Financial Statements form part of the Annual Integrated report. The Committee is also tasked with the oversight of the risk management process and the governance of Information Technology in terms of the MFMA.

5.2. Roles and Responsibilities

During the year under review the Committee fulfilled all the functions and discharged its responsibilities as prescribed in the MFMA; The Municipal Systems Act, and the Companies Act, King IV and the Terms of Reference.

5.2.1. External Auditor Appointment

The Committee has satisfied itself that the external auditor is independent of the company, as set out in section 94(8) of the Companies Act, 2008. In consultation with the Executive Management, the Committee noted the Auditor-General of South Africa's engagement letter, noted the audit strategy together with the fees, which were approved by the Board.

5.2.2. Summary of Main Activities

In order to discharge its responsibilities, duties and obligations, the Committee considered the following:

a. In respect of the external audit:

- Reviewed the audit strategy, evaluated the effectiveness of the external auditor and evaluated the external auditor's internal quality control procedures;
- Obtained assurances from the external auditor that adequate accounting records were being maintained, including reports pertaining to the effectiveness of the company's internal control environment, systems and processes;
- Considered whether any reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act 26 of 2005 and interrogated those reported in the annual financial statement and satisfied themselves that there was value for money and appropriate action was and / or will be taken to mitigate the risk of recurrence; and,
- Made recommendations to the Board regarding corrective actions to be taken as a consequence of any audit findings.

b. In respect of the annual financial statements:

- Considered the basis upon which the company was determined to be a going concern;
- Confirmed that the *"going concern"* assumption was correctly used as the basis for the preparation of the annual financial statements;
- Considered the annual financial statements, the information upon which the statements were prepared and the correctness thereof prior to submission and approval by the Board;
- Ensured that the annual financial statements fairly present the financial position of the company as at the end of the financial year;
- Considered accounting treatments and accounting judgements and conclusions;
- Considered the appropriateness of the accounting policies adopted and any changes thereto;

- Reviewed the external auditor's audit report, including any significant legal and tax matters that could have a material impact on the financial statements;
- Met with management and both the external and internal auditors to ensure all parties had an opportunity to raise any concerns with the Committee; and,
- Considered the adequacy and effectiveness of controls and procedures, including meeting separately with management, external audit and internal audit.

c. In respect of internal control and internal audit:

- Reviewed and approved the annual internal audit charter and audit plan and evaluated the independence, effectiveness and performance of the internal audit department and compliance with its charter and the approved audit plan;
- Considered the reports of the internal auditor regarding the systems of internal control including financial controls and maintenance of effective internal control systems;
- Received assurance that proper and adequate accounting records were maintained, including the safeguarding of assets and the prevention of corruption and fraud;
- Reviewed significant issues raised by the internal audit processes and the adequacy, and implementation, of corrective action in response to significant internal audit findings; and,
- Assessed the adequacy of the performance of the internal audit function, and specifically assessed the performance of the head of the Internal Audit Function and the adequacy of the available internal audit resources and made recommendations to correct shortcomings.

Based on the above, the Committee formed the opinion that, while the controls were adequate, some were not wholly effective in achieving their purpose and ensuring that the Company's objectives were achieved (see Section 4 of this Report). The Committee was however of the opinion that this did not lead to any material breakdowns in internal control, including financial controls and business risk management.

d. In respect of risk management and information technology:

- Reviewed the company's policies on risk assessment and risk management, including fraud risks and information technology risks as they pertain to financial reporting and the going concern assessment, and found them to be sound;
- Reviewed IT risk and IT governance; and,
- Considered and evaluated significant IT investments and the delivery and management of IT services.

e. In respect of sustainability issues contained in the Sustainable Development report:

- Oversaw the process of sustainability reporting; and,
- Received the necessary assurances from management that material disclosures are reliable and do not conflict with the financial information.

f. In respect of performance information:

- Oversaw the performance information throughout the year through the quarterly internal audit reports received; and,
 - Considered the Annual Performance Report for the year under review and recommended it for approval to the Board of Directors.
- g. In respect of legal and regulatory requirements to the extent that it may have an impact on the financial statements:
- Reviewed with management, legal matters that could have a material impact on the group;
 - Reviewed with the adequacy and effectiveness of the group's procedures to ensure compliance with legal and regulatory responsibilities;
 - Confirmed with management that they had reported on any items of unauthorised, irregular and fruitless and wasteful expenditure in terms Section 102 of the MFMA; and,
 - Considered reports provided by management, the internal auditor and the external auditors.
- h. In respect of the coordination of assurance activities;
- Reviewed the plans and work outputs of the external and internal auditors and concluded that these were adequate to address all significant risks facing the business; and,
 - Considered the expertise, resources and experience of the finance function, including that of the Chief Financial Officer (CFO), the head of the Supply Chain Management (SCM) function and senior members of management, and concluded that these were appropriate.

5.3. Fraud and Whistle Blowing

The Committee has received quarterly reports pertaining to instances of fraud and / or corruption. The said reports were reviewed by the Ethics Officer, including reports received through the independent whistle-blower hotline. The Committee has exercised oversight in respect of financial reporting risks, internal financial controls, fraud risks and IT risks as they relate to financial reporting.

5.4. Evaluation of the Expertise and Experience of the Chief Financial Officer and Finance Function

Ms. Dikeledi Thindisa was appointed as the CFO on the 3rd of June 2019 and remained in the position for most of the financial year under review until her resignation on 30 April 2023. On the 2nd of May 2023, Mr. Lufuno Mashau was appointed as the Acting CFO until the end of the 2022/23 financial period.

The Committee believes that both CFOs have sufficient qualifications and experience in comparable finance related roles, and they are considered to have exercised due diligence in carrying out their responsibilities as CFOs.

5.5. Attendance

The members as well as their attendance at meetings held during the 2022/23 is set out in Chapter

two of the report.

5.6. Conclusion

Based on our review of the integrated report of JRA, comprising the annual performance review and annual financial statements, we are of the opinion that, in all material respects, the report complies with the provisions of the Municipal Finance Management Act, No. 56 of 2003; The Municipal Systems Act, No. 32 of 2000, the Companies Act, No 71 of 2008, the King IV Report and Generally Recognised Accounting Practice as issued by the Accounting Standards Board and prescribed by National Treasury. The Committee concurred with the Auditor- General's Audit Opinion for the financial year ended 30 June 2023.

Having had regard to all material factors and risks that may impact on the integrity of the integrated report, and having satisfied ourselves that the information is reliable, we recommended the Audit Committee report of the JRA for the year ended 30 June 2023 for approval to the Board of Directors.



A handwritten signature in black ink, appearing to read 'A Francis', is written over a horizontal line. The signature is fluid and cursive.

Ms A Francis

Chairperson of the Audit, Finance, Risk and IT Committee (AFRIT) On behalf of the AFRIT

Report of the auditor-general to the Gauteng Provincial Legislature and the council of the City of Johannesburg Metropolitan Municipality on the Johannesburg Roads Agency (SOC) Ltd

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Johannesburg Roads Agency (SOC) Ltd set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2023, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Johannesburg Roads Agency (SOC) Ltd as at 30 June 2023 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Companies Act 71 of 2008 (Companies Act).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
4. I am independent of the municipal entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matters

6. I have determined that there are no key audit matters to communicate in this auditor's report.

Emphasis of matters

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

Material impairments – trade debtors

8. As disclosed in note 5 to the financial statements, material losses of R86 880 349 were incurred because of a write-off of irrecoverable trade debtors.

Uncertainty relating to the future outcomes of exceptional litigations

9. With reference to note 30 to the financial statements, the municipal entity is the defendant in various lawsuits. The ultimate outcome of these matters cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

Restatement of corresponding figures

10. As disclosed in note 40 to the financial statements, the corresponding figures for 30 June 2022 were restated as a result of an error in the financial statements of the municipal entity at, and for the year ended, 30 June 2023.

Other matter

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

Unaudited disclosure notes

12. In terms of section 125(2)(e) of the MFMA, the municipal entity is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

13. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the MFMA and the Companies Act; and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
14. In preparing the financial statements, the accounting officer is responsible for assessing the municipal entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipal entity or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

15. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are

considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

16. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

17. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected programmes presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

18. I selected the following programmes presented in the annual performance report for the year ended 30 June 2023 for auditing. I selected programmes that measures the municipal entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Programme	Page numbers	Purpose
Institutional SDBIP	XX	Provide a resilient, liveable, sustainable urban environment underpinned by smart infrastructure supportive of a low carbon economy.
Circular 88	XX	A high performing metropolitan government that proactively contributes to and builds a sustainable, socially inclusive, locally integrated and globally competitive Gauteng City Region.
Entity scorecard	XX	An inclusive, job-intensive, resilient competitive and smart economy that harnesses the potential of citizens

19. I evaluated the reported performance information for the selected programmes against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the municipal entity's planning and delivery on its mandate and objectives.

20. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the municipal entity's mandate and the achievement of its planned objectives

- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for the measures taken to improve performance.

21. I performed the procedures for reporting material findings only; and not to express an assurance opinion or conclusion.

22. The material findings on the reported performance information for the selected programmes are as follows:

Circular 88

Various indicators

23. I could not determine if the reported achievements were correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievements might be more or less than reported and were not reliable for determining if the targets had been achieved.

Indicator	Target	Reported achievement
Percentage of unsurfaced roads graded	50%	121,99%
Percentage of municipal road lanes which has been resurfaced and resealed	4%	6.55%

Other matters

24. I draw attention to the matters below.

Achievement of planned targets

25. The annual performance report includes information on reported achievements against planned targets and provides measures taken to improve performance. This information should be considered in the context of the material findings on the reported performance information.

26. The municipal entity plays a key role in delivering services to South Africans. The table that follows provides information on the achievement of planned targets and lists the key service delivery indicators that were not achieved as reported in the annual performance report. The measures taken to improve performance are included in the annual performance report on pages xx to xx.

Institutional SDBIP

<i>Targets achieved: 33,33%</i>		
<i>Budget spent: 97%</i>		
Key service delivery indicator not achieved	Planned target	Reported achievement
Number of kilometres of gravel roads upgraded to surfaced roads	15 km	8,409 km
Number of kilometres of storm water drains converted to underground systems	2,7 km	0,170km

Entity scorecard

<i>Targets achieved: 77,78%</i>		
<i>Budget spent: 45,67%</i>		
Key service delivery indicator not achieved	Planned target	Reported achievement
Percentage budget expenditure on implementation of the storm water master planning projects	95%	42,52%

Material misstatements

27. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for Circular 88. Management did not correct the misstatement and I reported material findings in this regard.

Report on compliance with legislation

28. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the municipal entity's compliance with legislation.

29. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

30. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the municipal entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
31. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements

32. The financial statements submitted for auditing were not fully prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of general expenses, loans to shareholders, payables from exchange transactions, cash and cash equivalents and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

33. Money owed by the municipal entity was not always paid within 30 days, as required by section 99(2)(b) of the MFMA.
34. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R10 839 634 as disclosed in note 35 to the annual financial statements, in contravention of section 95(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest charged on overdue balances.
35. Reasonable steps were not taken to prevent irregular expenditure amounting to R431 037 323 as disclosed in note 36 to the annual financial statements, as required by section 95(d) of the MFMA.

Procurement and contract management

36. Some of the contracts were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of Preferential Procurement Policy Framework Act and 2017 Preferential Procurement Regulations 11.
37. Some of the tenders which failed to achieve the minimum qualifying score for functionality legislative requirement were not disqualified as unacceptable tender in accordance with 2017 Preferential Procurement Regulation 5(6).

Other information in the annual report

38. The accounting officer is responsible for the other information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act. The other information referred to does not

include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported on in this auditor's report.

39. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
40. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
41. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

42. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
43. The matters reported below are limited to the significant internal control deficiencies that resulted in the opinion and the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
44. The accounting officer did not exercise adequate oversight responsibility over the internal controls relating to compliance with key laws and regulations. This resulted in material non-compliance with laws and regulations.
45. Senior management did not ensure adequate monitoring of controls to prevent non-compliance with laws and regulations.
46. Senior management did not implement sufficient controls for the preparation of valid, accurate and complete annual performance report that is supported by reliable supporting information. This resulted in material findings in the annual performance report.

Other reports

47. I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

48. The GFIS was investigating allegations of possible fraud, supply chain management and human resources related matters at the municipal entity, covering various financial years and including the current financial year. The outcome of these investigations is expected after 30 June 2023.

Auditor-General

Johannesburg

30 November 2023



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURES

Annexure A: Board of Directors; Committee Allocations and Attendance

Refer to Chapter 2 of the Report

Annexure B: Committee and Committee Purpose

Refer to Chapter 2 of the Report

Annexure C: Administrative Structure

Refer to Chapter 2 of the Report

Annexure D: Functions of the Entity

Refer to Chapter 2 of the Report

Annexure G: Recommendations of the Audit Committee

ITEM DESCRIPTION	RESOLUTION
Q1 – Ordinary Meeting – 12 July 2023	
Revised Annual Internal Audit Plan for 2022/ 2023.	IT WAS RESOLVED THAT the Committee regularised the approval of the Revised Annual Internal Audit Plan 2022/2023 as per round robin resolution made on the 18 April 2023.
Q4 Company Performance Report and Financial Statements	IT WAS RESOLVED That the Q4 Company Performance report be recommended to the Board for approval subject to the comments made.
Status Report on Commercialisation of Asphalt Plant	IT WAS RESOLVED THAT the verbal report in this regard be noted subject to the above
Annual Internal Audit Plan for 2022/ 2023	IT WAS RESOLVED THAT the Annual Internal Audit Plan for 2022/ 2023 is approved.
Reviewed Internal Audit Charter 2023/2024	IT WAS RESOLVED THAT the Internal Audit Charter 2023/2024 be approved.
Reviewed Internal Audit Methodology	IT WAS RESOLVED THAT the Internal Audit Methodology be approved.
Q4 Internal Audit Reports for 2022/2023	IT IS RESOLVED THAT the report be noted subject to the comments made.
Summary of AG and Internal Audit Findings	IT IS RESOLVED That the report be noted subject to the comments made.
Q4 Report on the Assessment of Internal Controls	IT WAS RESOLVED that the report be noted.
JRA Risk Management Strategy and Implementation Plan 2023/2024	IT WAS RESOLVED THAT the JRA Risk Management Strategy 2023/2024 be approved.
Q4 Risk Management Report	IT WAS RESOLVED THAT the report be noted subject to the comments made.
Q4 IT Report	IT WAS RESOLVED THAT the subject to the comments made, Q4 IT Report be noted.

ITEM DESCRIPTION	RESOLUTION
Q4 Public Liability Claims Report	IT WAS RESOLVED THAT the report be noted.
Q4 Litigations Report	IT WAS RESOLVED THAT the report be noted.
Q1 – Special Meeting 23 August 2023	
Draft Annual Financial Statements (AFS) 2022-2023 Financial Year	RESOLVED that subject to the comments made; the report be updated, and the consolidated report be recommended to the Board for approval.
Annual Performance 2022/2023 Financial Year	RESOLVED THAT subject to the incorporation of comments made, the report is recommended to the Board for approval.
Internal Audit Report on Draft 2022/2023 AFS Review	RESOLVED THAT the report be noted subject to the comments made. An updated report be presented to the Board for noting.
UIFW Adjustment Report	RESOLVED THAT the report be recommended to the Board for approval subject to the comments made.
Engagement Letter	RESOLVED THAT the Engagement Letter be recommended to the Board for approval.
Audit Strategy	RESOLVED THAT the Audit Strategy be recommended to the Board for approval.
Presentation on AGSA Culture Shift 2030 Strategy and Material Irregularity	RESOLVED THAT the Committee noted the presentation made.
Q2 – Ordinary Meeting 17 October 2023	
CEO'S Report on Service Delivery	IT WAS RESOLVED THAT – the Committee noted that report and requested that possible dates for the OD strategy session be shared with the Committee members well in advance.
Q1 Company Performance Report and Financial Statements	IT WAS RESOLVED THAT – the Q1 Company Performance report be recommended to the Board for approval subject to the comments made.
Status Report on Asphalt Plant	IT WAS RESOLVED THAT – the report in this regard be noted subject to the above.
Progress Report - AsphaltPlant Commercialisation	IT WAS RESOLVED THAT – The Status Report on Commercialisation of Asphalt Plant be noted subject to the above.
Q1 Internal Audit Reports for 2023/2024	IT WAS RESOLVED THAT – The report be noted subject to the comments made.
Summary of AG and Internal Audit Findings	IT WAS RESOLVED THAT – The report be noted subject to the comments made. In order to eliminate this, JRA need to be firm in implementing consequence management and this is not the responsibility of Internal Audit but of management.
CEO'S Report on Service Delivery	IT WAS RESOLVED THAT – the Committee noted that report and requested that possible dates for the OD strategy session be shared with the Committee members well in advance.
Q1 Company Performance Report and Financial Statements	IT WAS RESOLVED THAT – the Q1 Company Performance report be recommended to the Board for approval subject to the comments made.
Status Report on Asphalt Plant	IT WAS RESOLVED THAT – the report in this regard be noted subject to the above.
Progress Report - AsphaltPlant	IT WAS RESOLVED THAT – The Status Report on Commercialisation of Asphalt Plant be noted subject to

ITEM DESCRIPTION	RESOLUTION
Commercialisation	the above.
Q1 Internal Audit Reports for 2023/2024	IT WAS RESOLVED THAT – The report be noted subject to the comments made.
Summary of AG and Internal Audit Findings	IT WAS RESOLVED THAT – The report be noted subject to the comments made. In order to eliminate this, JRA need to be firm in implementing consequence management and this is not the responsibility of Internal Audit but of management.
Q1 Report on the Assessment of Internal Controls	IT WAS RESOLVED THAT – that the report be noted.
JRA Strategic Risk and Operational Risk Registers 2023/2024	IT WAS RESOLVED THAT – <ul style="list-style-type: none"> ▪ The report be recommended to the Board for approval subject to the comments made. ▪ In addition, for future consideration of the same item, the Committee requested that the Board Strategic Risk Workshop which is inclusive of AFR&ITC members be held prior to the report presented for approval.
Risk Appetite and Tolerance Limits Report 2023-24	IT WAS RESOLVED THAT – the Risk Appetite and Tolerance Limits Report 2023-2024 be recommended to the Board for approval.
Q1 Risk Management Report	IT WAS RESOLVED THAT - the report be noted subject to the comments made. Management will commence with the implementation of the action plans upon approval of the risk registers, thus, the report to be presented at the next quarter will be more detailed.
Risk Management Maturity Assessment Outcome	IT WAS RESOLVED THAT - The report be noted.
Q1 IT Report	IT WAS RESOLVED THAT - the report be noted.
Q1 Public Liability Claims Report	IT WAS RESOLVED THAT - The report be noted.
Q1 Litigations Report	IT WAS RESOLVED THAT - the report be noted subject to the below comment. Management undertook to consolidate all matters under investigations done by GFIS including the labour relations matters and this can be discussed at the in-committee meeting presented by the Internal Audit and the Company Secretary.
JRA Strategy 2027	IT WAS RESOLVED THAT - the JRA Strategy 2027 be recommended to the Board for approval subject to changes made. <ul style="list-style-type: none"> ▪ <u>Pg. 2 Technical issues</u> - corrections of index page and numbering of tables be done. ▪ <u>Pg. 9 Under JRA achievements</u> - the reference to the year 2021 which is a previous year is a concern since it takes the Committee backwards, management should rather consider focusing forward on future years. ▪ <u>Pg. 53-68</u> - There needs to be consistency in reporting, the current report showed different area outcomes which are reported in percentages, numbers and others in quarters. ▪ <u>Pg. 13-15</u> - graphs to be supported by detailed information and give definitions of what each line represents.

ITEM DESCRIPTION	RESOLUTION
Q2 - Special Meeting: 27 November 2023	
AGSA Management Letter and Audit Report	IT WAS RESOLVED THAT - the Management Letter and Audit Report be recommended to the Board for approval subject to the changes made.
Audited Annual Financial Statements (AFS) 2022 – 2023	IT WAS RESOLVED THAT - the Audited AFS be recommended to the Board subject to comments made.
Integrated Annual Report 2022 – 2023	IT WAS RESOLVED THAT - the Integrated Annual Report 2022 – 2023 be recommended to the Board subject to the comments made.
Emergency Section 116 Report	IT WAS RESOLVED THAT - the report be recommended to the Board for approval subject to the above.
Bad Debt Write-Off	IT WAS RESOLVED THAT - the Bad Debt Write-off report be recommended to the Board for approval.
Progress Report Asphalt Plant – Financial Model	IT WAS RESOLVED THAT - that the report be noted and submitted to the Board for information.

Annexure N: Capital Programme by Project Current Year

Project Number	Project Description	Revised Budget	Budget Lift movements	Revised Budget Lift	Actual Expenditure	Budget Variance	Actual Exp. %
40012023.24100.301	Tarring of Gravel Roads: Diepsloot	10,000,000.00	-5,500,000.00	4,500,000.00	4,094,030.07	405,969.93	91%
40062023.24100.307	Tarring of Gravel Roads: Mayibuye	10,000,000.00	-6,000,000.00	4,000,000.00	4,019,120.89	-19,120.89	100%
40072023.24100.301	Tarring of Gravel Roads: Orange Farm	10,000,000.00	-8,000,000.00	2,000,000.00	8,970,836.55	-6,970,836.55	449%
40072023.24100.305	Tarring of Gravel Roads: Orange Farm	33,500,000.00	-	33,500,000.00	33,189,194.58	310,805.42	99%
40072023.24100.307	Tarring of Gravel Roads: Orange Farm	26,500,000.00	-	26,500,000.00	16,659,267.42	9,840,732.58	63%
40092023.24100.305	Tarring of Gravel Roads: Tshephisong	5,000,000.00	-2,500,000.00	2,500,000.00	922,867.73	1,577,132.27	37%
40102023.24100.301	Tarring of Gravel Roads: Kaalfontein	17,000,000.00	-	17,000,000.00	20,546,607.32	-3,546,607.32	121%
40102023.24100.305	Tarring of Gravel Roads: Kaalfontein	6,500,000.00	-	6,500,000.00	-	6,500,000.00	0%
40142023.24100.305	Bridge Expansion Joints	2,000,000.00	-1,990,000.00	10,000.00	12,500.40	-2,500.40	125%
40152023.24100.301	Bridge Rehabilitation	4,000,000.00	-	4,000,000.00	2,598,696.53	1,401,303.47	65%
40152023.24100.305	Bridge Rehabilitation	4,000,000.00	2,000,000.00	6,000,000.00	5,530,237.88	469,762.12	92%
40162023.24100.305	Bridges: Visual Condition Asse	10,000,000.00	-	10,000,000.00	3,764,607.86	6,235,392.14	38%
40172023.24100.301	Bridges: Replacement of Bridge	15,049,000.00	-15,049,000.00	-	7,990.94	-7,990.94	0%
40172023.24100.305	Bridges: Replacement of Bridge	5,000,000.00	-	5,000,000.00	1,554,239.56	3,445,760.44	31%
40242023.24100.301	Emergency Stormwater Improvement	5,000,000.00	-	5,000,000.00	5,175,903.46	-175,903.46	104%

Project Number	Project Description	Revised Budget	Budget Lift movements	Revised Budget Lift	Actual Expenditure	Budget Variance	Actual Exp. %
40242023.24100.305	Emergency Stormwater Improvement	5,000,000.00	-	5,000,000.00	4,824,096.54	175,903.46	96%
40302023.24100.301	Klein Jukskei Catchment: Bond	10,000,000.00	-5,000,000.00	5,000,000.00	2,896,127.70	2,103,872.30	58%
40332023.24100.305	Conversion of Open Drains Braamfischerville	7,500,000.00	-5,100,000.00	2,400,000.00	469,440.62	1,930,559.38	20%
40352023.24100.305	Conversion of Open Drains Orange Farm	10,000,000.00	-4,000,000.00	6,000,000.00	3,488,676.71	2,511,323.29	58%
40372023.24100.301	Operational Capital: Depot Upgrade	15,000,000.00	-	15,000,000.00	2,601,676.60	12,398,323.40	17%
40372023.24100.305	Operational Capital: Depot Upgrade	5,000,000.00	-	5,000,000.00	6,675,010.67	-1,675,010.67	134%
40392023.24100.301	Operational Capital	20,000,000.00	-	20,000,000.00	17,670,997.63	2,329,002.37	88%
40392023.24100.305	Operational Capital	5,000,000.00	-	5,000,000.00	582,686.63	4,417,313.37	12%
40422023.24100.305	Dam Safety Rehabilitation	11,250,000.00	-6,300,000.00	4,950,000.00	3,761,690.07	1,188,309.93	76%
40452023.24100.301	Integrated Roads and Stormwater	10,000,000.00	-10,000,000.00	-	-	-	0%
40452023.24100.305	Integrated Roads and Stormwater	5,000,000.00	-2,500,000.00	2,500,000.00	687,963.98	1,812,036.02	28%
40462023.24100.305	Investigate and Design Future	7,500,000.00	-2,000,000.00	5,500,000.00	1,818,458.40	3,681,541.60	33%
40472023.24100.301	Emergency, Critical and Urgent	60,000,000.00	-10,000,000.00	50,000,000.00	49,923,073.53	76,926.47	100%
40512023.24100.305	Geometric Improvements	7,500,000.00	-6,000,000.00	1,500,000.00	433,186.29	1,066,813.71	29%
40522023.24100.305	Guardrails	5,000,000.00	-5,000,000.00	-	-	-	0%
40532023.24100.305	Alternative Power Sources (LED	4,000,000.00	-	4,000,000.00	3,986,726.66	13,273.34	100%
40542023.24100.301	Alternative Power Sources (UPS	1,000,000.00	-	1,000,000.00	989,747.79	10,252.21	99%
40562023.24100.301	Installation of New Warranted	5,000,000.00	-	5,000,000.00	6,008,252.52	-1,008,252.52	120%
40562023.24100.305	Installation of New Warranted	5,000,000.00	-	5,000,000.00	3,972,889.31	1,027,110.69	79%
40582023.24100.301	Re-cabbling of Traffic Signals	20,000,000.00	-	20,000,000.00	290,717.81	19,709,282.19	1%
40582023.24100.305	Re-cabbling of Traffic Signals	15,000,000.00	-	15,000,000.00	33,574,165.81	-18,574,165.81	224%
40592023.24100.301	Remote Monitoring	1,500,000.00	-	1,500,000.00	1,473,766.13	26,233.87	98%
40602023.24100.301	SARTSM	10,000,000.00	-	10,000,000.00	4,934,186.70	5,065,813.30	49%
40602023.24100.305	SARTSM	11,000,000.00	-	11,000,000.00	15,899,280.85	-4,899,280.85	145%
40622023.24100.301	Upgrading of Traffic Signal Control	20,000,000.00	-	20,000,000.00	7,656,429.45	12,343,570.55	38%
40622023.24100.305	Upgrading of Traffic Signal Control	14,000,000.00	-	14,000,000.00	25,741,739.21	-11,741,739.21	184%
40632023.24100.305	Upgrading Controllers and Phase	3,750,000.00	-	3,750,000.00	4,695,783.26	-945,783.26	125%
40642023.24100.305	GIS Improvement	2,250,000.00	-	2,250,000.00	-	2,250,000.00	0%
40662023.24100.305	Rehabilitation of Open Channel	8,500,000.00	3,100,000.00	11,600,000.00	11,399,975.35	200,024.65	98%

Project Number	Project Description	Revised Budget	Budget Lift movements	Revised Budget Lift	Actual Expenditure	Budget Variance	Actual Exp. %
40682023.24100.307	Resurfacing of M1 Motorway	1,100,000.00	-	1,100,000.00	862,517.01	237,482.99	78%
40692023.24100.307	Resurfacing of M2 Motorway	30,480,000.00	-	30,480,000.00	28,978,535.93	1,501,464.07	95%
40702023.24100.301	Resurfacing of Soweto Highway	3,000,000.00	-	3,000,000.00	2,898,095.66	101,904.34	97%
40712023.24100.301	Resurfacing of Roads	36,512,000.00	85,949,000.00	122,461,000.00	116,998,357.08	5,462,642.92	96%
40712023.24100.305	Resurfacing of Roads	-	46,190,000.00	46,190,000.00	29,479,138.97	16,710,861.03	64%
40712023.24100.307	Resurfacing of Roads	78,388,000.00	15,489,000.00	93,877,000.00	112,084,952.12	-18,207,952.12	119%
40752023.24100.305	Spencer Road New Link New Road	7,500,000.00	-3,500,000.00	4,000,000.00	2,350,589.52	1,649,410.48	59%
40812023.24100.301	Richards Drive Upgrading Renew	6,489,000.00	-2,000,000.00	4,489,000.00	-	4,489,000.00	0%
40822023.24100.301	Bulk stormwater development/Tr	7,500,000.00	-4,500,000.00	3,000,000.00	2,067,008.26	932,991.74	69%
40892023.24100.305	Vorna Valley	6,000,000.00	2,000,000.00	8,000,000.00	7,932,918.52	67,081.48	99%
40912023.24100.305	Willows Development - Windsor	1,000,000.00	-	1,000,000.00	-	1,000,000.00	0%
40942023.24100.305	Flooding intervention and alle	10,000,000.00	-2,900,000.00	7,100,000.00	4,398,800.51	2,701,199.49	62%
40972023.24100.301	Tarring of Gravel Roads: City	40,000,000.00	-14,000,000.00	26,000,000.00	11,331,852.89	14,668,147.11	44%
40972023.24100.305	Tarring of Gravel Roads: City	10,000,000.00	-	10,000,000.00	10,454,357.62	-454,357.62	105%
40972023.24100.307	Tarring of Gravel Roads: City	9,489,000.00	-9,489,000.00	-	299,659.73	-299,659.73	0%
40982023.24100.305	Rehabilitation of aged and infrastructure	6,375,000.00	-2,000,000.00	4,375,000.00	3,294,127.33	1,080,872.67	75%
40992023.24100.301	River rehabilitation and erosion	3,000,000.00	-1,500,000.00	1,500,000.00	57,621.74	1,442,378.26	4%
40992023.24100.305	River rehabilitation and erosion	1,000,000.00	-1,000,000.00	-	-	-	0%
41142023.24100.306	Ivory Park - Khosa Street	10,000,000.00	-	10,000,000.00	3,993.99	9,996,006.01	0%
41152023.24100.301	Upgrade roads Klipfonteinview	10,000,000.00	-4,900,000.00	5,100,000.00	1,835.44	5,098,164.56	0%
41152023.24100.305	Upgrade roads Klipfonteinview	6,500,000.00	-6,500,000.00	-	5,142,796.78	-5,142,796.78	0%
41152023.24100.306	Upgrade roads Klipfonteinview	10,500,000.00	-	10,500,000.00	7,456,701.17	3,043,298.83	71%
41162023.24100.306	Stormwater Conversion: wards 7	7,000,000.00	-	7,000,000.00	2,520,277.81	4,479,722.19	36%
41172023.24100.301	Capital Equipment New Plant an	7,500,000.00	-7,500,000.00	-	-	-	0%
41182023.24100.306	Tarring of gravel roads: Ivory	17,582,000.00	-	17,582,000.00	3,181,490.29	14,400,509.71	18%
		795,214,000.00	-	795,214,000.00	675,298,475.78	119,915,524.22	85%

Annexure O: Remedial Action Plan Against Audit Findings

AUDITOR GENERAL FINDINGS AND CORRECTIVE ACTIONS REPORT					
NEW AUDITOR GENERAL FINDINGS					
No:	Finding Description	Corrective Action Plan	Repeat finding	Progress to date	Resolved / Unresolved
1.1	<p>SCM: Contract secured by other organ of state</p> <p>The city of Johannesburg procured the services of AoN for the provision of the Insurance broking services through participation on a contract secured by the City of Nelson Mandela Bay under a competitive bidding process.</p> <p>The Nelson Mandela Bay Metropolitan Municipality procured the services of AoN South Africa (Pty) Ltd effective from the 01st of July 2017 for a period of 36 months ending 30 June 2020 for a contract value of R305 847.03 (including VAT). The Nelson Mandela Bay Metropolitan Municipality procured services of risk management and insurance broking intermediary. The City of Johannesburg's Accounting Officer approved the participation of the municipality on contract SCM /17 – 22/S effective from the 01st of January 2019 for a period of 12 months ending on 31 December 2019 for a contract value of R2 900 000 once-off payment</p>	<p>Management agrees with the finding. The AON contract is with the City Of Johannesburg not JRA and we were not aware that it had been identified irregular expenditure at the City. Adjustment of the irregular expenditure schedule as well as the irregular expenditure note on the Annual Financial Statements</p>	Yes	<p>June 2023 update Investigations were conducted and the irregular expenditure write off amounts were approved by the board on the 27 June 2023.</p> <p>The following controls were put in place:</p> <ul style="list-style-type: none"> - SCM SOP was updated in February 2023 - Three (3) SCM specialists were appointed to ensure compliance - Probity audits are considered before appointments 	Resolved
1.2	<p>Irregular expenditure not prevented as required by MFMA</p> <p>It was identified that the municipality entity has incurred the irregular and fruitless and wasteful expenditure. Management did not take all reasonable steps to prevent irregular and fruitless and wasteful expenditure from occurring.</p>	<p>Refer the matter to GRAS/GFIS for further investigation. Ensure Compliance with legislation during procurement processes</p>	Yes	<p>June 2023 update Investigations were conducted and the irregular expenditure write off amounts were approved by the board on the 27 June 2023. Investigation of wasteful and fruitless expenditure is in progress.</p>	Unresolved
1.3	<p>Competitive bidding</p> <p>During the audit of Competitive bidding, we identified that the supplier as outlined in the table below, GAUFLORA CC (Trading as TEFLA Group)- submitted falsified documents</p>	<p>Management will adjust the AFS and its note on Irregular expenditure by the incurred expenditure for Gauflora under contract number JRA 19/001 which amounts to R58,846 566.30 accumulated to date. SOP to be reviewed to ensure streamline of</p>	No	<p>June 2023 Investigations were conducted and the irregular expenditure write off amounts were approved by the board on the 27 June 2023.</p>	Resolved

AUDITOR GENERAL FINDINGS AND CORRECTIVE ACTIONS REPORT

NEW AUDITOR GENERAL FINDINGS

No:	Finding Description	Corrective Action Plan	Repeat finding	Progress to date	Resolved / Unresolved
	for Site Agent and the qualification for the JRA/19/001 contract.	processes and effective communication within the business.		<p>The following controls were put in place:</p> <ul style="list-style-type: none"> - SCM SOP was updated in February 2023 - Three (3) SCM specialists were appointed to ensure compliance - Probity audits are considered before appointments 	
2 (19.2)	<p>Chief Internal Audit Executive The head of internal audit is not permanently appointed by the JRA yet the position forms part of the organizational structure. The continuous renewal of the contract contravenes s12(3) of the Labour Relations Act.</p>	The JRA has undertaken a structural review process and after a benchmarking exercise was conducted, it was concluded that the position of Ops Manager: Internal Audit should be at the executive level hence the permanent filling of the Ops position was put on hold until the organisational review process is concluded	Yes	<p>June 2023 Interviews were held, awaiting appointment</p>	Unresolved
3 (10)	<p>Internal Audit Issue 1 - Non-Compliance Internal Audit function has not adhered to the standards set by IIA as an external quality assurance review/assessment was not performed.</p> <p>Issue 2- Internal Control deficiency Internal Audit function did not have training during 2021/22 to improve their technical proficiency. Vacancy. There were three (3) vacancies in the internal Audit function</p>	Ensure that the internal audit function is well capacitated to fulfil the audit plan and are well trained on an annual basis to keep up with the pronouncements of the standard and keep up with the profession's development	No	<p>June 2023 Positions Vacant positions have been filled (Resolved)</p> <p>External Quality assurance The Specification was completed awaiting advertising (Unresolved)</p> <p>Training Internal Audit has received on the Job training informally during 2022/23 Financial period. (Resolved)</p>	Partially Resolved
4 (20)	<p>Policies Policies not reviewed or outdated</p>	Consultation with Labour and Implementation of the LRA section	Yes	<p>June 2023 Policies were reviewed, awaiting approval.</p>	Resolved

AUDITOR GENERAL FINDINGS AND CORRECTIVE ACTIONS REPORT

NEW AUDITOR GENERAL FINDINGS

No:	Finding Description	Corrective Action Plan	Repeat finding	Progress to date	Resolved / Unresolved
				<p>January 2023 update Policies in discussion with labour.</p>	
5	<p>Audit of Performance Information Issue 1 – The reported achievement only relates to SMMEs that were subcontracted by the JRA’s contractors for the capital projects implemented and not all SMMEs in line with the definition per the approved Business Plan for 2021/22, which clearly refers to the number of small, medium and micro-size enterprise that are contracted by JRA and or its Contractors during the implementation of capital and operational projects. Issue 2 – There is no supporting evidence indicating that the SMME is meeting the criteria to be classified as an SMME or any documentation supporting the classification of an SMME as result we are unable to verify the validity of these SMMEs on the basis of appointment letters which make no reference to how JRA confirmed that these are SMMEs as defined.</p>	<p>Review of the Technical Indicator Description to be inclusive of small, medium and micro-size enterprise that are contracted by JRA and or its Contractors during the implementation of capital and operational projects. Ensure the TID also specifies the documentation required to specify and confirm that SMMEs comply as per definition of an AMME.</p>	No	<p>TID was reviewed (March 2023) to respond to the issues identified in the Finding</p>	Resolved
6 (26)	<p>The achievements reported in the annual performance report materially differed from the supporting evidence provided for the indicators listed below:</p> <ul style="list-style-type: none"> • Number of lane km of road resurfaced • Number of gravel km upgraded and surfaced • Number of kilometres of open storm water drains converted to underground systems <p>The supporting evidence contained completion certificates that were signed immediately after the end of the financial year. All performance relating to completion certificates was disregarded</p>	<p>To review indicator TID to confirm appropriate evidence to demonstrate reported performance and to explain the industry practice in relation to Completion Certificates in relation to the GCC.</p>	No	<p>TID was reviewed (March 2023) to respond to the issues identified in the Finding</p>	Resolved



Johannesburg Roads Agency (SOC) Ltd
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Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

General Information

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Construction and maintenance of roads, traffic signals and stormwater infrastructure
CHIEF FINANCE OFFICER (CFO)	L Mashau Appointed on a Acting Capacity from - 01 May 2023
DIRECTORS	E Botha (Board Chairperson) C Cilliers (Board Chairperson) 01 March 2023- Resigned June 2023 Z Nyathi - A/Chief Executive Officer - Appointed 01 June 2023 Z Xaba - Appointed - 01 March 2023 M Thindisa Chief Financial Officer - Resigned April 2023 A Francis - Appointed 11 March 2023 A Puka (01 March 2023- Resigned June 2023) Dr. R Govender - Appointed 11 March 2023 D Nyamazane - Appointed - 11 March 2023 C Lourens - Appointed - 11 March 2023 S Mtamzeli - Appointed - 11 March 2023 T Phetla - Resigned - 11 March 2023 B Mokgatle - Resigned - 11 March 2023 I Mthembu - Resigned - 11 March 2023 S Bapela - Resigned - October 2022 M Myeza - Resigned - 11 March 2023
REGISTERED OFFICE	75 Helen Joseph Street Corner Harrison Street Johannesburg Gauteng 2001
BUSINESS ADDRESS	75 Helen Joseph Street Corner Harrison Street Johannesburg Gauteng 2001
POSTAL ADDRESS	Private Bag X70 Braamfontein Johannesburg

Johannesburg Roads Agency (SOC) Ltd

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General Information

	2017
CONTROLLING ENTITY	The City of Johannesburg Metropolitan Municipality
BANKERS	Standard Bank Limited
AUDITORS	The Auditor-General of South Africa Chartered Accountants (S.A.) Registered Auditors
SECRETARY	Phumla Thandeka Majola
COMPANY REGISTRATION NUMBER	2000/028993/30

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Annual Financial Statements for the year ended 30 June 2023

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Abbreviations used:

COIDA	Compensation for Occupational Injuries and Diseases
GRAP	Generally Recognised Accounting Practice
GAAP	Generally Accepted Accounting Practice
COJ	City of Johannesburg
MFMA	Municipal Finance Management Act
SARS	South African Revenue Services
JRA	Johannesburg Roads Agency
mSCOA	Municipal Standard Chart of Accounts
VAT	Value Added Tax

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Board of Director's Responsibilities and Approval

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

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

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

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

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

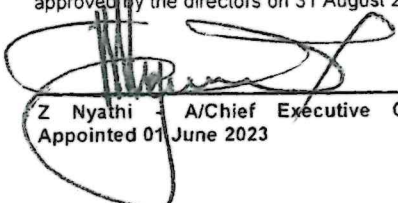
The directors have reviewed the entity's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

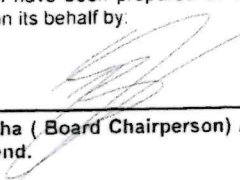
The entity is wholly dependent on the COJ Municipality for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the COJ Municipality has neither the intention nor the need to liquidate or curtail materially the scale of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

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

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 5.

The annual financial statements set out on page 4 - 86 which have been prepared on the going concern basis, were approved by the directors on 31 August 2023 and were signed on its behalf by:


Z Nyathi - A/Chief Executive Officer -
Appointed 01 June 2023


E Botha (Board Chairperson) Appointed after
year end.

Johannesburg

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Directors' Report

The directors submit their report for the year ended 30 June 2023.

1. Incorporation

The entity was incorporated on 17 November 2000 and obtained its certificate to commence business on the same day.

2. Review of activities

Main business and operations

The entity is engaged in construction and maintenance of roads, traffic signals and stormwater infrastructure and operates principally in South Africa and [state other countries].

The operating results and state of affairs of the entity are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

3. Going concern

We draw attention to the fact that at 30 June 2023, the entity had an accumulated deficit of R (512,870,936) and that the entity's total assets exceed its liabilities by R (140,768,222).

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

The entity is a state owned company with the City of Johannesburg Metropolitan Municipality being the sole shareholders. The JRA is wholly dependent on the City for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and the City of Johannesburg Metropolitan Municipality has neither the intention, nor the need to liquidate or materially curtail the scale for funding the entity.

The approved adjusted operating budget for the 30 June 2023 financial year is R1,413,091,500.00 and the approved adjusted capital budget for the 30 June 2023 financial year is R 795 214 000.00

4. Subsequent events

The directors are not aware of any matter or circumstance arising since the end of the financial year

5. Directors' interest in contracts

The directors of Johannesburg Roads Agency (SOC) Ltd do not have any interests in contracts.

6. Accounting policies

The policies in the annual financial statements were prepared in accordance with the South African Statements of Generally Recognised Accounting Practices (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

7. Share capital / contributed capital

There were no changes in the authorised or issued share capital of the entity during the year under review.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Directors' Report

8. Board of Directors

The directors of the entity that were appointed and re-appointed at the annual general meeting during the year and to the date of this report are as follows:

Name	Nationality	Changes
E Botha (Board Chairperson).	South African	Appointed 14 August 2023
C Cilliers (Board Chairperson)	South African	01 March 2023- Resigned June 2023
Z Nyathi - A/Chief Executive Officer	South African	01 June 2023
L Mashau - A/Chief Financial Officer	South African	Appointed 01 May 2023
M Thindisa Chief Financial Officer - Resigned April 2023	South African	Resigned April 2023
A Francis	South African	Appointed 11 March 2023
A Puka	South African	Appointed 11 March 2023 resigned 28 June 2023
Dr. R Govender	South African	Appointed 11 March 2023
D Nyamazane	South African	Appointed 11 March 2023
C Lourens - Appointed	South African	Appointed 11 March 2023
S Mtanzeli - Appointed	South African	Appointed 11 March 2023
A R Francis - Appointed	South African	Resigned August 2022
V Mamogobo	South African	Retired 11 March 2023
S Kleinbooi	South African	Retired 11 March 2023
K Mofokeng	South African	Retired 11 March 2023
T Motloung	South African	Chairperson (Afrit Chairperson - August 2022) (Board Chairperson - October 2022) - Resigned 01 March 2023
T Sambo (Board Chairperson)	South African	Resigned August 2022
H Mtimkhulu	South African	Retired 11 March 2023
N Mkhize	South African	Resigned October 2022
L Nel	South African	Appointed 01 November 2022 - 31 May 2023
Z Xaba	South African	01 March 2023

9. Secretary

The secretary of the entity is Phumla Thandeka Majola:

Business address

75 Helen Joseph Street
Corner Harrison Street
Johannesburg
2001

Postal address

Private Bag X70
Braamfontein
Johannesburg
2017

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Directors' Report

10. Corporate governance

General

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

The entity confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The directors discuss the responsibilities of management in this respect, at Board meetings and monitor the entity's compliance with the code on a three monthly basis.

The salient features of the entity's adoption of the Code is outlined below:

Board of directors

The Board:

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

Chairperson and Chief Executive Officer

The Chairperson is a non-executive and independent director (as defined by the Code).

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

Remuneration

The upper limits of the remuneration of the Chief Executive Officer, and the Chief Financial Officer, who are the only two executive directors of the entity, are determined by the Parent entity, and the directors will determine the remuneration within the above-mentioned limits.

Executive meetings

The directors have met on 12 separate occasions during the financial year. The directors schedule to meet at least 6 times per annum.

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

Audit, Finance, Risk and IT - AFRIT Committee

For the first sitting of the financial year for the committee the chairperson was Mr T Motloun, Miss B Mokgatle subsequently replaced Mr T Motloun in 01 October 2022 until March 2023. When the new board was appointed Ms A Puka became the new chairperson until she resigned in June 2023. The committee met 7 times during the financial year to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, City of Johannesburg Metropolitan Municipality, as a parent municipality, must appoint members of the Audit Committee. Notwithstanding that non-executive directors appointed by the parent municipality constituted the municipal entities' Audit Committees, National Treasury policy requires that parent municipalities should appoint further members of the entity's audit committees who are not directors of the municipal entity onto the audit committee.

Internal Audit

The entity has an its Internal Audit Division. This is in compliance with the Municipal Finance Management Act, 2003.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Directors' Report

11. Controlling entity

The entity's controlling entity is The City of Johannesburg Metropolitan Municipality.

12. Bankers

The Bankers of the Johannesburg Roads Agency are Standard Bank Limited.

13. Auditors

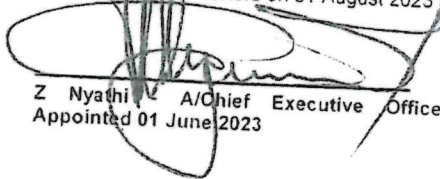
The Auditor-General of South Africa will continue in office for the next financial period.

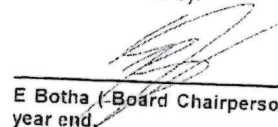
14. Meetings

The board met on 12 separate occasions during the financial year. The board was scheduled to meet at least 6 times per annum. There were also 7 Audit, Finance, Finance, Risk and IT meetings, five (5) Remuneration Social, Ethics Committee and four (4) service delivery meetings that were held during the the period 01 July 2022 to 30 June 2023.

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

The annual financial statements set out on page 4-86 which have been prepared on the going concern basis, were approved by the directors on 31 August 2023 and were signed on its behalf by:


Z Nyathi, A/Chief Executive Officer -
Appointed 01 June 2023


E Botha (Board Chairperson) Appointed after
year end

Johannesburg

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Company secretary's certification

Declaration by the Company Secretary in respect of Section 88(2)(e) of the Companies Act

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



Phumla Thandeka Majola
Company Secretary
30 November 2023

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated
Assets			
Current Assets			
Loans to shareholders	4	206,577,735	277,266,217
Inventories	3	47,598,381	55,777,599
Cash and cash equivalents	7	477,928,572	471,298,995
Receivables from exchange transactions	5	462,525,159	515,571,541
		1,194,629,847	1,319,914,352
Non-Current Assets			
Loans to shareholders	4	52,791,366	51,800,628
Property, plant and equipment	8	126,569,809	138,407,626
Intangible assets	9	516,372	1,036,120
		179,877,547	191,244,374
Total Assets		1,374,507,394	1,511,158,726
Liabilities			
Current Liabilities			
Current tax payable	14	101,910,949	22,726,039
Finance lease obligation	11	16,266,515	16,042,201
Operating lease liability		-	503,746
Payables from exchange transactions	12	1,089,477,580	902,017,562
Provisions	13	268,263,575	244,967,994
		1,475,918,619	1,186,257,542
Non-Current Liabilities			
Finance lease obligation	11	-	15,541,226
Employee benefit obligation	6	39,357,000	46,975,000
		39,357,000	62,516,226
Total Liabilities		1,515,275,619	1,248,773,768
Net Assets		(140,768,225)	262,384,958
Share capital / contributed capital	15	1,000	1,000
Reserves			
Contribution from the owner	16	372,101,714	345,776,292
Accumulated deficit		(512,870,936)	(83,392,331)
Total Net Assets		(140,768,222)	262,384,961

* See Note 40

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated
Revenue	17	1,304,040,761	1,474,920,090
Cost of road maintenance	18	(781,340,720)	(773,861,620)
Gross surplus		522,700,041	701,058,470
Other income	19	21,439,788	20,562,308
Operating expenses	20	(865,912,276)	(677,256,016)
Operating (deficit) surplus	21	(321,772,447)	44,364,762
Investment income	22	22,125,612	10,756,322
Finance costs	23	(12,979,015)	(12,530,421)
(Deficit) surplus before taxation		(312,625,850)	42,590,663
Taxation	24	(116,852,752)	(121,201,383)
Deficit for the year		(429,478,602)	(78,610,720)

* See Note 40

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

	Share capital / contributed capital	Reserves for own shares / Share repurchase reserve	Accumulated surplus / deficit	Total net assets
Figures in Rand Restated				
Opening balance as previously reported	1,000	342,793,805	400,939,450	743,734,255
Adjustments				
Correction of errors	-	-	(20,550,909)	(20,550,909)
Change in accounting policy	-	-	(385,170,152)	(385,170,152)
Balance at 01 July 2021 as restated*	1,000	342,793,805	(4,781,611)	338,013,194
Changes in net assets				
Surplus/Deficit for the year	-	-	(78,610,720)	(78,610,720)
Assets financed by COJ	-	2,982,487	-	2,982,487
Total changes	-	2,982,487	(78,610,720)	(75,628,233)
Restated* Balance at 01 July 2022	1,000	345,776,292	(83,392,334)	262,384,958
Changes in net assets				
Surplus for the year	-	-	(429,478,602)	(429,478,602)
Assets financed by COJ	-	26,325,422	-	26,325,422
Total changes	-	26,325,422	(429,478,602)	(403,153,180)
Balance at 30 June 2023	1,000	372,101,714	(512,870,936)	(140,768,222)
Note(s)	15	16		

* See Note 40

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

Figures in Rand Restated	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Subsidies and other income		1,325,480,549	1,688,611,952
Interest income		22,125,612	10,756,322
		<u>1,347,606,161</u>	<u>1,699,368,274</u>
Payments			
Cash paid to suppliers and employees		(1,347,326,653)	(1,639,321,033)
Finance costs		-	-
Taxes paid		(44,130,291)	(180,168,336)
		<u>(1,391,456,944)</u>	<u>(1,819,489,369)</u>
Net cash flows from operating activities	28	<u>(43,850,783)</u>	<u>(120,121,095)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(30,001,580)	(5,916,557)
Net movement in amount within entities in the group- Notional Loans and sweeping account		69,697,744	182,802,470
		<u>39,696,164</u>	<u>176,885,913</u>
Net cash flows from investing activities		<u>39,696,164</u>	<u>176,885,913</u>
Cash flows from financing activities			
Finance lease payments		(15,541,226)	(24,867,552)
Movement in contribution from owner		26,325,422	2,982,487
		<u>10,784,196</u>	<u>(21,885,065)</u>
Net cash flows from financing activities		<u>10,784,196</u>	<u>(21,885,065)</u>
Net increase/(decrease) in cash and cash equivalents		6,629,577	34,879,753
Cash and cash equivalents at the beginning of the year		471,298,995	436,419,242
Cash and cash equivalents at the end of the year	7	<u>477,928,572</u>	<u>471,298,995</u>

The accounting policies on pages 18 to 44 and the notes on pages 45 to 88 form an integral part of the annual financial statements.

* See Note 40

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand Restated						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Jobbings	24,485,900	(7,000,000)	17,485,900	17,630,059	144,159	1
Reinstatement income	34,411,100	(16,000,000)	18,411,100	12,721,358	(5,689,742)	2
Management fees	50,633,100	(20,000,000)	30,633,100	14,674,345	(15,958,755)	3
Rental income	4,900,000	-	4,900,000	10,370,172	5,470,172	4
Other Income	17,154,700	(5,602,500)	11,552,200	11,247,615	(304,585)	5
Interest received	21,500,000	-	21,500,000	22,125,612	625,612	6
Total revenue from exchange transactions	153,084,800	(48,602,500)	104,482,300	88,769,161	(15,713,139)	
Revenue from non-exchange transactions						
Developers' contribution	70,428,200	(20,000,000)	50,428,200	-	(50,428,200)	7
Subsidy - The City of Johannesburg Metropolitan Municipality	1,486,859,000	(228,022,000)	1,258,837,000	1,258,837,000	-	
Total revenue from non-exchange transactions	1,557,287,200	(248,022,000)	1,309,265,200	1,258,837,000	(50,428,200)	
Total revenue	1,710,372,000	(296,624,500)	1,413,747,500	1,347,606,161	(66,141,339)	
Expenditure						
Employee related costs	(906,249,000)	-	(906,249,000)	(919,791,438)	(13,542,438)	8
Depreciation and amortisation	(64,041,000)	-	(64,041,000)	(38,526,070)	25,514,930	9
Impairment loss/ Reversal of impairments	-	-	-	(3,718,642)	(3,718,642)	
Repairs and maintenance	(21,971,400)	14,379,100	(7,592,300)	(6,735,935)	856,365	10
Internal transfers	(47,592,000)	1,866,000	(45,726,000)	(31,662,446)	14,063,554	11
Contracted services	(421,815,600)	225,570,400	(196,245,200)	(336,078,000)	(139,832,800)	12
Other Expenditure	(248,703,000)	54,809,000	(193,894,000)	(323,719,480)	(129,825,480)	13
Total expenditure	(1,710,372,000)	296,624,500	(1,413,747,500)	(1,660,232,011)	(246,484,511)	
Deficit before taxation	-	-	-	(312,625,850)	(312,625,850)	
Taxation	-	-	-	(116,852,752)	(116,852,752)	14
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	-	-	(429,478,602)	(429,478,602)	

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand Restated

Comments are provided on variances in excess (Over or under budget) of 10%. The comparison is between actual amounts as at 30 June 2023 and the 2022/2023 Annual Approved Adjustment Budget.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand Restated

1. Jobbings: Jobbing's Income is related to JRA customers paying JRA funds in advance for services to be rendered at a later stage, and its accounted for as income when the job is finalised by JRA. Recognition of this revenue is reliant on developer's progress which varies from project to project.
2. Reinstatement Income and Wayleave fees: Reinstatement Income is below the Adjustment Budget for the year. This is as a result of reaction based and fluctuating demand during the year and the nature of the work performed by JRA is driven mainly by billings from Joburg Water (SOC) Ltd
3. Management Fees: These are amounts charged by JRA to COJ's Departments and City Entities for undertaking Capital projects on behalf of these Departments and Entities. The main reasons for the underperformance is that the fee rate has remained stagnant at only 2,5% of the Capital projects actual spend. In addition, the funding source of capital projects on behalf of COJ was allocated to JRA during adjustment budget process. JRA did not earn management fees on these projects as well. JRA also had to pay management fees
4. Rental Income: The rent received is above the budget because of the additional rental and parking space of the Old Mutual Building, 75 Helen Joseph Street, leased to COJ Transportation and Rea Vaya. With the new lease in the 2022/23 financial year, Transport Department is still subleasing from JRA.
5. Other income: This includes income from Gautrans maintenance fees, which had no budget for the financial year as the contract with Gauteng Transport Department was not renewed or extended. There was however revenue of R4,9 million earned on that line item. That is the main reason for the overperformance on other income
6. Interest Received: Interest received is for interest earned on the Developers Income Bank account and the interest received on the loans to the Shareholder (inter Company sweeping bank and post retirement Assets). There has been a positive cash balance on both the sweeping and Developer accounts for the financial year.
7. Developers contribution: Developers contributions are funds that are paid by the COJ Planning Department relating to contributions made by the developers to compensate for the increase usage of the infrastructure network. The amount received by JRA is determined by COJ. The correct financial statement entails a change in accounting policy at initial recognition monies received from COJ are accounted for as a payable and revenue is subsequently recognised when we incur expenditure on developers contribution projects.
8. Employee Costs: The Employee costs are over the Adjustment Budget and is mainly due to the additional 13th cheque and performance bonus provisions as well as the increased overtime and standby allowances in the year.
9. Depreciation and Amortisation: The depreciation of the assets was less as the useful lives were revised when the asset verification was done.
10. Repairs and Maintenance: The repairs and maintenance of JRA was under budget due to delays in procurement of spares and appointment of service providers to perform maintenance work.
11. Internal Transfers: The internal transfer costs are expenditure relating to COJ and its Entities and they were mainly over-budget due to lease rentals being more than budgeted for.
12. Contracted Services: It is under budget due to contracted services budget not being fully utilized by year end with road maintenance and work being undertaken mostly by internal JRA teams and two companies assisting with road maintenance at no cost to JRA
13. Other Expenditure: Other operating expenditure for the financial year is below the budget mainly due to Consultants, Contractors and Fleet leasing line items. In the context of necessary cost containment as per the National Treasury circular, management has drastically reduced non-essential expenditure including expenditure for consultants, travel and participation in events.
14. Taxation: A previous S24C allowance is no longer being allowed to JRA by SARS. The JRA has had previous years assessment revised and some are currently under dispute by JRA through the Alternate Dispute Resolution (ADR) process. This has resulted in taxation charged by SARS for the periods under the ADR process. Please see Taxation note 13 for more detail)

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand Restated

The accounting policies on pages 18 to 44 and the notes on pages 45 to 88 form an integral part of the annual financial statements.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the accounting policies set out in the Standards of Generally Recognised Accounting Practice ("GRAP"), including any interpretations of such standards issued by the Accounting Standards Board ("ASB"). GRAP being the Financial Reporting Framework prescribed by National Treasury in line with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

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

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

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

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Significant judgements and sources of estimation uncertainty

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

Trade receivables / Held to maturity investments and/or loans and receivables

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

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

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1.4 Significant judgements and sources of estimation uncertainty (continued)

Available-for-sale financial assets

The entity follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the entity evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If all of the declines in fair value below cost were considered significant or prolonged, the entity would suffer an additional deficit in its 2023 annual financial statements, being a reclassification adjustment of the fair value adjustments previously recognised in other comprehensive income and accumulated in equity on the impaired available-for-sale financial assets to surplus or deficit.

Allowance for slow moving, damaged and obsolete inventory

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [i.e. production estimates, supply demand], together with economic factors.

Provisions

Provisions are raised and management determine an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

Taxation

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

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

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Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for post retirement obligations are based on current market conditions. Additional information is disclosed in Note 6.

Effective interest rate

The entity used the City of Johannesburg Metropolitan Municipality borrowing rates as a basis for discounting financial instruments and future cash flows.

Allowance for doubtful debts

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

Useful lives of property, plant and equipment

The entity's management determines the estimated useful lives and related depreciation charges for property, plant and equipment. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the entity.

Commitments

The commitments are in accordance with GRAP which is applicable on the accrual basis of accounting.

Events after reporting date

Financial effects of subsequent events and commitments that may have a material effect on the financial position or financial performance of the entity.

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

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

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

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight line	50
Asphalt Plant	Straight line	5
Plant and machinery	Straight line	5
Furniture and fixtures	Straight line	6
Motor vehicles	Straight line	5
Office equipment	Straight line	5
IT equipment	Straight line	3
Tools and loose gear	Straight line	5

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 8).

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

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

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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1.6 Intangible assets (continued)

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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Accounting Policies

1.7 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unithold capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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1.7 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other receivables	Financial asset measured at amortised cost
Loans to shareholder - intercompany sweeping account	Financial asset measured at amortised cost
Loans to shareholders - Notional Accounts	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other payables	Financial liability measured at amortised cost
Provisions	Financial liability measured at amortised cost
Finance leases	Financial liability measured at amortised cost

The entity has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Shareholders loan	Measured at fair value
Share Capital	Measured at cost

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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Accounting Policies

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

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1.7 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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1.7 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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1.7 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.8 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

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

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

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1.8 Tax (continued)

Tax expenses

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

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

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

1.9 Leases

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

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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

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1.10 Inventories (continued)

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

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

1.11 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

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

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

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

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

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

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

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

1.12 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity (net assets).

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1.13 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

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1.13 Employee benefits (continued)

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

Post-employment medical aid liabilities

Post-employment medical aid subsidies are provided to pensioners in the service of the Municipality as at 1 January 2001 and employees 50 years and older on 1 July 2003 whilst contributory members to either LA Health or Key Health Medical Schemes. The subsidy remains payable only for as long as members remain contributory members to these medical schemes.

Housing Subsidies

Eligible employees as at 31 December 1990 have the right to be subsidized after retirement in terms of the HOUSING ASSISTANCE SCHEME, described in Appendix H of the Johannesburg Conditions of Service. A subsidy payable to an employee shall, subject to the provisions of clause 4.5, and subject to him having joined the Pension Fund before 1 July 1987, continue to be paid if he retires from the Service on or after reaching the age of 60 years or is retired on the grounds of ill-health or abolition of his/her post or reorganization and he receives a monthly pension from the Pension Fund.

Retirement Gratuities

A number of employees are entitled to receive a gratuity benefit on retirement or exit before retirement from employment in respect of any periods of employment with the Municipality during which they were not members of a retirement fund. Gratuity benefits accrue according to employees' conditions of service. According to these conditions of service, gratuity benefits are payable on retirement, or on exit before retirement provided the member has either 10 years of service and is 55 years of age, or has 25 years of service and has reached 45 years of age.

1.14 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

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1.14 Provisions and contingencies (continued)

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficit.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 30.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

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Accounting Policies

1.14 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and .

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.15 Commitments

A commitment is an obligation arising from an existing contract, agreement or legislative enactment or regulation that will become an actual liability upon the fulfillment of specified conditions.

Commitments arise when a decision is made to incur a liability in the form of a contract or similar documentation (purchase orders for rates based contracts). Expenditure on assets which has been authorised, but not yet spent at the end of a financial period is disclosed under commitments in the notes to the financial statements.

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

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1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

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1.16 Revenue from exchange transactions (continued)

Interest received and other income

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the entity's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Recoveries are recognised as revenue in the period the actual recovery occurs and when assessed and deemed necessary by management in the period of assessment.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

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1.17 Revenue from non-exchange transactions (continued)

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Developer's Contribution

Developer's contribution relates to payments made by developers for engineering fees. The proceeds are recorded in the statement of financial position in the year in which they are received. The change in accounting policy on the developer contribution has led to change on how we account for monies received from COJ. Previously these monies were recognised as revenue instead of being recognised as a liability. These monies are recognised as a liability because these are monies that are received for bulk infrastructure development and JRA can only claim from these funds once JRA has incurred expenditure of bulk infrastructure.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

1.18 Cost of road maintenance

When inventories are used or sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all deficit of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of road maintenance.

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1.18 Cost of road maintenance (continued)

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract on a systematic and rational basis; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

1.19 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.21 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in net assets, any exchange component of that gain or loss is recognised directly in net assets. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.22 Value Added Tax (VAT)

The JRA (SOC) Ltd is a registered VAT Vendor in terms of the VAT Act.

1.23 Comparative figures

Where necessary, comparative figures have been restated to conform to changes in presentation in the current year.

1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

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1.25 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the Board/ City of Johannesburg Council/ National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Additional text

1.26 SCM Deviations

Deviation from, and ratification of minor breaches of, procurement processes

SCM Regulation 36 (1) states that "The accounting officer may -

(a) dispense with the official procurement processes established by this Policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only-

(i) in an emergency;

(ii) if such goods or services are produced or available from a single provider only;

(iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;

(iv) acquisition of animals for zoos and/or nature and game reserves ; or

(v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and

(b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature .

(2) The accounting officer must record the reasons for any deviations in terms of subparagraphs (1)(a) and (b) of this policy and report them to the next meeting of the Board of Directors and include as a note to the annual financial statements.

(3) Subparagraph (2) does not apply to the procurement of goods and services contemplated in paragraph 11(2) of this Policy".

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1.27 Research and development expenditure

Expenditure on research is recognised as an expense when it is incurred.

An asset arising from development is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

1.28 Budget information

Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2022 to 30/06/2023.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.29 Related parties

A related party is a person or an Entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an Entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an Entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the ventures).

Related party transaction is a transfer of resources, services or obligations between the reporting Entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an Entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the Entity, including those charged with the governance of the Entity in accordance with legislation, in instances where they are required to perform such functions.

Close family members of key management personnel are considered to be those family members who may be expected to influence, or to be influenced by key management individuals, in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

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Accounting Policies

1.29 Related parties (continued)

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.30 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.31 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.32 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted by a Standard of GRAP.

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

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

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

1.33 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

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Accounting Policies

1.33 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

When the entity is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an entity is a principal or an agent requires the entity to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The entity assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the entity in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the entity concludes that it is not the agent, then it is the principal in the transactions.

The entity is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the entity has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The entity applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the entity is an agent.

Recognition

The entity, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The entity, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.34 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

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Accounting Policies

1.34 Segment information (continued)

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

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Figures in Rand Restated	2023	2022
2. New standards and interpretations		
3. Inventories		
Inventories	48,817,862	59,462,120
Consumable stores	5,261,111	2,796,071
	<u>54,078,973</u>	<u>62,258,191</u>
Inventories (write-downs)	(6,480,592)	(6,480,592)
	<u>47,598,381</u>	<u>55,777,599</u>
3.1 Detailed inventory type		
Traffic signal equipment (eg cables, controllers, LEDs)	21,861,094	24,854,170
Raw materials (eg sand and stone)	5,910,738	7,073,107
Road maintenance (eg kerbs, concrete products, polymer concrete)	19,776,859	25,351,834
Other material	1,269,172	2,183,009
	<u>48,817,863</u>	<u>59,462,120</u>
Inventories recognised as an expense during the year	64,955,433	91,126,825
4. Loans to (from) shareholders		
Notional loans	52,791,366	51,800,628
(The notional loans relate to the employees obligations)		
City of Johannesburg Metropolitan Municipality - Sweeping Account	206,577,735	277,266,217
This account is swept on a daily basis. The interest rate varies on a daily based on a call rate quoted by the City Of Johannesburg Metropolitan Municipality banker) This account is swept on a daily basis. The interest rate varies on a daily based on a call rate quoted by the City Of Johannesburg Metropolitan Municipality banker.		
Notional Loans (Employee Benefit) - A number of employees are entitled to receive a gratuity benefit on retirement or exit before retirement from employment in respect of any periods of employment with the Municipality during which they were not members of a retirement fund. Gratuity benefits accrue according to employees' conditions of service. Notional Loans are therefore a loan to shareholder because the employee benefits account belongs to COJ. when an employee retires from JRA, JRA pays the employee and recoup the monies paid from COJ.		
	-	-
	<u>259,369,101</u>	<u>329,066,845</u>
Non-current assets	52,791,366	51,800,628
Current assets	206,577,735	277,266,217
	<u>259,369,101</u>	<u>329,066,845</u>
Notional loans		
Loans at beginning of the year	51,800,628	54,820,498
Receipts	3,517,902	2,110,589
Repayments	(2,527,163)	(5,130,459)
	<u>52,791,367</u>	<u>51,800,628</u>

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Figures in Rand Restated	2023	2022
4. Loans to (from) shareholders (continued)		
Sweeping account		
Loans at beginning of the year	277,266,217	457,048,817
Receipts	2,200,079,143	2,875,069,952
Repayments	(2,270,767,625)	(3,054,852,552)
	206,577,735	277,266,217
5. Receivables from exchange transactions		
Trade debtors	24,824,285	25,689,636
Prepayments - SANRAL	-	60,957
Eskom Deposits	1,017,466	838,220
Operating lease- Deposit (Head Office)	6,904,801	6,846,884
Interest Receivable	3,234,998	1,842,979
SARS VAT Refund	15,853,249	2,365,568
Prepayments and developers income debtor	135,401	135,401
Outstanding Metropolitan Municipality Claims	83,309,658	83,309,658
Allowance for bad debts	(86,880,349)	(2,205,073)
Sundry Debtors	1,236,626	1,500,216
Staff Debtors - Subsidised Education	2,130,850	2,260,167
Related Party receivables	410,758,174	392,926,928
	462,525,159	515,571,541
5.1 Analysis of receivables		
Gross receivables	547,969,790	517,776,614
Allowance for bad debts	(86,880,349)	(2,205,073)
	461,089,441	515,571,541
Analysis of related party debtors		
Gross Related party debtors	410,758,174	392,926,928
Financial asset receivables included in receivables from exchange transactions above	(409,322,456)	(392,926,928)
Total receivables from exchange transactions	462,525,159	515,571,541

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Figures in Rand Restated	2023	2022
5. Receivables from exchange transactions (continued)		
Statutory receivables general information		
5.2 City of Johannesburg Metropolitan Municipality Claims - CAPEX Projects		
Relating specifically to Statutory Receivables		
Capital expenditure	688,415,682	736,819,679
USDG Amounts Claimed	(13,162,463)	(114,547,392)
City of Johannesburg Amounts Claimed	(501,636,849)	(557,378,095)
JRA Funded from Developers Contribution - JRA Expense	(173,616,370)	(64,894,192)
	<u>-</u>	<u>-</u>

The JRA Funded from Developers Contribution represents the costs JRA incurred on behalf of COJ for capital Bulk Infrastructure.

Receivables past due but not impaired

5.3 Capital Expenditure

The capital expenditure relates to work performed on behalf of the COJ by JRA. The expenditure incurred in the infrastructure assets is not capitalised by JRA.

Bridges	14,290,815	92,382,233
Capitalised expense for JRA financed by COJ	27,153,177	3,369,531
Gravel Roads	126,153,505	258,925,136
Stormwater	104,656,232	188,569,164
Traffic Signals	109,223,686	68,263,145
Rehabilitation and reconstruction of roads	306,670,634	123,289,642
Complete Streets	-	2,120,828
Total	688,148,046	736,819,679

Trade and other receivables pledged as security

No trade and other receivables were pledged as security at 30 June 2023.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2023, R 281,935,220 (2022: R 235,840,853) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	3,843,162	136,495,742
2 months past due	3,638,175	-
3 months past due	119,022,056	99,345,111

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(2,205,073)	(26,316,896)
Debts written off/ (Addition to provision)	(1,365,618)	24,111,823
	<u>(3,570,691)</u>	<u>(2,205,073)</u>

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The entity does not hold any collateral as security.

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Figures in Rand Restated	2023	2022
6. Employee benefit obligations		
Defined benefit plan		
The defined benefit plan, to which is managed by the City of Johannesburg Metropolitan Municipality where the Johannesburg Roads Agency claims from the funds used from the City of Metropolitan Municipality.		
The plan is a post - Employment medical benefit plan, housing subsidy and gratuity plan.		
The actuarial valuation was performed for the year ended 30 June 2023 on the long term employee benefit liability with reference to GRAP 25.		
Post retirement benefit plan		
Employee benefit obligation		
Post retirement medical aid plan	7,552,000	8,486,000
Post retirement housing subsidy plan	5,206,000	5,814,000
Post retirement gratuity	26,599,000	32,675,000
	39,357,000	46,975,000
Employee benefit (Notional Accounts)		
Post - retirement medical aid plan	33,772,662	31,624,938
Post - retirement gratuity plan	19,018,705	20,175,690
	52,791,367	51,800,628
Post retirement medical aid plan		
Opening balance	8,486,000	8,798,000
Unrecognised Actuarial (gains) /losses	(784,812)	(83,855)
Net expense recognised in the statement of financial performance	(149,188)	(228,145)
	7,552,000	8,486,000
(Net expense) /surplus recognised in statement of financial performance		
Interest cost	740,000	630,000
Benefits paid	(889,188)	(858,145)
	(149,188)	(228,145)
Notional loan account		
Opening balance	31,624,938	31,278,847
Interest received	2,147,724	1,204,236
Benefits paid	-	(858,145)
	33,772,662	31,624,938
Post retirement housing subsidy plan		
Opening balance	5,814,000	5,583,000
Actuarial (gains) / losses	(1,298,000)	494,727
Net expense recognised in the statement of financial performance	690,000	(263,727)
	5,206,000	5,814,000
Net expense recognised in the statement of financial performance		
Current service cost	143,000	137,000
Interest cost	547,000	430,000
Benefits paid	-	(830,272)

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6. Employee benefit obligations (continued)

	690,000	(263,272)
Post retirement gratuity plan		
Opening balance	32,675,000	34,636,000
Actuarial (gains) /losses	(4,813,682)	(1,800,027)
Net expense recognised in the statement of financial performance	(1,262,318)	(160,973)
	26,599,000	32,675,000
Net expense recognised in the statement of financial performance		
Interest cost	2,805,000	2,576,000
Benefits paid	(4,067,318)	(2,736,973)
	(1,262,318)	(160,973)
Notional loan account		
Opening balance	20,175,690	23,541,650
Interest received	1,370,178	906,354
Payments against account	(2,527,163)	(4,272,314)
	19,018,705	20,175,690

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6. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.74 %	9.30 %
Expected rate of return on assets	5.42 %	6.84 %
Actual return on reimbursement rights	6.42 %	7.84 %
Medical cost trend rates	6.42 %	7.84 %
Expected increase in salaries	5.40 %	4.90 %
Expected pension increases	3.12 %	1.35 %
Expected increase in healthcare costs	3.12 %	1.35 %

The notional accounts earned interest at a rate of 6,97% as specified by the City Of Johannesburg.

Discount rate

We used the nominal and real zero yield curves as at 30 June 2023 supplied by the JSE to determine our discount rate and consumer price inflation. To determine the discount rate to use, we have used the implied duration obtained to match it with a point on the yield curve.

The Net Effective Discount Rate is based on the relationship between the (yield curve based) Discount rate for the relevant duration and the (yield curve based) medical aid inflation for the relevant duration.

Medical aid inflation

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the point on the yield curve which matches the implied duration of the liability. Our assumed rate of medical aid inflation was set as the calculated value of the CPI plus 1%.

The annualised compound rates of increase for the last 10 years shows that the registered medical schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not think that these increases are sustainable and have assumed that medical aid contribution inflation would out-strip general inflation by 1% per annum over the foreseeable future.

Normal Salary Inflation rate

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between current conventional bond yields and the real yield curve at the implied duration assumed. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. Furthermore, an assumed salary increase of 5.9% was used, effective 1 July 2023. The next salary increase is expected to take place on 1 July 2024.

Average Retirement Age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows early and ill-health retirements.

Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Decrements

Withdrawals

A table setting out the assumed rates of withdrawal from service is set out below

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Figures in Rand Restated 2023 2022

6. Employee benefit obligations (continued)

Other assumptions

Ages:

	Withdrawal Rates Males	Withdrawal Rates Females
20-24	11.50 %	10.00 %
25-29	7.00 %	9.80 %
30-34	4.80 %	8.60 %
35-39	3.50 %	6.60 %
40-44	2.30 %	4.60 %
45-49	1.20 %	2.60 %
50-54	0.50 %	0.80 %

Spouses and Dependants

We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement. Dependants adults were assumed to be covered for their life.

Medical aid membership

We have assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. We assumed that 100% of members retiring will remain on the current plan option at retirement. We have also assumed that members would remain in the same income category and same medical aid option at retirement.

Sensitivity analysis

Recalculated liabilities using the following assumptions:

- A 1% increase/decrease in the medical and salary inflation rate assumptions used.
- A 20% increase/decrease in the assumed level of mortality.

Mortality Rates

Deviations from the assumed level of mortality experience of the current employees and the continuation members will have a large impact on the actual cost to the Municipality. If the actual rate of mortality turns out higher than the rates assumed in the valuation basis, the cost to the Municipality in the form of subsidies will reduce and vice versa. We have illustrated the effect of higher and lower mortality rates by increasing and decreasing the mortality rates by 20%. The effect is as follows:

Accrued liability	+20% Mortality Rate	Valuation Assumption	+20 Mortality Rate
Post - Retirement Medical Aid	9,197,000	8,486,000	7,904,000
Post - Retirement Housing Subsidies	6,008,000	5,814,000	5,629,000
Retirement Gratuities	32,656,000	32,675,000	32,695,000
	47,861,002	46,975,000	46,227,998
% change	1.89%	-	-1.59%

Medical and Salary Inflation

The cost of the benefits is dependant on the increase in salaries and other contributions to the medical aid scheme before and after retirement. The rate at which this increase will thus have direct effect on nth liability. We have tested the effect of a 1% p.a change in the medical and salary inflation assumptions. The effect is as follows:

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6. Employee benefit obligations (continued)

Accrued Liability

	-1% in medical/salary inflation.	Valuation assumption	+1% in medical/salary inflation
Post - Retirement medical aid	7,400,000	7,552,000	7,674,000
Post - Retirement Housing Subsidies	4,997,000	5,206,000	5,427,000
Retirement Gratuities	25,578,000	26,599,000	27,666,000
	37,975,000	39,357,000	40,767,000

% change -3.1%

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balance - Developer's Contribution	477,928,572	471,298,995
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This bank account is for money received from COJ for Developers contribution and it can only be used for funding projects identified by COJ. Under current liabilities there is a equivalent liability for this money.

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
Standard Bank - Developers contribution account - 021156	477,928,572	471,298,995	436,419,242	477,928,572	471,298,995	436,419,242

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8. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	17,293,715	-	17,293,715	17,293,715	-	17,293,715
Buildings	77,800,007	(22,836,358)	54,963,649	74,202,563	(21,331,042)	52,871,521
Plant and machinery	158,267,602	(150,798,631)	7,468,971	158,267,602	(142,840,441)	15,427,161
Furniture and fixtures	22,497,911	(19,464,726)	3,033,185	21,114,892	(18,227,040)	2,887,852
Motor vehicles	93,403,760	(77,706,340)	15,697,420	100,207,729	(67,930,628)	32,277,101
Office equipment	10,845,075	(7,954,187)	2,890,888	10,608,012	(6,832,014)	3,775,998
IT equipment	74,448,475	(57,397,184)	17,051,291	59,594,102	(49,774,780)	9,819,322
Tools and loose gear	1,110,639	(974,302)	136,337	951,952	(873,488)	78,464
Work in progress	11,752,995	(3,718,642)	8,034,353	3,976,492	-	3,976,492
Total	467,420,179	(340,850,370)	126,569,809	446,217,059	(307,809,433)	138,407,626

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	17,293,715	-	-	-	-	-	17,293,715
Buildings	52,871,521	3,608,585	-	(8,960)	(1,507,497)	-	54,963,649
Plant and machinery	15,427,161	-	-	-	(7,958,190)	-	7,468,971
Furniture and fixtures	2,887,852	1,872,372	(1,592)	8,960	(1,734,407)	-	3,033,185
Motor vehicles	32,277,101	-	-	-	(16,579,681)	-	15,697,420
Office equipment	3,775,998	263,198	(759)	-	(1,147,549)	-	2,890,888
IT equipment	9,819,322	16,322,236	(112,083)	-	(8,978,184)	-	17,051,291
Tools and loose gear	78,464	158,686	-	-	(100,813)	-	136,337
WIP Assets	3,976,492	7,776,503	-	-	-	(3,718,642)	8,034,353
	138,407,626	30,001,580	(114,434)	-	(38,006,321)	(3,718,642)	126,569,809

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8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	17,293,715	-	-	-	-	17,293,715
Buildings	52,091,481	2,244,136	-	-	(1,464,097)	52,871,521
Plant and machinery	31,329,990	5,000	-	(188)	(15,907,641)	15,427,161
Furniture and fixtures	4,408,203	310,978	-	-	(1,831,329)	2,887,852
Motor vehicles	47,804,488	6,389,166	-	-	(21,916,554)	32,277,101
Office equipment	1,460,921	3,098,593	-	-	(783,516)	3,775,998
IT equipment	16,492,969	-	(102,972)	188	(6,570,863)	9,819,322
Tools and loose gear	276,789	-	-	-	(198,325)	78,464
WIP Assets	3,718,642	257,850	-	-	-	3,976,492
	174,877,198	12,305,723	(102,972)	-	(48,672,325)	138,407,626

Pledged as security

The Johannesburg Roads Agency does not have any assets pledged as security, surety or pledge:

JRA has conducted the annual reassessment of useful lives and residual value on the PPE assets

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8. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

Motor vehicles	15,697,420	32,277,101
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Property, plant and equipment in the process of being constructed or developed

Reconciliation of Work-in-Progress 2023

Reconciliation of Work-in-Progress 2022

Expenditure incurred to repair and maintain property, plant and equipment

The JRA repairs and maintenance excludes infrastructure assets which are capitalised at the City of Johannesburg Metropolitan Municipality.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

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9. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	14,835,510	(14,319,138)	516,372	38,466,302	(37,430,182)	1,036,120

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, other	1,036,120	(519,748)	516,372

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Impairment loss	Total
Computer software, other	24,762,719	(554,553)	(23,172,046)	1,036,120

Pledged as security

The Johannesburg Roads Agency does not have any intangible assets pledged as security, surety or pledge:

Intangible assets in the process of being constructed or developed

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10. Deferred tax

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Deferred tax asset \ (liability)

Deferred tax is made up of the following taxable/(deductable) temporary differences:

Finance lease liabilities	(4,554,624)	(8,843,360)
Provision for legal claims	(58,211,998)	(57,860,091)
Provision for impairment of debtors	(999,793)	(370,452)
Provision for leave pay	(11,971,992)	(12,154,732)
Provision for bonuses	(16,901,803)	(10,730,947)
Retirement benefit liability	(11,019,960)	(13,153,000)
Retirement benefit assets	15,539,432	14,504,176
Provision for 13th Cheque	(5,044,859)	(4,618,081)
Income received in advance	(63,746,764)	(4,080,016)
Fixed Assets-owned and leased	30,740,333	24,206,464
Tax rate change	-	(731,000)
Deferred tax asset not recognised	126,172,028	73,831,039
	<u>-</u>	<u>-</u>

Recognition of deferred tax asset

No deferred tax asset was provided for due to the improbability of future taxable profits to offset these amounts. The deferred tax asset had it been raised it would have been 2023: R126 172 0285 (2022: R73 831 039)

11. Finance lease obligation

Minimum lease payments due

- within one year	17,143,530	17,739,911
- in second to fifth year inclusive	-	17,199,851
	<u>17,143,530</u>	<u>34,939,762</u>
less: future finance charges	(875,447)	(3,356,335)
Present value of minimum lease payments	<u>16,268,083</u>	<u>31,583,427</u>

Present value of minimum lease payments due

- within one year	16,266,515	16,042,201
- in second to fifth year inclusive	-	15,541,226
	<u>16,266,515</u>	<u>31,583,427</u>
Non-current liabilities	-	15,541,226
Current liabilities	16,266,515	16,042,201
	<u>16,266,515</u>	<u>31,583,427</u>

It is entity policy to lease certain [property]motor vehicles and equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 10% (2022: 10%).

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets.

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12. Payables from exchange transactions		
Trade payables	298,743,889	70,889,773
Payments received in advanced	11,589,280	12,992,726
Sanral amount received in advance	-	1,578,760
Developers Contribution	477,928,554	471,298,995
Accrual staff 13th pay cheque	18,017,354	16,493,148
Retentions	122,593,779	153,413,484
Payroll Accruals	5,181,104	9,149,714
Capital Creditors and accruals	57,919,467	37,318,551
Debtors Reclassification	23,647,875	22,789,639
Accrued Leave pay	42,757,114	43,409,757
Related party payables	31,099,164	62,683,015
	1,089,477,580	902,017,562

13. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Legal Proceedings	206,643,183	9,794,437	-	(8,537,626)	207,899,994
Employee performance bonus	38,324,811	75,535,726	(53,496,956)	-	60,363,581
	244,967,994	85,330,163	(53,496,956)	(8,537,626)	268,263,575

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Total
Legal Proceedings	166,448,041	44,010,715	(3,815,573)	206,643,183
Performance bonus	23,365,008	41,981,149	(27,021,346)	38,324,811
Other Provisions	862,068	-	(862,068)	-
	190,675,117	85,991,864	(31,698,987)	244,967,994

The legal proceedings provision relates to the litigation in progress that is likely to be paid by Johannesburg Roads Agency (SOC) Ltd based on the previous legal actions taken against the Entity. The legal claims emanates from supply chain related matters which occurred in the past and employment related matters from former employees against Johannesburg Roads Agency (SOC) Ltd. The legal claims for on-going cases have been reassessed in the current year based on the new developments in the cases.

Other Provisions relates to possible contractor claim for work done and not yet billed due to disputes.

14. Current tax payable

JRA has initiated proceedings for an alternate dispute resolution relating to the Tax and interest and penalties declared payable relating to the 2017 and 2017 financial years where a S24 (C) allowance is being disallowed. the matter is currently under Alternative Dispute Resolution (ADR) proceedings. SARS has since issued a notification of audit on the 2018 and 2019 financial years under the same basis that is being argued by JRA in the ADR proceedings in progress currently underway

The Tax Administration Act explicitly states that Finalised Assessments are payable even while in dispute, thereby meeting the definition and recognition criteria to recognise the SARS Tax, penalties and interest as a liability. It is important to note that this matter was disclosed as a contingent liability in the 30 June 2020 Audited Annual Financial Statements.

As at 30 June 2023, the current tax is as per table below

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14. Current tax payable (continued)		
Current Tax Payable	2023	2022
Opening Balance	22,726,039	77,571,689
Tax levied on reassessment of prior year tax periods	116,852,752	96,076,800
Interest and penalties charged	6,462,448	4,121,304
Current tax expense for current year	-	25,124,583
Tax paid during the year	(44,130,290)	(180,168,337)
	101,910,949	22,726,039
15. Share capital / contributed capital		
Authorised		
1000 Ordinary shares	1,000	1,000
Reconciliation of number of shares issued:		
Reported as at 01 July 2022	1,000	1,000
Issued		
Ordinary	1,000	1,000
16. Contribution from owner		
This is an investment from the City Of Johannesburg Metropolitan Municipality. The funding from the City Of Johannesburg Metropolitan Municipality is utilised to purchase assets and fund other operating costs based on the budget allocation.		
Opening balance	345,776,292	342,793,805
Contributions made during the year	26,325,422	2,982,487
	372,101,714	345,776,292
17. Revenue		
Gautrans maintenance fees	-	4,982,262
Aphalt Sales & DCP Testing	177,999	83,525
Jobbings	17,630,059	21,143,129
Reinstatement income and wayleave fees	12,721,358	25,572,988
Management Fees	14,674,345	30,092,186
Rental income	10,370,172	7,566,600
Recoveries	87	435
Bad Debts Recovered	-	461,128
Other income-Proceeds from road closures	11,056,486	12,350,084
Insurance claims income	13,043	184,061
Interest received - investment	22,125,612	10,756,322
Subsidy - The City of Johannesburg Metropolitan Municipality	1,258,837,000	1,393,046,000
	1,347,606,161	1,506,238,720

See the table below for the breakdown of the revenue categories. the totals above include Investment income (Note 22) as well as other revenue from note 19

See below the breakdown of total revenue:

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17. Revenue (continued)

Total Revenue breakdown

Revenue from exchange transactions	88,769,161	113,192,720
Revenue from non-exchange transactions	1,258,837,000	1,393,046,000
	1,347,606,161	1,506,238,720

The amount included in revenue arising from exchanges of goods or services are as follows:

Gautrain maintenance fee	-	4,982,262
Aphalt sales and DCP testing	177,999	83,525
Jobbings	17,630,059	21,143,129
Reinstatement income and wayleave fees	12,721,358	25,572,988
Management fees	14,674,345	30,092,186
Rental income	10,370,172	7,566,600
Recoveries	87	435
Bad debts recovered	-	461,128
Other income road closures	11,056,486	12,350,084
Insurance claims	13,043	184,061
Interest received - investment	22,125,612	10,756,322
	88,769,161	113,192,720

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Transfer revenue

Subsidy - City of Johannesburg Metropolitan Municipality	1,258,837,000	1,393,046,000
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18. Cost road maintenance

Direct labour costs of road maintenance	517,673,715	486,486,779
Raw materials	64,955,433	91,126,825
Direct expenses Costs of road maintenance	198,711,572	196,248,016
	781,340,720	773,861,620

19. Other revenue

Rental income - COJ Transport	10,370,172	7,566,600
Recoveries - Telephone	87	435
Bad Debts Recovered	-	461,128
Other Income - Proceeds from road closures	11,056,486	12,350,084
Insurance Claims	13,043	184,061
	21,439,788	20,562,308

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20. Operating expenses

Total operating expenses comprises of the following line items:

General expenses - Indirect costs	39	348,778,910	208,073,011
Employee related costs	25	402,117,723	362,729,731
Depreciation and amortisation	26	38,526,070	49,238,341
Impairment loss		3,718,642	23,172,046
Lease rentals on operating lease		65,055,531	32,266,887
Call centre charges		7,715,400	1,776,000
		865,912,276	677,256,016

21. Operating (deficit) surplus

Operating (deficit) surplus for the year is stated after accounting for the following:

Operating lease charges

Head office Building			
• Lease expense - Straight-lined		5,769,849	34,619,096
• Recovered from sublease - Transport Department		(8,720,217)	(1,649,363)
Lease rentals on Printers			
• Contractual amounts		-	6,323,700
		(2,950,368)	39,293,433

Impairment on intangible assets		3,718,642	23,172,046
Amortisation on intangible assets		519,748	566,018
Depreciation on property, plant and equipment		38,006,322	48,672,323
Employee costs		402,117,723	362,729,731
Employee costs - Road Maintenance and related infrastructure		517,673,715	486,486,779

22. Investment revenue

Interest revenue

Interest - Loan to shareholders		21,800,560	10,664,365
Interest Recieved from Eskom deposits		267,134	22,120
Interest received from building deposit		57,918	69,837
		22,125,612	10,756,322

Interest earned from shareholders is as a result of the positive sweeping account balance in JRA's favour. It is also as a result of interest earned from Notional loan accounts.

The interest on ESKOM deposits is earned from the JRA's accounts with ESKOM where a deposit is held by ESKOM.

Interest is also earned on the deposit of the JRA Head Office building that is currently leased by the entity.

23. Finance costs

Non-current borrowings		-	3,636,000
Finance leases		6,516,567	4,773,117
SARS Interest on late payment of tax		6,462,448	4,121,304
		12,979,015	12,530,421

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24. Taxation

Major components of the tax expense

Current

Local income tax - current period	-	25,124,583
Local income tax - recognised in current tax for prior periods	116,852,752	96,076,800
	116,852,752	121,201,383

Deferred

Deferred tax expense	-	-
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Reconciliation of the tax expense

Reconciliation between accounting surplus and tax expense.

Accounting (deficit) surplus	(312,625,850)	42,590,663
Tax at the applicable tax rate of 28% (2022: 28%)	-	20,523,104

Tax effect of adjustments on taxable income

Re-assessment of prior year returns	154,520,594	96,076,800
Non-deductible interest and penalties	6,462,448	4,601,479
Less: Amount Paid	(44,130,290)	-
Income tax expense	116,852,752	121,201,383

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25. Employee related costs		
Basic	253,970,162	234,237,629
Bonus	52,921,910	29,459,668
Medical aid - company contributions	9,415,642	8,272,102
UIF	2,662,693	2,123,439
WCA	4,724,792	4,998,754
SDL	3,202,299	2,143,899
Other payroll levies	112,792	119,080
Leave pay provision charge	12,957,021	15,391,299
Defined contribution plans	27,044,045	33,091,274
Travel, motor car, subsistence and other allowances	16,199,708	14,134,398
Overtime payments	7,736,177	5,406,585
Long-service awards	35,000	24,000
13th Cheques	5,388,874	5,247,087
Acting allowances	3,029,640	2,670,280
Housing benefits and allowances	1,325,617	1,473,505
Subsidised education benefit	1,244,470	2,979,132
Employee related costs: interns stipend	146,881	957,600
	402,117,723	362,729,731
Remuneration of key management		
Annual salary	20,745,666	18,564,946
Bonuses (Performance and annual)	1,610,595	1,878,722
Allowances (Travel, acting and cellphone)	2,412,106	1,895,807
Contributions to UIF, SDL, Medical and Pension Funds	2,638,706	2,667,996
	27,407,073	25,007,471
Remuneration of non-executive directors		
Director fees	1,467,537	1,343,052
Reconciliation of employee costs		
Employee costs - Road Maintenance and relatd infrastructure	517,673,715	486,486,779
Employee Costs - Indirect costs	402,117,723	362,729,731
	919,791,438	849,216,510
26. Depreciation and amortisation		
Property, plant and equipment	38,006,322	48,672,323
Intangible assets	519,748	566,018
	38,526,070	49,238,341
27. Auditors' remuneration		
Fees	4,017,007	3,793,321

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28. Cash used in operations		
Deficit	(429,478,602)	(78,610,720)
Adjustments for:		
Depreciation and amortisation	38,526,070	49,238,341
Interest received	(22,125,612)	(10,756,322)
Finance costs	12,979,015	12,530,421
Impairment loss	3,718,642	23,172,046
Tax expense	116,852,752	120,201,383
Taxation expense cash component	(44,130,290)	(180,168,337)
Movements in operating lease	(503,746)	-
Movements in post retirement notional assets and liabilities	(6,627,262)	(2,273,000)
Movements in provisions	23,295,581	54,292,877
Lease rentals on operating lease	(65,055,531)	32,266,887
Other non-cash items	603,358	(1,825,139)
Loss on foreign currency transaction	-	2,992
Changes in working capital:		
Inventories	8,179,218	6,761,949
Receivables from exchange transactions	54,482,100	177,004,702
Payables from exchange transactions	186,024,300	(267,113,525)
Current tax liability	79,184,910	(54,845,650)
Finance Lease obligation	224,314	-
	(43,850,783)	(120,121,095)
29. Commitments		
Authorised capital expenditure		
Approved and contracted for		
• JRA Property, plant and equipment	16,372,371	4,221,721
• Construction of property, plant and equipment on behalf of COJ	488,204,674	334,671,198
	504,577,045	338,892,919
Total capital commitments		
Capital expenditure commitments at financial year end	504,577,045	338,892,919
Authorised operational expenditure		
JRA Operating expenditure commitments at the end of the financial year		
• Other operating expenses (multi awards)	85,885,880	74,620,223
Total operational commitments		
JRA Operating expenditure commitments	85,885,880	74,620,223
Total commitments		
JRA capital expenditure commitments	16,372,371	4,221,721
COJ related capital expenditure commitments	488,204,674	334,671,193
Authorised JRA operational expenditure commitments	85,885,880	74,620,223
	590,462,925	413,513,137

This committed expenditure relates to the award of various operating contracts. Included in capital commitment expenditure which is COJ related capital commitments to construct roads infrastructure that will be recognised in the AFS of COJ and not JRA.

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29. Commitments (continued)

Operating lease-as leasee (printers and copiers)

Minimum lease payments due

- within one year	1,005,845	6,323,700
- in second to fifth year inclusive	-	1,053,950
	1,005,845	7,377,650

Operating leases - 75 Helen Joseph Street Building

Minimum lease payments due

- within one year	33,519,564	6,273,596
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The operating lease relates to the rental of Printers and Copies and for Head office Building. The lease agreement for printers and copiers commenced on 1 September 2020 up to until 31 August 2021. While the lease for the building relates to the 75 Helen Joseph Building which commenced on 1 September 2019 up to until 31 August 2022 .

JRA intends to continue to occupy and lease the head office building in the foreseeable future.

The authorised and contracted for expenditure relates to the Property, plant and equipment, capex projects contracts and opex related contracts which have been awarded and the remaining balance of the appointment value after expenditure incurred being the committed amount. The purchase order amounts are committed where the contracted awarded is based on rates on an as when basis. The amounts committed are inclusive of multi-year projects beyond the 2021/2022 financial year end.

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30. Contingencies

2023.

Contingent Liabilities.

Goodwill Mbatha v SALGBC, Commissioner Nathalie Christoffels Willemse N.O. and JRA. The Applicant has filed a Third Respondent's Notice of Counter Review Application in terms of section 145 of the Labour Relations Act 66 of 1995 (as amended). The estimated contingency is R 8,537,625.66.

PK Ramashu VJ // JRA. JV claims damages against the JRA for the latter's failure to perform its obligations in terms of the service level agreement allegedly concluded between the JRA and JV under tender no: JRA/21/84. The estimated contingency is R 8 067 125,71

JRA // Kganelwa Tsatsi. Application by JRA to review the Arbitration Award to reinstate Ms Tsatsi with full benefits from the date of her dismissal (4th of February 2020) till 13th June 2022 and be paid R6 000 000.00.

Shirley Leah Markowitz v CoJ, JRA and Tiaan Ehlers – Application for contempt of Court Order by COJ / JRA and City Manager to find alternative accommodation for Mrs Markowitz, to investigate and prepare Preliminary Design report. The estimated contingency is not quantified.

Caliber Properties (Pty) Ltd // Executive Mayor of CoJ, Municipal Manager, CoJ and JRA – Application for an Order compelling the CoJ/JRA to provide water, electricity, roads, stormwater drain and sewerage services to Erf 27 Grand Central Extension 10, Midrand. The estimated contingency is not quantified.

Lesegong Trading (PTY)Ltd // JRA – Application for an Order declaring Wayleaves granted to Maskhule Business Development null and void plus an Order restraining JRA from granting any other entity access to "their" site. The estimated contingency is not quantified.

Liberty Group Limited and 2 others - The Plaintiff instituted action against JRA and 4 others to interdict and restrain them from performing or allowing any contractor on their behalf to perform, any construction work in respect of the Rea Vaya, Rapid Bus Transport terminal on Rivonia Road between Sandton Drive and 5th Street, Sandton. The estimated contingency is not quantified.

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30. Contingencies (continued)

JRA vs New Dawn Technologies (PTY) LTD – Application by JRA to review and set aside awards of various tenders (New Dawn Technologies (PTY) LTD) awarded to two service providers on the basis of irregularity. The estimated contingency is not quantified.

Sibusiso Gumbi & others V JRA - The plaintiffs who are JRA employees are suing for alleged defamation of character. They were suspended by the then CFO, Ms. Audrey Raphela who allegedly made the announcement in a general meeting of finance and SCM staff. The estimated contingent is R8 000 000.

Tony Diesel Electrical Generators (sub-contractor) vs JRA - Application for an order to remove automatic generator installed at Asphalt Depot. The estimated contingent liability is zero.

Associated Asphalt vs Equipment - Microzone JV vs JRA - The application for compelling the JRA to refer the contractual disputes on payment of Preliminary and General (P&G) costs to adjudication. The estimated contingent liability is R1 680 000.00.

.SARS vs JRA - VAT issue. Query raised given that infrastructure belongs to the City and VAT should be charged from the City. A letter has been drafted by CEO requesting the City Manager to intervene in getting GRAS to share requested info with SARS and in getting the COJ to voluntarily declare VAT relating to claims payouts. The estimated contingent liability is R23 758 872

Ntokozo Mkhwebane v JRA & 2 Others - Ms Mkhwebane has applied to the Labour Court for the review and setting aside of her dismissal by JRA which was upheld by the South African Local Government Bargaining Council. The estimated contingent liability is not quantified..

S v Charles Phiri and JRA - A JRA employee was arrested and charged with assault and theft after following an altercation that took place on site at Third and Fourth Avenue, Hofmeyer where the JRA RO team was resurfacing the road. The complainant had apparently on 2 occasions requested that the JRA colleagues on site remove the traffic cones they had put on the road so that coplainant could drive through. An altercation then followed and the complainant opened a case at the Alexandra Police Station claiming that the JRA employee assaulted him and stole his cellphone. The employee is currently out on bail of R2000 and his case was postponed to the 15th of November 2021 for further investigations.

Motlatla va JRA - Motlatla was dismissed by the JRA for misconduct/isurbordination. He referred the matter to the South African Local Government Bargaining Council (SALGBC) for Arbitration and the Arbitrator found in his favour. JRA is now taking the matter to the Labour Appeals Court for Review of the Arbitrator's decision and or to have the matter referred back to another Arbitrator. The estimated contingent liability is zero.

Mabotwane Security Services CC V JRA - Mabotwane Security Services claims for the unpaid services rendered to the JRA The estimated contingent liability is R2 445 132

Waterfall View vs JRA - Application for an order to compel JRA to maintain and rehabilitate the embankment/stormwater infrastructure on Klein Jukskeirivier. The estimated contingent liability is zero.

Solomon Makhele vs JRA - JRA is appealing against an Award issued by the SALGBC against an employee who was dismissed for misconduct. SALGBC held that JRA should re-instate the employee and also compensate him for loss of income.

Roadmac Surfacing (PTY) LTD vs JRA and others – Application for review and setting aside of tender number JRA/19/001 and to render procedurally unfair and materially and adversely affecting the rights and legitimate expectation of the applicant. Applicant also wants an order in terms of which they are appointed as one of the successful tenderers. The estimated contingent liability is not quantified.

PGN Civils v JRA – PGN filed an urgent application for an interdict preventing the JRA from removing them from implementing its cancellation of their contract pending finalisation of the Arbitration proceedings.

Lufuno Kennedy Makhari vs JRA - Unfair dismissal The CCMA ordered the complaint be compensated but he is now approaching the Labour Court to apply for re-instatement. The estimated contingent liability is not quantified.

MAC P Contruction v JRA - MAC P is approaching the court for an order compelling the JRA to pay retention money (

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30. Contingencies (continued)

R5 631 314.56) allegedly held for contract no. JRA/19/463.

Graham D Thompson - Mr Thompson is claiming leave payout allegedly outstanding since his retirement in 2012. The estimated contingent liability is not quantified.

Featherbrook Homeowners Associations/Mogale City and five others vs JRA/COJ - Featherbrooke and other respondents made an urgent application to the high court for the underpinning, remediation and management of the stormwater infrastructure at the Muldersdrift Seloop River in Mogale City. The estimated contingent liability is not quantified.

Johan Hendrik Vorster v CoJ, JRA and the Mayor of JHB - The Applicant has filed an Application for compelling the CoJ/JRA/Mayor to comply with their legal duty to attend to the necessary repairs on damaged drain covers at the corner of Methwold and Restanwold Roads in Saxonwold. The estimated contingent liability is not quantified.

PGN Civils v JRA – PGN filed an urgent application for an interdict preventing the JRA from removing them from implementing its cancellation of their contract pending finalisation of the Arbitration proceedings.

Babette Jane Kartz and another v CoJ, the City Manager and JRA - The Applicant has filed an Application for compelling the CoJ/JRA/Mayor to comply with their legal duty to attend to the necessary repairs on damaged drain covers at the corner of Methwold and Restanwold Roads in Saxonwold. The estimated contingency is not quantified

Mandla Mpofu // JRA and COJ - Applicant has approached the High Court for an Order compelling the JRA to complete hydrological and hydraulic studies on the stormwater system around his property on ERF 1569 Extension 2, 11 Kiaat Place, Winchester Hills after his property was eroded during flooding that occurred despite the City approving his building plans to build his house in the said area. Applicant believes that this is due to the inadequate JRA stormwater system the amount claimed is indicated as none.

Contingent assets

The SARS matter that was disclosed as a contingent liability in the 2020 financial year has since progressed to a point where a finalisation of the audit was issued during the 2021 financial year, where SARS deemed tax, interest and penalties were payable as at 30 June 2021. JRA has since made multiple payments to SARS during the 2022 and 2023 financial year as a show of good faith. Based on Legal advice received by JRA, there is a possibility of success in appealing the matter in through the Alternate Dispute Resolution, and if necessary, the Tax courts and possibly the High Court should it be necessary. If JRA is successful in its appeal, the tax raised and interest as well as penalties charged will be reversed, and all payments made to SARS will be refundable to JRA.

JRA has changed its accounting policy of accounting for Developer's Contribution funds from COJ. Previous the funds were income and now the same funds are recorded as a liability. Ordinarily the payable would equal the bank account when we deal with a conditional grant type of payable. However, previously JRA would invoice COJ and JRA would be liable for VAT output which was subsequently paid to SARS. This therefore means the Developer's Contribution payable is currently reflecting excluding VAT and thereby not equalling the Bank. JRA will engage SARS to seek a refund on the output VAT paid to SARS in prior years related to the invoices of Developer's Contribution funds. VAT is in terms of section 7(1) of the VAT Act is a charge on the supply of goods and services. "Goods" are defined to exclude the supply of money. In our view the developer's funds received are an equivalent of a loan and therefore constitute a supply of money to JRA and no VAT is chargeable thereon. This will be an application that will be used in the new financial year and going forward.

2022.

Contingent liabilities

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Contingent assets.

The SARS matter that was disclosed as a contingent liability in the 2020 financial year has since progressed to a point where a finalisation of the audit was issued during the 2021 financial year, where SARS deemed tax, interest and penalties were payable as at 30 June 2021. JRA has since made multiple payments to SARS during the 2022 financial year as a show of good faith. Based on Legal advice received by JRA, there is a possibility of success in appealing the matter in through the Alternate Dispute Resolution, and if necessary, the Tax courts and possibly the High Court should it be necessary. If JRA is successful in its appeal, the tax raised and interest as well as penalties charged will be reversed, and all payments made to SARS will be refundable to JRA.

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31. Directors' and prescribed officers' remuneration and other benefits paid, payable or receivable

Executive directors

2023

	Emoluments	Other benefits*	Pension paid or receivable	Total
L . Nel - Acting Chief Executive Officer	97,857	-	-	97,857
T . Mahanuke -Chief Executive Officer	2,583,743	119,862	218,913	2,922,518
M Thindisa - Chief Financial Officer	1,707,348	187,940	83,485	1,978,773
	4,388,948	307,802	302,398	4,999,148

2022

	Emoluments	Other benefits*	Pension paid or receivable	Total
Selemo Monakedi - Chief Executive Officer	2,118,476	411,696	125,227	2,655,399
S. Nodu - Acting Chief Executive Officer	1,918,963	216,870	240,435	2,376,268
M. Thindisa - Chief Financial Officer	1,978,734	26,393	100,181	2,105,308
H Ndiweni - Acting Chief Financial officer	1,406,698	143,013	158,207	1,707,918
	7,422,871	797,972	624,050	8,844,893

* Other benefits comprise of travel allowance, cellphone allowance and medical benefits

Non-executive directors

2023

	Directors' fees	Committees fees	Total
E Botha (Board Chairperson)	16,000	-	16,000
C Cilliers (Board Chairperson) 01 March 2023- Resigned June 2023	136,000	28,000	164,000
M Thindisa Chief Financial Officer - Resigned April 2023	108,000	64,000	172,000
A Francis - Appointed 11 March 2023	112,000	16,000	128,000
A Puka (01 March 2023- Resigned June 2023)	6,420	1,931	8,351
Dr. R Govender - Appointed 11 March 2023	84,000	70,000	154,000
D Nyamazane - Appointed - 11 March 2023	108,000	48,000	156,000
C Lourens - Appointed - 11 March 2023	24,000	8,000	32,000
S Mtanzeli - Appointed - 11 March 2023	-	-	-
T Mongatane	-	40,000	40,000
K Parirenyana	-	40,000	40,000
C Cilliers	48,000	-	48,000
A Puka	24,000	18,000	42,000
Dr R Govemnder	36,000	24,000	60,000
D Nyamazane	36,000	24,000	60,000
C Lourens	36,000	8,000	44,000
K Mofokeng	36,000	8,000	44,000
A Francis	24,000	16,000	40,000
S Mtanzeli	36,000	8,000	44,000
Z Xaba	36,000	8,000	44,000
V Mamogobo	36,000	8,000	44,000
S Kleinbooi	36,000	8,000	44,000
Nison Khoza (AFR&IT)	-	16,000	16,000
D Martin (AFR&IT)	-	16,000	16,000
T Kwela (AFR&IT)	-	8,000	8,000
R Daniels	-	3,186	3,186
	978,420	489,117	1,467,537

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31. Directors' and prescribed officers' remuneration and other benefits paid, payable or receivable (continued)

30 June 2022

	Directors' fees	Total
T Sambo - Chairperson (Resigned after year end)	-	-
M Thindisa - Chief Financial Officer	208,000	208,000
H. Mthimkhulu	116,000	116,000
N. Mkhize	68,000	68,000
T. Phetla	7,052	7,052
B. Bokgatle	64,000	64,000
I Mthembu	68,000	68,000
S.Bapela	44,000	44,000
Dr A Mokoena (Retired)	32,000	32,000
N.Mila (Retired)	92,000	92,000
S Chiloane (Retired)	36,000	36,000
S Makhubela - AFR&IT Committee Member till 30 June 2022	8,000	8,000
T Mongatane - AFR&IT Committee Member till 18 March 2020	20,000	20,000
E.Mtshali (Retired)	108,000	108,000
F. Ntsandeni (Retired)	142,000	142,000
Y Ngxabazi (Retired)	18,000	18,000
L Ndlovu	126,000	126,000
L Mdluli (Retired)	64,000	64,000
O.Mekwa (AFR&IT Committee Member until 15 February 2022)	34,000	34,000
K. Parirenyatwa - AFR&IT Committee Member from 19 March 2020	54,000	54,000
S Msizi - AFR&IT Committee Member from 19 March 2020	34,000	34,000
	1,343,052	1,343,052

32. Risk management

Financial risk management

The entity's activities expose it to a variety of financial risks arising from the use of financial instruments during the ordinary course of business. The Entity does not speculate in the trading of derivative instrument.

The Entity does not speculate in the trading of derivative instrument. Risks to which the Entity is exposed to can be classified into the following:

Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

No credit limits were exceeded during the reporting period, and management does not expect any deficit from non-performance by these counterparties.

The entity is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

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32. Risk management (continued)

Market risk

Interest rate risk

As the Entity has no significant interest bearing assets, the Entity's income and operating cashflows are substantially independent of changes in the market interest rates.

The Entity's exposure to interest rate risk is limited, as the entity has no significant interest bearing liabilities.

33. Going concern

We draw attention to the fact that at 30 June 2023, the entity had an accumulated deficit of R (512,870,936) and that the entity's total Assets exceed its liabilities by R (140,768,222).

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

The Entity is wholly dependent on the City Of Johannesburg Metropolitan Municipality for continued funding of operations.

The annual financial statements are prepared on the basis that the Entity is a going concern and that the City Of Johannesburg Metropolitan Municipality has neither the intention nor need to liquidate or curtail materially the scale of the Entity. A letter of comfort is issued each year by the City Of Johannesburg Metropolitan Municipality regarding the ability of the Entity to carrying on as a going concern in the future.

34. Events after the reporting date

1. Appointment of new Board Chairperson

The JRA Board Chairperson is now E Botha due to the resignation of Mr C. Cilliers.

35. Fruitless and wasteful expenditure

Opening balance as previously reported	55,792,643	28,475,533
Interest charged on overdue balances	6,463,159	4,121,304
Eskom and Telkom Non Compliance	11,261	14,821
Non-compliance with PAIA reporting	-	8,939
Salary offered to Mr Mahanuke	535,758	-
Arbitration Costs	64,170	-
Interests charged on court awards	46,644	-
Impairment Loss	3,718,642	23,172,046
Closing balance	66,632,277	55,792,643

The fruitless and wasteful expenditure noted in the current year is irrecoverable as per the preliminary investigations held and no criminal cases have been opened for the current year irregular expenditure.

Included in the fruitless and wasteful expenditure for the current year, is expenditure that relates to interest charged on overdue balances and penalties and interest charged from SARS reassessments. JRA is currently appealing the SARS tax rulings, but continue to be charged interest while the matter is still being heard in court. JRA has since settled outstanding SARS balances to avoid further interest being charged while the case is being appealed in the Tax Court.

Management has made arrangements to receive invoices electronically from ESKOM, measures are in place to pay the suppliers in instances where invoices are received late. Management continuously engages ESKOM to reverse the interest or penalties incorrectly charged.

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35. Fruitless and wasteful expenditure (continued)		
Details of fruitless and wasteful expenditure		
Interest charged on late payments and penalties - SARS	6,463,159	4,121,304
Interest charged on overdue balances - ESKOM	11,261	14,821
Non-compliance with PAIA reporting	-	8,939
Impairment loss	3,718,642	23,172,046
Salary offered to Mr Mahanuke	535,758	-
Arbitration Costs	64,170	-
Interests charged on court awards	46,644	-
	10,839,634	27,317,110
36. Irregular expenditure		
Opening balance as previously reported	806,768,968	640,216,031
Add: Irregular expenditure - (Non-compliance with laws and regulations) - current	184,552,812	138,400,427
Add: Current Irregular expenditure - (Overspending of approved budget)	246,484,511	28,152,510
Less: Amount written off - current	(820,099,563)	-
Closing balance	417,706,728	806,768,968

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36. Irregular expenditure (continued)

Details of irregular for the current year 2023

Aberdare - Bid Advert issued without local content requirements. Non-compliance with PPPFA 2017 Reg 8(2)	90,070
Afri-rent - Non-compliance with regulation 32 of MFMA	38,146,216
Avis/Zeda - Non-compliance with regulation 32 of MFMA. Contract spend/participation more than the original contract.	2,104,103
Bayete - Non compliance with conditions of the contract. Irregular expenditure from a non-compliant regulation 36 (Deviation by JPC on behalf of JRA).	56,757,498
Internet Solutions / Dimension Data - The contract has expired but the services are still continuing	20,230
Telkom - Irregular due to expired contract.	335,919
Matamba Supply Services - Bidder did not meet all the minimum pre-compliance requirements and was further evaluated and awarded.	9,603,159
Maleha Construction CC - Bidder did not meet all the minimum pre-compliance requirements and was further evaluated and awarded.	26,937,238
Buzaphi Construction - Bidder was irregularly appointed as a result of unfairly disqualifying Shonisani Rambau for unsubstantiated poor performance.	10,479,298
Kelvata Trading 104CC - Bid advert issued without local content requirements	6,126,747
Infinite Blue - Bidder did not meet all the minimum pre-compliance requirements and was further evaluated and awarded.	33,952,334
	184,552,812

The overspent of the budget is R246 484 511 which includes the total non-cash items of R 88 393 918.

After detailed investigations were conducted over a 3-year period by reputable law firms and forensic investigators, the Board took a decision to certify as irrecoverable and write-off irregular expenditure of R820 099 563 in line with the requirements of Circular 68 of the MFMA.

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36. Irregular expenditure (continued)		
Details of irregular for the year - 2022		
AON - The contract has expired but the services are still continuing (COJ Appointments)		8,931,907
Calliper Consulting Engineers - The contract has expired but the procurement is still continuing.		1,930,467
Intdev Internet Technologies - The contract has expired but the procurement is still continuing.		2,860
Internet Solutions / Dimension Data - The contract has expired but the procurement is still continuing.		629,732
Metropolitan Trading Company MTC - The contract has expired but the services are continuing.		2,914,891
Microsoft - The contract has expired but the procurement is still continuing.		489,571
MTN - The contract has expired but the procurement is still continuing.		2,513,650
New Dawn Technologies- Awarded value above Tender price and has been paid as such.		1,619,218
Zeda - The contract has expired but the services are still continuing (COJ Appointments)		674,484
Afrirent - Non - compliance with regulation 32 of the MFMA.		35,951,599
Avis/Zeda - Non compliance with section 32 (COJ Appointments)		1,463,323
Tlou Intergrated Tech - The contract has expired but the procurement is still continuing.		336,262
Abedare - Bid advert issued without local content		75,652
Kelvata Trading 104CC - Bid advert issued without local content requirements.		1,141,918
Gau Flora (TEFLA GROUP) - Non-compliance with competitive bidding process.		16,717,024
Imvula Roads and Civils - Other non compliance - Incorrect variation of scope of work		11,264,366
Shonisani - Non-Compliance with competitive bidding		13,460,146
SP Surfacing (PTY) LTD and Sedi Development Projects JV - Non-compliance with competitive bidding process.		28,157,811
PK Ramashu - Non- Compliance with competitive bidding processes		4,478,910
Actophambili - Non- Compliance with competitive bidding processes		5,646,636
Over- Expenditure of approved budget. (Prior period error)		28,152,510
		166,552,937

37. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the directors and includes a note to the annual financial statements.

Goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the directors who considered them and subsequently approved the deviation from the normal supply chain management regulations.

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38. Deviation Awarded		
Sole Supplier		
SABS - Appointment of service provider for the renewal of annual subscription for material laboratory testing systems standards	6,003	5,606
Dogan Exhibition and Events - Appointment of service provider to book a space ,facilitate payment, design,build, brand a stand for JRA Rand Show 2021 Spring edition.	-	75,498
Wolters Kluwer Tax & Accounting LTD - Appointment of a service provider for the renewal of Teammate license for Internal audit unit.	-	87,058
	-	-
	6,003	168,162
Emergency		
TTR Infrastructure & Nkululeko Project JV - Emergency appointment of a contractor to complete the upgrading of gravel roads and associated stormwater in Doornkop and Thulani Phase 5.	-	11,852,959
Egoli Gas - Appointment of a service provider to provide bulk natural gas for Asphalt Plant operations on an emergency basis from Egoli Gas (current gas infrastrucure owner at Asphalt Plant facility) to sustain asphalt operations.	-	-
Impracticality		
Syntell (Pty) Ltd	-	3,671,178
IMESA	76,600	-
Inter Municipal Sports of South Africa (Impracticality)	10,000	-
Telkom	3,763,482	-
Town Lodge Polokwane	289,500	-
Sincrolec Controls	-	104,788
	4,139,582	3,775,966
Deviation Expenditure Reconciliation		
Sole supplier	6,003	168,162
Emergency	-	11,852,959
Impracticality per regulation 36	4,139,582	3,775,966
	4,145,585	15,797,087

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Figures in Rand Restated	2023	2022
39. General expenses		
Advertising	293,877	685,925
Auditors remuneration	4,017,007	3,793,321
Bank charges	91,237	73,651
Consulting and professional fees	146,771,155	56,780,456
Consumables	2,723,066	822,198
Directors Fees	2,090,370	1,414,871
Entertainment	133,923	119,670
Insurance	23,000,631	17,551,992
Conferences and seminars	657,728	62,066
IT expenses	14,093,321	12,142,024
Magazines, books and periodicals	1,129,742	656,200
Printing and stationery	9,027,419	9,036,090
Promotions	32,762	67,804
Repairs and maintenance	6,735,935	8,977,434
Security (Guarding of municipal property)	2,965,153	2,142,839
Software expenses	1,006,294	326,940
Staff welfare	603,009	11,994
Subscriptions and membership fees	500,995	507,004
Telephone and fax	18,126,478	27,412,278
Training	287,265	3,280,335
Travel - local	76,169	1,138
Assets expensed	114,329	102,972
Electricity	16,138,676	17,419,776
Gas	5,818,359	-
Sewerage and waste disposal	841,758	(1,392,464)
Water	6,826,976	4,414,147
Loss on foreign currency transaction	-	2,992
Arbitration Awards	-	1,194,216
Provision for bad debts	84,675,276	270,000
Provision for legal proceedings	-	40,195,142
	348,778,910	208,073,011

40. Prior-period errors

Presented below are those items contained in the statement of financial position and statement of financial performance that have affected the prior year figures.

Statement of financial position

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2022

40. Prior-period errors (continued)

2022

	Note	Prior year audited amount	Correction of error	Restated amount
Payables from Capital Accruals and Creditors	12	51,907,826	(14,589,276)	37,318,550
Accounts payables- Retention	12	152,957,609	455,874	153,413,483
Property, plant and equipment	8	130,210,997	8,196,629	138,407,626
Payables from Exchange transaction-Input VAT		3,047,495	(5,413,063)	2,365,568
Payables -Developers Contributions		-	471,298,995	471,298,995
Accumulated Surplus/(Deficit)		353,034,867	(436,427,198)	(83,292,331)
Related Parties Adjustment		68,871,409	(6,188,394)	62,683,015

Details of errors - 2023

1. Statement of Financial Position

Payables from exchange transactions

It was brought to the Finance department's attention that the a liability balance of R14,589,275.81 related to capital creditors remained as a liability when there was no obligation. The payments were done in prior years and the accrual was not reversed.

It was brought to the Finance department's attention that the a liability balance of retention included vat as a result of overstating the balance with the VAT portion. The bigger portion of the adjustment related retention that was erroneously captured in prior years.

It was brought to the Finance department's attention that the a liability balance of retention included vat as a result of overstating the balance with the VAT portion. The bigger portion of the adjustment related retention that was erroneously captured in prior years

During the financial year under review JRA performed a VAT audit which revealed that there were input VAT the were never claimed in the prior years.

At reporting date management reviewed the accounting policy and uncovered that the Developers contribution received from City of Johannesburg was previously accounted incorrectly. The review process concluded that monies received as developers contribution will accounted for as a payable at initial recognition because these monies are spent on specified contributions which must be fulfilled before being recognised as revenue.

Property plant and equipment

JRA in prior years had appointed SANRAL as an implementing agent to perform work in various roads i.e M1 M2. The arrangement entiled a prepayment to SANRAL for the work to be done, Part of the expenditure entiled procurement of emergency vehicles which JRA had not accounted for them.

Developers Contribution Income (Liability - Developer Contribution)

The change in accounting policy on the developer contribution has led to change on how we account for monies received from COJ. Previously these monies were regongnized as revenue instead of being recognised as a liability. These monies are recognised as a liability because these are monies that are received for bulk infrastructure development and JRA can only claim from these funds once JRA has incurred expenditure of bulk infrastructure. JRA's retrospective adjustment went as far back as 2016 financial year when the Standard Bank Account was opened. All the monies recieved amounted to R372 592 986 for prior prior year plus R79 145 513 for prior year. Total amount of interest capitalised into the liability was R48 405 758 in the prior prior year and R18 273 604 in the prior year. Expenditure incurred in prior prior year amounted to R159 472 017 and incurred R64 894 192 in prior year.

2. Statement of financial performance

Investment Revenue - Bank

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40. Prior-period errors (continued)

The change in accounting policy on the developer contribution has led to change on how we account for monies received from COJ. Previously these monies were recognised as revenue instead of being recognised as a liability. These monies are recognised as a liability because these are monies that for bulk infrastructure development and JRA can only claim from these funds once JRA has incurred expenditure of bulk infrastructure. The interest earned from developers contribution bank account is no longer recognised as revenue for JRA, instead it is capitalised into the Developers Contribution liability account. Total amount of interest capitalised into the liability was R48 405 758 in the prior prior year and R18 273 604 in the prior year.

Indirect Expense - COJ Infrastructure

Indirect Expense - COJ Infrastructure is the actual expenditure that JRA incurred in Financial Year 2021-2022 for developing bulk infrastructure that should have been offsetted against Developres Contribution Liability account. The incurred amount was R64 894 192 in prior year.

3. Cashflow statement

Interest Income

The interest earned from developers contribution bank account is no longer recognised as revenue for JRA, instead it is capitalised into the Developers Contribution liability account.

Cash paid to Suppliers and employees

The interest earned from developers contribution bank account is no longer recognised as revenue for JRA, instead it is capitalised into the Developers Contribution liability account.

Statement of financial performance

2022

	Note	Prior year audited amount	Correction of error	Restated amount
Developers Contribution Income		79,145,513	(79,145,513)	-
Investment Revenue - Bank		18,273,604	(18,273,604)	-
Indirect Expense - COJ Infrastructure		64,894,192	(64,894,192)	-
Depreciation and amortisation		44,868,735	4,369,606	49,238,341
Other income		14,373,914	6,188,394	20,562,308
Surplus for the year		221,555,958	(151,755,309)	69,800,649

Cash flow statement

2022

	Note	Prior year audited amount	Correction of error	Restated amount
Interest Income	28	25,076,357	(14,320,035)	10,756,322
Cash paid to Suppliers and employees		(1,653,641,068)	(14,320,035)	(1,639,321,033)
Cash used in operations (other non cash items)		504,428	1,320,712	1,825,140
		(1,628,060,283)	(27,319,358)	(1,626,739,571)

Details of errors - 2022

Disclosure Notes

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40. Prior-period errors (continued)

Deviations

Zelda Car Leasing-COJ Deviation	R 1 978 402
Afrent COJ Deviation	R 35 562 476.

The above deviation were removed because they did not comply with regulation 36.

Regulation 17 Deviations

Fachs Business Consulting & Training (Reg 17 Deviation)	R 337,400
Gondwana Environmental Solutions International (Pty) Ltd (Reg 17 Deviation)	R 72,308
Hlapogodi Suppurative Services (Reg 17 Deviation)	R 199,999
Ayanda Mbanga Communications (Reg 17 Deviation)	R 133,763

The above deviation were incorrectly disclosed in JRA Audited 2022 Financial Statements as a deviation even though they did not meet the definition of deviations.

Financial Instruments

Financial Assets

Trade and other receivables from exchange transactions	
2022 Audited amounts	R 513 475 973
Adjustment	R -270 000
Restated Amounts	R 513 205 973

Financial Liabilities

Trade and other payables from exchange transactions	
2022 Audited amounts	R 393 059 118
Adjustment	R 426 913 099
Restated Amounts	R 819 972 217

Provisions

2022 Audited amounts	R 243 909 033
Adjustment	R -37 265 850
Restated Amounts	R 206 643 183

41. Comparative figures

Certain comparative figures have been reclassified. See the prior period error note for these restatements details.

42. Segment information

General information

Identification of segments

The entity is organised and reports to management on the basis of three major Departments: Infrastructure development, Mobility and Freight and finally, the Regional Operations Department services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

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42. Segment information (continued)

Aggregated segments

The entity operates throughout the City of Joburg Municipality's 7 regions. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Johannesburg were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Infrastructure Development	Development of community streets, freeways and arterails, main roads, stormwater and traffic signals
Regional Operations	Responsible for maintenance of strategic assets, road resurfacing, asphalt plant, laboratory, motorways and fleet
Mobility & Freight	Responsible maintenance of traffic engineering and safety, Traffic signal Management

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42. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Regional Operations	Mobility & Freight	Infrastructure Development	Total
Revenue				
Revenue from exchange transactions	17,618,198	591,781	27,579,175	45,789,154
Revenue from other non-reportable segments				1,516,096,670
Entity's revenue				1,561,885,824
Expenditure				
Cost of road Maintenance	(656,915,950)	(100,241,383)	-	(757,157,333)
Other operating expenses	-	-	(43,763,025)	(43,763,025)
Total segment expenditure	(656,915,950)	(100,241,383)	(43,763,025)	(800,920,358)
Total segmental surplus/(deficit)				760,965,466
Cost of road maintenance - non-reportable segments				(195,067,628)
Operating expenses from non-reportable segments				(626,018,895)
Taxation				(116,852,752)
Entity's surplus (deficit) for the period				(176,973,809)

2022

	Infrastructure Development	Regional Operations	Mobility & Freight	Total
Revenue				
Revenue from exchange transactions	30,681,362	43,335,708	10,364,902	84,381,972
Revenue from other non-reportable segments				1,514,262,024
Entity's revenue				1,598,643,996

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42. Segment information (continued)

Expenditure

Cost of road maintenance	-	(517,641,344)	(54,854,324)	(572,495,668)
Other operating income and expenses	(27,271,704)	-	-	(27,271,704)

Total segment expenditure

(27,271,704) (517,641,344) (54,854,324) (599,767,372)

Total segmental surplus/(deficit)

684,149,344

Total revenue reconciling items

1,514,262,024

Cost of road maintenance - non-reportable segments

(201,365,952)

Operating expenses from non-reportable segments

(1,209,330,768)

Taxation

(132,608,580)

Entity's surplus (deficit) for the period

(29,043,276)

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies, except that pension expense for each segment is recognised and measured on the basis of cash payments to the pension plan.

Information about geographical areas

The entity's operations are in the City of Joburg Metropolitan Municipality. The entity operates across the entire Metropolitan area and has multiple Depots and offices across the entire City of Johannesburg.

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43. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At fair value	At amortised cost	Total
Loans to shareholders-Notional Accounts	-	52,791,367	52,791,367
Loans to shareholders-Intercompany Sweeping Account	-	206,577,735	206,577,735
Trade and other receivables from exchange transactions	-	446,671,910	446,671,910
Cash and cash equivalents	477,928,572	-	477,928,572
	477,928,572	706,041,012	1,183,969,584

Financial liabilities

	At cost	Total
Trade and other payables from exchange transactions	1,011,932,728	1,011,932,728
Provisions	207,899,994	207,899,994
Finance lease obligation	16,266,515	16,266,515
	1,236,099,237	1,236,099,237

2022

Financial assets

	At fair value	At amortised cost	Total
Loans to shareholders-Notional Accounts	-	51,800,628	51,800,628
Loans to shareholders-Intercompany Sweeping Account	-	277,266,217	277,266,217
Trade and other receivables from exchange transactions	-	513,205,973	513,205,973
Cash and cash equivalents	471,298,995	-	471,298,995
	471,298,995	842,272,818	1,313,571,813

Financial liabilities

	At cost	Total
Trade and other payables from exchange transactions	819,972,217	819,972,217
Provisions	206,643,183	206,643,183
Finance lease obligation	31,583,427	31,583,427
Operating lease liability	503,746	503,746
	1,058,702,573	1,058,702,573

Financial instruments in Statement of financial performance

2023

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	22,125,612	22,125,612
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(12,979,015)	(12,979,015)
	9,146,597	9,146,597

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43. Financial instruments disclosure (continued)

2022

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	10,756,322	10,756,322
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(12,530,421)	(12,530,421)
	(1,774,099)	(1,774,099)

44. Change in estimate

Property, plant and equipment

Various movable assets and infrastructure assets with original remaining useful life varying between 1-6 years have been revised in the beginning of the period to reflect a new depreciable amount amount and the actual pattern of service potential derived from these Assets R 6,102,669.

The effect on the current and future period will be a decrease in the depreciation charge of R 6 102 669 in the current period and equal increase in the depreciation charge of R 6 102 669 over the next period as per the above information.

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Figures in Rand Restated	2023	2022
45. Related parties		
Relationships		
Directors	Refer to directors' report note	
Controlling entity	The City of Johannesburg Metropolitan Municipality	
Other members of the group	City of Johannesburg Property Company (SOC) Ltd City Power Johannesburg (SOC) Ltd Johannesburg City Parks and Zoo (NPC) Ltd Johannesburg Development Agency (SOC) Ltd Johannesburg Metropolitan Bus Services (SOC) Ltd Johannesburg Civic Centre (SOC) Ltd Johannesburg Social Housing Company (SOC) Ltd Johannesburg Water (SOC) Ltd Metropolitan Trading Company (SOC) Ltd Pikitup Johannesburg (SOC) Ltd Johannesburg Fresh Produce Market (SOC) Ltd Johannesburg Tourism (SOC) Ltd	
Related party balances		
Amounts included in the trade receivables regarding related parties		
The City Of Johannesburg Metropolitan Municipality	394,856,565	368,449,790
City Power Johannesburg (SOC) Ltd	349,641	349,641
Johannesburg Water(SOC) Ltd	14,144,080	22,844,699
Johannesburg City Parks (SOC) Ltd	12,155	-
	409,362,441	391,644,130
Amounts included in Trade payables regarding related parties		
The City of Johannesburg Metropolitan Municipality	26,620,059	17,835,652
Johannesburg Water (SOC) Ltd	-	20,904
Johannesburg Civic Theatre (SOC) Ltd	-	15,276
Johannesburg City Parks and Zoo (SOC) Ltd	2,416,373	5,609,337
City of Johannesburg Property Company (SOC) Ltd	109,474	109,474
Metropolitan Trading Company (SOC) Ltd	-	805,872
Johannesburg Development Agency (SOC) Ltd	919,154	7,575,016
Johannesburg Water Agency (SOC) Ltd	17,980	-
Metropolitan Trading Company	1,016,124	-
	31,099,164	31,971,531
Other related parties accounts		
The City Of Johannesburg Metropolitan Municipality - Owners contribution	(372,101,714)	(345,776,292)
The City Of Johannesburg Metropolitan Municipality - Post retirement Benefits Notional Accounts	52,791,367	51,800,628
The City Of Johannesburg Metropolitan Municipality - Specialised Vehicle Finance lease	(16,268,083)	(31,583,427)
The City Of Johannesburg Metropolitan Municipality - Intercompany Sweeping Account	206,577,735	277,266,217
	(129,000,695)	(48,292,874)
Income from related party transactions		
The City Of Johannesburg Metropolitan Municipality - Subsidies	1,258,837,000	1,393,046,000
The City Of Johannesburg Metropolitan Municipality - Other	17,422,662	23,478,243
The City Of Johannesburg Metropolitan Municipality - Interest from the sweeping account	18,282,658	8,553,775
The City Of Johannesburg Metropolitan Municipality - Management fees	14,674,345	30,092,186

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Figures in Rand Restated	2023	2022
45. Related parties (continued)		
The City of Johannesburg Metropolitan Municipality - Interest on employee benefits	3,517,902	2,110,589
Johannesburg City Parks	12,155	-
Johannesburg Water (SOC) Ltd	8,691,040	21,525,367
	1,321,437,762	1,478,806,160
Purchases/expenditure from related parties		
The City Of Johannesburg Metropolitan Municipality	11,754,413	6,100,824
Johannesburg Water (SOC) Ltd	4,705,487	2,021,363
Johannesburg Civic Theatre (SOC) Ltd	47,964	39,288
City of Johannesburg Property Company (SOC) Ltd	-	13,000
Pikitup Johannesburg (SOC) Ltd	782,364	268,595
Johannesburg City Parks and Zoo (SOC) Ltd	905,423	5,384,117
Metro Trading Company (SOC) Ltd	650,000	6,943,031
City Power Of Johannesburg (SOC) Ltd	7,731,752	8,698,434
Johannesburg Development Agency (SOC) Ltd	-	3,613,522
	26,577,403	33,082,174

Key management information

Class	Description	Number
Non-executive board members	Board members	10
Independent Audit Committee	Non Board Members	3
Executive Directors excluding acting during the year	Board members	2
Senior Management excluding acting during the year	Head of Department	4

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Detailed Income statement

Figures in Rand Restated	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Gautrans maintenance fees		-	4,982,262
Asphalt sales and DCP testing	17	177,999	83,525
Jobbings	17	17,630,059	21,143,129
Reinstatement income and wayleave fees		12,721,358	25,572,988
Management Fees		14,674,345	30,092,186
Rental income		10,370,172	7,566,600
Recoveries		87	435
Bad Debts recovered		-	461,128
Other Income - Proceeds from road closures		11,056,486	12,350,084
Insurance Claims		13,043	184,061
Interest received - investment	22	22,125,612	10,756,322
Total revenue from exchange transactions		177,538,322	226,385,440
Revenue from non-exchange transactions			
Transfer revenue			
Subsidy - The City of Johannesburg Metropolitan Municipality		1,258,837,000	1,393,046,000
Total revenue	17	1,436,375,322	1,619,431,440
Expenditure			
Employee costs	25	(402,117,723)	(362,729,731)
Depreciation and amortisation	26	(38,526,070)	(49,238,341)
Impairment loss		(3,718,642)	(23,172,046)
Finance costs	23	(12,979,015)	(12,530,421)
Lease rentals on operating lease		(65,055,531)	(32,266,887)
Call Centre Charges		(7,715,400)	(1,776,000)
Cost of Road Maintenance		(781,340,720)	(773,861,620)
General expenses - Indirect Costs	39	(348,778,910)	(208,073,011)
Total expenditure		(1,660,232,011)	(1,463,648,057)
(Deficit) surplus before taxation		(312,625,850)	42,590,663
Taxation	24	116,852,752	121,201,383
Deficit for the year		(429,478,602)	(78,610,720)

* See Note