

JOHANNESBURG DEVELOPMENT AGENCY (SOC) LIMITED

Registration no: 2001/005101/07



MID-YEAR PERFORMANCE REPORT 2017/18

JULY TO DECEMBER 2017

IN TERMS OF SECTION 121 OF THE MUNICIPAL FINANCE MANAGEMENT ACT (2003) AND SECTION 46 OF THE MUNICIPAL SYSTEMS ACT (2000)

Registration number: 2001/005101/07
Parent municipality: City of Johannesburg Metropolitan Municipality
Directors: C Coovadia (Chairperson)
K Govender
P Masilo
C Botes (Acting Chief Executive Officer)
P Zagaretos
P Mashele
N Ngwenya
L Shole
A Steyn
M Qobo

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Website: www.jda.org.za
Bankers: Standard Bank of SA Limited
Auditors: The Auditor-General of South Africa
Company Secretary: Hasani Rodney Shirinda

JDA Vision

Building a more welcoming, competitive and resilient Johannesburg that is a better city to live, work and play in.

JDA Mission

To plan, implement, manage and facilitate area-based developments in efficient, equitable, sustainable and innovative ways

JDA Values

Accountability: To its shareholders, Board and key stakeholders.




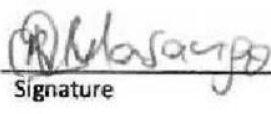
Innovation and creativity: Promoting an environment of fast-tracked decision-making and broader financial leverage, within which developments are planned, led, managed and implemented.

Responsiveness: To market forces, operating where it can make a difference, in locales and sectors where shareholders and their partners have a concentration of assets and expertise.

Results-driven and stakeholder-focused: With a 'user friendly' approach.

Seeking to empower: Through progressive procurement and work practices.

APPROVAL

Ms Sherylee Moonsamy Name & Surname Acting Chief Financial Officer	 Signature	18 January 2017 Date of approval
Mr Christo Botes Name & Surname Acting Chief Executive Officer/MD	 Signature	18 January 2017 Date of approval
Mr Cassim Coovadia Name & Surname Chairperson of the Board	 Signature	18 January 2017 Date of approval
Clr Reuben Masango Name & Surname MMC: Development Planning	 Signature	19 January 2018 Date of approval

CONFIRMATION OF RECEIPT

Name & Surname Cluster Champion Group Governance	Signature	Date of approval:
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CHAPTER 1: JDA LEADERSHIP AND CORPORATE PROFILE

SECTION 1: CORPORATE PROFILE AND OVERVIEW

The JDA was established by the City of Johannesburg (CoJ) in April 2001 to initiate, stimulate and support development projects and rejuvenate economic activity throughout Johannesburg. The agency initially focused on applying economic development strategies to regenerate underperforming neighbourhoods, mostly in the inner city. However, this has evolved to focusing on transforming Johannesburg into a resilient, sustainable and liveable city by developing transit nodes and corridors.

Outcomes and challenges

The JDA’s evolution into an area-based development agency has prepared it to respond to the objectives as outlined in the 2040 Growth and Development Strategy (GDS). Under this model, the JDA takes on a more central role in developing strategic capital works projects and establishing urban management partnerships. Crucially, the model allows the JDA to mobilise development partners and other stakeholders to sustainably achieve the common economic and social objectives defined for each area. However, given the spatial, socioeconomic and political environment in which the JDA operates, there are challenges that affect area-based development and the JDA’s ability to facilitate common economic and social objectives, i.e. the focus on developing resilient, sustainable, inclusive and liveable urban areas in identified nodes and corridors.

Political governance and accountability

The JDA is accountable to the Department of Development Planning and the Member of the Mayoral Committee for Development Planning, who exercises political oversight and to whom the JDA submits compliance reports in respect of its performance scorecard. The JDA relies on the Department of Development Planning for direction on its contractual obligations contained in the service delivery agreement, and on the Member of the Mayoral Committee for its political mandate and oversight. The Group Governance unit provides corporate governance and related support, including financial sustainability and compliance reporting and review.

The Council’s Section 79 Portfolio Committee on Development Planning provides political oversight of the JDA’s activities and functions. The JDA also falls under the Economic Development Mayoral Cluster Committee, which ensures that the work of the other departments and entities mandated with spatial transformation and economic growth of the city is integrated and coordinated. The JDA’s management is accountable for strategic and operational matters to the Board of Directors, which controls and maintains a fiduciary relationship with the company. The JDA coordinates its area-based development activities and other catalytic interventions with the Department of Development Planning and engages with client departments in the design and construction of infrastructure assets.

SECTION 2: STRATEGIC GOALS AND OBJECTIVES

The JDA has set itself the following strategic goals and strategic objectives which are aligned with the Joburg 2040 GDS and the economic cluster’s plans for sustainable services and economic growth for the medium term:

TABLE 1: STRATEGIC GOALS AND OBJECTIVES

Strategic Goals		Aligned to four Strategic Objectives
Create great places	Creating robust democratic public spaces that give	1. To enable the long-term growth

Strategic Goals		Aligned to four Strategic Objectives
	dignity and choice to city users. As urban densities continue to rise, the public spaces in cities are becoming increasingly important for meeting citizens' social needs. The quality of space is just as important as the quantity. Given the increasing demand for open space, public spaces need to be creatively designed, moving towards greater adaptability and multiplicity of use to ensure their longer-term sustainability.	and development of strategic economic nodes in the city (including the CBD, future mixed use and TOD nodes) through multi-year delivery programmes, proactive development facilitation and productive development partnerships.
Catalyse growth and investment	Catalysing growth in areas with latent investment potential. Catalytic intervention and strategic capital investments in areas that have been previously marginalised or have failed to attract private investment can unlock development potential, stimulate local economies and boost job creation and entrepreneurial development.	2. To efficiently, effectively and economically deliver sustainable social and economic infrastructure projects
Connect people to opportunities	Connecting people with opportunities to live, work, play, learn and to be healthy in the city. Efficient mass public transport networks and connections, transit-oriented multi-use precincts, together with strategic land-use planning and zoning regimes, are essential in realising these connections.	3. To promote economic empowerment and transformation through the structuring and procurement of JDA developments
Co-produce solutions	Co-producing solutions in partnership with local communities and stakeholders to meet local needs and mitigate challenges. This is an essential component of development intervention in cities. Since 1994, the state has made concerted efforts to engage communities in the development of local solutions. Unfortunately this has not always been successful and often simply takes the form of decision-makers telling communities about their strategies. A more responsible and effective approach is to work with local stakeholders to produce solutions, drawing on their knowledge of the development context. This can cultivate a much more sustainable sense of ownership, civic pride and citizenship.	4. To strengthen and improve the JDA's corporate governance and operations to ensure that it remains an effective, efficient, sustainable and well-governed organisation
Continuous improvement	Underpinning all the strategic goals, there is the need for the JDA to run as efficiently as possible.	

Transforming the Spatial Economy

The JDA's primary medium-term purpose is to promote resilient city strategies by restructuring the urban spatial logic of the city. The JDA coordinates its area-based development activities and other catalytic interventions with the Department of Development Planning and with other client departments. To ensure that the JDA is best positioned to respond to the spatial development priorities, the agency co-ordinates and manages its activities through the following five substantive programmes:

- Programme 1. Inner city transformation Programme
- Programme 2. Strategic economic node programme
- Programme 3. Public infrastructure delivery programme
- Programme 4. Greater Alex and Alexandra Renewal Programme (ARP)
- Programme 5. Economic Empowerment Programme

In addition, we ensure good governance of the organisation through an operational programme, resourced to support the optimal performance of the above five substantive areas:

- Programme 6. Good Governance, Management and Administration

The JDA’s current business plan represents a spatial response to specific Priority Transformation Areas as outlined in the 2015/16 Spatial Development Framework.

FIGURE 1: SDF 2040 PRIORITY ZONES

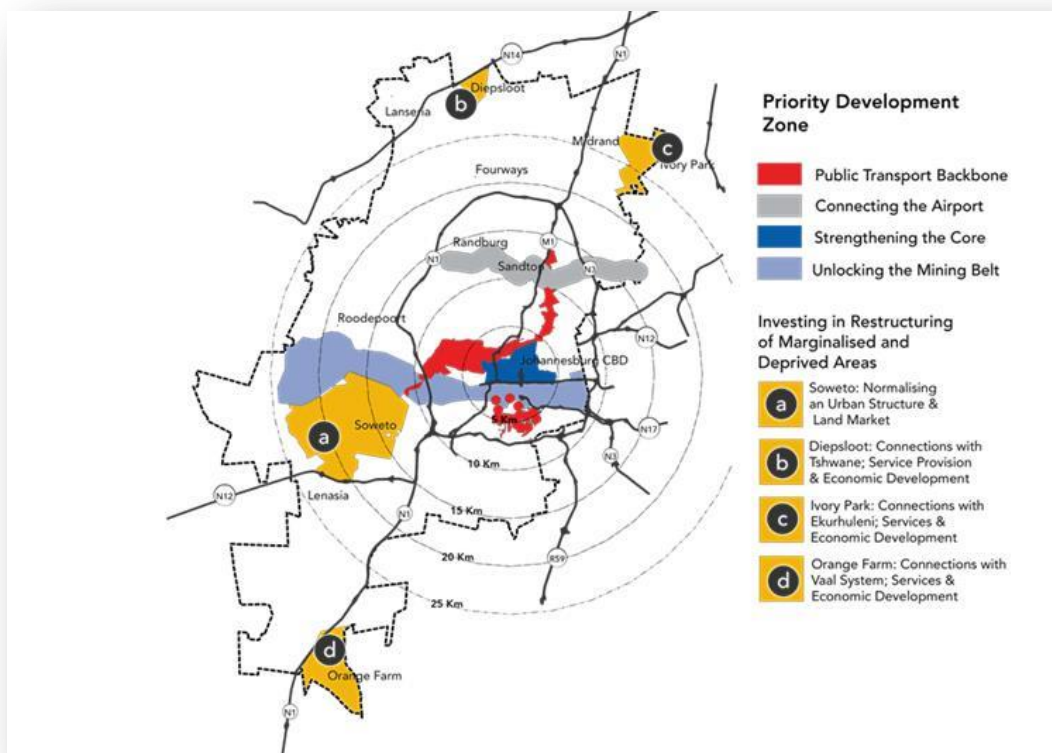


TABLE 2: SDF PRIORITY TRANSFORMATION AREAS AND CORRESPONDING JDA DEVELOPMENT REGIONS AND PROGRAMMES

SDF Priority Transformation areas	Corresponding JDA Regional Programmes	JDA Development Programmes
Strengthening the metro core	Inner City and the Old South (including Turffontein and Mining Belt)	• Programme 1: Inner city transformation Programme
Unlocking Soweto	Greater Soweto (including Lenasia, Eldorado Park, Nancefield)	• Programme 2: Strategic economic node programme
Consolidating public transport backbone	The Corridors of Freedom: Empire-Perth Corridor and Louis Botha Corridor	• Programme 3: Public infrastructure delivery programme
OR Tambo Corridor	Alex and the OR Tambo Corridor (includes Randburg, Sandton, Cosmo City, Modderfontein, Frankenswald)	• Programme 4: Greater Alex and Alexandra Renewal Programme (ARP)
Addressing marginalization	Marginalized Areas – Diepsloot, Ivory Park, Orange Farm	• Programme 5. Economic Empowerment Programme

The JDA’s approach towards area-based development covers the following five practices and services:

1. **Development identification and project packaging** - Identifying strategic opportunities to respond to the Col’s focus area by bringing together all relevant stakeholders and parties to the initiative, and developing an implementation plan.

2. **Development and project facilitation and co-ordination** - Working with various stakeholders and parties to ensure that they are undertaking their roles as expected and required.
3. **Overall development implementation involving capital developments** - In ensuring that the development is implemented as planned, JDA may oversee specific project management functions within a development, while retaining overall accountability as a development manager. Through local beneficiation, in terms of small, medium and micro enterprise (SMME) and entrepreneurial support, the JDA aims to increase the number of local emerging contractors used in capital projects carried out in the various communities, as well as the number of local construction jobs created.
4. **Post implementation support and sustainability** - Complement any capital development or investment with urban management initiatives and models.
5. **Impact Assessment / monitoring and evaluation** - Analyse, review and quantify private sector investment in various JDA intervention areas, and assess the socio-economic impact of these interventions. This is achieved through, among others, analyses of property market trends and factors that influence investor interest in JDA development areas. Value for money assessment.

The JDA has aligned the main elements of our work and highlights the flow between them:



FIGURE 2: DEVELOPMENT PROCESS / LIFECYCLE

The following diagram unpacks the JDA's value creation process to illustrate how the JDA has aligned its activities and efforts to achieve expected results by structuring the main elements of our work.

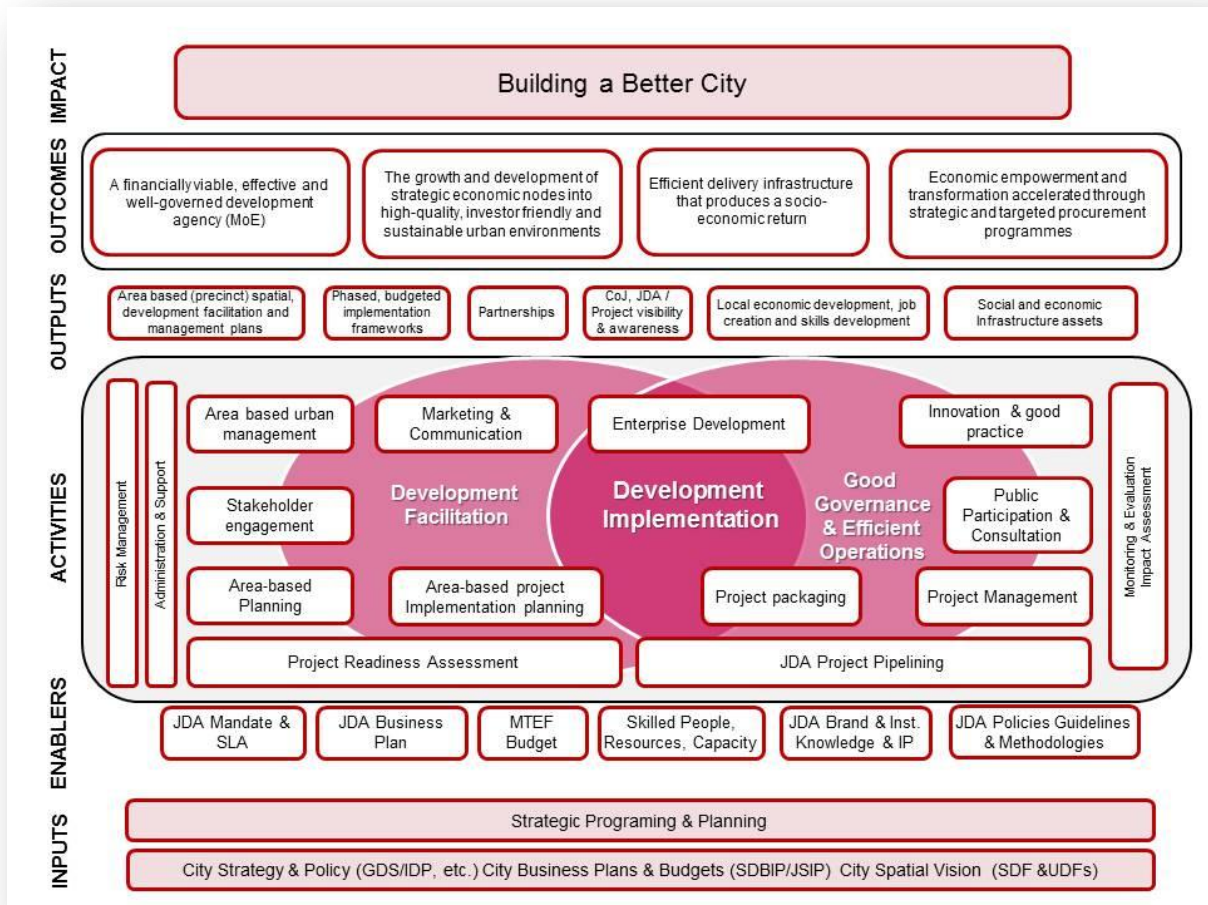


FIGURE 3: JDA'S VALUE CREATION PROCESS

SECTION 3: SALIENT FEATURES

Performance Summary

- The overall year to date capex expenditure at mid-year was R412.9 million against an annual budget of R1.759 billion, and a mid-year target of R351.8 million. This translates to 23.4% of the total annual budget and 118% against the mid-year target.
- The organisation achieved 110% (2016/17: 122%) of the budgeted target for revenue. The positive revenue variance is due to the higher than budgeted development management fees of 23.4% as compared to the budget of 20%.
- The JDA incurred expenditure in excess of the budgeted operational expenditure by 23% (2016/17: 139%) mainly due to the over-expenditure in internal interest charged on an overdraft balance with the City of Johannesburg of R17.7 million. A request for a reduction in these costs has been made to the City based on the gap between when these payments are made to service providers and when the City actually reimburses the JDA. The JDA is required to implement projects with cash flow reserves that are currently held by the client departments.
- For the period ended 31 December 2017 actual deficit was R34.9 million (2016/17: R18.2 million deficit) against a budgeted deficit of R24.9 million (2016/17: R5 million surplus).
- The mid-year report has been prepared against the JDA's 2017/18 business plan and scorecard. On the JDA's 19 Strategic KPI's, JDA achieved 68% targeted performance achieved, 0% performance target partially achieved and 32% performance target not achieved.
- At mid-year in the 2017/18 financial year, the overall BBBEE share of expenditure was R396 126 247. This translates into an achievement of 99% BBBEE claimed.
- The SMME share of JDA's operating and capital expenditure at mid-year was R 102 272 830. This constitutes an achievement of 26% for the period under review (Capex R 88 942 523 or 24%; Opex R 13 330 307 or 44%)

TABLE 3: CAPITAL BUDGET MANAGEMENT OVERALL PROGRAMME PERFORMANCE

Overall Programme Performance	2017/18 Annual Budget	Target YTD	Actual YTD	YTD Target %	% Actual / annual budget Expenditure
	R' 000	R' 000	R'000	%	%
Overall Programme Performance	1 759 380	351 876	412 984	118%	23.4%

The overall year to date capex expenditure at mid-year was R412.9 million against a budget of R 1.759 billion. This translates to 23.4% of the total annual budget and 118% against the mid-year target of R 351 876 million.

TABLE 4: OPERATING BUDGET MANAGEMENT¹

	2017/18	Year to date		% Achievement against target	% Achievement for Annual
	Original Budget	Target	Actual		

¹ This measures effective budget control of operating costs (indicated by budget variances). In respect of effective budget control of operating costs, a target of 0% over expenditure has been set.

	2017/18	Year to date		% Achievement against target	% Achievement for Annual
	Original Budget	Target	Actual		
Revenue R'000)	108 409	29 209	32 019	110%	30%
Costs (R'000)	108 409	54 205	66 927	123%	62%
Net surplus/(deficit)	-	(24 996)	(34 909)		

SECTION 4: HIGH-LEVEL ORGANISATIONAL STRUCTURE

The JDA’s structure is a response to the business model, which focuses on the development of strategic capital, works projects as well as development facilitation to optimise the impact of the catalytic public investments, and the establishment of urban management partnerships to ensure the sustainability of the catalytic public investments. The organisational structure during the reporting period is presented below.

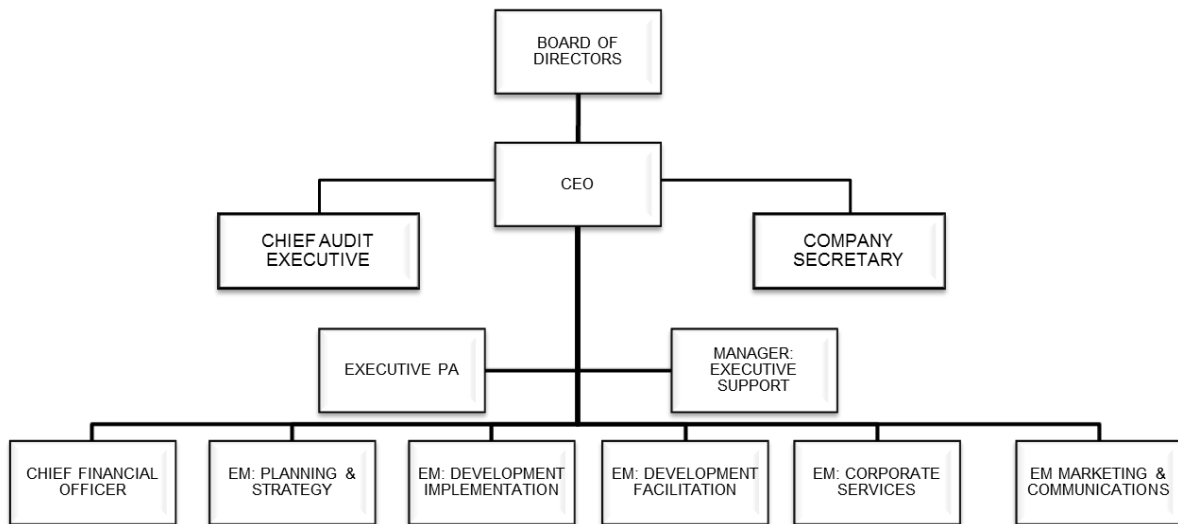


FIGURE 4: HIGH LEVEL ORGANISATION STRUCTURE

SECTION 5: CHAIRPERSON'S FOREWORD

In terms of JDAs performance at mid-year of 2017/18, the capital expenditure is at R412.9 million against an annual budget of R 1.759 billion. This translates to 23.4% against the mid-year target of 20%. Given that expenditure is an important reflection of the organisation's performance, the JDA must continue its focus on project delivery for the remainder of the financial year to ensure it lives up to commitments the organisation has made to the client departments and communities in which it operates. The Board is working with management to focus on improving capacity requirements and supporting structures, processes and systems that will assist in achieving the performance expected of the JDA.

Mid-year is a critical milestone, as it provides some insight of progress on the work needed to achieve the spatial and economic goals set out in the Joburg 2040 GDS as well as in the nine IDP principles, as outlined by the Mayor, that guide the City of Johannesburg. In particular the priority of 5% economic growth and the focus on regenerating the inner city in order to create and boost employment in South Africa's economic hub. The JDA, in particular, through its promotion of investment and infrastructure development in the inner city continues to support the transformation of "the city into a construction site to build affordable housing, and commercial spaces". The other key principles that are strongly aligned with work the JDA plays is through pro-poor development, particularly in the most marginalised areas such as Diepsloot, Alexandra and Ivory Park, and through the implementation of the base-infrastructure to support the City's efficient and effective transport network, most visible on the Louis Botha TOD Corridor.

It seems that the quarter was also a period of various merits. In addition to receiving a clean audit from the Auditor General, the JDA received various awards both locally and internationally for its construction projects. Congratulations to all involved. However, also to note, there are currently four pending litigations and possible liabilities remaining.

Since September 2017, there has been an acting CEO at the JDA Mr Christo Botes. I would like to commend Christo for taking on this task and ensuring a smooth transition from the outgoing CEO. The finalisation of both the CEO and CFO positions are a priority of the Board, which is scheduled to be concluded early in 2018. When concluded, the Board will then recommend appointment of the Chief Executive Officer and Chief Financial Officer to the shareholder for approval. As we look forward to the third quarter of 2017/18 the JDA must focus on ensuring that the JDA remains a sustainable and relevant entity of the City. To do this it must capitalise on City's mid-year budget adjustments and accelerate financial expenditure.

The work stoppages in Region E, organised in the main by the so-called Region E Business Forum, have resulted in 13 weeks of lost time and R71 million under expenditure on specific projects in the Region. The most affected projects were Paterson Park (R11 million), Phase 1C BRT Stations (R41 million) and Grayston PBD (R19 million). On projects where there have been delays due to community-led work stoppages, the organisation must, together with its client departments and with the assistance of the City, increase its efforts to provide clear and regular communication, ensuring effective mobilisation activities that emphasise the purpose, scope and benefits of each project. Working with the local stakeholders not only enhances such areas by addressing local challenges, but it entrenches greater sustainability of the capital investment.

Together with management, we look forward as a team, to addressing the challenges and seizing the opportunities as we enter the second half of the 2017/18 financial year.



Mr. Cassim Coovadia
Chairperson
03 January 2018

SECTION 6: CHIEF EXECUTIVE OFFICER'S REPORT

The JDA continues to be a high performing area-based development agency. Key to this objective is our ability to work with communities in unlocking their energy, assets, inspiration, and potential, to create public spaces and key city infrastructure that promotes health, happiness, and well-being.

To this end, I would like to give tribute to Mr Thanduxolo Mendrew our previous CEO at the JDA. His work in steering the JDA in the right direction for the last 5 years as its CEO is commendable. The significance of his role if quantified can be illustrated to some extent by JDA's 2016/17 financial year, with implemented capital projects valued at R1,39 billion (2015/16: R1.481 billion and 2014/15: R1.482 billion), and this translates into over R115 million being spent each month on average by the JDA to improve the lives of the residents of Johannesburg. Under my tenure, the JDA will continue with its support of the City's strategic priorities through its focus in the Inner City, in transport nodes or TOD precincts, in public transit and mobility infrastructure along the corridor routes and in on-going investments in marginalised areas including Alexandra, Ivory Park, Noordgesig and Westbury.

The overall year to date capex expenditure at mid-year was R412.9 million against an annual budget of R1.759 billion, and a mid-year target of R351.8 million. This translates to 23.4% of the total annual budget and 118% against the mid-year target. As mentioned in the Chairperson's foreword earlier in this report, the work stoppages in Region E have resulted in 13 weeks of lost time and R71 million under expenditure on specific projects in the Region. The most affected projects were Paterson Park (R11 million), Phase 1C BRT Stations (R41 million) and Grayston PBD (R19 million). If these work stoppages did not happen, capex expenditure at mid-year would have stood at R483,373 million against an annual budget of R1.759 billion, and a mid-year target of R351.8 million. This would then have translated to 27.4% expenditure of the total annual budget and 138% against the mid-year target.

The major driver of capital expenditure occurred in Programme 2: Strategic Economic Node programme and in Programme 3: Public Infrastructure Delivery programme. These encompass the large construction works that are being undertaken on the Rea Vaya trunk routes along the TOD corridors that connect commuters with the Rea Vaya BRT system and commuter rail services. Most of the NMT projects are being implemented by small construction companies, which mean that the large-scale infrastructure spending is also benefiting local businesses and creating local job opportunities. There has also been significant progress in Programme 1: Inner City Transformation with the intermodal transport facility for long distance travellers, named Johannesburg International Transport Interchange (JITI) with construction expected to be completed by July 2018.

Other milestones include the confirmation that the JDA received a Clean Audit Report from the Auditor General. This is a huge milestone for us and to achieve this for three consecutive years sets us apart from other City entities' governance structures. The JDA has also implemented the open tender process, making it more transparent and open to public scrutiny.

Preparations for the 2018/19 business plan are underway and with its long history of area based regeneration and successful project implementation, the JDA believes it is a well-positioned agency to assist in delivery on all priorities and commitments. This said, there is a great deal of work that still needs to be achieved. I believe the JDA will work together as a cohesive team to achieve all our goals.



Christo Botes

Acting Chief Executive Officer

03 January 2018

SECTION 7: CHIEF FINANCIAL OFFICER’S REPORT

The overall year to date capex expenditure at mid-year was R412.9 million against an annual budget of R1.759 billion, and a mid-year target of R351.8 million. This translates to 23.4% of the total annual budget and 118% against the mid-year target.

The organisation achieved 110% (2016/17: 122%) of the budgeted target for revenue. The positive revenue variance is due to the higher than budgeted development management fees of 23.4% as compared to the budget of 20%.

The JDA incurred operational expenditure in excess of the budgeted operational expenditure by 23% (2016/17: 139%) mainly due to the over-expenditure in internal interest charged on an overdraft balance with the City of Johannesburg of R17.7 million. A request for a reduction in these costs has been made to the City based on the gap between when these payments are made to service providers and when the City actually reimburses the JDA. The JDA is required to implement projects with cash flow reserves that are currently held by the client departments. The breakdown of the actual operational expenditure against budget is as follows:

TABLE 5: ACTUAL OPERATIONAL EXPENDITURE AGAINST BUDGET

	Actual Prior year 31 December 2016	Budget R'000	Actual R'000	Variance R'000	% of actual against budget
Operating costs (before interest)	R43 604	R50 725	R49 250	R1 475	97%
Interest expense	R6 350	R3 480	R17 678	(R14 198)	508%
Total operating costs	R49 954	R54 205	R66 928	(R12 723)	123%

Excluding the internal interest charged on the overdraft balance, a positive variance of 3% against the target was achieved. This variance is due to employee costs as there are vacant positions that are currently at the final stages of the recruitment processes.

Actual capital expenditure for the period ended 31 December 2017 was R412.9 million (2016/17: R371.7 million) against a targeted budget of R351.8 million (2016/17: R356.4 million). This represents 23.4% (2016/17: 21%) of the overall annual budget. There are however various factors that continue to affect projects including poor contractor performance, community disruptions and internal procurement deficiencies.

For the period ended 31 December 2017 actual deficit was R34.9 million (2016/17: R18.2 million deficit) against a budgeted deficit of R24.9 million (2016/17: R5 million surplus).

The organisation’s total assets exceeded the total liabilities. The total net assets at 31 December 2017 were R37.7 million (2016/17: R46.9 million). The net assets include accumulated reserves of R21.4 million (2016/17: R30.7 million).

The table below reflects the financial position and financial performance of the organization for the period ended December 2017.

TABLE 6: FINANCIAL RATIOS

Key Performance Area	Target	Actual 31 December 2016	Actual 31 December 2017
Current ratio	Above 1 : 1	1.14:1	1.08 : 1
Solvency ratio	Above 1 : 1	1.14:1	1.05 : 1

Key Performance Area	Target	Actual 31 December 2016	Actual 31 December 2017
Salaries to expenditure ratio	Below 60%	62%	52%
Revenue	R 29.2 million	R31.7 million	R32 million
Expenditure (including taxation)	R54.2 million	R49.9 million	R66.9 million
Surplus / (Deficit)	(R24.9 million)	(R18 million)	(R34.9 million)
Total net assets	R47.4 million	R46.9 million	R37.7 million
Capital expenditure	20%	21%	23.4%

The overall liquidity and solvency position of the JDA, although lower than the prior year, is still above the current industry norms. The main contributing factor to the overall decrease in comparison to the prior year is the higher treasury loan balance as at end of December 2017.

The remuneration ratio is lower than the norm which is mainly as a result of a combination of both a higher overall expenditure denominator as well as lower employee costs numerator due to a number of senior vacant positions. The JDA is primarily a service-orientated entity as majority of the operational costs relate to employee remuneration. The higher overall expenditure was mainly attributable to the interest costs on the overdrawn treasury account. The increase in this line item had increased the overall expenditure year to date.



Sherylee Moonsamy CA (SA)
Acting Chief Financial Officer
03 January 2018

CHAPTER 2: CORPORATE GOVERNANCE

SECTION 1: CORPORATE GOVERNANCE STATEMENT

Governance Framework

The JDA recognises that conducting its affairs with integrity will ensure that the public and its parent municipality, the CoJ Metropolitan Municipality, have confidence in its work. To that end the JDA's Board of Directors and executive management team subscribe to the governance principles set out in the Code of Conduct for Directors referred to in section 93L of the Municipal Systems Act, circular 63 of the MFMA and the King IV code.

The Board also actively reviews and enhances the systems of internal control and governance procedures in place to ensure that the JDA is managed ethically and within prudently determined risk parameters. During the period under review, the Board conducted assessments to ensure that the JDA complied with the requirements of the Companies Act, the Municipal Systems Act and the MFMA.

JDA's Governance Arrangements

The JDA is accountable to the Department of Development Planning, which provides direction on contractual obligations and to the Member of the Mayoral Committee for Development Planning, who exercises political oversight. The JDA also falls under the Economic Development Mayoral Cluster Committee, which ensures that the work of departments and entities responsible for the city's spatial transformation and economic growth is integrated and coordinated. The Council's Section 79 Portfolio Committee on Development Planning provides political oversight of the JDA's activities and functions.

The JDA must perform according to a service delivery agreement and performance objectives set by the City of Joburg.

The JDA's management is accountable for strategic and operational matters to the Board of Directors, which controls and maintains a fiduciary relationship with the company. The JDA coordinates its area-based development activities and other catalytic interventions with the Department of Development Planning and engages with client departments in the design and construction of infrastructure assets.

The Legislative framework

The legislative framework for municipal entities came into effect through amendments to the Municipal Systems Act (MSA) and the passing of the Municipal Finance Management Act (MFMA). The new provisions of the MSA, including Chapter 8A, came into effect on 1 August 2004. The bulk of the provisions of the MFMA took effect on 1 July 2004 with some transitional provisions based on municipal capacity. The MSA defines three types of entities that may be established by a municipality with effect from 1 August 2004, namely private company, service utility or multi-jurisdictional service utility. Before the MSA and MFMA requirements took effect, municipalities used various arrangements to deliver services and manage functions. These included trusts, section 21 companies and private companies. In view of the legislative framework, municipalities are required to review these structures and either convert them to an entity or disestablish them if they are no longer required. A review would cover such things as the appropriateness of governance structures to provide effective municipal oversight, accountability and transparency.

Implementation of King Codes of Corporate Governance

The Board and management team are committed to the principles of openness, integrity and accountability advocated by the King Code. The JDA made progress during the reporting period towards entrenching and strengthening the implementation of the recommended practices in its governance structures, systems, processes and procedures. The internal audit team provided regular feedback to the Audit and Risk Committee, which is responsible for monitoring compliance with King IV.

The entity applies the governance principles contained in the King Codes as far as it applies to it and continues to further entrench and strengthen recommended practices in its governance structures, systems, processes and procedures. The Board of Directors and Executives recognise and are committed to the principles of openness, integrity and accountability advocated by the King IV Code on Corporate Governance. Through this process, shareholders and other stakeholders may derive assurance that the entity is being ethically managed according to prudently determined risk parameters in compliance with generally accepted corporate practices. The monitoring of the entity's compliance with the King Codes on Corporate Governance is part of the Shareholder mandate of the Audit and Risk Committee. The entity has complied with the Code in as far as it applies to it during the period under review.

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

The Protocol is premised on the principles enunciated in the King Codes Report on Corporate Governance for South Africa 2016 (King IV). The Entity steadfastly consolidated its position in respect of adherence to the King Codes report on Corporate Governance. The entity practices are, in most material instances, in line with the principles set out in the King Codes. Ongoing steps are however taken to align practices with the King IV's recommendations and the Board of Directors continually reviews progress to ensure that the entity improves its Corporate Governance. During the year under review the Company entrenched its risk management reviews. Reporting and compliance assessments were conducted in terms of the Companies Act, the Municipal Systems Act (MSA) and the Municipal Finance Management Act (MFMA). The annual Board assessments and evaluations were conducted and an annual report for the previous year was effectively completed in accordance with section 121 of the Municipal Finance Management Act.

Ethical Leadership

The board provides effective leadership based on a principled foundation and the entity subscribes to high ethical standards. Responsible leadership, characterised by the values of responsibility, accountability, fairness and transparency, has been a defining characteristic of the entity since the company's establishment in 2001.

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

Corporate citizenship

As an entity of a municipality, the JDA has social and moral obligations to the citizens. The Board is responsible for ensuring that the JDA protects, enhances and invests in the economy, society and the natural environment, and pursues its activities within the limits of social, political and environmental responsibilities outlined in international conventions on human rights.

Compliance with laws, rules, codes and standards

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

Citizen Involvement in Plan-Making and Project Implementation

The City and the JDA is continually working on ensuring more involvement of communities and individuals in the preparation of plans and project implementation, and a better interface between officials and the public.

In the preparation of the Integrated Development Plan (which includes the Spatial Development Framework) and also in the annual revision of the Regional Spatial Development Framework, there is a structured participation process, which includes public meetings and which allows any interested party to comment on, or object to, any provision in a proposed plan.

For area based planning, the JDA's participation is structured in a number of ways, including key public meetings at the start of the process and at the point of draft proposals. But other participatory methods such as stakeholder meetings, information leaflets, etc. are also used depending on the context and project.

Citizens can also get involved with developing detailed precinct plans for their own areas at neighbourhood level. In many areas these plans are initiated by the residents of a particular area. The planning department is investigating ways of helping people to pool their resources in communities in order to participate in preparing precinct plans.

The local Ward Councillor, Ward Committees and residents' associations are the key link for citizens to get involved in public participation processes in planning and project development.

The Board of Directors of the JDA subscribes to good corporate governance expressed in the King Code and the Code of Conduct for Directors referred to in section 93L of the Municipal Systems Act, 2000 (MSA). The Board recognises the need to conduct the affairs of the municipal entity with integrity to ensure increased public confidence and the confidence of its parent municipality. It is the policy of the Board to actively review and enhance the entity's systems of control and governance on a continuous basis to ensure that the entity is managed ethically and within prudently determined risk parameters.

SECTION 2: BOARD OF DIRECTORS

The JDA has a unitary board, which comprises both executive and non-executive directors. Mr. Cassim Coovadia is chairperson of the Board and a non-executive director. The JDA's sole shareholder, the CoJ, reviews the term of office for non-executive directors every year at the annual general meeting.

The Board is accountable to the CoJ and the citizens of Johannesburg. A service delivery agreement and shareholder compact, concluded in accordance with the provisions of the Municipal Systems Act, govern the entity's relationship with the CoJ. The Board provides monthly, quarterly, biannual and annual reports on its performance and service delivery to the parent municipality as prescribed in the service delivery agreement, the shareholder compact, the MFMA and the Municipal Systems Act.

Non-executive directors maintain an independent stance to matters under consideration and add to the Board's depth of experience. The roles of the chairperson and chief executive officer are separate, with responsibilities divided between them. Members have unlimited access to the Company Secretary, who acts as

an advisor to the Board and its committees on matters such as corporate governance, compliance with company rules and procedures, statutory requirements, regulations and best corporate practices.

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

Shortcomings are addressed and areas of strength are consolidated during an annual Board evaluation. The performance of the Board committees is evaluated against their terms of reference.

The Board of Directors consists of the following members as appointed at the Annual General Meeting (AGM) of the shareholder held on 16 March 2017:

TABLE 7: JDA BOARD OF DIRECTORS AT THE END OF THE SECOND QUARTER:

Board member	Capacity: Executive/non-executive	Race	Gender	Board committee membership
C Coovadia	Chairperson (Non-executive)	Indian	Male	Development and Investment
K Govender	Non-executive	Indian	Male	Audit and Risk (Chair) Development and Investment
P Masilo	Non-executive	Black	Male	Human Resources and Remuneration Social and Ethics
P Zagaretos	Non-executive	White	Male	Development and Investment (Chair) Social and Ethics
P Mashele	Non-executive	Black	Male	Human Resources and Remuneration Social and Ethics (Chair)
N Ngwenya	Non-executive	Black	Female	Development and Investment Social and Ethics
L Shole	Non-executive	Black	Female	Development and Investment Human Resources and Remuneration
A Steyn	Non-executive	Coloured	Male	Audit and Risk Development and Investment
M Qobo	Non-executive	Black	Male	Audit and Risk Human Resources and Remuneration (Chair)

The following members were reappointed as Independent Audit Committee members at the AGM:

- (i) Ms Modi Dolamo;
- (ii) Ms Keabetswe Onuoka; and
- (iii) Mr Zukisani Samsam

Together, the JDA directors have a range of different skills and experience that they bring to bear for the benefit of the entity. These include accounting, finance, legal, business management, human resources and labour relations, marketing, construction and development management.

The Board meets regularly, retains full and effective control over the company and monitors the implementation of the company's strategic programmes by the executive management through a structured approach of reporting and accountability. It sets the strategic direction of the JDA and monitors overall performance. All JDA's Board Committees are chaired by non-executive directors and monitor overall performance.

SECTION 3: BOARD COMMITTEES

Board Meeting Attendance

The Board meets not less than four times a year to consider matters specifically reserved for its attention.

Indicated in the table below are the Board and committee’s meetings held during the period under review. Attendance at meetings held during the quarter under review was as follows:

TABLE 8: BOARD AND BOARD COMMITTEE MEETINGS & ATTENDANCE (1 JULY 2017 – 31 DECEMBER 2017)

Name	Board				Audit & Risk				Development & Investment				HR & Remco				Social & Ethics			
	No of Meetings	Attendance	Apology	Absent	No of Meetings	Attendance	Apology	Absent	No of Meetings	Attendance	Apology	Absent	No of Meetings	Attendance	Apology	Absent	No of Meetings	Attendance	Apology	Absent
C Coovadia	6	5	1	0	N/A	N/A	N/A	N/A	4	3	1	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
K Govender	6	6	0	0	6	6	0	0	4	4	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
P Masilo	6	6	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2	2	0	0	2	2	0	0
P Zagaretos	6	6	0	0	N/A	N/A	N/A	N/A	4	3	1	0	N/A	N/A	N/A	N/A	2	2	0	0
L Shole	6	2	4	0	N/A	N/A	N/A	N/A	4	1	3	0	2	1	1	0	N/A	N/A	N/A	N/A
P Mashele	6	5	1	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2	2	0	0	2	2	0	0
N Ngwenya	6	6	0	0	N/A	N/A	N/A	N/A	4	4	0	0	N/A	N/A	N/A	N/A	2	2	0	0

Name	Board				Audit & Risk				Development & Investment				HR & Remco				Social & Ethics			
	No of Meetings	Attendance	Apology	Absent	No of Meetings	Attendance	Apology	Absent	No of Meetings	Attendance	Apology	Absent	No of Meetings	Attendance	Apology	Absent	No of Meetings	Attendance	Apology	Absent
M Qobo	6	5	1	0	6	5	1	0	N/A	N/A	N/A	N/A	2	2	0	0	N/A	N/A	N/A	N/A
A Steyn	6	6	0	0	6	6	0	0	4	4	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
M Dolamo (Independent Audit & Risk member)	N/A	N/A	N/A	N/A	6	6	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
K Onuoka (Independent Audit & Risk member)	N/A	N/A	N/A	N/A	6	6	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Z Samsam (Independent Audit & Risk member)	N/A	N/A	N/A	N/A	6	6	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Board Committees

The following committees have been formed, each of which is chaired by a non-executive director.

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

Each committee composition is as follows:

TABLE 9: BOARD COMMITTEES FOR THE PERIOD (1 JULY 2017 – 31 DECEMBER 2017)

Composition	Mandate and Quarterly Activities
<p>Audit and Risk Committee</p> <p>The Audit and Risk Committee, which consists of three non-executive directors and three independent members, meets not less than four times a year. Most members of this committee are financially literate. The following members served on the committee during the period under review:</p> <ul style="list-style-type: none"> • K Govender (Chairperson) • M Qobo • A Steyn • Z Samsam (Independent Member) • M Dolamo (Independent Member) • K Onuoka (Independent Member) 	<p>The committee has specific responsibility for ensuring that all activities of the JDA are subject to independent and objective review and financial performance oversight. The Audit and Risk Committee has a Charter with clear terms of reference as guided by the provisions of Section 166 of the MFMA. The Committee has the following responsibilities:</p> <p>Reviewing JDA’s internal controls, publishing financial reports for statutory compliance and against standards of best practice, and recommending appropriate disclosures to the Board.</p> <p>Reviewing reports from management, internal and external auditors, to provide reasonable assurance that control procedures are in place and are being followed.</p> <p>Reviewing the half-yearly and annual financial statements before submission to the Board, focusing particularly on any changes in accounting policies and practices.</p>
<p>Development and Investment Committee</p> <p>The following members served on the committee during the period under review:</p> <ul style="list-style-type: none"> • P Zagaretos (Chairperson) • C Coovadia • A Steyn • N Ngwenya • K Govender • L Shole • T Mendrew (resigned as at 31 August 2017) 	<p>Meetings are held on a bi-monthly basis or as required by the Chairperson. The Committee is responsible for evaluating development proposals with a view to making recommendations for approval to the Board. This entails examining risks associated with the proposed projects such as the financing, returns and projects risk profiles.</p>

Human Resources and Remuneration Committee	
<p>In line with the best practice of corporate governance, the Board maintains a Human Resources & Remuneration Committee (HR & REMCO), comprising of 4 (four) non-executive directors and chaired by a non-executive director. It is responsible for directing human resources policies and strategies for the organisation and approving the remuneration for the Chief Executive Officer, senior executives and staff. The following members served on the committee during the period under review:</p> <ul style="list-style-type: none"> • M Qobo (Chairperson) • P Masilo • L Shole • P Mashele • T Mendrew (resigned as at 31 August 2017) 	<p>The committee meets not less than 4 (four) times a year. The executive directors are excluded from the HR & Remuneration Committee when matters relating to their remuneration are discussed. The committee ensures that the remuneration of the Chief Executive Officer and senior management are within the upper limits as determined by the City of Johannesburg in accordance with the provisions of Section 89(a) of the MFMA.</p> <p>The remuneration of the Chairperson, the non-executive directors and independent audit committee members is determined by the parent municipality.</p>
Social and Ethics Committee	
<p>The following members served on the committee during the period under review:</p> <ul style="list-style-type: none"> • P Mashele (Chairperson) • P Zagaretos • P Masilo • N Ngwenya • T Mendrew (resigned as at 31 August 2017) 	<p>The Social and Ethics Committee is responsible for acting as the social conscience of the business and ensuring that the company conducts itself as a responsible corporate citizen. This means ensuring that the JDA conducts its business in a sustainable manner, having regard for the environment, fostering healthy relationships with all its stakeholders and considering the impact of its work within the community. This committee also considers the treatment of and investment in employees, health and safety practices, black economic empowerment and the ethical corporate culture.</p>

Duties of the Board

The Board retains full and effective control over the organisation and monitors the implementation of the JDA's strategic programmes. It sets the agency's strategic direction and monitors overall performance. The duties of the Board include:

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

Board charter

The Board of Directors has incorporated the CoJ's corporate governance protocol into its charter, which regulates its relationship with the CoJ as its sole member and parent municipality in the interest of good

corporate governance and good ethics. The protocol is premised on the principles of the King Code. The charter sets out the composition and powers of the Board.

SECTION 3: DIRECTORS AND PRESCRIBED OFFICERS REMUNERATION

The JDA remunerates the non-executive directors and independent audit committee members in accordance with the policy and in the amounts determined from time to time by the City of Johannesburg Metropolitan Municipality, acting in its capacity as the sole shareholder of the JDA. The foregoing position was reaffirmed by special resolution at the 2016 annual general meeting. The non-executive directors and independent audit committee members are paid per meeting. Executive directors and prescribed officers are employees of the JDA and do not receive any additional remuneration by reason of their office. The table below reflects the gross or cost to company amounts paid by the JDA in relation to executive directors, non-executive directors' and independent audit committee members' fees.

TABLE 10: EXECUTIVE DIRECTOR'S, SENIOR MANAGEMENT AND NON-EXECUTIVE DIRECTOR'S & INDEPENDENT AUDIT COMMITTEE MEMBERS REMUNERATION AND ALLOWANCES FOR THE MID YEAR 2017/18 (1 JULY – 31 DECEMBER 2017)

Name	Designation	Salary/Board Fees	Pension	Bonus/Board Retention Fees	Travel allowance	Total
Executive Directors & Senior Management						
T Mendrew (Resigned 31 August 2017)	CEO	451 457				451 457
Z Tshabalala	CAE	557 313	27 169			584 482
D Cohen	EM: Strategy & Planning	629 560	30 691			660 251
R Shirinda	Company Secretary	706 873	28 717			735 590
C Letter	EM: Alexandra Renewal Programme	671 191				671 191
C Botes	EM: Development Facilitation (Acting CEO)	641 786			15 000	656 786
N Mulovhedzi	Senior Development Manager	556 965	38 883			595 848
P Mkhize	Senior Development Manager	569 101	27 697			596 798
S. Genu	EM: Development Implementation	821 515	40 049			861 564
Sub-Total		5 605 760	193 206	-	15 000	5 813 967
Non-Executive Directors & Independent Audit Committee Members						
C Coovadia	Chairperson	118 084				118 084
P Masilo	Board Member	102 252				102 252
M Qobo	Board Member	144 671				144 671
N Ngwenya	Board Member	121 293				121 293

Name	Designation	Salary/Board Fees	Pension	Bonus/Board Retention Fees	Travel allowance	Total
A Steyn	Board Member	147 882				147 882
K Govender	Board Member	230 252				230 252
P Mashele	Board Member	105 293				105 293
P Zagaretos	Board Member	108 334				108 334
L Shole	Board Member	36 168				36 168
M Dolamo	Independent Audit and Risk Committee Member	60 840				60 840
K Onuoka	Independent Audit and Risk Committee Member	45 630				45 630
Z Samsam	Independent Audit and Risk Committee Member	54 025				54 025 ²
Sub-Total		1 274 724	-	-	-	1 274 724
TOTAL		6 880 485	193 206	-	15 000	7 088 691

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

Loans and advances

In accordance with the provisions of the MFMA, the JDA has a strict policy in place that prohibits it from providing loans or advances to directors and employees; therefore, no loans or advances were made during the period under review. The agency did not provide loans to any organisation or person outside of or in the employ of the JDA.

SECTION 4: COMPANY SECRETARIAL FUNCTION

The primary function of the Company Secretary is to act as the link between the Board and management and to facilitate good relationships with the shareholder. The Company Secretary is responsible for the general administration, more specifically to ensure compliance to good corporate governance practices and to provide guidance to the directors on corporate governance principles and applicable legislation. All directors have access to the advice and services of the Company Secretary who acts as the link between management, the Board and the shareholder.

The Company Secretary is responsible for the flow of information to the Board and its committees and ensures compliance with Board procedures. In addition to various statutory functions, the Company Secretary provides individual directors and the Board as a whole with guidance on their duties, responsibilities and powers, as well as the impact of legislative and regulatory developments, while maintaining an arm's-length relationship with the Board.

The Board has empowered the Company Secretary with the responsibility of advising the Board, through the chairperson, on all governance matters, including the duties set out in section 88 of the Companies Act.

The Company Secretary's work covers a wide variety of functions, including but not limited to:

² Standardised rates are determined by the CoJ Group policy. However, totals may vary due to additional requirements by the members such as attendance of interviews and the chairing of any board or committee meetings

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

SECTION 5: RISK MANAGEMENT

The JDA's Board monitors risk through the Audit and Risk Committee, which ensures that there is an effective risk management process and system in place. The committee recommends risk strategies and policies that need to be set, implemented and monitored. The JDA Board is responsible for identifying, assessing and monitoring the risks reported to the Audit and Risk Committee.

The JDA has a risk management strategy, which follows an enterprise-wide risk management system in which all identified risk areas are managed systematically and continuously on an on-going basis at departmental level. The risk register is treated as a working risk management document because risks are constantly recorded and managed. Management monitors and evaluates the implementation and efficiency of controls and actions to improve current controls in the risk register.

The JDA submits its risk management reports to the CoJ's Group Risk and Governance Committee. The committee assesses all risk affecting the CoJ and its municipal entities in a holistic manner and makes recommendations to the City Manager and Council on the general effectiveness of risk management processes in the City of Johannesburg.

Risk Management Process

Risk identification and assessment is an on-going process. The JDA conducts an annual strategic and operational risk assessment workshop. This process is supported by an on-going risk management process at departmental level; and all employees are required to take ownership of risks that fall within their respective areas of responsibilities.

The following risk management programmes and/or activities that were implemented during period under review are as follows:

- Strategic Risks Management and Monitoring
- Operational Risks Management and Monitoring
- Universal Regulatory Register (URR) and Compliance Monitoring
- Audit Tracking Reports and Monitoring
- Reviewed Fraud Risk Register was approved by EXCO and is monitored
- Ethics Management Risk was tabled at EXCO however it was recommended that EXCO members attend the workshop on the Ethics Management Risk.
- Code of Ethics Policy was submitted to EXCO and it was referred back for review, and will be submitted to the next EXCO and Ethics and Social Committee for approval.
- The Executive Committee and the Audit and Risk Committee will continue to monitor the implementation of the documents listed above to ensure that the organisation is proactive in addressing risks and strengthening its internal control environment.

Progress as at Mid-Year 2017/18:

- Strategic risk identification for 2017/18 was done and presented to EXCO and Audit and Risk Committee in conjunction with Annual Plan for 2017/18.
- Strategic Risks are continuously monitored by management and governance structures provide oversight on a quarterly basis.
- Risk Management Policy, Risk Management Framework, and Risk Strategy were approved by the Board on the 17th October 2017.
- Currently reviewing Fraud Risk Management Policy and Fraud Prevention Plan and it is envisaged to be completed in Quarter 3 for approval.
- Risk Tolerance and Appetite Framework was approved by the Audit and Risk Committee on the 16th November 2017 and will be submitted to the next Board meeting for final approval.

SECTION 6: INTERNAL AUDIT FUNCTION

The Internal Audit Function (IAF) subscribes to and accepts the mandatory nature of the definition of internal audit as defined by the International Standards for the Professional Practice of Internal Audit (“ISPPA”) which defines internal audit as “an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization achieve its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

The key objectives of the Internal Audit Function is to assist the Audit & Risk Committee in the effective discharge of their responsibilities, provide strategic support to the Chief Executive Officer (“CEO”) and management that contributes towards the establishment of adequate and effective systems of governance, risk management and internal control processes through providing value adding recommendations to improve the effectiveness and efficiency of the operations of the JDA.

It is within this context that the IAF strives to continuously strengthen and understand its stakeholders, their specific requirements and business drivers so that there is continuous strategic alignment and value add to long term and short term goals.

Progress made against the approved Annual Internal Audit Plan

The scope of the internal audit progress to which this report relates to is for the period 01 July 2017 to 31 December 2017. The report includes progress on the planned audit projects executed as well as special audit requests (if any) that were undertaken during the reporting period. In this reporting period, there were eleven (11) audits planned. Of these 11 audits that were planned 6 (55%) were completed, 3 (27%) audits are in progress and 2 (18%) audits have not yet started.

In addition to the above audits; there were tenders to the value of R5 million and more received for review for twelve (12) projects. Audits were completed and reports issued on 11 (92%) projects received for review. At the time of compiling this report; 1 (8%) tender/project was still in progress as we were awaiting management responses.

The projects which were planned for auditing by the Internal Audit Function for the reporting period are detailed in the table below:

TABLE 11: PROGRESS MADE AGAINST THE APPROVED 2017/18 ANNUAL INTERNAL AUDIT AT MID - YEAR

No.	Audit Description	Progress as at 31 December 2017	Progress Comments
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No.	Audit Description	Progress as at 31 December 2017	Progress Comments
1.	Review of the Draft 2016/17 Annual Financial Statements	Completed	Audit Completed. Final Report issued to management and the Audit and Risk Committee.
2.	Review of the 2016/17 Annual Integrated Report	Completed	Audit Completed. Final Report issued to the Audit and Risk Committee.
3.	Audit of performance information for the 1 st quarter (Audit of pre-determined objectives)	Completed	Audit completed. Report issued to management and Audit and Risk Committee
4.	Performance Bonus Review	Completed	Audit completed. Report issued to management and the Board of Directors.
5.	Quarterly follow up on Internal Audit Findings	Completed	Audit completed. Report issued to management and Audit and Risk Committee
6.	Audit of the alignment between corporate business plan, the operational plans and individual performance agreements.	In progress	This audit was planned to commence in the 2 nd quarter of the financial year. Due to challenges in the finalisation of the operational plans and performance agreements; the audit is delayed and is currently execution stage. We anticipate that the audit will be complete and report issued by end of the 3 rd quarter.
7.	Review of the Risk Management process and the fraud prevention strategy	Completed	This audit was planned for the 3 rd quarter; however it was brought forward and commenced in the 2 nd quarter. The audit has been completed. Report to be presented to ARC at next meeting in 2018.
8.	Stakeholder management review – project stakeholders	In progress	Audit at reporting stage; it is anticipated that the audit will be complete by end of January 2018.
9.	SAP HCM pre-implementation review - data migration review.	Not yet started	Audit at planning stage.
10.	Review of Business Continuity Plan (BCP) and its Implementation	Not yet Stated	This audit was planned for the 2 nd quarter. Due to the number of unexpected audits for tenders above R5million, this audit was put on hold. This audit will commence in the 3 rd quarter.
11.	Internal Network Security Review - Wireless Network security – External Network Security – Perimeter Firewall Review.	In progress	This audit was planned to commence in the 2 nd quarter. The audit is currently at planning stage and it is anticipated that the audit will be complete by end of February 2018.

The following additional audits were conducted in the reporting period on tenders above R5million. The objective of these audits is to review the SCM processes followed prior to awarding of a tender.

TABLE 12: AUDITS ON TENDERS >R5M

No.	Project Name	Progress as at 31 December 2017	Progress Comments
1.	Rea Vaya BRT System: Phase 1 C section (Phase 2): WP 15 L Claredon to Arkwright – Close out work	Completed	Audit completed during the 1 st quarter. Report issued to the Accounting Officer and the Audit and Risk Committee.
2.	Brixton Social Cluster: Phase 1 Multi-purpose sports & recreation centre.	Completed	Audit completed during the 2 nd quarter. Report issued to the Accounting Officer and the Audit and Risk Committee.

No.	Project Name	Progress as at 31 December 2017	Progress Comments
3.	Jabulani ToD Phase 5	Completed	Audit completed during the 2 nd quarter. Report issued to the Accounting Officer. Final report to be presented to the Audit and Risk Committee in the next meeting of 2018.
4.	Jabulani ToD Phase 6A		Audit completed during the 2 nd quarter. Report issued to the Accounting Officer. Final report to be presented to the Audit and Risk Committee in the next meeting of 2018.
5.	Rea Vaya BRT System Phase 1C: The design review and implementation of Watt Interchange Section 15 K – Civil Engineering Consultants	Completed	Audit completed during the 2 nd quarter. Report issued to the Accounting Officer. Final report to be presented to the Audit and Risk Committee in the next meeting of 2018.
6.	Brixton Social Cluster Phase 2 pre-qualification	Completed	Audit completed during the 2 nd quarter. Report issued to the Accounting Officer. Final report to be presented to the Audit and Risk Committee in the next meeting of 2018.
7.	BRT Alexandra bus depot pre-qualification	Completed	Audit completed during the 2 nd quarter. Report issued to the Accounting Officer. Final report to be presented to the Audit and Risk Committee in the next meeting of 2018.
8.	Turffontein Stormwater Masterplan Implementation	Completed	Audit completed during the 2 nd quarter. Report issued to the Accounting Officer. Final report to be presented to the Audit and Risk Committee in the next meeting of 2018.
9.	Empire-Perth Stormwater master plan Implementation	In progress	Audit execution completed in the 2 nd quarter. Audit at draft reporting stage and awaiting management responses.
10.	BRT Alex loop	Completed	Audit completed during the 2 nd quarter. Report issued to the Accounting Officer. Final report to be presented to the Audit and Risk Committee in the next meeting of 2018.
11.	Inner City Managed lanes	Completed	Audit completed during the 2 nd quarter. Report issued to the Accounting Officer. Final report to be presented to the Audit and Risk Committee in the next meeting of 2018.
12.	Milpark pedestrian bridge	Completed	Audit completed during the 2 nd quarter. Report issued to the Accounting Officer. Final report to be presented to the Audit and Risk Committee in the next meeting of 2018.

All the areas for improvement identified through the audit efforts were communicated to management through the internal audit reports. Management continues to ensure that internal audit findings are resolved, through the implementation of recommendations and the agreed upon action plans. On a quarterly basis Internal Audit also conducts follow-up reports on the implementation of Internal and External audit recommendations. These reports are presented to the Audit and Risk Committee, which monitors the progress made by management on the implementation of recommendations and action plans.

Resourcing of the Internal Audit Function and Related Changes

In terms of the approved structure, the Internal Audit unit consists of a Chief Audit Executive, an Office Administrator; 2 Internal Audit Managers; 2 Internal Auditors and 2 Internal Audit Learners. In the reporting period there were no vacant positions within Internal Audit.

SECTION 7: CORPORATE ETHICS AND ORGANISATIONAL INTEGRITY

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

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

Code of Conduct

The JDA's code of conduct, which is fully endorsed by the Board, applies to all directors and employees. The code is consistent with schedule 1 of the Municipal Systems Act and the provisions of the CoJ corporate governance protocol for municipal entities.

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

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

The code requires all staff to act with the utmost integrity and objectivity and in compliance with the law and company policies at all times. Failure to act in terms of the code results in disciplinary action. The code is discussed with each new employee as part of the induction process, and all employees are asked to sign an annual declaration confirming their compliance with the code. A copy of the code is available to interested parties on request. Non-adherence to the code of ethics-related matters can be reported to a toll-free, anonymous hotline. Any breach of the code is considered a serious offence and is dealt with accordingly, which serves as a deterrent. The directors believe that ethical standards are being met and are fully supported by the ethics programme.

Declaration of interest

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

The JDA's employee code of ethics and terms and conditions of employment require all employees to complete declarations of interest covering shareholding in private companies, membership of close corporations, directorships held, partnerships and joint ventures, remunerative employment outside of the JDA, gifts and hospitality, and the status of their municipal accounts.

The JDA has a whistle-blowing hotline number, which it advertises in the offices and on its website. In addition, all JDA tender documents urge people to report fraudulent activities or maladministration by JDA employees on the hotline.

SECTION 8: CORPORATE SOCIAL RESPONSIBILITY (CSR) REPORT

The JDA has planned three CSR projects for this financial year with an annual budget of R405, 259.00. During the period under review two food gardens have been established at Westbury Primary and Bernard Isaacs Schools in Westbury and Coronationville respectively.

The total budget for these food gardens is R137, 766.67.

SECTION 9: SUSTAINABILITY REPORT

The Joburg 2040 GDS is driven by the goal of capable and capacitated communities and individuals. With this realised, the CoJ will be able to become a more sustainable, inclusive city in which people hold the potential and means to grow their neighbourhoods, their communities and themselves. A balanced focus on environmental management and services, good governance, economic growth, and human and social development will help in achieving a resilient and sustainable city – and a city in which all aspire to live.

The JDA's area-based development approach has evolved over the last 12 years. It begins by identifying the local competitive advantages, development needs and opportunities within the development area. Capital works projects are then used to catalyse private investment, enterprise and neighbourhood development. This area-based development approach ensures the long-term sustainability of the capital assets created by ensuring a greater focus on developing strategic capital works projects, facilitating development to increase the impact of public investments, and establishing urban management partnerships to ensure the sustainability of the public investments.

During this reporting period, the JDA continued working closely with the Department of Development Planning to communicate the strategic vision for the TOD corridors and the CoJ's spatial transformation objectives. The JDA also participated in stakeholder engagements regarding spatial transformation and urban planning and development of good practices.

Environmental Impact

Environmental sustainability plays an integral part in all of the JDA's development projects, which all comply with environmental impact regulations. To minimise their environmental impact, all professional teams involved in preparing designs for the JDA are briefed to include the following environmental considerations:

- The design of more permeable ground surfaces and soakaways or swales to reduce the storm-water run-off in areas upgraded by the JDA to achieve sustainable urban drainage standards.
- Indigenous and water-wise planting in all landscaping interventions in compliance with City Parks requirements. These interventions are currently being implemented on most of JDA's public environment update, complete streets and BRT related projects across the City.
- The environmental design for crime prevention guidelines as promoted by the City Safety Programme.
- Environmental construction and infrastructure options such as energy-efficient lighting and rainwater harvesting. This design intervention is currently being explored on JDA's BRT Depots and some Public Health Clinics that are at design stage.

- Environmental health regulations for informal trading where the JDA upgrades trading and taxi facilities. Currently the JDA has four projects relating to the upgrading of Informal Trading and six projects relating to upgrading of Taxi Facilities.
- Including urban environmental management as an integral part of the urban regeneration projects that the JDA implements, such as the upgrading of parks, the construction of storm-water facilities and public transport infrastructure and facilities. Currently the JDA has more than six projects that focus on urban regeneration and public environment upgrades with more emphasis on Randburg, Orange Grove and the Inner City

Five major outcomes define the Joburg 2040 GDS:

- Outcome 1: A growing, diverse and competitive economy that creates jobs
- Outcome 2: Enhanced, quality services and sustainable environmental practices
- Outcome 3: An equitable and inclusive society with high quality of life
- Outcome 4: Caring, safe and secure communities
- Outcome 5: An honest, transparent and responsive local government that prides itself on service excellence

Outcome 2 highlights the need to “Sustainable human settlements”. The CoJ plans to lead in the establishment of sustainable and eco-efficient infrastructure solutions (for example, housing, eco-mobility, energy, water, waste, sanitation, and ICT) to create a landscape that is liveable, environmentally resilient, sustainable, and supportive of low-carbon economy initiatives. Two of the JDA programmes, transit-oriented node development and greenways, are a direct response to Outcome 2.

- Strategic Economic Node Programme where the objective is to develop nodes that are compact, walkable, liveable, mixed use and mixed income areas and centres around which to density. Currently the JDA is working on the Balfour, Randburg and Jabulani TODs, with clearly defined long term (five years) development plans.
- Public Infrastructure Delivery Programme where the objective is to effectively and efficiently deliver social and economic infrastructure projects by focusing on two basic questions: how can the City prioritise the key infrastructure projects that provide the optimal social and economic benefit for City and communities; and once these projects are identified, how can stakeholders work together to accelerate the implementation of these projects most effectively and efficiently. This programme includes the continued roll-out of the Rea Vaya BRT infrastructure and service. Within the greenways programme, for example, the Rea Vaya BRT service has the potential to reduce the city’s transport energy use and the associated carbon emissions in the medium term. The service is currently being used by up to 31 000 people per day, and there is potential to increase the numbers. Currently the JDA is implementing the Phase 1C Rea Vaya infrastructure on behalf of the COJ Transport Department. Phase 1C is the extension of the current BRT phases to the North along Louis Botha Ave, Katherine Ave, William Nicol Drive, Republic Road and Old Pretoria Main Road. This phase seeks to connect Randburg to Sandton, Sandton to Alexandra, Ivory Park to Sandton and all these key area to the Johannesburg CBD.

SECTION 10: ANTICORRUPTION AND FRAUD

Financial crime and other unlawful conduct pose a threat to the JDA’s business and strategic objectives. The JDA supports government’s efforts to combat financial crime at all levels. The JDA, in its endeavour to combat financial crime, ensures compliance with all relevant legislation and regulations. The antifraud and

anticorruption programme supports and fosters a culture of zero tolerance to fraud, corruption and unlawful conduct.

Employees are regularly briefed and trained on fraud prevention, and the induction process for new employees is being revised to include information regarding fraud prevention. Strict payment management processes are in place and the Bid Evaluation Committee independently verifies whether preferred service providers can complete the work.

The revised Draft Fraud Risk Register was approved by EXCO and is monitored quarterly. The strategic risk register identifies “fraudulent and corrupt activities” as a strategic risk with a high inherent risk rating and medium residual risk rating of nine. Two other strategic risks on the strategic risk register also identify fraud and/or corruption as a root cause because that can potentially give rise to strategic risks. The strategic risk register sets out specific future actions to mitigate these risks, including conducting regular fraud risk assessments and creating fraud risk awareness.

There are five fraud and corruption incident received as at Mid-Year of the 2017/18 financial year.. There were two from previous years. The Fraud Case Register is reflected below. The JDA plans to improve internal controls and standardise the disclosure and reporting protocols. .

There are two from previous years. The Fraud Case Register is reflected below. The JDA plans to improve internal controls and standardise the disclosure and reporting protocols.

TABLE 13 MID-YEAR REPORTED CASES IN 2017/18

Date of Case Reported	Where or to whom it was reported	No. of Employees involved if applicable	Allegation	Nature of the Cases e.g. Corruption, fraud and maladministration	Status (If resolved, State the outcome)
2017/08/16	City of Johannesburg Fraud Hotline	One	JDA official unfairly issuing business to a select few SMMEs (Alleged Tender Irregularities)	Corruption	Matter closed due to misunderstanding by the whistleblower. Report submitted to the Executive Mayor
2017/07/25	City of Johannesburg Group Fraud and Investigation Services	One	Collusion with a service provider to unduly award a contract on the Sol Plaatjie Construction on Roads and Storm Water Project	Corruption	Investigation is conducted by Group Fraud and Investigations Services.
2017/10/16	City of Johannesburg Group Fraud and Investigation Services	One	Collusion with a service provider to unduly award a contract on the Alexandra Phase 2 project	Corruption	Investigation is conducted by Group Fraud and Investigations Services.
2017/07/03	JDA Chief Audit Executive	1-4 employees	Irregular Expenditure incurred on the Paterson Park Project	Non-compliance to SCM processes resulting in irregular expenditure	Preliminary investigation underway

Date of Case Reported	Where or to whom it was reported	No. of Employees involved if applicable	Allegation	Nature of the Cases e.g. Corruption, fraud and maladministration	Status (If resolved, State the outcome)
2017/11/17	City of Johannesburg Fraud Hotline	One	Suspected fraud, corruption or maladministration involving JDA employee regarding payment to Service Provider	fraud, corruption or maladministration	Matter closed due to misunderstanding by the whistleblower. Report submitted to the Executive Mayor

TABLE 14 REPORTED CASES PRIOR TO 2017/18

Date of Case Reported	Where or to whom it was reported	No. of Employees involved if applicable	Allegation	Nature of the Cases e.g. Corruption, fraud and maladministration	Status (If resolved, State the outcome)
2016/03/11	City of Johannesburg Fraud Hotline	One	Payment of Contractor in Advance. Poor workmanship by Contractor for appointed project. Contractor has a record of poor quality service. Contractor awarded tender due to former employee of the JDA.	Corruption	Investigation concluded. The matter is at the reporting stage.
2015/03/24	JDA, Internal Audit Department, directly to the Chief Audit Executive	One	JDA official indirectly doing business with the JDA.	Conflict of Interest	The investigation preliminary report has been referred to legal for advice and drafting of disciplinary charges against official.

SECTION 11: ICT GOVERNANCE

Smart Cities: SAP Implementation

JDA continues to align itself with the smart cities initiative, through the continued SAP implementation, among other smart initiatives .The implementation is aimed at catalysing process efficiencies, while at the same time leveraging business process value to assist the JDA to deliver on its broader mandate.

In progress in this quarter is the realisation phase for the Finance and Supply chain modules of SAP. From a holistic point of view, this is the final of the three phases of the full SAP implementation cycle for the JDA .Its significance is that it completes the value chain loop in terms of the implementation of core critical business processes of the JDA.

From an alignment perspective, this final phase, seeks to lock in process efficiencies against the backdrop of rigid legislative prescripts that govern both the Supply Chain and Finance environments within a municipal context.

In this phase, all business and process requirements based on the Business Blueprint are configured .Activities in this phase include but are not limited to system configuration, development of training materials, development of testing plans and approaches ,refinement of user role mapping, data conversion planning and preparations, refinement of authorizations, development of unit testing plans ,system integration testing ,stress testing ,authorization testing ,mapping of knowledge transfer activities ,as well as development of a cutover plan , to mention only a few.

The project is currently on 42% achieved against a target of 35%.

Network Performance

In this quarter, network uptime was 100% against a target of 100%. In terms of utilization, the line is at over 95% utilization, with available capacity including headroom of 10%. This capacity is sufficient for the JDA's current needs but may need strategic future alignment to accommodate any future expansion, especially in view of the fact that the JDA has a real-time off-site backup process, which is likely to demand more capacity as the data volumes grow in future.

Internal Controls

ICT management continues to work closely with the internal assurance provider to ensure that there is continuous improvement of internal controls in the ICT environment. Management are putting concentrated effort in resolving all of the internal audit findings.

Governance and Business Continuity

The JDA has a solid ICT governance framework, which consists of the ICT Governance Charter, ICT Security policy, Disaster Recovery plan (aligned to the broader Business Continuity plan), Firewall Framework and Policy, ICT strategy Plan and Password policy. The ICT Governance charter gives direction to the overall ICT governance framework at the JDA and importantly defines the mandate of the ICT Steering Committee. It also aligns itself to the King Code, Cobit and other aligned ICT Frameworks.

The implementation vehicle for the solid framework of policies is the various service level agreements that JDA ICT have entered into in order to ensure that the ICT department fulfils its operational mandate.

SECTION 12: COMPLIANCE WITH LAWS & REGULATIONS

The JDA monitors compliance with applicable legislation and regulations throughout the entity on a regular basis. Regulatory compliance describes the goals that JDA aspires to achieve in their efforts to ensure that they are aware of and take steps to comply with relevant laws and regulations, whereas general compliance means conforming to a rule, such as a specification, policy, standard or law.

Due to the increasing number of regulations and need for operational transparency, JDA has adopted the use of consolidated and harmonized sets of compliance controls which will be achieved through the successful implementation of the compliance management programme. This approach ensures that all necessary governance requirements can be met without the unnecessary duplication of effort and activity from resources.

The JDA has committed to undertake an annual risk analysis review of legislation, particularly of new and changed legislation, to keep the Regulatory Universe for JDA relevant and up to date. These processes:-

- Develop and maintain a system for identifying the legislation that applies to JDA's activities.
- Assign responsibilities for ensuring that legislation and regulatory obligations are fully implemented in JDA.
- Provide training for officials, and other relevant stakeholders in the legislative requirements that affect them.
- Provide officials with the resources to identify and remain up-to-date with new legislation.
- Conduct audits to ensure there is full compliance.
- Establish a mechanism for reporting non-compliance
- Identify accidents, incidents and other situations where there may have been non-compliance.

In relation to compliance performance, the JDA has detected or registered 2 out of 252 Compliance obligations that are non-compliance for the period under review.

JDA has not incurred any fruitless, irregular and unauthorized transactions for the mid-year of 2017/2018. It is also imperative to note that management's accountability for compliance is reinforced by Internal Audit.

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

SECTION 1: HIGHLIGHTS AND ACHIEVEMENTS

The mid-year report has been prepared against the JDA’s 2017/18 business plan and scorecard. On the JDA’s 19 Strategic KPI’s, the JDA achieved 68% targeted performance achieved, 0% performance target partially achieved and 32% performance target not achieved.

The focus on reporting on highlights and achievement is reflected for each of the JDA’s substantive programmes, as per the table below.

The JDA’s programme performance information policy and reporting framework covers the procedures and content in the JDA’s programme performance information management system. This includes for example, the definition of key performance areas and indicators and targets in the business planning process and the articulation of the link between programme objectives and results and the performance indicators and targets. The policy is supported by a programme performance reporting framework based on a comprehensive scorecard. This scorecard lists all of the output and outcome performance measures that the JDA should collect data on for a range of timeframes (quarterly, annually or periodically). From this reporting framework, the annual scorecard is developed and the performance targets are set. The JDA policy and reporting framework only defines a target as achieved with a 95–100% rating, a target as partially achieved with an 80–94% rating and a target not achieved with anything less than a 79% rating. Hence any less than 80% is regarded as not achieved.

TABLE 15 SUMMARY OF KPI PERFORMANCE

IDP Priority	IDP programme	Count of KPI's	KPI Number (Ref)	Target Achieved (95% - 100% rating)		Target Partially Achieved (80% - 94% rating)		Target not Achieved (<79% rating)	
				Count	%	Count	%	Count	%
Priority 1: Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment, inequality and poverty	Inner city regeneration, including key economic nodes including the implementation of the Transit Oriented Development Corridors	10	(1-2-3-4-5-6-7-8-9-10)	5	50%	0	0%	5	50%
Priority 2: Ensure pro-poor development that addresses spatial and all forms of income inequality and provides meaningful redress.	Increased infrastructure investment (from both public and private sectors) Residents live, work and play close to work, leisure and cultural opportunities Efficient and effective transport (Public								

IDP Priority	IDP programme	Count of KPI's	KPI Number (Ref)	Target Achieved (95% - 100% rating)		Target Partially Achieved (80% - 94% rating)		Target not Achieved (<79% rating)	
				Count	%	Count	%	Count	%
	and Freight) connecting home, work, culture and leisure								
IDP Priority 5: Create an honest and transparent City that fights corruption.	Increasing forensic investigative capability and controls	2	(11-12)	1	50%	0	0%	1	50%
IDP Priority 7: Enhance our financial sustainability.	Focusing on driving up capital expenditure investment in infrastructure	1	(13)	1	100%	0	0%	0	0%
Priority 8: Encourage innovation and efficiency through the Smart City programme.	Focused improvement of ICT equipment and software	1	(14)	1	0%	0	0%	0	100%
Day-to-day Programme	Other IDP or Day-to Day programmes	5	(15-16-17-18-19)	5	100%	0	0%	0	0%
	Total	19		13	68%	0	0%	6	32%

SECTION 2: SERVICE DELIVERY CHALLENGES

Given the spatial, socio-economic and political environment in which the JDA operates, there are often challenges that affect area-based development and the JDA's ability to facilitate common economic and social objectives.

By the end of the 2nd Quarter delivery was affected in several projects. Some of these issues are highlighted below:

- The Department of Labour hearing into the collapse of scaffolding of the Great Walk pedestrian bridge while under construction in Sandton continued. It was anticipated that the investigation and hearing resumed in September 2017, but was then postponed to a later date. While investigation is underway, the Department of Labour (DoL) has approved that Murray and Roberts can continue on the broader bridge construction project. The construction was initially only allowed on parts of the dedicated pedestrian and cycling bridge at the Grayston off-ramp of the M1 Motorway. The City has subsequently been allowed to resume full construction of the bridge. In addition on the 30th November 2017, a construction worker fell from several floors and tragically sustained severe injuries and died at the Grayston bridge construction site. The authorities did investigate the incident and the DoL recently issued a report that there was not a breach of health and safety controls and that this accident was due to worker (individual) negligence.
- In the period under review, a number of JDA projects in Greater Region E have been delayed as a result of community issues, In particular with the Alexandra projects, the Paterson Park projects and

the BRT project along Louis Botha Ave. Such actions stem primarily from the appointment of surrounding local SMMEs, appointment of Community Liaison Officers (CLOs) and provisions of jobs to locals on projects within this Region. Where necessary the JDA has sought assistance in such matters from the Regional Director, the Department of Development Planning and the Office of the Speaker. However, no lasting solution has been forthcoming as yet.

- The implementation of a number of projects was not concluded within the 2016/17 financial year as planned. As the commitment is to complete these projects the implication funding will have to be reallocated during the mid-year budget adjustment toward these projects. A process is underway to confirm the budget amount and the impact on other projects within the JDA portfolio as well as other clients departments. The projects include the 4th Avenue Clinic; the Balfour Park Transit Precinct Development; Langlaagte Pharmacy Depot and the Orchards Clinic.
- Although the construction is underway there is not as yet finalisation of the agreement regarding the Post Office portion of land which forms part of the Kazerne (JITI) development. The agreed process is for both parties to determine a fair market price and for the City to then purchase of the land from the South African Post Office.

SECTION 3: JDA PROGRAMMES, PROJECTS AND DAY-TO-DAY OPERATIONS

To ensure that the JDA is well positioned to respond to the development priorities as outlined above, the agency co-ordinates and manages its activities through six substantive programmes. In addition, the JDA ensures good governance of the organisation through an operational programme, resourced to support the optimal performance of the six substantive programmes.

TABLE 16: SUMMARY OF JDA PROGRAMMES

JDA Programme Type	Programme	Description / Purpose
Substantive programmes	1: Inner city transformation Programme	Guided by the Mayoral Priority on the Inner City and the Inner City Roadmap the JDA will focus on strengthening the position of the inner city as a critical business and residential node and the primary gateway to transit networks for the city; financial services networks for the City Region; and cross-border trade networks for the African continent. The JDA will continue to implement a phased plan to strengthen inner city precincts, address movement challenges, and improve the quality of the built environment across the inner city. The activities include managing the development of the Johannesburg inner city through capital investments in selected precincts, by overseeing integrated investments by other departments and entities, and by facilitating partnership initiatives.
	2: Strategic economic node programme	The objective is to develop nodes that are compact, walkable, liveable, mixed use and mixed income areas and centres around which to densify. They should be areas where people can live, work and play and have good access to public transit. Guided by the CoJ policy on the categorising of the current city nodes with prospects for growth, the work of the programme is to promote densification, diversification and development in these nodes. The main categories of nodes are: mixed-use/key urban nodes (under various categories), industrial nodes, Transit Oriented Development (TOD) nodes and neighbourhood nodes.
	3: Public infrastructure delivery programme	The objective is to effectively and efficiently deliver social and economic infrastructure projects by focusing on two basic questions: how can the City prioritise the key infrastructure projects that provide the optimal social and economic benefit for City and communities; and once these projects are identified, how can stakeholders work together to accelerate the implementation of these projects most effectively and efficiently. This work includes overseeing capital investments by other departments and entities, and facilitating partnership initiatives. This programme includes the continued roll-out of the Rea Vaya BRT infrastructure and service.
	4: Greater Alex and Alexandra Renewal Programme (ARP)	The Alexandra Renewal Project (ARP) which is established to coordinate intergovernmental activities to develop Alex. Manage the development of Alexandra through capital investments, overseeing integrated investments by other departments and entities, and facilitating community based initiatives and local economic development strategies. Most of the work involves human settlement development projects such as hostel upgrading, housing development and the construction of community facilities
	5. Economic Empowerment Programme	A cluster of the JDA's economic development programmes that aims to (i) Develop skills and capacity within the construction industry in Johannesburg (ii) Optimise the JDA's contribution to inclusive economic growth and

		empowerment, and the transformation of the construction industry; and (iii) establish a monitoring and reporting system to measure the impact of the JDA's managing contractor development programme.
Operational programme	6: Good Governance, Management and Administration	This programme manages the governance, administration and operational functions of the JDA, and improves efficiency through Finance, Governance, Risk and Compliance, Supply Chain Management and IT.

SECTION 4: PERFORMANCE AGAINST SERVICE STANDARDS

Section Not Applicable to JDA

SECTION 5: CAPITAL PROJECTS & EXPENDITURE

Capital expenditure is the primary measure of the JDA's performance, and the budget for the capital projects to be implemented forms part of the agency's annual business plan and scorecard.

The overall year to date capex expenditure at mid-year was R412.9 million against a budget of R 1.759 billion. This translates to 23.4% of the total annual budget and 118% against the mid-year target of R 351 876 million.

TABLE 17: CAPITAL BUDGET MANAGEMENT OVERALL PROGRAMME PERFORMANCE

Overall Programme Performance	2017/18 Annual Budget	Target YTD	Actual YTD	YTD Target %	% Actual / annual budget Expenditure
	R' 000	R' 000	R'000	%	%
Overall Programme Performance	1 759 380	351 876	412 984	118%	23.4%

SECTION 6: ORGANISATIONAL PERFORMANCE


The JDA’s progress towards achieving its KPIs is assessed using the performance scorecard, which measures performance in terms of both the JDA’s service delivery mandate and financial and other resource management processes. The scorecard targets, which are set and agreed on by JDA management, the Board and the Shareholder, aim to improve the JDA’s performance and efficiency, and achieve longer-term goals for specific developments, such as area-based revitalisation.

The JDA policy and reporting framework only defines a target as achieved with a 95–100% rating, a target as partially achieved with an 80–94% rating and a target not achieved with anything less than a 79% rating. Hence any less than 80% is regarded as not achieved.

Performance per programme and per KPA are summarised in the table below:




TABLE 19: SCORECARD



Priority 1: Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment, inequality and poverty & Priority 2: Ensure pro-poor development that addresses spatial and all forms of income inequality and provides meaningful redress.


National outcome: Outcome 6: An efficient, competitive and responsive economic infrastructure network. Outcome 8: Sustainable human settlements and improved quality of household life.							
Joburg Outcomes: Outcome 1: A growing, diverse and competitive economy that creates jobs; Outcome 2: Enhanced, quality services and sustainable environmental practices; Outcome 3: An equitable and inclusive society with high quality of life.							
IDP programme/s	Key Performance Indicator	Target 2017/18	2017/18 Q2 Target	Actual	Variance	Quarterly Achievement Rating	Explanation of progress, variations and steps to be taken to improve performance (as at end of 31 December 2017)
Inner city regeneration, including key economic nodes Increased infrastructure investment (from	1) Number of pre-feasibility plans or studies ³ produced, reviewed or updated	8 Number of pre-feasibility plans or studies produced, reviewed or updated	3 pre-feasibility plans or studies produced, reviewed or updated	3	-		There were 3 pre-feasibility plans or studies produced, reviewed or updated in Q2 of 2017/18 financial year.


³ Detailed local area plans, detailed local area implementation plans or area-based studies

TABLE 18: KPI ACHIEVEMENT RATINGS

Achievement	Rating
	Target achieved (95–100% rating)
	Target partially achieved (80–94% rating)
	Target not achieved (<79% rating)

<p>both public and private sectors)</p> <p>Residents live, work and play close to work, leisure and cultural opportunities</p> <p>Efficient and effective transport (Public and Freight) connecting home, work, culture and leisure</p>			2. Inner City Eastern Gateway - Development Infill Strategies / Programmes			Target achieved	
			3. Orange Grove - Development Infill Strategies / Programmes			Target achieved	
	2) Number of area-based or sector based partnerships formalised or partnership programmes implemented	7 area-based or sector based partnerships formalised or partnership programmes implemented (non-cumulative)	1 area-based or sector based partnerships formalised	0	-		Target was not achieved. There were no area-based or sector based partnerships formalised or programmes or plans implemented in Q2 of 2017/18 financial year.
			UJ School of Architecture - Design Studio in Inner City / Corridor				The sector based partnership process is underway; as soon as the MoU contract its finalised with UJ School of Architecture; a progress report will be presented to JDA EXCO for approval before end of the third quarter of 2017/18 financial year.
	3) Number of projects at concept design phase	16 projects at concept design phase (non-cumulative)	2 projects at concept design phase	1	1		Target was not achieved. The following project did not achieve the Concept Design Phase Target; Jukskei River Environmental Upgrading and Rehabilitation Renewal Bulk Infrastructure ALEXANDRA EXT.1 E.
			1. Alexandra Sports and Youth Development _SAFA Safe Hub Facility		Concept Design Phase Target achieved		Target achieved. The anticipated start date is mid-April 2018.
			2. Jukskei River Environmental Upgrading and Rehabilitation Renewal Bulk Infrastructure ALEXANDRA EXT.1 E		Concept Design Phase Target not achieved		Pre-feasibility studies have been completed. However, there were delays in agreeing the extent of the project and the actual scope of works with the City. The extent has subsequently been agreed upon and preliminary designs are underway. Concepts to be presented to the end-user client and JDA EXCO before the end of the third quarter.


4) Number of. projects at detailed design phase	29 projects at detailed design phase (non-cumulative)	9 projects at detailed design phase	1	8		Target was not achieved. The following 8 projects did not achieve the Detail Design Phase Target: Bezuidenhout Valley Clinic, Furniture and Equipment Renewal Clinic BEZUIDENHOUT VALLEY E Ward, Diepsloot Development Renewal Precinct Redevelopment DIEPSLOOT WES A Regional, Ghandi Square East, Inner City Partnership Fund, Ivory Park UDF_ Development Catalytic Node infrastructure projects, Old Pretoria Road, Randburg CBD: Phase 2, Randburg CBD: Phase 4 & 5.
		1. Bezuidenhout Valley Clinic, Furniture and Equipment Renewal Clinic BEZUIDENHOUT VALLEY E Ward	Detailed Design Phase Target not achieved		Detailed design could not commence as the identified site is not suitable for the approved concept. The project has been put on hold and Health has been requested to consider alternative sites.	
		2. Diepsloot Development Renewal Precinct Redevelopment DIEPSLOOT WES A Regional	Detailed Design Phase Target not achieved		Detail design has been finalised but have not been signed off as yet. The client has requested that the project be align with other projects in vicinity including UN Habitat, EISD projects. The anticipated start date is 09 February 2018 and completion target date is 30 October 2018.	
		3. Ghandi Square East	Detailed Design Phase Target achieved		There were delays in completing the pre-feasibility studies in particular the Transportation Study. Therefore both concept and detailed design could not commence.	
		4. Inner City Core: Phase 4 - Inner City Traders and Managed Lanes	Detailed Design Phase Target achieved		Detailed designs have been completed. Contractor has been appointed.	
		5. Inner City Partnership Fund	Detailed Design Phase Target not achieved		There were delays in completing the pre-feasibility studies. Therefore both concept and detailed design could not commence. The consultation process took longer than originally intended. Concept designs were only submitted for procurement evaluation in December 2017. Project acceleration is in place and detailed designs will be submitted in March 2018 for	




						approval.
		6. Ivory Park UDF_ Development Catalytic Node infrastructure projects				Detailed Design Phase Target not achieved Delays were due to late appointment of the professional team. Concept design is underway and anticipated to be completed in third quarter of 2017/18 financial year. Detail design will commence after concept design approval by COJ Development Planning Department and JDA EXCO.
		7. Old Pretoria Road				Detailed Design Phase Target achieved There was a delay in confirming the operational requirements by the Client Department thus the delays in commencing with the project. Preliminary designs are currently underway. Traffic studies and topographical surveyor have been completed.
		8. Randburg CBD: Phase 2				Detailed Design Phase Target not achieved There was delay in confirming the scope of works, in particular the priority areas in Randburg. This has been resolved and concept design has been finalised. The concept design will be presented to JDA EXCO in February 2018. Detail designs will commence after concept design approval.
		9. Randburg CBD: Phase 4 & 5				Detailed Design Phase Target not achieved Post business plan approval, the project was de-scoped and funding was to be reallocated, hence the project will be removed during the mid-term scorecard adjustment process.
5) Number of contracts awarded	30 contracts awarded (non-cumulative)	15 contracts awarded	2	13		Target was not achieved. The following 14 projects did not achieve the Contract Award Phase Target; Complete Streets: NMT Facilities Linking Railway station Dube, Marafi, Mzimhlophe New Pedestrian Walks DUBE D Regional; CORR - Perth Empire Transit Oriented Development (ToD) corridor - Traffic Impact Assessment (TIA), Stormwater Masterplan and New Construction: Phase 2; Fire Station - Central Fire Station Renewal Building Alterations MARSHALLS OWN F Ward;


							Fordsburg PEU; Ghandi Square; Kliptown Renewal Precinct Redevelopment (Walter Sisulu Square) KLIPSPRUIT EXT.4 D Ward; Mayfair PEU: Phase 1; Pedestrian Bridge Vincent Tshabalala Road New Bulk Infrastructure FAR EAST BANK EXT.9 E; PTF Small Public Transport Facility Design and Construction of Zola Public Transport Facility New Nodal Transport Facilities ZOLA D Regional; PTF: Small Public Transport Facilities: Orange Farm Ext 7 (Region G); Small: Public Transport Facility in Zakariya Park Region G; CORR - Louis Botha Transit Oriented Development (ToD) corridor - Traffic Impact Assessment (TIA), Stormwater Masterplan and New Construction and Upgrading Renewal Transit Oriented Development (ToD) corridor Intervention ORANGE GROVE E Regional; Watt Street Precinct, Wynberg.
			1. Complete Streets: NMT Facilities Linking Railway station Dube, Marafi, Mzimhlophe New Pedestrian Walks DUBE D Regional			Contract Awarded Target not achieved	The tender evaluation process took longer than initially planned due to large number of received bids. However, the evaluation process has now been completed. The recommendation for contractor appointment is being audited by JDA Internal Audit before final approval by the accounting officer. The appointment will be made during the first week of February 2018.
			2. CORR - Louis Botha Transit Oriented Development (ToD) corridor - Traffic Impact Assessment (TIA), Stormwater Masterplan and New Construction and Upgrading Renewal Transit Oriented Development (ToD) corridor Intervention ORANGE GROVE E Regional			Contract Awarded Target not achieved	The tender evaluation process took longer than initially planned due to large number of received bids. However, the adjudication process has now been completed. The recommendation for contractor appointment is being audited by JDA Internal Audit before final approval by the accounting officer.

				The appointment will be made during the first week of February 2018.
		3. CORR - Perth Empire Transit Oriented Development (ToD) corridor - Traffic Impact Assessment (TIA), Stormwater Masterplan and New Construction: Phase 2	Contract Awarded Target not achieved	The tender evaluation process took longer than initially planned due to large number of received bids. However, the evaluation process has now been completed. The recommendation for contractor appointment is being audited by JDA Internal Audit before final approval by the accounting officer. The appointment will be made during the first week of February 2018.
		4. CORR - Turffontein Transit Oriented Development (ToD) corridor - Traffic Impact Assessment (TIA), Stormwater Masterplan and New Construction: Phase 2	Contract Awarded Target achieved	The tender adjudication process has been completed and the contractor has been issued with the Letter of Intent as per the provisions of the MFMA.
		5. Fire Station - Central Fire Station Renewal Building Alterations MARSHALLS TOWN F Ward	Contract Awarded Target not achieved	The Client Department did not confirm budget availability. The project was put on hold until budget is confirmed.
		6. Fordsburg PEU	Contract Awarded Target not achieved	Professional team has been appointed. Stakeholder consultation had to be redone thus the implementation stage has been delayed. Stakeholder consultation has been completed and pre-feasibility studies are underway. The current budget has been reallocated and construction will only commence next financial year. The anticipated start date is 15 April 2018.
		7. Ghandi Square	Contract Awarded Target not achieved	There were delays in confirming the operational requirements by the Client Department. This caused delays in completing the concept stage. The operational requirements have subsequently been confirmed and a concept design is 60% underway. The stations are being designed along Eloff and

				Rissik Streets. The contractor will be appointment in March 2018.
		8. Inner City Eastern Gateway	Contract Awarded Target achieved	Contractor has been appointed and construction is currently underway.
		9. Kliptown Renewal Precinct Redevelopment (Walter Sisulu Square) KLIPSPRUIT EXT.4 D Ward	Contract Awarded Target not achieved	The scope of works on this project was not clear, therefore implementation could not commence. However this has now been resolved and the contractor procurement process is currently underway. The appointment is planned for March 2018.
		10. Mayfair PEU: Phase 1	Contract Awarded Target not achieved	The tender evaluation process took longer than initially planned due to large number of received bids. However, the evaluation process has now been completed. The recommendation for contractor appointment is being audited by JDA Internal Audit before final approval by the accounting officer. The appointment will be made during the first week of February 2018.
		11. Pedestrian Bridge Vincent Tshabalala Road New Bulk Infrastructure FAR EAST BANK EXT.9 E	Contract Awarded Target not achieved	The project has been delayed due to objections from certain community members. Assistance from the three affected ward councillors has been requested and the issues should be addressed be closed by end of January 2018.
		12. PTF Small Public Transport Facility Design and Construction of Zola Public Transport Facility New Nodal Transport Facilities ZOLA D Regional	Contract Awarded Target not achieved	The concept design has been completed and approved by all relevant parties. However, the identified site is zoned and subdivided correctly so detailed design can only commence once the zoning and sub-division issues are addressed.

							The current budget will be reallocated and the project target for this financial year will be revised to detailed design only, by Q4.
		13. PTF: Small Public Transport Facilities: Orange Farm Ext 7 (Region G)				Contract Awarded Target not achieved	<p>The concept design has been completed and approved by all relevant parties. However, the identified site is zoned and subdivided correctly so detailed design can only commence once the zoning and sub-division issues are addressed.</p> <p>The current budget will be reallocated and the project target for this financial year will be revised to detailed design only, by Q4.</p>
		14. Small: Public Transport Facility in Zakariya Park Region G				Contract Awarded Target not achieved	<p>The concept design has been completed and approved by all relevant parties. However, the identified site is zoned and subdivided correctly so detailed design can only commence once the zoning and sub-division issues are addressed.</p> <p>The current budget will be reallocated and the project target for this financial year will be revised to detailed design only, by Q4.</p>
		15. Watt Street Precinct, Wynberg				Contract Awarded Target not achieved	<p>The tender evaluation process took longer than initially planned due to large number of received bids.</p> <p>However, the evaluation process has now been completed. The recommendation for contractor appointment is being audited by JDA Internal Audit before final approval by the accounting officer.</p> <p>The appointment will be made by end of January 2018.</p>
6)	Number of projects at practical completion	35 projects at practical completion (non-cumulative)	1 projects at practical completion	0	1		<p>Target was not achieved.</p> <p>The following project did not achieve the Practical Completion Target as planned; Inner City Core: Phase 3 - Inner City Traders and Managed Lanes</p>



			1. Inner City Core: Phase 3 - Inner City Traders and Managed Lanes			Practical Completion Target not achieved	<p>The practical completion has been delayed due to restriction in working conditions.</p> <p>Currently the contractor can only work at night due to high volumes of informal traders. The production rates at night are lower than during the day and this has contributed significantly to the delay.</p> <p>The revised practical completion date is February 2018.</p>
7)	Number of public environment upgrades to support strategic public transport hubs in the Inner City	3 public environment upgrades to support strategic public transport hubs in the Inner City	0 public environment upgrades to support strategic public transport hubs in the Inner City	0	-		There were no public environment upgrades to support strategic public transport hubs in the Inner City in Q2 of 2017/18 financial year.
8)	Number of Area-Based Precinct Management business plans / frameworks developed or Precinct Management business plans / frameworks programmes implemented	5 Area-Based Precinct Management business plans / frameworks developed or Precinct Management business plans / frameworks programmes implemented	0 Area-Based Precinct Management business plans / frameworks developed or Precinct Management business plans / frameworks programmes implemented	0	-		There were no Area-Based Precinct Management business plans / frameworks developed or Precinct Management business plans / frameworks programmes implemented in Q2 of 2017/18 financial year.
9)	Number of Media Releases Marketing JDA Developments Initiatives	48 Media Releases Marketing JDA Developments Initiatives (non-cumulative)	12 Media Releases Marketing JDA Developments Initiatives	65	+53		<p>Target was achieved.</p> <p>During period under review there was a total of 5 press media release issued and a total of 60 social media posts.</p>

	10) Number of area or project baseline, impact or case study performance assessments completed	6 area or project baseline, impact or case study performance assessments completed (non-cumulative)	0 area or project baseline, impact or case study performance assessments completed	0	-		There were no area or project baseline, impact or case study performance assessments completed in Q2 of 2017/18 financial year.
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Priority 5: Create an honest and transparent City that fights corruption.

National outcome: Outcome 11: Creating a better South Africa and contributing to a better and safer Africa in a better world

Joburg Outcomes: Outcome 5: An honest, transparent and responsive local government that prides itself on service excellence


IDP programme	Key Performance Indicator	Target 2017/18	2017/18 Q2 Target	Actual	Variance	Quarterly Achievement Rating	Explanation of progress, variations and steps to be taken to improve performance (as at end of 31 December 2017)
Increasing forensic investigative capability and controls	Clean audit opinion with a percentage of internal and AG audit findings of the previous financial year resolved ⁴	Clean Audit opinion with 100% of internal and AG audit findings of the previous financial year resolved (cumulative)	30% of internal audit findings resolved 100 % of AG audit findings of the previous financial year resolved	61% 84%	+31% 16%		Target was achieved
	% delivery on reported cases of corruption	100% delivery ⁵ on reported cases of corruption	100% delivery on reported cases of corruption	20%	80%		Target was not achieved. There were five fraud and corruption incidents received during as at mid-year of 2017/18 Two of the cases are being investigated by CoJ investigations services and one case is currently being investigated by JDA Internal Audit and two cases have been closed.

⁴ The findings as contained in the management letter of the previous year


⁵ In terms of the JDA policy and procedures on investigations of Fraud and Corruption

National outcome: Outcome 11: Creating a better South Africa and contributing to a better and safer Africa in a better world							
Joburg Outcomes: Outcome 5: An honest, transparent and responsive local government that prides itself on service excellence							
IDP programme	Key Performance Indicator	Target 2017/18	2017/18 Q2 Target	Actual	Variance	Quarterly Achievement Rating	Explanation of progress, variations and steps to be taken to improve performance (as at end of 31 December 2017)
							The JDA plans to improve internal controls and standardise the disclosure and reporting protocols to ensure that all fraud and corruption cases are reported to JDA Risk Management.

Priority 7: Enhance our financial sustainability.

National outcome: Outcome 9: Responsive, accountable, effective and efficient developmental local government system							
Joburg Outcomes: Outcome 1: A growing, diverse and competitive economy that creates jobs; Outcome 2: Enhanced, quality services and sustainable environmental practices; Outcome 3: An equitable and inclusive society with high quality of life							
IDP programme	Key Performance Indicator	Target 2017/18	2017/18 Q2 Target	Actual	Variance	Quarterly Achievement Rating	Explanation of progress, variations and steps to be taken to improve performance (as at end of 31 December 2017)
Focusing on driving up capital expenditure investment in infrastructure	% budget spent on city-wide infrastructure ⁶	95% budget spent on city-wide infrastructure (cumulative)	20% budget spent on city-wide infrastructure	23.4%	+3.4%		Target achieved.





Priority 8: Encourage innovation and efficiency through the Smart City programme.

National outcome: Outcome 9: Responsive, accountable, effective and efficient developmental local government system							
Joburg Outcomes: Outcome 5: An honest, transparent and responsive local government that prides itself on service excellence							
IDP programme	Key Performance Indicator	Target 2017/18	2017/18 Q2 Target	Actual	Variance	Quarterly Achievement Rating	Explanation of progress, variations and steps to be taken to improve performance (as at end of 31 December 2017)
Focused improvement of ICT equipment and software	Percentage implementation new ERP System (SAP)	95% implementation new ERP System (SAP) ⁷ (cumulative)	35% implementation new ERP System (SAP)	42%	+7%		Target achieved.

⁶ Cumulative and as determined at mid-term adjustment budget

⁷ As defined by implementation plan and change management plan


Day-to-day Programme

National outcome: Outcome 9: Responsive, accountable, effective and efficient developmental local government system							
Joburg Outcomes: Outcome 5: An honest, transparent and responsive local government that prides itself on service excellence							
IDP programme	Key Performance Indicator	Target 2017/18	2017/18 Q2 Target	Actual	Variance	Quarterly Achievement Rating	Explanation of progress, variations and steps to be taken to improve performance (as at end of 31 December 2017)
Other IDP or Day-to Day programmes	% spent on Broad-Based Economic Empowerment through local procurement as a share of total expenditure ⁸	100% spent on Broad-Based Economic Empowerment through local procurement as a share of total expenditure (non-cumulative)	100% spent on Broad-Based Economic Empowerment through local procurement as a share of total expenditure	99%	-1%		Target achieved
	Number of EPWP opportunities as created ⁹	3500 EPWP opportunities created (cumulative)	1500 EPWP opportunities created ¹⁰	1936	+436		Target achieved
	Percentage of SMME expenditure as a share of total expenditure	30% SMME expenditure as a share of total expenditure (non-cumulative)	30% SMME expenditure as a share of total expenditure	26%	-4%		Target achieved
	Percentage spend on JDA operating budget against approved operating budget	95% spend on JDA operating budget against approved	50% spend on JDA operating budget against approved	62%	+12%		Target achieved

⁸ Each service provider’s individual BBBEE rating affects the amount of expenditure the JDA can claim as being from a BBBEE-compliant service provider when calculating its preferential procurement points. The higher the service provider’s rating, the more expenditure can be claimed. If the agency buys from a level 1 service provider, it can claim 135 per cent of the actual expenditure

⁹ Paid work for an individual for any period of time, the same individual can be employed on different projects and each period will be counted as a work opportunity.

¹⁰ Represents a minimum threshold target

		operating budget (cumulative)	operating budget				
	Percentage implementation of the strategic risk management plan findings resolved	95% implementation of the strategic risk management plan findings resolved ¹¹ (cumulative)	35% implementation of the strategic risk management plan findings resolved	47%	+12%		Target achieved

¹¹ From Red and Amber to Green Status

3.6.1 PROGRAMME EXPENDITURE

For period ended 31 December 2017

TABLE 20: EXPENDITURE BY PROGRAMME

Projects per Programme	CAPEX FOR QUARTER			CAPEX YEAR TO DATE				Annual	Budget
	Actual	Budget	Variance	Actual	Budget	Variance	Variance	Budget	Used
	R	R	R	R	R	R	%	R	%
Programme 1: Inner City transformation¹²									
Hillbrow Tower Precinct	15 532 691	1 500 000	R 14 032 691	24 363 934	2 000 000	22 363 934	1 118.20%	10 000 000	243.64%
Inner City Partnership		1 500 000	(1 500 000)		2 000 000	(2 000 000)	(100.00%)	10 000 000	0.00%
Kazerne Parkade	34 791 088	15 000 000	19 791 088	35 080 561	20 000 000	15 080 561	75.40%	100 000 000	35.08%
Inner City Core	6 919 890	7 500 000	(580 110)	11 915 812	10 000 000	1 915 812	19.16%	50 000 000	23.83%
Mayfair PEU	129 323	1 500 000	(1 370 677)	620 226	2 000 000	(1 379 774)	(68.99%)	10 000 000	6.20%
Ghandi Square		1 500 000	(1 500 000)		2 000 000	(2 000 000)	(100.00%)	10 000 000	0.00%
Fordsburg PEU	384 668	1 500 000	(1 115 332)	670 974	2 000 000	(1 329 026)	(66.45%)	10 000 000	6.71%
Park Station Precinct	1 228 420	750 000	478 420	1 133 109	1 000 000	133 109	13.31%	5 000 000	22.66%
Inner City Managed Lanes	286 593	1 500 000	(1 213 407)	286 593	2 000 000	(1 713 407)	(85.67%)	10 000 000	2.87%
Inner City Eastern Gateway Precinct	5 750 094	1 500 000	4 250 094	5 989 949	2 000 000	3 989 949	199.50%	10 000 000	59.90%
Sub-total	65 022 767	33 750 000	31 272 767	80 061 158	45 000 000	35 061 158	77.91%	225 000 000	35.58%
Programme 2: Strategic economic node									
Nancefield Station Precinct	7 966 637	3 000 000	4 966 637	10 557 956	4 000 000	6 557 956	163.95%	20 000 000	52.79%
Louis Botha CoF, TIA, Stormwater Masterplan & New Construction		2 250 000	(2 250 000)		3 000 000	(3 000 000)	(100.00%)	15 000 000	0.00%

¹² Overall project budget forms part of the Inner City fund which includes the various projects. The budgets form part of one pool of funds and any reallocations is still within the budget.

Projects per Programme	CAPEX FOR QUARTER			CAPEX YEAR TO DATE				Annual	Budget
	Actual	Budget	Variance	Actual	Budget	Variance	Variance	Budget	Used
	R	R	R	R	R	R	%	R	%
Rotunda Park Precinct	8 564 032	6 750 000	1 814 032	17 790 224	9 000 000	8 790 224	97.67%	45 000 000	39.53%
Randburg CBD Public Environment Upgrade		4 500 000	(4 500 000)		6 000 000	(6 000 000)	(100.00%)	30 000 000	0.00%
Noordgesig Social cluster	8 054 218	4 500 000	3 554 218	8 704 497	6 000 000	2 704 497	45.07%	30 000 000	29.01%
Patterson Park	15 144 573	7 500 000	7 644 573	15 828 390	10 000 000	5 828 390	58.28%	50 000 000	31.66%
Jabulani Station Precinct		4 500 000	(4 500 000)		6 000 000	(6 000 000)	(100.00%)	30 000 000	0.00%
Jabulani TOD (Phase 5)	27 438 513	11 928 000	15 510 513	29 195 326	15 904 000	13 291 326	83.57%	79 520 000	36.71%
Kliptown Upgrade Programme		2 100 000	(2 100 000)		2 800 000	(2 800 000)	(100.00%)	14 000 000	0.00%
Westbury TDC	4 139 852	4 500 000	(360 148)	9 353 601	6 000 000	3 353 601	55.89%	30 000 000	31.18%
Turffontein CoF, TIA, Stormwater Masterplan & New Construction	16 989 267	9 000 000	7 989 267	25 893 213	12 000 000	13 893 213	115.78%	60 000 000	43.16%
Perth Empire CoF, TIA, Stormwater Masterplan & New Construction	4 418 457	11 250 000	(6 831 543)	12 190 992	15 000 000	(2 809 008)	(18.73%)	75 000 000	16.25%
Corridor Branding - Public Art	518 712	750 000	(231 288)	518 712	1 000 000	(481 288)	(48.13%)	5 000 000	10.37%
Brixton Social Cluster	325 690	5 250 000	(4 924 310)	325 690	7 000 000	(6 674 310)	(95.35%)	35 000 000	0.93%
Brixton MPC		900 000	(900 000)		1 200 000	(1 200 000)	(100.00%)	6 000 000	0.00%
Milpark Precinct Development: Pedestrian Bridge	202 247	2 625 000	(2 422 753)	202 247	3 500 000	(3 297 753)	(94.22%)	17 500 000	1.16%
Milpark Precinct NMT Phase 1	7 566 134	1 500 000	6 066 134	10 000 000	2 000 000	8 000 000	400.00%	10 000 000	100.00%
Westbury Renewal	23 214 150	6 000 000	17 214 150	30 009 120	8 000 000	22 009 120	275.11%	40 000 000	75.02%

Projects per Programme	CAPEX FOR QUARTER			CAPEX YEAR TO DATE				Annual	Budget
	Actual	Budget	Variance	Actual	Budget	Variance	Variance	Budget	Used
	R	R	R	R	R	R	%	R	%
Precinct NMT									
Fleurhof Urban Development Framework		300 000	(300 000)		400 000	(400 000)	(100.00%)	2 000 000	0.00%
Westbury Phase 3: Westdene Dam NMT ¹³	7 966 157	1 500 000	6 466 157	11 176 162	2 000 000	9 176 162	458.81%	10 000 000	111.76%
Sub-total	132 508 639	90 603 000	41 905 639	181 746 130	120 804 000	60 942 130	50.45%	604 020 000	30.09%
Programme 3: Public infrastructure delivery									
Diepsloot Precinct Redevelopment	1 088 631	3 000 000	(1 911 369)	1 456 131	4 000 000	(2 543 869)	(63.60%)	20 000 000	7.28%
Rabie Ridge Multi-purpose Centre	8 088 188	1 500 000	6 588 188	12 651 964	2 000 000	10 651 964	532.60%	10 000 000	126.52%
Claremont Renewal Clinic	579 339	3 334 500	(2 755 161)	1 140 726	4 446 000	(3 305 274)	(74.34%)	22 230 000	5.13%
Florida Clinic	6 643 980	3 334 500	3 309 480	6 978 951	4 446 000	2 532 951	56.97%	22 230 000	31.39%
Ebony Park	14 080 116	3 334 500	10 745 616	14 669 601	4 446 000	10 223 601	229.95%	22 230 000	65.99%
Naledi Clinic	408 051	150 000	258 051	660 420	200 000	460 420	230.21%	1 000 000	66.04%
Bezuidenhout Valley Clinic	155 014	1 020 000	(864 986)	517 799	1 360 000	(842 201)	(61.93%)	6 800 000	7.61%
Braamfisherville - Internal Roads and Stormwater (housing)	17 181 086	4 500 000	12 681 086	22 703 266	6 000 000	16 703 266	278.39%	30 000 000	75.68%
Protea South Clinic		150 000	(150 000)		200 000	(200 000)	(100.00%)	1 000 000	0.00%
Lehae Training Academy	3 338 649	900 000	2 438 649	3 338 649	1 200 000	2 138 649	178.22%	6 000 000	55.64%
Lehae Fire Station	12 810	786 000	(773 190)	12 810	1 048 000	(1 035 190)	(98.78%)	5 240 000	0.24%
Phase 1C Stations	4 172 178	19 057 500	(14 885 322)	5 813 265	25 410 000	(19 596 735)	(77.12%)	127 050 000	4.58%

¹³ Project forms part of the overall Westbury project budget. Project is still within budget and reallocations after the mid-year adjustment process was requested on the sub-projects.

Projects per Programme	CAPEX FOR QUARTER			CAPEX YEAR TO DATE				Annual	Budget
	Actual	Budget	Variance	Actual	Budget	Variance	Variance	Budget	Used
	R	R	R	R	R	R	%	R	%
NMT									
Land Acquisition	188 580	1 575 000	(1 386 420)	1 182 036	2 100 000	(917 964)	(43.71%)	10 500 000	11.26%
Selby BRT Bus Depot Phase 2	9 435 221	14 175 000	(4 739 779)	9 435 221	18 900 000	(9 464 779)	(50.08%)	94 500 000	9.98%
Gandhi Square Terminal	233 888	3 150 000	(2 916 112)	233 888	4 200 000	(3 966 112)	(94.43%)	21 000 000	1.11%
Alex Loop	861 803	6 300 000	(5 438 197)	1 301 774	8 400 000	(7 098 226)	(84.50%)	42 000 000	3.10%
Phase 1C Landscaping		784 500	(784 500)		1 046 000	(1 046 000)	(100.00%)	5 230 000	0.00%
Phase 1C Section 15 Roadworks Phase 2	258 668	14 175 000	(13 916 332)	6 618 572	18 900 000	(12 281 428)	(64.98%)	94 500 000	7.00%
Sandton Loop Project	14 775 802	2 362 500	12 413 302	21 879 452	3 150 000	18 729 452	594.59%	15 750 000	138.92%
Old Pretoria Road	1 321 261	472 500	848 761	1 408 048	630 000	778 048	123.50%	3 150 000	44.70%
Zakariya Park Public Transport Facility	1 070 164	3 300 000	(2 229 836)	1 070 164	4 400 000	(3 329 836)	(75.68%)	22 000 000	4.86%
Roodeport Holding Facility	438 313	375 000	63 313	438 313	500 000	(61 687)	(12.34%)	2 500 000	17.53%
Zola Public Transport Facility		3 750 000			5 000 000			25 000 000	
Orange Farm Ext 7 Public Transport Facility	1 268 789	3 750 000	(2 481 211)	1 268 789	5 000 000	(3 731 211)	(74.62%)	25 000 000	5.08%
Section 15 J Heritage walkway and roadworks	9 939 899	3 780 000	6 159 899	18 388 748	5 040 000	13 348 748	264.86%	25 200 000	72.97%
Great Walk Bridge 15I	11 852 528	4 725 000	7 127 528	11 852 528	6 300 000	5 552 528	88.14%	31 500 000	37.63%
Driezik Public Transport Facility	350 158	3 750 000	(3 399 842)	350 158	5 000 000	(4 649 842)	(93.00%)	25 000 000	1.40%
Section 15K Watt Street Interchange	854 330	3 150 000	(2 295 670)	854 330	4 200 000	(3 345 670)	(79.66%)	21 000 000	4.07%
ITS (Sleeves &)		4 725 000	(4 725 000)		6 300 000	(6 300 000)	(100.00%)	31 500 000	0.00%

Projects per Programme	CAPEX FOR QUARTER			CAPEX YEAR TO DATE				Annual	Budget
	Actual	Budget	Variance	Actual	Budget	Variance	Variance	Budget	Used
	R	R	R	R	R	R	%	R	%
Optic)									
Alexandra Depot		3 150 000	(3 150 000)		4 200 000	(4 200 000)	(100.00%)	21 000 000	0.00%
Greenstone Terminal		787 500	(787 500)		1 050 000	(1 050 000)	(100.00%)	5 250 000	0.00%
Parkstation Terminal		787 500	(787 500)		1 050 000	(1 050 000)	(100.00%)	5 250 000	0.00%
Ivory Park UDF		1 275 000	(1 275 000)		1 700 000	(1 700 000)	(100.00%)	8 500 000	0.00%
Tshepisoong Public Transport Facility		225 000	(225 000)		300 000	(300 000)	(100.00%)	1 500 000	0.00%
Sandton Gautrain Terminal		787 500	(787 500)		1 050 000	(1 050 000)	(100.00%)	5 250 000	0.00%
NMT Facilities Linking	802 846	1 950 000	(1 147 154)	802 846	2 600 000	(1 797 154)	(69.12%)	13 000 000	6.18%
Greenside Park and Ride Facility		225 000	(225 000)		300 000	(300 000)	(100.00%)	1 500 000	0.00%
Watt Street Wynberg	3 311 497	9 330 000	(6 018 503)	3 311 497	12 440 000	(9 128 503)	0.00%	62 200 000	5.32%
Sub-total	112 711 789	133 884 000	(17 422 211)	150 339 946	178 512 000	(23 172 054)	(12.98%)	892 560 000	16.84%
Programme 4: Greater Alex and Alexandra Renewal									
Fire Station Alexandra		300 000	(300 000)		400 000	(400 000)	(100.00%)	2 000 000	0.00%
Alexandra Sports and Youth Development: SAFA Safe Hub Facility	225 745	1 275 000	(1 049 255)	225 745	1 700 000	(1 474 255)	(86.72%)	8 500 000	2.66%
Vincent Tshabalala Pedestrian Bridge		1 500 000	(1 500 000)		2 000 000	(2 000 000)	(100.00%)	10 000 000	0.00%
Jukskei River Environmental Upgrading and Rehabilitation		1 050 000	(1 050 000)		1 400 000	(1 400 000)	(100.00%)	7 000 000	0.00%
Refuse Bins		45 000	(45 000)		60 000	(60 000)	(100.00%)	300 000	0.00%

Projects Programme	CAPEX FOR QUARTER			CAPEX YEAR TO DATE				Annual	Budget
	Actual	Budget	Variance	Actual	Budget	Variance	Variance	Budget	Used
	R	R	R	R	R	R	%	R	%
Sub-total	225 745	4 170 000	(3 944 255)	225 745	5 560 000	(5 334 255)	(95.94%)	27 800 000	0.81%
Programme 5: Good Governance, Management and Administration									
Operational Capex	600 488	1 500 000	(899 512)	611 997	2 000 000	(1 388 003)	(69.40%)	10 000 000	6.12%
Sub-total	600 488	1 500 000	(899 512)	611 997	2 000 000	(1 388 003)	(69.40%)	10 000 000	6.12%
TOTAL	311 069 427	263 907 000	50 912 427	412 984 976	351 876 000	66 108 976	18.79%	1759 380 000	23.4%

3.6.2 ECONOMIC DEVELOPMENT

A cluster of the JDA’s economic development programmes that aims to (i) Develop skills and capacity within the construction industry in Johannesburg (ii) Optimise the JDA’s contribution to inclusive economic growth and empowerment, and the transformation of the construction industry; and (iii) establish a monitoring and reporting system to measure the impact of the JDA’s managing contractor development programme.

TABLE 21: EPWP PERFORMANCE

JDA Programme	Q1 Number of EPWP Work Opportunities Reported	Additional Q1 Number of EPWP Work Opportunities recorded	Q1 Number of EPWP Work Opportunities Reconciled	Q2 Number of EPWP Work Opportunities	Mid-Year Number of EPWP Work Opportunities
1	116	10	126	115	241
2	211	324	535	321	856
3	363	265	628	155	783
4	50	0	50	6	56
Total	740	599	1339	597	1936

3.6.3 GOOD GOVERNANCE, MANAGEMENT AND ADMINISTRATION

This programme manages the governance, admin and operational functions and improves efficiency through Finance, Governance, Risk and Compliance, Supply Chain Management and IT.

SECTION 7: SUPPLY CHAIN MANAGEMENT

The JDA’s supply chain management policy uses committee systems for the procurement of services and goods above specified limits. Existing committees include the:

- Bid Specification Committee
- Bid Evaluation Committee
- Bid Adjudication Committee.

There are two bid adjudication committees, capital expenditure and the other for operating expenditure:

- The Capital Expenditure Bid Adjudication Committee members include the Chief Financial Officer (chairperson), two Senior Development Managers (whose bid is not being adjudicated on), the Risk and Compliance Manager, the Executive Manager: Development Facilitation and the Supply Chain Manager.
- The Operating Expenditure Bid Adjudication Committee includes the Chief Financial Officer (chairperson), the Supply Chain Manager, and the Executive Manager: Marketing, the IT Manager, and the Risk and Compliance Manager. Neither committee is authorised to make procurement decisions above R10 million.

Supply chain deviations and approval

According to regulation 36(1)(a) of the Municipal Supply Chain Management Regulations, the accounting officer may dispense with normal procurement processes and procure the required goods or services through any convenient process, which may include direct negotiations, but only:

- In an emergency

- If goods or services are available from a single supplier
- If acquiring special works of art
- If acquiring animals for zoos
- In any other exceptional case where it is impossible or impractical to follow official procurement processes.

To give effect to regulation 36, the CoJ’s supply chain management policy allows the accounting officer to deviate from normal procurement processes under the circumstances outlined above. In terms of regulation 36(1) (b), the accounting officer may ratify any minor breaches of the procurement processes by an official or a committee acting in terms of delegated powers that are of a purely technical nature.

The accounting officer ratified the following deviations for the period under review:

- The deviation from obtaining at least a minimum of three written quotations in terms of Regulation 16, 17 and 18 of the MFMA Act 56 of 2003. The accounting officer ratified a minor breach in the supply chain process for the appointment of service providers through the request for quotation process where less than the minimum three quotations were received. In the current financial year there were various service providers appointed where multiple quotations were requested. However less than three quotations were returned to a combined value of R 57 805 (Excluding VAT) which related to nine different instances. This combined total includes the request for quotations from the approved panel of service providers.
- According to Regulation 44 of the Municipal Supply Chain Management Regulations the regulation prohibits municipal entities from awarding contracts to a person who is in the service of the state. To date the JDA has not awarded any contract to a person who is in the employment of the state.

SECTION 8: BLACK ECONOMIC EMPOWERMENT

The JDA reports on the BBBEE share of both actual expenditure and contractual commitments for all active contracts. The table below shows the BBBEE share of capital and operating expenditure. For the period 01 July 2017 to 31 December 2017, the overall BBBEE share of expenditure was R 396 126 247. This translates into an achievement of 99% BBBEE claimed against year to date expenditure.

TABLE 22: SUMMARY OF BBBEE EXPENDITURE

Description	Mid-Year 2017/18		
	Total Expenditure	BBBEE Claimed	BBBEE %
Capex ¹⁴	R 378 444 547	R 370 008 013	98%
Opex ¹⁵	R 30 181 284	R 26 118 234	87%
Consolidated Opex and Capex	R 408 625 831	R 396 126 247	97%

The JDA uses various criteria for calculating the BBBEE claimed. Each service provider’s individual BBBEE rating affects the amount of expenditure the JDA can claim as being from a BBBEE-compliant service provider when calculating its preferential procurement points. The higher the service provider’s rating, the more expenditure can be claimed. If the agency buys from a level 1 service provider, it can claim 135% of the actual expenditure.

¹⁴ The reason why there is a difference in total expenditure and expenditure claimed for BBBEE is that the JDA’s 5% Development Fee has been excluded

¹⁵ Excludes Salaries, Depreciation and Interest

For example, if the JDA spends R10 000 with a level 1 service provider, it can claim R13 500 as BBBEE spend. If it spends R10 000 with a level 6 service provider, it can only claim R6 000. The JDA only claims 100% for service providers with BBBEE level 1 to 4 and 80 percent, 60 percent, 50 percent and 10 percent for service providers with BBBEE level 5 to 8 respectively.

The JDA confirms the validity of BBBEE certificates by verification agencies by tracing the name of the agency to the South African National Accreditation System’s list of accredited agencies.

Each BBBEE level is translated into a BBBEE score reflected as a percentage. For example, BBBEE level 6 equals 60%, while BBBEE level 1 equals 135%.

TABLE 23: BBBEE POINTS

B-BBEE Status Level Of Contributor	B-BBEE Recognition	Number of Points	
		Tenders up to R30,000 R50 million	Tenders above R50+ million
1	135%	20	10
2	125%	18	9
3	110%	14	6
4	100%	12	5
5	80%	8	4
6	60%	6	3
7	50%	4	2
8	10%	2	1
Non-Compliant contributor	0%	0	0

SECTION 9: ENTERPRISE / SMME DEVELOPMENT

In line with national development and shared growth imperatives, the CoJ recognises that creating jobs and ensuring that SMMEs have access to procurement opportunities are essential elements of an economically viable city.

Over the years, the JDA has established processes and practices to support job creation and enterprise and skills development for previously disadvantaged groups, including black people, women, youth and people with disabilities. But the impact of these processes and practices have not been adequately measured and reported on in the past. The agency has also recognised the need to consolidate and extend these practices by designing and implementing a programme that will drive the achievement of empowerment objectives, and align projects and approaches to address the challenges facing previously disadvantaged enterprises.

The enterprise development programme is made up of the following components:

- **Emerging contractor development** for SMMEs working on JDA projects (both subcontractors and those contracted directly by the JDA). This includes general training.
- Training on **winning business** for SMMEs (with a focus on unsuccessful bidders identified through the JDA tender process).

The JDA reports on the SMME share of both actual expenditure and contractual commitments for all active contracts. The table below shows the SMME share of capital and operating expenditure. The SMME share of JDA’s operating and capital expenditure was R 102 272 830 for the period 01 July 2017 to 31 December 2017. This constitutes an achievement of 26% for the period under review.

TABLE 24: SUMMARY OF SMME EXPENDITURE¹⁶

Description	Mid-Year 2017/18	
	SMME Expenditure	SMME %

¹⁶ Note: Any discrepancies between this table and the financial statements are due to timing differences between when the expenditure is captured in the Development Information Management System and the report on actual invoices paid. These variances are not significant and the ratios remain valid.

Description	Mid-Year 2017/18	
	SMME Expenditure	SMME %
Capex	R 88 942 523	24%
Opex	R 13 330 307	44%
Consolidated Opex and Capex	R 102 272 830	26%

SECTION 10: STATEMENT ON AMOUNTS OWED BY AND TO GOVERNMENT DEPARTMENTS AND PUBLIC ENTITIES

This measures effective debtor management and an assessment of the amounts owing by the various Government departments and entities.

TABLE 25: AMOUNTS OWED BY AND TO GOVERNMENT DEPARTMENTS AND PUBLIC ENTITIES

Name of department	Balance	Comments
	R' 000	
City of Johannesburg - CAM & USDG	29 376	Balance relates mainly to current claims
City of Johannesburg - Department of transportation and planning	388 962	At least 80% of balance relates to claims from the 2016/17 financial year. Although some of the claims have been settled, the remaining balance is still outstanding.
City of Johannesburg - EMS	32 837	Balance mainly relates to amounts outstanding since 2016/17 financial year.
City of Johannesburg - Department of Health	30 502	At least 70% of balance relates to claims from the 2016/17 financial year. Although some of the claims have been settled, the remaining balance is still outstanding. The Department is currently in the process of settling the balance.
City of Johannesburg - GSPCR	3 185	Balance mainly relates to amounts outstanding since 2016/17 financial year. Through discussions with the departments, the balance is expected to be settled in the third quarter of the year.
City of Johannesburg - Other departments (Department of Economic Development, Department of Housing, Department of Social Development, Department of Community Development, Johannesburg Roads Agency (SOC) Ltd)	51 396	Balance mainly relates to amounts outstanding for longer than 30 days. Majority of the balance relates to claims for June 2017 submitted and accrued for in July 2017. Through discussions with the various departments, most of the balances are expected to be settled in the third quarter of the year.
Total	536 257	

CHAPTER 4: HUMAN RESOURCES & ORGANISATIONAL MANAGEMENT

SECTION 1: HUMAN RESOURCE MANAGEMENT

The JDA aims to be the employer of choice in its field. This is supported by the JDA's overall objective, as set out in its Employment Policy, to ensure that its employment practices and remuneration policies motivate and retain talented employees and create an attractive work environment. The JDA periodically reviews all its employment policies and practices in line with applicable prescripts to ensure that it remains relevant and practical for the changing world of work and is attractive to potential employees.

Until recently the JDA was a non-unionised work environment. Since November 2016, the JDA has started with IMATU (Independent Municipal and Allied Trade Union) membership subscriptions. JDA respects and promotes the exercise of employment laws.

The revised JDA staff establishment and organogram was approved by the Board on the 28th of August 2017. It has a total of 122 positions.

Of the 122 positions, 29 are vacant, 20 of which are unfunded, and will be kept in abeyance until funds become available.

In terms of physical location, 83 employees, including 2 learners (not represented on the organogram) are based at the JDA Head Offices in Newtown, while 10 are based at the JDA Sandton Offices.

In the approved organogram, there are thirteen (13) new positions, which have been identified as critical in terms of addressing capacity constraints in critical areas.

The structure includes:

- Top Management consists of level 1 and 2 which accounts for the CEO and Executive Management Committee team i.e. the Chief Executive Officer, the Chief Financial Officer, the Executive Manager: Development Implementation, the Executive Manager: Planning and Strategy, the Executive Manager: Development Facilitation, the Executive Manager: Marketing and Communications and the Executive Manager: Corporate Services, the Chief Audit Executive and the Company Secretary, who both report to the Board.
- Senior Management consists of level 3 and 4 comprising Senior Development Managers, Executive Support Manager, Monitoring and Evaluation Manager, Internal Audit Manager, Finance Manager, Budget Manager, Supply Chain Manager, Communications Manager, Marketing and Communications Manager, Human Resources Manager, IT Manager, Risk and Compliance Manager, Legal Manager, Manager: Stakeholder Relations, Enterprise Development Manager, Planning Manager, Development Facilitation Manager and Development Managers.
- Professional and Middle Management consists of level 5 and 6, comprising Personal Assistants, Coordinators, Accountants, Accounts Payable Officers, SCM Officer, Marketing Business Partners, HR Business Partners, Assistants Development Managers, Internal Auditors, Risk and Compliance Officer, Legal Officer, Monitoring and Evaluation Data Information Officer, IT Support Officer, IT & IS Administration Officer, SCM Coordinators and Fixed Asset Register Officer.
- Skilled technical, academically qualified and junior management are level 7 and 8, comprising Learners, General Worker, Drivers and Housekeepers.

Learnership Programme

The learnership programme provides an opportunity for learners to acquire practical work experience in their field of expertise, as well as all other operational areas of the JDA. It also provides an opportunity for learners to get a practical feel of the work environment. It is for this reason that the JDA fully supports and subscribes to a learnership program.

There are currently two (2) learners at the JDA, both of whom are based in the Internal Audit department. The JDA continues to look for ways of expanding the learnership programme by looking into an expanded Graduate Program for all other functions.

Injuries, sickness and suspensions

The Basic Conditions of Employment Act 75 of 1997, is a statutory instrument that provides guidelines for basic conditions of employment, critical among them being an employee’s right to take leave .To ensure proper management of leave, the JDA has implemented an employee self-service web platform which allows employees to electronically apply for leave, as well as obtain electronic approvals on their leave application. The table below provides statistics of sick leave taken in this financial year.

These statistics exclude ten (10) employees who are located at the Sandton offices, due to the fact that they are not on the JDA payroll, as they are paid through the City of Johannesburg payroll. The ten (10), employees were seconded to the JDA, with an intercompany transfer to the JDA.

TABLE 26: COST OF SICK LEAVE – EMPLOYEES ON JDA PAYROLL ONLY (1 OCTOBER – 31 DECEMBER 2017)

Salary band	Total sick leave	Proportion of sick leave without medical certificate	Employees using sick leave	Total employees in post	Average sick leave per employee	Estimated cost
	Days	%	No.	No.	Days	R 000
Top management	0	0	0	0	0	0
Executive management (including chief audit executive)	0	0	0	5	0	0
Senior management	30	0	4	18	1.66	116 471.66
Middle management	6	0	3	27	0.22	13 989.98
Skilled technical/junior management	34	0	14	27	1.25	62 309.40
Semi-skilled	2	0	1	3	0.66	470
Unskilled	5	0	4	6	0.83	1 992.56
TOTAL	77	0	26	86	4.62	195 233.60

SECTION 2: EMPLOYEE REMUNERATION (TOTAL COSTS INCLUDING EXECUTIVES)

The total remuneration costs for the period under review were R 23 552 928.93 (includes the pension fund). The JDA participates in two retirement benefit schemes: eJoburg Retirement Fund (81 permanent employees)

and City of Johannesburg Pension Fund (1 permanent employee). The total contribution for Group Life Cover for the JDA employees and directors, in this quarter is, R 332 476.20.

SECTION 3: KEY VACANCIES

With regards to Executive Management, the recruitment process for the Chief Executive Officer, the Chief Financial Officer, Executive Manager: Corporate Services and Executive Manager: Marketing and Communications is currently underway. The recruitment process is at various stages, with finalisation of appointments expected by the end of the third quarter of the 2017/2018 financial year. Risk and Compliance Officer has been appointed and commences in January 2018. The preferred Enterprise Development Manager candidate has been selected and offer readied. It is the intention of Human Resources to ensure vacancies are filled within 90 days of being vacated to ensure that there is sufficient capacity to deliver on the JDA's expanded mandate at all times.

TABLE 26: STAFF ESTABLISHMENT

Description	2017/18				
	Approved no. of posts per approved organogram	Additions to the structure	No. of employees	No. of vacancies	% of vacancies
Top management level	1	0	0	1	100%
Executive management	8	0	5	3	37%
Senior management	19	0	18	1	5%
Middle management	52	1	33	19	36%
Skilled technical/junior management	30	9	26	4	6%
Semi-skilled	4	3	3	1	25%
Unskilled housekeepers/cleaners	6	0	6	0	0%
Intern / Learners	2	0	2	0	0%
Total	122	13	93	29	24%

Turnover rates from 2016/17 to 2017/18

The basis for turnover rates is annual. For period under review staff turnover is 3%.

Percentages of staff turnover in the financial year range 2010/2011 to 2015/2016 are between 5% and 16%, with the lowest being in the 2012/2013 financial year and the highest being 2014/2015 financial year.

- CEO Resignation
- Risk and Compliance Officer
- Development Facilitation Manager

TABLE 27: ANNUAL TURNOVER RATE

Details	Total appointments at beginning of financial year	Terminations during financial year (YTD)	Turnover rate
	No.	No.	%
2017/18	96	3	3%

Retention Initiatives

The JDA remains committed to developing strategies to mitigate resignations through various initiatives, which seek to make the JDA an employer of choice by way of offering competitive market related remunerations structures to promote staff retention as follows:

- Structured interventions for employee development.
- Periodic Salary Benchmarking to ensure alignment and best practice with industry remuneration packages along with participation with CoJ initiatives on pay parity.
- Accelerated interventions targeted at continuous improvement on employee relations and employee engagement.

SECTION 4: EMPLOYMENT EQUITY

The JDA is committed to the principles of equity, non-discrimination and diversity enshrined in the Constitution and the Employment Equity Act (1998) as amended. It aims to employ a diverse staff complement which is of a geographical representation of our society and create equal employment opportunities to all.

The JDA's Employment Equity Policy and Plan aims to advance and protect previously disadvantaged individuals by providing opportunities for career advancement, growth, training and development. The Executive Committee and Human Resources and Remuneration Committee provide regular input into the organisation's employment equity, practices strategies direction and initiatives.

The Employment Equity Plan which was developed previously will be revaluated by the newly established EE Committee to promote an environment and culture that supports open communication, where everyone is encouraged to express their views without fear of being victimised, and to ensure fair and consistent application and implementation of all employment practices and procedures. Structures such as an Employment Equity Committee and Nominated Shop Stewards have been put in place to coordinate and monitor employment equity implementation across the organisation.

The JDA Human Resources undertakes an annual review of its employment equity processes and general employment practices to inform the implementation of the Employment Equity Plan.

The JDA Human Resources plans its annual employment equity targets in terms of its Employment Equity Policy and reports to the Department of Labour in accordance with the provisions of the Employment Equity Act and within legislated timeframes.

TABLE 28: EE COMMITTEE MEMBERS

Employee	Department	Level	Gender	Race
Mbali Ngaleka	Portfolio C	ADM	Female	African
Zanele Kabini	Internal Audit	Internal Auditor	Female	African
Rhoda Damba	Planning and Strategy	Coordinator	Female	Coloured
Tumang Bokaba	Human Resources	Manager	Male	African
Yasmeen Dinath	Planning and Strategy	Manager	Female	Indian
Veronica Maripa	ICT	Administrator	Female	African
Adam Goldsmith	Office of the CEO	Manager: Executive Support	Male	White
Joy Jacobs	Development Implementation	Manager	Female	White
Lwazi Sikiti	Development Facilitation	Manager	Male	African
Thabiso Ngoepe	Finance	Accountant	Male	African
Nomalizo Xabana	Marketing and	Administrator	Female	African

Employee	Department	Level	Gender	Race
	Communication			
David Sandini	Facilities	General Worker	Male	African
Mbali Ngaleka	Development	Administrator	Female	African

TABLE 29: EMPLOYMENT EQUITY DEMOGRAPHICS STATUS FOR PERIOD UNDER REVIEW

Occupational Levels									Foreign Nationals		Total
	Male				Female				Male	Female	
	A	C	I	W	A	C	I	W			
Top management	0	0	0	0	0	0	0	0	0	0	0
Executive Management	2	0	0	2	1	0	0	0	0	0	5
Senior Management	5	1	1	2	7	0	2	0	0	0	18
Professionally qualified and experienced specialists and mid-management	11	0	0	1	13	2	1	2	0	0	30
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	8	0	0	0	17	1	2	1	0	0	29
Semi-skilled and discretionary decision making	1	0	0	0	2	0	0	0	0	0	3
Unskilled and defined decision making	2	0	0	0	4	0	0	0	0	0	6
Total Permanent	29	1	1	5	44	3	5	3	0	0	91
Temporary employees(learner)	0	0	0	0	2	0	0	0	0	0	2
Grand Total	29	1	1	5	46	3	5	3	0	0	93

The JDA targets and achievements for period under review:

- 80% of employees are black (target: 80%).
- 61 % of employees are female (target: 45%).
- 30% of employees who are black women are in management positions
- 2% of the JDA has employees have physical disabilities. This percentage is equal to the COJ’s strategic target of 2%.

The JDA is committed to improve the percentage representation of people from designated groups across all occupational categories.

TABLE 30: STAFF MOVEMENTS

Staff movements	African		Coloured		Indian		White		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Appointments	1	4	0	0	0	0	1	1	7

Staff movements	African		Coloured		Indian		White		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Dismissals	0	0	0	0	0	0	0	0	0
Retirements	0	0	0	0	0	0	0	0	0
Absenteeism	0	0	0	0	0	0	0	0	0
Termination/other	2	0	0	0	0	0	1	0	3
TOTAL	3	4	0	0	0	0	2	1	10

SECTION 5: SKILLS DEVELOPMENT AND TRAINING

The JDA is committed to employee training and development, ensuring variety of skills set, thus building a pool of competent employees. It aims to provide an integrated learning experience to its employees that will strengthen their commitment to the organisation’s values, enhance leadership capability and improve the JDA’s capacity to meet current and future business requirements.

The JDA’s Learning Strategy is based on four pillars:

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

The JDA has created a culture of both on-the-job and off-the-job learning, which is embraced by all employees. This is illustrated by 60% submission rate of Individual Learning Plans.

An ILP is both a document and a process that employees use – with support from Line management and Human Resources to address areas of development and to define their career goals throughout their employment at the JDA. Training, which is part of Human Resources Development, is an on-going process of improving employees’ knowledge, skills and attitude to enhance job performance, create opportunities for growth and advance careers.

The JDA funds appropriate Human Resources Development programmes that are practical and outcomes-based. It also supports employees who wish to attain further qualifications to improve their productivity and career enhancement.

A budget of R 627, 882.00 has been allocated for training and development for the 2017/18 financial year. The actual expenditure for period under review is R 187 422.62 The JDA supports the attainment of further educational qualifications by employees in order to improve their productivity. All training interventions were provided as part and parcel of the approved individual learning plans.

SECTION 6: PERFORMANCE MANAGEMENT

The JDA views performance management as an integral part of the JDA’s business strategy which ensure that employees deliver on the agreed scorecard and excellent performers are rewarded accordingly.

The JDA uses a scorecard to evaluate employee performance. Individual performance indicators are linked to the JDA’s objectives and the CoJ’s integrated development plan scorecard. Objectives that reinforce the culture of governance and risk management among managers are also included.

As part of continuous employee development, coaching, mentorship and training interventions are implemented to assist employee to perform to the required performance standard.

Despite the JDA’s increasing budget allocation and portfolio, which has put strain on employees’ performance, the JDA will continue to implement measures to improve its operational effectiveness in the 2017/18 financial year.

SECTION 7: DISCIPLINARY MATTERS AND OUTCOMES

A single employee is currently suspended and the disciplinary inquiry is underway. The matter will continue into the third quarter.

TABLE 31: DISCIPLINARY MATTERS

Employee	Department	High-level Summary
Accountant	Finance	The matter deals with a role this employee allegedly played in another disciplinary case.

SECTION 8: LEAVE AND PRODUCTIVITY MANAGEMENT

The JDA is committed to the effective management of leave for its employees, and all Line Managers have an obligation to ensure effective planned leave management within their respective Departments.

The following table gives an analysis of the various leave types and how they were utilised by JDA employees in the period under review. Annual leave with a total of 279 days, with sick leave with a total of 159 days, Study Leave being the third most utilised leave type, with a total of 50 days and Family Responsibility Study leave being the least utilised leave type, with a total of 25 days.

TABLE 32: LEAVE ANALYSIS – MID-YEAR PERFORMANCE 2017/18

Type of Leave	July 2017	August 2017	September 2017	October 2017	November 2017	December 2017	Total
Annual Leave	77	22	46	36	53	45	279
Sick Leave	32	39	11	53	24	0	159
Family Responsibility	14	18	6	5	3	0	46
Study Leave	17	4	4	2	23	0	50
Total	140	83	67	96	103	45	534

SECTION 9: EMPLOYEE WELLNESS

The JDA is committed to maintaining a healthy workforce and providing a safe and hygienic working environment. The JDA’s Employee Wellness Programme, which is outsourced to ICAS, offers behavioural risk management, free trauma counselling and free legal and financial advice for all employees. ICAS provides a confidential, 24-hour personal support and information service, which employees, as well as their partners and immediate family, may access through a toll-free number for assistance with health, financial, legal and other issues.

The JDA receives statistical information on the issues discussed to enable it to identify and implement solutions to the particular issues raised. The identities of the employees who use this service remain strictly confidential.

The JDA holds Wellness Day events every quarter. Employees can have their basic health assessed and receive feedback and guidance on corrective measures and counselling.

The overall objective therefore of the employee wellness programme is to improve the quality of life of all its employees through the provision of quality, sustainable and lifelong Wellness Programmes that work towards the holistic development and support of all employees in a professional and confidential manner, while providing support and assistance to alleviate the impact of everyday work, personal and family challenges.

The Quarter 1 Wellness Day showed a total of 25 employees out of the 96 employees accessed the Wellness services provided. This number accounts for 26% of the JDA's total employee population. Of the 25 employees, 68% were Female, whilst 32% were Male. The minimum uptake for a Wellness day is 50 participants in order for detailed statistics to be reported, therefore the participation rate was below the minimum required to generate statically reliable reporting. The level of participation is noted and is a worrying concern for Human Resources; as such Human Resources in partnership with ICAS are currently looking at the reasons for low participation in the wellness programme.

The idea is to increase participation through a set of comprehensive interventions that are aimed at gradually increasing participation in the wellness programme. The JDA also realizes that this will only be achieved if it continues to value and care for its employees, and takes the management of people issues and risks in the organization seriously through increased employee engagement.

In Quarter 2 the JDA had a Wellness Day on 1 December 2017. . A total of 32 employees attended the wellness day.

SECTION 10: OCCUPATIONAL HEALTH & SAFETY PROGRAMMES

HIV/AIDS in the Workplace

The JDA's HIV/AIDS Policy is aligned with the CoJ's policy and its HIV/AIDS coordinator attends the CoJ HIV and AIDS Committee meetings. The policy ensures that no employee is discriminated against based on their HIV status. All employees must respect the confidentiality of information regarding existing or potential employees with life-threatening illnesses. Any employee who divulges information without the employee's knowledge or consent will be disciplined in accordance with the disciplinary code and procedure of the JDA. The JDA reserves the right to request medical advice or intervention in instances where an employee's illness adversely affects performance, or where an employee claims that he/she cannot work in certain situations due to illness. All employees are encouraged to know their HIV status and to remain healthy if they are living with HIV.

The HIV/AIDS Programme runs awareness and educational campaigns, provides free condoms, shares videos and offers free helplines. The programme ensures that employees with HIV/AIDS are treated in a fair, consistent manner and are informed about their rights and employee benefits.

In the period under review, the JDA and ICAS held a wellness day, where HIV/AIDS awareness is prioritized through testing and counselling to all JDA staff.

Occupational Health and Safety

Independent consultant Ubomi Safety Consulting conducted monthly occupational health and safety compliance audits during the period under review in the 2017/18 financial year. These audits identify risks and cases of non-compliance with the Occupational Health and Safety Act (1993), enabling the JDA to implement risk mitigation plans to reduce the risks and address cases of non-compliance. A report prepared in December 2017 estimated that the JDA's compliance rate for period under review was 87.41%. The areas of non-compliance include:

- Inadequate working space for employees
- Unsafe Stacking Storage Boxes in Offices
- Cleaning of office carpets
- Pipe in office emitting dampness and smells
- An excessive amount of dust is accumulating on window sills and internal roof structures

CHAPTER 5: FINANCIAL PERFORMANCE

SECTION 1: STATEMENT OF FINANCIAL POSITION AND HIGH-LEVEL NOTES

STATEMENT OF FINANCIAL POSITION FOR THE QUARTER ENDED 31 DECEMBER 2017

	Quarter ended 31 December 2017			Year to date			Notes
	Actual	Budget	Variance	Actual	Budget	Variance	
	R'000	R'000	R'000	R'000	R'000	R'000	
ASSETS							
Non-current assets	24 423	22 295	2 128	24 423	22 295	811	1
Property plant and equipment	7 373	6 460	913	7 373	6 460	913	
Deferred tax	2 152	835	1 317	2 152	835		
Intangible assets	14 898	15 000	(102)	14 898	15 000	(102)	
Current assets	832 386	364 097	468 289	832 386	364 097	397 891	2
Trade and other receivables	761 986	364 095	397 891	761 986	364 095	397 891	
Vat Receivable	70 399	-	70 399	70 399	-	-	
Cash and cash equivalents	2	2	0	2	2	0	
Total assets	856 810	386 392	470 418	856 810	386 392	398 702	
EQUITY AND LIABILITIES							
Capital and reserves	37 681	47 374	-9 693	37 681	47 374	-9 693	

	Quarter ended 31 December 2017			Year to date			Notes
	Actual	Budget	Variance	Actual	Budget	Variance	
	R'000	R'000	R'000	R'000	R'000	R'000	
Contribution from owner	16 278	16 278	-0	16 278	16 278	-0	
Accumulated surplus/(deficit)	21 404	31 096	(9 692)	21 404	31 096	(9 692)	
Non-current liabilities	47 749	15 678	32 071	47 749	15 678	32 071	
Finance lease obligation	-	-	0	-	-	0	
Deferred taxation	15 867	5 581	10 286	15 867	5 581	10 286	
Project funds payable	31 882	10 097	21 785	31 882	10 097	21 785	3
Current liabilities	771 380	323 340	448 040	771 380	323 340	448 040	4
Loans from shareholders	398 052	102 719	295 333	398 052	102 719	295 333	
Trade and other payables	368 400	207 456	160 944	368 400	207 456	160 944	
VAT payable	0	10 003	(10 003)	0	10 003	(10 003)	
Finance lease obligation	471	141	330	471	141	330	
Bank Overdraft	1		1	1	0	1	
Provisions – bonus	4 455	3 021	1 434	4 455	3 021	1 434	
Total equity and liabilities	856 810	386 392	470 418	856 810	386 392	470 418	

Notes	
1	Variance is due to the higher property, plant and equipment than budgeted. The budgeted property, plant and equipment are based on the disposal of certain property, plant and equipment that would have reached the end of its useful lives. However, at the 2016/17 year end we had reassessed these assets as still in use in the current financial year and were not be disposed of.
2	Variance is due to the higher than expected trade receivables balances which includes amounts owing from City of Johannesburg departments for development projects implemented in the 2016/17 and 2017/18 financial years. The JDA contracts with suppliers with regards to the development projects implemented by the JDA on behalf of the City of Johannesburg and pay these suppliers within the legislated period of 30 days. These expenditure items are then claimed from the City with the inclusion of the JDA management fee. Majority of the long outstanding claims related to the City of Johannesburg: Department of Transportation (NDOT). Although the recovery time for claims has reduced, the high volume at 2016/17 year end resulted in a longer recovery period.
3	Included in the project funds payable is the BRT land funds that are currently being held for purchase of BRT land which relates to majority of these funds and Social Housing Regularity Housing funds received in the 2016/17 financial year.
4	The variance is mainly due to a higher than expected overdrawn balance for the end of the quarter. This is mainly due to long outstanding claims that were received late or still outstanding from the various departments. The JDA contracts with suppliers with regards to the development projects implemented by the JDA on behalf of the City of Johannesburg and pay these suppliers within the legislated period of 30 days. These expenditure items are then claimed from the City with the inclusion of the JDA management fee. Majority of the long outstanding claims related to the City of Johannesburg: Department of Transportation (NDOT). Although the recovery time for claims has reduced, the JDA still incurs capital expenditure during the claims recovery period which results in final overdraft balance on the treasury sweeping account. The outstanding balance as at the end of the second quarter relates partially to balances that owed from the 2016/17 financial year as well as current year claims.

SECTION 2: STATEMENT OF FINANCIAL PERFORMANCE AND HIGH-LEVEL NOTES

STATEMENT OF FINANCIAL PERFORMANCE FOR THE QUARTER ENDED 31 DECEMBER 2017

	Prior year 31 December 2016	Original approved	Quarter ending 31 December 2017			Year to date			Notes
	Actual	budget	Actual	Budget	Variance	Actual	Budget	Variance	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Gross revenue	31 735	108 409	11 600	18 201	(6 601)	32 019	29 209	2 810	5
Operating costs	(43 604)	(101 450)	(19 550)	(25 363)	5 813	(49 250)	(50 725)	1 475	6
Gross surplus/(deficit)	(11 868)	6 959	(7 950)	(7 162)	(788)	(17 231)	(21 516)	4 285	
Other operating income and expenditure	(6 350)	(6 959)	(9 194)	(1 740)	(7 454)	(17 678)	(3 480)	(14 198)	
Interest expense	(6 350)	(6 959)	(9 194)	(1 740)	(7 454)	(17 678)	(3 480)	(14 198)	7
Interest income	0	0	0	0	0	0	0	0	
Deficit before tax	(18 218)	0	(17 144)	(8 902)	(8 242)	(34 909)	(24 996)	(9 913)	
Taxation	0	0	0	0	0	0	0	0	
	(18 218)	0	(17 144)	(8 902)	(8 242)	(34 909)	(24 996)	(9 913)	
Surplus/(Deficit) after tax									

Notes	
5	The variance is mainly due to development management fees that were earned. Capital project expenditure had achieved 23.44% of the total annual budget against a target of 20%, which resulted in marginally higher fees earned than expected. The annual overall development management fee budget is based on a conservative capex spend of 91% of the total capex budget, of which is used in the quarterly target revenue as per the percentage spend.
6	The variance relating to operating costs relates mainly due to delays in certain expenditure line items for the second quarter. The items which relates to delays were Development Facilitation costs, marketing and communications, planning and strategy costs and repairs and maintenance. Operational plans for the current year have been finalised and most of the expenditure is planned to be incurred in the following quarters. However, certain operational costs will be put on hold for the third and fourth quarter as a 20% reduction in certain expenditure line items was instructed to all entities and departments by Group Accounting. These items include Repairs & Maintenance, Contracted services and general expenditure.
7	The interest expenditure incurred relates to interest charged on an overdrawn treasury account balance. The overdrawn balance is mainly due to long outstanding claims that were received late or still outstanding from the various departments. The JDA contracts with suppliers with regards to the development projects implemented by the JDA on behalf of the City of Johannesburg and pay these suppliers within the legislated period of 30 days. These expenditure items are then claimed from the City with the inclusion of the JDA management fee. Majority of the long outstanding claims related to the City of Johannesburg: Department of Transportation (NDOT). Although the recovery time for claims has reduced, the JDA still incurs capital expenditure during the claims recovery period which results in final overdraft balance on the treasury sweeping account. The outstanding balance as at the end of the second quarter relates partially to balances that owed from the 2016/17 financial year and current claims.

SECTION 3: CASH FLOW STATEMENT

CASHFLOW STATEMENT FOR THE QUARTER ENDED 31 DECEMBER 2017

	Quarter ended 31 December 2017			Year to date			Notes
	Actual	Budget	Variance	Actual	Budget	Variance	
	R'000	R'000	R'000	R'000	R'000	R'000	
Cash flows from operating activities							
	253 485	(149 646)	403 131	(149 350)	(149 646)	296	
Receipts							
Grants	0	4 235	(4 235)	13 119	13 119	0	
Interest received	0	0	0	0	0	0	
Cash receipts from CAPEX funding	591 773	365 075	226 698	736 018	365 075	370 943	8
Other receipts	300	310	(10)	480	310	170	
Payments	0	0	0	0	0	0	
Employee cost	(18 324)	(13 216)	(5 108)	(34 917)	(31 075)	(3 842)	
Suppliers	(311 069)	(506 000)	194 931	(846 372)	(497 024)	(349 348)	9
Interest paid	(9 194)	(50)	(9 194)	(17 678)	(50)	(17 628)	10
Cash flows from investing activities	0	(4 500)	4 500	(677)	(4 500)	3 823	
Expenditure to maintain operating capacity							
Property, plant and equipment acquired	0	(4 500)	4 500	(677)	(4 500)	3 823	11
Proceeds from sale of property, plant and equipment	0		0		0		

	Quarter ended 31 December 2017			Year to date			Notes
	Actual	Budget	Variance	Actual	Budget	Variance	
	R'000	R'000	R'000	R'000	R'000	R'000	
Purchase of intangible assets	0		0		0		11
Cash flows from financing activities	(254 115)	153 508	(407 623)	149 397	153 508	(4 111)	
Movement in project funds payable	0	0	0	0	0	0	
Proceeds from Shareholders' loan	(254 037)	153 574	(407 611)	149 450	153 574	(4 124)	10
Repayments of Shareholders' loan	0	0	0	0	0	0	
Finance lease repayments	(78)	(66)	(12)	(53)	(66)	13	
Net increase/(decrease) in cash and cash equivalents	(630)	(638)	8	(630)	(638)	8	
Cash and cash equivalents at beginning of the year	639	639	0	639	639	0	
Cash and cash equivalents at the end of the year	<u>9</u>	<u>1</u>	<u>8</u>	<u>9</u>	<u>1</u>	<u>8</u>	

Notes	
8	Variance relates to development claims that were budgeted to have been received during the 2016/17 financial year and in the first quarter of the 2017/18 year. Majority of which was received during the second quarter of the 2017/18 financial year.
9	Variance due to part of the payments expected for the end of September was paid during October 2017.
10	The interest expenditure incurred relates to interest charged on an overdrawn treasury account balance. The overdrawn balance is mainly due to long outstanding claims that were received late or still outstanding from the various departments. The JDA contracts with suppliers with regards to the development projects implemented by the JDA on behalf of the City of Johannesburg and pay these suppliers within the legislated period of 30 days. These expenditure items are then claimed from the City with the inclusion of the JDA management fee. Majority of the long outstanding claims related to the City of Johannesburg: Department of Transportation (NDOT). Although the recovery time for claims has reduced, the JDA still incurs capital expenditure during the claims recovery period which results in final overdraft balance on the treasury sweeping account. The outstanding balance that are owing from the 2016/17 financial year and current year claims.
11	Budgeted expenditure related mainly to SAP implementation invoices that have not yet been received for the end of quarter 2.

STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED 31 DECEMBER 2017

		Share capital	Share premium	Total capital share	Accumulated surplus	Total net assets
		R'000	R'000	R'000	R'000	R'000
Opening balance as previously reported		60	16 278	16 278	54 115	70 393
Adjustments		0	0	0	0	0
Prior year adjustments					0	0
Balance at 01 July 2016		60	16 278	16 278	54 115	70 393
Changes in net assets						
Surplus for the year		0	0	0	2 197	2 197
Total changes		0	0	0	2 197	2 197
Balance at 01 July 2017		60	16 278	16 278	56 312	72 590
Changes in net assets						
Deficit for the year		0	0	0	(34 909)	(34 909)
Total changes		60	16 278	16 278	21 403	37 681
Balance at 31 December 2017		60	16 278	16 278	21 403	37 681

SECTION 4: RATIO ANALYSIS

Key Performance Area	Target	Actual 31 December 2016	Actual 31 December 2017	Notes
Current ratio	Above 1 : 1	1.14:1	1.08 : 1	1
Solvency ratio	Above 1 : 1	1.14:1	1.05 : 1	2
Salaries to expenditure ratio	Below 60%	62%	52%	3
Revenue	R 29.2 million	R31.7 million	R32 million	
Expenditure (including taxation)	R54.2 million	R49.9 million	R66.9 million	
Surplus / (Deficit)	(R24.9 million)	(R18 million)	(R34.9 million)	
Total net assets	R47.4 million	R46.9 million	R37.7 million	
Capital expenditure	20%	21%	23%	4

Notes	
1	Current ratio exceeds target and is lower than the second quarter of the previous year due to a higher overdraft balance and higher trade receivables in the current financial year. This includes a higher trade payables balance in the current financial year as comparison to the prior year.
2	Solvency ratio is higher than target and lower than the second quarter of the previous year mainly due to a payables balance which was higher.
3	Remuneration to expenditure ratio is lower than the second quarter of the previous financial year due to a combination of a higher overall expenditure balance which contributes to the overall calculation as the denominator and a remuneration value as a result of vacant senior positions that have still not been filled. Other contributor to the higher overall expenditure is the interest expense on the overdraft which is included in the overall expenditure.
4	Although the % capital budget spent is higher than the capital spent in the second quarter of the previous financial year, the number of contracts that have been procured is higher than the similar quarter in the prior year. This should result in higher expenditure in the outer quarters.

SECTION 5: REPORT ON IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND DUE PROCESSES

No irregular, fruitless and wasteful expenditure was incurred for the current quarter.

SECTION 6: PENDING LITIGATIONS AND POSSIBLE LIABILITIES

CASE / MATTER	AMOUNT CLAIMED	DATE INSTITUTED	DISCRIPTION	CURRENT STATUS	ANTICIPATED COMPLETION DATE	CHANCES OF SUCCESS
Ubuntu Kraal (Pty) Ltd vs JDA	± 23 555 160, 06 million	13/12/2013	Damages suffered by Ubuntu Kraal as a result of "alleged" negligence by the JDA and other parties.	On Friday, 13 December 2013 the JDA was served with summons. The summons relate to the "alleged" negligence on the part of the JDA during the widening of the Klipspruit Valley Road during the construction of the BRT routes around 2010. It is alleged that as a consequence of such construction, which resulted in flooding in 2010 and 2011, damages to buildings and properties to the tune of approximately R23 555 160, 06 was incurred by the plaintiff. The JDA has been cited as the first defendant and the City of Johannesburg as the second defendant in the matter, together with 5 other defendants. The JDA has appointed Routledge Modise Attorneys (T/A Hogan Lovells) to assist in defending the matter. Routledge Modise have handed over the matter to the insurers attorneys at the request of the JDA's insurers (Webber Wentzel Bowens). The matter is being defended by the JDA and COJ's insurer's lawyers.	The matter is still at pleadings stage. It has not yet been set down for trial.	Not yet determined at this stage.
Tembu Convenience Centre CC vs City of Johannesburg 1 st Defendant and Others (JDA-	± R10 488 324 million		Damages suffered by Tembu Convenience Centre CC as a result of "alleged" extensive permanent road diversions and/or closures having been effected in order to cater for the BRT system in the	The matter was set down for trial on 1 June 2017. The JDA successfully defended the matter as the case was dismissed with costs of two counsels on 15 September 2017. However, the applicant has lodged an application to appeal the ruling. We await the outcome of that	Case finalised	Successfully defended the matter.

CASE / MATTER	AMOUNT CLAIMED	DATE INSTITUTED	DISCRIPTION	CURRENT STATUS	ANTICIPATED COMPLETION DATE	CHANCES OF SUCCESS
2 nd Defendant)			area known as "Soweto to Parktown Bus Rapid Network, Section 1, Moroka Police Station to Modderspruit Culvert". It is alleged that COJ or the JDA failed to comply with the relevant legislation and ordinances.	application.		
Achusim Chijoike vs (JDA 1 st Defendant) and Sykmark Security Services (Pty) Ltd (2 nd Defendant)	± R353000.00	10/2013	Injury suffered by Plaintiff as a result of a shooting incident that occurred in December 2010. The Plaintiff alleges that the person implicated in the shooting is linked to the JDA as its employee. Hence the claim of vicarious liability.	The JDA was incorrectly cited as a party to the proceedings. Particulars of defence were submitted to the plaintiff accordingly. The Plaintiff has to date not responded to our pleadings. A letter has been addressed by the JDA's attorneys (Routledge Modise T/A Hogan Lovells) to the Plaintiff to the effect that should we not receive any feedback from them, we shall proceed to seek court approval to withdraw the matter. We still await feedback from the Plaintiff's attorneys.	The matter stopped at pleadings stage and is likely not going to proceed.	Not yet determined.
Bertrams Priority Block vs JDA	Not applicable	February 2008	Relocation of illegal occupants in various buildings around Bertrams Priority Block.	The JDA has through its Attorneys (Edward Nathan Sonneburg ENS) entered into legal proceedings regarding the relocation of illegal occupants in various buildings around Bertrams Priority Block. Eviction proceedings have been instituted in the South Gauteng High Court. Negotiations are underway with the occupants to settle the matter out of court. Progress made since 2012, some occupants have agreed to be reallocated to properties operated by the Johannesburg Social Housing Company. The few that would be left would, due to inability to meet monthly rentals will be accommodated by the Department of Housing. The parties are working together to reach agreement without a protracted litigation processes.	On-going	Good

CASE / MATTER	AMOUNT CLAIMED	DATE INSTITUTED	DISCRPTION	CURRENT STATUS	ANTICIPATED COMPLETION DATE	CHANCES OF SUCCESS
Dark Fibre Africa vs JDA and Easyway Tarmac Pave and Projects CC	R42,037.85	14/03/2014	<p>The matter relates to the fibre optic cable that was damaged by opening a trench in the road reserve with a TLB Machine along the road carriage way of Orlando East, near Sefa Sonke Street around 22 June 2013.</p> <p>The plaintiff, Dark Fibre Africa (Pty) Ltd is suing the JDA (2nd Defendant) on the basis that JDA used the services of Easyway Tarmac Pave and Projects CC to manage and control the execution of the water pipeline project and to do the drilling and excavation along the road carriage way of Orlando East near the intersection with Sefa Sonke Street.</p>	The matter is being defended by the lawyers appointed by the JDA's insurers (AON).	The matter is still at pleading stage and has not been set down for trial	Not yet determined.

SECTION 7: INSURANCE CLAIMS AGAINST/TO MOE/DEPARTMENT.

No claims within the mid-year of 2017/18 financial year.

CHAPTER 6: INTERNAL & EXTERNAL AUDIT FINDINGS

SECTION 1: RESULTS OF INTERNAL AUDITS

The chart below serves to indicate an overview of the progress made for the period 01 July 2017 to 31 December 2017 against the 2017/18 Internal Audit Plan

In this reporting period, there were eleven (11) audits planned. Of these 11 audits that were planned 6 (55%) were completed, 3 (27%) audits are in progress and 2 (18%) audits have not yet started.

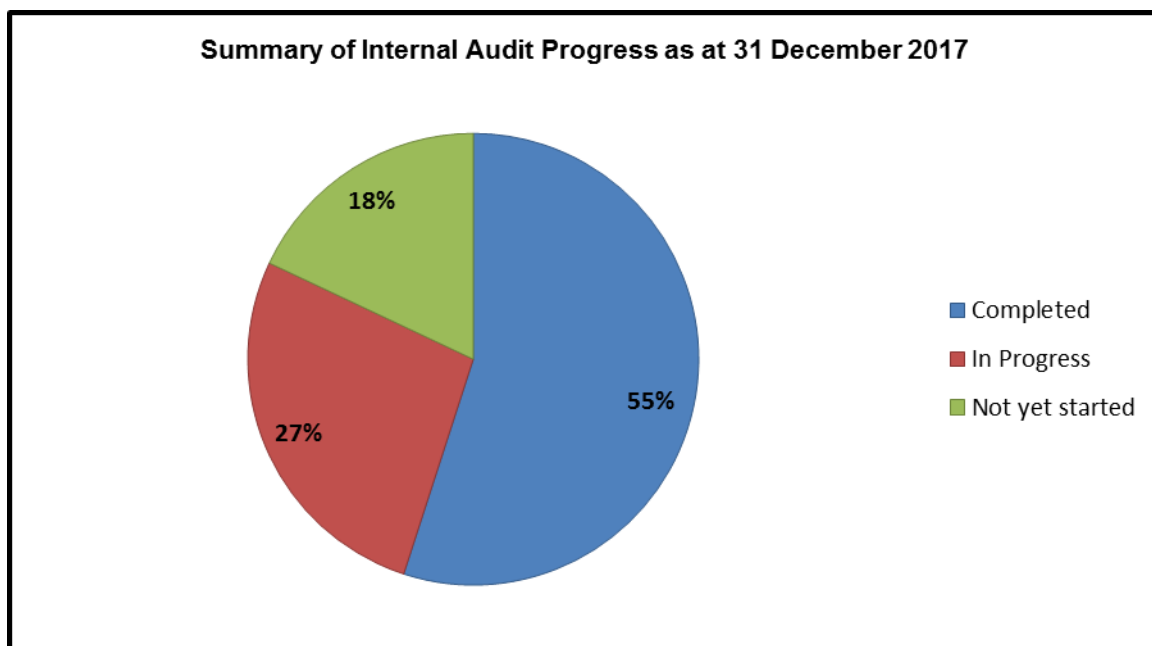


FIGURE 5: MID-YEAR PROGRESS - INTERNAL AUDIT PROGRESS AS AT 31 DECEMBER 2017

TABLE 33: PROGRESS MADE AGAINST THE APPROVED 2017/18 ANNUAL INTERNAL AUDIT PLAN AT MID-YEAR

No.	Audit Description	Progress as at 31 December 2017	Progress Comments
1.	Review of the Draft 2016/17 Annual Financial Statements	Completed	Audit Completed. Final Report issued to management and the Audit and Risk Committee.
2.	Review of the 2016/17 Annual Integrated Report	Completed	Audit Completed. Final Report issued to the Audit and Risk Committee.
3.	Audit of performance information for the 1 st quarter (Audit of pre-determined objectives)	Completed	Audit completed. Report issued to management and Audit and Risk Committee
4.	Performance Bonus Review	Completed	Audit completed. Report issued to management and the Board of Directors.
5.	Quarterly follow up on Internal Audit Findings	Completed	Audit completed. Report issued to management and Audit and Risk Committee

No.	Audit Description	Progress as at 31 December 2017	Progress Comments
12.	Audit of the alignment between corporate business plan, the operational plans and individual performance agreements.	In progress	This audit was planned to commence in the 2 nd quarter of the financial year. Due to challenges in the finalisation of the operational plans and performance agreements; the audit was delayed and is currently in execution stage. It is anticipated that the audit will be complete and report issued by end of the 3 rd quarter.
13.	Review of the Risk Management process and the fraud prevention strategy	Completed	This audit was planned for the 3 rd quarter; however it was brought forward and commenced in the 2 nd quarter. The audit has been completed. Report to be presented to ARC at next meeting in 2018.
14.	Stakeholder management review – project stakeholders	In progress	Audit at reporting stage; it is anticipated that the audit will be complete by end of January 2018.
15.	SAP HCM pre-implementation review - data migration review.	Not yet started	Audit at planning stage.
16.	Review of Business Continuity Plan (BCP) and its Implementation	Not yet started	This audit was planned for the 2 nd quarter. Due to the number of unexpected audits for tenders above R5million, this audit was put on hold. This audit will commence in the 3 rd quarter.
17.	Internal Network Security Review - Wireless Network security – External Network Security –Perimeter Firewall Review.	In progress	This audit was planned to commence in the 2 nd quarter. The audit is currently at planning stage and it is anticipated that the audit will be complete by end of February 2018.

All the areas for improvement identified through the audit efforts were communicated to management through the internal audit reports. Management continues to ensure that internal audit findings are resolved, through the implementation of recommendations and the agreed upon action plans. On a quarterly basis Internal Audit, also conducts a follow-up on the implementation of Internal and External audit recommendations. These reports are presented to the Audit and Risk Committee, who monitors the progress made by management on the implementation of recommendations and action plans.

SECTION 2: PROGRESS ON RESOLUTION OF INTERNAL AUDIT FINDINGS

TABLE 34: INTERNAL AUDIT FINDINGS

Financial Period	Total Unresolved Findings %	Total Resolved Findings %	Total Findings
2013/14	1	1	2
2014/15	9	8	17
2015/16	17	28	45
2016/17	21	37	58
Total	48	74	122

Financial Period	Total Unresolved Findings %	Total Resolved Findings %	Total Findings
Percentage	39%	61%	100%

Most of the findings that are unresolved relate to the reviewing of Finance Policies, the absence of a Human Resource Performance Management System and the lack of an adequate Records Management Department & management programme. Management is:

- Working to ensure that these findings are resolved and that the internal control environment is adequate and operating effectively.
- Verifying compliance on 2015/2016 HR submissions.
- Reviewing remaining policies and highlighted policies in report already completed.
- Ensuring that a policy review and training sessions are undertaken.

SECTION 3: PROGRESS ON RESOLUTION OF EXTERNAL AUDIT FINDINGS

The table below provides a summary of AG Findings raised in the 2014/2015 and 2015/2016 financial period:

TABLE 35: AUDITOR GENERAL FINDINGS

Financial Period	Total Unresolved Findings	Total Resolved Findings	Total Findings
2014/15	3	8	11
2015/16	4	30	34
Total	7	38	45
Percentage	16%	84%	100%

The unresolved findings relate to the finance office (Policies, Ethics & Debt Recovery).

On a quarterly basis, management reports to the Audit and Risk Committee on the progress made towards resolving audit findings raised by Internal Audit and the Auditor General. Internal Audit also provides an independent assurance to the Audit and Risk Committee on the progress made by management in resolving audit findings.

The Audit and Risk Committee has in recent meetings requested management to provide a report outlining action plans to ensure that all unresolved findings outstanding from the previous three financial years are resolved by the end of the 2017/18 financial year. The following corrective actions and implementation dates are strictly monitored by the Audit and Risk Committee:

- The status report on the resolutions, in particular the action plan and prescribed timelines as agreed with the individual executive managers.
- The continued one- on- one engagement with Executive Managers and the CEO continue to be prioritised and not only for monitoring executive performance but reinforcing accountability of their functional areas and offering support.
- Emphasis on building a healthy organisational culture which fosters engagement and living up to the JDA values is critical and a priority. There have been considerable changes and announcements made to staff during this transition stage and cohesive leadership become very important at this stage. The HR strategy and implementation plan is being prioritised by the Human Resources Manager who started as of the 1st of November 2016.

- Consequence management will be applied to all Executive Managers who do not adhere to their final revised plan of action as tabled.

SECTION 4: STATE OF INTERNAL CONTROLS

Effective risk management and compliance with government regulations are driving the need for ongoing auditing. JDA is subjected to internal and external audits each year, thus making audit co-ordination and management vitally important by ensuring timeous implementation of corrective action to clear audit findings, strengthen risk management and compliance. Regular audits are essential to reduce the risk of non-compliance.

Internal controls refer to the policies, practices and systems that the department has put in place, to provide reasonable assurance that the organisation will achieve its objectives, prevent fraud and corruption from occurring, protect resources from waste, loss, theft or misuse and to ensure that resources are used efficiently and effectively.

The JDA has a system of internal control to provide cost-effective assurance that the entities goals will be economically, effectively and efficiently achieved. In line with the MFMA, the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and the King Code Report on Corporate Governance, Internal Audit provided the Audit and Risk Committee and Management with quarterly internal audit reports in terms of its approved annual and three-year rolling Internal Audit Plan. In addition the Risk and Compliance unit on a quarterly basis follows up the implementation of corrective measures and preventative controls in respect of all financial risks and audit findings, as per reports of the Auditor-General and Internal Audit unit, and reports to the Audit and Risk Committee

The entity also has functional and effective management structures, such as the Executive Management Committee to review, monitor and evaluate programme performance and make corrective measures where necessary.

Management is committed to addressing control weaknesses identified by internal and external audit and this is supported by the increasing the number of audit findings resolved by management through implementation of the internal and external audit recommendations. However there is still room for improvement. Based on the internal audits completed in the second quarter, internal audit's overall conclusion on the state of internal controls; is that controls currently in place are adequate; however partially effective to provide reasonable assurance that JDA objectives will be achieved. The control environment requires improvement.

ANNEXURES

ANNEXURE 1: ACRONYMS AND ABBREVIATIONS

ACRONYM	Definition
BBBEE	Broad-Based Black Economic Empowerment
BRT	Bus Rapid Transit
CBD	Central Business District
CPC	Community Participation Consultant
CoJ	City of Johannesburg
CSA	Capability support agents
EPWP	Expanded Public Works Programme
GDS	Growth and Development Strategy Joburg 2040
GMS	Growth Management Strategy
GRAP	Generally Recognised Accounting Practice
ICT	Information and communication technology
IT	Information technology
King Code	King Report on Governance for South Africa and the King Code of Governance Principles
KPI	Key performance indicator
MFMA	Municipal Finance Management Act (2003)
NMT	Non-motorised transit
SMME	Small, medium and micro enterprise