



# INTERGRATED REPORT

## 2023/24


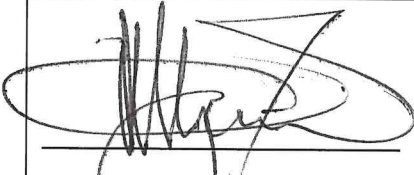
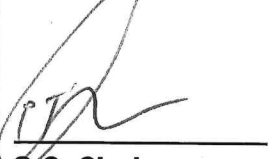

**JOHANNESBURG ROADS AGENCY SOC (LTD)**

Reg. No. 2000/028993/30

*Mobility Made Easy*

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<b>Bankers:</b>	Standard Bank of SA Limited
<b>Auditors:</b>	Auditor General South Africa (AGSA)

### Approval

 <b>L. Mashau</b> <b>Chief Financial Officer</b>	Date: <u>05/12/2024</u>
 <b>Z. Nyathi</b> <b>Chief Executive Officer</b>	Date: <u>05/12/2024</u>
 <b>S.C. Clarke</b> <b>Board Chairperson</b>	Date: <u>06/12/2024</u>
 <b>T.K. Kunene</b> <b>Member of Mayoral Committee: Transport</b>	Date: <u>10/12/2024</u>

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## GLOSSARY OF TERMS / LIST OF ACRONYMS

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

## **Basis of Preparation**

The Johannesburg Roads Agency SOC Limited (JRA) prepares an Integrated Report (IR) annually based on (Municipal Finance Management Act (MFMA), Municipal System Act (MSA) and National Treasury MFMA Circular 63, International Integrated Reporting Council (IIRC) and the King Code of Governance for South Africa.

## **Scope of Report**

The 2023/24 Integrated Report of the JRA covers the period 1 July 2023 to 30 June 2024 and is presented in two volumes:

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

## **Materiality**

The principle of materiality informs the presentation of information showing the JRA's value-creation in the short, medium, and long term as presented in the report. The following material aspects were identified for the 2023/24 reporting year, i.e., matters that are important and of interest to the Shareholder, the customers, stakeholders, employees, organised labour, contractors, suppliers and service providers, the community, the media, and the public.

## **Assurance**

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

## **Statement of Responsibility**

The Board of Directors reviewed the content presented in this report and concluded express an opinion on whether the report is an accurate representation of the prospects and performance of the Entity. The Audit, Finance, Risk & Information Technology committee (AFRIT), considered the report and recommend it for approval by the Board. The Board considered the 2023/24 IR and released it to the Shareholder on 06 December 2024.

## **Feedback**

Your feedback is important to us. It enhances our reporting content and processes. Please send your comments to [schikwema@jra.org.za](mailto:schikwema@jra.org.za) Readers can also interact with us on our social media platforms.

## CHAPTER 1: LEADERSHIP & CORPORATE PROFILE

### Section 1: MMC's Foreword

As a Member of the Mayoral Committee responsible for Transportation in the City of Johannesburg, it gives me great pleasure to present the Johannesburg Roads Agency Integrated Report for the 2023/24 financial year.

#### **Strategic alignment**

The Johannesburg Roads Agency (JRA) is an important service delivery agent for the achievement of the City of Johannesburg's long-term Growth and Development Strategy, its five-year Integrated Development Plan and annual Service Delivery and Budget Implementation Plan (SDBIP). In its planning and delivery, the JRA must demonstrate that it is aligned and informed by the strategic objectives of the City. In 2023/24 the JRA played an important role in the attainment of the strategic objectives of the Government of Local Unity.

JRA's mandate of providing a quality road network and related infrastructure, primarily the quality of roads and bridges, functioning traffic signals and safe stormwater systems have value beyond the City of Johannesburg.

#### **Performance against IDP imperatives**

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

To this end, I am pleased that in 2023/24 the JRA met its commitments to the City on the resurfacing of roads, roads maintenance as well as traffic signal maintenance. Due to financial constraints experienced in the City, the entity was required to cut its budget drastically and therefore making it difficult for the entity to achieve targets on the upgrading of gravel roads and conversion of existing open stormwater systems. However, despite the budget cut and cash flow problems, the JRA managed to spend 97% of its revised capex budget.

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

#### **Corrective measures**

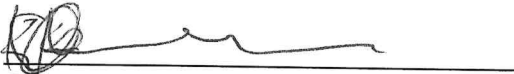
Despite the progress made in 2023/24, as MMC I note that there is room for improvement in the JRA. Some of the areas of focus include ongoing road infrastructure maintenance, meeting service standards, improved communication and engagement of stakeholders as well as transformative implementation of projects. The JRA must consolidate its gains and carry these into the 2024/24 financial year, continuously improving service delivery and the provision of good quality road infrastructure.

**Methods used / implemented to improve public participation and accountability.**

The JRA has participated in City-wide public participation processes in the development of its business plan and budget for the just ended financial year. I am pleased to note that most of the programmes implemented by the JRA respond to the critical areas raised by residents. In Operation Restore and service delivery blitzes, the JRA continued to work with Councillors in the different wards. In the year under review the JRA also participated in the City's accountability platforms in particular the Section 79 Committee of Council.

**Appreciation**

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



**Councillor Kenny Kunene**  
**MMC: Transportation**

## Section 2: Board Chairperson's Report

### BOARD CHAIRMAN'S FOREWORD

It gives me great pleasure to present the Annual Report of the Johannesburg Road Agency for the period 2023-24 financial year. This reporting period relates to a period prior to my appointment, and it is in this regard that I would like to acknowledge former Board Chairman, Mr Ewan Botha and the Interim Chairperson, Dr Ravendran Govender for their contribution to the Johannesburg Roads Agency.

From reading this report, and despite the abnormal leadership circumstances, the Board of Directors prioritised its accelerated delivery agenda in line with its mandate of improving the experience of road users and strengthening economic transport nodes. This was done through the prioritisation of maintenance programmes and upgrading nodal points to support economic development. Our commitment to enhancing road infrastructure and ensuring safe mobility for all residents remains unwavering.

Furthermore, the Board of Directors prioritised the development and approval of the Johannesburg Roads Agency's Strategy 2027. Having a clear roadmap linked to the mandate of the company and a single forward focused vision that aligns to stakeholder needs became imperative. Having an approved Board strategy was of primary importance as it is an instrument for decision-making and resource allocation.

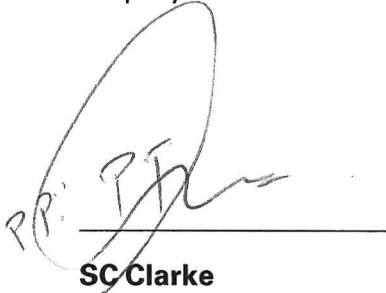
In ensuring that the Board approved strategy is implemented and timeously reported on, the Board identified the need to stabilise the Executive Management Team. This necessitated the finalisation of the disciplinary process of the former Chief Executive Officer. A ruling was issued by the South African Local Bargaining Council and the Board accepted the ruling. Once this process was finalised the Board approved the recruitment process of the Chief Executive Officer. After a competitive and transparent recruitment process, Mr Zweli Nyathi was appointed as the Accounting Officer tasked with the implementation of the Strategy 2027. Other executive positions that were prioritised was that of the Chief Financial Officer, Head of Department: Corporate Services, Head of Department: Regional Operations and the Operations Manager: Internal Audit.

To this end, the entity achieved 90 % of its capital expenditure. This is indicative of the effective financial management and project execution prioritised by the entity. This was achieved through effective planning and budgeting, strengthening project management capabilities, continuous monitoring of expenditure against planned budgets and successful stakeholder collaboration.

The Board of Directors is committed to ensuring that all audit issues raised by the Auditor General of South Africa (AGSA) are resolved. Our goal is for Johannesburg Roads Agency to achieve a clean audit for the 2023/24 fiscal year, and thus, the Audit Finance Risk and IT Committee will assist in monitoring the resolution rate and guiding management towards a 100% resolution rate. Continuous governance through relevant Board Committees such as Remuneration and Social Ethics Committee, Service Delivery Committee and the Audit Finance Risk and IT Committee was instrumental in achieving performance objectives, accelerate quality service delivery and strengthening the control and risk environment.

## **Appreciation**

I would like to thank the Executive Mayor, MMC: Transport and City Manager for continuously availing themselves when assistance was required. A special thank you to the Board of Directors who displayed high levels of commitment, leadership and for robustly engaging on issues. Lastly to the executive management team and all JRA employees that have enabled the company to make progress in the period under review.

A handwritten signature in black ink, appearing to read 'SC Clarke', is written over a horizontal line. To the left of the signature, the letters 'PP' are written vertically.

**SC Clarke**

**Board Chairman**

## Section 3: CEO's Report



As we reflect on the past year, I am proud to present our Integrated Report for 2023/24. It highlights key developments, challenges, and milestones that have shaped our journey as a leading roads agency. This report provides an overview of our strategic initiatives, operational achievements, and commitment to delivering high-quality infrastructure that fosters sustainable growth and mobility for our communities.

Our focus remains on ensuring the safety, efficiency, and sustainability of our road networks. In a year marked by both challenges and opportunities, we made significant strides in advancing our vision of building world-class infrastructure that supports economic development and enhances the quality of life for residents.

### Financial Position

The JRA had a Capital Budget of R 809,234 million for 2023/24 financial year. As of 30 June 2024, the entity spent 97% (R 786,729 million). We had an approved adjustment operating budget of R1, 475 billion which was subsequently reduced by R29 million during the budget adjustment to R1,446 billion of which we spent 104% of the total budget (*refer to Chapter 5 and AFS for details*).

### Service Delivery Performance

From a service delivery perspective, the Entity achieved 70% of the targets approved by the Board in the Annual Business Plan in line with the financial and other resources available. The Entity resurfaced 152.84 lane km of roads, upgraded 7.76km of gravel roads to surfaced standard, converted 1.91km of open stormwater channels to covered / underground systems and rehabilitated ten bridges across the City. The entity also created 219 EPWP opportunities and supported 127 SMMEs through its procurement programmes. The entity prioritised the resolution of service requests and achieved its service standards commitments. This has been assisted by the performance of the Asphalt Plant which has been operational throughout the financial year, a major milestone (*See Chapter 3*).

### Partnerships

The JRA explored partnerships with private sector organisations to address the effects of load shedding and ease mobility through enhanced traffic flow. To date, JRA has partnerships spanning pothole repair and, traffic signal back power. The entity is also pursuing improved asphalt plant utilisation through attainment of accreditation.

### Executive Management Team

The JRA is stable at Executive Level with a substantive CEO and CFO appointed. The recruitment process for HoD: Mobility and Freight and Operations Manager: Internal Audit are being prioritised. We continue the process of organisational redesign to ensure we are agile enough to meet the Shareholder's mandate (*See Chapter 2*).

## **Clean Audit Process and Risk Management**

The JRA maintained an unqualified audit opinion with material findings in 2023/24. Management has implemented corrective actions in several areas and improved the internal control environment (*See Chapter 6*). In relation to Risk Management, the JRA managed to implement over 90% of the actions envisaged in the Risk Management Action Plan (*See Chapter 2*).

## **Challenges**

While we are pleased with our accomplishments, we acknowledge the challenges that persist. Given the condition of the City's roads, significant investment is required if overall condition of roads and related infrastructure is to be improved. The explosion on Lillian Ngoyi Street demanded an immediate response from a financial and human resource perspective leading to further constraints. However, we remain committed to addressing these challenges through innovative solutions, prudent financial management, and an unwavering dedication to long-term sustainable growth. The entity looks forward to the resolution of the Organisational Development process to further ensure we are configured correctly to meet our mandate.

## **Looking Ahead**

Our strategic focus is on improving the resilience of our road network through innovation and forward-thinking approaches, particularly in light of the environmental and climate challenges we face. We are committed to sustainability and will continue our drive towards digitalization, embracing intelligent transportation systems that enhance traffic management and provide real-time data for better decision-making.

## **Appreciation**

In closing, I would like to extend my sincere gratitude to our employees, partners, and stakeholders for their continued support and dedication. It is through their hard work and collaboration that we are able to realize our vision of a connected, sustainable, and safe road network for the future. I would like to thank the JRA Board, MMC and Executive Management for their leadership and support in 2023/24 financial year.



**Zweli Nyathi**  
**JRA CEO**

## Section 4: Chief Financial Officer's Report



The purpose of this report is to present the 2023/24 financial performance for the JRA for the period ending 30 June 2024. The detailed financial performance information is contained in Chapter Five of this report, in Annexure B and Volume 2 (AFS). The JRA strives to balance its service delivery mandate with the attainment of liquidity and profitability ratios with the attainment of key service delivery targets.

In 2023/24 financial year, JRA has an approved Operating budget of R1, 475 billion which was subsequently reduced by R29 million during the adjustment budget to R1,446 billion. As at 30 June 2024, the Company had an Operating Expenditure and Income of R1,503 billion and R1,523, billion, respectively. This represents Income exceeding Expenditure by R 20,029 million at the end of June 2024. The Operating Expenditure is therefore 104% of the total Budget. The JRA had a Capital Budget of R 809,234 million for 2023/24 financial year. As of 30 June 2024, the entity spent an actual of R 786,729 million, including accruals and commitments, which is 97%.

The Table 1 below illustrates Five 2023/24 key ratios for the period ending 30 June 2024 that are in line with the Financial Development Plan (FDP) of the City of Johannesburg.

**Table 1: Summary Ratios**

KEY RATIO	Target FDP	June 2024 (2023/24)
Current ratio	1	0.80
Solvency ratio	2	0.94
Accumulated Surplus	R50M	(550,709)
Cash on hand	R50M	616,360
Salaries ratio	35%	27.67%
Repairs & Maintenance ratio	7%	2.34%

The entity has a negative 2023/24 current ratio at the end of 30 June 2024, and the ratio is slightly below the FDP target in the year. The current ratio measures the company's ability to pay its short-term obligations. With the current ratio of **0.80**, this means that JRA's current liabilities slightly exceed current assets 0.20.

The 2023/24 solvency ratio for the period ending 30 June 2024 is below the FDP target of 2. The solvency ratio measures the company's ability to meet its long-term debt obligations. The entity's ratio which is currently 0.94 indicates that JRA's cash flow is insufficient to meet its long-term liabilities. JRA remains technically insolvent for the period ending 30 June 2024. If the ratio is 1.5 or below indicates that the company will have difficulty meeting the interest on its debts. .

The JRA's Remuneration to Operating Expenditure Ratio for the period ending 30 June 2024 is 27.67%. The total employee cost is R 997 million which is inclusive of R 581 million of the

salaries paid to Regional Operations and Mobility which in the final report will be deducted to account for the cost of road maintenance. When the R 581 million of salaries incurred by Regional Operations and Mobility is deducted from the total employee cost, we remain with R416 million worth of employee related cost that leads to a Remuneration to Operating Expenditure Ratio of 27.67% and this means JRA within the FDP target of 35%.

The JRA intercompany Sweeping Account has a favourable balance of R 176,261 million at the end of June 2024. The Sweeping Balance represents a loan to Shareholders in the Statement of Financial Position. Developers Contribution Account has a balance of R440,099 million as of 30 June 2024 (with the new accounting policy). Therefore, the total Cash on hand for the period ending 30 June 2024 amounts to R 616 million.

The total amount owed by related parties' debtors was R541 million in 2023/2024, which represented 83% of the total debtors. The related parties have increased from R411 million to R629 million in the 2023/2024 when compared with the previous financial year.

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



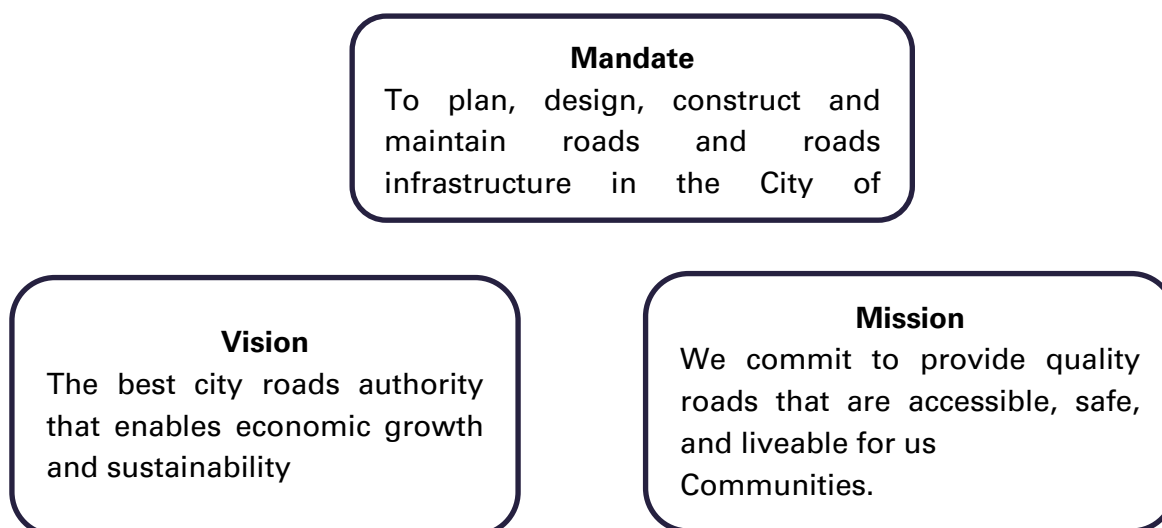
**Lufuno Mashau**  
**Chief Financial Officer**

## Section 5: Corporate Profile and Overview of the Entity

The Johannesburg Roads Agency (JRA) is an entity of the City of Johannesburg (CoJ), established in 2001 to design, construct and maintain roads and stormwater infrastructure. The JRA delivers on its mandate through a staff complement of over 1 500 employees operating in seven regions of (CoJ). The Asphalt Plant, Strategic Assets Depot and the Resurfacing Depot complement delivery. The JRA oversees over 14 000km of Johannesburg's road network.

The Entity operates under the Department of Transportation which provides overall transport policy direction in the CoJ. The JRA is part of the Economic Growth Cluster and participates in CoJ governance structures of Technical and Sub-mayoral Cluster, CoJ Extended Executive Management, Mayoral Committee, Council and Section 79 Committees.

### JRA Mandate, Vision, Mission, and values



### JRA Values

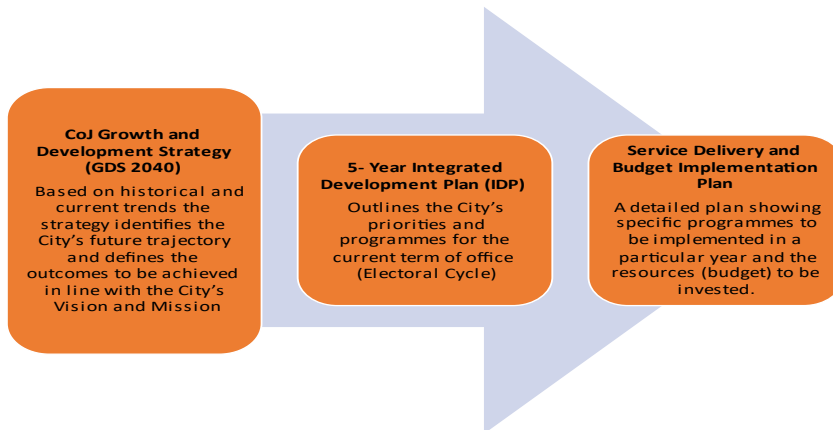
<b>Respect</b>	<b>Caring for customers, prioritising communities, ensuring equity</b>
<b>Accountability</b>	How one behaves when no one is watching
<b>Ubuntu</b>	Compassion for communities and road users, empathy, humility
<b>Cooperation</b>	Working together, integration, collaboration, and pooling resources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

## Section 6: Strategic Objectives

### 6.1. CoJ Strategic Planning Framework

Figure 1.1 below illustrates CoJ long, medium and short-term Strategic Planning Framework which guides strategic planning in the JRA.

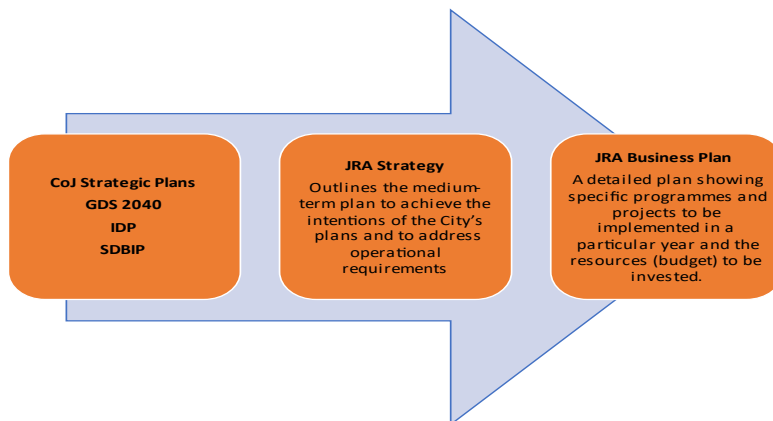
Figure 1.1. The CoJ Strategic Planning Framework



## 6.1. JRA Strategic Planning Approach

Figure 1.2. below illustrates how the JRA aligns with the strategic framework as set out by the CoJ.

Figure 1.2. JRA Strategic Planning Approach

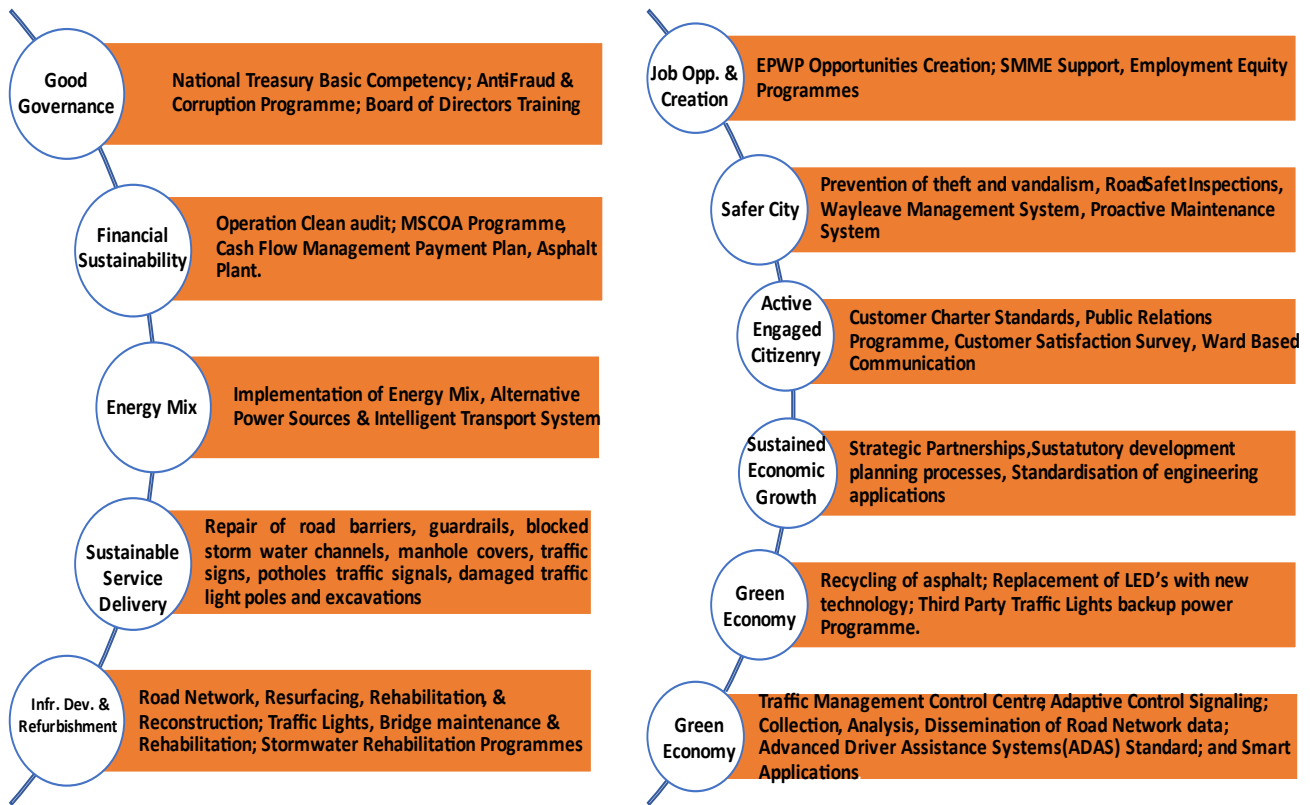


The JRA Strategy has four key strategic pillars upon which key programmes and interventions are built. Each of the pillars has a set of focus areas (programmes) that drive business operations for the strategy period. These programmes have several interventions and activities aligned to them. The successful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

## 6.2. Alignment between CoJ Priorities and JRA Programmes

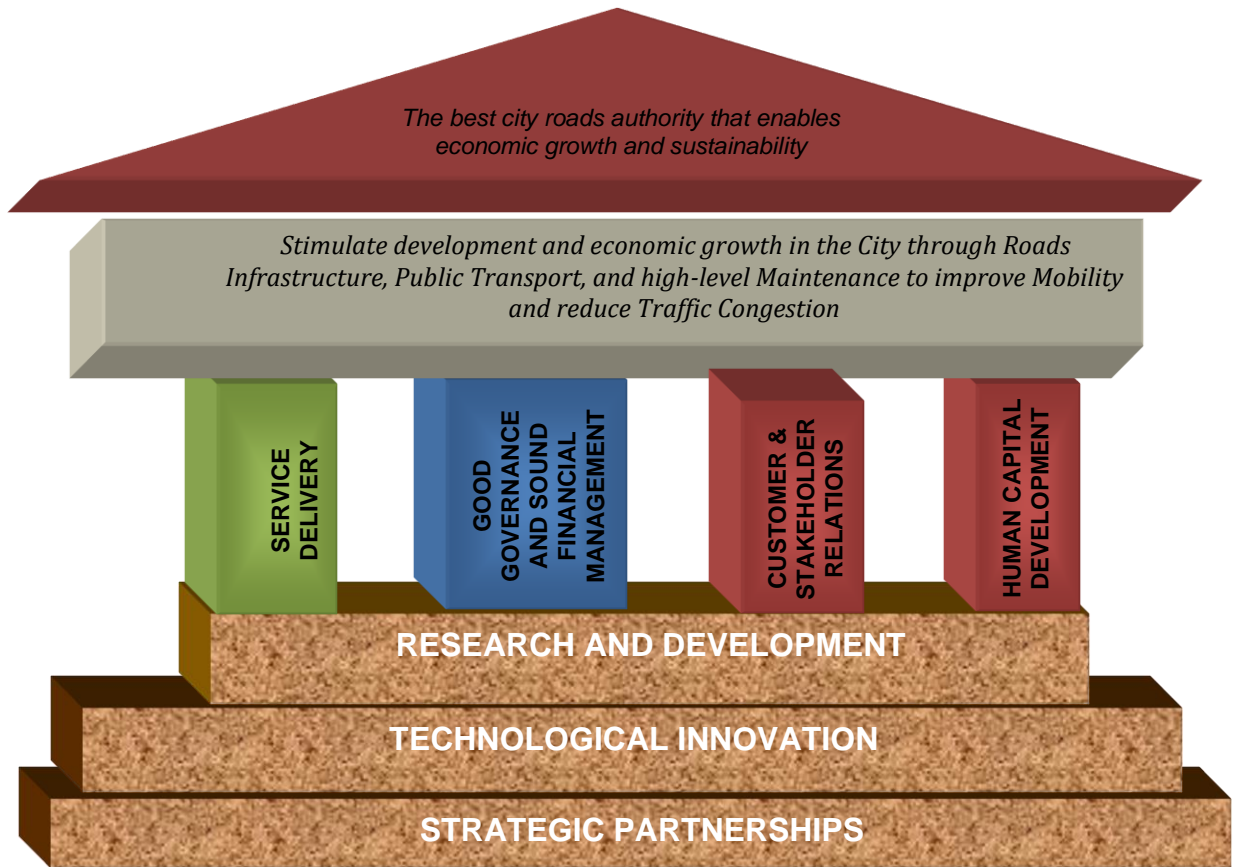
In 2023/24 the City of Johannesburg identified eleven (11) priorities as illustrated below. These priorities informed the programmes and projects implemented by the JRA as reflected in the figure below.

Table 1.3: JRA alignment to CoJ Priorities and Outcomes



### 6.3. JRA Strategic Objectives

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



The desired outcomes are defined for each strategic pillar in the table below.

Table 1.1: Desired outcome and strategic pillars

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

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

#### 6.4. JRA Business Model – Regional Service Delivery

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

Figure 1.5: CoJ regions in which the JRA operates.

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



## 6.5. Competitive Landscape

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

## CHAPTER 2: CORPORATE GOVERNANCE

### Corporate Governance Statement – King IV Declaration

In line with King Code IV, the JRA has adopted principles for effective corporate governance. The JRA adheres to these principles, and in turn this enhance the credibility and usefulness of the Integrated Report, providing stakeholders with a view of how JRA creates and sustains value over time. This IR discloses the **impact** and **effect** of those King Code IV principles and practices in the JRA.

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

#### 1.1. Leadership, Ethics and Corporate Citizenship

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

The JRA Board sets the tone for ethics in the organisation and adheres to its fiduciary duties, functions as outlined in its Charter and is expected to always act in the best interests of the JRA. To this end;

- the JRA Board is compliant with the requirements of the MSA no 32 of 2000, Schedule II, and the Board of Directors, Independent Audit Committee Members and JRA employees at all levels have declared their interest. This is an internal control mechanism utilised to manage potential conflict of interests;
- The Board members are prohibited from contract their services to the JRA in their personal capacity;
- The Board member evaluations were conducted by the Shareholder through the Group Governance Department.
- Board Members also declared their interests at the commencement of each Board and Board Sub-Committee meeting.

The JRA Board is compliant with the principles of the Code of Ethics and Conduct which is based on integrity, competence, responsibility, accountability, fairness, and transparency (ICRAFT) in achieving the ethical and effective leadership of the Company.

#### 1.2. Organisational Ethics

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

The JRA Board establishes an ethical culture and ensures ethical practice throughout the organisation through delegations to the Remuneration and Social and Ethics Committee (REMSEC). To sustain this principle, the Board;

- Approved policies that support an ethical culture including; Code of Ethical Conduct; Whistle Blowing Policy; Fraud Prevention Policy and plan and Supply Chain Management Policy.
- Approved the alignment of Supply Chain Management Policy to changes in legislation.
- Oversaw the establishment of an Ethics Management Forum, to monitor organisational ethics.

- Communicates regularly in various languages to employees to encourage ethical behaviour.
- Encourages reporting of unethical behaviour and through the hotline and other anonymous avenues

### 1.3. Responsible Corporate Citizenship

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

The Board ensures that the JRA integrates ethical practices, social responsibility, and environmental stewardship into the company's core operations and culture as part of its responsible corporate citizenship. The JRA does focus on improving community well-being, environmental sustainability, and ethical practices. To this end the Board has overseen the JRA activities in;

- Community Engagement and Development - Local Employment: JRA prioritised hiring local workers and contractors for road construction and maintenance projects to boost the local economy.
- Educational Programs: JRA partnered with schools and educational institutions to provide internships, or educational workshops on road safety and scholar patrol.
- Public Awareness Campaigns: Ran campaigns on road safety, proper use of roads, and the importance of maintaining infrastructure.
- The JRA has implemented an SMME Desk that supports small and medium enterprises in their economic development. Through its commitment to ensure a portion of capital budget is spent on SMMEs, the JRA contributes to the development of skills development as well as creation of job opportunities. For SMME and EPWP support in 23/24 refer to [Chapter 3](#).

### 1.4. Strategy and Performance

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

The JRA Board is responsible for the core business of the JRA and ensures the development and approval and implementation of key company strategic and operational plans. To this ends, through delegated committees the Board considered and approved;

- JRA Strategy 2027
- Annual Business Planning and Budget
- The Strategic and Operational Risk Registers;
- Organisational performance reports throughout the financial year;
- Initiated the Organisational Development Review Process

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

## 1.5. Reporting

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

The Board has ensured;

- Timely and accurate dissemination of compliance and other reports, in line with the legislative compliance timelines as well as internal Shareholder requirements.
- That JRA reports have clarity and are transparent and comprehensive.
- That JRA reports respond to stakeholder requests, in particular Section 79 Committees and communities
- The Board constantly makes recommendations to Executive Management on the quality of information to be included in the JRA reports.

## 1.6. Governing Structures and Delegation

### Primary Role and responsibilities of Governing Body

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

The JRA Board serves as the focal point for Corporate Governance by;






- Demonstrating their understanding of governance frameworks.
- Overseeing the development, implementation and approval of governance policies.
- Ensuring Board effectiveness through effective Board Support including facilitating meetings, preparing agendas, and ensuring that minutes are accurately recorded.
- Training: Offer ongoing training for Board members on governance issues, industry trends, and regulatory changes.
- Monitoring and enforcing compliance, promoting ethical conduct, overseeing risk management amongst other functions.





## 1.7. Composition of Governing Body

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

The JRA Board comprises ten independent Non-Executive Directors and four Independent Audit Committee (IAC) The Chief Executive Officer and Chief Financial Officer serve on the Board as Executive Directors. The Shareholder ensures there is an appropriate balance of diversity, skills and experience to fulfil the Board mandate. The brief profiles of JRA Board Members in 2023/24 financial year are contained in the figure below.

### 1.7.1. JRA Non-Executive Directors

				
<p><b>Mr. Ewan Botha: Board Chairman (31)</b> (LLB, and Business Risk Management certificate)</p>	<p><b>Dr Ravendran Govender: Remuneration, Social &amp; Ethics Chairperson (62)</b> (Bachelor of Medicine and Surgery (MBChB); PgD Business Management; Certificate in Board Leadership.)</p>	<p><b>Ms. Siphosethu Mtanzeli Service Delivery Committee (32)</b> (Bachelor’s degree in international relations and media studies; Certificate in Monitoring and Evaluation; Certificate in Breaking Barriers to Entry into the Public Sector; Certificate in Teaching English as a Foreign Language)</p>	<p><b>Ms. Victoria Mamogobo: Service Delivery Committee (38)</b> (Call Centre Communication, Telephone Sale and Questioning, Microsoft Office; Communication Skills, Data Capturing and Typing, Inbound and Outbound Calls; Diploma in Business Management (part-time).</p>	<p><b>Mr. Kabelo Mofokeng: Remuneration, Social &amp; Ethics (51)</b> (Higher Certificate in Education; Diploma in Occupationally Directed ETD Practices; SAP Certificate of Competency in Stock and Distribution: Train the Trainer.)</p>

			
<p><b>Ms. Alvarno Francis:</b>  <b>Audit, Finance, Risk &amp; IT</b>  <b>Chairperson (34)</b>            (B. Com Degree; B. Comm            Project Officer)</p>	<p><b>Ms. Cleoparta Lourens:</b>  <b>Remuneration, Social &amp;</b>  <b>Ethics (36)</b>            (NQF Long Term Insurance;            Higher Certificate in            Financial Planning;            Advanced Certificate in            Financial Planning; RE5)</p>	<p><b>Mr. Bruce Nimmerdhout</b>  <b>Service Delivery Committee</b>  <b>(48)</b>            (Diploma in Business            Management, Advanced            Computer Studies,            Interpersonal Skills)</p>	<p><b>Mr. Daniel Nyamazane:</b>  <b>Service Delivery Committee</b>  <b>Chairperson (54)</b>            (Bachelor of Commerce;            Diploma in Real Estate;            Diploma in Project            Management; Currently            pursuing M.SC in Real Estate.)</p>



**Ms Sharon Kleinbooi (44)**  
**Remuneration, Social & Ethics**  
(National Diploma Health; Professional / Registered Nurse; Certificate & Diploma in Counselling)



**Mr Trevor Goldsmith (51)**  
**Remuneration, Social & Ethics**  
(Experience in Customer Services team leader and administration, Active in Community Work, and oversees faith-based organisations.)



**Ms. Zenzokuhle Xaba: (37)**  
**Service Delivery Committee**  
(National Diploma in Law (Paralegal Studies); BCom Degree in Supply Chain Management (SCM); International Dip. In Procurement and Supply.)

### 1.7.2. Executive Directors



#### Chief Executive Officer

Zweli Nyathi is the JRA Chief Executive Officer. He is responsible for its overall strategic direction and management of the JRA. He drives the setting of Company goals, developing and implementing strategies, making major corporate decisions, overseeing the executive team, and ensuring the organization meets objectives. The CEO acts as the main point of communication between the Board of Directors and the Company's operations and represents the company to all stakeholders. The CEO is an Executive Director on the JRA Board. He has an MBA majoring in

Information and Communication Technology and is currently studying towards a PHD in Technology Innovation and Management

#### Chief Financial Officer



Lufuno Mashau is the JRA Chief Financial Officer (CFO). He manages JRA's financial actions and processes. He oversees financial planning and analysis, management of financial risks, ensuring accurate reporting and compliance with regulations, and developing strategies to support the Company's financial health. As CFO, Lufuno works closely with other executives to guide business decisions and strategies, monitor financial performance, and to manage budgeting, forecasting, and other financial activities including Supply Chain. The CFO sits on the Board as an Executive Director. He has a B.Compt. Accounting Science

and completed the Executive Leadership Programme at GIBS

### 1.7.3. Independent Audit Committee Members (IACM)

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

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

\*Ms Daniels and Ms Kwela tendered their resignations during the financial year.

## Company Secretariat



Phumla Thandeka Majola is the JRA Company Secretary responsible for ensuring effective governance of the organisation. She oversees compliance with regulatory requirements, management of corporate records, and ensures that Board meetings and resolutions are conducted in accordance with legal and procedural standards. She also supports the Board of Directors by facilitating communication, providing guidance on corporate governance matters, and helping to maintain transparent and accountable practices within the organization. The Company Secretary contributes to

the organization's overall governance framework and helps uphold the integrity and efficiency of its operations.



## Board Member Attendance to Board Meetings

The tables below provide the record of attendance of Members of the Board to Ordinary and Special Board and Board Committee Meetings.

NED	BOARD OF DIRECTORS' MEETINGS											
	27 Jul 2023	28 Aug 2023 Special	22 Sept 2023 Special	27 Oct 2023	30 Nov 2023 Special	26 Jan 2024	08 Mar 2024 Special	26 Apr 2024	14 May 2024 Special	14 June 2024 Special	21 June 2024 Special	26 June 2024 Special
Ewan Botha	n/a	n/a	✓	✓	✓	✓	n/a	n/a	n/a	n/a	n/a	n/a
Alvarno Francis	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ravendran Govender	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Daniel Nyamazane	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Cleopatra Lourens	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Kabelo Mofokeng	✓	✓	X	✓	✓	✓	✓	✓	✓	✓	✓	✓
Alvarno Francis	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Siphosethu Mtamzeli	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Zenzokuhle Xaba	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Victoria Mamogobo	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sharon Kleinboo	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Bruce Nimmerhoudt	n/a	n/a	✓	✓	✓	✓	X	✓	✓	✓	✓	✓
Trevor Goldsmith	n/a	n/a	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

## 1.8. Committees of the Governing Body

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

The JRA Board has established three sub-committees, the Audit, Finance and Risk and Information Technology Committee (AFRIT); the Remuneration and Social Ethics Committee (REMSEC); and the Service Delivery Committee (SDC) and delegated specific responsibilities to them. The Committees have Terms of Reference and are chaired by independent Non-Executive Directors. Further the Board has approved a Delegations of Authority to enable decision making and accountability within the JRA. The Board is satisfied sub-committees have met their respective responsibilities for the year under review.

### **External Advisor and Invitees**

The Shareholder Representative support the Board and its committees. Outside of the Independent Audit Committee Members, the Board and its Committees did not have any external advisers or invitees that regularly attended the Board or Committee Meetings. The Mandate and composition of these committees is reflected in the table below.

Committee	Reporting Element	Mandate	Membership
AFRIT	<ul style="list-style-type: none"> <li>Financial management</li> <li>Risk management and ICT governance.</li> <li>Internal and external audit functions</li> </ul>	<ul style="list-style-type: none"> <li>Oversight of matters relating to financial accounting, accounting policies, reporting and disclosure</li> <li>Oversight on risk management issues, identifying material risks and mitigation actions.</li> <li>Oversight over ICT governance as envisaged in King Code IV</li> <li>Overseeing internal and external audit policy, including activities, scope, adequacy and effectiveness of the internal audit function and audit plans. Review or approval of external audit plans, findings, problems, reports and fees.</li> </ul>	<ul style="list-style-type: none"> <li>Alice Puka Chairperson – Resigned</li> <li>Alvarno Francis- Appointed Chairperson (NED)</li> <li>Dr Ravendran Govender (NED)</li> <li>Thando Kwela (IACM)</li> <li>Rochelle Daniel- Resigned (IACM)</li> <li>Derek Martin (IACM)</li> <li>Nison Khoza (IACM)</li> </ul>
REMSEC	<ul style="list-style-type: none"> <li>Governance</li> <li>Remuneration</li> </ul>	<ul style="list-style-type: none"> <li>Oversight of compliance with corporate practices and code of ethics</li> <li>Oversight over inter alia remuneration policies, remuneration packages and all other matters relating to human resources and /or labour related matters.</li> </ul>	<ul style="list-style-type: none"> <li>Dr Ravendran Govender (Chairperson)</li> <li>Kabelo Mofokeng (NED)</li> <li>Cleopatra Lourens (NED)</li> <li>Sharon Kleinbooi (NED)</li> <li>Daniel Nyamazane (NED)</li> </ul>
SDC	<ul style="list-style-type: none"> <li>Strategy development, implementation and organisational performance management</li> <li>Stakeholder engagement and relationships</li> </ul>	<ul style="list-style-type: none"> <li>Oversight over strategy development and approval, organisational performance measurement, identification of the appropriate indicators and targets and relevant reporting and accountability in support of the service delivery mandate.</li> <li>Oversight over effective stakeholder engagement and responsiveness.</li> </ul>	<ul style="list-style-type: none"> <li>Daniel Nyamazane (Chairperson)</li> <li>Victoria Mamogobo (NED)</li> <li>Siphosethu Mtamzeli (NED)</li> <li>Zenzokuhle Xaba (NED)</li> <li>Alvarno Francis (NED)</li> </ul>

## Record of Attendance Board and Committee Meetings

Non-Executive Directors (NEDs)	Remuneration, Social & Ethics Committee REMSEC					Service Delivery Committee SDC				Audit, Finance, Risk and IT Committee AFRITC							
	14 July 2023	11 Oct 2023	11 Jan 2024	14 Apr 2024	05 May 2024 Special	12 Jul 2023	13 Oct 2023	12 Jan 2024	12 Apr 2024	12 Jul 2023	23 Aug 2023 Special	12 Oct 2023	28 Nov 2023 Special	16 Jan 2024	13 Apr 2024	16 April 2024	20 Jun 2024 Special
Ewan Botha	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Alvarno Francis	n/a	n/a	n/a	n/a	n/a	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ravendran Govender	✓	✓	✓	✓	✓	n/a	n/a	n/a	n/a	✓	✓	✓	✓	✓	✓	✓	n/a
Daniel Nyamazane	✓	✓	✓	✓	✓	✓	✓	✓	✓	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Cleopatra Lourens	✓	✓	✓	✓	✓	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Kabelo Mofokeng	✓	✓	✓	✓	✓	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Siphosethu Mtamzeli	n/a	n/a	n/a	n/a	n/a	✓	✓	✓	✓	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Zenzokuhle Xaba	n/a	n/a	n/a	n/a	n/a	✓	✓	✓	✓	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Victoria Mamogobo	n/a	n/a	n/a	n/a	n/a	✓	✓	✓	✓	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sharon Kleinbooi	✓	✓	✓	✓	✓	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Bruce Nimmerhoudt	n/a	n/a	n/a	n/a	n/a	n/a	✓	✓	✓	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Trevor Goldsmith	n/a	✓	✓	✓	✓	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>INDEPENDENT AUDIT COMMITTEE (IAC)</b>																	
Nison Khoza	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	✓	✓	✓	✓	✓	✓	✓	✓
Derek Martin	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	✓	✓	✓	✓	✓	✓	✓	✓
Thando Kwela	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	✓	✓	X	✓	✓	X	n/a	n/a

## 1.9. Evaluations of the Performance of the Governing Body

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

The Shareholder (City of Johannesburg) assesses the Board's performance on an annual basis. The outcome is important in informing us of the training requirements for the 2024/25 financial year. An external party conducts these detailed evaluation procedures. There is an opportunity for self-review procedures that can be performed by the Board and its Directors if required.

## 1.10. Appointment and Delegation to Management

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

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

## 1.11. Risk Governance

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

The JRA Board takes overall responsibility for risk management with a formal process implemented for managing risk while delegating authority to the Audit Finance, Risk Committee, and Information Technology Committee. AFRIT oversees the risk management processes within the Company and reports back to the Board. On an annual basis, the Board reviews the JRA strategic and operational risk registers to ensure risks are being managed within a tolerable level and that sufficient attention is being paid to reducing risk items where the risk is considered unacceptable.

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

quarterly basis. For detailed report on the management of risk see Section 4 on risk management.

## **1.12. Information Technology Governance**

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

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

## **1.13. Compliance Governance**

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

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

## **1.14. Remuneration Governance**

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

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

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

## 1.15. Assurance

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

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

## 1.16. Stakeholder Relationships

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

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

The JRA participates in City-wide public consultation processes for the formulation of the Integrated Development Plan and the Annual Business Plan. The JRA is also part of various awareness programmes in various community projects as part of its Corporate Social

Investment program. Through PR&SE the JRA maintains continual engagement with customers, partners, and suppliers, as well as individual shareholders through formal or informal channels.

### **1.17. Responsibilities of Institutional Investors**

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

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

## **Section 2: High-Level Organisational Structure**

The management of the JRA is accountable for strategic and operational matters to the Board of Directors. In 2023/24, the JRA executive management was composed of the Chief Executive Officer (CEO) supported by the CFO and seven (7) Heads of Departments (HoDs). The HoDs lead four core service delivery and technical departments (Infrastructure Planning, Regional Operations, Mobility and Freight, and Infrastructure Development) and three support departments (Corporate Services, Finance, Public Relations and Stakeholder Engagement and Performance Governance and Information Technology). Figure 2.2. below illustrates the high-level organisational structure of the JRA.

### **2.1. Executive Management**

The Executive Committee is responsible for implementing the company's strategy and managing the operational activities of the JRA. The committee holds ordinary meetings at least once a month and special meetings as and when required. The Committee is chaired by JRA, the CEO. The CEO and CFO are members of EMT and serve on the Board as Executive Directors. The members of the executive committee as at 30 June 2023 and their qualifications are provided in Figure 2.3. below.

## 2.1. JRA Organogram

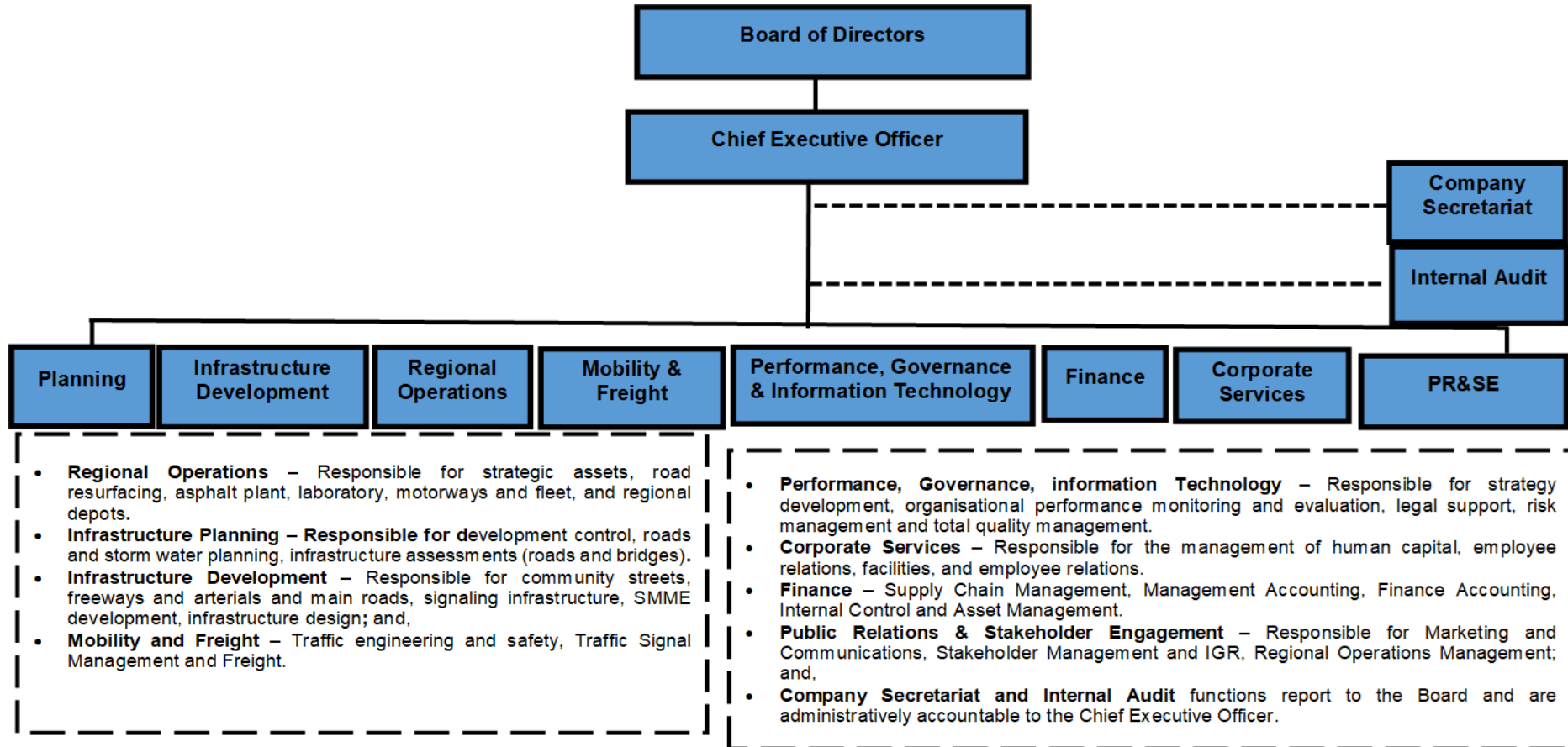






Figure 1.1. High level organisational structure of the Johannesburg Roads Agency

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

			
<p><b>Mr. Musa Mkhacane, HoD: Infrastructure Planning</b> (Pr. Tech Eng.; Nt. Dip. Civil Engineering; B-Tech Urban Engineering; Higher Cert. Project Management)</p>	<p><b>Mr. Kwazelela Mcetywa (Pr. Tech Eng, PMP)</b> <b>HoD: Infrastructure Development</b> (M.Eng. Civil Engineering; MBA; BSc Honours; B.Tech. Civil Engineering.)</p>	<p><b>Mr. Sipho Nhlapo</b> <b>HoD: Mobility and Freight</b> (BA in Psychology, Post Graduate Diploma in Transport Management, Post Graduate Diploma in International Business Administration)</p>	<p><b>Mr. Khaya Gqibitole</b> <b>Acting HoD: Regional Operations</b> (Pr. Tech. Eng.: Civil Engineering, National Diploma Civil Engineering,)</p>

			
<p><b>Mr. Sekati Mangena</b>  <b>HoD: Performance, Governance and IT</b>  (PgD. Business Management; BCOM; Advance Management: Municipal Governance. Cert. Local Government Finance Municipal Finance Management Programme (MFMP))</p>	<p><b>Ms. Ayanda Ntshingila</b>  <b>HoD: Public Relations &amp; Stakeholder Engagement</b>  (B.Soc.Sci in Public Administration and Industrial Psychology (UCT) Management Advancement Programme (MAP): Wits Business School  General Management Programmes: Gordons Institute of Business (GIBS))</p>	<p><b>Ms. Puleng Hlatshwayo</b>  <b>Acting HoD: Corporate Services</b>  (Master of Business Administration, Postgraduate Diploma General Management, BA in Psychological Counselling, BTech Marketing, Advanced Diploma in Procurement and Supply, Certificate of Competence MFM, Certificate of completion: SAP modules course)</p>	<p><b>Mr. Hemmy Malebati</b>  <b>Acting Operations Manager: Internal Audit</b>  (CIA, BCom Accounting, BCom Honours in Accounting, MDP – GIBS, EDP – Henley Business School, Certificate in Project Management, studying MCom Development Finance)</p>

### Section 3: Governance and Stakeholder Relationships

The below table presents the JRA stakeholder engagement process.

Table 2.5: JRA stakeholder matrix and engagement

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

Therefore, our strategic and performance plans are informed by extensive stakeholder and public consultations, which are conducted as part of the City-wide public participation processes. As part of this consultation exercise the JRA's 2023/24 Business Plan against which this Integrated Report is produced, was subjected to public scrutiny. The public consultation process enables the City and entity to comply with the requirements of the Municipal Systems Act and the Municipal Finance Management Act. The most dominant matters raised across all regions are as follows;

Table 2.6: Stakeholder issues raised.

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

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

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

## Section 4: Risk Management

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

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

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

The Executive Management Committee is responsible for ensuring that operational management considers and implements appropriate risk responses. They also ensure that risk management is performed on a continual basis and reports and presents to the Board on this matter on an annual basis. The JRA integrated approach to risk management is aligned to the CoJ Group Risk Management Framework, Policy and risk profile. The JRA's approach to risk management is illustrated in the figure below.

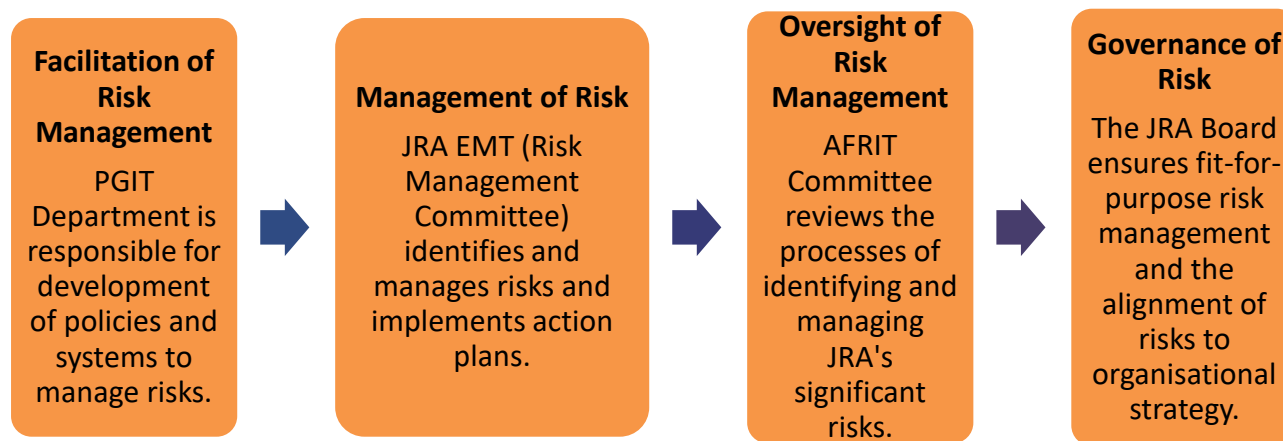















Figure 2.4. JRA Risk Governance

Some of the key strategies implemented in the current financial year include the finalisation and approval of strategies and policies, as such significant improvement in the risk profile is envisaged in the new year when these are implemented. The table below shows the strategic risks for 2023/24 financial year and the final residual rating after implementing mitigating strategies;

No	Strategic Risk	Residual Risk Q1, 2023/24	Residual Risk Q4, 2023/24	Movement
1.	Governance failures	High	High	
2.	Failure to recruit, promote growth and retain skilled personnel	High	High	
3	Insufficient funding for capex & opex projects	High	High	
4	Unreliable power supply	High	High	
5	Road Infrastructure Failure (roads, bridges, stormwater, traffic signals)	High	High	
6	Delayed implementation & completion of projects	High	High	
7	Inability to maximise asphalt plant.	High	High	
8	Fraud, theft and corruption	Very High	Very High	
9	Cyber-attack, data fraud and data theft	High	High	
10	Dissatisfied Stakeholders	High	High	
11	Environmental hazards	High	High	
12	Failure to conduct research, development and application of innovation	Very High	High	
13	Ineffective Business Continuity Management system	High	High	

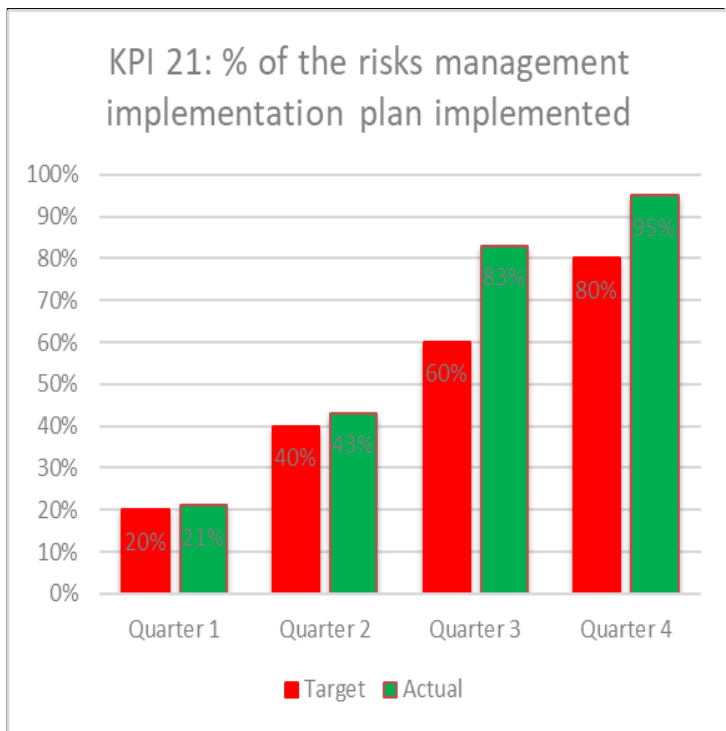
Reduced

Constant

Increased



Ninety-five (95%) of the planned activities in the risk implementation plan were completed as illustrated in the graph below;



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

The JRA approved its Risk Management Maturity Framework, Business Continuity Management Framework; and Risk Appetite and Tolerance Framework for the period 2021-24.

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

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

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

				Priority 5: Infrastructure Development and Refurbishment	
8	Fraud, theft and corruption	Good Governance	Good Governance	Priority 7: Safer City	Outcome 4
9	Cyber-attack, data fraud and data theft	ICT Governance	ICT Governance	Priority 7: Safer City	
10	Dissatisfied Stakeholders	Stakeholder Management	Improve perception of the organisation	Priority 8: Active and Engaged Citizenry	
11	Environmental hazards	Ensure hygienic environment	Ensure hygienic environment	Priority 9: Sustained Economic Growth	Outcome 2
12	Failure to conduct research, development and application of innovation	Private and public partnerships in the following: Implementation of roads and stormwater projects; Projects funding; freight and logistics. Partnerships with universities and research institutions for research work in the following: New road construction methodologies that optimise resource use; New road construction materials; Sustainable roads and stormwater infrastructure design; Traffic data analysis and algorithms.	A Smart City that embraces ICT innovation as a force for good	Priority 10: Smart City	Outcome 2
13	Ineffective Business Continuity Management system	To build resilience and sustainability	To ensure quality and timeous service delivery of Road infrastructure within the City of Joburg	Priority 4: Sustainable Service Delivery	Outcome 2

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

No.	RISK	STRATEGIC OPPRTUNITIES	BUSINESS PLAN PROGRAMME	SDBIP/ IDP	GDS 2040
1	Occupational Injuries	Improved productivity and reduced injury rate	Health, Safety and Environmental Compliance	Priority 9: Sustained Economic Growth	Outcome 1
2	Inability to provide critical support to business (JRA key systems and network)	Digitising and automation of processes to ensure efficiency.	ICT Governance	Priority 10: Smart City	
3	Long overdue faulty traffic signals	Increased opportunity for partnerships and improved value creation for road users	Customer Charter Service Standards	Priority 4: Sustainable Service Delivery	Outcome 1 & 2

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

## 4.1. Opportunities

### Risks, Opportunities and Dependencies

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

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

No.	Risks	Opportunities	Dependencies
1	Road Infrastructure Failure (roads, bridges, stormwater, traffic signals)	<ul style="list-style-type: none"> <li>Improve proactive maintenance, project management resources, and increase budgetary allocations to key infrastructure maintenance.</li> <li>Reduction in public liability claims</li> </ul>	<ul style="list-style-type: none"> <li>Strong interdependency with the Johannesburg Development Agency, Housing Department and Development Planning Department for infrastructure projects implementation.</li> </ul>
2	Governance failures	<ul style="list-style-type: none"> <li>Achievement of objectives</li> <li>Improved audit outcomes</li> <li>Clean audit</li> </ul>	<ul style="list-style-type: none"> <li>Management of interdependencies with other key City entities such as City Power and Joburg Water.</li> <li>Alignment and dependency on the City-wide Group Governance frameworks.</li> </ul>
3	Inability to maximise asphalt plant	<ul style="list-style-type: none"> <li>Potential income generation through Asphalt Plant commercialization</li> </ul>	<ul style="list-style-type: none"> <li>Dependent on working agreements with Joburg Water, City Power, etc,</li> </ul>
4	Fraud, theft, and corruption	<ul style="list-style-type: none"> <li>Clean audit</li> <li>Safeguarding of strategic assets</li> </ul>	<ul style="list-style-type: none"> <li>Engagements with Public Safety Department and Development control units in Development Planning as well as relevant provincial departments.</li> </ul>
5	Cyber-attack, data fraud and data theft	<ul style="list-style-type: none"> <li>Improved ICT security</li> </ul>	<ul style="list-style-type: none"> <li>Dependency on service provider.</li> </ul>

## 4.2. Internal Controls

The adopted risk methodology also entails the application of internal control mechanisms and mitigation actions, the adequacy, and effectiveness of which are monitored and measured by the Internal Audit Unit (see Chapter 6). The various control mechanisms are outlined in the Company-approved policies and procedures which are supported by a system of processes and Standing Operating Procedures (SOPs).

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

## Section 5: Anti-Corruption and Fraud Investigations

As part of the commitment to fight fraud and corruption which represent a significant risk to the JRA's assets, service delivery efficiency and reputation the JRA utilises the Hotline centralised at the City of Joburg 0800 002587, and e-email: [whistle@joburg.org.za](mailto:whistle@joburg.org.za) to facilitate whistleblowing and reporting. Several cases are currently being processed by the CoJ Group Forensic and Investigation Services as reflected in the table below. As reflected below, the resolution of some cases is long overdue, and management continues to engage GFIS on progress.

GFIS No.	Date	Case Type	Status
19/10/2019	18/10/2019	Maladministration	In Progress
71/05/2021	28/05/2021	Maladministration	In Progress
46/06/2022	17/06/2022	Maladministration	In Progress
26/04/2021	05/07/2022	Fraud / Corruption	In Progress
59/06/2022	23/06/2022	Fraud / Corruption	In Progress
35/09/2022	05/09/2022	Fraud / Corruption	In Progress
27/01/2023	31/01/2023	Fraud / Corruption	In Progress
48/02/2023	13/02/2023	Fraud / Corruption	In Progress
.51/02/2023	13/02/2023	Fraud / Corruption	In Progress
13/03/2023	08/03/2023	Fraud / Corruption	In Progress
05/05/2023	04/05/2023	Fraud / Corruption	In Progress
13/05/2023	22/05/2023	Fraud / Corruption	In Progress

Four Unauthorized Fruitless and Wasteful Expenditure (UIFW) were investigated by Internal Audit. The Board approved UIFW for the financial year as reflected in [Chapter 5](#) of the report.

## Section 6: Technology and Information Governance

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

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

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

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

ICT has the potential not simply to make the business of the JRA more efficient by automating processes but also to ensure that it plays a strategic role, for instance, through the data gathering,

sharing and analysis potential and capabilities it offers. The roles of the JRA ICT Governance structures are illustrated in the figure below.

Figure 2.5. JRA ICT Governance structure



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

In the financial year the following milestones were achieved:

- JDE (ERP) system availability remained at acceptable levels;

- Improved network connectivity;
- Improved incident management (service desk);
- Allocation of desktops, laptops and mobile devices to the company’s workforce;
- Implementation of the latest anti-virus and firewall to improve on IT security;
- Improved resolution rate of audit findings;
- Improved mitigation plans on operational and strategic risks;
- Business process automation; and,
- Implementation of Microsoft Power Business Intelligence (BI) for CAPEX projects reporting for the Infrastructure Development (ID) and Planning Departments

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

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

## Section 7: Compliance with Laws & Regulations

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

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

### By-Laws

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

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

AREA	TOTAL	COMPLIANT	NON-COMPLIANT
Companies Act	6	6	0
Labour Relations & Employment Laws	10	6	4
Finance Tax	7	5	2
Environmental	3	2	1
Fraud Corruption Ethics and Compliance	5	5	0
Road and Traffic Management Act	3	2	1
ICT	1	1	0
Capital Projects Requirements	2	1	1
General – MFMA & MSA	13	13	0

## 7.1. Declaration of Interests

All employees of the city and municipal owned entities at all levels are required to declare their interest at the beginning of each financial year, a mandatory legislative compliance requirement in terms of the Code of Conduct for Municipal Employees.1553, Declaration of Interest forms were received whilst 325 declaring of interest forms were not submitted. All Board and Independent Audit Committee members have signed the code of ethical conduct and declaration of interest forms for the 2023 / 2024 financial year.

Summary of declarations for the financial year are as follows:

JRA staff component	Total number of signed declarations forms	Total number of employees who have declared interest	Total number of employees with no interest to declare	Total number of outstanding declarations of interest
1553	1228	30	1198	325

### Summary of Gift and Favours

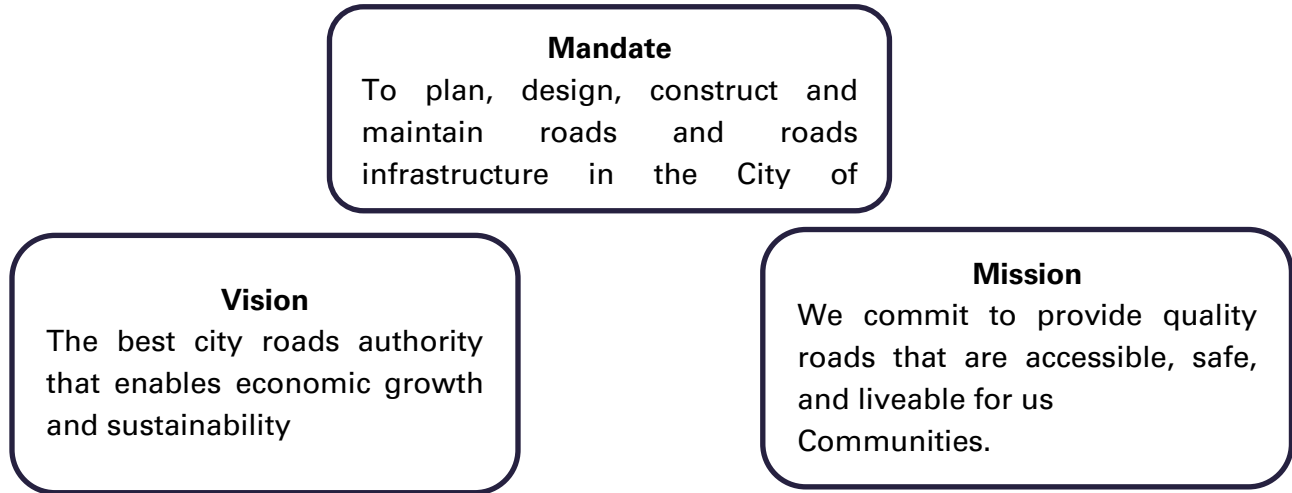
JRA staff component	Total number of signed gift and favours forms	Total number of employees who have declared gifts and favours
1553	92	0

**JRA Value Creation Process**

Below the report outlines its value creation model. It outlines how JRA generates value for its stakeholders through its activities and operations through its management of 14 000km of CoJ road network.

**JRA Mandate, Vision, Mission, and values**

The JRA’s purpose and primary objectives as well as long-term impact desires are reflected below.



**Key Stakeholders**

The JRA has identified its key stakeholders and assessed their needs and expectations to understand what value means to them as reflected below.

Stakeholders	What Value Means to Them
City of Johannesburg residents; Ratepayers; Business community; Civil society; National and provincial government; Designated targeted groups.	<ul style="list-style-type: none"> <li>• Installation of traffic calming measures;</li> <li>• Development of sidewalks;</li> <li>• Development and repairs to pedestrian bridges;</li> <li>• Surfacing of gravel roads;</li> <li>• Conversion of open storm water channels especially in flooding hotspots</li> <li>• Replacement of manhole covers; and</li> <li>• General road maintenance (pothole patching, barriers installation and repair, traffic lights maintenance).</li> </ul>

**JRA Value Drivers**

The JRA has determined the following a critical value drivers;

- **Infrastructure Development:** Value created through the construction and maintenance of roads and bridges, which enhances connectivity and supports economic development.
- **Safety and Reliability:** Value from improving road safety through better design, maintenance, and traffic management, leading to fewer accidents and reliable travel.
- **Environmental Sustainability:** Value from implementing eco-friendly practices, such as using sustainable materials and minimizing environmental impact.
- **Economic Impact:** Value created by stimulating local economies through job creation,

increased property values, and improved access to markets.

- **Innovation and Efficiency:** Value derived from adopting new technologies and practices that improve operational efficiency and reduce costs.

### **Value Creation Process.**

These value drivers inform JRA Value Creation process as outlined below, including the results chain (Inputs, Activities, Outputs, Outcomes and Impact); JRA Key Performance Indicator, as well as JRA Value Proposition. The JRA's value creation model is illustrated in Figure 3.1 below.

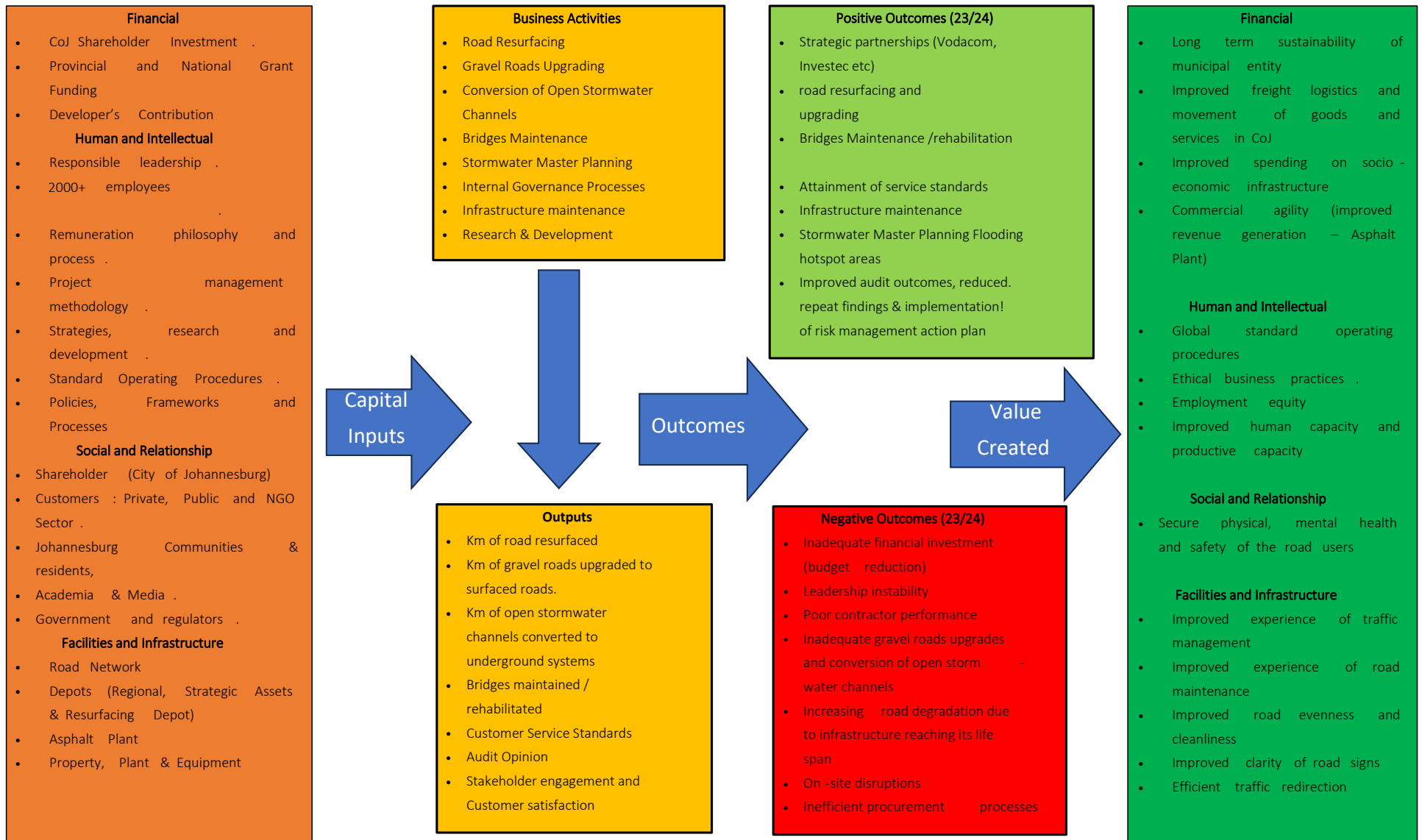


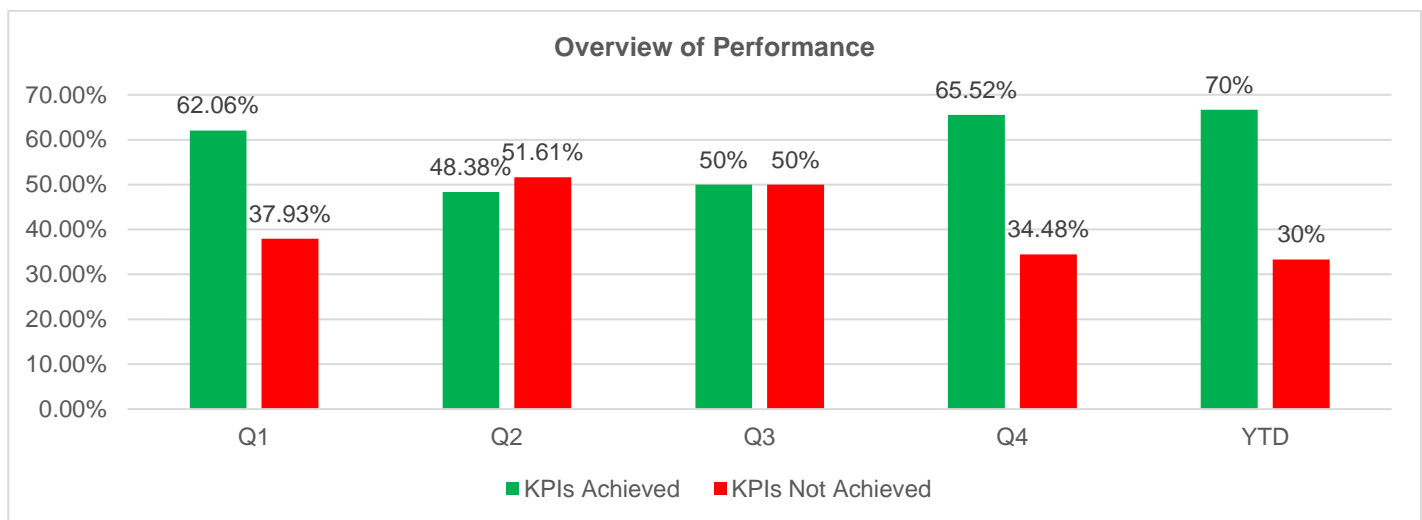
Figure 3.1. JRA Value Creation Process

## Section 1: Highlights and Achievements

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

### Summary of Organisational Performance

The overall performance overview for the JRA in 2023/24 is reflected in the graph below. The JRA achieved 70% of its targets compared to 75% in the previous financial year. The key performance measures also increased from twenty in the previous financial year to thirty-two in 23/24. It is expected that further performance improvements will take place in the 2024/25 financial year. There were several other interventions including the explosion on Lillian Ngoyi Street that necessitated to movement of resources from some key projects to urgently mitigate the disaster, further contributing to the performance reflected.



### Key milestones

- The JRA managed to achieve leadership stability with the appointment of the Chief Executive Officer, and the Chief Financial Officer on a substantive basis.
- The JRA has resurfaced 152.84 lane km, upgraded 7.76 km gravel roads have been upgraded to surfaced roads and 1.91 km of open stormwater channels to covered channels. The CAPEX programmes suffered from inadequate budget allocations which do not assist the massive backlog in place.
- A total of 127 SMMEs were supported against a target of 90.
- A total of 219 EPWP work opportunities were created against a target of 150.
- Positive resolution rates for traffic signals are being realised. These have to be complemented with measures to ensure this positive resolution rate is the lived experience of road users.
- The JRA managed to operationalise the Asphalt Plant and continues to explore a commercialisation model and to pursue SANAS accreditation for both the Lab and the Plant
- The JRA managed to rebrand its corporate fleet further enhancing its image as part of improving its brand.

- The JRA has also been party to several partnerships that are evidence of innovation to bring private sector players to partner in the delivery of public services that present mutual benefit.

## Section 2: Service Delivery Challenges

In 2023/24 the JRA experienced some challenges;

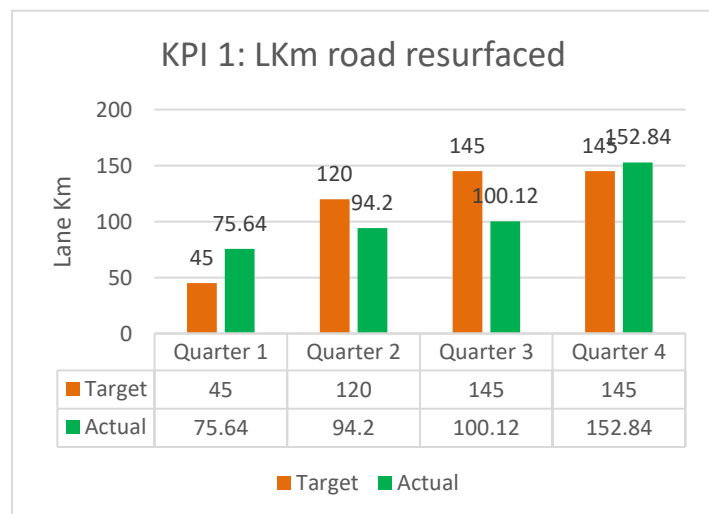
Challenges	Mitigations
<ul style="list-style-type: none"> <li>• The underperformance of contractors in some instances contributed underachievement of kilometres of gravel roads upgraded to surfaced standard roads</li> <li>• Delays in finalization of designs due to the bulk stormwater issue affected all Orange Farm wards including Drieziek gravel roads upgrade projects.</li> </ul>	<ul style="list-style-type: none"> <li>• Improved contractor performance management and contract termination as a last resort</li> <li>• Reprioritisation of streets w due to the bulk stormwater unavailability for the discharge of stormwater. Construction is in progress in Orange Farm with three contractors appointed for Ward1, Ward 3 and Ward 131.</li> </ul>
<ul style="list-style-type: none"> <li>• In this year theft and vandalism of the traffic infrastructure remained a challenge in particular traffic light systems.</li> </ul>	<ul style="list-style-type: none"> <li>• The JRA continues to work with enforcement agencies towards identifying our stolen assets that leads towards successful convictions of the perpetrators.</li> </ul>
<ul style="list-style-type: none"> <li>• The continuous requests from the community for the JRA to resolve faulty traffic signals that belongs to province.</li> </ul>	<ul style="list-style-type: none"> <li>• Improved IGR engagements to manage the interdependencies. This is critical as it begins to streamline the communication between the JRA and Province.</li> </ul>

## Section 3: Response to Strategic Direction

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

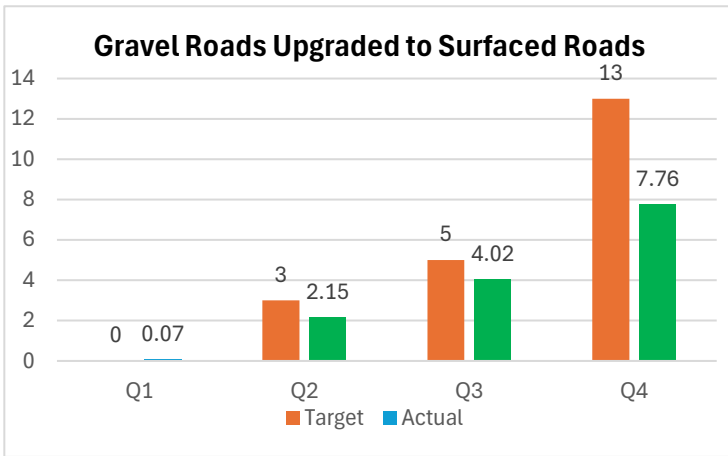
### 3.1. Infrastructure Development

#### 1.1.1. Roads Resurfacing Programme



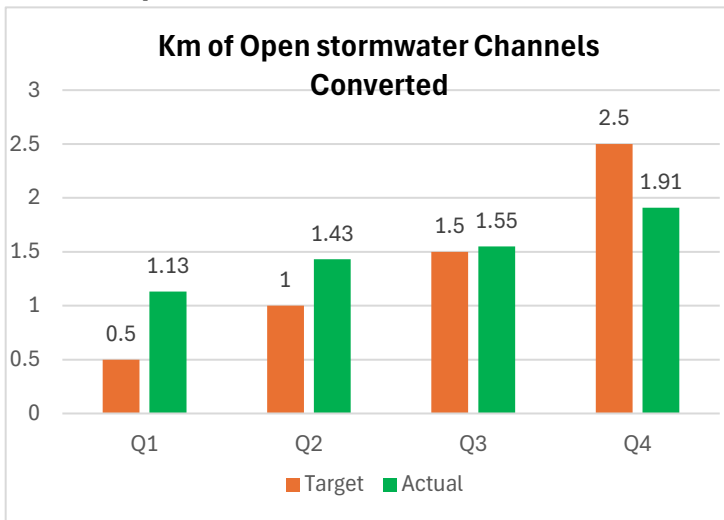
The JRA resurfaced 152.84 lane kilometres against an annual target of 145 lane km in areas that include Wards 102 and 113 (Region A), Ward 88 and 117 (Region B), Wards 71,44,50,129, and101 (Region C), Ward 11 (Region D), Wards 75,76,77 and 108 (Region E) and Ward 60 (Region F), Wards 1,18 and 131. The programme has suffered from inadequate budget allocations which has led to a year-on-year decline in the number of kilometres resurfaced. The graph illustrates the quarterly performance.

### 1.1.2. Gravel Road Upgrade Programme



The JRA also upgrades gravel roads into surfaced roads mostly in marginalized areas across Johannesburg. The JRA upgraded 7.76km to surfaced standard. The bulk of the work was undertaken in Klipfonteinview View, and Doornkop/Thulani, Braamfischerville, Ivory Park (2 projects), Diepsloot (2 projects), Mayibuye, Kaalfontein, Tshepisong and Orange Farm (3 projects).

### 1.1.3. Open Drains Conversions



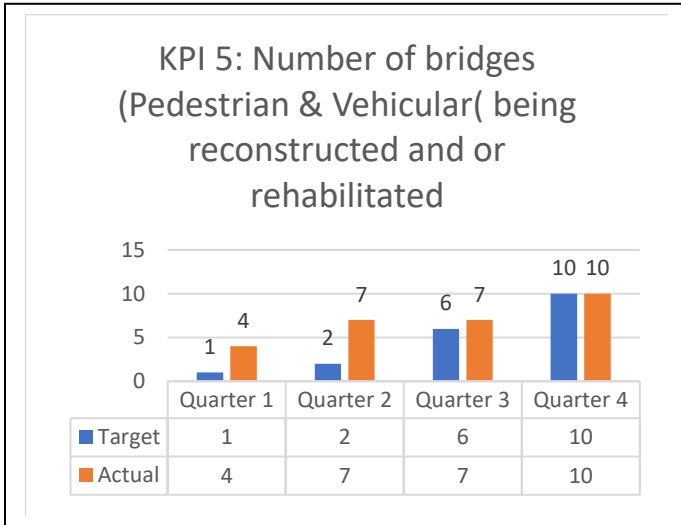
The JRA embarked on a programme of converting open storm water channel systems into underground pipe and or culvert systems. During the 2023/24 financial year the focus is on Braamfischerville, Orange Farm, and Ivory Park. The JRA has converted 1.905 km of open channels to underground systems in Orange Farm.

## 1.2. Infrastructure Planning

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

### 1.2.1. Bridges Management Programme

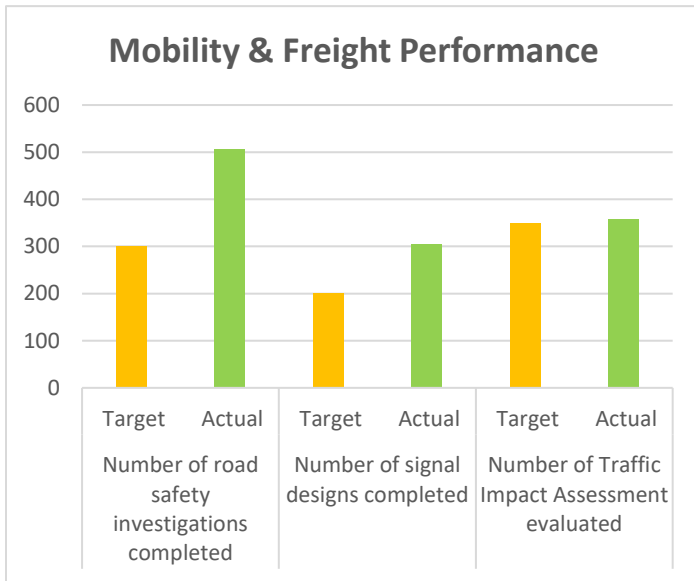
The JRA has undertaken on-going upgrading/rehabilitation on ten bridges; Buccleuch bridge (High Level) in Region E, ward 32, Kilburn Bridged in Region C, ward 84, Canterbury in Region E ward 10 and Maphumulo Street Culvert in Region D, ward 46. Designs are underway for Moroka Nancefield, Ndaba Bridges, Phakoe bridge, Mastiff bridge and West Road Culvert bridge. The work includes reconstruction and rehabilitation as may apply. There is a backlog of 68 bridges identified that require urgent rehabilitation and or reconstruction across the City.



## 1.3. Mobility and Freight

The JRA repairs faulty traffic signals in line with the service standards of the City of Johannesburg. It also replaces other road infrastructure like guardrails, manhole covers etc.

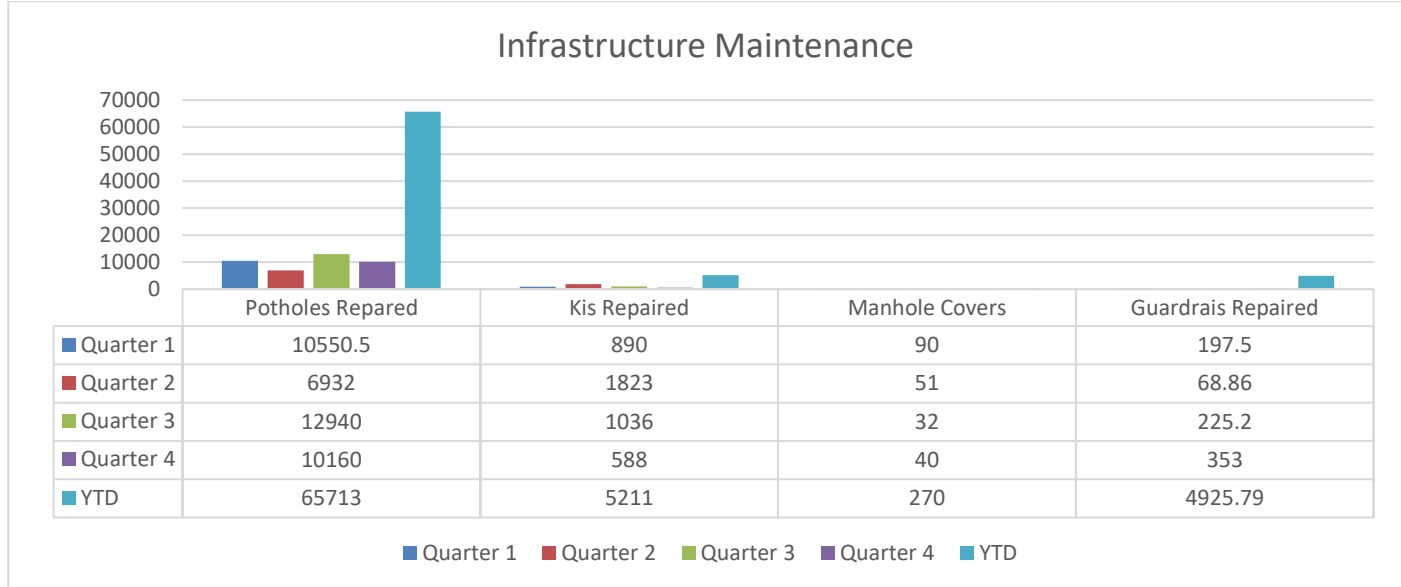
- In relation to traffic signal repairs, 84.32% of 23/24 technical faults repairs were resolved within 24 hours. Performance is assisted by the remote monitoring systems (RMS) which proactively identifies over 85% of the reports from about 95% coverage, making it quicker for the maintenance teams to respond.
- There has been an improvement in power-related outages due to improvements in the power supply. About 37% of reported faulty signalized sites were affected by electrical power related challenges. City Power and ESKOM and JRA are in constant engagement to mitigate and speed up power restoration where such occurs.
- To reduce the impact of load management initiatives and power outages, the Department keeps the window opened for installation of backup power from third parties, in addition to over 120 intersections which are already adopted.
- The unavailability of critical spares and tools still impacts on performance. It is worth noting that the applicable SLAs from the original equipment manufacturers (OEMs) have recently been concluded.
- Theft and vandalism of signals infrastructure remain a serious challenge. Seventy-two (72) reports have been captured, on partial to complete destruction of the infrastructure, from sixty-nine signalized sites. This contributed to 531 reports from 420 signalized sites. Almost 42% of the reports were captured from Region F, while about region B and D shared about 33% and region C and E also equally shared about 22% of the captured impact.



The JRA revised and designed new traffic signal timings at 304 intersections against a target of two hundred. The JRA received thirty-one petitions of which all investigations reports were completed. The company undertook 505 road safety investigations against a target of three hundred. The company evaluated 357 evaluations against a target of 350.

## 1.4. Regional Operations

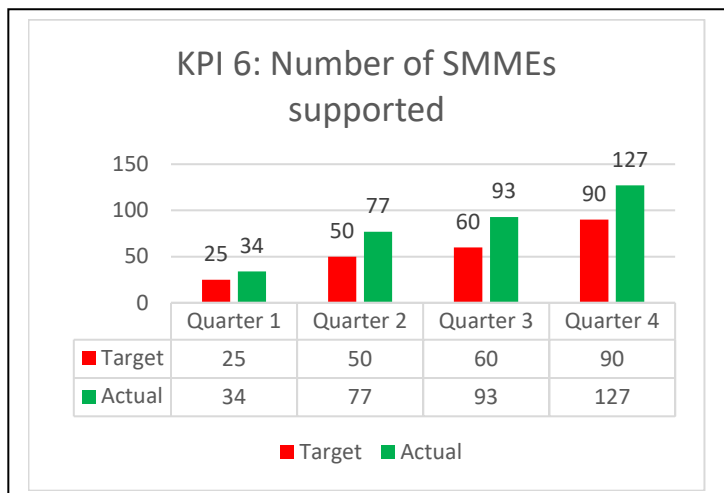
The JRA, through its maintenance department, is responsible for both proactive and reactive maintenance of the road network within the City of Johannesburg. The activities include, inter alia, different methodologies of routine maintenance, 65713 potholes were repaired during the year under review. In terms of other road maintenance, a total of 5211 kerb inlets (KI) were unblocked and cleared. Furthermore 270 manhole covers including and 4925.79m of guardrails were replaced.



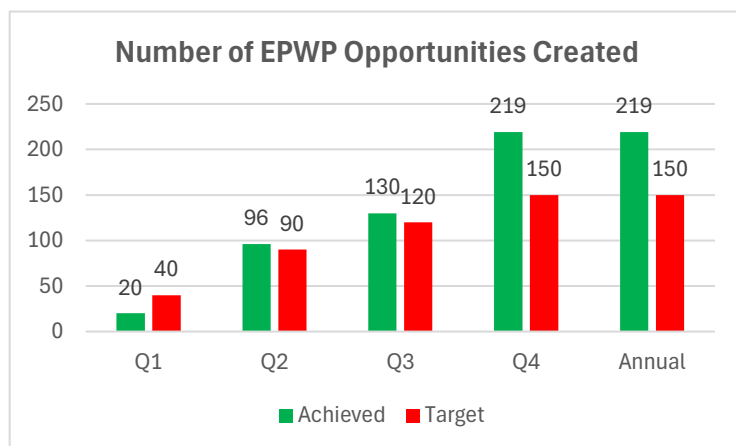
\*The annual values are not cumulative and are inclusive of works orders resolved beyond the 30-day period.

## 1.5. Support to SMMEs & EPWP

### SMMEs Supported



The JRA has a programme to support SMMEs and to create Expanded Public Works Programmes opportunities. In relation to SMME support, cumulatively. The JRA supported 127 SMMEs against a target of ninety.



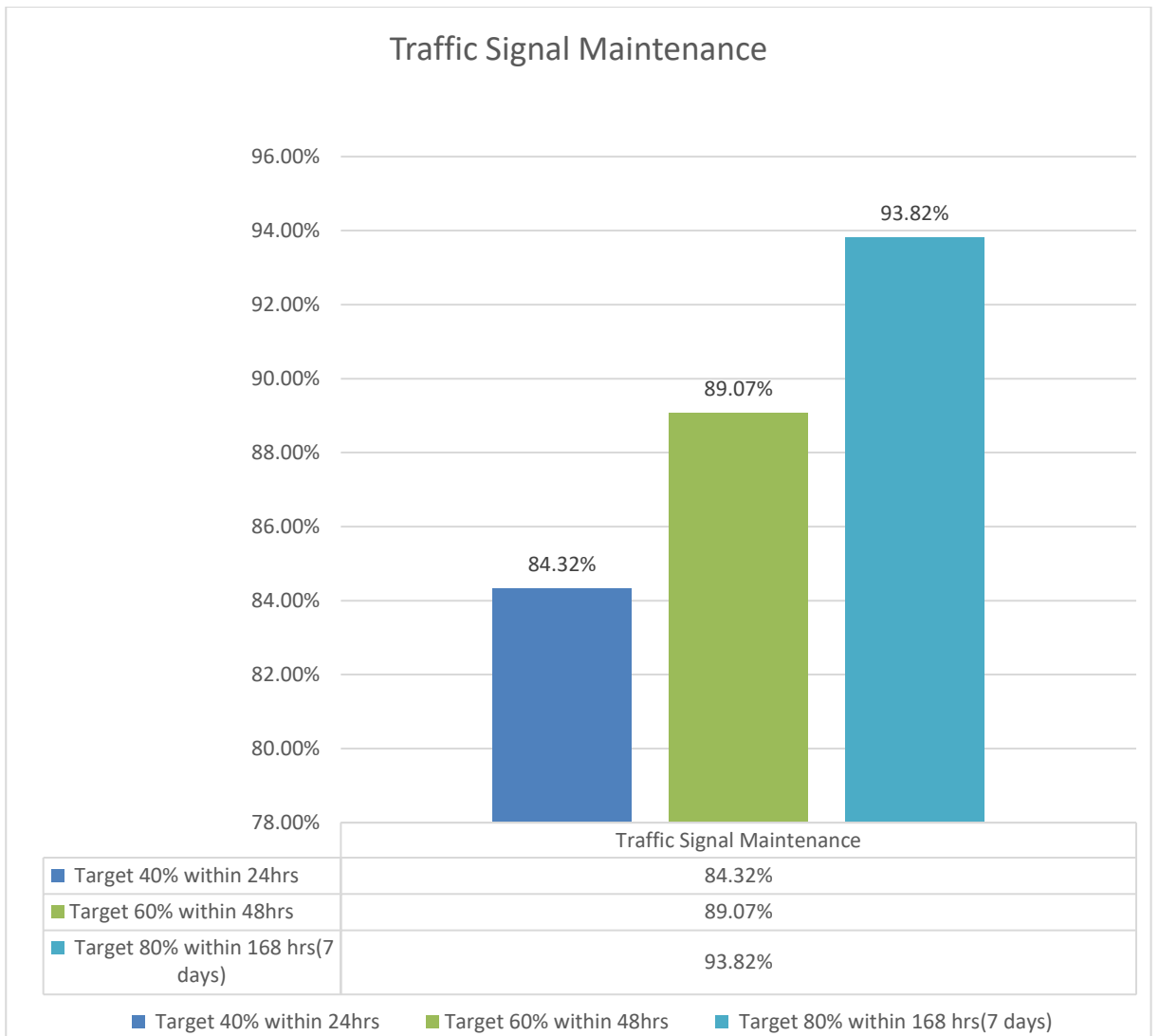
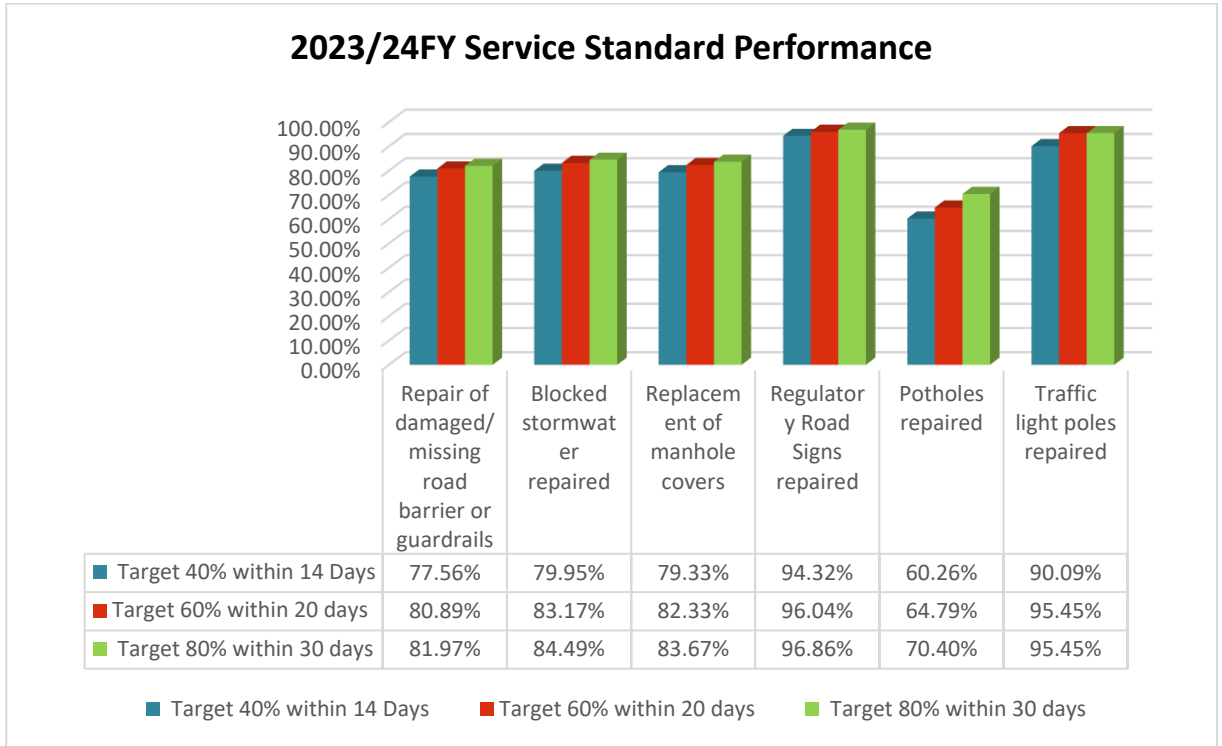
### EPWP Jobs Created

In relation to EPWP opportunities created, in the period under review, the JRA created a total of 219 EPWP opportunities against a target of 150 in infrastructure projects that were under implementation.

## Section 4: Performance Against Service Standards

The CoJ Customer allocates seven (7) service standards for implemented by the JRA (See Annexure). These relate to; repair of potholes; regulatory road signs repaired; traffic signal maintenance; repair of damaged / missing road barriers or guardrails; repair of damaged traffic light poles; blocked storm water repair and replacement of manholes covers. The Charter sets three (3) sub targets for each of the service standards. In 2023/24, the JRA achieved 20 of the 21 targets (95.23%). The figures below illustrate the detailed performance against these service standards.

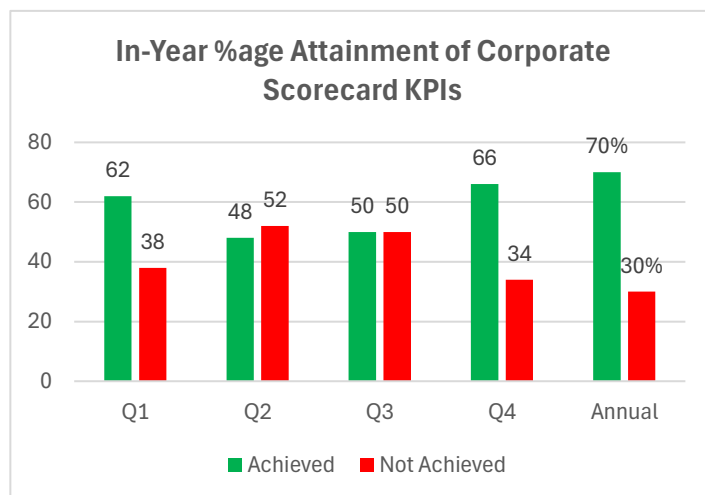
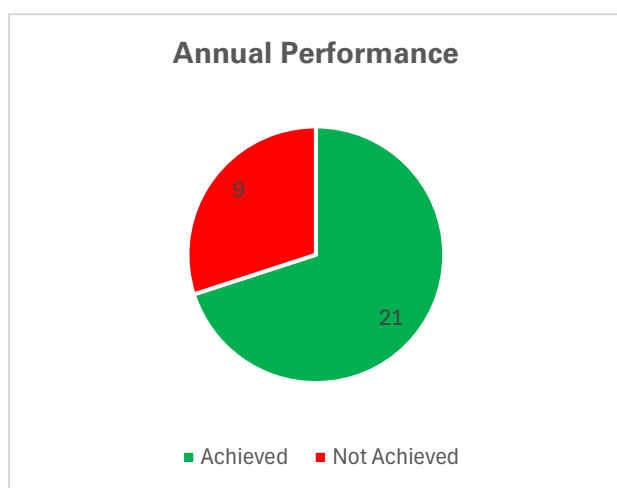
Figure 3.2: JRA Service Standards Performance Graph



## Section 5: Performance Against Pre-Determined Objectives

For 2023/24 the JRA had 32 KPI's of which thirty were due and two were not due because of budget adjustments and reprioritisation of due to Lillian Ngoyi infrastructure failure. Out of the 30 KPIs due, the Entity met targets of twenty-one KPIs and failed to meet nine targets. The table and pie chart below illustrate the in-year and annual performance in relation to these pre-determined objectives.

JRA Programmes	No. of KPIs	Achieved	Not Achieved	Not Due	%age
Institutional SDBIP KPIs	3	1	2	0	33.33%
Entity Scorecards KPIs	9	6	1	2	85.71%
Gatekeeper KPIs	10	6	4	0	60%
Circular 88 Indicators	10	8	2	0	80%
<b>Total</b>	<b>32</b>	<b>21</b>	<b>9</b>	<b>2</b>	<b>70%</b>



The detailed breakdown of performance per KPI is contained in the tables below.

Table 1: Institutional SDBIP Indicators

KPI No.	KPI	Baseline	23/24 Target	Mid-Year Adj.	23/24 Performance	Reasons for non-achievement / exceeding target	Action plan to improve performance
1	Number of lane kilometres of roads resurfaced.	261.76lkm	145L/km	N/A	152.84 Lkm	An additional budget was requested during mid-term and approved, work resumed during Q4, and a set target was exceeded.	N/A
2	Number of kilometres of gravel roads upgraded to surfaced roads	8.41lkm	13km	N/A	7.76km	<ul style="list-style-type: none"> <li>Contractor underperformance</li> <li>Delays in finalization of designs due to the bulk stormwater issue (Orange Farm &amp; Drieziek)</li> </ul>	<ul style="list-style-type: none"> <li>Termination of Contract (Braamfischerville).</li> <li>Streets were reprioritized due to the bulk stormwater unavailability.</li> <li>Construction is in progress in Orange Farm with three contractors appointed (Wards 1, 3 and 131).</li> </ul>

KPI No.	KPI	Baseline	23/24 Target	Mid-Year Adj.	23/24 Performance	Reasons for non-achievement / exceeding target	Action plan to improve performance
3	Number of kilometres of storm water drains converted to underground systems	0.17km	2km	2.5km	1.91 km	<ul style="list-style-type: none"> <li>The alignment of the business plan targets with the SDBIP targets increased the target without commensurate budget allocation.</li> <li>The targets were set prior the budget approval however, the allocated budget was lower than anticipated.</li> </ul>	The alignment of SDBIP and business plan target for 2024/25 has been done. The allocated budget for the new financial year is adequate to achieve the target as the backlog remains high.

Table 2: Entity Scorecard Indicators

KPI No.	KPI	Baseline	2023/24 Target	Mid-Year Adj.	23/24 Performance	Reasons for non-achievement / exceeding target	Action plan to improve performance
4	Km of surface roads rehabilitated and reconstructed	1.47 km	6km	YES	N/A Not Due	N/A	N/A
5	Number of bridges (Pedestrian & Vehicular) being reconstructed (replacement) and or rehabilitated	19	10	N/A	10	N/A	N/A
6	Number of SMMEs supported	96	90	N/A	127	The target was exceeded due to projects progress that have accelerated, resulting in SMME sub-contractors appointed earlier than anticipated.	N/A
7	Number of signalised traffic intersections upgraded	N/A	95%	35	44	Due to the urgency to re-cable traffic signals the contractors were requested to prioritize the project, good progress was achieved	N/A
8	Number of EPWP jobs created	553	150	N/A	219	The progress achieved in the gravel roads upgrade programmes resulted in higher number of EPWP job opportunities created	N/A
9	Kilometres of stormwater pipes installed for stormwater master planning projects	-	95%	1.45km	0km	The underperformance on this KPI is attributed to the delays due to Joburg water pipes in construction vicinity.	Construction commenced in the upper stream while JW procured for a contractor to remove their pipe.
10	Number of lane kilometres of	-	95%	2lkm	3.22lkm	N/A	N/A

KPI No.	KPI	Baseline	2023/24 Target	Mid-Year Adj.	23/24 Performance	Reasons for non-achievement / exceeding target	Action plan to improve performance
	roads resurfaced on M1 Motorway						
11	Number of lane kilometres of roads resurfaced on M2 Motorway	-	95%	2lkm	3.58lkm	N/A	N/A
12	Number of lane kilometres of roads resurfaced on M70 Motorway (Soweto Highway)	-	95%	2lk	N/A Not Due	N/A	N/A

Table 3: Gatekeeper Key Performance Indicators

KPI No.	KPI	Baseline	2023/24 Target	Mid-Year Adj.	23/24 Performance	Reasons for non-achievement / exceeding target	Action plan to improve performance
13	Percentage spent on operating budget against approved operating budget	-	95%	N/A	104%	N/A	N/A
14	Percentage spent on capital budget against approved capital budget	-	90%	N/A	97%	N/A	N/A
15	Percentage reduction in unauthorized, irregular, fruitless and wasteful (UIFW) expenditure incurred	-	50%	N/A	61.61%	N/A	N/A
16	Percentage of valid invoices paid within 30 days of invoice date	-	100%	N/A	74%	Not Achieved due to cash flow constraints. Payments have consistently declined from Quarters 1 to 4.	Continuous engagements with the shareholder for improved cashflow provision to enable timeous payment of service providers. Explore multiple revenue sources through asphalt commercialization.
17	Percentage resolution of Internal Audit findings	91%	95%	N/A	62%	<ul style="list-style-type: none"> <li>Resource constraints e.g. budget &amp; human resources (infrastructure related corrective actions)</li> </ul>	Regular EMT engagements, monthly and quarterly monitoring and reporting
18	Percentage resolution of AG findings	85%	85% <sup>2</sup>	N/A	79%	<ul style="list-style-type: none"> <li>Complexity of Issues (management of</li> </ul>	

<sup>2</sup> In 2021/22 the AG raised 26 Audit Findings

KPI No.	KPI	Baseline	2023/24 Target	Mid-Year Adj.	23/24 Performance	Reasons for non-achievement / exceeding target	Action plan to improve performance
						interdependencies to resolve complex audit findings) <ul style="list-style-type: none"> <li>Inadequate systems (Implementation of SAP could resolve some HCM findings)</li> </ul>	
19	Audit Outcome	Unqualified without material finding	Unqualified without material finding	N/A	Unqualified with findings	N/A	N/A
20	Percentage implementation of the strategic risk management action plan	70%	80%	N/A	95%	N/A	N/A
21	Percentage achievement of service standards	-	75%	N/A	95.23%	N/A	N/A
22	Percentage of predetermined objective achieved	-	75%	N/A	70%	The reasons for underperformance include budgetary constraints, project management and contractor performance amongst others	Action plans for improved performance have been provided for each under unachieved KPIs.

**Table 5.4 Performance On Circular 88 Indicators**

KPI No.	KPI	Baseline	23/24 Annual Target	Mid-Year Adj.	23/24 Performance	Reasons for non-achievement and or exceeding target	Action plan to improve performance
23	Percentage of unsurfaced roads graded	121.09% (878.37km/720)	50% (720km / 1440km)	<b>50% (659km / 1318km)</b>	51% (674km)	The programme progressed faster than anticipated.	N/A
24	Percentage of municipal road lanes which has been resurfaced and resealed	6.55%	2.75% (*10/4000km)	<b>3.65% (*62/1711km)</b>	8.93% (152.84 Lkm)	The denominator (total length) for calculating percentage achieved was revised during mid-term hence a high percentage was achieved.	N/A
25	KMs of new municipal road network	16.82km	20km	<b>26km</b>	27.7 km	Km taken over from Developers and capitalized during the 2023/24.	N/A
26	Percentage of reported potholes	-	80% Within 30 days as	<b>40% within 14 days</b> <b>60% within 20</b>	60.25% 64.79%	Focus on backlog created and improved	N/A

KPI No.	KPI	Baseline	23/24 Annual Target	Mid-Year Adj.	23/24 Performance	Reasons for non-achievement and or exceeding target	Action plan to improve performance
	complaints resolved within standard municipal response time		per service charter	days		planning and efficiency by depots	
				80% within 30 days	70.40%		
27	Staff vacancy rate	15.33%	10%	N/A	16.40%	A moratorium on filling of vacant positions has been instituted within the organization and therefore recruitment is only subjected to the approval of the CEO.	Line Managers are implored to initiate motivation to the A/CEO requesting approval to authorize the recruitment for critical positions.
28	Percentage of vacant posts filled within 3 months	1.03%	1%	N/A	0%	A moratorium on filling of vacant positions has been instituted within the organization and therefore recruitment is only subjected to the approval of the CEO.	Line Managers are implored to initiate motivation to the A/CEO requesting approval to authorize the recruitment for critical positions.
29	Number of active suspensions longer than three months	8	≤ 28	N/A	22	N/A	N/A
30	Quarterly salary bill of suspended officials	R6 412 925.26	≤ R12, 000, 000	N/A	R 10,436,183.90	N/A	N/A
31	Number of repeat audit findings <sup>3</sup>	4	2	N/A	2	N/A	N/A
32	Number of potholes reported per 10kms of municipal road network	-	-	53	20	N/A	N/A

<sup>3</sup> In 2021/22 Audit the AG raised 10 repeat findings. (i. Commitments; ii. Differences in Related Figures and Schedules; iii. Related Party Disclosure; iv. Irregular Expenditure not Prevented as Required by MFMA; v. High Vacancy Rates; vi. Financial Instruments Disclosure; vii. Policies not reviewed / outdated; viii. Validity and Completeness of Indicator; ix. Cashflow Statement; x. Leave pay charge and performance bonus.

## CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

The JRA aims to be an employer of choice by applying a progressive policy framework that ensures the recruitment and retention of talent through its Corporate Services Department. The company's employment policy allows employment practices that help to attract the best talent and remuneration policies that motivate and retain talented employees and create a desirable and appealing work environment. The JRA is committed to the development and implementation of an effective organisational development and performance management system.

### Section 1: Employee Remuneration

Table 4.1: Total employee costs

Category	Amount (R)
Executive Management	R 36,667,789.81
Senior Management	R 59,158,795.75
Professionally qualified and experienced specialists and mid-management	R 227,057,859.61
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	R 171,179,243.18
Semi-skilled and discretionary decision making	R 93,727,874.26
Unskilled and defined decision making	R 172,227,114.17
<b>Total</b>	<b>R 760,018,676.78</b>

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

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

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

### Section 2: Key Vacancies

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

Vacant Post	Progress
HoD Regional Operations	Has been readvertised
HoD Corporate Services	Has been readvertised
HoD Mobility and Freight	Approval to advertise to be granted

#### Vacancy Rate

This section provides information about rate of vacancies against the total population of funded posts within the approved organisational structure. The company has 2523 authorised positions on the approved structure. There are 414 vacant positions in total of which, 164 are

funded positions, and 250 are unfunded leading to a 16.4% vacancy rate as illustrated in the table below.

Table 4.4: Vacancy ratio

Department	Positions Available	Vacant Funded Positions	Vacant Unfunded Positions	Total Vacant Positions	JRA - Percentage
CEO's Office	17	3	1	4	23.5%
Public Relations & Stakeholder Management	44	6	1	7	15.9%
Mobility and Freight	291	27	13	40	13.7%
Corporate Services	103	6	7	13	12.62%
Planning	54	1	0	1	1.9%
PGIT	60	12	1	13	21.6%
Infrastructure Development	55	1	0	1	1.8%
Regional Operations	1747	91	209	300	17.1%
Finance	152	17	18	35	23.0%
<b>Total</b>	<b>2523</b>	<b>164</b>	<b>250</b>	<b>414</b>	<b>16.4%</b>

### Staff Turnover

Table 4.5: Staff Turnover

Turnover (Reason)	Staff Leaving JRA
Resignation	18
Death	7
Dismissal	2
Medical Boarding	2
Retirement	23
Contract Termination	1
<b>Total</b>	<b>53</b>

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

### Staff Movement

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

Table 4.6: Staff Movement

Staff Movements	African		Coloured		Indian		Whites	
	Male	Female	Male	Female	Male	Female	Male	Female
Appointments	35	24	-	-	3	1	-	-
Recruitments	-	-	-	-	-	-	-	-
Resignations	13	5	-	1	-	-	-	-
Death	5	2	-	-	-	-	-	-
Dismissals	2	-	-	-	-	-	-	-
Retirements	15	6	-	-	-	-	-	2
Medical Boarding	1	1	-	-	-	-	-	-
Contract Termination	-	-	-	-	-	-	1	-

### Section 3: Employment Equity

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

Description	MALE				FEMALE				TOTAL
	A	C	I	W	A	C	I	W	
Province population	45.30%	1.30%	1.90%	7.40%	35.70%	1.30%	1.00%	6.10%	
Current no employees	940	12	9	27	533	11	4	17	1553
Required no of employees to EAP	745	21	31	121	587	21	16	100	
Gap	-195	9	22	94	51	10	12	83	
Current %	62.40%	0.70%	0.40%	2%	32.50%	0.60%	0.10%	1.20%	100%
Gap %	-17%	0.6%	1.5%	5.4%	3.2%	0.7%	0.9%	4.9%	
Representation status	over	under	under	under	under	under	under	under	

Issues related to EE raised by the members were reported to management for input and consideration. These measures will be taken into consideration in consultation with the committees and as per an annual schedule that is reflected in the EE Plan.

### Section 4: Skills Development Training

Table 4.8: Status of skills development at JRA

Strategic Skills	Education and Training Priority	Internal Training Provider	External Training provider	Total Number of Training
Improve Efficiency Improve Efficiency	Degrees/Diplomas/Certificates (Employees)	-	21	21
	MFMP Executive Managers	-	6	6
	MFMP Senior Managers	-	5	5
	Contract Revenue Adjustment	-	-	-
	First Aid Training	-	110	110

Electrical Training Apprenticeship	-	4	4
Performance Management KPI Training	430	-	430
Induction	76	-	76
Leadership & Development Management Training	-	30	30
Barricading Training	-	49	49
Health & Safety Training	-	60	60
Six Sigma	-	6	6
Administrative Management	-	60	60
Building Bridges Workshop (OD & Review)	-	40	40
<b>Total</b>			<b>879</b>

## Section 5: Performance Management

Performance Management department provided training in July 2023 on performance management moderation procedures for both union representatives and management. Employees in salary levels 1-9 were mandated to submit their annual performance scoresheets, Performance Agreements, and Balanced Scorecards for 2023/2024. Approximately 95% of employees submitted their annual performance scoresheets by 30 June 2024.

## Section 6: Disciplinary Matters and Outcomes

The following disciplinary cases were conducted during the 2023/24 financial year.

Table 4.9: Disciplinary cases conducted and finalised.

The below conciliations and arbitrations are currently being conducted:

CONCILIATIONS, ARBITRATIONS AND LABOUR COURT MATTERS			
Designation	NATURE OF DISPUTE	PROCESS	STATUS
Accountant	Unfair dismissal	Labour Court	JRA applied for condonation for late filing of the record of the proceedings and it is granted, furthermore the review application is also reinstated, awaiting date for matter to be set down.
OPS Manager: SCM	Unfair dismissal	Labour Court	JRA applied for condonation for late filing of the record of the proceedings and it is granted, furthermore the Rule 11 application and the Notice and Amended Notice of Motion are amended accordingly, awaiting date for matter to be set down.
IT Technician	Unfair dismissal	Labour Court	Matter was set for appeal at the Labour Appeal Court 27 March 2024, awaiting judgement.
Head: Mobility & Freight	Unfair Labour Practice	Arbitration - SALBGC	Both parties are engaged in the settlement negotiations, matter is at the final stages.
OPS Manager: HCM	Self-Review of the internal disciplinary proceedings	Labour Court	Matter set for review at the Labour Court, date not yet communicated to parties.

There are currently twenty-one (21) recorded cases of employee suspensions that are currently being conducted. The table below reflects the circumstances and duration of each of these cases.

Level	Date Suspension	Category of Violations	Status
Level 4	2022.10.03	Gross Negligence and dereliction of duty	Hearing commenced on the 29 April 2024; matter is in process
Level 3	2023.01.26	Alleged dishonesty by soliciting bribes from appointed contractors	Waiting for the Investigation report from GFIS
Level 9	24.04.2023	Alleged theft of laptops	Matter set down in the 4 <sup>th</sup> quarter of the FY
Level 9	24.04.2023	Alleged theft of laptops	Matter set down in the 4 <sup>th</sup> quarter of the FY
Level 4	21.09.2023	Alleged misconduct	Prosecutor appointed, in the process of interviewing witnesses before serving the charges
Level 2	13.10.2023	Alleged misconduct	Both parties are engaged in the settlement negotiations, matter is at the final stages.
Level 4	19.10.2023	Alleged misconduct	DC to proceed on the second week of July 2024
Level 4	23.10.2023	Alleged misconduct	DC to proceed on the 5-6 June 2024
Level 5	28.11.2023	Alleged misconduct	DC to proceed on the second week of July 2024
Level 6	05.12.2023	Alleged misconduct	Investigation finalised; Disciplinary Hearing recommended as well as criminal case to be opened, the matter is ongoing
Level 3	26.01.2024	Alleged misconduct	Matter set down for 16 July 2024
Level 5	13.02.2024	Alleged misconduct	Under investigation
Level 3	26.02.2024	Alleged misconduct	Matter set down for 09 July 2024
Level 6	20.03.2024	Theft	Under investigation
Level 6	20.03.2024	Theft	Under investigation
Level 6	20.03.2024	Theft	Under investigation
Level 6	20.03.2024	Theft	Under investigation
Level 6	20.03.2024	Theft	Under investigation
Level 6	20.03.2024	Theft	Under investigation
Level 6	20.03.2024	Theft	Under investigation
Level 6	20.03.2024	Theft	Under investigation
Level 3	20.05.2024	Alleged Misconduct	Under investigation
Level 4	14.06.2024	Alleged Misconduct	Under investigation

## Section 7: Leave and Productivity Management

A summary of the leave provisions during the 2023/24 FY is presented below: Figure 4.12: Leave and productivity management.

Category	Number of leave days
Annual leave	6212
Sick leave	4486
Family Responsibility leave	728

Study leave	4
Long service leave	112
Extended sick leave	0
Unpaid leave	441

## Section 8: Employee Wellness

The following Employee Health and Wellness programmes and activities were embarked upon during the financial year.

- i. Health Screening drives were conducted to all the Depots and Head Office from 09 to 25 April 2024. Wellness screenings serve as a cornerstone of preventive healthcare, promoting early detection, intervention, and education to support individuals in maintaining optimal health and well-being. The drive was a success although some officials without medical aid were left out since other services had financial implications.
- ii. JRA sports lovers participated in the Employee Engagement Day on 26 April 2024 and two sporting codes - Netball and Volleyball outshined all City entities and placed JRA in the spotlight by attaining 1st runner-up in Netball and 2nd runner-up in Volleyball.
- iii. The blood donation drive was conducted on 27 May at Head Office and six (6) employees donated blood.
- iv. Training on Basic Counselling Skills was conducted on 3 and 4 June 2024 where appointed Wellness Champs were trained on required skills as an entry point at the depots on wellness issues.
- v. Wellness in partnership with SHE embarked on awareness/roadshows from 05 June 2024 to end on 04 July 2024 to educate employees about mental health, Employee Assistance Program – how employees can benefit from the program, and two burning issues identified - absenteeism and substance abuse to all the depots and Head Office. A total number of 470 employees attended and participated. There has been an increased number of referrals since the inception of awareness, and this indicates that employees are becoming aware of the EAP and utilize the program.
- vi. Infographics and write-ups to educate and raise awareness on different disorders and diseases were communicated to all JRA employees.

## Section 9: Employee Benefits and Occupational Health and Safety

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

**Table 4.16: Pensions and Medical Aid Funds**

MEDICAL AID	Name of the Medical Aid	No of employees
	Bonitas	353

	Key Health	116
	Sizwe Hosmed	56
	LA Health	292
	SAMWU Med	178
	Non members	545
	<b>Total</b>	<b>1540</b>
<b>PENSION FUNDS</b>	<b>Name of Fund</b>	<b>No of employees</b>
	E-Joburg	1343
	City of Johannesburg Pension Fund	127
	Municipality Gratuity & Pension Fund	68
	National Fund for Municipal Workers	1
	Employees who were given the option to have their own Retirement Annuity when employed by JRA	<b>1</b>
	<b>Total</b>	<b>1540</b>

### 9.1. Health & Safety Programme

Injury incidents in the company are reported based on the Disabling Injury Frequency Rate (DIFR) values. DIFR is defined as the number of disabling injuries per 200 000 employees' hours worked over a 12-month period (an accident resulting in the loss of one or more shifts). The acceptable and recommended best practice DIFR value is one (1). It is important to manage injury incidents to levels below the value of one. There were forty-seven (47) disabling injury cases reported during 2023/24.

Table 4.17: Injuries on duty

	Activity	Q1		Q2		Q3		Q4		Target / Comment
		22/23	23/24	22/23	23/24	22/23	23/24	22/23	23/24	
Injuries on Duty	Injuries on Duty (No of reportable cases)	8	14	8	12	7	9	7	12	The acceptable and recommended best practice DIFR value is a value of one.
	Reportable Cases Rate (DIFR)	0,670	0,51	0,852	0,936	1,10	1,2	1,33	1,6	
	KPIs									

The table 4.17 denotes that the DIFR is above the value of one (1) which is standing at 1,6 during 2023/24 financial year. Table also demonstrates increased accidents of forty-seven (47) reported in 2023/24 compared to forty (40) accidents reported during the 2022/23 financial year. The JRA experienced two (2) fatal accidents that occurred during the course of work reported in 2023/24. The SHE Unit recommended mitigating measures to prevent reoccurrence of accidents to line managers in the form of accident investigations, safety promotion through applicable awareness and toolbox talks sessions.

The SHE unit carried out an Annual SHE awareness sessions which commenced on the 4th of June – 5th July 2024 at Regional depots and Head Office. It is aimed at increasing awareness, conveying information, changing unsafe attitudes and to cultivate a safe cultural behaviour within the JRA. The focal point of the SHE awareness encouraged management and employees to participate in health and safety committee meetings to discuss the present hazards as well as ways of preventing accidents in the workplace.

## 9.2. Occupational Health Service

Medical surveillance is an important examination ensuring that employees working for the JRA are without any undetected disease/s which might be caused by exposure to an activity with an inherent hazard which the employer failed to control or manage. There were fifty-two (52) pre-employment medical examination for newly appointed employees. There were two hundred and seventy-one (271) periodic medical examination that were conducted for the existing employees as well as seven (7) exit medical for retiring employees.

The occupational health services embarked on vaccination drive and ninety-one employees received influenza vaccines and twenty-three Hepatitis B. Over 2000 employees attended occupational health awareness that were conducted across Mobility and Freight Department, Asphalt Plant as well as Regional Operations Department. The awareness presentations focused on fatigue management, ergonomics and epilepsy management.

## Section 10: Corporate Social Responsibility

The JRA conducts different activities as part of its Corporate Social Responsibility programme. These are coordinated through the Public Relations and Stakeholder Engagement (PRSE) department as well as relevant technical departments. In 202/243 some of the activities that the JRA undertook as part of CSR include;

- **Easter Road Safety Campaign** – Launch at Grasmere Engen Garage;
- **Road Safety Awareness Campaign** Main Street – Reduction of speed and distracted driving.
- **Driver Appreciation Day** Brixton Multi-purpose Centre – To appreciate mass transport transit drivers for the sterling work they perform daily.
- **Scholar Transport Driver Safety Awareness Programme** Kliptown, Soweto and Cosmo City – Reduction of speed and distracted driving
- **School Transport Week** Sci-Bono, Newtown – Importance of Science, Technology, Engineering and Mathematics (STEM) as gateway subjects to access skills in demand and hard to fill vacancies.
- **Transport Month activation** Transport Museum – High school learners, were taken on a tour to the Transport Museum to learn about the origin and history of transport in South Africa
- **JP Morgan Corporate Challenge** – Sandton Region E CoJ Water Point
- **Soweto Marathon Promotion of Healthy Lifestyle** – Soweto Theatre CoJ Water Point
- **Promotion of Healthy Lifestyle: 94.7 Ride Joburg Cycling Challenge** – Mandela Park CoJ Water Point

## CHAPTER 5: FINANCIAL PERFORMANCE AND EXPOSURE

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

	2023-2024 R (000)
2023/2024 Draft Operating surplus as of 30 June 2024	R 20,029
2023/2024 Cash on hand (Developer's account and loan to COJ)	R 616,360
2023/2024 Accumulative deficit	(550,709)

(Refer to AFS)

### Section 2: Statement of Financial Performance

Component	23/24 Opex Budget	23/24 Actual	Variance
2023/2024 Income	R'000 R 1,445,980	R'000 R 1,522,957	R'000 R -76,977
2023/2024 Expenditure	-R1,445,980	-R 1,502,928	-R 56,949
2023/2024 Surplus/ (Deficit)	-	R 20,029	

#### Notes to financial position / performance (as of 30 June 2024):

The 2023/2024 cumulative Actual Income is above Budget by R 76,977 million. This is due to the following reasons:

- Jobbings, have increased and there was a small variance between budget and actual. There was interest received from the bank, which was not budgeted for, and an increase in the sundry income which is also over budget amount.
- The 2023/2024 Cumulative Operating expenditure is below the budget by R 56,949 million this is contributed to by the following reasons:

#### Over/Under spending:

- The employee cost (indirect costs and internal transfers – Security and Cleaning staff paid by COJ and are charged to JRA), the employee costs for the month of May were under the monthly budget and under the budget year to date budget. Due to the change in systems and COJ now doing the salaries for JRA, figures are received later and hence the lower salary figures because a provision was used. Accruals are yet to be captured therefore they are likely to increase.
- Audit fees are under budget for the month but are over budget year to date. Audit has completed and no new invoices are expected in this financial year.
- Consultant fees are still under budget, awaiting appointments and in other instances awaiting invoices to be submitted from business units.
- Municipal charges are over budget, this is due to the increase in municipal rates from the 1st of July'23 and charges from the landlord, Bayete, and municipal charges for the previous HO and some depots.
- Contracted services have decreased as at the end of May 24, Contractors Outsourced are expected to increase during once accruals are captured.
- Leased Contract Services, this relates to fleet contractors that have been appointed last year and their invoices have all been paid which has now brought the year to date

spend to a smaller variance. There are invoices from December which were not paid, and this will reduce the variance.

- Data Services has also increased and over the monthly budget with the Sonke invoices coming in monthly for their monthly contract fees. Also, MTN and Vodacom contract still running.
- Office Equipment, there is still no spending as invoices from Facilities have not been submitted and no indication of when they will be received but once received will be accrued.
- Legal Services have also increased due to many cases that are running within the JRA

### Section 3: Cashflow Statement

Refer to AFS

### Section 4: Capital Projects and Expenditure

#### Capital Projects & Expenditure

Budget		Q1	Q2 Cumulative	Q3 Cumulative	Q4 Cumulative
2016-17 (R 1 472 946 000)	Expenditure	R 213,644 850	R 519 285 867	R 702, 044, 000	R 1, 288, 026, 000
	%	<b>14,84 %</b>	<b>36,06%</b>	<b>47,7%</b>	<b>87,4%</b>
2017-18 (R 1 121 086 000)	Expenditure	R 140 052 822	R 458 622 627	R 640 007 000	R 1,092,688,501
	%	11.5%	37,8%	57,1%	97, 4%
2018-19 (R 1 301 847 000)	Expenditure	R 162 494 005	R 494,151,605	R 681,126,046	R 1, 292, 145, 004
	%	<b>13.5%</b>	<b>40,96%</b>	<b>52,32%</b>	<b>99%</b>
2019-20	Expenditure	R 340 901 123	R 682 223 153	R 798, 736, 529	R 934, 521, 550
	%	<b>29, 88%</b>	<b>59,8%</b>	<b>70%</b>	<b>82%</b>
2020-21 (R 978 195 300)	Expenditure	R 66 059 812	R 204 845 109	R 320 170 903	R726 091 878
	%	<b>6,38%</b>	<b>19,78%</b>	<b>30,93%</b>	<b>74,23%</b>
2021-22 (R 863 707 000)	Expenditure	R147 585 152	R354 669 469	R497 382 976	R736 361 602
	%	<b>16,96%</b>	<b>40,76%</b>	<b>57,16%</b>	<b>85.26%</b>
2022-23 (R 795 214 000.)	Expenditure	R149 453 580.77	R244,774 910	R373,803,734.38	675,298,475.78
	%	<b>14%</b>	<b>22%</b>	<b>47.01%</b>	<b>85%</b>
2023-24 (809,234,000)	Expenditure	R177,323,358.73	461,849,606.55	R 539,535,410	R 786,729,916.06
	%	<b>21%</b>	<b>46%</b>	<b>66.67%</b>	<b>97%</b>

Refer to the attached Annexure B for detail.

## Funding Sources

Table 5.1: Funding Source 2023/24

Details	Budget (R'000)	Actual (R'000)	% Spent
USDG	210,667,000.00	199,045,680.93	94%
COJ Funding	539,017,000.00	539,086,930.21	100.01%
MDRG	59,550,000.00	48,597,304.92	82%
<b>Total</b>	<b>809,234,000.00</b>	<b>786,729,916.06</b>	<b>97%</b>

## Section 5: Ratio Analysis

Table 5.2: Summary Ratios

KEY RATIO	Target FDP	June 2024 (2023/24)
Current ratio	1	0.80
Solvency ratio	2	0.94
Accumulated Surplus	R50M	(550,709)
Cash on hand	R50M	616,360
Salaries ratio	35%	27.67%
Repairs & Maintenance ratio	7%	2.34%

The entity has a negative 2023/24 current ratio at the end of 30 June 2024, and the ratio is slightly below the FDP target in the year. The current ratio measures the company's ability to pay its short-term obligations. With the current ratio of 0.80, this means that JRA's current liabilities slightly exceed current assets 0.20.

The 2023/24 solvency ratio for the period ending 30 June 2024 is below the FDP target of 2. The solvency ratio measures the company's ability to meet its long-term debt obligations. The entity's ratio which is currently 0.94 indicates that JRA's cash flow is insufficient to meet its long-term liabilities. JRA remains technically insolvent for the period ending 30 June 2024. Cost coverage: The 2023/2024 cost coverage ratio for JRA is 4.92 Months. This is calculated based on Cash on Hand (sweeping and developers contribution) divided by average monthly operating expenditure.

If an entity has a ratio below the norm which is 1 to 3 months, it would be vulnerable and at a higher risk in the event of financial "shocks/setbacks" and its ability to meet its obligations to provide basic services or its financial commitment is compromised. The results from this ratio should be viewed along with results from analysis on Debtor Management to fully assess Cash Flow Risk. The more cash reserves a municipality or municipal entity has available the lower the risk of it being unable to fund monthly fixed operational expenditure and to continue rendering services.

## Section 6: Supply Chain Management & BBEE

Table 5.3: BBEE Expenditure

	%
Total payments made (excluding payroll amounts) R 167,620,322.24	85.14% (% Against a target of 75% p.a.)

Capex Percentage	115,559,617.17	47.56%
Opex Percentage	91,294,015.89	37.58%

The new Preferential Procure Policy Framework Act came into effect on 1 April 2017. The B-BBEE point allocations have changed which impact future reporting. JRA reported B-BBEE spend of 77% against a scorecard target of 75% per annum.

### Payment of suppliers within 30 days

	2023: Q4	Q1	Q2	Q3	2024: Q4	Target
% compliance in respect of payment of all Service Providers made within 30 days	April 94%	July 100%	October 97%	January 100%	April 100%	100%
	May 99%	August 92%	November 98%	February 75%	May 95%	
	June 100%	September 100%	December 85%	March 100%	June -%	
	Av. 97.67%	Av. 97,33%	Av. 93,33%	Av. 91,67%	Av. 74%	

The 30 Days compliance rate for 23/24 is 74%. The core reason for this non-compliance with the 100% target is cash flow constraints as highlighted throughout the financial year. The payments have consistently declined from Quarters 1 to 4.

## Section 7: Report on Irregular, Fruitless and Wasteful Expenditure and Due Processes

**Irregular expenditure** – The opening balance on the 1st of July 2023 is R417,706,728 and has increased as at the end of the financial year, which brings the total accumulative amount of irregular expenditure to date to R R667,384,758. Irregular expenditure for the year is R 249,678,030. However, the JRA board approved the write off R 384,489,120, this has led to the irregular balance to decrease to R 282,895,638.

**Fruitless and Wasteful Expenditure** – The Fruitless and Wasteful Expenditure incurred for only in 2023/2024 is R 17,808,884 compared to R 10,839,634 for the same period in 2022/23 financial year. The main contribution for the expenditure is interest and penalty from SARS and interest on late payments on Eskom accounts due to cashflow constraints. Engagements were made with relevant parties to manage and prevent the recurring of the fruitless and wasteful expenditure. In addition, interest bearing accounts are prioritised for payments whenever cash is available. The cumulative total amounts to R 84, 441,161 including the opening balance of R 66,632,277 from the previous financial years.

**Deviations** - The total deviations approved by the Accounting Officer from 1st July 2023 to 30

June 2024 amounts to R 94,368,217.89 and Sixteen (16) are appointed on rates.

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

Details	%	Open Amount	Current	31 - 60	61 - 90	91 - 120	Over 120
Related Party	83%	628,647,417	405,353,832	31,841,538	42,329,694	720,839	131,213,618
Third Party	0%	3,290,144	2,896,422	3,276	3,140	3,262	384,045
Other Government entities	3%	22,018,255	-	-	-	-	22,018,255
Deposits	1%	8,074,576	-	-	-	-	8,074,576
Outstanding Metropolitan Municipality Claims	11%	86,224,383	2,914,725	-	-	-	83,309,658
Others	1%	5,595,369	2,984,235	-	-	-	2,611,134
<b>Gross Debtors</b>	<b>100%</b>	<b>753,850,144</b>	<b>414,149,214</b>	<b>31,844,814</b>	<b>42,332,834</b>	<b>724,101</b>	<b>247,611,285</b>
Allowance for bad debts		(83,518,513)	-	-	-	-	(83,518,513)
<b>Net Debtors</b>		<b>670,331,631</b>	<b>414,149,214</b>	<b>31,844,814</b>	<b>42,332,834</b>	<b>724,101</b>	<b>164,092,772</b>

*\*All figures denominated in Rand*

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

- i. The overall debtors book shows an increase from a figure of R 446 million in 2023 financial year to R670 m in the financial year 2023/24. The increase is mainly attributable to the increase in the number of claims of related parties submitted for work completed.
- ii. Related Parties are those entities which fall within the ownership and control of the City of Johannesburg with whom the JRA does business. Under normal circumstances, the transactions between the entities are underpinned by the SLA failing which, a purchase order may become a trigger for doing business.

The total amount owed by related parties' debtors was R629 million in 2023/2024, which represented 83% of the total debtors. The related parties have increased from R410 million to R629 million in the 2023/2024 when compared with the previous financial year. Related Parties pose minimal risk of payment to the JRA. The normal process requires all related entities to confirm the outstanding balances owing/owed to one another, as well as the transactions that gave rise to those balances. This process ensures that all disputes are eradicated.

Furthermore, due to the austerity measures of intercompany confirmations and reporting for each quarter and monthly, management is confident that the bulk of the invoices will be settled, as the departments clear all accrued transactions. Corporate Finance unit is continuously engaging with City of Johannesburg departments to resolve the queries being raised on old invoices.

- iii. Third Parties are non-government-owned and controlled entities. They account for 0.06% of the total debtors' book, a decrease of 5% from last financial year, attributed to the write-

off of doubtful debtors of R2,2 million which was approved by the board of directors. Third-party debtors amounting to R66k in this category have been created because of staff that have exited the JRA system with outstanding amounts. A follow-up process on any outstanding or due amounts still to be paid is performed to ensure recovery. Interest charges have been levied in the line item at prime rate on monthly basis. A further amount of R83.9m not reflected in the age analysis is provided for against this category of debtors and related parties as at year end 30 June 2024.

- iv. Other Government Entities are owned and controlled by other spheres of government but fall outside the City of Johannesburg. This category of debtor's accounts for 4.85% of the overall book in the 4th quarter. These debtors are stagnant and follow-up on the over 120 days due by the DRT and IDC is being made. A commitment to settle the account was made by DRT and IDC. However, the monies have not yet been paid into our account.
- v. **Bad Debts Provision** – For the financial year 2023/24, provision amounting to R83,518,512.88 is disclosed against JRA debtors. All debtors are assessed monthly, and provisions made and adjusted during the Impairment & uncollectability assessment as per GRAP 104. The JRA provision is against the following debtors as per below schedule:

		<b>Open A/R Summary</b>
<b>Number</b>	<b>Description</b>	<b>Amount R</b>
1545622	Prepayments and Developers Income	135,401.41
120624	Institute for Local Government	5,750.00
	Outstanding Metro Claims	83,309,658.00
	Malebe TV	9,916.04
	Mavuso PP	12,275.00
	Ramotshwane ME	11,275.15
		34,237.28
	<b>TOTAL</b>	<b>83,518,512.88</b>

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

## Section 8: Litigations and Insurance Claims Against / To MoE

### Pending litigations and possible liabilities

<b>Litigation area</b>	<b>New cases Q1</b>	<b>New cases Q2</b>	<b>New cases Q3</b>	<b>New cases Q4</b>	<b>Total pending litigations matters June 2024</b>
Contractual disputes	1	2	1	0	35
Delict (damages)	0	2	1	0	
Labour (review applications)	0	0	0	0	
Others (No relief sought from JRA)	0	0	1	0	
Letters of Demand	1	4	5	4	

## Section 9: Statements of Accounts Owed by and to Government

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

<b>Department / Entity</b>	<b>Amount R'000</b>
Department of Roads and Transport	22,018,254

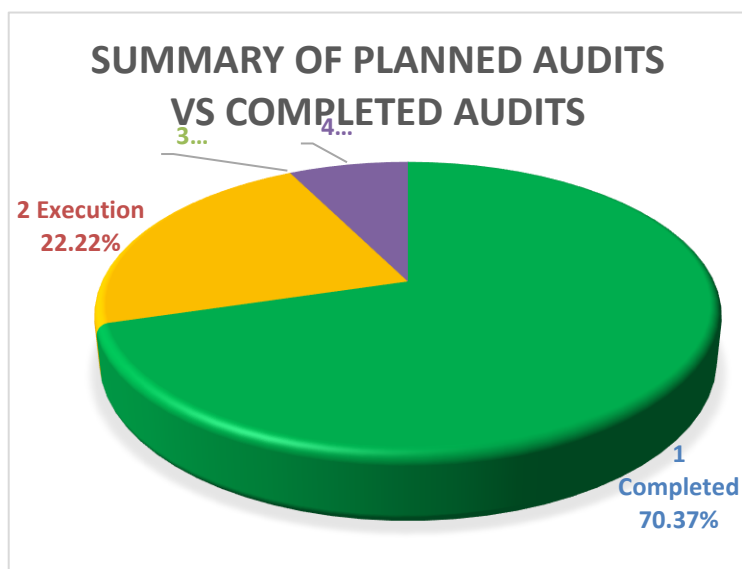
Industrial Development Corporation	61,500
Rand Water	778
<b>Total</b>	<b>22,080,532</b>

## CHAPTER 6: INTERNAL AND EXTERNAL AUDIT FINDING

### Section 1: Progress on Internal Audit Plan

A total of 27 audits were planned for the 2023/24 financial year. Of these, 19 were completed by 30 June 2024, 2 were deferred to the next financial year, and 6 were still in the execution stage as at 30 June 2024. This is summarised below.

Figure 6.1: Progress with audit plan



Outstanding Audits as at 30 June 2024 include; Fixed Assets; Contracts Development and Management; Costing Management Reporting; Review of Interim Financial Statements; Project Management and Capex Physical Verification; Infrastructure Planning (Roads Stormwater and Roads Asset Management System (RAMS)); Fleet and Plant and Corporate Governance. Delay were caused by, amongst others, client unavailability as well as inadequate resources and personnel,

### Section 2: Progress on Resolution of IA Findings

In the 2023/24 financial year, Internal Audit reported and monitored a total of 91 findings. Of these, management successfully resolved 52 findings, representing a resolution rate of 57%.

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

Management is responsible for implementing corrective actions to resolve audit findings. Ongoing collaboration between management and Internal Audit ensures consistent tracking and reporting of these findings. The findings are regularly discussed as a standing agenda item during Executive Management Team (EMT) meetings to maintain continuous oversight. Additionally, monthly, and quarterly reports are submitted to the city and the Audit and Finance Committee, respectively, for further review and accountability.

#### Additional Actions by Internal Audit

Internal Audit will undertake further actions to support management's implementation of corrective measures. These actions include:

- **Conducting Root Cause Analysis:** Internal Audit will conduct a comprehensive analysis to ascertain the reasons behind the persistence of certain audit findings. This analysis will also assess the feasibility and practicality of the corrective actions and implementation timelines provided by management.
- **Ensuring Clear Accountability:** Internal Audit will verify whether there is clear ownership and responsibility assigned for addressing audit findings. This involves confirming

whether management has designated specific individuals or teams to resolve each finding, with well-defined timelines and milestones. Additionally, Internal Audit will assess whether management has allocated sufficient resources, including technology and budget, where necessary, to effectively address audit findings.

### Section 3: Progress on Resolution of AG Findings

As indicated in the table below, in 2023/24, 25 findings were due, of which 15 were resolved, translating to a year-to-date resolution rate of 60%.

Description	Total	Resolved	Unresolved
Matters affecting the audit report	7	3	4
Other important Matters	11	8	3
Administrative matters	7	4	3
<b>Total</b>	<b>25</b>	<b>15</b>	<b>10</b>
<b>Overall Performance</b>		<b>60%</b>	<b>40%</b>

#### 6.3.2 2022/23 AG repeat findings

The table below reflects repeat audit findings and their categorisation for the preceding years:

Financial Year	Category	Number Repeat Findings	Total
2021/22	Matters affecting the audit report	3	10
	Other important Matters	7	
	Administrative matters	0	
2022/23	Matters affecting the audit report	4	10
	Other important Matters	3	
	Administrative matters	3	

### Section 4: Overall State of Internal Controls

The overall conclusion of the state of internal controls based on the following audits completed from the 1<sup>st</sup> of July 2023 to 30 June 2024 is that controls are adequate but ineffective to provide reasonable assurance that JRA objectives will be achieved:

Table 6.3: State of internal controls

Name Audit Area	Date completed	Opinion Expressed	Rating
Security Services Management Audit	Quarter 1	Inadequate	
Public Claim Liability	Quarter 1	Inadequate	
Facility Management Audit	Quarter 1	Adequate but Ineffective	
Capex Verification Audit	Quarter 1	Adequate but Ineffective	
Interim Financial Statement Review Audit	Quarter 1	Adequate but Ineffective	

Name Audit Area	Date completed	Opinion Expressed	Rating
Audit of Performance Information (AOPO) Report Audit	Quarter 4,1 & 2	Adequate but Ineffective	
Traffic Engineering Audit	Quarter 2	Adequate but Ineffective	
Fleet and Plant Audit	Quarter 2	Inadequate	
SMME Audit	Quarter 2	Adequate but Ineffective	
IT Hardware and software Audit	Quarter 2	Inadequate	
Risk Management Audit	Quarter 2	Adequate but Ineffective	
Employee Physical verification Audit	Quarter 2	Adequate but Ineffective	
Exit Pay Audit	Quarter 2	Adequate but Ineffective	
Performance Bonus verification Audit	Quarter 2	Adequate but Ineffective	
Expanded Public Works Programme Audit	Quarter 3	Adequate but Ineffective	
Business Continuity Management Audit	Quarter 3	Inadequate	
Legal Services Management Audit	Quarter 3	Adequate but Ineffective	
Probity Audits	Quarter 1,2,3 & 4	Adequate but Ineffective	
RFQ closing process Q4, Q1,2&3	Quarter 4,1,2 &3	Adequate and Effective	
Bids closing process Q4, Q1,2&3	Quarter 4,1,2&3	Adequate and Effective	
Leave Management	Quarter 4	Adequate but ineffective	
Payroll Management	Quarter 4	Adequate but ineffective	
Expenditure Management	Quarter 4	Adequate but ineffective	
Contract Development and Management	Quarter 4	Adequate but ineffective	
Request For Quotation	Quarter 4	Adequate and Effective	
Unauthorised, Irregular, Fruitless, and Wasteful Expenditure	Quarter 4	Adequate but ineffective	

## Section 5: Report of the Audit Committee

### 5.1. Introduction

It is the responsibility of the Audit Committee, duly appointed by the Shareholders in a general meeting, to issue this report for the 2023/2024 financial year. The composition of the Committee and attendance of the Committee members are addressed in the Governance Report (Chapter 2). The activities of the Committee are guided by the legislated mandate as well as detailed Terms of Reference duly informed by Section 66 of the Municipal Finance Management Act 56 of 2003 (MFMA), the Municipal Systems Act No 32 of 2000 (Municipal Systems Act), Section 94 of the Companies Act No 71 of 2008 (Companies Act) and King IV and are approved by the Board. The Annual Financial Statements form part of the Annual Integrated report. The Committee is also tasked with the oversight of the risk management process and the governance of Information Technology in terms of the MFMA.

### 5.2. Roles and Responsibilities

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

#### 5.2.1. External Auditor Appointment

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

#### 5.2.2. Summary of Main Activities

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

a. In respect of the external audit:

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

b. In respect of the annual financial statements:

- Considered the basis upon which the company was determined to be a going concern;
- Confirmed that the *“going concern”* assumption was correctly used as the basis for the preparation of the annual financial statements;
- Considered the annual financial statements, the information upon which the statements were prepared and the correctness thereof prior to submission and approval by the Board;
- Ensured that the annual financial statements fairly present the financial position of the company as at the end of the financial year;
- Considered accounting treatments and accounting judgements and conclusions;
- Considered the appropriateness of the accounting policies adopted and any changes thereto;
- Reviewed the external auditor’s audit report, including any significant legal and tax matters that could have a material impact on the financial statements;
- Met with management, as well as both the external and internal auditors, to ensure all parties had an opportunity to raise any concerns with the Committee; and,
- Evaluated the adequacy and effectiveness of controls and procedures, including holding separate meetings with management, external audit, and internal audit..

c. In respect of internal control and internal audit:

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

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

- d. In respect of risk management and information technology:
- Reviewed the company's policies on risk assessment and risk management, including fraud risks and information technology risks as they pertain to financial reporting and the going concern assessment, and found them to be sound.
  - Reviewed IT risk and IT governance; and,
  - Considered and evaluated significant IT investments and the delivery and management of IT services.
- e. In respect of sustainability issues contained in the Sustainable Development report:
- Oversaw the process of sustainability reporting; and,
  - Received the necessary assurances from management that material disclosures are reliable and do not conflict with the financial information.
- f. In respect of performance information:
- Oversaw the performance information throughout the year through the quarterly internal audit reports received; and,
  - Considered the Annual Performance Report for the year under review and recommended it for approval to the Board of Directors.
- g. In respect of legal and regulatory requirements that may impact the financial statements:
- Reviewed with management any legal matters that could have a material impact on the group;
  - Assessed the adequacy and effectiveness of the group's procedures to ensure compliance with legal and regulatory responsibilities;
  - Confirmed with management that they had reported any instances of unauthorised, irregular and fruitless and wasteful expenditure in terms Section 102 of the MFMA; and,
  - Considered reports provided by management, the internal auditor and the external auditors.
- h. In respect of the coordination of assurance activities;
- Reviewed the plans and work outputs of the external and internal auditors and concluded that these were adequate to address all significant risks facing the business; and,
  - Considered the expertise, resources and experience of the finance function, including that of the Chief Financial Officer (CFO), the head of the Supply Chain Management (SCM) function and senior members of management, and concluded that they were appropriate.

### **5.3. Fraud and Whistle Blowing**

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

reporting risks, internal financial controls, fraud risks and IT risks as they relate to financial reporting.

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

Following Mr. Lufuno Mashau's appointment as Acting CFO on 2 May 2023, he was made permanent in this role as of 1 November 2023. He remained in this position for the rest of the 2023/24 financial year. Mr. Mashau has significantly contributed to stabilizing and improving the finance department of JRA. The Committee believes that the CFO possesses sufficient qualifications and experience in comparable finance-related roles and has demonstrated due diligence in carrying out his responsibilities.

#### **5.5. Attendance**

The members as well as their attendance at meetings held during the 2023/24 is set out in Chapter two of the report.

#### **5.6. Conclusion**

Based on our review of the integrated report of JRA, comprising the annual performance review and annual financial statements, we are of the opinion that, in all material respects, the report complies with the provisions of the Municipal Finance Management Act, No. 56 of 2003; The Municipal Systems Act, No. 32 of 2000, the Companies Act, No 71 of 2008, the King IV Report and Generally Recognised Accounting Practice as issued by the Accounting Standards Board and prescribed by National Treasury. The Committee concurred with the Auditor- General's Audit Opinion for the financial year ended 30 June 2024.

After considering all material factors and risks that may impact the integrity of the integrated report and satisfying ourselves that the information is reliable, we recommend the Audit Committee report of the JRA for the year ended 30 June 2024, for approval by the Board of Directors.



**Mr D Nyamazane**

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

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

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the Johannesburg Roads Agency (SOC) Ltd set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2024, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Johannesburg Roads Agency (SOC) Ltd as at 30 June 2024 and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Companies Act 71 of 2008 (Companies Act).

### Basis for opinion

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

### Key audit matters

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

### Emphasis of matters

7. I draw attention to the matters below. Not modified in respect of these matters.

### **Uncertainty relating to the future outcomes of exceptional litigation**

8. With reference to note 29 to the financial statements, the municipal entity is the defendant in various lawsuits. The ultimate outcome of these matters cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

### **Restatement of corresponding figures**

9. As disclosed in note 39 to the financial statements, the corresponding figures for 30 June 2023 were restated as a result of an error in the financial statements of the municipal entity at, and for the year ended, 30 June 2024.

### **Other matter**

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

### **Unaudited disclosure notes**

11. In terms of section 125(2)(e) of the MFMA, the particulars of non-compliance with the MFMA should be disclosed in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

### **Responsibilities of the accounting officer for the financial statements**

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

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

14. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
15. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

## Report on the audit of the annual performance report

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

17. I selected the following programmes presented in the annual performance report for the year ended 30 June 2024 for auditing. I selected programmes that measures the municipal entity's performance on its primary mandated functions and that are of significant national, community or public interest.

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

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

19. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the municipal entity's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the municipal entity's performance against its primary mandated and prioritised functions and planned objectives are included
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated

- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable
- there is adequate supporting evidence for the achievements reported.

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

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

### Circular 88 indicators

#### Various indicators

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

Indicator	Target	Reported achievement
Percentage of unsurfaced roads graded	50%	51%
Number of potholes reported per 10km of municipal road network	53	20
Percentage of municipal road lanes which has been resurfaced and resealed	3,65%	8,93%

#### Other matters

23. I draw attention to the matters below.

#### Achievement of planned targets

24. The annual performance report includes information on reported achievements against planned targets. This information should be considered in the context of the material findings on the reported performance information.

25. The tables that follow provides information on the achievement of planned targets and lists the key service delivery indicators that were not achieved as reported in the annual performance report.

## Circular 88 indicators

<i>Targets achieved:80 %</i>		
<i>Budget spent :100%</i>		
Key indicator not achieved	Planned target	Reported achievement
Percentage of reported potholes complaints resolved within standard municipal response time	80% within 30 days	70,40% within 30 days

## Entity scorecard KPI's

<i>Targets achieved:86 %</i>		
<i>Budget spent: 100%</i>		
Key indicator not achieved	Planned target	Reported achievement
Kilometres of stormwater pipes installed for stormwater master planning projects	1,45km	0km

## Institutional SDBIP KPIs

<i>Targets achieved:33 %</i>		
<i>Budget spent: 100%</i>		
Key indicator not achieved	Planned target	Reported achievement
Number of kilometres of gravel roads upgraded to surfaced roads	13km	7,76km
Number of kilometres of stormwater drains converted to underground systems	2,5km	1,91km

## Material misstatements

26. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for circular 88 indicators. Management did not correct the misstatements, and I reported material findings in this regard.

## Report on compliance with legislation

27. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the municipal entity's compliance with legislation.
28. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
29. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the municipal entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
30. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

### Annual financial statements

31. The financial statements submitted for auditing were not fully prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

### Expenditure management

32. Money owed by the municipal entity was not always paid within 30 days, as required by section 99(2)(b) of the MFMA.
33. Expenditure was incurred in excess of the approved budget or an adjustments budget, in contravention of section 87(8) of the MFMA.
34. Reasonable steps were not taken to prevent irregular expenditure amounting to R249 678 030 as disclosed in note 35 to the annual financial statements, as required by section 95(d) of the MFMA.

## Other information in the annual report

35. The accounting officer is responsible for the other information included in the annual report which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act. The other information referred to does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported on in this auditor's report.
36. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
37. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
38. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and reissue an amended report as appropriate. However, if it is corrected this will not be necessary.

## Internal control deficiencies

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

## Other reports

44. I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
45. The Group Forensic and Investigation Service (GFIS) were investigating allegations of possible fraud, supply chain management and human resources related matters at the municipal entity, covering various financial years and including the current financial year. The outcome of these investigations is expected after 30 June 2024.

*Auditor-General*

Johannesburg

30 November 2024



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## ANNEXURES

### Annexure A: Remedial Action Plan Against Audit Findings

No	Finding Description	Correction Action Plan	Repeat Finding	Progress to date	Resolved/ Unresolved
1.4	<p><b>Misstatement of related parties disclosure note</b></p> <p>We identified that the amounts disclosed in the JRA's financial statements did not agree with schedules supporting the financial statements.</p>	Detail review of IFS with accurate supporting evidence	Yes	<p><b>February 2024 update</b></p> <p>Management reviewed its accounting policy in relation to treatment of developer's contribution at reporting date and this led to the misstatement that the AG found. This is unlikely to reoccur as the change in accounting policy has been effected. The second matter was the employee benefit obligation that was accounted for using a draft report and not the final report on the disclosure. Management will ensure effective reviews are done so this is picked by management in the 31 Aug 2024 submission.</p>	Unresolved
1.8	<p><b>Material misstatement of related parties' transactions disclosed by JRA</b></p> <p><b>Issue 1: Differences between JRA financials and COJ confirmations.</b></p> <p>We identified that the amounts disclosed in the JRA's financial statements did not agree with the external confirmations received. Accuracy, existence and fair presentation of the disclosure could not be confirmed.</p> <p><b>Issue 2: Related parties payables differences</b></p> <p>It was determined that the amount relating to payables is not supported by sufficient and appropriate evidence and thus the accuracy of the balance and whether the obligation exists could not be confirmed.</p>	Reconcile all Related Parties and obtain confirmations from COJ.	No	<p><b>February 2024 update</b></p> <p>The accruals are now split between related and non-related party transactions at the journal level by Corporate Finance. The monthly related party confirmations and reconciliations are the responsibility of Ops Manager: Expenditure and a copy of the invoices should be provided to Corporate Finance for all related party transactions every month.</p>	Unresolved
1.17	<p><b>Misstatement of irregular expenditure</b></p> <p><b>Issue 1: Overspending on budget not disclosed as irregular expenditure</b></p> <p>We identified that JRA overspent on the allocated budget for</p>	Detail review of IFS with accurate	No	<p><b>February 2024 update</b></p> <p>The overspending was a result of the change in accounting policy for the treatment of DC. management reviewed its accounting policy in relation to treatment of developer's</p>	Unresolved

No	Finding Description	Correction Action Plan	Repeat Finding	Progress to date	Resolved/ Unresolved
	<p>expenditure and the overspending amount is not disclosed as irregular expenditure incurred in the current year resulting in irregular expenditure being misstated by R25 343 698.</p> <p><b>Issue 2: Incorrect description of irregular expenditure note</b> R76 135 069 disclosed as irregular expenditure due to overspending of approved budget is not correctly classified. Management should update the description of this amount as per the details of irregular expenditure details disclosed in note 36.</p>	supporting evidence		contribution. This meant that the budget developer's income of R50 million was no longer going to be accounted for as revenue. The review of the accounting policy in relation to treatment of developer's contribution occurred at reporting date and need to be adjusted retrospectively. JRA's revenue budget was reduced by R65,632,374.17 with the new accounting policy in relation to treatment of developer's contribution of which if it were not changed would have not led to the overspend of (R25 343 698). It is unlikely that an overspend may result again as result of the same circumstances. Corrected at year end, but not verified by Internal Audit	
2	<p><b>Reasonable steps were not taken to prevent irregular, fruitless and wasteful expenditure.</b></p> <p>We have identified that the municipal entity incurred irregular, fruitless and wasteful expenditure in the current year which is a non-compliance with Municipal Finance Management Act No. 56 of 2003 Section 95(d). Please note that audit is still in progress, and we will communicate if there is additional irregular, fruitless and wasteful expenditure identified during the audit.</p>	Prepare fruitless and wasteful expenditure and irregular expenditure register	Yes	<p><b>February 2024 update</b> Matters were referred for investigation and was found that JRA did not suffer losses resultant from the abovementioned irregular expenditure. Some contracts were terminated. Continuously monitored root causes on fruitless expenditure and managed accordingly, (e.g. checking validity of appointment letters supporting payment batches).</p>	Unresolved
3.	<p><b>Procurement and contract management JRA20/63</b> Unfair disqualification of bidders. According to phase 1, stage 2 of the approved bid specifications, bidders are required to complete the following documents and failure will result in disqualification:</p> <ul style="list-style-type: none"> <li>• Registration with Department of Labour as an electrical contractor</li> <li>• The bidder should have a CIDB level of at least 6EP.</li> </ul>	Implement monitoring system for all Bids awarded to ensure they comply with PPR	No	<p><b>February 2024 update</b> Training of bid committees. Management ensure that the user departments for all panel contracts adhere to fair rotation of work as detailed in SOP allocation of panel work.</p>	Unresolved

No	Finding Description	Correction Action Plan	Repeat Finding	Progress to date	Resolved/ Unresolved
	<ul style="list-style-type: none"> <li>Wireman's licence: Company to have a person in employment with a wireman's license.</li> </ul> <p>The AGSA noted that bidder listed in table 3, met all requirements for Mandatory Compliance (Phase 01, Stage 02) and yet the bidder was not evaluated further for functionality, price and preference points. Since the bidder was not evaluated on functionality AGSA could not re-perform management assertions to assess whether the bidder would have qualified for further evaluation.</p> <p>The evaluation process was therefore in contravention of section 112 of the MFMA, as the bidders that met the minimum requirements were unfairly disqualified. As a result, the process followed in the evaluation of the bidders was not fair and transparent.</p>				
4.	<p><b>JRA 21/209- Highest scoring bidder not awarded the contract.</b></p> <p>The supplier Shonisani Rambau Construction scored the highest points on evaluation for Micro surfacing equipment item 3 but was not awarded the contract, the contract was awarded to Actophambili who quoted R 13 340 000 as compared to Shonisani who quoted R1 190 250. Per the evaluation report this were the reasons" potential risk has been identified for this particular (item 3) and based on the outcome of deliberations, this item has been awarded to second scoring highest bidder".</p> <p>We discovered that the standards by which item 3 was denied to Shonisani were not included in the offer documents. The tender document's contents are not meant to be evaluated. Due to non-compliance and irregular expenditure resulting from the item 3 award, we have determined through review of the commitment record and payment reports that as of June 30, 2023, no payments have been paid under this contract.</p>	Failure to implement adequate monitoring controls and procedures over the evaluation of bids in accordance with PPR	No		Unresolved

## Annexure B: Capital Programme by Project Current Year

Project Number	Project Description	Source of funding	Cost Code	Revised Budget	Expenditure	Budget Variance	Expenditure %
50012024.24100.306	Tarring of Gravel Roads: Diepsloot	USDG	306	49,000,000.00	49,246,266.41	-246,266.41	101%
50062024.24100.306	Tarring of Gravel Roads: Mayib	USDG	306	10,000,000.00	10,021,307.55	-21,307.55	100%
50072024.24100.306	Tarring of Gravel Roads: Orang	USDG	306	20,000,000.00	19,212,694.02	787,305.98	96%
50092024.24100.306	Tarring of Gravel Roads: Tshephisong	USDG	306	7,000,000.00	3,947,595.81	3,052,404.19	56%
50102024.24100.306	Tarring of Gravel Roads: Kaalf	USDG	306	4,000,000.00	3,988,192.21	11,807.79	100%
50152024.24100.301	Bridge Rehabilitation	EFF	301	18,023,000.00	24,949,171.66	-6,926,171.66	138%
50162024.24100.305	Bridges: Visual Condition Asse	CRR	305	5,030,000.00	4,996,788.48	33,211.52	99%
50172024.24100.301	Bridges: Replacement of bridge	EFF	301	18,530,000.00	28,441,352.28	-9,911,352.28	153%
50242024.24100.301	Emergency Stormwater Improvement	EFF	301	10,000,000.00	9,947,329.75	52,670.25	99%
50302024.24100.301	Klein Jukskei Catchment: Bond	EFF	301	10,000,000.00	10,000,000.00	-	100%
50332024.24100.301	Conversion of Open Drains Bram	EFF	301	10,000,000.00	7,705,058.86	2,294,941.14	77%
50352024.24100.305	Conversion of Open Drains Oran	CRR	305	14,000,000.00	13,449,537.54	550,462.46	96%
50372024.24100.305	Operational Capital: Depot Upgrade	CRR	305	51,000,000.00	43,882,975.68	7,117,024.32	86%
50392024.24100.305	Operational Capital	CRR	305	10,000,000.00	7,192,183.99	2,807,816.01	72%
50422024.24100.301	Dam Safety Rehabilitation	EFF	301	3,586,000.00	3,425,439.61	160,560.39	96%
50422024.24100.305	Dam Safety Rehabilitation	CRR	305	629,000.00	629,000.00	-	100%
50452024.24100.301	Integrated Roads and Stormwate	EFF	301	13,504,000.00	12,620,348.77	883,651.23	93%
50462024.24100.305	Investigate and Design Future	CRR	305	4,400,000.00	4,348,394.16	51,605.84	99%
50472024.24100.301	Emergency, Critical and Urgent	EFF	301	22,000,000.00	30,223,643.10	-8,223,643.10	137%
50512024.24100.305	Geometric Improvements	CRR	305	1,800,000.00	2,496,496.23	-696,496.23	139%
50532024.24100.305	Alternative Power Sources (LED)	CRR	305	2,000,000.00	1,996,405.08	3,594.92	100%
50542024.24100.301	Alternative Power Sources (UPS)	EFF	301	5,000,000.00	4,989,175.05	10,824.95	100%
50562024.24100.305	Installation of New Warranted	CRR	305	5,000,000.00	4,995,993.75	4,006.25	100%
50582024.24100.305	Recabling of Traffic Signals	CRR	305	24,400,000.00	24,357,030.14	42,969.86	100%
50592024.24100.305	Remote Monitoring	CRR	305	1,500,000.00	1,002,418.46	497,581.54	67%
50602024.24100.305	SARTSM	CRR	305	21,000,000.00	20,995,309.80	4,690.20	100%
50622024.24100.305	Upgrading of Traffic Signal Co	CRR	305	17,000,000.00	16,903,197.01	96,802.99	99%

50632024.24100.305	Upgrading Controllers and Phase	CRR	305	4,000,000.00	4,089,558.37	-89,558.37	102%
50642024.24100.301	GIS Improvement	EFF	301	3,000,000.00	512,482.18	2,487,517.82	17%
50662024.24100.305	Rehabilitation of open Channel	CRR	305	9,000,000.00	8,303,465.27	696,534.73	92%
50672024.24100.305	Road Rehabilitation and Recons	CRR	305	7,000,000.00	3,823,286.48	3,176,713.52	55%
50682024.24100.305	Resurfacing of M1 Motorway	CRR	305	5,000,000.00	3,282,589.31	1,717,410.69	66%
50692024.24100.301	Resurfacing of M2 Motorway	EFF	301	600,000.00	579,533.72	20,466.28	97%
50702024.24100.301	Resurfacing of Soweto Highway	EFF	301	649,000.00	-	649,000.00	0%
50712024.24100.301	Resurfacing of Roads	EFF	301	86,489,000.00	82,495,245.57	3,993,754.43	95%
50712024.24100.305	Resurfacing of Roads	CRR	305	52,070,000.00	44,561,359.05	7,508,640.95	86%
50712024.24100.306	Resurfacing of Roads	USDG	306	25,394,000.00	19,915,851.59	5,478,148.41	78%
50752024.24100.305	Spencer Road New Link New Road	CRR	305	3,000,000.00	2,532,215.42	467,784.58	84%
50822024.24100.301	Bulk stormwater development/Tr	EFF	301	10,000,000.00	13,245,974.17	-3,245,974.17	132%
50892024.24100.305	Vorna Valley	CRR	305	1,800,000.00	1,674,140.11	125,859.89	93%
50942024.24100.305	Flooding intervention and alle	CRR	305	8,000,000.00	12,401,133.94	-4,401,133.94	155%
50972024.24100.306	Tarring of Gravel Roads: City	USDG	306	60,000,000.00	57,321,251.92	2,678,748.08	96%
50982024.24100.305	Rehabilitation of aged and infrastructure	CRR	305	3,000,000.00	1,978,955.67	1,021,044.33	66%
50992024.24100.305	River rehabilitation and erosion	CRR	305	2,371,000.00	3,001,064.74	-630,064.74	127%
51142024.24100.306	Ivory Park - Khosa Street	USDG	306	12,600,000.00	12,327,047.03	272,952.97	98%
51152024.24100.306	Upgrade roads Klipfonteinview	USDG	306	4,273,000.00	4,273,000.00	-	100%
51152024.24100.301	Upgrade roads Klipfonteinview	EFF	301	15,000,000.00	15,712,257.51	-712,257.51	105%
51162024.24100.301	Stormwater Conversion: wards 7	EFF	301	5,000,000.00	4,867,306.40	132,693.60	97%
51162024.24100.306	Stormwater Conversion: wards 7	USDG	306	1,000,000.00	683,283.26	316,716.74	68%
51172024.24100.301	Capital Equipment New Plant an	EFF	301	23,000,000.00	23,000,000.00	-	100%
51182024.24100.306	Tarring of gravel roads: Ivory	USDG	306	17,400,000.00	18,109,191.13	-709,191.13	104%
51232024.24100.301	Intelligent Transport Systems	EFF	301	36,000.00	35,228.04	771.96	98%
51242024.24100.305	Traffic Management Centre	CRR	305	7,600,000.00	7,599,452.50	547.50	100%
51262024.24100.315	Disaster - Helderkrui	MDRG	315	5,000,000.00	2,587,571.50	2,412,428.50	52%
51272024.24100.315	Disaster - Discovery	MDRG	315	31,000,000.00	30,421,753.15	578,246.85	98%
51282024.24100.315	Disaster - Dobsonville	MDRG	315	2,000,000.00	281,875.00	1,718,125.00	14%

51292024.24100.315	Disaster - Nancefield	MDRG	315	8,200,000.00	5,423,897.50	2,776,102.50	66%
51302024.24100.315	Disaster - Protea	MDRG	315	3,000,000.00	2,294,815.32	705,184.68	76%
51312024.24100.315	Disaster - Naledi	MDRG	315	2,000,000.00	1,334,549.50	665,450.50	67%
51352024.24100.301	Lilian Ngoyi Region F	EFF	301	4,000,000.00	5,087,958.13	-1,087,958.13	127%
51352024.24100.305	Lilian Ngoyi Region F	CRR	305	20,000,000.00	20,756,474.23	-756,474.23	104%
51432024.24100.315	Disaster - Albertina Sisulu Ro	MDRG	315	3,375,000.00	2,696,299.43	678,700.57	80%
51442024.24100.315	Disaster - Main Reef Road	MDRG	315	3,375,000.00	2,324,848.72	1,050,151.28	69%
51452024.24100.315	Disaster - Primrose Road	MDRG	315	300,000.00	19,851.39	280,148.61	7%
51462024.24100.315	Disaster -Lehae Library	MDRG	315	1,300,000.00	1,211,843.41	88,156.59	93%
<b>TOTAL</b>				<b>809,234,000.00</b>	<b>786,729,916.06</b>	<b>22,504,083.94</b>	<b>97%</b>

## Annexure C: Areas of Non-Compliance and Mitigation Measures

COMPLIANCE WITH LAWS AND REGULATIONS				
LEGISLATION/ACT	REQUIREMENT	ACTIVITY	STATUS	RISK
COMPANIES ACT NO 71 OF 2008	Register of directors and Officials	Updating of Company Directors	<p><b><sup>4</sup>COMPLIANT</b></p> <ul style="list-style-type: none"> <li>▪ The JRA CEO was appointed with effect from 01 July 2024.</li> <li>▪ The shareholder confirmed the appointment of the CEO and the CFO as that of Executive Directors.</li> </ul> <p><b>PROGRESS TO DATE</b></p> <ul style="list-style-type: none"> <li>▪ Both CEO and CFO have been requested to sign the consent to be a director form and submit their satisfied ID copies.</li> <li>▪ CEO and CFO documents have been submitted to CIPC</li> </ul>	<ul style="list-style-type: none"> <li>▪ Failure to comply with these requirements can lead to investigations by regulatory bodies.</li> <li>▪ Regulatory enforcement actions can result in fines, sanctions, or even the deregistration of a company.</li> <li>▪ reputation and relationships with stakeholders.</li> </ul>
MFMA	Section 32 of the MFMA MFMA Circular 68	Unauthorized, Irregular, Fruitless and Wasteful	<p><b>NON- COMPLIANT</b></p> <ul style="list-style-type: none"> <li>▪ Irregular expenditure for the year is R72 014 438.25 and is R10 787 067.85 for the month of June.</li> <li>▪ Board approved the write off R384 489 119.56 which has led to the irregular expenditure to decrease to R 105 232 046.69</li> <li>▪ UIFW, incurred is R17 809 379.48, the cumulative total amounts to R84 442 152.16 including the opening balance of R66 632 772.68.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Audit finding</li> <li>▪ Penalties / fines / recoverability</li> <li>▪ Consequence management</li> </ul>
MFMA Section 65(2) (e)	Section 65(2) (e)	Valid invoices of Service providers must be paid	<b>NON- COMPLIANT</b>	<ul style="list-style-type: none"> <li>▪ Non-Compliance to section 65 MFMA</li> <li>▪ National Treasury issued a Treasury Instruction</li> </ul>

<sup>4</sup> The Shareholder has appointed the CFO as the company's permanent executive director. Subsequently, company documents and CIPC documents were updated.

COMPLIANCE WITH LAWS AND REGULATIONS				
LEGISLATION/ACT	REQUIREMENT	ACTIVITY	STATUS	RISK
		within the 30-day period after its submission	4 <sup>TH</sup> quarter performance is at 74% against the 100% target. This is 23.67% lower than quarter 4 for the financial year 2022/2023. This has dropped by 26% compared with the beginning of the quarter 4 , (April 2024)	Note Number 34: requiring departments/ entities to explain as to why invoices were not paid in time. <ul style="list-style-type: none"> <li>Audit finding</li> <li>Service Providers escalations are on the increase and there is also impact on service delivery.</li> </ul>
FINANCE MITIGATION MEASURES				
MFMA Circular 68: Irregular Expenditure	Route cause or challenges <ul style="list-style-type: none"> <li>The Regulation 32 contracts which were multiyear and continue to be spent in current financial year.</li> <li>Spending on Expired contracts without extension</li> </ul>	<ul style="list-style-type: none"> <li>The JRA has issued a Moratorium to stop the use of Regulation 32 as a procurement strategy.</li> <li>CMU continues to inform Client department six month prior to the expiry of the contract and no payment will be processed before the relevant authority has proved the extension of contract. The JRA has reviewed and amended the BID and RFQ MBD forms to comply to Minimum threshold required.</li> </ul>		
MFMA Circular 68: Fruitless Expenditure	Route cause or challenges <ul style="list-style-type: none"> <li>Interest and penalty from SARS and interest on late payments on Eskom accounts due to cashflow constraints.</li> </ul>	<ul style="list-style-type: none"> <li>Engagements were made with relevant parties to manage and prevent the recurring of the fruitless and wasteful expenditure.</li> <li>In addition, interest bearing accounts are prioritized for payments whenever cashflow is available.</li> </ul>		
MFMA Section 65(2) (e): 30 Days payment	Route cause or challenges <ul style="list-style-type: none"> <li>Delay is payment on expired contract invoices.</li> <li>Non-payment of invoice with outstanding documents</li> <li>Submission of copy of invoice instated or original.</li> <li>JDE as payroll system and report on it is a challenged</li> </ul>	<ul style="list-style-type: none"> <li>The core reason for the non-compliance to the 100% target is cashflow constraints as highlighted throughout the financial year.</li> <li>Timely engagement with relevant stakeholders about invoices on expired contract</li> <li>Continue to workshop Client department and service providers on what is expected to process payment of the invoice.</li> <li>Roll- out of SAP.</li> </ul>		
LABOUR RELATIONS				
Employment Equity Act No. 55 of 1998	To achieve equity in the workplace, by <ul style="list-style-type: none"> <li>Promoting equal opportunity and fair treatment in employment through the elimination of unfair discrimination.</li> </ul>	Ensure full compliance to the EE Act (EEA) namely: <ul style="list-style-type: none"> <li>Consult (section 16 &amp; 17 EEA)</li> <li>Conduct an Analysis (Section</li> </ul>	<b>NON – COMPLIANT</b> <ul style="list-style-type: none"> <li>There was no Employment Equity activity during the 4<sup>th</sup> quarter, primarily because there is no dedicated official within the JRA appointed to deal with EE.</li> </ul>	<ul style="list-style-type: none"> <li>Failing to do so can lead to fines from R1.5 million or a percentage of company turnover.</li> <li>Inequality, poverty and unemployment</li> <li>Discrimination</li> </ul>

**COMPLIANCE WITH LAWS AND REGULATIONS**

<b>LEGISLATION/ACT</b>	<b>REQUIREMENT</b>	<b>ACTIVITY</b>	<b>STATUS</b>	<b>RISK</b>
	<ul style="list-style-type: none"> <li>Implementing affirmative action measures to redress the disadvantages in employment experienced by designated groups (A designated group means black people, women, or people with disabilities) to ensure their equitable representation in all occupational categories and levels in the workforce.</li> </ul>	19) <ul style="list-style-type: none"> <li>Develop and Implement an EE Plan (Section 20 EEA)</li> <li>Report to the Department of Labour (Section 21 EEA)</li> <li>Duty to Inform (Section 25 EEA)</li> </ul> Assignment of Senior Management (Section 24 EEA)	<ul style="list-style-type: none"> <li>The last Equity committee was scheduled for the 2<sup>nd</sup> quarter.</li> <li>Gender split, current the staff complement is 1553 of which 988 (63.61%) are male and 565 (36.38%) are females.</li> </ul> <p><b>MITIGATION MEASURE</b></p> <ul style="list-style-type: none"> <li>Temporary measures have been put in place to ensure compliance and these measures will be actioned in consultation with the committees and as per an annual schedule that is reflected in the EE Plan. The JRA will be measured against the plan on a quarterly basis.</li> </ul>	
Waste Act 59 of 2008	<ul style="list-style-type: none"> <li>Protection of Health and Environment</li> <li>Specific Waste Management Measures</li> <li>Licensing and Control</li> <li>Remediation of Contaminated Land</li> <li>National Waste Information System</li> <li>Compliance and Enforcement</li> </ul>	Waste disposal	<p><b>NON – COMPLIANT</b></p> <p><b>MITIGATION MEASURES</b></p> <ul style="list-style-type: none"> <li>All depots were inspected to assess management of accumulated waste storage, removal and disposal of landfill sites.</li> <li>Non- Conformity notices (15) were issued to all depots that failed to adhere to waste management requirements</li> </ul>	<ul style="list-style-type: none"> <li>Environmental Hazard that violates the National Waste Management Act</li> </ul>
Occupational Health and Safety Act No. 85 of 1993 including Construction Regulations	The Occupational Health and Safety Act	Safety incidents	<p><b>NON-COMPLIANT</b></p> <ul style="list-style-type: none"> <li>nine (9) accidents were reported, and four (4) cases are still open and require further medical treatment.</li> <li>Two (2) fatalities were recorded and reported.</li> </ul>	<ul style="list-style-type: none"> <li>Financial Penalties</li> <li>Legal Consequences and or Litigations</li> <li>High Injuries and fatalities</li> <li>Reputational Damage:</li> <li>Operational Disruptions</li> <li>Employee turnover</li> </ul>

**COMPLIANCE WITH LAWS AND REGULATIONS**

LEGISLATION/ACT	REQUIREMENT	ACTIVITY	STATUS	RISK
			<ul style="list-style-type: none"> <li>▪ Increased number of recorded injuries leads to absenteeism, decreased productivity, increased overtime and affects staff moral.</li> <li>▪ Work site inspections – road signs and cones not adequate to communicate to road users.</li> </ul> <p><b>MITIGATING MEASURES</b></p> <ul style="list-style-type: none"> <li>▪ Convening Health and Safety meetings</li> <li>▪ Annual SHE awareness</li> <li>▪ Convening of toolbox talk sessions – all depots achieved 100% participation.</li> <li>▪ Emergency preparedness drills are conducted on quarterly basis and 15 depots complied.</li> <li>▪ Formal and Informal emergency drills</li> <li>▪ Health and safety inspections and audits were conducted to assess the status of compliance in terms of OHASA.</li> <li>▪ Two hundred and six formal inspections were carried out in quarter 4.</li> <li>▪ All construction (CAPEX) sites were inspected to ensure compliance with OHASA</li> </ul>	

**RECORDS MANAGEMENT**

National Archives and Records Services of South Africa Act	<ul style="list-style-type: none"> <li>▪ Ensure there is a records management system, and documents are stored in the manner, and for the required</li> </ul>	File plan approved in terms of the national archives.	<p><b>NON- COMPLIANCE</b></p> <p><b>MITIGATING MEASURES</b></p> <ul style="list-style-type: none"> <li>▪ Approved File Plan/not fully implemented.</li> </ul>	Failure to adhere to the provisions of the Act can result in: <ul style="list-style-type: none"> <li>▪ legal consequences;</li> <li>▪ loss of valuable information;</li> </ul>
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**COMPLIANCE WITH LAWS AND REGULATIONS**

LEGISLATION/ACT	REQUIREMENT	ACTIVITY	STATUS	RISK
	time frame, as per legislation		<ul style="list-style-type: none"> <li>▪ Gaps have been identified when implementing the file plan.</li> <li>▪ Valid Record and Admin Management Policy.</li> <li>▪ Dedicated records storing areas have been identified and records are being stored. This process will be monitored by corporate services to ensure that the file plan is fully functional.</li> <li>▪ An assessment of records storage facilities for the organisation is being conducted considering the partitioning plans.</li> </ul>	<ul style="list-style-type: none"> <li>▪ erosion of public trust; and</li> <li>▪ hindrance to research and decision-making processes.</li> </ul>
<p>Roads / signals Road Traffic: SARTSM guideline-</p> <ul style="list-style-type: none"> <li>- National Road Traffic Act and Regulations</li> <li>- Chapter 6 of Volume 1 of the SADC Road Traffic Signs Manual.</li> </ul>	<p>a) A responsible registered PROFESSIONAL ENGINEER or registered professional TECHNOLOGIST of the road authority concerned SHALL approve every traffic signal installation.</p> <p>Standard traffic signal faces, control precedence, vehicular light signals, flashing and other modes of operations, arrangement of light signals on a signal face, number and location of traffic signal faces, overhead traffic signals, traffic signal layout plans, pedestrian and pedal cyclist signals, road markings, signal phases, light signals and posts, power supply</p>	<p>Approval of every traffic signal installation for the JRA road network</p>	<p><b>NON-COMPLIANCE</b> Not all recommended changes (non-compulsory conditions) can be implemented in a financial year due to funding constraints.</p> <p><b>MITIGATING MEASURES</b></p> <ul style="list-style-type: none"> <li>- The Standard Operating Procedures for the Traffic Signal Division including the Traffic Engineering Section are all in full compliance with the SHALL and SHOULD conditions as set out in the manual.</li> <li>- The JRA also has an annual SARTSM Upgrading of Traffic Signal Capital programme that is utilised to improve the existing traffic signal system in aspects where the layout or timings can be improved to ensure better</li> </ul>	<ul style="list-style-type: none"> <li>▪ Disabled mobility</li> <li>▪ Accidents</li> </ul>

**COMPLIANCE WITH LAWS AND REGULATIONS**

LEGISLATION/ACT	REQUIREMENT	ACTIVITY	STATUS	RISK
			mobility or improved road safety. - Traffic engineers review the traffic signal system on a continuous basis and where improvements are identified, the capital programme is utilised to implement the recommended changes, provided sufficient funding is available.	

## Annexure D: Resolutions of the AFRIT Committee

ITEM DESCRIPTION	RESOLUTION
<b>Q1 – Ordinary Meeting – 12 July 2023</b>	
Revised Annual Internal Audit Plan for 2022/ 2023.	<b>IT WAS RESOLVED THAT</b> the Committee regularized the approval of the Revised Annual Internal Audit Plan 2022/2023 as per round robin resolution made on the 18 April 2023.
Q4 Company Performance Report and Financial Statements	<b>IT WAS RESOLVED That</b> the Q4 Company Performance report be recommended to the Board for approval subject to the comments made.
Status Report on Commercialisation of Asphalt Plant	<b>IT WAS RESOLVED THAT</b> the verbal report in this regard be noted subject to the above
Annual Internal Audit Plan for 2022/ 2023	<b>IT WAS RESOLVED THAT</b> the Annual Internal Audit Plan for 2022/ 2023 is approved.
Reviewed Internal Audit Charter 2023/2024	<b>IT WAS RESOLVED THAT</b> the Internal Audit Charter 2023/2024 be approved.
Reviewed Internal Audit Methodology	<b>IT WAS RESOLVED THAT</b> the Internal Audit Methodology be approved.
Q4 Internal Audit Reports for 2022/2023	<b>IT IS RESOLVED THAT</b> the report be noted subject to the comments made.
Summary of AG and Internal Audit Findings	<b>IT IS RESOLVED That</b> the report be noted subject to the comments made.
Q4 Report on the Assessment of Internal Controls	<b>IT WAS RESOLVED that</b> the report be noted.
JRA Risk Management Strategy and Implementation Plan 2023/2024	<b>IT WAS RESOLVED THAT</b> the JRA Risk Management Strategy 2023/2024 be approved.
Q4 Risk Management Report	<b>IT WAS RESOLVED THAT</b> the report be noted subject to the comments made.
Q4 IT Report	<b>IT WAS RESOLVED THAT</b> the subject to the comments made, Q4 IT Report be noted.
Q4 Public Liability Claims Report	<b>IT WAS RESOLVED THAT</b> the report be noted.
Q4 Litigations Report	<b>IT WAS RESOLVED THAT</b> the report be noted.
<b>Q1 – Special Meeting 23 August 2023</b>	
Draft Annual Financial Statements (AFS) 2022-2023 Financial Year	<b>RESOLVED that</b> subject to the comments made; the report be updated, and the consolidated report be recommended to the Board for approval.
Annual Performance 2022/2023 Financial Year	<b>RESOLVED THAT</b> subject to the incorporation of comments made the report is recommended to the Board for approval.
Internal Audit Report on Draft 2022/2023 AFS Review	<b>RESOLVED THAT</b> the report be noted subject to the comments made. An updated report be presented to the Board for noting.
UIFW Adjustment Report	<b>RESOLVED THAT</b> the report be recommended to the Board for approval subject to the comments made.
Engagement Letter	<b>RESOLVED THAT</b> the Engagement Letter be recommended to the Board for approval.
Audit Strategy	<b>RESOLVED THAT</b> the Audit Strategy be recommended to the Board for approval.

ITEM DESCRIPTION	RESOLUTION
Presentation on AGSA Culture Shift 2030 Strategy and Material Irregularity	<b>RESOLVED THAT</b> the Committee noted the presentation made.
<b>Q2 – Ordinary Meeting 17 October 2023</b>	
CEO’S Report on Service Delivery	<b>IT WAS RESOLVED THAT</b> – the Committee noted that report and requested that dates for the OD strategy session be shared with the Committee members well in advance.
Q1 Company Performance Report and Financial Statements	<b>IT WAS RESOLVED THAT</b> – the Q1 Company Performance report be recommended to the Board for approval subject to the comments made.
Status Report on Asphalt Plant	<b>IT WAS RESOLVED THAT</b> – the report in this regard be noted subject to the above.
Progress Report - Asphalt Plant Commercialisation	<b>IT WAS RESOLVED THAT</b> – The Status Report on Commercialisation of Asphalt Plant be noted subject to the above.
Q1 Internal Audit Reports for 2023/2024	<b>IT WAS RESOLVED THAT</b> – The report be noted subject to the comments made.
Summary of AG and Internal Audit Findings	<b>IT WAS RESOLVED THAT</b> – The report be noted subject to the comments made. To eliminate this, JRA need to be firm in implementing consequence management and this is not the responsibility of Internal Audit but of management.
CEO’S Report on Service Delivery	<b>IT WAS RESOLVED THAT</b> – the Committee noted that report and requested that dates for the OD strategy session be shared with the Committee members well in advance.
Q1 Company Performance Report and Financial Statements	<b>IT WAS RESOLVED THAT</b> – the Q1 Company Performance report be recommended to the Board for approval subject to the comments made.
Status Report on Asphalt Plant	<b>IT WAS RESOLVED THAT</b> – the report in this regard be noted subject to the above.
Progress Report - Asphalt Plant Commercialisation	<b>IT WAS RESOLVED THAT</b> – The Status Report on Commercialisation of Asphalt Plant be noted subject to the above.
Q1 Internal Audit Reports for 2023/2024	<b>IT WAS RESOLVED THAT</b> – The report be noted subject to the comments made.
Summary of AG and Internal Audit Findings	<b>IT WAS RESOLVED THAT</b> – The report be noted subject to the comments made. To eliminate this, JRA need to be firm in implementing consequence management and this is not the responsibility of Internal Audit but of management.
Q1 Report on the Assessment of Internal Controls	<b>IT WAS RESOLVED THAT</b> – that the report be noted.
JRA Strategic Risk and Operational Risk Registers 2023/2024	<b>IT WAS RESOLVED THAT</b> – <ul style="list-style-type: none"> <li>▪ The report be recommended to the Board for approval subject to the comments made.</li> <li>▪ In addition, for future consideration of the same item, the Committee requested that the Board Strategic Risk Workshop which is inclusive of AFR&amp;ITC members be held prior to the report presented for approval.</li> </ul>
Risk Appetite and Tolerance Limits Report 2023-24	<b>IT WAS RESOLVED THAT</b> – the Risk Appetite and Tolerance Limits Report 2023-2024 be recommended to the Board for approval.

ITEM DESCRIPTION	RESOLUTION
Q1 Risk Management Report	<b>IT WAS RESOLVED THAT</b> - the report be noted subject to the comments made. Management will commence with the implementation of the action plans upon approval of the risk registers, thus, the report to be presented at the next quarter will be more detailed.
Risk Management Maturity Assessment Outcome	<b>IT WAS RESOLVED THAT</b> - The report be noted.
Q1 IT Report	<b>IT WAS RESOLVED THAT</b> - the report be noted.
Q1 Public Liability Claims Report	<b>IT WAS RESOLVED THAT</b> - The report be noted.
Q1 Litigations Report	<b>IT WAS RESOLVED THAT</b> - the report be noted subject to the below comment. Management undertook to consolidate all matters under investigations done by GFIS including the labour relations matters and this can be discussed at the in-committee meeting presented by the Internal Audit and the Company Secretary.
JRA Strategy 2027	<b>IT WAS RESOLVED THAT</b> - the JRA Strategy 2027 be recommended to the Board for approval subject to changes made. <ul style="list-style-type: none"> <li>▪ <u>Pg. 2 Technical issues</u> - corrections of index page and numbering of tables be done.</li> <li>▪ <u>Pg. 9 Under JRA achievements</u> - the reference to the year 2021, which is a previous year, is a concern since it takes the Committee backwards, management should consider focusing forward on future years.</li> <li>▪ <u>Pg. 53-68</u> - There needs to be consistency in reporting, the current report showed different area outcomes which are reported in percentages, numbers and others in quarters.</li> </ul> <u>Pg. 13-15</u> - graphs to be supported by detailed information and give definitions of what each line represents.
<b>Q2 - Special Meeting: 27 November 2023</b>	
AGSA Management Letter and Audit Report	<b>IT WAS RESOLVED THAT</b> - the Management Letter and Audit Report be recommended to the Board for approval subject to the changes made.
Audited Annual Financial Statements (AFS) 2022– 2023	<b>IT WAS RESOLVED THAT</b> - the Audited AFS be recommended to the Board subject to comments made.
Integrated Annual Report 2022 – 2023	<b>IT WAS RESOLVED THAT</b> - the Integrated Annual Report 2022 – 2023 be recommended to the Board subject to the comments made.
Emergency Section 116 Report	<b>IT WAS RESOLVED THAT</b> - the report be recommended to the Board for approval subject to the above.
Bad Debt Write-Off	<b>IT WAS RESOLVED THAT</b> - the Bad Debt Write-off report be recommended to the Board for approval.
Progress Report Asphalt Plant – Financial Model	<b>IT WAS RESOLVED THAT</b> - that the report be noted and submitted to the Board for information.
<b>Q3 – Ordinary Meeting: 12 January 2024</b>	
Progress Report Asphalt Plant – Financial Model	<b>IT WAS RESOLVED THAT</b> – the report be noted.

ITEM DESCRIPTION	RESOLUTION
Report on Consequence Management	<b>IT WAS RESOLVED THAT</b> - that the report be noted.
Recruitment Plan of Ops Manager: IA	<b>IT WAS RESOLVED THAT</b> - that the report be recommended to the Board for approval subject to below: <ul style="list-style-type: none"> <li>▪ Duration period of four (4) months be shortened.</li> <li>▪ An additional clause on employment contract be added that the incoming incumbent will have to serve the JRA for at least a period of six (6) to twelve (12) months before considering any move.</li> </ul>
Q2 Company Performance Report and Financial Statements	<b>IT WAS RESOLVED THAT</b> - that the report be noted.
Q2 Internal Audit Reports for 2023/ 2024	<b>IT WAS RESOLVED THAT</b> - that the report be noted.
Summary of AG and Internal Audit Findings	<b>IT WAS RESOLVED THAT</b> - that the report be noted and submitted to the Board for information.
Q2 Report on the Assessment of Internal Controls	<b>IT WAS RESOLVED THAT</b> - that the report be noted.
Q2 Risk Management Report	<b>IT WAS RESOLVED THAT</b> - that the report be noted.
JRA ITC Strategy	<b>IT WAS RESOLVED THAT</b> - that the JRA Strategy be recommended to the Board for approval.
Q2 IT Report	<b>IT WAS RESOLVED THAT</b> - that the report be noted.
Q2 Public Liability Claims Report	<b>IT WAS RESOLVED THAT</b> - that the report be noted.
Q2 Litigations Report	<b>IT WAS RESOLVED THAT</b> - that the report be noted subject to the below: That a comprehensive report on default judgements against the JRA NEDs be presented before the Board for information.
<b>IT WAS RESOLVED THAT - that the report be noted and submitted to the Board for information.</b>	
<b>Q2 - Special Meeting: 22 January 2024</b>	
Consolidated List of Investigations and Litigations Matters for JRA	<b>IT WAS RESOLVED THAT:</b> <ul style="list-style-type: none"> <li>a) A report be written recommending, the Board resolution transferring SARS matters to the Office of the Company Secretary be rescinded and that the function be transferred back to the Office of the CFO.</li> <li>b) The matter pertaining to the former CEO Mr Mahanuke be moved from the office of the Company Secretary to the Office of the CEO as the accounting officer.</li> </ul> Internal Audit be mandated to consolidate the investigations, labour cases and GFIS matters and report to the AFR&ITC biquarterly.
<b>Q2 – Special Meeting – 07 March 2024</b>	
Request for Extension of Contract: JRA/20/67/ Request for Proposals For the Supply, Delivery of	<b>IT WAS RESOLVED THAT:</b> <ul style="list-style-type: none"> <li>a) The Committee has no mandate to discuss expired contracts.</li> </ul>

ITEM DESCRIPTION	RESOLUTION
Bulk Natural Gas "As and When" Required Basis for a period of three (3) years including construction, erection, and installation of natural gas storage.	The matter be referred to the executive management team and an update be provided at the next ordinary meeting of AFR&ITC.
<b>Q3 – Ordinary Meeting – 16 April 2024</b>	
Q3 Company Performance Report and Financial Statements	<b>IT WAS RESOLVED THAT</b> - that the report be recommended to the Board for approval.
Progress Report on Asphalt Plant – Financial Model	<b>IT WAS RESOLVED THAT</b> - that the report be noted.
Q3 Internal Audit Reports 2023/2024	<b>IT WAS RESOLVED THAT</b> - that the report be noted.
Q3 Summary of AG and Internal Audit Findings	<b>IT WAS RESOLVED THAT</b> - that the report be noted.
Q3 Report on the Assessment of Internal Controls	<b>IT WAS RESOLVED THAT</b> - that the report be noted.
Q3 Risk Management Report	<b>IT WAS RESOLVED THAT</b> - that the report be noted.
Q3 IT Report	<b>IT WAS RESOLVED THAT</b> - that the report be noted.
Q3 Public Liability Claims Report	<b>IT WAS RESOLVED THAT</b> - that the report be noted.
Q3 Litigations Report	<b>IT WAS RESOLVED THAT</b> - that the report be noted.

## Annexure E: Board Member Status of Declarations

<b>NED/ IAC member</b>	<b>Designation</b>	<b>Interest Declared</b>
Ewan Botha	Non-Executive Director	Yes
Ravendran Govender	Non-Executive Director	Yes
Daniel Nyamazane	Non-Executive Director	Yes
Alvarno Francis	Non-Executive Director	Yes
Cleopatra Lourens	Non-Executive Director	Yes
Siphosethu Mtanzeli	Non-Executive Director	Yes
Zenzokuhle Xaba	Non-Executive Director	Yes
Kabelo Mofokeng	Non-Executive Director	Yes
Bruce Nimmerhoudt	Non-Executive Director	Yes
Victoria Mamogobo	Non-Executive Director	Yes
Trevor Goldsmith	Non-Executive Director	Yes
Sharon Kleinbooi	Non-Executive Director	Yes
Nison Khosa	Independent Audit Committee	Yes
Derek Martin	Independent Audit Committee	Yes
Thando Kwela	Independent Audit Committee	Yes

## Volume II: Annual Financial Statements



Johannesburg Roads Agency (SOC) Ltd  
(Registration number 2000/028993/30)  
Annual Financial Statements  
for the year ended 30 June 2024

# Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

## General Information

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<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of business and principal activities</b>	Construction and maintenance of roads, traffic signals and stormwater infrastructure
<b>Chief Finance Officer (CFO)</b>	L Mashau
<b>Directors</b>	Mr S C Clark Board - Chairperson (Appointed 31 July 2024) Mr Z Nyathi - Chief Executive Officer Ms O Mokgosi - Appointed 31 July 2024 A Smit Appointed 31 July 2024 B Nimmerhoudt - 25 August 2023 Dr. R Govender -Appointed - 11 March 2023 A Francis - Appointed - 11 March 2023 C Cilliers (Board Chairperson) Appointed 11 March 2023- Resigned June 2023 C Lourens - Appointed - 11 March 2023 E Botha ( Board Chairperson) Resigned (14 February 2024) K Mofokeng - Appointed 11 March 2023 T Goldsmith - Appointed - 11 March 2023 T Phetla -Retired - 11 March 2023 V Mamogobo -Appointed - 11 March 2023 Z Xaba - Appointed - 11 March 2023
<b>Registered office</b>	75 Helen Joseph Street Corner Harrison Street Johannesburg Gauteng 2001
<b>Business address</b>	75 Helen Joseph Street Corner Harrison Street Johannesburg Gauteng 2001
<b>Postal address</b>	Private Bag X70 Braamfontein Johannesburg 2017
<b>Controlling entity</b>	The City of Johannesburg Metropolitan Municipality

# **Johannesburg Roads Agency (SOC) Ltd**

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

## **General Information**

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<b>Bankers</b>	Standard Bank Limited
<b>Auditors</b>	The Auditor-General of South Africa Chartered Accountants (S.A.) Registered Auditors
<b>Secretary</b>	Phumla Thandeka Majola
<b>Company registration number</b>	2000/028993/30

# Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

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### Abbreviations used:

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

# Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

## Board of Director's Responsibilities and Approval

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

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

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

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

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

The directors have reviewed the entity's cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

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

The annual financial statements set out on page 4 - 86 which have been prepared on the going concern basis, were approved by the directors on 31 August 2024 and were signed on its behalf by:



Mr Z Nyathi - Chief Executive Officer



Mr S C Clark Board - Chairperson (Appointed 31 July 2024)

# Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

## Directors' Report

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The directors submit their report for the year ended 30 June 2024.

### 1. Incorporation

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

### 2. Review of activities

#### Main business and operations

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

The net deficit of the entity was R 10,419,398 (2023: deficit R 428,144,678) after taxation of R 30,447,713 (2023: R 116,852,752)

### 3. Going concern

We draw attention to the fact that at 30 June 2024, the entity had an accumulated deficit of R (550,708,525) and that the entity's total liabilities exceed its assets by R (104,600,060).

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

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

The approved adjusted operating budget for the 30 June 2024 financial year is R1 445 980 000.00 and the approved adjusted capital budget for the 30 June 2024 financial year is R 809 234 000.00

### 4. Subsequent events

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

### 5. Directors' interest in contracts

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

### 6. Accounting policies

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

### 7. Share capital / contributed capital

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

# Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

## Directors' Report

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### 8. Directors

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

Name	Nationality	Changes
E Botha ( Board Chairperson).	South African	Appointed 25 August 2023 - Resigned 14 February 2024
S C Clark	South African	Appointed 31 July 2024
Z Nyathi - Chief Executive Officer	South African	01 June 2023
L Mashau - Chief Financial Officer	South African	Appointed 01 May 2023
T Goldsmith	South African	Appointed 25 August 2024
A Francis	South African	Appointed 11 March 2023
A Puka	South African	Appointed 11 March 2023 resigned 28 June 2023
Dr. R Govender	South African	Appointed 11 March 2023
D Nyamazane	South African	Appointed 11 March 2023
C Lourens	South African	Appointed 11 March 2023
S Mtamzeli	South African	Appointed 11 March 2023
Mahanuke - Chief Executive Officer	South African	Appointed 01 August 2022 and dismissed June 2023
A Francis - Appointed	South African	Appointed 11 March 2023
V Mamogobo	South African	Appointed 11 March 2023
K Mofokeng (Appointed 01 March 2023	South African	
T Motloung	South African	Chairperson (Afrit Chairperson - August 2022) (Board Chairperson - October 2022) - Retired 11 March 2023
B Nimmerdhout	South African	Appointed 25 August 2023
H Mtimkhulu	South African	Retired 11 March 2023
N Mkhize	South African	Retired 11 March 2023
L Nel	South African	Appointed 01 November 2022 - 31 May 2023
Z Xaba	South African	Appointed 11 March 2023

### 9. Secretary

The secretary of the entity is Phumla Thandeka Majola:

Business address

75 Helen Joseph Street  
Corner Harrison Street  
Johannesburg  
2001

Postal address

Private Bag X70  
Braamfontein  
Johannesburg  
2017

# Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

## Directors' Report

---

### 10. Corporate governance

#### General

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

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

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

#### Board of directors

The Board:

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

#### Chairperson and chief executive

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

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

#### Remuneration

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

#### Executive meetings

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

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

#### Audit, Finance, Risk and IT - AFRIT Committee

For the first sitting of the financial year for the committee the chairperson was Ms A Francis. The committee met 8 times during the financial year to review matters necessary to fulfil its role.

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

#### Internal Audit

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

# Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

## Directors' Report

---

### 11. Controlling entity

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

### 12. Bankers

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

### 13. Auditors

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

### 14. Meetings

The board met on 12 separate occasions during the financial year. The board was scheduled to meet at least 6 times per annum. There were also 8 Audit, Finance, Finance, Risk and IT meetings, five (4) Remuneration Social, Ethics Committee and four (4) service delivery meetings that were held during the the period 01 July 2023 to 30 June 2024.

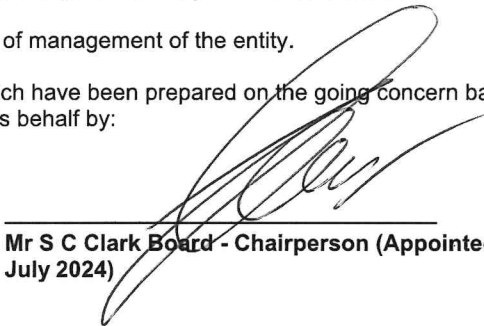
Non-executive directors have access to all the members of management of the entity.

The annual financial statements set out on page 4-86 which have been prepared on the going concern basis, were approved by the directors on 31 August 2024 and were signed on its behalf by:



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Mr Z Nyathi - Chief Executive Officer



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Mr S C Clark Board - Chairperson (Appointed 31 July 2024)

# **Johannesburg Roads Agency (SOC) Ltd**

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

## **Company Secretary's Certification**

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

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



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**Phumla Thandeka Majola**  
**Company Secretary**  
**30 November 2024**

# Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	64,675,252	47,598,381
Loans to shareholders	4	176,261,383	206,577,735
Receivables from exchange transactions	5	670,331,631	445,989,037
Cash and cash equivalents	7	440,099,353	477,928,572
		<b>1,351,367,619</b>	<b>1,178,093,725</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	8	211,962,299	131,633,302
Intangible assets	9	2,185,035	2,725,315
Loans to shareholders	4	53,224,798	52,791,366
		<b>267,372,132</b>	<b>187,149,983</b>
<b>Total Assets</b>		<b>1,618,739,751</b>	<b>1,365,243,708</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Current tax payable	14	-	101,910,949
Finance lease obligation	11	15,256,549	16,266,515
Payables from exchange transactions	12	1,405,921,077	1,107,632,083
Provisions	13	264,909,185	268,263,575
		<b>1,686,086,811</b>	<b>1,494,073,122</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	6	37,252,999	39,357,000
<b>Total Liabilities</b>		<b>1,723,339,810</b>	<b>1,533,430,122</b>
<b>Net Assets</b>		<b>(104,600,059)</b>	<b>(168,186,414)</b>
Share capital / contributed capital	15	1,000	1,000
Reserves			
Reserve for own shares / Share repurchase reserve	16	446,107,465	372,101,714
Accumulated surplus		(550,708,525)	(540,289,126)
<b>Total Net Assets</b>		<b>(104,600,060)</b>	<b>(168,186,412)</b>

\* See Note 39

# Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Asphalt Sales and DCP Testing		46,095	177,999
Jobbings		17,841,634	17,630,059
Reinstatement income and wayleave fees		47,265,216	12,721,358
Management Fees		21,885,410	14,674,345
Rental income		12,206,854	10,370,172
Recoveries		-	87
Other income - Proceeds from road closures		93,870,040	11,056,486
Insurance Claims		-	13,043
Interest received - investment	21	19,729,663	21,913,035
<b>Total revenue from exchange transactions</b>		<b>212,844,912</b>	<b>88,556,584</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Subsidy - The City of Johannesburg Metropolitan Municipality		1,310,111,970	1,258,837,000
<b>Total revenue</b>	17	<b>1,522,956,882</b>	<b>1,347,393,584</b>
<b>Expenditure</b>			
Employee related costs	24	(415,877,072)	(402,117,723)
Depreciation and amortisation	25	(34,367,593)	(39,565,387)
Impairments loss		-	(3,718,642)
Finance costs	22	(24,025,026)	(12,979,015)
Lease rentals on operating lease		(52,121,470)	(65,055,531)
Call centre charges		(8,210,000)	(7,715,400)
Cost of road maintenance	18	(812,152,707)	(781,340,720)
General Expenses	38	(156,174,699)	(347,772,617)
<b>Total expenditure</b>		<b>(1,502,928,567)</b>	<b>(1,660,265,035)</b>
<b>Surplus (deficit) before taxation</b>		<b>20,028,315</b>	<b>(312,871,451)</b>
Taxation	23	30,447,713	116,852,752
<b>Deficit for the year</b>		<b>(10,419,398)</b>	<b>(429,724,203)</b>

\* See Note 39

# Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

## Statement of Changes in Net Assets

	Share capital / contributed capital	Reserves for own shares / Share repurchase reserve	Accumulated surplus / deficit	Total net assets
Figures in Rand				
<b>Balance at 01 July 2022</b>	<b>1,000</b>	<b>345,776,292</b>	<b>(110,564,923)</b>	<b>235,212,369</b>
Changes in net assets				
Assets Financed by COJ	-	26,325,422	-	26,325,422
Net income (losses) recognised directly in net assets	-	26,325,422	-	26,325,422
Surplus for the year	-	-	(429,724,203)	(429,724,203)
Total recognised income and expenses for the year	-	26,325,422	(429,724,203)	(403,398,781)
Total changes	-	26,325,422	(429,724,203)	(403,398,781)
Opening balance as previously reported	1,000	372,101,714	(512,870,937)	(140,768,223)
Adjustments				
Correction of errors	-	-	(27,418,190)	(27,418,190)
<b>Restated* Balance at 01 July 2023 as restated*</b>	<b>1,000</b>	<b>372,101,714</b>	<b>(540,289,127)</b>	<b>(168,186,413)</b>
Changes in net assets				
Assets financed by COJ	-	74,005,751	-	74,005,751
Net income (losses) recognised directly in net assets	-	74,005,751	-	74,005,751
Surplus for the year	-	-	(10,419,398)	(10,419,398)
Total recognised income and expenses for the year	-	74,005,751	(10,419,398)	63,586,353
Total changes	-	74,005,751	(10,419,398)	63,586,353
<b>Balance at 30 June 2024</b>	<b>1,000</b>	<b>446,107,465</b>	<b>(550,708,525)</b>	<b>(104,600,060)</b>
Note(s)	15	16		

\* See Note 39

# Cash Flow Statement

Figures in Rand

Note(s)

2024

2023  
Restated\*

## Cash flows from operating activities

### Receipts

Subsidies and other income		1,278,884,625	1,325,480,547
Interest income		19,130,292	22,125,612
		<u>1,298,014,917</u>	<u>1,347,606,159</u>

### Payments

Cash paid to suppliers and employees		(1,150,611,310)	(1,347,694,030)
Finance costs		(37,846,115)	-
Taxes paid	45	(132,358,662)	(44,130,291)
		<u>(1,320,816,087)</u>	<u>(1,391,824,321)</u>

**Net cash flows from operating activities** 27 **(22,801,170)** **(44,218,162)**

## Cash flows from investing activities

Purchase of property, plant and equipment	8	(114,341,601)	(31,001,151)
Net movement in amount within entities in the group - Notional Loans and sweeping accounts		26,317,767	71,064,693

**Net cash flows from investing activities** **(88,023,834)** **40,063,542**

## Cash flows from financing activities

Finance lease payments		(1,009,966)	(15,541,226)
Movement in contribution from the owner		74,005,751	26,325,422

**Net cash flows from financing activities** **72,995,785** **10,784,196**

**Net increase/(decrease) in cash and cash equivalents** **(37,829,219)** **6,629,576**

Cash and cash equivalents at the beginning of the year 477,928,572 471,298,995

**Cash and cash equivalents at the end of the year** 7 **440,099,353** **477,928,571**

The accounting policies on pages 17 to 41 and the notes on pages 42 to 85 form an integral part of the annual financial statements.

# Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Jobbings	18,412,600	29,580,954	<b>47,993,554</b>	17,841,634	<b>(30,151,920)</b>	1
Reinstatement income	19,387,000	(4,210,164)	<b>15,176,836</b>	47,265,216	<b>32,088,380</b>	2
Management fees	32,256,700	(5,188,000)	<b>27,068,700</b>	21,885,410	<b>(5,183,290)</b>	3
Rental income	5,110,000	7,077,000	<b>12,187,000</b>	12,206,854	<b>19,854</b>	4
Other Income	694,700	10,031,310	<b>10,726,010</b>	93,916,135	<b>83,190,125</b>	5
Interest received	22,468,000	247,900	<b>22,715,900</b>	19,729,663	<b>(2,986,237)</b>	6
<b>Total revenue from exchange transactions</b>	<b>98,329,000</b>	<b>37,539,000</b>	<b>135,868,000</b>	<b>212,844,912</b>	<b>76,976,912</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Developers' contribution	53,101,000	(53,101,000)	-	-	-	
Subsidy - The City of Johannesburg Metropolitan Municipality	1,323,633,000	(13,521,000)	<b>1,310,112,000</b>	1,310,111,970	<b>(30)</b>	
<b>Total revenue from non-exchange transactions</b>	<b>1,376,734,000</b>	<b>(66,622,000)</b>	<b>1,310,112,000</b>	<b>1,310,111,970</b>	<b>(30)</b>	
<b>Total revenue</b>	<b>1,475,063,000</b>	<b>(29,083,000)</b>	<b>1,445,980,000</b>	<b>1,522,956,882</b>	<b>76,976,882</b>	
<b>Expenditure</b>						
Employee related costs	(955,186,000)	(20,079,000)	<b>(975,265,000)</b>	(996,679,196)	<b>(21,414,196)</b>	8
Depreciation and amortisation	(66,794,000)	-	<b>(66,794,000)</b>	(34,367,593)	<b>32,426,407</b>	9
Repairs and maintenance	(6,989,040)	-	<b>(6,989,040)</b>	(4,964,197)	<b>2,024,843</b>	10
Internal transfers	(36,636,000)	2,074,000	<b>(34,562,000)</b>	(32,235,026)	<b>2,326,974</b>	11
Contracted services	(209,272,960)	47,874,000	<b>(161,398,960)</b>	(34,039,789)	<b>127,359,171</b>	12
Other Expenditure	(200,195,000)	(776,000)	<b>(200,971,000)</b>	(400,642,766)	<b>(199,671,766)</b>	13
<b>Total expenditure</b>	<b>(1,475,073,000)</b>	<b>29,093,000</b>	<b>(1,445,980,000)</b>	<b>(1,502,928,567)</b>	<b>(56,948,567)</b>	
<b>Surplus before taxation</b>	<b>(10,000)</b>	<b>10,000</b>	-	<b>20,028,315</b>	<b>20,028,315</b>	
Taxation	-	-	-	(30,447,713)	<b>(30,447,713)</b>	14
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(10,000)</b>	<b>10,000</b>	-	<b>(10,419,398)</b>	<b>(10,419,398)</b>	

# Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Comments are provided on variances in excess (Over or under budget) of 10%. The comparison is between actual amounts as at 30 June 2024 and the 2023/2024 Annual Approved Adjustment Budget.

**1. Jobbings:** Jobbing's Income is related to JRA customers paying JRA funds in advance for services to be rendered at a later stage, and its accounted for as income when the job is finalised by JRA. Recognition of this revenue is reliant on developer's progress which varies from project to project.

**2. Reinstatement Income:** is above the Adjustment Budget for the year. This is as a result of reaction based and fluctuating demand during the year and the nature of the work performed by JRA is driven mainly by billings from Joburg Water (SOC) Ltd

**3. Management Fees:** These are amounts charged by JRA to COJ's Departments and City Entities for undertaking Capital projects on behalf of these Departments and Entities. The main reasons for the underperformance is that the fee rate has remained stagnant at only 2,5% of the Capital projects actual spend. In addition, the funding source of capital projects on behalf of COJ was allocated to JRA during adjustment budget process. JRA did not earn management fees on these projects as well. JRA also had to pay management fees

**4. Rental Income:** The rent received by JRA is for subleasing some floors to COJ Transportation and Rea Vaya this item was within budget so no further explanation required..

**5. Other income:** This is due to an increase in income from Road closure, DCP Testing and withdrawals from developers contribution bank account. In the prior years JRA incurred expenditure related to Developers Contribution and had not withdrawn from the bank account. In the year under review JRA withdrew the balance that was owed to JRA.

**6. Interest Received:** Interest received is for interest earned on the loans to the Shareholder (inter Company sweeping bank and post retirement Assets). There has been a negative cash balance as a result of recognising the interest from the developers contribution bank account as a liability instead of an income.

**7. Developers contribution:** Developers contributions are funds that are paid by the COJ Planning Department relating to contributions made by the developers to compensate for the increase usage of the infrastructure network. The amount received by JRA is determined by COJ. This line item is now accounted for as a liability and that's why the actual amounts shown.

**8. Employee Costs:** The Employee costs are over the Adjustment Budget and is mainly due to the additional work done on reinstatements on behalf of Joburg water.

**9. Depreciation and Amortisation:** The depreciation of the assets was less than the budget as the useful lives were revised when the asset verification was done.

**10. Repairs and Maintenance:** The repairs and maintenance of JRA was under budget due to delays in procurement of spares and appointment of service providers to perform maintenance work.

**11. Internal Transfers:** The internal transfer costs are expenditure relating to COJ and its Entities and they were within budget.

**12. Contracted Services:** It is under budget due to contracted services budget not being fully utilized by year end with road maintenance and work being undertaken mostly by internal JRA teams.

**13. Other Expenditure:** Other operating expenditure for the financial year is over the budget mainly due to increase in fleet leasing line item and material that was used in the additional re-instatements that was done for Joburg Water.

**14. Taxation:** The JRA has had previous years assessment revised and some are currently under dispute by JRA through the Alternate Dispute Resolution (ADR) process. This has resulted in taxation charged by SARS for the periods under the ADR process.

The accounting policies on pages 17 to 41 and the notes on pages 42 to 85 form an integral part of the annual financial statements.

# **Johannesburg Roads Agency (SOC) Ltd**

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

# Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

Figures in Rand	Note(s)	2024	2023
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### 1. Presentation of Annual Financial Statements

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

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

The significant accounting policies applied in the preparation of these annual financial statements are set out below.

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

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

#### 1.3 Significant judgements and sources of estimation uncertainty

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

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

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

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

#### Available-for-sale financial assets

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

If all of the declines in fair value below cost were considered significant or prolonged, the entity would suffer an additional deficit in its 2024 annual financial statements, being a reclassification adjustment of the fair value adjustments previously recognised in other comprehensive income and accumulated in equity on the impaired available-for-sale financial assets to surplus or deficit.

#### Allowance for slow moving, damaged and obsolete inventory

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

# Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Impairment testing

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

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

#### Provisions

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

#### Taxation

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

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

#### Post-retirement benefits

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

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

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

#### Effective interest rate

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

#### Allowance for doubtful debts

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

# Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Useful lives of property, plant and equipment

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

#### Commitments

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

#### Events after reporting date

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

### 1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

# Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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

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

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

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

---

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

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

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

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

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

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

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

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

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

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

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

# Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.5 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

---

<b>Item</b>	<b>Depreciation method</b>	<b>Average useful life</b>
Computer software, other	Straight line	3

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

# Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.5 Intangible assets (continued)

Intangible assets are derecognised:

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

### 1.6 Financial instruments

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

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

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

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

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

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

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

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

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

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

A financial asset is:

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

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

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### 1.6 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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### 1.6 Financial instruments (continued)

#### Classification

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

<b>Class</b>	<b>Category</b>
Loan1	Financial asset measured at amortised cost
Loan2	Financial asset measured at amortised cost
Loan3	Financial asset measured at amortised cost
Other receivables1	Financial asset measured at amortised cost

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

<b>Class</b>	<b>Category</b>
Loan1	Financial liability measured at amortised cost
Loan2	Financial liability measured at amortised cost
Loan3	Financial liability measured at amortised cost

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

<b>Class</b>	<b>Category</b>
Residual interest1	Measured at fair value
Residual interest2	Measured at cost

#### Initial measurement of financial assets and financial liabilities

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

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### 1.6 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

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

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

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

#### Fair value measurement considerations

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

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

#### Reclassification

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

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

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

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

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

#### Gains and losses

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

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

#### Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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### 1.6 Financial instruments (continued)

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

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

Financial assets measured at cost:

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

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### 1.6 Financial instruments (continued)

#### Derecognition

##### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

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

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

##### Financial liabilities

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

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

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### 1.6 Financial instruments (continued)

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

#### Presentation

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

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

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

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

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

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

### 1.7 Tax

#### Current tax assets and liabilities

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

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

#### Deferred tax assets and liabilities

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

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

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

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

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### 1.7 Tax (continued)

#### Tax expenses

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

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

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

### 1.8 Leases

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

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

#### Finance leases - lessee

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

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

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

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

#### Operating leases - lessor

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

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

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

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

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

#### Operating leases - lessee

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

### 1.9 Inventories

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

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

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

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

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### 1.9 Inventories (continued)

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

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

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

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

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

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

### 1.10 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

### 1.11 Share capital / contributed capital

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

Ordinary shares are classified as equity (net assets).

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### 1.12 Employee benefits

#### Short-term employee benefits

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

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

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

#### Defined contribution plans

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

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

#### Defined benefit plans

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

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

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

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

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

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

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

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

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

#### Other post retirement obligations

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### 1.12 Employee benefits (continued)

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

#### Post-employment medical aid liabilities

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

#### Housing Subsidies

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

#### Retirement Gratuities

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

### 1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficit.

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### 1.13 Provisions and contingencies (continued)

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 29.

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

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

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

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

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

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

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

### 1.14 Commitments

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

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

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

### 1.15 Revenue from exchange transactions

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

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### 1.15 Revenue from exchange transactions (continued)

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

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

#### Measurement

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

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

#### Sale of goods

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

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

#### Rendering of services

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

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

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

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

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

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## Significant Accounting Policies

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### 1.15 Revenue from exchange transactions (continued)

#### Interest received and other income

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

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

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

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

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

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

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

### 1.16 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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### 1.16 Revenue from non-exchange transactions (continued)

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

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

#### Developer's Contribution

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

#### Recognition

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

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

#### Measurement

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

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

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

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

### 1.17 Cost of road maintenance

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

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

Contract costs comprise:

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

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### 1.18 Investment income

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

### 1.19 Borrowing costs

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

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

### 1.20 Translation of foreign currencies

#### Foreign currency transactions

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

At each reporting date:

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

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

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

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

### 1.21 Value Added Tax (VAT)

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

### 1.22 Comparative figures

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

### 1.23 Fruitless and wasteful expenditure

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

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

### 1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

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

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### 1.24 Irregular expenditure (continued)

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

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

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

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

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

### 1.25 SCM Deviations

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

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

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

(i) in an emergency;

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

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

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

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

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

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

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

### 1.26 Research and development expenditure

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

An asset arising from development is recognised when:

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

### 1.27 Budget information

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

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## Significant Accounting Policies

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### 1.27 Budget information (continued)

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

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

The approved budget covers the fiscal period from 01/07/2023 to 30/06/2024.

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

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

### 1.28 Related parties

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

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

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

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

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

Management are those persons responsible for planning, directing and controlling the activities of the Entity, including those charged with the governance of the Entity in accordance with legislation, in instances where they are required to perform such functions.

Close family members of key management personnel are considered to be those family members who may be expected to influence, or to be influenced by key management individuals, in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

### 1.29 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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## Significant Accounting Policies

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### 1.29 Events after reporting date (continued)

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### 1.30 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

### 1.31 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted by a Standard of GRAP.

### 1.32 Accounting by principals and agents

#### Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

#### Identifying whether an entity is a principal or an agent

When the entity is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an entity is a principal or an agent requires the entity to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

#### Binding arrangement

The entity assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

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## Significant Accounting Policies

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### 1.32 Accounting by principals and agents (continued)

#### Assessing which entity benefits from the transactions with third parties

When the entity in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the entity concludes that it is not the agent, then it is the principal in the transactions.

The entity is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the entity has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The entity applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the entity is an agent.

#### Recognition

The entity, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The entity, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

### 1.33 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

#### Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

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## Notes to the annual financial statements

Figures in Rand

2024

2023

### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective Date
• GRAP 1 (Amended) Presentation of Financial Statements (Materiality related changes)	01 April 2023
• GRAP 25 (as revised) Employee Benefits	01 April 2023
• Grap 21 - Impairment of non-Cash Generating Assets (Revised Standards) (Effect of Past Desisions on materiality)	01 April 2023
• Grap Improvements to the standards of GRAP 2020	01 April 2023

#### 2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2024 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective Date
• GRAP 104 (as revised) Financial Instruments	01April 2025
• Grap 103 Heritage Assets	Not yet effective
• Grap 1 - Presentaion on Financial Statement (Revised Standard) Changes related to going concern	Not yet effective

### 3. Inventories

Inventories	66,461,372	48,817,862
Consumable stores	5,442,265	5,261,111
	<hr/>	<hr/>
	71,903,637	54,078,973
Inventories (write-downs)	(7,228,385)	(6,480,592)
	<hr/>	<hr/>
	<b>64,675,252</b>	<b>47,598,381</b>

#### 3.1 Detailed inventory type

Other Material	2,162,650	21,861,094
Road Maintenance	31,508,434	5,910,738
Raw Material	6,556,829	19,776,859
Traffic Signal	26,233,460	1,269,172
	<hr/>	<hr/>
	<b>66,461,373</b>	<b>48,817,863</b>
Inventories recognised as an expense during the year	69,207,145	64,955,433

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## Notes to the annual financial statements

Figures in Rand	2024	2023
<b>4. Loans to (from) shareholders</b>		
Notional loans	53,224,798	52,791,366
(The notional loans relate to the employees obligations)		
City of Johannesburg Metropolitan Municipality	176,261,383	206,577,735
<b>Sweeping Account</b>		
This account is swept on a daily basis. The interest rate varies daily based on a call rate quoted by the City Of Johannesburg Metropolitan Municipality banker). The interest rate varies daily based on a call rate quoted by the City Of Johannesburg Metropolitan Municipality banker.		
<b>Notional Loans (Employee Benefit)</b>		
A number of employees are entitled to receive a gratuity benefit on retirement or exit before retirement from employment in respect of any periods of employment with the Municipality during which they were not members of a retirement fund. Gratuity benefits accrue according to employees' conditions of service. Notional Loans are therefore a loan to shareholder because the employee benefits account belongs to COJ. when an employee retires from JRA, JRA pays the employee and recoup the monies paid from COJ.		
	-	-
	<b>229,486,181</b>	<b>259,369,101</b>
Non-current assets	53,224,798	52,791,366
Current assets	176,261,383	206,577,735
	<b>229,486,181</b>	<b>259,369,101</b>
<b>Notional loans</b>		
Loans at beginning of the year	52,791,367	51,800,628
Receipts	4,368,036	3,517,902
Repayments	(3,934,605)	(2,527,163)
	<b>53,224,798</b>	<b>52,791,367</b>
<b>Sweeping account</b>		
Loans at beginning of the year	206,577,735	277,266,217
Receipts	2,894,770,055	2,200,079,143
Repayments	(2,925,086,410)	(2,270,767,625)
	<b>176,261,380</b>	<b>206,577,735</b>
<b>5. Receivables from exchange transactions</b>		
Trade debtors	25,308,399	24,611,709
Eskom Deposits	1,075,503	1,017,466
Operating lease- Deposit (Head Office)	6,999,073	6,904,801
Interest Recievable	2,984,235	3,234,998
Prepayments and developers income debtor	544,164	135,401
Outstanding Metropolitan Municipality Claims	86,224,383	83,309,658
Allowance for bad debts	(83,518,513)	(86,880,349)
Sundry Debtors	5,750	766,329
Staff Debtors - Subsidised Education	2,061,220	2,130,850
Related Party receivables	628,647,417	410,758,174
	<b>670,331,631</b>	<b>445,989,037</b>

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## Notes to the annual financial statements

Figures in Rand	2024	2023
<b>5. Receivables from exchange transactions (continued)</b>		
<b>5.1 Analysis of receivables</b>		
Gross receivables	753,850,144	533,081,962
Allowance for bad debts	(83,518,513)	(86,880,349)
	<b>670,331,631</b>	<b>446,201,613</b>
<b>Analysis of related party debtors</b>		
Gross Related party debtors	628,647,417	410,758,174
<b>Financial asset receivables included in receivables from exchange transactions above</b>	<b>(628,647,417)</b>	<b>(410,970,750)</b>
<b>Total receivables from exchange transactions</b>	<b>670,331,631</b>	<b>445,989,037</b>
<b>Statutory receivables general information</b>		
<b>5.2 City of Johannesburg Metropolitan Municipality Claims - CAPEX Projects</b>		
<b>Relating specifically to Statutory Receivables</b>		
Capital expenditure	784,028,224	688,415,682
USDG Amounts Claimed	(196,526,240)	(13,162,463)
City of Johannesburg Amounts Claimed	(539,048,392)	(501,636,849)
JRA Funded from Developers Contribution - JRA Expense	(48,453,592)	(173,616,370)
	-	-
The JRA Funded from Developers Contribution represents the costs JRA incurred on behalf of COJ for capital Bulk Infrastructure.		
<b>Receivables past due but not impaired</b>		
<b>5.3 Capital Expenditure</b>		
The capital expenditure relates to work performed on behalf of the COJ by JRA. The expenditure incurred in the infrastructure assets is not capitalised by JRA.		
Bridges	95,567,513	14,290,815
Capitalised Expense for JRA financed by COJ	74,075,160	27,153,177
Gravel Roads	192,920,727	126,153,505
Stormwater	148,667,158	104,656,232
Traffic Signals	86,963,768	109,223,686
Rehabilitation, reconstruction of roads and reconstruction	185,321,418	306,670,634
Softwares	512,482	-
Total	784,028,226	688,148,046
<b>Trade and other receivables pledged as security</b>		
No trade and other receivables were pledged as security at 30 June 2024.		
<b>Trade and other receivables impaired</b>		
Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2024, R 281,935,220 (2023: R 235,840,853) were past due but not impaired.		
The ageing of these loans is as follows:		
1 month past due	31,841,538	3,843,162
2 month past due	42,329,694	3,638,175
3 month past due	131,934,457	119,022,056

# Johannesburg Roads Agency (SOC) Ltd

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## Notes to the annual financial statements

Figures in Rand	2024	2023
<b>5. Receivables from exchange transactions (continued)</b>		
<b>Reconciliation of provision for impairment of trade and other receivables</b>		
Opening balance	(86,880,349)	(2,205,073)
Amounts written off as uncollectible	2,959,242	-
Debts written off/ (Addition to provision)	-	(84,675,276)
	<b>(83,921,107)</b>	<b>(86,880,349)</b>

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The entity does not hold any collateral as security.

# Johannesburg Roads Agency (SOC) Ltd

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<b>6. Employee benefit obligations</b>		
<b>Defined benefit plan</b>		
The defined benefit plan, to which is managed by the City of Johannesburg Metropolitan Municipality where the Johannesburg Roads Agency claims from the funds used from the City of Metropolitan Municipality.		
The plan is a post - Employment medical benefit plan, housing subsidy and gratuity plan.		
The actuarial valuation was performed for the year ended 30 June 2024 on the long term employee benefit liability with reference to GRAP 25.		
<b>Post retirement benefit plan</b>		
<b>Employee benefit obligation</b>		
Post - retirement medical aid plan	7,055,000	7,552,000
Post - retirement housing subsidy plan	4,781,000	5,206,000
Post - retirement gratuity	25,417,000	26,599,000
	<b>37,253,000</b>	<b>39,357,000</b>
<b>Employee benefit (Notional Accounts)</b>		
Post-retirement medical aid plan	36,567,062	33,772,662
Post - retirement gratuity	16,657,736	19,018,705
	<b>53,224,798</b>	<b>52,791,367</b>
<b>Post retirement medical aid plan</b>		
<b>Post retirement benefit medical aid</b>		
Post - Retirement medical aid plan	7,552,000	8,486,000
Unrecognised Actuarial gain/losses	(269,546)	(784,812)
Net expense recognised in the statement of financial performance	(227,454)	(149,188)
	<b>7,055,000</b>	<b>7,552,000</b>
<b>(Net expense) /surplus recognised in statement of financial performance</b>		
Interest Cost	681,000	740,000
Benefits Paid	(908,454)	(889,188)
	<b>(227,454)</b>	<b>(149,188)</b>
<b>Notional loan account</b>		
Opening Balance	33,772,662	31,624,938
Interest Received	2,794,400	2,147,724
	<b>36,567,062</b>	<b>33,772,662</b>
<b>Post retirement housing subsidy plan</b>		
Opening Balance	5,206,000	5,814,000
Actuarial gain/losses	(1,066,000)	(1,298,000)
Net expense recognised in the statement of financial performance	641,000	690,000
	<b>4,781,000</b>	<b>5,206,000</b>
<b>Net expense recognised in the statement of financial performance</b>		
Current Service cost	128,000	143,000
Interest cost	513,000	547,000
	<b>641,000</b>	<b>690,000</b>

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<b>6. Employee benefit obligations (continued)</b>		
<b>Post retirement gratuity plan</b>		
Opening balance	26,599,000	32,675,000
Actuarial (gains)/Losses	(447,307)	(4,813,682)
Net expense recognised in the statement of financial performance	(734,693)	(1,262,318)
	<b>25,417,000</b>	<b>26,599,000</b>
<b>Net expense recognised in the statement of financial performance</b>		
Interest costs	2,485,000	2,805,000
Benefits paid	(3,219,693)	(4,067,318)
	<b>(734,693)</b>	<b>(1,262,318)</b>
<b>Notional loan account</b>		
Opening balance	19,018,705	20,175,690
Interest received	1,573,636	1,370,178
Payment against the account	(3,934,605)	(2,527,163)
	<b>16,657,736</b>	<b>19,018,705</b>

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### 6. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.38 %	9.74 %
Consumer price inflation	4.47 %	5.42 %
Normal salary inflation	5.47 %	6.42 %
Medical cost trend rates	5.47 %	6.42 %
Net effective discount rate	3.71 %	3.12 %
Net effect discount rates	3.71 %	3.12 %

The notional accounts earned interest at a rate of 8.27% as specified by the City Of Johannesburg.

#### Discount rate

We used the nominal and real zero yield curves as at 30 June 2024 supplied by the JSE to determine our discount rate and consumer price inflation. To determine the discount rate to use, we have used the implied duration obtained to match it with a point on the yield curve.

The Net Effective Discount Rate is based on the relationship between the (yield curve based) Discount rate for the relevant duration and the (yield curve based) medical aid inflation for the relevant duration.

#### Medical aid inflation

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the point on the yield curve which matches the implied duration of the liability. Our assumed rate of medical aid inflation was set as the calculated value of the CPI plus 1%.

The annualised compound rates of increase for the last 10 years shows that the registered medical schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not think that these increases are sustainable and have assumed that medical aid contribution inflation would out-strip general inflation by 1% per annum over the foreseeable future.

#### Normal Salary Inflation rate

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between current conventional bond yields and the real yield curve at the implied duration assumed. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. Furthermore, an assumed salary increase of 5.1% was used, effective 1 July 2024. The next salary increase is expected to take place on 1 July 2025.

#### Average Retirement Age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows early and ill-health retirements.

#### Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

#### Decrements

#### Withdrawals

A table setting out the assumed rates of withdrawal from service is set out below

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Annual Financial Statements for the year ended 30 June 2024

## Notes to the annual financial statements

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### 6. Employee benefit obligations (continued)

#### Other assumptions

#### Ages:

	Withdrawal rates males	Withdrawal rates females
20-24	11.50 %	10.00 %
25-29	7.00 %	9.80 %
30-34	4.80 %	8.60 %
35-39	3.50 %	6.60 %
40-44	2.30 %	4.60 %
45-49	1.20 %	2.60 %
50-54	0.50 %	0.80 %

#### Spouses and Dependants

We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement. Dependants adults were assumed to be covered for their life.

#### Medical aid membership

We have assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. We assumed that 100% of members retiring will remain on the current plan option at retirement. We have also assumed that members would remain in the same income category and same medical aid option at retirement.

#### Sensitivity analysis

Recalculated liabilities using the following assumptions:

-A 1% increase/decrease in the medical and salary inflation rate assumptions used.

-A 20% increase/decrease in the assumed level of mortality.

#### Mortality Rates

Deviations from the assumed level of mortality experience of the current employees and the continuation members will have a large impact on the actual cost to the Municipality. If the actual rate of mortality turns out higher than the rates assumed in the valuation basis, the cost to the Municipality in the form of subsidies will reduce and vice versa. We have illustrated the effect of higher and lower mortality rates by increasing and decreasing the mortality rates by 20%. The effect is as follows:

<b>Accrued liability</b>	+20% Mortality Rate	Valuation Assumption	+20 Mortality Rate
Post - Retirement Medical Aid	7,686,000	7,055,000	6,543,000
Post - Retirement Housing Subsidies	4,933,000	4,781,000	4,636,000
Retirement Gratuities	25,386,000	25,417,000	25,448,000
	<b>38,005,002</b>	<b>37,253,000</b>	<b>36,626,998</b>
% change	2 %		- -1.7%

#### Medical and Salary Inflation

The cost of the benefits is dependant on the increase in salaries and other contributions to the medical aid scheme before and after retirement. The rate at which this increase will thus have direct effect on nth liability. We have tested the effect of a 1% p.a change in the medical and salary inflation assumptions. The effect is as follows:

# Johannesburg Roads Agency (SOC) Ltd

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Annual Financial Statements for the year ended 30 June 2024

## Notes to the annual financial statements

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### 6. Employee benefit obligations (continued)

#### Accrued Liability

	-1% in medical/salary inflation.	Valuation assumption	+1% in medical/salary inflation
Post - Retirement medical aid	6,894,000	7,055,000	7,184,000
Post - Retirement Housing Subsidies	4,589,000	4,781,000	4,983,000
Retirement Gratuities	24,578,000	25,417,000	26,290,000
	<b>36,061,000</b>	<b>37,253,000</b>	<b>38,457,000</b>

% change -3.2%

### 7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balance - Developer's Contribution 440,099,353 477,928,572

This bank account is for money recieved from COJ for Developers contribution and it can only be used for funding projects indentified by COJ. Under current liabilities there is a equivalent liability for this money.

#### The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
Standard Bank - Developers Contribution Account - 021156	440,099,353	477,928,572	471,298,995	440,099,353	477,928,572	471,298,995

# Johannesburg Roads Agency (SOC) Ltd

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Annual Financial Statements for the year ended 30 June 2024

## Notes to the annual financial statements

Figures in Rand

### 8. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	17,293,715	-	17,293,715	17,293,715	-	17,293,715
Buildings	96,262,842	(24,466,151)	71,796,691	85,927,963	(26,555,000)	59,372,963
Plant and machinery	146,249,521	(125,438,158)	20,811,363	158,267,602	(149,519,632)	8,747,970
Furniture and fixtures	15,723,659	(11,728,270)	3,995,389	22,488,952	(18,238,389)	4,250,563
Motor vehicles	63,105,538	(22,410,243)	40,695,295	97,923,760	(82,226,340)	15,697,420
Office equipment	4,815,135	(2,372,611)	2,442,524	10,845,076	(7,929,803)	2,915,273
IT equipment	58,513,027	(43,803,717)	14,709,310	74,448,475	(51,248,933)	23,199,542
Infrastructure	40,087,080	-	40,087,080	-	-	-
Tools and loose gear	181,434	(50,502)	130,932	1,110,638	(954,782)	155,856
<b>Total</b>	<b>442,231,951</b>	<b>(230,269,652)</b>	<b>211,962,299</b>	<b>468,306,181</b>	<b>(336,672,879)</b>	<b>131,633,302</b>

### Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Depreciation	Total
Land	17,293,715	-	-	-	17,293,715
Buildings	59,372,963	14,053,631	-	(1,629,903)	71,796,691
Plant and machinery	8,747,970	14,962,500	(463)	(2,898,644)	20,811,363
Furniture and fixtures	4,250,563	1,006,778	(26,776)	(1,235,176)	3,995,389
Motor vehicles	15,697,420	43,640,424	-	(18,642,549)	40,695,295
Office equipment	2,915,273	580,533	(759)	(1,052,523)	2,442,524
IT equipment	23,199,542	-	(164,366)	(8,325,866)	14,709,310
Infrastructure	-	40,087,080	-	-	40,087,080
Tools and loose gear	155,856	10,655	(196)	(35,383)	130,932
	<b>131,633,302</b>	<b>114,341,601</b>	<b>(192,560)</b>	<b>(33,820,044)</b>	<b>211,962,299</b>

# Johannesburg Roads Agency (SOC) Ltd

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## Notes to the annual financial statements

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### 8. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	17,293,715	-	-	-	-	-	17,293,715
Buildings	56,848,013	7,760,049	-	(8,960)	(1,507,497)	(3,718,642)	59,372,963
Plant and machinery	16,919,326	-	-	-	(8,171,356)	-	8,747,970
Furniture and fixtures	4,307,643	1,872,268	(1,592)	8,960	(1,936,821)	-	4,250,563
Motor vehicles	32,277,101	-	-	-	(16,579,681)	-	15,697,420
Office equipment	3,803,931	263,199	(760)	-	(1,151,097)	-	2,915,273
IT equipment	11,587,958	20,946,949	(112,083)	-	(9,223,282)	-	23,199,542
Tools and loose gear	98,300	158,686	-	-	(101,130)	-	155,856
	<b>143,135,987</b>	<b>31,001,151</b>	<b>(114,435)</b>	<b>-</b>	<b>(38,670,864)</b>	<b>(3,718,642)</b>	<b>131,633,302</b>

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### 8. Property, plant and equipment (continued)

#### Reconciliation of the work in progress

The below capital work in progress is included in their respective asset classes for both 2024 and 2023. The remaining work-in-progress relates to expenditure already incurred in the construction of capital assets by the entity.

#### 2024 Work in progress reconciliation

Details	R
Buildings	11 843 736.47
Accumulated Impairment	-3 718 642.00
Carrying amount	8 125 094.00
Plant and Equipment	14 962 500.00
Infrastructure Assets - Electricity	40 087 080.00

#### 2023 Work in progress reconciliation

Details	R
Buildings	8 127 956.64
Accumulated impairment	-3 718 642.00
Carrying amount	4 409 314.64
Plant and Equipment	4 631 332.36

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## Notes to the annual financial statements

Figures in Rand	2024	2023
<b>8. Property, plant and equipment (continued)</b>		
<b>Assets subject to finance lease (Net carrying amount)</b>		
Motor vehicles	40,695,295	15,697,420

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### 9. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	14,835,510	(12,650,475)	2,185,035	14,835,510	(12,110,195)	2,725,315

#### Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software, other	2,725,315	(540,280)	2,185,035

#### Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, other	3,613,220	(887,905)	2,725,315

#### Pledged as security

The Johannesburg Roads Agency does not have any tangible assets or intangible assets pledged as security, surety or pledge:

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### 10. Deferred tax

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

#### Deferred tax asset \ (liability)

Deferred tax is made up of the following taxable/(deductible) temporary differences:

Finance lease liabilities	(4,119,268)	(4,554,624)
Provision for legal claims	(58,688,654)	(58,211,998)
Provision for impairment of debtors	(22,549,999)	(999,793)
Provision for leave pay	(14,963,827)	(11,971,992)
Provision for bonuses	(15,362,946)	(16,901,803)
Retirement benefit liability	(10,058,310)	(11,019,960)
Retirement benefit assets	14,370,695	15,539,432
Provision for 13th Cheque	(6,992,329)	(5,044,859)
Income recieved in advance	(131,741,636)	(63,746,764)
Fixed Assets-owned and leased	17,940,348	30,740,333
	<u>232,165,926</u>	<u>126,172,028</u>
	-	-

#### Recognition of deferred tax asset

No deferred tax asset was provided for due to the improbability of future taxable profits to offset these amounts. The deferred tax asset had it been raised it would have been 2024: 232 165 926 (2023: R126 172 0289)

### 11. Finance lease obligation

#### Minimum lease payments due

- within one year	15,256,549	17,143,530
	<u>15,256,549</u>	<u>17,143,530</u>
less: future finance charges	-	(875,447)
<b>Present value of minimum lease payments</b>	<b><u>15,256,549</u></b>	<b><u>16,268,083</u></b>

#### Present value of minimum lease payments due

- within one year	15,256,549	16,266,515
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It is entity policy to lease certain [property]motor vehicles and equipment under finance leases.

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets.

### 12. Payables from exchange transactions

Trade payables	352,709,564	298,743,889
Payments received in advanced	15,298,439	11,589,280
Developers Contribution	449,185,009	487,359,238
Accrual staff 13th pay cheque	25,897,516	18,017,354
Retentions	128,369,907	122,593,779
Payroll Accruals	11,757,378	5,181,104
Capital Creditors and accruals	66,860,369	57,919,467
Debtors Reclassification	23,448,536	23,647,875
Accrued Leave pay	55,421,582	42,757,114
Value Added Tax	3,102,848	8,723,819
Related party payables	273,869,929	31,099,164
	<u>1,405,921,077</u>	<u>1,107,632,083</u>

# Johannesburg Roads Agency (SOC) Ltd

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### 13. Provisions

#### Reconciliation of provisions - 2024

	Opening Balance	Additions	Utilised during the year	Total
Legal Proceedings	207,899,994	109,390	-	208,009,384
Employee performance bonus	60,363,581	53,410,372	(56,874,152)	56,899,801
	<b>268,263,575</b>	<b>53,519,762</b>	<b>(56,874,152)</b>	<b>264,909,185</b>

#### Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Legal Proceedings	206,643,183	9,794,437	-	(8,537,626)	207,899,994
Performance bonus	38,324,811	75,535,726	(53,496,956)	-	60,363,581
	<b>244,967,994</b>	<b>85,330,163</b>	<b>(53,496,956)</b>	<b>(8,537,626)</b>	<b>268,263,575</b>

The legal proceedings provision relates to the litigation in progress that is likely to be paid by Johannesburg Roads Agency (SOC) Ltd based on the previous legal actions taken against the Entity. The legal claims emanates from supply chain related matters which occurred in the past and employment related matters from former employees against Johannesburg Roads Agency (SOC) Ltd. The legal claims for on-going cases have been reassessed in the current year based on the new developments in the cases.

Other Provisions relates to possible contractor claim for work done and not yet billed due to disputes.

### 14. Current tax payable

JRA has initiated proceedings for an alternate dispute resolution relating to the Tax and interest and penalties declared payable relating to the 2017 and 2017 financial years where a S24 (C) allowance is being disallowed. the matter is currently under Alternative Dispute Resolution (ADR) proceedings. SARS has since issued a notification of audit on the 2018 and 2019 financial years under the same basis that is being argued by JRA in the ADR proceedings in progress currently underway

The Tax Administration Act explicitly states that Finalised Assessments are payable even while in dispute, thereby meeting the definition and recognition criteria to recognise the SARS Tax, penalties and interest as a liability. It is important to note that this matter was disclosed as a contingent liability in the 30 June 2020 Audited Annual Financial Statements.

As at 30 June 2024, the current tax is as per table below

Current Tax Payable	2024	2023
Opening Balance	101,910,949	22,726,039
Tax levied on re-assessment of prior year tax periods	30,447,713	116,852,752
Interest and penalties charged	16,430,972	6,462,448
Tax paid during the year	(148,789,634)	(44,130,290)
	<b>-</b>	<b>101,910,949</b>

### 15. Share capital / contributed capital

#### Authorised

xxx Ordinary shares of xxx each or par value of xxx 1,000 1,000

#### Reconciliation of number of shares issued:

Reported as at 01 July 2023 1,000 1,000

#### Issued

Ordinary 1,000 1,000

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## Notes to the annual financial statements

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### 16. Contribution from owner

This is an investment from the City Of Johannesburg Metropolitan Municipality. The funding from the City Of Johannesburg Metropolitan Municipality is utilised to purchase assets and fund other operating costs based on the budget allocation.

Opening balance	372,101,714	345,776,292
Contributions made during the year	74,005,751	26,325,422
	<b>446,107,465</b>	<b>372,101,714</b>

### 17. Revenue

Aphalt Sales & DCP Testing	46,095	177,999
Jobbings	17,841,634	17,630,059
Reinstatement income and wayleave fees	47,265,216	12,721,358
Management Fees	21,885,410	14,674,345
Rental income	12,206,854	10,370,172
Recoveries	-	87
Other income-Proceeds from road closures	93,870,040	11,056,486
Insurance claims income	-	13,043
Interest received - investment	19,729,663	21,913,035
Subsidy - The City of Johannesburg Metropolitan Municipality	1,310,111,970	1,258,837,000
	<b>1,522,956,882</b>	<b>1,347,393,584</b>

See the table below for the breakdown of the revenue categories. the totals above include Investment income (Note 21) as well as other revenue from note 19

See below the breakdown of total revenue:

#### Total Revenue breakdown

Revenue from exchange transactions	212,844,912	88,769,161
Revenue from non-exchange transactions	1,310,111,970	1,258,837,000
	<b>1,522,956,882</b>	<b>1,347,606,161</b>

#### The amount included in revenue arising from exchanges of goods or services are as follows:

Gautrain maintenance fee	-	-
Asphalt sales and DCP testing	46,095	177,999
Jobbings	17,841,634	17,630,059
Reinstatement income and wayleave fees	47,265,216	12,721,358
Management fees	21,885,410	14,674,345
Rental income	12,206,854	10,370,172
Recoveries	-	87
Other income road closures	93,870,040	11,056,486
Insurance claims	-	13,043
Interest received - investment	19,729,663	21,913,035
	<b>212,844,912</b>	<b>88,556,584</b>

#### The amount included in revenue arising from non-exchange transactions is as follows:

##### Taxation revenue

##### Transfer revenue

Subsidy - City of Johannesburg Metropolitan Municipality	1,310,111,970	1,258,837,000
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# Johannesburg Roads Agency (SOC) Ltd

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Figures in Rand	2024	2023
<b>18. Cost road maintenance</b>		
Direct labour costs of road maintenance	580,802,124	517,673,715
Raw materials	69,207,145	64,955,433
Direct expenses - Costs of road maintenance	162,143,438	198,711,572
	<b>812,152,707</b>	<b>781,340,720</b>
<b>19. Other revenue</b>		
Rental income - COJ Transport	12,206,854	10,370,172
Recoveries - Telephone	-	87
Other Income - Proceeds from road closures	93,870,040	11,056,486
Insurance Claims	-	13,043
	<b>106,076,894</b>	<b>21,439,788</b>
<b>20. Operating surplus (deficit)</b>		
Operating surplus (deficit) for the year is stated after accounting for the following:		
<b>Operating lease charges</b>		
Head office Building		
• Lease expense - Straight-lined	52,121,470	65,055,531
• Recovered from sublease - Transport Department	(12,206,854)	(8,720,217)
	<b>39,914,616</b>	<b>56,335,314</b>
Impairment on intangible assets	-	3,718,642
Amortisation on intangible assets	541,196	887,905
Depreciation on property, plant and equipment	33,826,397	38,677,482
Employee costs	415,877,072	402,117,723
Employee costs - Road Maintenance and related infrastructure	580,802,124	517,673,715
<b>21. Investment revenue</b>		
<b>Interest revenue</b>		
Interest - Loan to shareholders	19,549,491	21,800,560
Interest recieved from debtors	85,901	54,557
Interest received from building deposit	94,271	57,918
	<b>19,729,663</b>	<b>21,913,035</b>
Interest earned from shareholders is as a result of the positive sweeping account balance in JRA's favour. It is also as a result of interest earned from Notional loan accounts.		
The interest on ESKOM deposits is earned from the JRA's accounts with ESKOM where a deposit is held by ESKOM.		
Interest is also earned on the deposit of the JRA Head Office building that is currently leased by the entity.		
<b>22. Finance costs</b>		
Interest on Sweeping Account	1,708,957	-
Finance leases	4,521,074	6,516,567
SARS Interest on late payment of tax	17,794,995	6,462,448
	<b>24,025,026</b>	<b>12,979,015</b>

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Figures in Rand	2024	2023
<b>23. Taxation</b>		
<b>Major components of the tax expense</b>		
<b>Current</b>		
Local income tax - recognising income tax for prior periods	30,447,713	116,852,752
<b>Deferred</b>		
Deferred tax expense	-	-
<b>Reconciliation of the tax expense</b>		
Reconciliation between accounting surplus and tax expense.		
Accounting surplus (deficit)	20,028,315	(312,871,451)
<b>Tax effect of adjustments on taxable income</b>		
Re-assessment of prior year returns	101,910,948	154,520,594
Non- deductible interest and penalties	16,430,972	6,462,448
Tax paid during the year	(148,789,633)	(44,130,290)
<b>Income tax expense</b>	<b>(30,447,713)</b>	<b>116,852,752</b>

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Figures in Rand	2024	2023
<b>24. Employee related costs</b>		
Basic	268,951,011	253,970,162
Bonus	27,163,195	52,921,910
Medical aid - company contributions	10,065,859	9,415,642
UIF	2,052,285	2,662,693
WCA	6,361,946	4,724,792
SDL	3,507,654	3,202,299
Other payroll levies	139,099	112,792
Leave pay provision charge	18,784,128	12,957,021
Defined contribution plans	34,345,973	27,044,045
Travel, motor car, subsistence and other allowances	17,502,132	16,199,708
Overtime payments	12,838,800	7,736,177
Long-service awards	8,500	35,000
13th Cheques	6,390,673	5,388,874
Acting allowances	5,780,108	3,029,640
Housing benefits and allowances	1,374,154	1,325,617
Subsidised education benefit	611,555	1,244,470
Employee related costs: interns stipend	-	146,881
	<b>415,877,072</b>	<b>402,117,723</b>
<b>Remuneration of key management</b>		
Annual Remuneration	12,296,097	20,745,666
Car Allowance	1,272,000	1,610,595
Performance Bonuses	717,856	2,412,106
Contributions to UIF, Medical and Pension Funds	1,356,361	2,638,706
	<b>15,642,314</b>	<b>27,407,073</b>
<b>Remuneration of non-executive directors</b>		
Annual Remuneration	1,812,000	1,467,537
<b>Reconciliation of employee costs</b>		
Annual Remuneration -Road maintenance and related infrastructure	580,802,124	517,673,715
Employee Costs - Indirect costs	415,877,072	402,117,723
	<b>996,679,196</b>	<b>919,791,438</b>
<b>25. Depreciation and amortisation</b>		
Property, plant and equipment	33,826,397	38,677,482
Intangible assets	541,196	887,905
	<b>34,367,593</b>	<b>39,565,387</b>
<b>26. Auditors' remuneration</b>		
Fees	4,288,239	4,017,007

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Figures in Rand	2024	2023
<b>27. Cash used in operations</b>		
Deficit	(10,419,398)	(429,724,203)
<b>Adjustments for:</b>		
Depreciation and amortisation	34,367,593	39,565,387
Interest received	(19,729,663)	(22,125,612)
Finance costs	24,025,026	12,979,015
Impairment loss	-	3,718,642
Tax expense	-	116,852,752
Taxation expense cash component	-	(44,130,290)
Movements in operating lease	-	(503,746)
Movements in post retirement notional assets and liabilities	-	(8,000,934)
Movements in provisions	6,001,613	23,295,581
Movement in loans to shareholders - Intercompany sweeping bank account	-	(65,055,531)
Other non-cash items	(1,638,952)	603,358
<b>Changes in working capital:</b>		
Inventories	(17,076,871)	8,179,218
Receivables from exchange transactions	(224,342,594)	54,694,676
Payables from exchange transactions	288,932,991	186,024,301
Current Tax Liability	(101,910,949)	79,184,910
Finance Lease obligation	(1,009,966)	224,314
	<b>(22,801,170)</b>	<b>(44,218,162)</b>
<b>28. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• JRA Property, plant and equipment	35,976,736	16,372,371
• Construction of property, plant and equipment on behalf of COJ	685,791,506	488,204,674
	<b>721,768,242</b>	<b>504,577,045</b>
<b>Total capital commitments</b>		
Already contracted for but not provided for	721,768,242	504,577,045
<b>Authorised operational expenditure</b>		
<b>JRA operating expenditure commitments at the end of the financial year .</b>		
• Other operating expenses (Multi Awards)	28,550,130	85,885,880
<b>Total operational commitments</b>		
Already contracted for but not provided for	28,550,130	85,885,880
<b>Total commitments</b>		
<b>Total commitments</b>		
JRA capital expenditure commitments	35,976,736	16,372,371
COJ related capital expenditure commitments	685,791,506	488,204,674
Authorised JRA operational expenditure commitments	28,550,130	85,885,880
	<b>750,318,372</b>	<b>590,462,925</b>

This committed expenditure relates to the award of various operating contracts. Included in capital commitment expenditure which is COJ related capital commitments to construct roads infrastructure that will be recognised in the AFS of COJ and not JRA.

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Figures in Rand	2024	2023
<b>28. Commitments (continued)</b>		
<b>Operating lease-as leasee (printers and copiers)</b>		
<b>Minimum lease payments due</b>		
- within one year	8,199,864	1,005,845
<b>Operating leases - 75 Helen Joseph Street Building</b>		
<b>Minimum lease payments due</b>		
- within one year	49,453,582	33,519,564

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### 29. Contingencies

2024.

# Johannesburg Roads Agency (SOC) Ltd

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### 29. Contingencies (continued)

#### Contingent Liabilities.

Goodwill Mbatha v SALGBC, Commissioner Nathalie Christoffels Willemse N.O. and JRA. The Applicant has filed a Third Respondent's Notice of Counter Review Application in terms of section 145 of the Labour Relations Act 66 of 1995 (as amended). The estimated contingency is R 8,537,625.66.

PK Ramashu VJ // JRA. JV claims damages against the JRA for the latter's failure to perform its obligations in terms of the service level agreement allegedly concluded between the JRA and JV under tender no: JRA/21/84. The estimated contingency is R 36 137 497.80

JRA // Kganelwa Tsatsi. Application by JRA to review the Arbitration Award to reinstate Ms Tsatsi with full benefits from the date of her dismissal (4th of February 2020) till 13th June 2022 and be paid R 3 246 064.50

Shirley Leah Markowitz v CoJ, JRA and Tiaan Ehlers – Application for contempt of Court Order by COJ / JRA and City Manager to find alternative accommodation for Mrs Markowitz, to investigate and prepare Preliminary Design report. The estimated contingency is not quantified.

Caliber Properties (Pty) Ltd // Executive Mayor of CoJ, Municipal Manager, CoJ and JRA – Application for an Order compelling the CoJ/JRA to provide water, electricity, roads, stormwater drain and sewerage services to Erf 27 Grand Central Extension 10, Midrand. The estimated contingency is not quantified

Lesegong Trading (PTY)Ltd // JRA – Application for an Order declaring Wayleaves granted to Maskhule Business Development null and void plus an Order restraining JRA from granting any other entity access to "their" site. The estimated contingency is not quantified.

Sfiso Gumbi & others V JRA - The plaintiffs who are JRA employees are suing for alleged defamation of character. They were suspended by the then CFO, Ms. Audrey Raphela who allegedly made the announcement in a general meeting of finance and SCM staff. The estimated contingent is R8 000 000.

Tony Diesel Electrical Generators (sub-contractor) vs JRA - Application for an order to remove automatic generator installed at Asphalt Depot. The estimated contingent liability is zero.

Associated Asphalt vs Equipment - Microzone JV vs JRA - The application for compelling the JRA to refer the contractual disputes on payment of Preliminary and General (P&G) costs to adjudication. The estimated contingent liability is R1 680 000.00.

Motlatla va JRA - Motlatla was dismissed by the JRA for misconduct/isurbordination. He referred the matter to the South African Local Government Bargaining Council (SALGBC) for Arbitration and the Arbitrator found in his favour. JRA is now taking the matter to the Labour Appeals Court for Review of the Arbitrator's decision and or to have the matter referred back to another Arbitrator. The estimated contingent liability is zero.

Mabotwane Security Services CC V JRA - Mabotwane Security Services claims for the unpaid services rendered to the JRA The estimated contingent liability is R2 445 132

Waterfall View vs JRA - Application for an order to compel JRA to maintain and rehabilitate the embarkment/stormwater infrastructure on Klein Jukskeirivier. The estimated contingent liability is zero.

Roadmac Surfacing (PTY) LTD vs JRA and others – Application for review and setting aside of tender number JRA/19/001 and to render procedurally unfair and materially and adversely affecting the rights and legitimate expectation of the applicant. Applicant also wants an order in terms of which they are appointed as one of the successful tenderers. The estimated contingent liability is not quantified.

PGN Civils v JRA – PGN filed an urgent application for an interdict preventing the JRA from removing them from implementing its cancellation of their contract pending finalisation of the Arbitration proceedings.

Lufuno Kennedy Makhari vs JRA - Unfair dismissal The CCMA ordered the complaint be compensated but he is now approaching the Labour Court to apply for re-instatement. The estimated contingent liability is not quantified.

# Johannesburg Roads Agency (SOC) Ltd

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### 29. Contingencies (continued)

MAC P Construction v JRA - MAC P is approaching the court for an order compelling the JRA to pay retention money ( R5 631 314.56) allegedly held for contract no. JRA/19/463.

Graham D Thompson - Mr Thompson is claiming leave payout allegedly outstanding since his retirement in 2012. The estimated contingent liability is not quantified.

Featherbrook Homeowners Associations/Mogale City and five others vs JRA/COJ - Featherbrooke and other respondents made an urgent application to the high court for the underpinning, remediation and management of the stormwater infrastructure at the Muldersdrift Seloop River in Mogale City. The estimated contingent liability is not quantified.

Johan Hendrik Vorster v CoJ, JRA and the Mayor of JHB - The Applicant has filed an Application for compelling the CoJ/JRA/Mayor to comply with their legal duty to attend to the necessary repairs on damaged drain covers at the corner of Methwold and Restanwold Roads in Saxonwold. The estimated contingent liability is not quantified.

Babette Jane Kartz and another v CoJ, the City Manager and JRA - The Applicant has filed an Application for compelling the CoJ/JRA/Mayor to comply with their legal duty to attend to the stormwater drainage system at or around 84 and 86 Dennis Road, Athol.

Mandla Mpofu // JRA and COJ - Applicant has approached the High Court for an Order compelling the JRA to complete hydrological and hydraulic studies on the stormwater system around his property on ERF 1569 Extension 2, 11 Kiaat Place, Winchester Hills after his property was eroded during flooding that occurred despite the City approving his building plans to build his house in the said area. Applicant believes that this is due to the inadequate JRA stormwater system the amount claimed is indicated as none.

Yellow Star Properties 1055 (PTY) LTD // JRA applicant filed an application following alleged damages caused by the stormwater from their neighbour flooding their property. They thus want the Court to order the JRA to build a stormwater drain away from the plaintiff's boundary wall, and also build weep holes on the plaintiff's neighbour's boundary to allow the natural flow of the stormwater.

Infinite Blue Trading 29 cc t/a Motau Projects // JRA Applicant filed an urgent application for the court to stop JRA from repudiating contract number JRA/20/63 as JRA had written to them stating that they will no longer procure from them following an audit finding that said they did not qualify for the appointment due to irregularities

Gizelle Theron & Another // COJ, JRA & the Municipal Manager Applicants approached Court for an Order compelling JRA to fix sinkholes allegedly caused by JRA's stormwater system in their property

### Contingent assets

The SARS matter that was disclosed as a contingent liability in the 2020 financial year has since progressed to a point where a finalisation of the audit was issued during the 2021 financial year, where SARS deemed tax, interest and penalties were payable as at 30 June 2021. JRA has since made multiple payments to SARS during the 2022 and 2023 financial year as a show of good faith. Based on Legal advice received by JRA, there is a possibility of success in appealing the matter in through the Alternate Dispute Resolution, and if necessary, the Tax courts and possibly the High Court should it be necessary. If JRA is successful in its appeal, the tax raised and interest as well as penalties charged will be reversed, and all payments made to SARS will be refundable to JRA.

### 2023.

### Contingent liabilities

Goodwill Mbatha v SALGBC, Commissioner Nathalie Christoffels Willemse N.O. and JRA. The Applicant has filed a Third Respondent's Notice of Counter Review Application in terms of section 145 of the Labour Relations Act 66 of 1995 (as amended). The estimated contingency is R 8,537,625.66.

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### 29. Contingencies (continued)

PK Ramashu VJ // JRA. JV claims damages against the JRA for the latter's failure to perform its obligations in terms of the service level agreement allegedly concluded between the JRA and JV under tender no: JRA/21/84. The estimated contingency is R 8 067 125,71

JRA // Kganelwa Tsatsi. Application by JRA to review the Arbitration Award to reinstate Ms Tsatsi with full benefits from the date of her dismissal (4th of February 2020) till 13th June 2022 and be paid R6 000 000.00.

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Caliber Properties (Pty) Ltd // Executive Mayor of CoJ, Municipal Manager, CoJ and JRA – Application for an Order compelling the CoJ/JRA to provide water, electricity, roads, stormwater drain and sewerage services to Erf 27 Grand Central Extension 10, Midrand. The estimated contingency is not quantified.

Lesegong Trading (PTY)Ltd // JRA – Application for an Order declaring Wayleaves granted to Maskhule Business Development null and void plus an Order restraining JRA from granting any other entity access to "their" site. The estimated contingency is not quantified.

Liberty Group Limited and 2 others - The Plaintiff instituted action against JRA and 4 others to interdict and restrain them from performing or allowing any contractor on their behalf to perform, any construction work in respect of the Rea Vaya, Rapid Bus Transport terminal on Rivonia Road between Sandton Drive and 5th Street, Sandton. The estimated contingency is not quantified.

JRA vs New Dawn Technologies (PTY) LTD – Application by JRA to review and set aside awards of various tenders (New Dawn Technologies (PTY) LTD) awarded to two service providers on the basis of irregularity. The estimated contingency is not quantified.

Sibusiso Gumbi & others V JRA - The plaintiffs who are JRA employees are suing for alleged defamation of character. They were suspended by the then CFO, Ms. Audrey Raphela who allegedly made the announcement in a general meeting of finance and SCM staff. The estimated contingent is R8 000 000.

Tony Diesel Electrical Generators (sub-contractor) vs JRA - Application for an order to remove automatic generator installed at Asphalt Depot. The estimated contingent liability is zero.

Associated Asphalt vs Equipment - Microzone JV vs JRA - The application for compelling the JRA to refer the contractual disputes on payment of Preliminary and General (P&G) costs to adjudication. The estimated contingent liability is R1 680 000.00.

.SARS vs JRA - VAT issue. Query raised given that infrastructure belongs to the City and VAT should be charged from the City. A letter has been drafted by CEO requesting the City Manager to intervene in getting GRAS to share requested info with SARS and in getting the COJ to voluntarily declare VAT relating to claims payouts. The estimated contingent liability is R23 758 872

Ntokozo Mkhwebane v JRA & 2 Others - Ms Mkhwebane has applied to the Labour Court for the review and setting aside of her dismissal by JRA which was upheld by the South African Local Government Bargaining Council. The estimated contingent liability is not quantified..

S v Charles Phiri and JRA - A JRA employee was arrested and charged with assault and theft after following an altercation that took place on site at Third and Fourth Avenue, Hofmeyr where the JRA RO team was resurfacing the road. The complainant had apparently on 2 occasions requested that the JRA colleagues on site remove the traffic cones they had put on the road so that complainant could drive through. An altercation then followed and the complainant opened a case at the Alexandra Police Station claiming that the JRA employee assaulted him and stole his cellphone. The employee is currently out on bail of R2000 and his case was postponed to the 15th of November 2021 for further investigations.

Motlatla va JRA - Motlatla was dismissed by the JRA for misconduct/insubordination. He referred the matter to the South African Local Government Bargaining Council (SALGBC) for Arbitration and the Arbitrator found in his favour. JRA is now taking the matter to the Labour Appeals Court for Review of the Arbitrator's decision and or to have the matter referred back to another Arbitrator. The estimated contingent liability is zero.

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### 29. Contingencies (continued)

Mabotwane Security Services CC V JRA - Mabotwane Security Services claims for the unpaid services rendered to the JRA. The estimated contingent liability is R2 445 132.

Waterfall View vs JRA - Application for an order to compel JRA to maintain and rehabilitate the embarkment/stormwater infrastructure on Klein Jukskeirivier. The estimated contingent liability is zero.

Solomon Makhele vs JRA - JRA is appealing against an Award issued by the SALGBC against an employee who was dismissed for misconduct. SALGBC held that JRA should re-instate the employee and also compensate him for loss of income.

Roadmac Surfacing (Pty) Ltd vs JRA and others – Application for review and setting aside of tender number JRA/19/001 and to render procedurally unfair and materially and adversely affecting the rights and legitimate expectation of the applicant. Applicant also wants an order in terms of which they are appointed as one of the successful tenderers. The estimated contingent liability is not quantified.

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Johan Hendrik Vorster v CoJ, JRA and the Mayor of JHB - The Applicant has filed an Application for compelling the CoJ/JRA/Mayor to comply with their legal duty to attend to the necessary repairs on damaged drain covers at the corner of Methwold and Restanwold Roads in Saxonwold. The estimated contingent liability is not quantified.

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Mandla Mpofu // JRA and COJ - Applicant has approached the High Court for an Order compelling the JRA to complete hydrological and hydraulic studies on the stormwater system around his property on ERF 1569 Extension 2, 11 Kiaat Place, Winchester Hills after his property was eroded during flooding that occurred despite the City approving his building plans to build his house in the said area. Applicant believes that this is due to the inadequate JRA stormwater system the amount claimed is indicated as none.

### Contingent assets.

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### 29. Contingencies (continued)

The SARS matter that was disclosed as a contingent liability in the 2020 financial year has since progressed to a point where a finalisation of the audit was issued during the 2021 financial year, where SARS deemed tax, interest and penalties were payable as at 30 June 2021. JRA has since made multiple payments to SARS during the 2022 and 2023 financial year as a show of good faith. Based on Legal advice received by JRA, there is a possibility of success in appealing the matter in through the Alternate Dispute Resolution, and if necessary, the Tax courts and possibly the High Court should it be necessary. If JRA is successful in its appeal, the tax raised and interest as well as penalties charged will be reversed, and all payments made to SARS will be refundable to JRA.

JRA has changed its accounting policy of accounting for Developer's Contribution funds from COJ. Previous the funds were income and now the same funds are recorded as a liability. Ordinarily the payable would equal the bank account when we deal with a conditional grant type of payable. However, previously JRA would invoice COJ and JRA would be liable for VAT output which was subsequently paid to SARS. This therefore means the Developer's Contribution payable is currently reflecting excluding VAT and thereby not equalling the Bank. JRA will engage SARS to seek a refund on the output VAT paid to SARS in prior years related to the invoices of Developer's Contribution funds. VAT is in terms of section 7(1) of the VAT Act is a charge on the supply of goods and services. "Goods" are defined to exclude the supply of money. In our view the developer's funds received are an equivalent of a loan and therefore constitute a supply of money to JRA and no VAT is chargeable thereon. This will be an application that will be used in the new financial year and going forward.

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### 30. Directors' and prescribed officers' remuneration and other benefits paid, payable or receivable

#### Executive directors

##### 2024

	Emoluments	Other benefits*	Total
Z Nyathi (Acting CEO)	279,119	2,791	281,910
L Mashau - Chief Financial Officer	1,833,020	265,256	2,098,276
	<b>2,112,139</b>	<b>268,047</b>	<b>2,380,186</b>

##### 2023

	Emoluments	Other benefits*	Pension paid or receivable	Total
L . Nel - A/Chief Executive Officer	97,857	-	-	97,857
T Mahanuke - Chief Executive Officer	2,583,743	119,862	218,913	2,922,518
M Thindisa - Chief Financial Officer	1,707,348	187,940	83,485	1,978,773
	<b>4,388,948</b>	<b>307,802</b>	<b>302,398</b>	<b>4,999,148</b>

\* Other benefits comprise of travel allowance, cellphone allowance and medical benefits

#### Non-executive directors

##### 2024

	Directors' fees	Committees fees	Total
E Botha - Board Chairperson	104,000	-	104,000
T Goldsmith Re-Appointed - 06 August 2024	94,000	8,000	102,000
D Nyamazane - Appointed - 01 March 2023	188,000	18,000	206,000
V Mamogobo - Appointed - 01 March 2023	116,000	8,000	124,000
	-	-	-
A Francis - Apointed 13 July 2023	228,000	20,000	248,000
B Nimmerdhout - Appointed 07 August 2023	72,000	8,000	80,000
Dr R Govender - Appointed - 01 March 2023	186,000	20,000	206,000
	-	-	-
C Lourens - Appointed - 01 March 2023	122,000	8,000	130,000
S Mtamzeli - Appointed 01 March 2023	116,000	8,000	124,000
K Mofokeng - Appointed 01 March 2023	110,000	8,000	118,000
Z Xaba - Appointed 01 March 2023	116,000	8,000	124,000
S Kleinbooi - Appointed 01 March 2023	132,000	8,000	140,000
N Khosa (AFR&IT)	46,000	10,000	56,000
D Martin (AFR&IT)	16,000	2,000	18,000
T Kwela (AFR&IT)	32,000	-	32,000
	<b>1,678,000</b>	<b>134,000</b>	<b>1,812,000</b>

##### 2023

	Directors' fees	Committees fees	Total
E Botha (Board Chairperson) After year end	16,000	-	16,000
C Cilliers - Chairperson (01 March 2023 - June 2023)	136,000	28,000	164,000
R Daniels	-	3,186	3,186
M Thindisa - Chief Financial Officer	108,000	64,000	172,000
D Martin (AFR&IT)	-	16,000	16,000
A Francis - Appointed 01 March 2023	112,000	16,000	128,000

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## Notes to the annual financial statements

Figures in Rand	2024	2023	
<b>30. Directors' and prescribed officers' remuneration and other benefits paid, payable or receivable (continued)</b>			
A Puka ( 01 March 2023 - Resigned June 2023)	6,420	1,931	8,351
Dr R Governder - Appointed 01 March 2023	84,000	70,000	154,000
D Nyamazane - Appointed 01 March 2023	108,000	48,000	156,000
C Lourens - Appointed 01 March 2023	24,000	8,000	32,000
N Khoza (AFR&IT)	-	16,000	16,000
T Mongatane	-	40,000	40,000
K Parenyana	-	40,000	40,000
C Cilliers	48,000	-	48,000
A Puka	24,000	18,000	42,000
D Nyamazane	36,000	24,000	60,000
Dr R Govender	36,000	24,000	60,000
S Kleinbooi	36,000	8,000	44,000
Z Xaba	36,000	8,000	44,000
A Francis	24,000	16,000	40,000
V Mamogobo	36,000	8,000	44,000
S Mtamzeli	36,000	8,000	44,000
T. Kwela (AFR&IT)	-	8,000	8,000
C Lourens	36,000	8,000	44,000
K Mofokeng	36,000	8,000	44,000
	<b>978,420</b>	<b>489,117</b>	<b>1,467,537</b>

### 31. Risk management

#### Financial risk management

The entity's activities expose it to a variety of financial risks arising from the use of financial instruments during the ordinary course of business. The Entity does not speculate in the trading of derivative instrument.

The Entity does not speculate in the trading of derivative instrument. Risks to which the Entity is exposed to can be classified into the following:

#### Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

No credit limits were exceeded during the reporting period, and management does not expect any deficit from non-performance by these counterparties.

The entity is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to notes for additional details.

#### Market risk

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## Notes to the annual financial statements

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Figures in Rand	2024	2023
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### 31. Risk management (continued)

#### Interest rate risk

As the entity has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

The Entity's exposure to interest rate risk is limited, as the entity has no significant interest bearing liabilities.

### 32. Going concern

We draw attention to the fact that at 30 June 2024, the entity had an accumulated deficit of R (550,708,525) and that the entity's total liabilities exceed its assets by R (104,600,060).

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

The Entity is wholly dependent on the City Of Johannesburg Metropolitan Municipality for continued funding of operations.

The annual financial statements are prepared on the basis that the Entity is a going concern and that the City Of Johannesburg Metropolitan Municipality has neither the intention nor need to liquidate or curtail materially the scale of the Entity. A letter of comfort is issued each year by the City Of Johannesburg Metropolitan Municipality regarding the ability of the Entity to carrying on as a going concern in the future.

### 33. Events after the reporting date

#### 1. Appointment of new Board Chairperson

The JRA Board Chairperson is now Mr S C Clarke due to the resignation of E Botha.

### 34. Fruitless and wasteful expenditure

Opening balance as previously reported	66,632,277	55,792,643
Interest charged and overdue balances	17,791,796	6,463,159
Eskom and Telkom non-compliance	17,088	11,261
Salary offered to Mahanuke	-	535,758
Arbitration costs	-	64,170
Interest charged on courts awards	-	46,644
Impairment loss	-	3,718,642
<b>Closing balance</b>	<b>84,441,161</b>	<b>66,632,277</b>

The fruitless and wasteful expenditure noted in the current year is irrecoverable as per the preliminary investigations held and no criminal cases have been opened for the current year irregular expenditure.

Included in the fruitless and wasteful expenditure for the current year, is expenditure that relates to interest charged on overdue balances and penalties and interest charged from SARS reassessments. JRA is currently appealing the SARS tax rulings, but continue to be charged interest while the matter is still being heard in court. JRA has since settled outstanding SARS balances to avoid further interest being charged while the case is being appealed in the Tax Court.

Management has made arrangements to receive invoices electronically from ESKOM, measures are in place to pay the suppliers in instances where invoices are received late. Management continuously engages ESKOM to reverse the interest or penalties incorrectly charged.

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Figures in Rand	2024	2023
<b>34. Fruitless and wasteful expenditure (continued)</b>		
<b>Details of fruitless and wasteful expenditure</b>		
Interest charged on late payments and penalties - SARS	17,791,796	6,463,159
Interest charged on overdue balances - ESKOM	17,088	11,261
Impairment loss	-	3,718,642
Salary offered to Mr Mahanuke	-	535,758
Arbitration Costs	-	64,170
Interests charged on court awards	-	46,644
	<b>17,808,884</b>	<b>10,839,634</b>

### 35. Irregular expenditure

Opening balance as previously reported	417,706,728	806,768,968
Add: Irregular expenditure - (Non-compliance with laws and regulations) - current	217,935,237	184,552,812
Add: Irregular expenditure - (Overspending of approved budget) - current	31,742,793	246,484,511
Less: Amount written off - current	(384,489,120)	(820,099,563)
<b>Closing balance</b>	<b>282,895,638</b>	<b>417,706,728</b>

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## Notes to the annual financial statements

Figures in Rand	2024	2023
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### 35. Irregular expenditure (continued)

#### Details of irregular for the current year 2024

Aberdare - Bid Advert issued without local content requirements. Non-compliance with PPPFA 2017 Reg 8(2)	4,462,719
Avis/Zeda - Non-compliance with regulation 32 of MFMA. Contract spend/participation more than the original contract.	328,723
Bayete - Non compliance with conditions of the contract. (12 Months contract).	39,732,441
Bayete - Non compliance with conditions of the contract. (Month to month contract).	16,901,771
Buzaphi Construction - Bidder was irregularly appointed as a result of unfairly disqualifying Shonisani Rambau for unsubstantiated poor performance.	13,297,467
Infinite Blue - Bidder did not meet all the minimum pre-compliance requirements and was further evaluated and awarded.	26,350,347
Maleha Construction CC - Bidder did not meet all the minimum pre-compliance requirements and was further evaluated and awarded.	17,368,858
Kelvata Trading 104CC - Bid advert issued without local content requirements	592,612
Matamba Supply Services - Bidder did not meet all the minimum pre-compliance requirements and was further evaluated and awarded.	37,075,915
Mediac - Yellow WIP	1,056,132
Afrirent	44,509,405
Calliper	571,371
Step Up Engineering	15,665,676
Unikeys Trading and Projects	10,600
Nomas Trading	11,200
	<b><u>217,935,237</u></b>

The amount for overspending for the financial year end June 2024 is R 31 742 793 and this amount is made out of an overspent on Opex of R 56 948 567 - 25 205 774.30 which was a saving on Capex and on this overspent there were no non-cash items included.

#### Details of irregular for the year 2023

Aberdare - Bid Advert issued without local content requirements. Non-compliance with PPPFA 2017 Reg 8(2)	90,070
Afri-rent	38,146,216
- Non-compliance with regulation 32 of MFMA	
Avis/Zeda - Non-compliance with regulation 32 of MFMA. Contract spend/participation more than the original contract.	2,104,103
Bayete - Non compliance with conditions of the contract. Irregular expenditure from a non-compliant regulation 36 (Deviation by JPC on behalf of JRA).	56,757,498
Internet Solutions / Dimension Data - The contract has expired but the services are still continuing	20,230
Telkom - Irregular due to expired contract.	335,919
Matamba Supply Services - Bidder did not meet all the minimum pre-compliance requirements and was further evaluated and awarded.	9,603,159
Maleha Construction CC - Bidder did not meet all the minimum pre-compliance requirements and was further evaluated and awarded.	26,937,238
Buzaphi Construction - Bidder was irregularly appointed as a result of unfairly disqualifying Shonisani Rambau for unsubstantiated poor performance.	10,479,298
Kelvata Trading 104CC - Bid advert issued without local content requirements	6,126,747
Infinite Blue - Bidder did not meet all the minimum pre-compliance requirements and was further evaluated and awarded.	33,952,334
	<b><u>184,552,812</u></b>

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Figures in Rand	2024	2023
<b>36. Deviation from supply chain management regulations</b>		
Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.		
Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the directors and includes a note to the annual financial statements.		
Goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the directors who considered them and subsequently approved the deviation from the normal supply chain management regulations.		
<b>37. Deviation Awarded</b>		
<b>Sole Supplier</b>		
SABS - Appointment of service provider for the renewal of annual subscription for material laboratory testing systems standards	7,382	6,003
TimMut Connect	466,024	-
	-	-
	<b>473,406</b>	<b>6,003</b>
<b>Emergency</b>		
Buzaphi	32,888,564	-
Emandwaleni Holdings (Pty) Ltd	198,145	-
	-	-
Sunnyside Park Hotel	72,000	-
LuthongwaTrading	413,680	-
Kanu Equipments SA	575,773	-
HTE Construction	3,677,393	-
	<b>37,825,555</b>	<b>-</b>
<b>Impracticality</b>		
Afrikan Native Travel	119,759	-
Sunnyside Park Hotel	178,170	-
TN Molefe Construction (Pty) Ltd	37,851,355	-
IMESA	-	76,600
Megaphase Trading 380 (Pty) Ltd	16,825,995	-
Inter Municipal Sports of South Africa (Impracticality)	-	10,000
Gothatso Services (Pty) Ltd	713,000	-
Telkom	-	3,763,482
Zambezi Pride	112,917	-
Town Lodge Polokwane	-	289,500
Sincrolec Controls	-	-
	<b>55,801,196</b>	<b>4,139,582</b>
<b>Deviation Expenditure Reconciliation</b>		
Sole supplier	473,406	6,003
Emergency	37,825,555	-
Impracticality per regulation 36	55,801,196	4,139,582
	<b>94,100,157</b>	<b>4,145,585</b>

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## Notes to the annual financial statements

Figures in Rand	2024	2023
<b>38. General expenses</b>		
Advertising	326,601	293,877
Assessment rates & municipal charges	2,307,544	-
Auditors remuneration	4,288,239	4,017,007
Bank charges	83,647	91,237
Consulting and professional fees	34,039,789	147,370,012
Consumables	668,440	2,124,210
Directors Fees	2,250,870	2,090,370
Entertainment	238,077	133,923
Insurance	16,413,669	23,000,631
Conferences and seminars	471,648	657,728
IT expenses	42,682,899	14,093,321
Magazines, books and periodicals	270,800	1,129,742
Printing and stationery	1,142,310	9,027,419
Promotions	978,775	32,762
Repairs and maintenance	4,964,197	6,735,935
Security (Guarding of municipal property)	9,767,689	2,965,153
Software expenses	8,806	-
Staff welfare	226,882	603,009
Subscriptions and membership fees	538,329	500,995
Telephone and fax	5,284,778	18,126,478
Training	2,125,120	287,265
Travel - local	233,429	76,169
Assets expensed	185,181	114,329
Electricity	13,669,501	16,138,676
Gas	-	5,818,359
Sewerage and waste disposal	324,677	841,758
Water	8,545,161	6,826,976
Legal Expenses	4,069,938	-
Provision for bad debts	67,703	84,675,276
	<b>156,174,699</b>	<b>347,772,617</b>

### 39. Prior-period errors

Presented below are those items contained in the statement of financial position and statement of financial performance that have affected the prior year figures.

#### Statement of financial position

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## Notes to the annual financial statements

Figures in Rand

2024

2023

### 39. Prior-period errors (continued)

#### 2023

	Note	Prior year Audited Amount	Correction of error	Restated Amount
Trade and other receivables	5	462,525,159	(16,536,123)	445,989,066
Trade and other payables	12	1,089,477,580	18,154,503	1,107,632,083
Property plant and equipment	8	126,569,809	5,063,492	131,633,301
Intangible Assets	9	516,372	2,208,943	2,725,315
Retained Earnings		512,870,936	27,418,190	540,289,126

#### Details of errors - 2023

##### 1. Statement of Financial Position

###### Trade and other receivables

There was a VAT dispute between SARS and JRA where JRA was said it under declared on its VAT submission in prior years. This mean JRA owed SARS but did not raise the liability instead JRA disclosed a Contigent liability. After further engagement with SARS, JRA acknowledged the debt and paid the balance. This therefore suggested that JRA could not have a refund of R 15 853 249 in the Prior year anymore hence the liability now. There was also a change in the supplier refund account that was incorrectly posted to the debtor account to the value R 470 297 instead of an expense account and it is now reversed. An additional R 212 576 relating to interest earned from a debtor that has been written off which relates to the prior year.

###### Trade and other payables

The change in accounting policy on Developers Contribution meant that the Developers Contribution Bank account must balance to the Developers Contribution Liability account. However the relaiy is that as at year end some entries were accrued and there could not reflect in the bank account namely :

Invoice issued to COJ for DC in June for the value of R 6 195 686.11 was due but due not paid as at June 2023 hence not in the Developers Contribution Bank account.

A June Interest receivable of R 3 234 998.12

The re-instated VAT amount of R 8 723 818.43

###### Property plant and equipment

The restatement of the property plant and equipment was affected by recalculation of depreciation as result of inconsistent useful life review of R4 057 198 and the asset that was expensed and now capitalized for the value of R1 006 294

###### Intangible Assets

Recalculation of amortisation as a result of inconsistent review of usefull life.

##### Additional Disclosure change on the receivables from exchange transactions

Reconciliation of provision for impairment of trade and oher receivables

Prior year audited amount was R 3 570 691  
Restated amounts R 86 880 349

##### 2. Statement of financial performance

###### Depreciation and amortisation

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## Notes to the annual financial statements

Figures in Rand 2024 2023

### 39. Prior-period errors (continued)

Depreciation recalculation for an amount of R 1 039 317.00 as result of inconsistent useful life review was done and that is why the adjustment was done.

#### General Expenses

The reason for a change of -R1 006 294 in the general expense account is that capital expenditure was incorrectly expensed in the prior year and now it has been capitalised.

### 3. Notes to the financial statement

Notional loans was incorrectly included in the note of financial instruments. According to GRAP 104 employer right and obligations under employee benefits plans are excluded R52 791 367.

### Statement of financial performance

#### 2023

	Note	Prior year Audited Amount	Correction of error	Restated Amount
Interest recieved from eskom deposits		267,134	(212,577)	54,557
Depreciation and amortisation	25	38,526,070	1,039,317	39,565,387
General Expenses		348,778,910	(1,006,294)	347,772,616
<b>Surplus for the year</b>		<b>387,572,114</b>	<b>(179,554)</b>	<b>387,392,560</b>

### Cash flow statement

#### 2023

	Note	Prior year Audited Amount	Correction of error	Restated Amount	Restated Amount
Cash flow from operating activities					
Cash paid to suppliers and employees	27	1,347,326,653	(999,570)	1,346,327,083	-
Other 2		-	-	-	-
		<b>1,347,326,653</b>	<b>(999,570)</b>	<b>1,346,327,083</b>	-
Cash flow from investing activities					
Purchase of property plant and equipment		(30,001,580)	(999,570)	31,001,150	-

#### Errors 2023

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Annual Financial Statements for the year ended 30 June 2024

## Notes to the annual financial statements

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Figures in Rand	2024	2023
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### 39. Prior-period errors (continued)

Disclosure Notes

#### Financial Instruments

##### Financial Assets

2023 Audited amounts	R 1 183 969 584
Adjustment	R -52 791 367
Restated Amounts	R 1 131 178 217

##### Financial Liability

2023 Audited Amounts	R 1 236 099 237
Adjustment	R -207 899 994
Restated Amount	R 1 028 199 243

### 40. Comparative figures

Certain comparative figures have been reclassified. See the prior period error note for these restatements details.

### 41. Segment information

#### General information

##### Identification of segments

The entity is organised and reports to management on the basis of three major Departments: Infrastructure development, Mobility and Freight and finally, the Regional Operations Department services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

##### Aggregated segments

The entity operates throughout the City of Joburg Municipality's 7 regions. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Johannesburg were sufficiently similar to warrant aggregation.

##### Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Infrastructure Development	Development of community streets, freeways and arterails, main roads, stormwater and traffic signals
Regional Operations	Responsible for maintenance of strategic assets, road resurfacing, asphalt plant, laboratory, motorways and fleet.
Mobility & Freight	Responsible maintenance of traffic engineering and safety, Traffic signal Management

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## Notes to the annual financial statements

Figures in Rand

### 41. Segment information (continued)

#### Segment surplus or deficit, assets and liabilities

#### 2024

	Regional Operations	Mobility & Freight	Infrastructure Development	Total
<b>Revenue</b>				
Revenue from exchange transactions	50,370,317	8,201,569	29,569,430	88,141,316
Sundry Income	-	-	87,474,782	87,474,782
Interest revenue				19,729,663
Revenue from other non-reportable segments				1,327,983,923
<b>Total revenue reconciling items</b>				<b>1,347,713,586</b>
<b>Entity's revenue</b>				<b>1,523,329,684</b>
<b>Expenditure</b>				
Cost of road Maintenance	(630,034,759)	(97,616,292)	-	(727,651,051)
Other operating expenses	(50,039,485)	(9,517,644)	(48,042,468)	(107,599,597)
<b>Total segment expenditure</b>	<b>(680,074,244)</b>	<b>(107,133,936)</b>	<b>(48,042,468)</b>	<b>(835,250,648)</b>
<b>Total segmental surplus/(deficit)</b>				<b>688,079,036</b>
Interest expense				(24,025,026)
Income tax expense				(30,447,713)
Cost of road maintenance - non-reportable segments				(643,652,893)
<b>Entity's surplus (deficit) for the period</b>				<b>(10,046,596)</b>

#### 2023

	Infrastructure Development	Regional Operations	Mobility & Freight	Total
<b>Revenue</b>				
Revenue from exchange transactions	27,579,175	17,618,198	591,781	45,789,154

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Figures in Rand

### 41. Segment information (continued)

Revenue from other non-reportable segments				1,516,096,670
<b>Entity's revenue</b>				<b>1,561,885,824</b>
<b>Expenditure</b>				
Cost of road maintenance	-	(656,915,950)	(100,241,383)	(757,157,333)
Other operating expenses	(43,763,025)	-	-	(43,763,025)
<b>Total segment expenditure</b>	<b>(43,763,025)</b>	<b>(656,915,950)</b>	<b>(100,241,383)</b>	<b>(800,920,358)</b>
<b>Total segmental surplus/(deficit)</b>				<b>760,965,466</b>
Cost of road maintenance - non-reportable segments				(195,067,628)
Operating expenses from non-reportable segments				(626,018,895)
Taxation				(116,852,752)
<b>Entity's surplus (deficit) for the period</b>				<b>(176,973,809)</b>

### Measurement of segment surplus or deficit, assets and liabilities

### Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies, except that pension expense for each segment is recognised and measured on the basis of cash payments to the pension plan.

### Information about geographical areas

The entity's operations are in the City of Joburg Metropolitan Municipality. The entity operates across the entire Metropolitan area and has multiple Depots and offices across the entire City of Johannesburg.

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## Notes to the annual financial statements

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### 42. Financial instruments disclosure

#### Categories of financial instruments

#### 2024

##### Financial assets

	At fair value	At amortised cost	Total
Loans to shareholders - Intercompany Sweeping Account	-	176,261,383	176,261,383
Loans to directors, managers and employees	-	-	-
Trade and other receivables from exchange transactions	-	670,295,670	670,295,670
Cash and cash equivalents	440,099,353	-	440,099,353
	<b>440,099,353</b>	<b>846,557,053</b>	<b>1,286,656,406</b>

##### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	1,285,087,311	1,285,087,311
Finance Lease Obligation	15,256,549	15,256,549
	<b>1,300,343,860</b>	<b>1,300,343,860</b>

#### 2023

##### Financial assets

	At fair value	At amortised cost	Total
Loans to Shareholders	-	206,577,735	206,577,735
Trade and other receivables from exchange transactions	-	446,671,910	446,671,910
Cash and cash equivalents	477,928,572	-	477,928,572
	<b>477,928,572</b>	<b>653,249,645</b>	<b>1,131,178,217</b>

##### Financial liabilities

	At cost	Total
Trade and other payables from exchange transactions	1,011,932,728	1,011,932,728
Finance Lease Obligation	16,266,515	16,266,515
	<b>1,028,199,243</b>	<b>1,028,199,243</b>

#### Financial instruments in Statement of financial performance

#### 2023

	At amortised cost	Total
Net losses on financial instruments	-	-
Interest income	19,729,663	19,729,663
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(24,025,026)	(24,025,026)
	<b>(4,295,363)</b>	<b>(4,295,363)</b>

#### 2023

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<b>42. Financial instruments disclosure (continued)</b>		
	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	22,125,612	22,125,612
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(12,979,015)	(12,979,015)
	<b>9,146,597</b>	<b>9,146,597</b>

### 43. Change in estimate

#### Property, plant and equipment

##### 2024

Various movable assets and infrastructure assets with original remaining useful life varying between 1-6 years have been revised in the beginning of the period to reflect a new depreciable amount and the actual pattern of service potential derived from these Assets.

The effect on the current and future period will be a decrease in the depreciation charge of R8, 047,177.39 in the current period and equal increase in the depreciation charge of R 8,047,177.39 over the next period as per the above information.

##### 2023

Various movable assets and infrastructure assets with original remaining useful life varying between 1-6 years have been revised in the beginning of the period to reflect a new depreciable amount amount and the actual pattern of service potential derived from these Assets R 6,102,669.

The effect on the current and future period will be a decrease in the depreciation charge of R 6 102 669 in the current period and equal increase in the depreciation charge of R 6 102 669 over the next period as per the above information.

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### 44. Related parties

Relationships

Directors

Controlling entity

Other members of the group

Refer to directors' report note

The City of Johannesburg Metropolitan Municipality

Johannesburg Property Company (SOC) Ltd

Johannesburg City Power (SOC) Ltd

Johannesburg City Parks and Zoo (NPO) Ltd

Johannesburg Development Agency (SOC) Ltd

Johannesburg Metro Trading Company (SOC) Ltd

Johannesburg Metropolitan Bus Service (SOC) Ltd

Johannesburg Civic Theatre (SOC) Ltd

Johannesburg Social Housing Company (SOC) Ltd

Johannesburg Water (SOC) Ltd

Johannesburg Pickitup (SOC) Ltd

Johannesburg Fresh Produce Market (SOC) Ltd

Johannesburg Tourism (SOC) Ltd

### Related party balances

#### Amounts included in Trade receivable regarding related parties

The City of Johannesburg Metropolitan Municipality	573,117,457	394,856,565
Johannesburg City Power (SOC) Ltd	349,641	349,641
Johannesburg Water (SOC) Ltd	55,180,319	14,144,080
Johannesburg City Parks and Zoo (NPO) Ltd	-	12,155
	<b>628,647,417</b>	<b>409,362,441</b>

#### Amounts included in Trade payables regarding related parties

The City of Johannesburg Metropolitan Municipality	194,978,511	26,620,059
Johannesburg City Power (SOC) Ltd	39,185,656	-
Johannesburg Theatre	204,380	-
Johannesburg City Parks and Zoo (SOC) Ltd	153,806	2,416,373
Johannesburg Property Company (SOC) Ltd	109,474	109,474
Johannesburg Development Agency (SOC) Ltd	-	919,154
Johannesburg Water (SOC) Ltd	42,071	17,980
Johannesburg Metro Trading Company (SOC) Ltd	39,532,499	1,016,124
	<b>274,206,397</b>	<b>31,099,164</b>

#### Commitments with other related parties

The City of Johannesburg Metropolitan Municipality - Owners contribution	(446,107,465)	(372,101,714)
The City of Johannesburg Metropolitan Municipality - Post Retirement benefits	53,224,798	52,791,367
The City of Johannesburg Metropolitan Municipality - Specialised Vehicle Finance Lease	(15,256,549)	(16,268,083)
The City of Johannesburg Metropolitan Municipality - Intercompany Sweeping Account	176,261,383	206,577,735
	<b>(231,877,833)</b>	<b>(129,000,695)</b>

#### Income from related party transactions

The City of Johannesburg Metropolitan Municipality - Subsidies	1,310,111,970	1,258,837,000
The City of Johannesburg Metropolitan Municipality - Other	63,698,776	17,422,662
The City of Johannesburg Metropolitan Municipality - Interest from sweeping account	15,181,454	18,282,658
The City of Johannesburg Metropolitan Municipality - Management fees	22,258,212	14,674,345
The City of Johannesburg Metropolitan Municipality - Interest on employee benefits	4,368,036	3,517,902
Johannesburg City Parks and Zoo (SOC) Ltd	4,283	12,155
Johannesburg Water (SOC) Ltd	42,753,555	8,691,040
	<b>1,458,376,286</b>	<b>1,321,437,762</b>

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### 44. Related parties (continued)

#### Purchases /Expenditure from related parties

The City of Johannesburg Metropolitan Municipality	14,417,132	11,754,413
Johannesburg Water (SOC) Ltd	6,500,468	4,705,487
Johannesburg Civic Theatre (SOC) Ltd	451,554	47,964
Pikitup Johannesburg (SOC) Ltd	235,087	782,364
Johannesburg City Parks and Zoo (SOC) Ltd	14,718	905,423
Johannesburg Metro Trading Company (SOC) Ltd	10,079,000	650,000
Johannesburg City Power (SOC) Ltd	5,317,487	7,731,752
	<b>37,015,446</b>	<b>26,577,403</b>

### Key management information

Class	Description	Number
Non-executive board members	Board Members	11
Independent Audit Committee	Non Board Members	3
Executive Directors excluding acting during the year	Board members	2
Senior Management excluding acting during the year	Head of Departments	4

### 45. Tax paid

Balance at beginning of the year	(101,910,949)	(22,726,039)
Current tax for the year recognised in surplus or deficit	(30,447,713)	(116,852,752)
Adjustment in respect Non - deductible interest and penalties	-	(6,462,448)
Balance at end of the year	-	101,910,948
	<b>(132,358,662)</b>	<b>(44,130,291)</b>