

Annual Report 2023/2024

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Johannesburg Water



Johannesburg Water (SOC) LIMITED

Registration No: 2000/029271/30

DRAFT 2023/24 INTEGRATED ANNUAL REPORT

(in terms of Section 121 of the Local Government: Municipal Finance Management Act,
No. 56 of 2003 and

Section 46 of the Local Government: Municipal Systems Act,
No. 32 of 2000)

Johannesburg Water (SOC) LIMITED



COMPANY INFORMATION:

Registration number	2000/029271/30
Registered address	65 Ntemi Piliso Street Newtown Johannesburg 2113
Postal address	P O Box 61542 Marshalltown Johannesburg 2107
E-mail	info@johannesburgwater.co.za
Telephone number	011 688 1400
Website	www.johannesburgwater.co.za
Bankers	Standard Bank of South Africa and ABSA Bank Limited
Auditors	Auditor-General of South Africa



Vision

A water and sanitation utility that cares.



Mission

To provide all people of Johannesburg with access to quality water and sanitation services.

APPROVAL:

		05-12-2024
Kgaugelo Mahlaba Chief Financial Officer	Signature	Date of approval:
		05-12-2024
Ntshavheni Mukwevho Managing Director	Signature	Date of approval:
		05-12-2024
Dineo Majavu Chairman of the Board	Signature	Date of approval:
		06/12/2024
Councillor Jack Sekwaila Member of the Mayoral Committee (MMC) Environment and Infrastructure Services Department (EISD)	Signature	Date of approval:



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ABBREVIATIONS

AET	Adult Education and Training
AFS	Annual Financial Statements
AGSA	Auditor-General of South Africa
AWOL	Absence without Leave
B-BBEE	Broad-Based Black Economic Empowerment
Capex	Capital Expenditure
CIDB	Construction Industry Development Board
CoJ	City of Johannesburg
COJ HSD	City of Johannesburg Housing Department
COSO	Committee of Sponsoring Organisations
CRMP	Compliance Risk Management Plan
DIFR	Disabling Injury Frequency Rate
DTIC	Department of Trade, Industry and Competition
DWS	Department of Water and Sanitation
EPWP	Expanded Public Works Programme
ERM	Enterprise Risk Management
ERWAT	East Rand Water Care Company
ESP	Expanded Social Package
GLU	Government of Local Unity
GDS 2040	Joburg 2040 Growth and Development Strategy
GRAP	Generally Recognised Accounting Practice
GSAR	Gross Sickness Absenteeism Rate
IAR	Integrated Annual Report
ICT	Information and Communications Technology
IDP	Integrated Development Plan
IIRC	International Integrated Reporting Council
ISO	International Organisation for Standardisation
ISPPIA	International Standards of Professional Practice of Internal Auditing

JW	Johannesburg Water
MDG	Millennium Development Goals
MFMA	Local Government: Municipal Financ e Management Act, No. 56 of 2003
MSCOA	Municipal Standard Chart of Accounts
MSA	Local Government: Municipal Systems Act, No. 32 of 2000
NDP	National Development Plan
NRW	Non-Revenue Water
NWA	National Water Act, Act No. 36 of 1998
OHSA	Occupational Health and Safety Act, No. 85 of 1993
POPI	Personal Information Act, Act No 4 of 2013
PRP	Pipe Replacement Plan
PWD	People with Disabilities
SANS 241	South African National Standards 241
SDA	Service Delivery Agreement
SDBIP	Service Delivery Budget Implementation Plan
SMME	Small, Micro and Medium Enterprises
SCM	Supply Chain Management
TOD	Transit-orient Development
UAT	User Acceptance Testing
UIFWE	Unauthorised, Irregular, Fruitless and Wasteful Expenditure
USDG	Urban Settlement Development Grant
VIP	Ventilated Improved Pit
WC/WDM	Water Conservation and Water Demand Management
WWTW	Wastewater Treatment Works

ABOUT THIS REPORT

Johannesburg Water (JW), a municipal entity wholly owned by the City of Johannesburg (CoJ), is pleased to present its Integrated Annual Report (IAR) for the period 1 July 2023 to 30 June 2024.

This report aligns with best practices in integrated reporting. It includes the principles of integrated reporting contained in the International Integrated Reporting Council (IIRC) Framework, published by the IIRC in December 2013. It is guided by various codes and standards, including the King IV Report on Corporate Governance for South Africa (King IV Report).

Johannesburg Water has applied Circular 63 of the Local Government: Municipal Finance Management Act, No. 56 of 2003 (MFMA), issued by the National Treasury, to prepare the IAR. The Circular prescribes the content municipalities should cover in their annual reports. The 2023/24 IAR provides all the required data and tables.

To comply with the local and international sustainable reporting best practice guidelines, the report also considers financial, social, and economic factors in reporting Johannesburg Water's operations. The guidelines, legislative and policy framework applied to include the following:

Reporting requirements as per the MFMA Circular 63.



Johannesburg Water's outcomes are aligned with those set out in the CoJ 2022–2027 Integrated Development Plan (IDP) and the Joburg 2040 Growth and Development Strategy (GDS 2040), the collective and shared vision for the future of Johannesburg.

Basis of Preparation and Presentation

Materiality concerning the inclusion of information in the report refers to matters that could substantively affect the organisation's ability to create value over the short-, medium- and long-term.

Johannesburg Water has premised its framework under two main categories: quantitative and qualitative materiality.

Quantitative Materiality

Detailed in Table 1 below are financial indicators that indicate the type of indicators widely used and accepted in the accounting profession as a basis for calculating materiality.

Table 1: Financial Indicators used for Calculating Materiality

Element	Range to be applied based on Annual Figures
Gross Profit	1%–2%
Total Expenditure	0.5%–1%
Total Assets	0.5%–2%
Total Revenue	0.25%–1%

Johannesburg Water has assessed its operational activities in terms of the above indicators. Based on understanding the nature of the operations, we believe that the categories stated in Table 2 reflect the material classes of transactions more accurately for the Entity in determining the 2023/24 materiality.

Table 2: Material Classes in Determining Materiality

Element	Range based on Annual Figures	2023/24	2023/24		2022/23	
		Budget	Minimum	Maximum	Minimum	Maximum
Budgeted Gross Profit	1% - 2%	R8 793 941	R88 million	R175 million	R83 million	R165 million
Budgeted Total Expenditure	0.5% - 1%	R15 627 373	R78 million	R156 million	R74 million	R148 million
Budgeted Total Assets	0.5% - 2%	R21 504 194	R108 million	R430 million	R97 million	R388 million
Budgeted Total Revenue	0.25% - 1%	R16 498 125	R41 million	R165 million	R39 million	R155 million

The following factors were considered in determining materiality levels:

- Gross profit incorporates the service charges and the bulk purchases. The gross profit highlights the performance of the main function of Johannesburg Water and gives a good indication of the financial health of the Company.
- The Company operates as a subsidiary of the CoJ and is part of the local sphere of government. The size of the budget is therefore a critical indicator of delivery of services and therefore materiality was also considered by looking at the net profit which summarises the operational revenue and expenditure budget for the year.

- Johannesburg Water's main function is to provide water and sanitation services to the residents of Johannesburg through the bulk infrastructure. It was therefore appropriate to consider total asset value in determining materiality.
- The generation of service revenue is a key objective of the Company due to it being the key source of funding for the infrastructure used to provide services.
- The overall materiality level was determined to cover all ranges of the elements listed above. The lowest maximum level was determined to be R156 million based on the total expenditure, and R108 million was determined as the highest minimum based on total assets. The overall materiality was therefore set at R108 million for the 2023/24 financial year which provides a fair representation of quantitative materiality. This encourages greater levels of accountability for the company and promotes good governance.

The following are considered material due to their nature:

- Fruitless and wasteful expenditure.
- Irregular expenditure.
- Losses of any form.

Qualitative Materiality

Qualitative materiality includes items that may be either material by nature or by context. Materiality is not only related to the size of the entity and the elements of its financial statements. Misstatements that are critical either individually or in the aggregate may have a material effect on the Company.

Qualitative materiality premised on the Company's risk assessment is set as follows:

- Any item or event for which specific disclosure is required by legislation, the King IV Report or Accounting standards.
- Any fact discovered of which its omission or misstatement, in the Board's opinion, could influence the decisions or actions of the executive authority or Council.
- Any matter that could substantively affect the organisation's ability to create value in the short-, medium- and, long-term.
- Any participation outside of the approved Strategic Plan.
- All losses in respect of criminal conduct.
- Any criminal or disciplinary steps taken because of such losses.
- Any material irregular expenditure and fruitless and wasteful expenditure.

Assurance Process for the Integrated Annual Report (IAR)

The Board, assisted by the Audit and Risk Committee, Human Resources and Social and Ethics Committee, as well as the Service Delivery, Procurement and Information Communications and Technology Oversight Committee, is ultimately responsible for the integrity and completeness of the IAR and any supplementary information. The Board has applied its collective mind to the preparation of the IAR and has concluded that it is presented under the applicable legislation and the IIRC Framework.

The Board considered the 2023/24 IAR, together with the Annual Financial Statements (AFS). It considered the completeness of material items it deals with, and the reliability of information presented in line with the combined assurance process.

CHAPTER ONE:

LEADERSHIP AND CORPORATE PROFILE



Ntshavheni Mukwevho
Managing Director



Shaniseka Mathebula
Chief Audit Executive



Gugulethu Phakathi
Chief Operations Officer.



Kethabile Mabe
Executive Manager: Governance and Legal Services



Kgaugelo Mahlaba
Chief Financial Officer



Nondumiso Mabuza
Executive Manager: Stakeholder Relations and Communications



Raisebe Gaveni
Executive Manager: Human Resources & Corporate Services



Thokozile Hlakoane
Executive Manager: Risk, Compliance and Business Continuity

Stakeholders impacted: Shareholder, Communities and Business
Strategic Response: Strategic Goals 4 and 5





Section 1:

MEMBER OF THE MAYORAL COMMITTEE'S FOREWORD

As the Member of the Mayoral Committee for Environment, Infrastructure, and Service Delivery, I am presenting the Annual Report for the period under review with a profound sense of duty and pride.

This report highlights our unwavering commitment to promoting sustainable growth, improving infrastructure, and providing water and sanitation services to the communities we serve.

Notwithstanding numerous challenges we encountered this year, Johannesburg Water was able to advance the interests of the residents of the CoJ, by ensuring that service delivery was not irreversibly compromised despite those challenges. The Entity has been able to deliver on its mandate to provide sustainable water and sanitation to residents of the City.

This year, in our efforts to address water challenges sustainably, we officially launched the Water Security Strategy. This was to connect to existing strategies and policies to offer an aligned approach to water security **and provide guidelines towards becoming a** water **secure Johannesburg by 2040.** Water security is essential for economic sustainability and sustainable **development.**

The strategy was designed to understand and review the current situation and state of the urban water system under the CoJ's mandate. To reflect and identify the key challenges that face the municipality currently and, in the future, and to co-develop and co-design key strategic responses and associated actions to mitigate the challenges.

As Johannesburg Water, we continued to actively engage with citizens through a range of community events, including public meetings, councillors' forums, and conflict resolution during community protests. Building on these efforts to improve service delivery through public participation with the aim of improving the lived experiences of citizens by prioritising fundamental services and addressing the 11 mayoral priorities.



It is important to emphasise that, we have a responsibility as Mayoral Committee members to prioritise the well-being of our community's environment, protect its vital infrastructure, and deliver necessary services to all residents. By ensuring that Johannesburg Water's business goals, objectives, and budget are strictly in line with the City's IDP, I have upheld and exercised my responsibilities and have done so with the aim of serving the residents of Johannesburg.

I would want to express my deepest gratitude to every member of Johannesburg Water, whose unwavering dedication and efforts have been the driving force behind our progress. In addition, I want to convey my appreciation to our outgoing Board members and stakeholders, whose confidence and support inspire us to continuously improve and bring about new innovations to service delivery. I congratulate our incoming Board members on their appointment and look forward to engaging with them to ensure that we take our service delivery mandate to new heights.



Councillor Jack Sekwaila

Member of the Mayoral Committee (MMC)

Environment and Infrastructure Services Department

29 November 2024



Section 2:

CHAIRMAN'S FOREWORD

I am pleased to present the 2023/24 Integrated Annual Report, providing a comprehensive overview of the Entity's achievements, strategic initiatives, and annual performance. Having assumed the chairmanship of the Entity on 31 July 2024 – after the end of the period under review, and having considered the Entity's results, I can confidently say that the report reflects our commitment to being transparent, accountable, and service delivery driven in our business operations.

There is a wealth of information in this report, including details about our financial accomplishments, operational milestones, sustainability efforts, and strong governance practices. Our comprehensive approach to business incorporates financial success alongside our commitment to the provision of water and sanitation services to the residents and businesses in the CoJ.

The Board diligently fulfilled its duty to oversee and monitor the Company's operations to improve its performance. This was facilitated by the ongoing implementation of the seven strategic objectives, which are comprehensively described in our business plan.

Business Overview

To achieve our objective of generating employment opportunities and providing assistance to Small, Medium, and Micro Enterprises (SMMEs), the Entity made certain that all of its labour-intensive programmes supported the national Extended Public Works Programme (EPWP), thereby generating a few job openings for those who were previously without employment. Through this programme, we were able to ensure that several SMMEs in the local area received support. This plan is a good fit with the local economic development programme that the city is also implementing.

To meet its commitment to embracing technology, the Entity explored various approaches to enhance efficiency and expedite customer interactions. Considering this, we have examined the usage of the service failure reporting application and workforce optimisation as elements of the customer interface. By implementing these measures, operational efficiencies can be improved, resulting in increased customer satisfaction.



Understanding the requirements of both its customers and its stakeholders is something that the Entity prioritises and is an operational imperative. When it comes to this essential component, the mechanisms that have been put in place to create methods that will guarantee that the supply of services is not compromised have been put in place.

We maintain ongoing engagement with stakeholders at a variety of levels to evaluate the efficiency of the services that we provide to the communities and businesses that we serve. This is essential because it helps the Company to discover issues in service delivery, which may then be used as lessons learnt and provide a positive input in the process of rekindling our service delivery models. We have been able to establish healthy synergies with the ward councillors of the City as well as other interested and impacted parties by means of this process as well as other means of involvement.

Financial Sustainability

A firm collection level is essential to the Entity's financial sustainability. The Board noted a slight decline in the payment level; however, it will continue to closely monitor this area to ensure improvements. It is worth noting that the revenue closed positively when compared to prior years. The Board would continue to exercise oversight of this area to ensure that there is no revenue regression.

Key among the critical areas of focus to ensure financial sustainability are:

- Effective management of rising bulk purchases.
- Ensuring the reduction of Non-Revenue Water (NRW).
- Intensifying By-law enforcement to enhance credit control.

Service Delivery/ Manufacturing

There has been a notable enhancement in our performance with regards to meeting the service standards. However, against the backdrop of this improvement, it is important to acknowledge that there have been unfavourable conditions in certain aspects of the business. Once again, three significant milestones reached during the

reviewed period were the provision of support to SMMEs to enhance the local economy and the expenditure on Broad-Based Black Economic Empowerment (B-BBEE) procurement. In addition, we achieved the highest standards in maintaining the quality of our water.

Capital Allocation

The Entity was able to fulfil its annual capital plans by spending 99.32% of its allocated capital budget. In addition, this contributed to the creation of a conducive environment for the effective planning and preparation of project implementation for the following year. To optimise capital expenditures, the Board will conduct a quarterly analysis of spending patterns/trends.

Sustainable Development, Social and Relationship Dynamics

Ensuring the company's financial sustainability and promoting clean governance are key priorities in driving the organisation towards its objectives. The Entity has a group of Ethics Champions who constitute the Ethics Forum. The Ethics Champions are dedicated to fostering a strong ethical culture throughout the organisation. The implementation of our Integrity Management Strategy is in full swing, and it is pleasing to note that all year one activities have been successfully concluded. This achievement aims to enhance our efforts in raising awareness and eliminating unethical behaviour. The specific ethics initiatives are illuminated in the Ethics Statement which appears in the pages that follow.

The Board continues to play a vital role in upholding corporate governance standards within the Entity and is dedicated to ensuring that the Entity remains responsive and accountable to the communities it serves.

Future Focus

The Board has flagged the following programmes to expedite in the 2024/25 financial year:

- Establishment of the Infrastructure Investment Fund.
- Reduction of NRW.

These areas were also flagged in the 2023/24 financial year; however, they were not fully implemented due to governance and funding related challenges. These would be further pursued in the 2024/25 financial year.

Going into the 2024/25, financial year, the Board will also be overseeing the implementation of the Entity's Turnaround Strategy 2024 (TAS24) which was approved by Council. The Strategy seeks to address the financial sustainability of the entity and the slow rate of infrastructure investment.

The Board commits to continuously monitoring the implementation of the following key initiatives:

- Smart metering.
- Water Conservation and Water Demand Management (WC/WDM).

The Turn-around Strategy will assist in improving overall operational efficiencies.

Conclusion

While the past year has been filled with challenges, it has also presented opportunities for progress and innovation. As we move forward, our main goal is to enhance our performance, create value for our Shareholder, and improve long standing challenges in water and sanitation services, including infrastructure deficiencies.

I would like to extend my sincere appreciation to our employees, Shareholder, clients, stakeholders, and the residents of the city which we serve. A special appreciation goes out to the previous Board – with your unwavering support and dedication, we will strive for excellence, forging a future that embraces sustainability, inclusivity, and shared success.

As a member of the incoming Board of Directors appointed at the Annual General Meeting on 31 July 2024, I extend our collective appreciation to the previous Board under whose stewardship the entity managed to achieve balanced results.

With gratitude,

Chairman of the Board

29 November 2024





Section 3:

MANAGING DIRECTOR'S REPORT

It is with great pleasure that I present to our stakeholders, the fundamentals of our 2023/24 financial year performance. I must say, the road travelled coincided with several challenges triggering water interruptions along the way. This being a familiar territory, the Entity was never shaken, but rather positioned itself solidly to resolve all encountered water supply impediments to continue delivering on our mandate. We have promptly and efficiently dealt with most of the impediments encountered and have put action plans in place to dismantle anything that compromised a streamlined, seamless, efficient and expeditious service delivery going into the 2024/25 financial year.

For integrated reporting, the factors that flow through Johannesburg Water to create its value are enshrined within the six capitals: economic, manufactured, intellectual, human, natural and social and relationship capital. These capitals take cognisance of the disclosures in this IAR. While our operating environment was hurt by the mobility issues resulting from fleet shortages, there were other exigent mitigatory measures which were implemented to ensure that the business continued to operate. I must admit, these measures were not as austerious as we had hoped, as there were dependencies in some instances, especially in relation to fleet services. While this was the case, the Entity was geared up to ensure that the customers were not in a stranded position when it came to service delivery issues. We had put measures in place to ensure that water and sanitation services were accessible most of the time. In instances where challenges were experienced, our stakeholders were engaged and kept up to date about any incidents relating to service interruptions. In most areas where water supply challenges were experienced, the water and sanitation resources were diligently deployed to regions and the most affected and susceptible zones of the city. Service delivery teams were organised in a manner that would detect deficient infrastructure which needed to be revamped to circumvent service delivery interruptions. The provision of basic services, especially basic sanitation, remains a concern as we are stepping into the new financial year. We are continuing to invest in alternative methods of basic sanitation, which will be more attractive and efficient to our communities. This will enable our mandate of delivering water



and sanitation services to our residents as empowered by the Service Delivery Agreement (SDA).

A Turnaround Plan was developed and approved by the Board and the Mayoral Committee. The implementation of this Plan will assist the Entity to operate in a more efficient and expeditious manner. Key among the elements entailed in the Plan, would be a game-changer in the manner which we are interacting with our customers, stakeholders and the Interested and affected parties. A synopsis of our performance against some of the key areas of the business, coupled with progress on the national key empowerment initiatives, is outlined below.

Financial Performance

The revenue for the year was R17.1 billion, which is R1.9 billion more from the R15.1 billion achieved in the 2022/23 financial year. This revenue is made up of water sales of R10.1 billion (2022/23: R9 billion) and sanitation services of R7.0 billion (2022/23: R6.1 billion).

The Revenue Enhancement Project invoiced R594 million resulting from the stand-by-stand audits conducted throughout the financial year review. The recorded meter reading ratio submitted to bill for the financial year was 85.36% against a target of 92%. This was an improvement when compared to 82.75% achieved in the 2022/23 financial year. We should begin to see an improvement in this figure going into the new financial year as issues relating to faulty meters are resolved and by-law enforcement is intensified. The collection levels continued to be under pressure and have declined from 79.5% (2022/23) to 75.7%. This had an adverse effect on the current ratio, which closed at 1.42 against a budget of 1.78. However, it was an improvement when compared to 1.36 recorded in the 2022/23 financial year. More interventions will be explored and expedited in collaboration with the CoJ to ensure further improvement in the next financial year. This will include expediting a robust collection effort with more emphasis on public entities and government departments.

Infrastructure Upgrade and Renewal

The Entity has only managed to replace 17 km of water against a target of 16.9 km. The corresponding programme to replace sewer pipes has regressed, replacing 5 km against a target of 16 km. In real essence, the Entity needs to replace pipes in a range of 175 km to 185 km per annum. The reality, though, is that the CoJ's infrastructure is gradually ageing, and the Entity remains with backlogs concerning its infrastructure. While the sewer pipe replacement programme was negatively affected by procurement challenges, detailed later in the report, the reality is that more investment is required in this area to accelerate the programme and reduce the current backlog. The Water Pipe Replacement Programme will aid the Entity in its endeavour to reduce the physical water losses resulting in a positive impact on our infrastructure performance. Greater investment is required for the pipe replacement programme to enable the Entity to achieve at least 1.5% of the network's asset value. Our current total network lengths are 12 520 km and 11 933 km for water and sewer, respectively.

Capital Allocation

The capital allocation enabled the Entity to meet the capital plans for the year as it managed to spend 99.32% of its capital expenditure. This also created an enabling environment for adequate preparations for the implementation of projects and programme readiness for the next year, particularly in areas where projects require longer lead times.

Service Delivery

The Entity achieved mixed results in the delivery of services to the communities that it serves. While this is the case, it is imperative to note that there has been a positive performance in providing basic water to informal settlements where 927 additional households were serviced against a target of 250. On the other hand, we recorded substantial decline in the provision of basic sanitation in that no households in informal settlements were provided with access against a target of 200. The challenges in this regard are detailed further down in the section of the report dealing with the provision of basic services.

The Entity achieved 67.46% in terms of the number of bursts repaired within 48 hours of notification against a target of 85%. The corresponding sewer blockages cleared within 24 hours of notification closed at 92.67% against a target of 92%. The Entity continues to implement the interventions identified through the productivity study to improve the response times, especially concerning pipe bursts. There had been close monitoring of these interventions to accelerate progress and review, where necessary.

The Entity conducts a Customer Satisfaction Survey on an annual basis. For the year under review the Entity achieved 71.1%. This is a regression from the previous financial year's result of 72%. The decline was driven by factors related to infrastructure repairs and maintenance, and power failures. The latter negatively affected some of the Rand Water pump stations. The recurrence of problems or queries that are not resolved invariably lead to customer dissatisfaction. This is more common with water pipe bursts, sewer pipes and overflowing manholes.

Procurement and Small Business Development

The Entity provided support to 123 SMMEs against a target of 85, and these were those which were compliant with the Broad-Based Black Economic Empowerment (B-BBEE) requirements. This is evident in the Entity's achievement of 133% (2022/23: 132%) B-BBEE recognition on SMMEs against a target of 125%. The Entity ensured that all its operations were handled with vigilance and in compliance with the health and safety regulations; this was proved by the achievement of 1.17 in the Disabling Injury Frequency Rate (DIFR) against a target of 1.5.

In line with our goal to create jobs and support SMMEs, Johannesburg Water ensures that all its labour-intensive programmes provide job opportunities to support the national EPWP. This programme created 1 483 job opportunities in the reporting year against a target of 1 139.

Intellectual, Human and Employment Equity

The Company achieved 2.57% on the number of staff designated as People with Disabilities (PWDs) against a target of 2.58%, while the corresponding measure to address the gap in the Entity's employment of females was 36.34% against a target of 34.43%. These numbers indicate that the Entity is dedicated and committed to supporting the national policy and legislative requirements on employment equity and other relevant legislation. In addition to this, the Entity implemented 72.50% of its Internal Training Plan to ensure that the employees are continually upskilled to perform their responsibilities. The Entity's staff complement of 2 804 included 1 676 positions at unskilled and semi-skilled levels (1 023 and 653 respectively), while 923 employees were at a skilled level and 179 at a professional level, with 19 at Senior Management and seven at Top Management. Johannesburg Water also employed 76 cleaners and 292 security guards whose salaries are administered by the CoJ. The Entity had two vacancies at the Executive Management level. One was filled and the other was in a process of being filled at the end of the financial year. The Entity has processes and procedures in place to ensure that these vacancies are filled as and when necessary.

Social and Stakeholder Relationships

The Company recognises that fair treatment and strong relationships with core stakeholders are crucial to long-term profit and business success. For the period under review, the Company consulted various stakeholders intending to inform and educate them about the importance of using water responsibly and the correct use of sewer infrastructure, especially in hotspot areas. We responded to various media queries and issued media statements to ensure that our stakeholders are informed of the water-related issues and developments within the City. We further maintained our regular contact with ward Councillors, community members and other key stakeholders to ensure we acquire political and community buy-in for all our infrastructure upgrading projects implemented within our communities.

Other Matters

The related trading parties, as described in the MFMA (2003), are restricted to the CoJ through the cluster system, and there is no sharing of power or functions with these

entities, or the Environment, Infrastructure and Services Department. The Entity still awaits the outcome of the Auditor-General's audit opinion. Measures are in place to address this outcome towards achieving a clean audit opinion. The Entity maintained an up-to-date strategic risk register for the 2023/24, which consisted of ten strategic risks monitored during the reporting period with quarterly reports being considered by the Audit and Risk Committee, the Board, and the Group Risk and Governance Committees. At the reporting date, the entity had serviced all its obligations in so far as rates and services that are not in dispute, that is due to the municipality.

Looking Forward and Appreciation

The Entity looks forward to continuing to support the outcomes of the Government of Local Unity by commencing with the rollout of a series of high-level projects and interventions that seek to increase the current infrastructure capacity to support the CoJ's economic development needs.

Our compliance level in terms of wastewater treatment was at 76.10% (2022/23: 78.5%). This has undesirable implications; therefore, the Entity will be looking to recover in this area to achieve compliance levels of 90%. We are looking forward to investing more on the bulk wastewater area of the business to ensure that this compliance level is achieved in the 2024/25 financial year.

The Entity has successfully explored a pilot project in collaboration with other role players to determine the possibility of implementing alternatives to replace the rollout of chemical toilets. This process is now in the early stages of procurement. It is important to note that the identified solution would mostly be implemented in some formalised areas dictated by the topographical situation.

I want to express my deepest gratitude and extreme appreciation to our Shareholder for their support and in steering the Entity in the right direction.

I want to express my sincere gratitude to the helpful Board, the Shareholder, management and employees for their devoted work and commitment to delivering on the Entity's mandate. A further gesture of gratitude to our stakeholders for the support they provided to us.

Together, let us continue to be focused on unity going into the 2024/25 financial year and ensure the dominant level of commitment and dedication to delivering services to the residents of the CoJ as we embrace our local government initiatives.

I thank you.



Ntshavheni Mukwevho

Managing Director

29 November 2024





Section 4:

CHIEF FINANCIAL OFFICER'S REPORT

Johannesburg Water continued to show strong financial resilience despite challenging economic conditions. The financial year was marked by our ability to remain stable from a dramatically changed service delivery and economic landscape. The low economic growth path of the South African economy continued during the 2023/24 financial year.

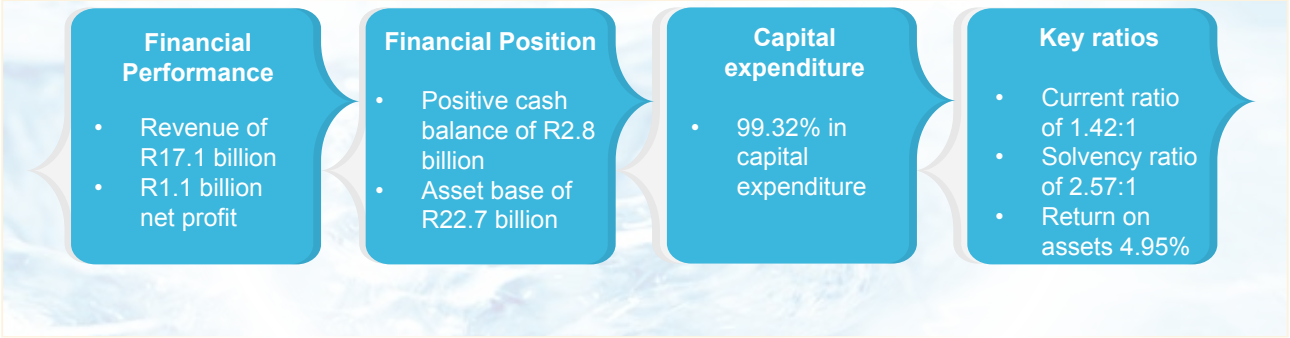
The revenue grew by 11.9% to R17.1 billion driven by the tariff increase and the entity achieved a surplus of R1.1 billion for the financial year ending 30 June 2024.

The liquidity remained positive with a closing cash balance of R2.8 billion. The Entity will continue with active working capital management and treasury controls in the new financial year to monitor the cash flow balance. This is despite the threat of lower recovery in revenue and collection levels. The entity achieved 99% spending of its allocated capital budget.

Financial Performance Overview

The key financial performance indicators are summarised in figure 1 below.

Figure 1: Financial Performance





The revenue growth was largely attributable to the approved tariff increase of 9.3%.

The collection rate was 75.7%. The budgeted collection rate for the 2023/24 financial year was 78%. Collections level remains a challenge as customers are continuing to default on their current and old debts.

Operating expenditure increased by 9.51% from the prior financial year to R6.6 billion due to normal inflation-related increases and additional expenditure on basic services. Salaries were well contained and comprised 19.1% of total operating expenditure, which is below the National Treasury benchmark of 30%. Debt impairment increased by 38.5% from the prior financial year's figure of R3.2 billion.

Successful and Unsuccessful Initiatives

Although the initiatives to collect revenue through the City's organised 'War Room' intensified during the year, this initiative has not yet yielded the desired results and is ongoing. The budgeted collection rate was 78%, and the actual performance was 75.7%. This is a decrease from the previous year collection level of 79.5%. Collection levels are still under pressure as customers are continuing to default on their current and old debts.

The entity has continued to implement revenue enhancement initiatives which included the investigations of illegal connections, stand audits, revenue completeness projects and the roll out of STS meters in deemed areas.

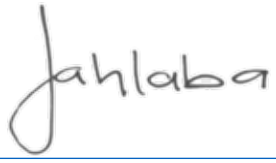
The City implemented cashflow restrictions which impacted the entity's ability to settle creditors on time. As of 30 June 2024, creditors totaling R1.1 billion were not paid due to these restrictions.

Outlook

The Entity is well placed to grow the positive results achieved during the past two financial years. The Entity has planned for a R1.1 billion budgeted surplus. The continued accelerated

capital expenditure trend is anticipated to continue for the new financial year, despite the limited increase in the capital budget.

I would like to take this opportunity to thank the Johannesburg Water Board, the Board Committees and the Executive Committee members for their unwavering support throughout the financial year. Their commitment was reflected in the positive outcomes achieved by the Entity.



Kgaugelo Mahlaba

Chief Financial Officer

29 November 2024

Section 5:

CORPORATE PROFILE AND OVERVIEW OF THE ENTITY



Vision

A water and sanitation utility that cares.

01

Mission

To provide all the people of Johannesburg with access to quality water and sanitation services by doing the following:

- Delivering a professional, sustainable, affordable and cost-effective service.
- Upgrading services in marginalised areas.
- Creating a customer-focused culture that responds to the needs of citizens, customers and business.
- Valuing and developing its employees to build a sustainable capacity.
- Safeguarding public health and safety within the CoJ.
- Preserving natural resources for future generations.
- Managing assets and leveraging technology.

02

VALUES

- We value and promote Teamwork
- We take Accountability for our individual and team performance
- We deliver a Customer Service that we have promised
- We ensure that Communication with our stakeholders is a priority
- We build Cost-Effectiveness in our business activities.

03

CORE MANDATE

Johannesburg Water (SOC) Ltd was incorporated on 21 November 2000 and commenced business on 1 January 2001.

Johannesburg Water is a municipal entity wholly-owned by the CoJ and is mandated to provide water and sanitation services as principal activities to the residents of Johannesburg. The Company's strategic objectives are linked to the Shareholder's priorities through the Service Delivery Budget Implementation Plan (SDBIP), the Integrated Development Plan (IDP), and cluster plans whereby Johannesburg Water is assigned to the Sustainable Services Cluster. In addition, the relationship between the Company and the Shareholder is governed through the SDA, which is reviewed from time to time.

The Entity provides services to an area stretching from Orange Farm in the south to Midrand in the north, Roodepoort in the west, and Alexandra in the east. The operating environment is as of local government with no competitors for the services offered. The Company employed 2 804 people (as of 30 June 2024) and operates within six regions, with ten network depots and six wastewater treatment plants. See figure 2. The Company also employed 76 cleaners and 292 security guards whose salaries are administered by the CoJ.

As of the end of June 2024, the Entity supplied 1.8 Ml/d litres per day of potable water, procured from Rand Water, through a water distribution network of 12 520 km 129 reservoirs and water towers, and 37 water pump stations. Wastewater was collected and reticulated through 11 933 km of wastewater networks and 38 sewer pump stations. Johannesburg Water treated 1043 Ml/day of sewage at its six Wastewater Treatment Works (WWTW).

Demographics of Johannesburg1

Johannesburg is a developing city. The settlement sprang up in 1886 when prospectors found gold and quickly transformed into the biggest city in South Africa and the economic heart of Gauteng and the country. Today, the city continues to attract people looking for opportunities.

The current population of the CoJ is estimated to be at 6.4 million, making it the biggest metro by population size in South Africa. Johannesburg's population constitutes about 40% of the Gauteng population and 10% of South Africa's overall population. Statistics South Africa projects that by 2026, the population of Johannesburg will grow by 0.7 million people.

Significant Factors Affecting the External Environment

Most people migrate to Johannesburg in search of work and better opportunities. Johannesburg attracts migrants seeking economic opportunity, access to services, political asylum, and refuge. While migration has many benefits such as cultural, political, and social plurality, it also presents several challenges as the CoJ must find ways to accommodate more people in the already stretched resource pool. Most people who come to Johannesburg move to the city from other parts of Gauteng. This coupled with the effects of climate change poses a significant challenge considering that South Africa is a water-scarce country. These factors

1 Source: City of Johannesburg Integrated Development Plan 2022/27

have a direct impact on the Entity's ability to meet rising water demand.

It is estimated that currently, there are 2.28 million households in Johannesburg (Statistics South Africa: General Households Survey, Selected development indicator, Metros 2023). Trends indicate that the average household size in the CoJ is starting to increase. The expected growth in the number of homes within Johannesburg in the next five years and the impact of climate change will require careful planning for housing, social services, and infrastructure.

Figure 2: CoJ Regions



Ethics Statement

Johannesburg Water is committed to high ethical standards and legal compliance in its business conduct and requires all organisations that it conducts business with to also observe the highest standards of ethics. The Board adopted CoJ's Governance Protocol which includes matters of ethics, procedure, and the conduct of Board members. Further to the Governance Protocol, the Board reviewed the Human Resources and Social and Ethics Committee's terms of reference, which ensures oversight of the Company's activities in respect of social and ethical matters and that it remains a responsible and ethical employer while also ensuring that its constituent communities are treated fairly.

The Company has a Code of Conduct ("the Code") that has been fully endorsed by the Board and applies to all employees. The Code is consistent with Schedule 2 of the MSA (2000) and, among other things, prescribes that all employees should act with utmost integrity and objectivity in compliance with the spirit of both the law and Company policies. To this end, the Board uncompromisingly demands that all employees avoid unethical business dealings, whether actual or perceived, even when those business dealings may not violate applicable prescripts. Management is obligated to set an ethical tone and be exemplary to employees reporting to them by exercising the utmost honesty, integrity in any business dealings. This stance is reinforced through the Ethics Policy as well as the Integrity Management Strategy.

Any breach of the Code or policies is considered a serious offence and is dealt with accordingly. As a result, the Code and Policies serve as deterrents. Non-adherence to the Code, Company policies and ethical standards can be reported anonymously through a Tip-off hotline managed by the CoJ. The Code and ethics philosophy of the Company are discussed with new employees during the induction process.

All employees are legally required to declare their interest each year and have a duty to avoid financial and other relationships that are inconsistent with the Company's interests and values or that may compromise the performance of their duties. At every Board and Board committee meeting, Directors declare any interest related to every matter discussed at a particular meeting. These and other related initiatives contribute to the entrenchment of accountability which in turn promotes an ethical culture.

Numerous ethics related activities were successfully implemented in furtherance of our drive to instill ethical behaviour. Key among these were the following:

- Communication of ethics awareness related messages in the internal newsletters and through the internal screens and implementation of ethics training.
- The roll out of Ethics Awareness Roadshows at various workstations and the use of an email banner to promote whistleblowing of fraud, corruption and unethical behaviour.
- Development of an ethics compliance programme and criteria for recognising employees who practice Johannesburg Water's ethical values.
- In pursuit of engaging communities on transparency and accountability, an ethics awareness session was held with Councillors of the City of Johannesburg on the importance of reporting unethical behaviour, the seven ethics values of Johannesburg Water as adopted in the Ethics Policy and, the key role that Councillors would play in Johannesburg Water's drive to instil an ethical culture.
- Implementation of the first year of the 3-year implementation plan to give effect to ethical values.

- Promotion of the ethics slogan to stakeholders on various communication platforms.
- Monitoring and reporting on the Fraud Risk Register.
- Review of the Anti-fraud and Corruption Prevention Policy, the Whistleblowing Policy, and the Gifts Policy.
- Signing of the Ethics Pledge by Senior Managers and affixing same at all work sites.
- Participation in the annual International Fraud Awareness Week held from 11 to 18 November 2023.
- Conducting ethics focus groups.
- Practical demonstration of leadership from the top by Executives and Senior Managers who spent a day working as General Workers and Meter Readers.

Johannesburg Water is committed to sustainable development and consistently operates in a manner that endeavours to minimise the detrimental impact on society and the environment. The activities and services provided are inextricably linked to the natural environment, the health of the communities served and the economic well-being of the areas in which the Company operates. Sustainable development for the Company means working with all stakeholders to deliver water and sanitation services in an economically, socially, and environmentally responsible way. This approach helps shape the business decisions that are made.

Johannesburg Water's social responsibility activities are aligned to the ten principles of the United Nations Global Compact, the Organisation for Economic Co-operation and Development recommendations and provisions of the Companies Act, No. 71 0f 2008 (the Companies Act), which requires companies to embrace, support, and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption.

The Board's ethical awareness serves as a framework and focused guide in support of day-to-day decision making regarding ethical conduct within the Company and underscores its commitment to promoting and maintaining an ethical culture.

Section 6:

STRATEGIC OBJECTIVES AND GOALS

Johannesburg Water's vision is to become a water and sanitation utility that cares. To deliver on this vision, Johannesburg Water delivers on its seven strategic goals linked to the Shareholder's strategic direction as outlined in the IDP.

In addition, the Entity has taken cognisance of King IV Report's principles 4 and 5, which postulate that the governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process and that the governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and the organisation's short-, medium- and long-term prospects. Table 3 indicates the short-, medium- and long-term goals.

Table 3: Strategic Goals

Short-term goals	Medium-term goals	Long-term goals	Impacted Outcome
Replace and renew infrastructure	Expand infrastructure to increase capacity	Roll out infrastructure delivery to create jobs, support SMMEs and attract investments	Jobs created SMMEs developed Improved quality of service
Increase access to services	Maintain a high level of access to services of good quality	Deliver water and sanitation services of good quality that are, accessible, reliable, and efficient	Improved quality of life and development-driven resilience for all. Provide a resilient, liveable, sustainable urban environment – underpinned by smart infrastructure supportive of a low carbon economy
Promote environmental conservation and sustainability	Minimise and prevent environmental pollution	Operate in a manner that promotes environmental conservation and sustainability	Provide a resilient, liveable, sustainable urban environment – underpinned by smart infrastructure supportive of a low carbon economy
Understand our customer and stakeholder needs	Establish our customer and stakeholder satisfaction needs	Improve customer and stakeholder satisfaction	Stakeholder satisfaction

Short-term goals	Medium-term goals	Long-term goals	Impacted Outcome
Establish the customer base	Convert all consumers into customers	Enhance sound financial management, sustainability, and good governance	Sound financially stable entity
Gaining efficiencies and service quality through IT standardisation	Managing IT like a business; customer-focused; proven, competitive, and trusted service provider	Use of technology for effective and efficient operations	Effective and efficient entity
Motivated employees	High-performance culture inculcated	Invest in our staff to sustain optimal performance and service-focused culture	Productive workforce

The short- and medium-term performance achievements and target outcomes are measured through the Balanced Scorecard. For ease of implementation and reporting on the CoJ's long-term priorities, the CoJ has divided the 2022/27 IDP implementation approach into various clusters, with Johannesburg Water, among others, falling under the Sustainable Services Cluster. Table 4 reflects the Mayoral priorities.

Table 4: Mayoral priorities

Priority	Definition
Priority 1	Good governance
Priority 2	Financial sustainability
Priority 3	Energy mix
Priority 4	Sustainable service delivery
Priority 5	Infrastructure development and refurbishment
Priority 6	Job opportunity and creation
Priority 7	A safer City
Priority 8	Active and engaged citizenry
Priority 9	Sustained economic growth
Priority 10	Green economy
Priority 11	A smart City

Out of the 11 Mayoral priorities that have been outlined, the Sustainable Services Cluster has deliverables and outcomes aligned to priorities 1 to 9 and 11. These are the focus areas in the implementation of the set priorities.

The long-term achievements for the 2023/24 period and the targets for the 2022/27 IDP are detailed in table 5 below.

Table 5: Basic Services Delivery Performance for 2023/24 and Targets for the 2022/27 IDP

IDP Programme	Key Performance Area (KPA)	Service Delivery Performance for 2023/24 and Targets for the 2022/27 IDP				
		2023/24	2024/25	2025/26	2026/27	2027/28
3. Transforming Sustainable Human Settlements	3.1 Access to basic services in informal settlements	927 additional households were provided access to basic water at minimum LoS1 in informal settlements	1 250 additional households to be provided with access to basic water at minimum LoS1 in informal settlements	2 200 additional households to be provided with access to basic water at minimum LoS1 in informal settlements	2 000 additional households to be provided with access to basic water at minimum LoS1 in informal settlements	2 000 additional households to be provided with access to basic water at minimum LoS1 in informal settlements
		0 households provided access to basic sanitation at minimum LoS1 in informal settlements	1 700 additional households to be provided with access to basic sanitation at minimum LoS1 in informal settlements	3 050 additional households to be provided with access to basic sanitation at minimum LoS1 in informal settlements	3 450 additional households to be provided with access to basic sanitation at minimum LoS1 in informal settlements	3 500 additional households to be provided with access to basic sanitation at minimum LoS1 in informal settlements

Alignment of the strategic goals to the CoJ's priorities and programmes

Johannesburg Water is driven by seven strategic goals, which are aligned with the CoJ priorities. In executing the Shareholder's mandate, Johannesburg Water has taken cognisance of the vision of the CoJ, which is detailed in the GDS 2040. In this light, the strategic goals have been developed to support the GDS 2040 outcome two being — a resilient, liveable, sustainable urban environment underpinned by infrastructure supportive of a low carbon economy.

The following Strategic Goals (SGs) have been geared to drive the organisation toward its goals for the year under review. To accelerate implementation and advance service delivery towards the attainment of socio-economic transformation, Johannesburg Water focuses on the implementation of the CoJ's strategic agenda. The seven SGs, which are linked to the Mayoral Strategic priorities, the Government of Local Unity (GLU) objectives and priority programmes, are depicted in table 6.

Table 6: Strategic Alignment of Priorities, Programmes and Goals

Mayoral priorities	GLU objectives	Strategic goal	Company programmes
P1: Good governance	• Attaining a clean audit • Running a functio nal, corruption-free administration with deterrent mechanisms in place • Optimising City resources and increasing productivity for improved service delivery • Preserving Shareholder value in Municipal Entities • Professionalising local government to ensure that citizens have a positive experience with the City and receive quality care in all facilities	**SG 5:** Enhance sound financial management, sustainability, and good governance	• Good Governance • Zero tolerance to fraud and corruption • Enhance Supply Chain Management (SCM) • Corporate Governance • Non-revenue water • Ethics Awareness • Integrity Management

Mayoral priorities	GLU objectives	Strategic goal	Company programmes
P2: Financial Sustainability	• Optimising the use of the City's resources • Improving productivity and managing human resources efficiently • Adopting a customer-centric approach • Stabilising the City's revenue base • Maintaining healthy financial ratios and guarding the City's status • Revising and implementing the City's Financial Development Plan • By focusing on these principles, the City aims to ensure its financial sustainability, which is vital to the ongoing delivery of basic services and the funding of initiatives aimed at realising the GDS 2040 vision	**SG 5:** Enhance sound financial management, sustainability, and good governance	• Financial performance and management • Non-revenue water • By-law enforcement • Revised credit control strategy • Revised tariff structure • Alternative infrastructure funding mechanisms • Public Private Partnerships (PPPs)

Mayoral priorities	GLU objectives	Strategic goal	Company programmes
P4: Sustainable service delivery	• Provision of bulk services • Repairs and maintenance (planned and unplanned, with a maintenance mix ratio of 40/60) • Stability of the network - reduction in network outages • Improved reliability and quality of supply • Infrastructure upgrades and development, including the installation of electricity cables and a water pipe replacement programme • Mitigation against losses (technical and non-technical) • Improved cleanliness levels in the city (RCR level 3 to level 1) • Expansion of the Separation at Source (S@S) programme • Clearing of illegal dumping spots • Conversion of facilities into integrated waste management facilities • Rehabilitation of polluted sites (rivers) • Increased capacity for Waste Water Treatment Works (WWTW) and reservoir storage • A Water Conservation and Demand Management Programme • An alternative Waste Treatment Technologies Programme	**SG:2** Deliver water and sanitation services of good quality that is accessible, reliable and efficient	• Infrastructure upgrades • Repairs and maintenance of networks • Water quality assurance

Mayoral priorities	GLU objectives	Strategic goal	Company programmes
P5: Infrastructure development and refurbishment	• Prioritised sustainable delivery of essential services such as water, sanitation, energy, and waste management, in addition to fostering eco-mobility through the promotion of mass public transportation • Sustainable human settlements will also be implemented through strategic spatial planning and economic and social investment to address the effects of apartheid spatial planning, which resulted in the fragmentation of communities and the establishment of informal settlements	**SG3:** Operate in a manner that promotes environmental conservation and sustainability	• WWTW programme • Water demand management systems • Water quality • Environmental compliance
P6: Job opportunity and creation **P9: Sustained economic growth** **P6: Job opportunity and creation** **P9: Sustained Economic Growth**	• Attracting firms to invest in the City • Encouraging reinvestment from existing businesses • Supporting and nurturing entrepreneurship • Promoting small and medium-sized enterprises • Providing livelihoods through the informal sector, given the high levels of unemployment • Unlocking the economic potential of tourism	**SG 1:** Utilise infrastructure delivery to create jobs, support SMMEs and attract investment	• Economic developmental • nodes • Upgrading and renewal of networks • Expansion of WWTW programme • Transit-oriented Development (TOD) and Corridors of Freedom • Water demand management • Reservoir storage capacity
	• City-wide crime prevention • By-law enforcement • Road-traffic management • Emergency management services	**SG:2** Deliver water and sanitation services of good quality that is accessible, reliable, and efficient	• Prevention of infrastructure theft and vandalism

Mayoral priorities	GLU objectives	Strategic goal	Company programmes
P 8: Active and Engaged Citizenry	• Fostering an inclusive, democratic, and accountable society	**SG 4:** Improve customer and stakeholder satisfaction	• Internal Communication • Customer Satisfaction Survey • Stakeholder engagement and public participation • Public education • Media relations and external communication • Community engagements • Campaigns and outreach
P 11: A Smart City	• Smart Citizen - Empowering citizens to play an active role in shaping the City through technology • Smart Services - Improving the delivery of essential services using innovative technology solutions • Safe City - Enhancing safety and security through smart technology • Liveable, Sustainable, and Resilient City - Adopting technology to create a sustainable and resilient environment • Connected, Intelligent City - Building a connected and intelligent city through technology • Smart Governance - Improving governance processes using smart technology • Smart Institution - Enhancing institutional efficiency through technology • Smart, digital economy - Boosting the digital economy through technology-driven innovation and entrepreneurship	**SG 6:** Use of technology for effective and efficient operations	• Field Service Management (including Customer Mobile App) • Customer Relationship Management (CRM) • Business process – Digital by design (eProcurement, eRecruitment, etc) • Innovation and Technology Programmes • Non-sewered Sanitation

Mayoral priorities	GLU objectives	Strategic goal	Company programmes
-	• -	**SG7:** Invest in our staff to sustain optimal performance and service-focused culture	• Recruitment and selection of talent • Training and Development programmes for staff, leaders and youth • Performance management to drive high performance • Succession planning and career management • Employee engagement and transformation. • Organisational design and review • Provide facilities and fleet management services to enable service delivery

Value Creation

In 2011, the CoJ committed to building a promising future for the communities of Johannesburg. Through an intensive consultative process, the CoJ and its people adopted a GDS 2040 that reflected the aspirations of a livable, sustainable, and resilient city. These aspirations were solidified in the 2022/27 IDP. These plans are executed on an annual basis through the SDBIP, which is informed by the annual CoJ priority programmes.

Johannesburg Water has set out its business model with inputs, business processes and outputs in line with principles 4 and 5 of the King IV Report.

Figure 3 demonstrates the value creation process in support of the CoJ's strategy. It further describes how we create value for our stakeholders through our core processes and deliver on our mandate.

As part of our business ethos, the Entity recognises the interdependencies between the business and a range of inputs, including human, social and natural capital. In turn, the business delivers a meaningful impact on society and its various communities that goes beyond mere financial performance. The value creation process is linked to the Entity's SDBIP and GDS 2040 performance. The resource plans for implementing the strategy are detailed in chapters 3 and 4.

Johannesburg Water's business model is premised on the need to provide water and sanitation services while providing the Shareholder with a revenue stream. The value proposition is to provide potable water and sanitation services to formal and informal households and businesses, and industries.

The Company has defined communication channels in place. The relationship with stakeholders is premised on the annual IDP public participation process, which holds the Company accountable to the communities it serves as required by legislation. The Company has achieved this through key activities supported by key resources. Rand Water, City Power, Eskom, Department of Water and Sanitation, CoJ 's Department of Human Settlement (CoJ HSD) and the Johannesburg Roads Agency (JRA) are valued as key partners. At the beginning of the year, the Company planned to generate revenue of R16.498 billion while keeping its cost low and profit before bad debts of R3.712 billion, thereby creating Shareholder value. The financial results are discussed in Chapter 5.

Figure 3: Johannesburg Water value-creation process

Inputs

Financial Capital (2022/23 closing balances)
- R1 567 billion cash in the bank
- R15.1 billion in sales revenue
- R14.7 billion Operating costs
- R1.530 billion staff costs budget
- R21.1 billion asset base

Manufactured Capital
- 12 466 km of water distribution networks
- 11 906 km of wastewater networks
- 129 reservoirs and water towers
- 37 water pump stations
- 38 sewer pump stations.
- 6 WWTW.

Intellectual Capital
- Joburg 2040 GDS
- Integrated Development Plan 2022–2027
- Smart City Strategy
- City reputation, branding and investment attraction potential.
- The community-based planning programme
- Business Plan.

Human Capital
- 2 786 employees
- Staff retention at 98%
- 82.27% training plan rollout
- Fair remuneration and performance incentives

Social and Relationship Capital
- Residents and rate payers
- Vulnerable communities
- Targeted stakeholder groups (e.g., women, youth and the elderly)
- Media, NGO's and academic stakeholders
- Cooperative relationship with the Shareholder.

Natural Capital
- (Natural resources consumed)
- Water
- Energy (electricity and fuel)

VISION

A water and sanitation utility that cares

MISSION

To provide all CoJ citizens with quality water and sanitation services by:
- Delivering a sustainable affordable and cost-effective service;
- Upgrading services in marginalised areas:
- Creating a customer-focused culture;
- Valuing and developing employees to build sustainable capacity;
- Safeguarding the health and safety of Johannesburg Water's employees, contractors and the general public;
- Improving the protection of the environment; and
- Managing assets and leveraging technology to enhance the level of security and quality of supply.

CORPORATE VALUES

- We value and promote teamwork
- We take accountability for our individual and team performance.
- We deliver a customer service that we have promised.
- We ensure that communication with our stakeholders is a priority.
- We build cost effectiveness in our business activities.

Context
- Six applicable National Outcomes (NDP)
- Seven SDGs
- Joburg 2040 Growth and Development Strategy
- GDS Outcomes driven through four Clusters

Key Risks
- Inadequate Funding of Infrastructure (Renewal, Mega and Expansion Projects)
- Declining Payment Levels
- Wastewater Spillages
- Increasing Non-Revenue Water
- Security of Supply (Water demands outstripping supply)
- Infrastructure failure
- Significant Dependencies on City Compromising Long-term Planning, Optimal Operations/Service Delivery and Sustainability
- Inability to recover from Major Business Interruptions and Disasters
- Slow Adoption of New Technologies
- Climate Change Adverse Events
- Cyber Security Breaches
- Unethical Behaviour
- Stakeholder Dissatisfaction
- Vandalism and Theft of Infrastructure
- Public Health and Safety

Strategy/GDS Principles
- Improved quality of life and development-driven resilience for all.
- Provide a resilient, liveable, sustainable urban environment – underpinned by smart
- infrastructure supportive of a low carbon economy.
- An inclusive, job-intensive, resilient, competitive, and smart economy that harnesses the potential of citizens.
- A high performing metropolitan government that proactively contributes to and builds a sustainable, socially inclusive, locally integrated, and globally competitive Gauteng city Region.

Opportunities
- Improved investment attraction
- Optimal use of City's key assets
- Creation of Sustainable Human Settlements
- Improved citizen participation
- Growth of the informal business sector
- Enhanced support for SMMEs and Cooperatives

Outputs/ Programmes
- A society characterised by healthy living for all.
- A safe and secure city
- Sustainable and integrated delivery of water
- Sustainable and integrated delivery of sanitation
- Sustainable human settlements
- Climate change resilience and environmental protection
- Job-intensive economic growth
- Increased competitiveness of the economy
- A 'Smart' City of Johannesburg, that is able to deliver quality services to citizens in an efficient and reliable manner (cross-cutting output)
- Partnerships, intergovernmental and international relations
- A responsive, accountable, efficient, and productive metropolitan government
- Financially sustainable and resilient city
- Meaningful citizen participation and empowerment
- Guaranteed customer and citizen care and service

Outcomes

Economic Sustainability
- R2.810 billion cash in the bank
- R17.059 billion in sales revenue
- R5.576 billion profit before bad debt provision
- 1 483 EPWP jobs created.
- 123 SMMEs were supported.
- 133% of procurement recognition spent on B-BBEE.
- 85.36% of actual water meter readings submitted to bill
- 17 km of water pipes replaced
- 5 km of sewer pipes replaced
- 99.2% water quality compliance
- 67.46% of water bursts repaired within 48 hours.

Administrative Sustainability
- 75.7% payment level
- 85.36% of actual water meter readings submitted to bill
- Unqualified audit opinion

Environmental Sustainability
- 100% compliance with sludge guidelines
- 99.2% water quality
- 76.1% effluent compliance
- 92.67% of sewer blockages cleared within 24 hours
- 67.46% of water bursts repaired within 48 hours
- 261.73 l/c/d water consumption per capita
- 46.20% NRW

Social Sustainability
- 0 households in informal settlements were provided with access to basic sanitation.
- 927 households in informal settlements were provided with access to basic water

CHAPTER TWO:

GOVERNANCE



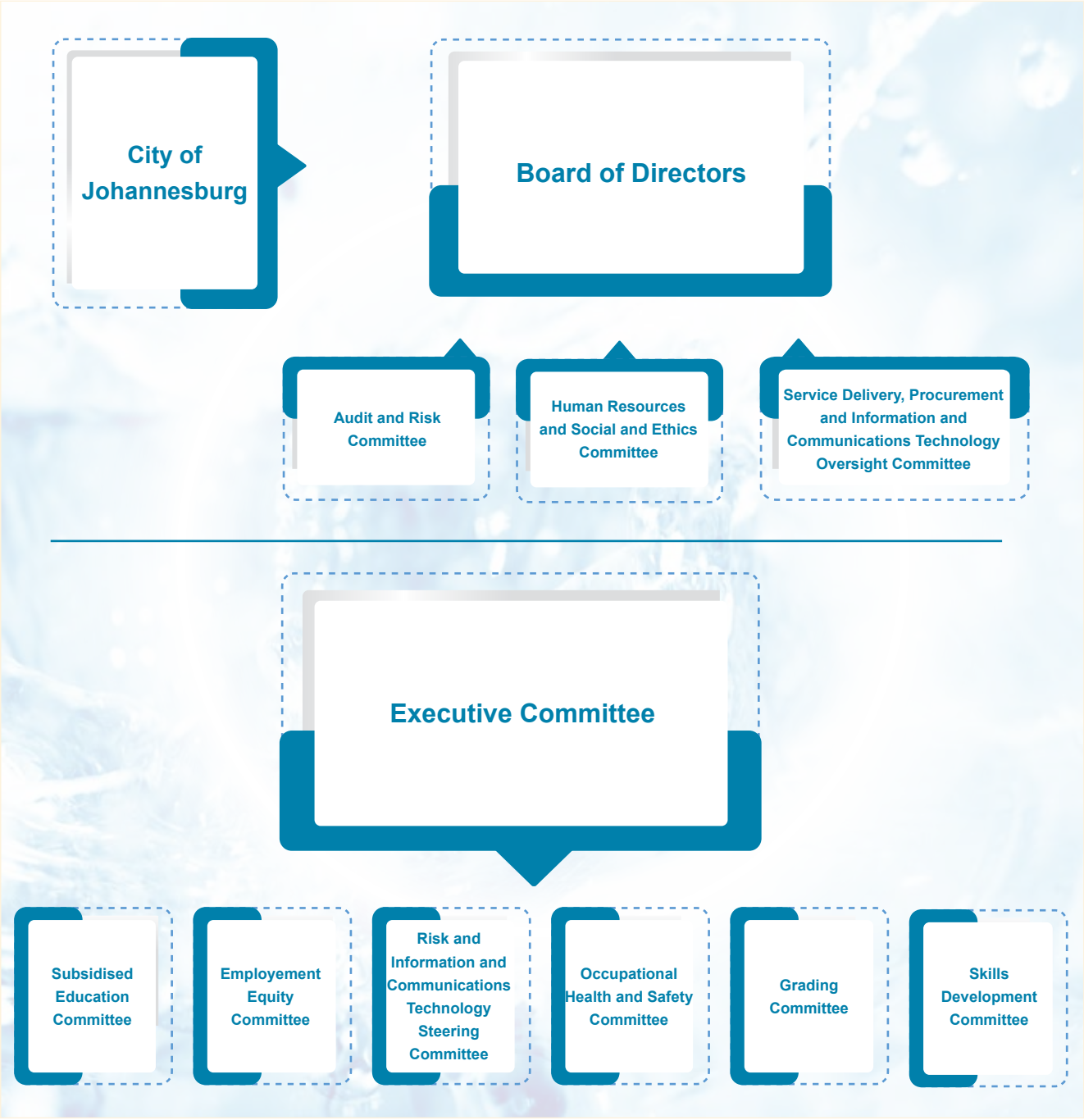
Stakeholders impacted: Shareholder and Communities

Strategic Response: Goals 5 and 6

Section 1:

COMPOSITION, KEY ACTIVITIES AND REMUNERATION OF THE BOARD

Figure 4 below reflects the governance interface within the Entity.



Board Composition

Johannesburg Water has a unitary Board, which consists of Executive and Non-executive Directors. During the period under review, the Board was chaired by a Non-executive Director, Mr Sipho Mthembu. A subsequent event that occurred after the closing of the financial year, was the adjustment of the composition of the Board with the appointment of Ms Dineo Majavu as the chairperson of the Board following the Annual General Meeting (AGM) on 31 July 2024, together with the appointment of the new directors. The Board meets regularly (at least quarterly) and retains complete control of the Company. It remains accountable to the CoJ Metropolitan Municipality as its single Shareholder.

The Board comprised of nine non-executive directors and two executive directors, as of 30 June 2024, in accordance with the Company's Memorandum of Incorporation.

As Chairman of the Board, Ms Dineo Majavu is a Non-executive Director and remains independent. She has no pecuniary interests in Johannesburg Water.

As of 30 June 2024, the Board of Directors of the Company comprised of the following members:

- Mr Sipho Mthembu (Chairperson from 27 October 2023 to 31 July 2024)
- Ms Gugu Phakathi (resigned with effect from 23 October 2023)
- Mr Molate Mashifane
- Mr Pholoso Matjele
- Mr Phetole Modika (resigned with effect from 15 June 2024)
- Mr Siphamandla Mnyani
- Mr Kgaile Mogoye
- Mr Lunga Bernard
- Ms Zandile Meeleso
- Ms Pamela Mabece
- Mr Julius Maputla – appointed with effect from 18 September 2023
- Mr. Ntshavheni Mukwevho (Managing Director)
- Mr Kgaugelo Mahlaba (Chief Financial Officer) appointed with effect from 1 March 2024
- Mr Johan Koekemoer (Financial Director) fixed-term contract ended 30 November 2023

The Board is satisfied that it comprises the appropriate mix of knowledge, skills, experience, and diversity and that it is sufficiently independent to discharge its fiduciary duties effectively and with the requisite objectivity. The Board is appointed by the Shareholder, which, among others, considers gender balance for the appointments.

As prescribed by section 166 of the MFMA (2003) and the Companies Act (2008), the following have been appointed by the Shareholder as independent Audit and Risk Committee members:

Mr Mokganedi Masibi	Independent Audit and Risk Committee member
Dr Solly Pooe	Independent Audit and Risk Committee member
Ms Zodwa Tlale	Independent Audit and Risk Committee member
Mr Collen Sambo	Independent Audit and Risk Committee member

Ms Phakathi and Mr Modika resigned as Non-executive Directors with effect from 23 October 2023 and 15 June 2024 respectively, while Mr Maputla was appointed as a Non-xecutive Director on 18 September 2023. Mr Johan Koekemoer's fixed-term contract came to an end on 30 November 2023. There were no retirements of independent Audit and Risk Committee members during the period under review.

BOARD MEMBERS



Mr. Sipho Mthembu

(Chairperson from 27 October 2023 to 31 July 2024)

Role

- Non-Executive Director

Period of Service

- 01 March 2023 to date
- Age 44

Qualifications

- National Diploma Safety Management

Skills and Expertise

- Supervision
- Administration

Professional Registration:

- None

Other Directorships

- None



Mr. Ntshavheni Mukwevho

Role

- Managing Director

Period of Service

- 1 September 2022 to date
- Age 48

Qualifications

- BTech: Eng (Civil)
- Master of Business Leadership (MBL)
- Pr. Tech Eng
- Certificate in Municipal Financial Management

Skills and Expertise

- Engineering and Operation Management
- Construction management
- Project management
- Water purification and distribution system
- Sewerage collection systems

Professional Registration

- Pr Tech Eng

Other Directorships

- None



Mr Kgaugelo Mahlaba

Role

- Chief Financial Officer

Period of Service

- 1 March 2024 to date
- Age 42

Qualifications

- ND Credit Management
- BCTA
- CTA
- CA (SA)
- CIMA case study

Skills and Expertise

- Financial Planning and Analysis
- Financial Reporting
- Budget Management
- Capital Budgeting and Valuations
- Finance Transformation
- Professional Registration: SAICA

Other Directorships

- Techmonet PTY LTD
- Brave Blue Holdings
- Firsthand Advisory Services
- Invest Afric Holdings
- Matoaka PTY LTD



Mr Pholoso Matjele

Role

- Non-Executive Director

Period of Service

- 01 March 2023 to date
- Age 47

Qualifications

- Certificate in Risk Management for Projects
- Certificate for Public Financial Management IMF
- Certificate Entrepreneurship in Emerging Economies (EEE
- Masters in Business Administration (MBA),
- Postgraduate Diploma in Advanced Business Management
- Certificate in Investment and Finance
- Bachelor of Commerce (BCom), Marketing and Business Management,
- Professional Registration:
- Institute of Directors Southern Africa (IOD-SA).

Skills and Expertise

- Municipal Revenue Management Strategy Development
- Utilities (Energy and Water) Solution Strategy Developer
- Business Development and Sales Strategy
- Business Growth and Market Research Consultancy
- Industry Market Dynamics Mechanisms and Solutions Specialty
- Organisational Development and Leadership Strategy
- Leadership and Management Training Specialty
- Stakeholder Management Strategy
- Strategic Management Consultancy
- Diversity Management Strategy
- Political and Situational Risk Management Strategy

Other Directorships

- Global Economic Fraternal (GEF) Business Association
- AUDIT COMMITEE: Fezile Dabi District Municipality



Ms Zandile Meeleso

Role

- Non-Executive Director

Period of Service

- 01 March 2023 to date
- Age 54

Qualifications

- Certificate – Secretarial Course

Skills and Expertise

- Administration

Professional Registration:

- None

Other Directorships

- None



Mr Molate Mashifane

Role

- Non-Executive Director

Period of Service

- 01 March 2023 to date
- Age 36

Qualifications

- Master of Business Management and Administration (MBA)
- Postgraduate Diploma – Business Management and Administration
- Postgraduate Diploma – Risk Management,
- Postgraduate Diploma - Project Management, Cum Laude
- Bachelor of Arts Degree in Government, Administration and Development

Skills and Expertise

- Leadership and Governance
- Program and Project Management
- Strategic Planning
- Stakeholder Management
- Team Leadership
- Research
- Speech Writing
- Change Management
- Public Speaking

Professional Registration

- None

Other Directorships

- MBS Consulting
- Driftwood Logistics

BOARD MEMBERS



Mr Lunga Bernard

Role

- Non-Executive Director

Period of Service

- 01 March 2023 to 31 July 2024
- Age 28

Qualification

- Bachelor of Arts degree
- Skills and Expertise
- Research
- Planning

Professional Registration

- None

Other Directorships

- None



Mr. Siphamandla Mnyani

Role

- Non-Executive Director

Period of Service

- 15 February 2022 to 31 July 2024
- Age 38

Qualifications

- Master of Business Administration
- M. Eng-(UJ) –Topic: Analysis of flue gas desulphurisation in power plants and South African energy mix (IRP)
- Management Advancement Programme
- Risk Management Programme (UCT)
- BSc (Hons) Management of Technology
- B-Tech (Mech Eng)
- NDip (Mech Eng)

Skills and Expertise

- Nuclear Technology Production
- Electrical Engineering
- Project Management
- Plant reliability and maintenance within oil and gas, power plants, nuclear, pharmaceutical, and chemical industries

Professional Registration

- Engineering Council of South Africa

Other Directorships

- None



Mr Kgaile Mogoye

Role

- Non-Executive Director

Period of Service

- 01 March 2023 to date
- Age 39

Qualifications

- Master of Business Administration
- Master of Science in Medicine (Cum laude)
- Bachelor of Science (Honours) in Microbiology
- Bachelor of Science in Microbiology

Skills and Expertise

- Strategic leadership and interpersonal skills
- Negotiation and conflict resolution
- Risk Compliance and Monitoring
- Policy development, implementation and monitoring
- Research techniques and scholarly publication
- Implementation of Quality Management Systems
- Critical thinking, problem solving and analytical skills
- Good planning and organising skills

Professional Registration

- HPCSA

Other Directorships

- Crafty Embroideries Pty (Ltd)
- EasyRise Pty (Ltd)



Ms Pamela Mabece

Role

- Non-Executive Director

Period of Service

- 01 March 2023 to date
- Age 36

Qualifications

- BA Governance and Developmental Studies – UNISA
- Post Graduate Diploma in Management - Regent Business School
- BSC Hon - Environmental Management
- BSc Environmental Science
- Young African Leader Alumni specialising in Public Governance

Skills and Expertise

- Environmental Compliance Management and Auditing
- Environmental Permitting
- Crisis Management and Change Management
- Project Management, Planning and Execution
- Strategy Development and Execution
- Environmental and Social Management
- System Development and Implementation
- Water Quality Monitoring
- Development of ESG Policies: and Reporting
- Environmental Incident Management.
- Environmental Investigations and Reporting
- Stakeholder Management
- Training, Coaching and Mentoring.
- Integrated Risk Management

Professional Registration

- Professional Scientist registered with South African Council for Natural Scientific Professions (SACNASP)
- Envision Sustainability Professional with Institute for Sustainable infrastructure
- ESG Advisor with International Association for Sustainable Economy (IASE)

Other Directorships

- None



Mr Julias Maputla

Role

- Non-Executive Director
- Period of Service
- 18 September 2023 to 31 July 2024
- Age 47

Qualifications

- LLB and Certificate in Community Development Theories
- Certificate in Community Development Management
- Certificate in Business Writing
- Diploma in Executive Secretariat

Skills and Expertise

- Stakeholder Management
- Mediation and Conflict Resolution
- Crisis Management
- Project Management and Planning
- Negotiations

Professional Registration

- None

Other Directorships

- None

BOARD MEMBERS



Ms Gugulethu Phakathi (Former Chairman)

Role

- Non-Executive Director

Period of Service

- 01 March 2023 to 23 October 2023
- Age 38

Qualifications

- NDIP (Mechanical Engineering)
- BTECH Degree (Mechanical
- Engineering)

Skills and Expertise

- Build Environment
- Project Management,
- Construction
- Engineering

Professional Registration

- None

Other Directorships

- AQUATAN (PTY) LTD
- Gauteng Partnership Fund (GPF)



Mr. Phetole Modika

Role

- Non-Executive Director

Period of Service

- 01 March 2023 to 15 June 2024
- Age 38

Qualifications

- Bachelor of Laws

Skills and Expertise

- Municipal and Public Finance
- Infrastructure development and project finance.
- General banking and financial services
- Aircraft operating leases
- Infrastructure development and project finance
- Acquisition and leveraged finance

Professional Registration

- None

Other Directorships

- Cliffe Dekker Hofmeyr Incorporated (“CDH”)
- Umnotho Kantu Proprietary Limited



Mr Johan Koekemoer

Role

- Financial Director

Period of Service

- 1 December 2018 to 30 November 2023
- Age 57

Qualifications

- B. Com
- B.Com Honours (CTA)
- B. Com Honours Accounting
- CA (SA)
- Certificate in Municipal Financial Management

Skills and Expertise

- Financial and Management Accounting
- Meter Reading
- Supply Chain management
- Debt Counselling
- IT and telecoms sector
- Water sector

Professional Registration

- None

Other Directorships

- None

BOARD COMMITTEE COMPOSITION

During the financial year, the Board had three standing Board Committees, namely the:

- Audit and Risk Committee
- Human Resources and Social and Ethics Committee
- Service Delivery, Procurement and Information and Communication Technology

Oversight Committee (Service Delivery, Procurement, and ICT Oversight Committee)

Audit and Risk Committee

- Molate Mashifane (Non-executive Director) (Chairman)
- Kgaile Mogoye (Non-executive Director)
- Mokganedi Masibi (Independent)
- Dr Solly Pooe (Independent)
- Zodwa Tlale (Independent))
- Collen Sambo (independent)

Human Resources and Social and Ethics Committee

- Phetole Modika (Non-executive Director – served until 15 June 2024) (Chairman)
- Pamela Mabece (Non-executive Director)
- Zandile Meeleso (Non-executive Director)
- Lunga Bernard (Non-executive Director)
- Johan Koekemoer (Financial Director – served until 30 November 2023)
- Ntshavheni Mukwevho (Managing Director)
- Kgaugelo Mahlaba (Chief Financial Officer)

Service Delivery, Procurement and ICT Oversight Committee

- Pholoso Matjele (Non-executive Director) (Chairman)
- Gugulethu Phakathi (Non-executive Director – served until 23 October 2023)
- Siyabonga Mthembu (Non-executive Director)
- Siphamandla Mnyani Non-executive Director)
- Julias Maputla (Non-executive Director appointed with effect from 18 September 2023)
- Johan Koekemoer (Financial Director – served until 30 November 2023)
- Ntshavheni Mukwevho (Managing Director)
- Kgaugelo Mahlaba (Chief Financial Officer)

The Board, as the custodian of the Company, serves as the custodian of governance. The Board has established necessary Board committees with specific terms of reference and delegated powers to assist the committees in discharging their responsibilities. The Company's day-to-day running has been devolved to the Managing Director through a formal schedule of delegated powers. The Managing Director, in turn, devolves powers to his executive team to carry out and implement the Company's strategic objectives. The Board is satisfied that this system of delegation contributes effectively to role clarity.

Roles and Functions of Various Board Committees

The Service Delivery, Procurement and ICT Oversight Committee's roles and responsibilities include, among others, overseeing matters concerning the following:

- The operations, capital expenditure, customers and communications of the Company.
- The implementation, monitoring and review of the Information and Communication Technology (ICT) strategy and related policies.

The Human Resources and Social and Ethics Committee's role and responsibilities include, among others, the following:

- Overseeing that the Company is compliant with labour laws and ensuring the development and implementation of a human resources plan.
- Monitoring the Company's activities regarding matters relating to social and economic development and good corporate citizenship.

The Committee considered the Remuneration Policy and is satisfied that it remains aligned with the Company's ability to achieve its objectives.

The Audit and Risk Committee's roles and responsibilities include, but are not limited to, the following:

- Ensuring that a combined assurance model is applied to provide a coordinated approach to all assurance activities.
- Ensuring that the combined assurance received is appropriate to address all the significant financial reporting risks facing the Company.
- Overseeing internal audit.
- Assessing the Company's performance on a quarterly and annual basis.
- Overseeing the development and annual review of the Company's Enterprise-Wide Risk Strategy and Plan for recommendation to the Board.
- Monitoring implementation of the Enterprise-Wide Risk Management Policy and Plan using risk management systems and processes.
- Overseeing that the Risk Management Plan is widely disseminated throughout the Company and integrated into its day-to-day activities.
- Ensuring that management considers and implements appropriate risk responses.

The Audit and Risk Committee reviewed the AFS, including the applicable accounting policies, to ensure the accuracy and consistency of the information contained therein.

As part of its key focus areas, the Audit and Risk Committee monitored the effectiveness of the Finance and Internal Audit functions, including that of the Chief Financial Officer and the Chief Audit Executive; the committee is satisfied with the effectiveness of these functions.

The Audit and Risk Committee provided and maintained oversight over internal controls and, through the audit strategy, managed the relationships between the internal and external audit functions. The results of these activities are discussed in greater detail in the report of the Audit and Risk Committee entailed in the AFS.

Key Focus Areas of Board Committees

- Recommended the Business Plan to the Board for approval.
- Recommended the IAR to the Board for approval.
- Approval of Social and Ethics Quarterly Report.
- Review of Strategic Risk Register.
- Making input into the setting of strategic direction.
- Maintaining oversight over compliance with relevant legislation.
- Recommendation of Company policies to the Board for approval.
- Oversight of ICT governance.
- The Committees are satisfied that they have fulfilled their responsibilities following their respective terms of reference.

Board Assessment 2023/24

In terms of the CoJ Group Policy on the Governance of the Group Advisory Committees, Municipal Entities Boards of Directors and Independent Audit Committees, the Shareholder is responsible for the annual assessment of the Board's performance.

Table 7: Schedule of Attendance of Meetings

Directors and independent members	Board	Audit and Risk Committee	Human Resources and Social and Ethics Committee	Service Delivery, Procurement, and ICT Oversight Committee	Nominations Committee	Total
	10	8	5	4		
Sipho Mthembu	9/10	-	-	4/4	7/7	20/21
Gugulethu Phakathi**	3/3	-	-	2/2	1/1	6/6
Molate Mashifane	9/10	8/8	-	-	-	17/18
Phetole Modika**	9/9	-	5/5	-	-	14/14
Pholoso Matjele	10/10	-	-	4/4	-	14/14
Siphamandla Mnyani	10/10	-	-	4/4	-	14/14
Kgaile Mogoye	9/10	7/8	-	-	-	16/18
Lunga Bernard	9/10	-	5/5	-	-	14/15
Zandile Meeleso	9/10	-	5/5	-	-	14/15
Pamela Mabece	9/10	-	5/5	-	-	14/15
Julias Maputla	5/6	-	-	1/1	-	6/7
Ntshavheni Mukwevho	9/10	-	5/5	4/4	8/8	26/27
Johan Koekemoer**	5/5	-	2/3	2/2	-	9/10
Kgaugelo Mahlaba	3/3	-	-	-	-	3/3
*Collen Sambo		8/8	-	-	-	8/8

Directors and independent members	Board	Audit and Risk Committee	Human Resources and Social and Ethics Committee	Service Delivery, Procurement, and ICT Oversight Committee	Nominations Committee	Total
*Zodwa Tlale-Maoba		8/8	-	-	-	8/8
* Solly Pooe		7/8	-	-	-	7/8
*Mokganedi Masibi		6/8	-	-	-	6/8

*Independent Member of the Audit and Risk Committee

** Either resigned or contract expired before the end of the reporting period

During the year under review, the Board and Board Committees convened special meetings to consider the following:

Human Resources and Social and Ethics

27 November 2023

- Remuneration Policy: bonus and performance increase 2022/2023.
- Performance bonuses: Executive Management: July 2021 to June 2022.

Audit and Risk:

25 August 20223

- Consideration of the first draft Annual Report– financial year ending 30 June 2023.
- Submission of Johannesburg water Annual Financial Statements June 2023.
- 2022/23 Annual Performance Report.
- Johannesburg water going concern assessment 2022/23 financial year.
- Audit Engagement Letter.
- Materiality Framework 2022/2023.

26 November 2023

- Deviation Report: amendments of the 2023/24 Business Plan.
- 2022/23 Company Performance.
- 2022/23 Company Performance Score.
- Audit General Management Report and the Audit Report. for the period: 2022/2023.
- Submission of Johannesburg Water Annual Financial Statements June 2023.
- Approval of Annual Integrated Report and Financial Statements – year ending 30 June 2023.

07 March 2024

- Report on the 2022/23 audit outcomes and management interventions.
- Progress report on the implementation of internal audit quality assurance improvement plan – Quarter 1 of 2023/24 financial year.
- Group Forensic and Investigation Johannesburg Water Status Report.

19 June 2024

- Revised Strategic Risk Register for the period 2024/25 financial year.
- Submission of motivations for Unauthorised, Irregular, Fruitless and Wasteful Expenditure (UIFWE) Audit and Risk Committee and Board for approval to write-off.

Board:

29 August 2024

- Approval of the Draft Integrated Annual Report – financial year ending 30 June 2023.
- Submission of Johannesburg Water Annual Financial Statements ending June 2023.
- 2022/23 Annual Performance Report.
- Johannesburg Water Going Concern Assessment 2022/23 financial year.
- Auditor General: Audit Strategy and Engagement.
- Letter with Johannesburg Water.
- Materiality Framework 2022/2023.
- Internal Audit Final Review of AOPO and draft AFS for year ended 30 June 2023.
- **26 November 2023**
- Presentation: Water Challenges.
- **23 January 2024**
- Recommendation Report: Appointment of the Financial Director.
- 27 June 2024
- Submission of Motivations of UIFWE to the ARC and Board for approval to write-off.
- Revised Strategic Risk Register for the period 2024/25.
- Deadline submission of Board and Board Committee's agendas.
- Resignation of Non-executive Director: Mr Phetole Modika.
- Report to rescind the approved Performance Management Policy for Executive Management.

Table 8: Attendance at Group Meetings

Type of Meeting	Fees
G Phakathi Chairpersons' quarterly meeting – 3 August 2023	R4,000
G Phakathi Group Audit and Risk meeting – 3 July 2024	R8,000
S Mthembu Chairpersons' quarterly meeting – 30 October 2023	N/A
S Mthembu Chairpersons' quarterly meeting – 9 February 2024	N/A
S Mthembu Chairpersons' quarterly meeting – 9 May 2024	N/A

During the year under review, the Shareholder representatives were invited to all Board and Board committee meetings. The Auditor-General of South Africa (AGSA) was invited to attend the Audit and Risk Committee meetings.

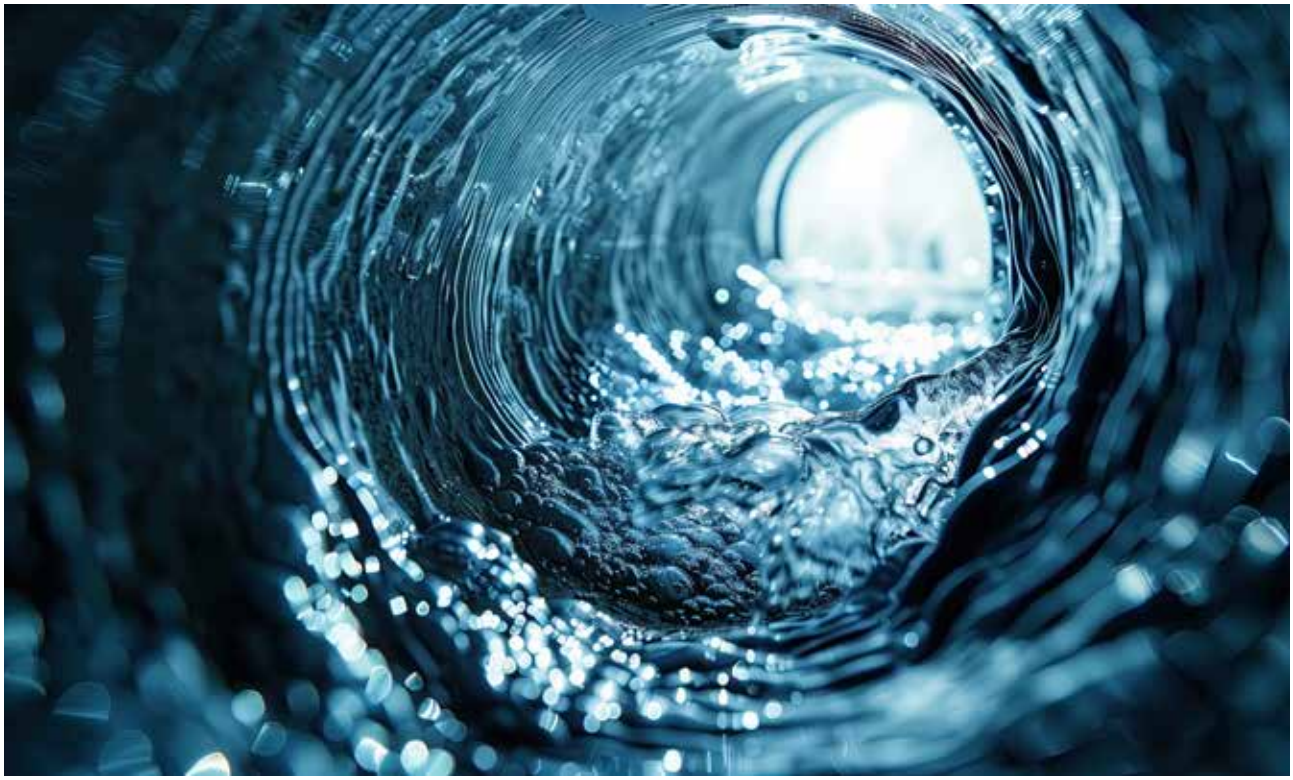
Directors' Remuneration

Director remuneration is regulated through the CoJ Group Policy on the Governance of the Group Advisory Committees, Municipal Entities Boards of Directors and Independent Audit Committees.

The fees depicted in the table below were approved and became effective on 05 October 2021. There were no changes to the fees structure at the Annual General Meeting held on 31 July 2024, as reflected in table 9 below:

Table 9: Non-executive Director fee Structure

Type of Meeting	Fees
Board	
Chairperson – Meeting	R16,000
Member – Meeting	R12,000
Audit and Risk Committee	
Chairperson – Meeting	R10,000
Member – Meeting	R8,000
Human Resources and Social and Ethics Committee	
Chairperson – Meeting	R10,000
Member – Meeting	R8,000
Service Delivery, Procurement, and ICT Oversight Committee	
Chairperson – Meeting	R10,000
Member – Meeting	R8,000



Non-Executive Director fees - 1 July 2023 to 30 June 2024.

Table 10: Non-Executive Director fees

Description (All amounts are before Tax)	Non-Executive Director: Sipho Mthembu*	Non-Executive Director: Molate Mashifane*	Non-Executive Director: Phetole Modika***	Non-Executive Director: Pholoso Matjele	Non-Executive Director: Siphamandla Mnyani	Non-Executive Director: Kgaile Mogoye*	Non-Executive Director: Lunga Barnard**	Non-Executive Director: Zandile Meeleso	Non-Executive Director: Pamela Mabece	Non-Executive Director: Julias Maputla*	Non-Executive Director: Gugu Phakathi***
Salaries and Wages Normal Overtime	-	-	-	-	-	-	-	-	-	-	
Contributions, Pensions Medical Aid Other	-	-	-	-	-	-	-	-	-	-	
Allowances travel and motor car, accommodation subsistence	-	-	-	-	-	-	-	-	-	-	
Other benefits (Specify) Bonus	-	-	-	-	-	-	-	-	-	-	
Meeting fees paid to Non-executive Directors	R0*	R0*	R182,000	R172,000	R180,000	R0*	R120,000	R172,000	R172,000	R0*	R76,000
Retainer paid to Non-executive Drectors	-	-	-	-	-	-	-	-	-	-	
TOTAL	**R0***	**R0***	**R182,000**	**R172,000**	**R180,000**	**R0***	**R120,000**	**R172,000**	**R172,000**	**R0***	**R76,000**

*Employee of the State and not eligible to receive fees

*** Resigned during the current financial year

** Ceased from being a State employee with effect from 1 November 2023

Table 11: Meeting Fees for IAC Members

(Inclusive of fees paid to IAC for attendance of the two-day Board Strategy and Risk Workshop, which was paid at the Board rate of R12 000 per day as per the Group Governance Policy)

Description (All amounts are before Tax)	Independent Member Mokganedi Masibi	Independent Member Solly Pooe	Independent Member Zodwa Tlale	Independent Member Collen Sambo
Meeting fees paid	R0*	R56,000	R88,000	R88,000
TOTAL	**R0***	**R56,000**	**R88,000**	**R88,000**

*Employee of the State and not eligible to receive fees

Travel expenses paid to Non-executive Directors and independent Audit and Risk Committee members who are State employees are reflected in table 12.

Table 12: Travel Expenses

Description	Independent Member Mokganedi Masibi	Non-executive Director Kgaile Mogoye
Travel Expenses paid	R1 949	R2 979
TOTAL	**R1 949**	**R2 979**

Board Induction and Information

There was no Board Induction held during the period under review, however Group Governance provided training to members.

All Company information is captured in a document management system under the control of the Company Secretary. Board members have unrestricted access to the Company Secretary and all Company records and documents.

Disclosure of Interest

Each time a meeting of the Board or one of its committees is convened, a specific item was included in the agenda on the declaration of conflict of interests. During the year under review, there were no conflicts of interest declared. The attendance and declaration of interest records are stored electronically and are open for scrutiny.

Policy Review and Adoption

For the year under review, the following policies were approved by the Board, as reflected in table 13 below:

Table 13: Policy Approval

Policy Description	Approval Date	Implementation Date
Business Continuity Management Policy	01 August 2023	01 August 2023
Firearm Control Policy	01 August 2023	01 August 2023
Substance Abuse Policy	31 October 2023	31 October 2023
Prepayment Water Metering Policy	06 February 2024	06 February 2024
ICT Data Backup and Recovery Policy	06 February 2024	06 February 2024
Anti-Fraud and Corruption Prevention Policy	06 February 2024	06 February 2024
Whistle Blowing Policy	06 February 2024	06 February 2024
Succession Planning policy	07 May 2024	07 May 2024
Mobile Cellular Phones Policy	07 May 2024	07 May 2024
Gift Policy	07 May 2024	07 May 2024
ICT Cloud Computing Policy	07 May 2024	07 May 2024
Supply Chain Management Policy	07 May 2024	07 May 2024

Section 2:

HIGH-LEVEL ORGANISATIONAL STRUCTURE

The management structure depicted in Figure 4 relates to those managers deemed to be appointed in terms of the provisions of Section 56 of the MSA (2000). A summary of the executive management team is provided in Figure 4. The structure is reviewed, amended and enhanced where necessary. The following organogram demonstrates how the Entity's core business feeds into the different departments.

Figure 4: Executive Management



Table 14: Executive Management

Name	Position	Contract type	Qualifications	Skills and expertise
Ntshavheni Mukwevho (appointed 1 September 2022)	Managing Director	Fixed term expiring on 31 August 2027	• BTech: Eng (Civil) • Master of Business Leadership (MBL) • Certificate in Municipal Financial Management (MFMP)	• Engineering and operations management • Construction management • Project management • Water purification and distribution system • Sewerage collection systems
Kgaugelo Mahlaba (Appointed 1 March 2024)	Chief Financial Officer	Permanent	• ND Credit Management • BCTA • CTA • CIMA Case Study • CASA	• Financial Planning and Analysis • Financial Reporting • Internal and External Audit • Budget Management • Process mapping and improvement • Capital Budgeting and Valuations
Shaniseka Mathebula (appointed 1 August 2021)	Chief Audit Executive	Fixed term expiring on 31 July 2026	• B. Compt • Postgraduate Diploma: Internal Auditing • Certified Internal Auditor (CIA) • Associate General Accountant (AGA) SAICA • Certificate in Municipal Financial Management (MFMP)	• Internal audit • Financial management • Governance, risk management and internal control

Name	Position	Contract type	Qualifications	Skills and expertise
Raisebe Gaveni (appointed 1 January 2020)	Executive Manager: HR and CS	Fixed term expiring on 31 December 2024	• Bachelor of Administration • B. Administration Honours Degree (Industrial Psychology) • Advanced Certificate in Human Resource Management • Master of Science in Human Resources • Certificate in Municipal Financial Management (MFMP)	• Recruitment and Selection • Performance Management • Talent and Succession Management • Organisational Culture and Change Management • Employee Health and Wellness • Transformation • Leadership Development and Knowledge Management • Employee Relations • Corporate Social Investment
Thokozile Hlakoane (appointed 01 January 2020)	Executive Manager: Risk, Compliance and Business Continuity	Fixed term expiring on 31 December 2024	• B Com (UP) • Certificate in Municipal Financial Management (MFMP) • Certified Ethics Officer (Reg. No. EO359 (The Ethics Institute) • Lloyds of London Autumn Worldwide Certificate Programme • Emerging Management Development Programme (SAMDI-South African Management Development Institute) • Local Government Management Programme (Belgravia Institute of Management)	• Risk Management • Financial Management • Governance • Ethics Management • Forensics • Insurance • OHS

Name	Position	Contract type	Qualifications	Skills and expertise
Kethabile Mabe (appointed 1 February 2020)	Executive Manager: Governance and Legal Services	Fixed term expiring on 31 January 2025	• LLB • Management Advancement Programme • Admitted attorney of the High Court of SA • Certificate in Municipal Financial Management (MFMP) • Post Graduate Diploma: Corporate Governance	• Legal Services • Human Resources Management • Customer Relation Management • Legislative Compliance • Strategic Communication • Facility Management • Secretariat services
Nondumiso Mabuza (appointed 1 March 2021)	Executive Manager: Stakeholder Relations and Communications	Fixed term expiring on 28 February 2026	• BA Communication Science • BA Communication Science Honours • MPhil Communication Management • Certificate in Municipal Finance Management	• Public participation and outreach management • Public relations management • Corporate communication management • Stakeholder relationship management • Strategic planning • Project and events management • Customer relationship management

Section 3:

GOVERNANCE OF STAKEHOLDER RELATIONSHIPS

In the 2023/24 financial year, Johannesburg Water made significant efforts to strengthen its engagements with both internal and external stakeholders. Throughout this period, the Entity has consistently engaged in regular consultations with all the Ward and PR Councillors of the CoJ to effectively address service delivery concerns. These consultations are facilitated through the use of dedicated regional WhatsApp groups, as well as a separate group specifically for PR Councillors.

Targeted communication was conducted with them to pre-inform and keep them posted of planned and unplanned service disruptions in their areas.

Furthermore, regular stakeholder forums with targeted stakeholders such as the Prepaid Water Meter Vendors, Faith-Based Organisations, the Health Sector, the Trade and Effluent Stakeholders, the Top 100 Customers, the Gauteng Department of Education as well as other related stakeholders were held periodically to deal with pertinent issues. The Entity also conducted targeted engagements with various SMMEs, Prepaid Water Meter Vendors and other small scale role players in the industry.

The Entity also works closely with various community-based structures and conducts public education campaigns on water and sanitation-related issues, which include payment of services, dangers of encroachment on the Johannesburg Water servitude. Partnerships with the Gauteng Department of Education and the Department of Health have successfully assisted in facilitating public awareness campaigns on the correct use of sewer infrastructure, water conservation, importance of payment for services and other related issues.

Johannesburg Water continues to enhance its working relationship with various government structures as part of its Inter-Governmental Relations process. During the period under review, various Provincial Government Departments were engaged as part of creating the awareness on the importance of paying for their services and actual understanding of the Municipal Statement sent to them monthly. We also discussed the importance of these departments having their own water storage as per the Municipal by-laws to be able to deal with planned and unplanned service disruptions.

A healthy working relationship is maintained with the various media houses to ensure that the Entity's reputation and public opinion remain positive. Internal stakeholders are informed of the internal developments to ensure compliance with the corporate identity. The department further supported and worked with internal stakeholders, with the formation, coordination and maintenance of communication activities, platforms and mediums aimed at improving the flow of information. Internal communication also served as a channel for messages from senior management and business units/ departments, to filter down to all employees and provide them with a better understanding of the purpose, goals, activities and direction of the Entity.

In addition, the SRC department worked closely with schools, academic institutions, and industry professional bodies such as the Water Resource Commission and the Engineering Council of South Africa on salient water related issues.

Against the backdrop of severe water challenges during the period under review, the Entity implemented public awareness education initiatives with the public broadcast, the South African Broadcasting Corporation (SABC) through a paid for education initiatives. The three campaigns were: Water Conservation, Pay for Services and Infrastructure Vandalism. Through this campaign, the Entity sought to promote, educate, and inform the residents of the City of on the importance of water conservation, paying for services to maintain uninterrupted water supply and the negative impact of infrastructure vandalism to overall service delivery.

Further information on the stakeholder and customer engagements is detailed in Chapter 3.



Section 4:

RISK MANAGEMENT

Approach to Risk Management

Enterprise Risk Management (ERM) is a critical component of the Company's Strategic Management. It is a tool that enables the achievement of its strategic objectives and the long-term sustainable growth of the business. The CoJ's ERM Framework is consistent with the relevant standards and best practice, including International Organisation for Standardisation

(ISO) 31000, the ERM Framework of the Committee of Sponsoring Organisations of the Treadway Commission (COSO) and the King IV Report. The framework provides a structured, dynamic and consistent approach to the management of Company risks as mandated by Section 95 (c) (i) of the MFMA (2000).

The Company maintains an ERM Policy and ERM Strategy approved by the Board, which were fulfilled by executing the approved Annual Risk Management Implementation Plan.

Board Risk Oversight

The Board is the governance structure accountable for ensuring that significant risks to the business are adequately identified and effectively managed. In carrying out this responsibility, the board has delegated this oversight responsibility to the Audit and Risk Committee. The Committee fulfilled its role during the period under review with quarterly reports reviewed and submitted to the Board at each quarterly reporting cycle.

The Audit and Risk Committee exercised oversight over the Risk Management Function through the quarterly risk management reports incorporated into the consolidated Monitoring and Evaluation report submitted through to the Board. The Audit and Risk Committee furthermore provided oversight over the development of the upcoming financial year's 2024/25 Strategic Risk Register which is aligned to the 2024/25 Business Plan. The 2024/25 Strategic Risk Register was approved by the Board on 27 June 2024.

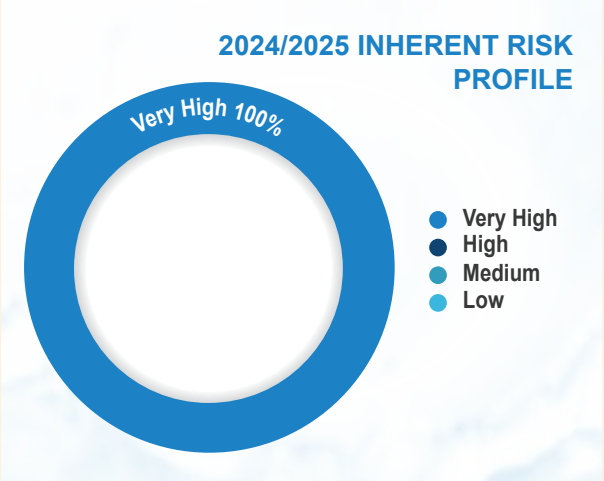
Strategic Risk Management

In exercising its Board risk oversight responsibilities, the Board considered and approved the 2024/25 Strategic Risk Register on 27 June 2024. This Strategic Risk Register was reviewed considering the strategic risks previously identified in the 2023/24 period together with any new developments which exists at present. The revised 2024/25 Strategic Risk Register has 17 risks identified, up from 15 in the previous period. The high number of strategic risks reflects the operating environment bearing in mind the internal business constraints as well as the external socio-economic conditions that influence and affect the Entity's strategy and operations.

The 2024/25 Strategic Risk Profile is depicted in figure 5 below and it demonstrates that at 'Inherent Risk' exposure, the strategic risks are spread at 100% being 'VERY HIGH', with HIGH, MEDIUM and LOW at 0% respectively. At inherent risk exposure, the risks are presented without the consideration of any

existing controls, this being the state of the risk at worst-case scenario - in the absence of or the potential failure of existing controls - for both the likelihood of occurrence and the impact of the risk. This is essentially the state of risks in its un-mitigated state.

Figure 5: 2024/25 Strategic Risk Profile – Inherent Risk Exposure



The 2024/25 Strategic Risk Profile is furthermore depicted from a residual risk exposure in the figure 6 below. This highlights that the spread of the risk post-consideration of existing controls or mitigation measures is 'VERY HIGH' at 35%, 'HIGH' at 35%, with 'MEDIUM' at 18% and 'LOW' risks at 12%.

Figure 6: 2024/ 2025 Strategic Risk Profile – Residual Risk Exposure



The ERM processes continued to function as intended through the Annual Risk Management Implementation Plan approved by the Board. Strategic and Operational Risks were regularly monitored and reported at the Risk and ICT Committee, and adequate oversight was exercised by the Audit and Risk Committee and the Board, and furthermore through the City of Johannesburg's Group Risk Governance Committee.

Performance on the 2023/24 Strategic Risk Register

During the year under review, the Board monitored the 2023/24 Strategic Risk Register which was approved by the Board in the previous financial year, on 26 April 2023. The progress registered in the implementation of the strategic risk mitigation actions was considered by the Executive Committee, the Audit and Risk Committee as well as the Board on a quarterly basis.

The 2023/24 Strategic Risk Register had 15 risks identified and the residual risk profile highlights that the spread of the risk was '**VERY HIGH'** at 38%, **'HIGH'** at 25%, with **'MEDIUM'** at 31% and **'LOW'** risks at 6%.

Figure 7: 2023/24 Inherent Risk Exposure

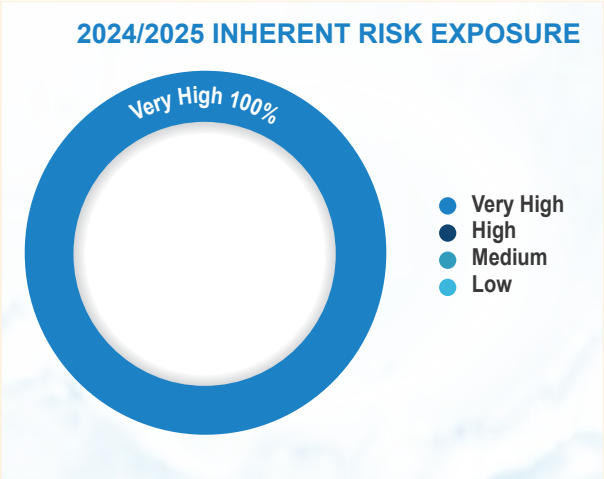
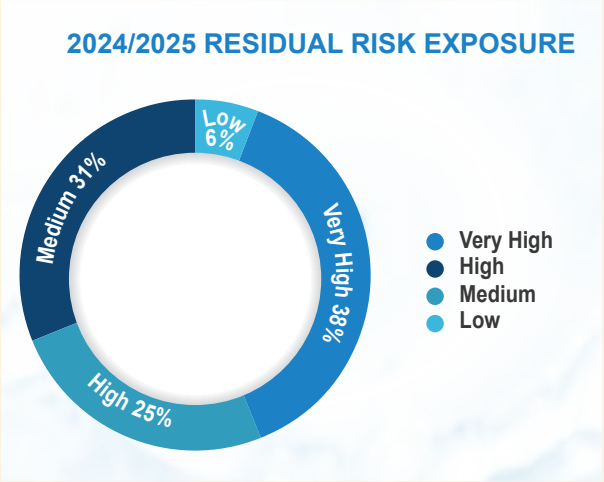


Figure 8: 2023/24 Residual Risk Exposure



The progress registered on the strategic risks as at year-end is reported in the table 16 below and depicted in figure 9 hereunder. The cumulative year-end percentage implementation on strategic risks is at 55%. The progress on risk mitigation actions indicates that five risks achieved good progress above 70%, with nine risks achieving satisfactory levels and the remainder of one achieving unsatisfactory progress.

The five risks having achieved a satisfactory progress assessment have not resulted in any improvement to the risk exposure because although the mitigation actions which were implemented were appropriate, the scale and pace of activities undertaken is insufficient to make a material impact on the risk exposure. These actions taken as a whole are effective in mitigating against further deterioration but inadequate to change the trajectory and severity of the risks.

The one risk that improved is the *"Unethical Behaviour"* risk whereby significant action has been taken that resulted in the risk improving towards being a low risk from a medium residual risk exposure. This risk is overall mitigated through the following measures:

- The Ethics Pledge signed by Board and Executives.
- The Ethics Policy and Strategy being approved by Board, ethics champions appointed and a functional forum in place, ethics awareness programme implemented, fraud risk register maintained, fraud prevention plan developed, etc.

The one risk that was assessed as unsatisfactory relates to the *"Climate Change Adverse Events"* The Entity has a Board approved Environmental Strategy but sought to develop the ESG Strategy, contribute towards the City's Flood Management Plan as well as the Climate Change Budget tagging. Effective mitigation of this risk is reliant on cooperation with various stakeholders and the process ongoing.

Figure 9: 2023/24 Implementation of Strategic Risk Mitigation Actions

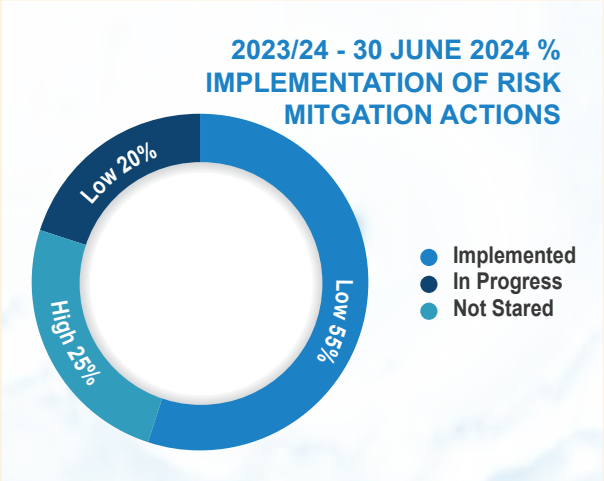


Table 15: 2023/24 Strategic Risk Profile as at Year-end

No.	JW Strategic Goals	Risk Description	Beginning of the 2023/24 Period		End of the 2023/24 Period		Risk Mitigation Progress	Risk Action Effectiveness	Risk Exposure Movement
			IR	RR	IR	RR			
1	**SG 1** - Utilise infrastructure delivery to create jobs, support SMMEs and attract investments	Inadequate funding of Infrastructure (renewal, mega and expansion projects) and operational funding	Very high	Very high	Very high	Very high	👍	😐	⇔
2	**SG 5 -** Enhance sound financial management, sustainability and good governance	Declining payment levels	Very high	Very high	Very high	Very high	👍	😐	⇔
3	**SG 3** - Operate in a manner that promotes environmental conservation and sustainability	Wastewater spillages	Very high	Very high	Very high	Very high	👍	😐	⇔
4	**SG 5 -** Enhance sound financial management, sustainability and good governance	Increasing non-revenue water	Very high	Very high	Very high	Very high	👍	😐	⇔
5	**SG 2 -** Deliver water and sanitation services of good quality that is accessible, reliable and efficient	Security of supply (Water demands outstripping supply)	Very high	Very high	Very high	Very high	👍	😐	⇔
6	**SG 2 -** Deliver water and sanitation services of good quality that is accessible, reliable and efficient	Bulk infrastructure failure	Very high	Very high	Very high	Very high	👍	😐	⇔
7	**SG 5 -** Enhance sound financial management, sustainability and good governance	Significant dependencies on City, compromising long-term planning, optimal operations/ service delivery and sustainability	Very high	High	Very high	High	👍	😐	⇔
8	**SG 5 -** Enhance sound financial management, sustainability and good governance	Inability to recover from major business interruptions and disasters	Very high	High	Very high	High	👍	😐	⇔
9	**SG 6 -** Use of technology for effective and efficient operations	Slow adoption of new technologies	Very high	High	Very high	High	👍	😐	⇔
10	**SG3:** Operate in a manner that promotes environmental conservation and sustainability	Climate change adverse events	Very high	High	Very high	High	⇩	😐	⇔

No.	JW Strategic Goals	Risk Description	Beginning of the 2023/24 Period		End of the 2023/24 Period		Risk Mitigation Progress	Risk Action Effectiveness	Risk Exposure Movement
			IR	RR	IR	RR			
11	**SG 6 -** Use of technology for effective and efficient operations	Cyber security breaches	Very high	Medium	Very high	Medium			
12	**SG 5 -** Enhance sound financial management, sustainability and good governance	Unethical behaviour	Very high	Medium	Very high	Low			
13	**SG 4 -** Improve customer and stakeholder satisfaction	Stakeholder dissatisfaction	Very high	Medium	Very high	Medium			
14	**SG 2 -** Deliver water and sanitation services of good quality that is accessible, reliable and efficient	Vandalism and theft of infrastructure	Very high	Medium	Very high	Medium			
15	**SG 2 -** Deliver water and sanitation services of good quality that is accessible, reliable and efficient	Public health and safety	Very high	Medium	Very high	High			

The strategic risk mitigation actions responding to the 2023/24 strategic risks are highlighted in the table hereunder and should be read together with the table above. These are treatment actions implemented above and beyond existing control measures.

Table 16: Risk Mitigation Action Implementation Horizon

Strategic Risk #	Risk Description	IR	RR	Risk Treatment Strategy	Horizon	Risk Action Effectiveness
1.	Inadequate funding of infrastructure (renewal, mega and expansion projects) and operational funding	Very high	Very high	1. Improve the customer payment levels: i.e. Percentage actual water meter reading submitted to bill. 2. Improve performance on capital expenditure (Capex) expenditure on priority projects /programmes. 3. Pursue revised internal credit control strategy to collect large arrears and large water users. 4. Engage COJ via National Treasury (NT) on receipt of Equitable Share Grant as well as higher allocation of Urban Settlements Development Grant (USDG) and upgrading of informal settlements in alignment with conditional allocation made by NT to COJ. 5. Enhanced Business Plan to prioritise return on investment on proposed Capex projects. 6. Promotion of Expanded Social Package (ESP) for customers that cannot afford water. 7. Securing grant funding and Shareholder loans for capital expenditure. 8. Stand-by-stand audit. 9. Implementation of systems interface between SAP PM and IMQS for JW meter database. 10. The implementation of some of interventions to reduce NRW is underway. Due to budget constraints, not all interventions will be implemented, and this will affect the reduction of NRW. 11. CoJ to pursue alternative funding mechanism (i.e. Development finance and PPP - Risk transfer concessions) 12. CoJ to pursue improved Cash Collections	**Medium Term**	

Strategic Risk #	Risk Description	IR	RR	Risk Treatment Strategy	Horizon	Risk Action Effectiveness
2.	Declining Payment Levels	Very High	Very High	1. COJ SAP system upgrade to improve device (meter) management and meter reading validation. 2. Ongoing Stand-by-Stand Audit 3. Implementation of systems interface between SAP & IMQS and serialization of meters 4. Pursue revised internal credit control strategy to collect large arrears & large water user accounts 5. Pilot project for effective meter restriction valves 6. Consumer education and outreach programmes 7. Councillor engagement in LTA (Limited Technical Areas) areas	Medium Term	
3.	Wastewater Spillages	Very High	Very High	1.Development of framework contracts for the (electromechanical) repairs and monitoring of critical infrastructure. 2. Capacity expansion of the treatment works (NWWTW- 2025 & Ennerdale- 2026 & Lanseria - 2030) 3. Annual Implementation of the Infrastructure renewal project (IRP) 4. Improve safety and security at the WWTWs. 5. Identification of Sand traps at Strategic points for Outfall Infrastructure (for installation at a later stage) 6. Public Education on abuse/ vandalism of Wastewater Infrastructure 7. Promotion/ implementation of Knowledge Management Strategy	Medium Term	

Strategic Risk #	Risk Description	IR	RR	Risk Treatment Strategy	Horizon	Risk Action Effectiveness
4.	Increasing non-revenue water	**Very high**	**Very high**	1. Implementation of water demand management projects in Orange Farm and Soweto (i.e. installation of STS meters) . 2. Water meter replacements projects (i.e. conventional meters). 3. PRV maintenance on monthly basis. 4. Implementation of City by-laws in relation to illegal connections. 5. Implementation of smart leak detection in identified water zones. 6. Expansion of smart controlled pressure management controllers. 7. Mains replacement programme. 8. Repairs of leaking reservoirs and towers. 9. Installation of Restriction Valves	**Long Term**	
5.	Security of Supply (Water demands outstripping supply)	**Very High**	**Very High**	1.Capacity expansion of the treatment works (NWWTW- 2025 & Ennerdale- 2026 & Lanseria - 2030). 2. Implementation of measures in line with project 1600. 3. Support the Implementation of Lesotho highlands phase II by 2026. 4. Alternative water use to augment water supply (i.e. Equip boreholes to become operational & billed) 5. Promote effluent Re-use (Agreements for effluent reuse are pursued). 6. Participate in the Rand Water and JW PRV Project 7. Application for Key JW Infrastructure Classification as National Key Points	**Medium Term**	

Strategic Risk #	Risk Description	IR	RR	Risk Treatment Strategy	Horizon	Risk Action Effectiveness
6.	Bulk Infrastructure Failure	Very High	Very High	1. Implementation of the JW 10-year infrastructure Implementation Plan 2. Implementation of Water and Sanitation development control measures in line with CoJ planning 3. Implementation of the water capacity expansion projects 4. Education and awareness to Communities encroaching on JW Infrastructure	**Short Term**	
7.	Significant Dependencies on City Compromising Long-term Planning, Optimal Operations/ Service Delivery & Sustainability	Very High	High	1. Fleet - Request CoJ for JW to procure own vehicles 2. Engagement with JPC on options available (i.e. Procurement for Long-term Lease Agreement or permanent JW Head-Office) 3. Pursue revised internal credit control strategy to collect large arrears & large water users	**Short Term**	
8.	Inability to recover from Major Business Interruptions and Disasters	Very High	High	1. Develop JW-wide BCP and Disaster Recovery Plan 2. Conduct BCP Awareness	**Short Term**	

Strategic Risk #	Risk Description	IR	RR	Risk Treatment Strategy	Horizon	Risk Action Effectiveness
9	Slow adoption of new technologies	Very high	High	1. Capacitate ICT Department. 2. Develop Enterprise Architecture Plan. 3. Implementation of ICT Strategy (Incorporating digitisation strategy for User Departments). 4. ICT Operations Governance Committee. 5. Conduct DRP Simulation. 6. Establishment of a Technology Innovation Forum. 7. Centralisation of Administrative Function for Information Systems.	Long-term	
10.	Climate change adverse events	Very high	High	1.Development of comprehensive ESG Strategy 2. Engagement with CoJ on the development of a CoJ flood management plan 3. Engagement with CoJ on the Implementation of a Just Transition Climate Change Budget Tagging	Long-term	
11.	Cyber security Breaches	Very high	Medium	1. ICT Security Assessment.	Short-term	

Strategic Risk #	Risk Description	IR	RR	Risk Treatment Strategy	Horizon	Risk Action Effectiveness
12.	Unethical behaviour	**Very high**	**Low**	1. Facilitate annual review of Fraud Risk Register. 2. Implementation of the 3-year Ethics and Fraud Management Plan (realign the description of related docs). 3. Conduct Compliance Awareness Workshops. 4. Implementation of the annual Ethics and Fraud Awareness Plan. 5. Quarterly reporting on Fraud Incident Register (GFIS). 6. Auditing of the Integrity Management Systems. 7. Independent review of disciplinary processes. 8. Review of Human Resources Recognition System. 9. Implementation of the 3-year Compliance Maturity Plan. 10. Resuscitation of the Managing Director's Excellence Awards (Employee Recognition).	**Medium-term**	
13.	Stakeholder dissatisfaction	**Very high**	**Medium**	1. Implement workforce optimisation. 2. Secure media buying agency. 3. Secure public relations and marketing agency. 4. Review of SRC structure/organogram. 5. Procurement of Customer Relations Management System.	**Short-term**	
14.	Vandalism and theft of infrastructure	**Very high**	**Medium**	1. Deploy security guards to all critical pump stations, reservoirs and towers remaining unmanned sites. 2. Meter readings to check the trends. 3. Meter replacements on identified default meters. 4. Implementation of the Security Strategy - Security Systems Automation (CCTV cameras, alarms, panic buttons etc.) and deployment of additional guard houses. 5. Construction of perimeter walls.	**Short-term**	

Strategic Risk #	Risk Description	IR	RR	Risk Treatment Strategy	Horizon	Risk Action Effectiveness
15.	Public health and safety	**High**	**High**	1. Implementation of the WWTW capacity expansion projects and renewal of electro-mechanical equipment. 2. Research and innovation technologies to achieve zero e-coli - comply to revised licence requirements. 3. Capital upgrade of critical sewer pump station. 4. Guideline development for bioremediation of impoundments.	**Medium-term**	

Legend

Legend: Risk Performance					No. of Risks Actions
Risk Exposure	**1 - 5**	**Low**	Acceptable	Validation and optimisation of controls.	**01**
	6 - 11	**Medium**	Acceptable with caution	Evaluation and improvement of current controls.	**03**
	12 - 19	**High**	Unacceptable	Implementation of improvement opportunities and validation of current controls.	**05**
	20 - 25	**Very high**	Unacceptable	Requires immediate attention from management on implementation of corrective measures.	**06**
	⇧	**Improvement**	Risk status improving. Implemented control measures are effective in mitigating the risk resulting in demonstrable improvements on the risk exposure rating.		**01**
	⇔	**Unchanged**	Risk status unchanged. Implemented control measures partially effective. Some of the risk exposure appears to be controlled, but there are key actions needed to mitigate risk further. Controls not yet resulting in demonstrable improvements and thus movement on risk rating.		**14**
	⇩	**Regression**	Risk status regressing. Implemented control measures are ineffective in treating the risk. Risk exposure not effectively mitigated resulting in regression on the risk exposure rating.		**1**

Legend: Risk Performance					No. of Risks Actions
Risk Actions Effectiveness in addressing risk	☺	**Effective**	Effective - Actions taken align to pre-determine risk mitigation actions and all are effective in addressing risks identified. Actions directly respond to risk in holistically reducing both the likelihood and impact of the risks. When risk actions are fully implemented and assessed to be effective, this triggers the re-evaluation of controls and thereby the residual risk exposure.		**01**
	😐	**Partially effective**	Partially effective - Actions taken align to pre-determined mitigation actions but are partially effective in addressing identified risks. Majority of actions partially reduce either the likelihood or the impact of the risk. Although the actions being the right ones, the scale and pace of implementation in relation to the scope may furthermore be inadequate.		**15**
	☹	**Less effective**	Less effective - Majority of actions taken align to pre-determined mitigation actions but mainly serve as preparatory steps towards implementation of desired mitigation actions. (for example, SCM bid processes). All actions taken together are yet to directly influence the likelihood or the impact of the risk.		**0**
	☹	**Ineffective**	Ineffective - Actions are not taken or those taken are not in line with pre-determined mitigation actions nor suitable in addressing identified risks. The progress is concerning and requires urgent management intervention.		**0**
Action Plan Progress	👍	**Good**	Good - progress registered on between 70 – 100% of risk actions for implementation.		**05**
	👍	**Satisfactory**	Satisfactory - progress registered on between 40 - 69% of the risk actions for implementation.		**09**
	👎	**Unsatisfactory (Intervention required)**	Unsatisfactory - No or inadequate progress registered on between 0 - 39 % of risk actions for implementation.		**01**
	N/A	**Not applicable**	No risk actions assigned. Risk exposure low and requires ongoing monitoring.		**-**

Risk Management Maturity

Johannesburg Water's risk maturity assessment was performed using Treasury Risk Management Maturity model resulting in a maturity level of 4 for the 2022/23 financial year but the system however being offline for the assessment of the 2023/24 period. In addition to the aforementioned, the risk maturity was assessed according to the FMCMM Model which resulted in the achievement of a score of 2.7 out of 3.

The Entity maintains a Board approved ERM Strategy incorporating a risk maturity road map with the target of attaining a level 5. The 2023/24 Annual Risk Management Implementation Plan achieved a 60% implementation rate due to capacity constraints, however the structure of the Risk and Compliance Department has been reviewed to enhance its capacity and is currently at approval stage.

Section 5:

ANTI-CORRUPTION AND FRAUD INVESTIGATIONS

Section 195 of the Constitution of the Republic of South Africa, 1996 (the Constitution) demands the promotion and entrenchment of a high standard of professional ethics by public officials. In giving effect to this constitutionally enshrined obligation to manage integrity and promote good governance, Johannesburg Water has a zero-tolerance approach to all forms of unethical behaviour, including but not limited to fraud and corruption. The Company subscribes to a Code of Conduct that has been adopted by the Board and applies to all directors and employees.

The Code and ethics philosophy of the Company are discussed with new employees during the induction process. An independent, anonymous tip-off hotline, which is available to all stakeholders, is managed by the CoJ and enables the reporting of any failure by any Entity official to uphold ethical standards.

Fraud Investigations

Johannesburg Water has developed policies and practices to manage integrity and promote good governance. According to this goal, Johannesburg Water has implemented the following policies, procedures and mechanisms:

- Anti-Fraud and Corruption Prevention Policy.
- Ethics Policy.
- Gift Policy.
- Whistle-blowing Policy.
- Standard Operating Procedures: management requests for investigations.
- Tip-off hotline – managed by the CoJ.

The Group Forensic and Investigative Services perform the fraud investigation function while Internal Audit is mandated to investigate the instance of Unauthorised, Irregular, Fruitless and Wasteful Expenditure (UIFWE). For

the year ended 30 June 2024, 7 cases were reported for investigation through the tip-off hotline for the year compared to 24 cases reported in the previous financial year (See table 17 below for details).

Status of matters investigated by Group Forensic and Investigative Services

Table 17: Progress on cases as per the Fraud Investigations Register received from the hotline

Category	Cases Brought forward	Cases Reported in the Current Financial Year	Completed (Closed)	Cases In Progress (open)
Fraud and corruption	14	5	(14)	5
Illegal connection	1	-	(1)	-
Maladministration	1	-	(1)	-
Theft	1	-	(1)	-
Irregular expenditure	2	-	-	2
Cyber security	-	1	-	1
Breach of security	-	1	-	1
Grand Total	20	7	(17)	9

The Board and the Executive Management have adopted an integrated approach to ensure that effective measures are in place to ensure the prevention and detection of fraud and to manage the risk of fraud in accordance with the Company's zero-tolerance stance. Johannesburg Water implemented its awareness campaign and provided ethics training to its employees. All employees declared their interest during the period under review. In addition, the following activities was implemented:

Managing the Risk of Supply Chain Management/ Procurement Fraud

To minimise the risk associated with Supply Chain Management/Procurement Fraud like corruption, the Entity has the following process in place:

All tenders above R5 million are referred to Internal Audit for probity audit before the accounting officer approves the Bid Adjudication Committee resolutions. This is a proactive control measure in minimising procurement irregularities and errors before awarding tenders. The Entity is committed to minimising the risk of procurement fraud, as such the mandate of Internal Audit to audit tenders above R5 million went further than the minimum R10 million required in terms of the National Treasury MFMA Circular No.62. For the financial year ended on 30 June 2024, 18 items were referred to internal audit for probity audit consisting of:

- 15 tenders recommended for awards (R1.27 billion in total) and 73% (11 tenders =R548.9 million) had no significant findings whilst 27% (4 tenders amounting to R752.1million) were flagged with findings relating to inconsistencies on the evaluation process but the findings did not impact on the final results.

- Two tender deviations for around R28.89 million was flagged with evidence of significant findings which was addressed prior to finalising the award.
- One motivation for additional funding (R29.47 million) had no evidence of significant findings.

Reporting and Investigations of Irregular, Fruitless and Wasteful Expenditure

The Audit and Risk Committee provided oversight on reporting and investigations of instances of irregular, fruitless and wasteful expenditure. As per the mandate of the Audit and Risk Committee, Internal Audit is responsible for investigating reported instances of Irregular, Fruitless and Wasteful Expenditures. The strategic focus is to finalise the investigation on the UIFWE items of prior years until 30 June 2023 and the re-instated accumulated balance of UIFWE was R2.5 billion. Progress on investigations and processing of UIFWE as of 30 June 2024 was as follows:

- Items certified as irrecoverable and approved by the Board for write-off in accordance with Regulation 75(2)(a) of the Municipal Budget and Reporting Regulations and the Municipal Finance Management Act Circular 68:
  - Irregular expenditure for R658.4 million relating to debt impairment incurred in the 2022/23 financial year.
  - Irregular expenditure for R90.7 million relating to depreciation and asset impairment over budget incurred in the 2022/23 financial year.
  - Irregular expenditure for R215.2 million relating to bulk water purchases over budget incurred in the 2022/23 financial year.
  - Irregular expenditure for R1.188 billion relating to various items incurred for various financial years between 2012/13 and 2022/23 financial years.
- Items with motivation reports to be submitted to the Board during the 2024/25 financial year for write-off:
- Four items relating to fruitless and wasteful expenditure – **R102,541.**
- Fraudulent salary payment of **R90,000** and consequence management initiated.
- **Investigation in progress for completion on/before 30 September 2024:**
- Fruitless and wasteful expenditure (4 matters) – R1.7 million.
- Irregular expenditure amounting to R505.3 million.

Section 6:

ICT GOVERNANCE AND PERFORMANCE

For the financial year, the IT department achieved 99% expenditure against its allocated budget of R20 million. The budget covered areas for operations and maintenance such as the Desktop Refresh Programme and the modernisation of applications and systems including new hardware for data recovery and backup. The development and implementation of a system interface to give effect to the Entity's Asset Management policy, specifically in respect of componentisation of assets in accordance with the GRAP 17, was operationalised.

The contract for the implementation of the field services management technology solution (workforce optimisation), which speaks to digitalisation of the works management process and a customer mobile app, was successfully awarded. The implementation of the technology solution is currently underway and planned to be deployed in the new financial year.

Corporate Governance of ICT

The Risk and ICT Steering Committee met four times and in addition to reviewing the Entity's operational and strategic risks, the committee reviewed and recommended two ICT polies and a framework document for the governance of ICT projects.

The Board of Directors, supported by the Service Delivery, Procurement, and ICT Oversight Committee, the Executive Committee, and the Risk and ICT Committee, continued to have oversight into the Governance of ICT, including investments in information and communications technology projects, strategic risks, including cybersecurity.

Table 18: Corporate governance of ICT objectives

OBJECTIVES	PERFORMANCE AND ACTIVITIES
Monitoring the alignment of the short-, medium-, and long-term strategies of the business and technology.	In line with the entity's ICT Governance Charter and Framework Policy, the committees continued to have oversight into investments into information and communications technology infrastructure and the delivery of strategic projects. Strategic ICT projects were reported on a monthly and quarterly basis.

OBJECTIVES	PERFORMANCE AND ACTIVITIES
Maintaining formalised IT governance at Johannesburg Water, aligned to existing corporate governance structures and leading practices.	In line with the ICT Governance Charter and Framework Policy, the Risk and ICT Steering committee, supported by the Executive Committee, the Service Delivery, Procurement, and ICT Oversight committee, and the Audit and Risk committee, exercised governance and oversight on progress against the implementation of ICT strategic projects, review of policies and standards, review of operational and strategic ICT risks, and compliance with relevant laws.
Monitoring the integrity and availability of technology and information to meet business needs on time.	The performance of ICT infrastructure, including applications and systems, is reported on a monthly and quarterly basis at various committees, including the Executive Committee, and the Service Delivery, Procurement and ICT Oversight Committee. Performance of ICT infrastructure including availability of core applications and systems against a Service Level Agreement is reported on a monthly and quarterly basis.
Developing and maintaining appropriate organisational structures, service contracts, and processes to support ICT governance.	Structures are in place to support service contracts, including the appointment of staff to support Bid Committees for ICT service contract management. Additionally, controls are in place to track and monitor service contracts. Service Level Agreements are in place for appointed service providers to establish clear expectations and standards for the quality and performance of the services being rendered.
Measuring and managing the cost expended and the value received from technology.	Aligned with the entity's annual capital investment plan, the Entity held regular meetings to track and monitor actual expenditure, including ICT expenditure, against the allocated capital budget for the financial year. Progress on ICT capital expenditure is reported on a quarterly basis to the relevant Board committees.

OBJECTIVES	PERFORMANCE AND ACTIVITIES
Managing technology resources and assets, including information, efficiently and effectively, such that the value derived from these resources is maximised.	Asset registers are in place for ICT infrastructure, this includes the Desktop Refresh Programme designed to ensure that users are equipped with the right technology to access the entity's information systems. The upgrade of the Entity's core data network was successfully completed, and new hardware implemented for data recovery and backup.
Safeguarding technology resources and information.	The IT department continually assess and evaluates the security safeguards in place to protect the Entity's data and information assets. Over the course of the financial year, the Entity ran several training themes with the view to create and elevate the awareness and importance of cybersecurity. The independent security assessment of the Entity's Information and Operations Technology systems was not performed due to budget constraints imposed by the City of Johannesburg. Notwithstanding, audits were conducted by the AGSA and the Internal Audit department to provide assurance on the controls and systems in place in respect of safeguarding the Entity's information assets against cyberattacks and general controls around data and information security.
Monitoring adherence to legislative requirements and other guidance as it pertains to IT management relevant to Johannesburg Water, including but not limited to the King IV Report and other ICT governance frameworks.	This is aligned with the Entity's Enterprise Risk Management Framework and compliance management reporting. In respect of the Entity's compliance with the Protection of Personal Information Act, Act No 4 of 2013 (the POPI Act), work was performed to address gaps identified. The Entity has appointed an independent company to assess the work done and overall compliance with the Act.
Establishing appropriate policies and frameworks for managing IT across the business, monitoring adherence to it, and establishing performance criteria aligned with operational expectations and the periodic measurement of actual versus desired performance levels.	ICT policies are reviewed on an annual basis and tracked and monitored at Executive level. The ICT Data Backup and Recovery, and the ICT Cloud Computing policies were reviewed and approved by the Board of Directors. Additionally, an ICT Project Governance Framework was approved.

Smart City Initiatives

Enterprise Asset Management Systems Solution

The development of a systems solution for Enterprise Asset Management speaks to the development of a system interface between the Entity's Technical Asset Management System (IMQS) and its ERP (SAP) system. The key objective of the project, comprising four sprints, is to support the Entity's greater Enterprise Asset Management Project and Asset Management Policy, specifically in respect of the integrity of its technical and financial asset registers. A key deliverable of the project is the componentisation of assets in compliance to the Standard on Generally Recognised Accounting Practice for Property, Plant, and Equipment (GRAP 17).

Notwithstanding some technical challenges, the Entity went live with Sprint One to componentise its asset base, including infrastructure investment projects for the prior years. The remaining sprints are to be operationalised by end of December 2024.

Field Service Management

The contract for the implementation of the Field Service Management Technology Solution was successfully awarded in June 2023. Some of the key deliverables of the project include the digitalisation of the work management process, and improved communication to customers through a mobile app. The implementation of the technology solution is underway and is planned to be fully complete and deployed by end of November 2024.

IT Challenges

The budget constraints imposed by the Shareholder have negatively affected the department in many ways including appointment of human capital to address the dearth of capacity and capability, and the abeyance of new tenders for products and services due to budget cuts. This has placed immense pressure on the unit to provide the required services and support business effectively and efficiently.

The need to meet regulatory compliance in respect of conducting market analysis for new products and services imposes greater pressure and stricter planning to meet the departments demand and acquisition plans. Additionally, the delayed implementation of the City of Johannesburg's SAP Business Transformation Project has stagnated the Entity's advancements in technology and innovation.

Section 7:

COMPLIANCE WITH LAWS AND REGULATIONS

The Board provides quarterly reports and an Integrated Annual Report on its performance and service delivery to the Shareholder as prescribed in the Service Delivery Agreement (SDA), the MFMA, and the MSA. The SDA was concluded in accordance with the provisions of the MSA, which governs the Entity's relationship with the CoJ.

Non-executive directors contribute an independent view to matters under consideration and add to the depth of experience of the Board. The roles of Chairman and Managing Director are separate, with responsibilities divided between them. The Chairman has no executive functions. The Board is satisfied that this separation of powers effectively ensures that the necessary checks and balances are in place.

The Board ensured that management complied strictly with the relevant sections of the MFMA, with specific reference to Chapter 12 and the preparation of the AFS. The AFS, together with the IAR and the Company's performance results, were delivered to the parent municipality and the AGSA two months after the close of the financial year (on 31 August).

The Board and management ensured that there was compliance with the relevant legislation. The Company Secretary has certified, in terms of Section 88(2) (e) of the Companies Act, that all statutory returns have been submitted to the Registrar of Companies.

The Board or any of its members may, in appropriate circumstances and at the expense of the Company, obtain the advice of independent professionals. Directors had unlimited access to the Company Secretary, who acts as an advisor to the Board and its committees on matters relating to inter-alia, compliance with the Company's rules and procedures, statutory regulations, and best corporate practices. The Board is satisfied that these arrangements are effective in supporting the discharge of its responsibilities.

At each Audit and Risk Committee meeting, an update on legal compliance was presented. This update included legislative radar or forecast of significant legislative developments within the environment Johannesburg Water operates in. Key areas of non-compliance, if any, were also brought to the attention of this committee.

The focus areas were on MFMA Circular 68 UIFWE, MFMA section 65(2) (e) (30-day late payment reporting), as well as on Johannesburg Water's top 12 priority Acts. All irregular expenditure was reported as required by MFMA Circular 68. The 33 Acts were also monitored and reported on during the year under review.

During the financial year, no fines or penalties were issued against the Company, and no directors or senior management members were accused of or held liable for non-compliance with any laws, regulations, or codes of conduct. The Company did, however, continue to respond to directives issued against the Company, which are detailed as follows:

Directive in terms of section 19 of the National Water Act, No.36 of 1998 (the NWA):

Long-Standing Directives

During the period under review Johannesburg Water continued with the implementation of actions which were committed to, in response to the directive in terms of section 19 of the NWA for failure to take reasonable measures to prevent pollution and provide a permanent solution for sewerage overflows into the Klein Jukskei River from the Zandspruit Sewer Pump Station and the Cosmo City Township in 2018. Actions were taken to address the directive relating to the Zandspruit sewer pump station and the rising main.

Although the Bushkoppie Directive remains open, notable progress in respect of the implementation of the corrective actions was observed during the year. The Department of Water and Sanitation (DWS) will be approached to uplift the Directive in the next financial year.

Notice of Intention to Issue a Directive

The Olifantsvlei WWTW received a notice of intention to be issued with a directive in terms of section 19 of the NWA for failure to take reasonable measures to prevent pollution. Representations were made by Johannesburg Water against the issuing of the directive. This included corrective actions that would be implemented to ensure compliance. The plans are being implemented accordingly.

Compliance with Core Acts

The priority legislation monitoring is performed using control self-assessment by individual business units and as part of combined assurance, the results are confirmed against existing and finalised audits and reviews performed by the Internal Audit Department where in place. Attention is drawn to the risk that the compliance status may be subject to changes due to the compliance checklist being high-level summary and undergoing a comprehensive review to ensure completeness in relation to the assessment of all applicable sections and subsections in detail. The year-end detailed compliance status on the 13 Core Acts is depicted in table below.

Table 19: Status of Compliance with Top 13 Core Acts for 2023/2024 at Year-end

Details	2022/23	2023/24	Trend
Tax Compliance	Good Standing: Compliant	Good Standing: Compliant	⇔
Compliant Legislation	8 of 12 (67%)	8 of 13 (62%)	⇧
Non-compliant Legislation	4 of 12 (33%)	5 of 13 (38%)	⇧
Average Compliance rate	96.7 %	94.5 %	⇩

Details	2022/23	2023/24	Trend
Details of Non-compliant Legislation	OHSA – 97.6%	OHSA – 97.6%	⇔
	MFMA – 97%	MFMA – 97%	⇔
	LMA – 85%	LMA – 40%	⇩
	POPI Act – 80.24%	POPI Act – 99%	⇧
	-	MFMA: SCM Reg – 95%	**New**

Legend: Compliance Level	
Improving	⇧
Unchanged	⇔
Regressing	⇩

Table 20: Overview of the status of compliance with the top 13 core Acts

No.	Act	2022/23	2023/24	Comment
1	Occupational Health and Safety Act, No. 85 of 1993 (OHSA)	97.6%	97.6%	**Comment:** Compliance with OHSA remains 97.6%, there were no changes during current reporting period. **Action Plan:** In the interim the Entity is implementing maintenance of facilities at the work sites.
2	Basic Conditions of Employment Act No. 75 of 1997	100%	100%	N/A
3	Employment Equity Act, No. 55 of 1998	100%	100%	N/A

No.	Act	2022/23	2023/24	Comment

4	Local Government Municipal Finance Management Act, No. 56 of 2003	97%	97%	**Comment:**
				
				Non-compliance Issues:
				• Late payment of suppliers.
				• Irregular or fruitless and wasteful expenditure
				• Spending not in accordance with the budget as prescribed by section 87(8).
				• Material adjustments to the AFS.
				• Action Plan:
				• Late payment of suppliers
				  • Supplier reconciliation to determine outstanding payments.
				  • Monthly EXCO reports as a way of escalation in case of those queries that could not be resolved.
				  • Monthly Group late payment reporting.
				• Irregular or fruitless and wasteful expenditure
				  • Monthly declaration of irregular expenditure by various departments.
				  • Training for all employees in SCM value chain on the policy.
				  • Bid Committee structures in place.
				  • Segregation of duties aligned delegation of authority.
				  • Quarterly internal audit review of UIFWE register.
				Spending not in accordance with the budget as prescribed by section 87(8)
				Monthly variance reports.
				Confirmation of funds.
				Revising of budget in accordance to projected expenditure.
				Material adjustments to the AFS
				The new projects have kicked off at JW to address the non-compliance on MFMA regulations on the maintenance of fixed asset register as well as well as to address compliance with accounting standards (GRAP), legislation (MFMA), policies and procedure manuals in accounting for immovable assets.
				
				Progress:
				
				Spending not in accordance with the budget as prescribed by section 87(8)
				
				Still non-compliant with section 87(8) considering we are already overspent on the 2 months budget. This is however largely attributable to debt impairment and bulk purchases which are unavoidable at this stage.

No.	Act	2022/23	2023/24	Comment
5	Water Services Act, No. 108 of 1997	100%	100%	N/A
6	National Water Act, No. 36 of 1998	100%	100%	N/A
7	National Environmental Management Act, No. 107 of 1998	100%	82%	**Comment:** • Non-compliance with conditions of Record of Decision (also known as Environmental Authorisation). • Failure to manage environmental impacts. • Inadequate access controls for chemical storage facilities. • Action Plan Progress: • Environmental section will send the letter to the competent authority to notify the department on changes of physical address. • Establish a Monitoring and Liaison Committee. • Review of existing processes in place to manage environmental impacts. • Locks purchased for hazardous chemical cages. • Signage for the medical waste bin placed accordingly.
8	Construction Industry Development Board Act, No. 38 of 2000	100%	100%	N/A
9	Companies Act, No. 71 of 2008	100%	100%	N/A

No.	Act	2022/23	2023/24	Comment
10	Legal Metrology Act 2014, Act No 9 of 2014	85%	40%	**Comment** The Flow Lab has been designated by the National Regulator for Compulsory Specifications (NRCS) and approved/accredited as a South African National Accreditation System (SANAS) lab but lost the designation status by the regulator. JW did an assessment in November 2022, and met with Level 8. The only non-conformance that JW did not meet was the B-BBEE status as it was level 8 and not the required level 4. The consequence was the suspension of SANAS accreditation status. **Action** • The Flow Lab accreditation has expired and the JW will re-apply after the Department of Trade, Industry and Competition (DTIC) process is concluded. • Progress • The required action plan to improve the current B-BBEE level 8 was submitted to DTIC on 23 May 2023. A meeting was held in March 2024 with DTIC senior management. The DTIC committed to look into the matter and provide feedback but to date, feedback has not been received from DTIC. Communication is ongoing. • The last report was submitted to Exco in November 2023 for noting and intervention.
11	B-BBEE Act, Act No. 53 of 2003 and 2014 Code	100%	100%	N/A

No.	Act	2022/23	2023/24	Comment
12	Protection of Personal Information Act, No. 4 of 2013	80.24%	99%	**Comment:** A POPI Act readiness assessment was performed which concluded that JW was non-compliant with the Act. Nine actions points with 27 activities to be implemented by JW have been considered by EXCO. **Action Plan:** The recommendations of the POPI Act assessment include the following amongst others: • Establishment of a POPIA compliance team. • Review of related policies, procedures and manuals. • Designation of Chief Information Officer. • Conducting training and awareness. • Implementation of document tracking and information management system., • Information and document access controls, among other actions. The percentage compliance remains the same for the current reporting period.

No.	Act	2022/23	2023/24	Comment

13	Local Government: Municipal Finance Management
	Act No. 56 of 2003: Municipal Supply Chain
	Management Regulations (30 May 2005)
			95%	**Comment**
				• Use of non-compliant /unqualified suppliers (section 14).
				• Lack of financial controls (section 16,17,18).
				• Non-compliance to SCM legislative requirements.
				• Actions Implemented – Progress
				• Suppliers checked by SCM for deviations before they can be used.
				• All deviations approved by authorised officials.
				• MFMP certification programme for all officials in the SCM value chain ongoing.
				• Use of non-compliant /unqualified suppliers (section 14)
				  • List of accredited service providers.
				  • CSD used as a gatekeeper.
				  • Suppliers are uploaded if shortlisted for RFQ or tender.
				  • Utilising only compliant suppliers that are complaint on CSD prior award.
				• Lack of financial controls (section 16,17,18)
				  • Approved SCM policy.
				  • SOPs in place.
				  • Workshops conducted on SOPs and policy
				  • Delegation of authority.
				  • Quotations above R30 000 advertised on the website.
				• Non-compliance to SCM legislative requirements:
				  • Workshops on the SCM policy and SOPs .
				  • Consultations with National Treasury on any SCM matters and changes in legislation.
				  • Internal audit, and AG conducted on SCM processes.
				  • Probity conducted on awards.
				  • All members of Bid Committee are appointed by accounting officer in writing.
				  • Officials are required to declare any conflict of interest at each Committee meeting.
				  • Annual declaration of interests done through Legal Department.
				All actions planned implemented as committed to above.

Status of legislated Tax Compliance

Johannesburg Water achieved a *'Compliant'* tax compliance status in relation to its good standing with SARS as of 05 July 2024.

By-laws Enforcement

As at year-end of 2023/24 financial year, four by-laws are relevant and maintained by Johannesburg Water. Below is a list of by-laws relevant to the Entity:

- Effluent Re-use By-laws
- Water Services By-laws
- Credit Control and Debt Collection By-laws
- Water Services Tariff By-laws

Compliance Risk Management Plans (CRMPs)

Johannesburg Water maintains 13 core legislations that are monitored on a quarterly basis and CRMPs are an essential tool in monitoring and mitigating the risk and implications of non-compliance. During the period under review, the Company embarked on a process to review all CRMPs. Improvements are underway to ensure quarterly monitoring and reporting thereof.

CHAPTER THREE

SERVICE DELIVERY PERFORMANCE



Stakeholders impacted: Shareholder, Communities and Business
Strategic Response: Goals 1, 2, 3 and 4

Section 1:

HIGHLIGHTS AND ACHIEVEMENTS

During the year under review, the following key service delivery achievements, milestones, and other unexpected occurrences were realised:

Service Delivery Achievements and Milestones

During the period under review, the Entity managed to deliver services to the residents of the CoJ and provided the following:

- An average of 1.8 billion litres of water, complying with acceptable drinking water of the South African National Standards 241 (SANS 241), was distributed to households within the CoJ daily.
- 14 012 chemical toilets were provided and serviced (two times a week).
- 26 375 water bursts were restored within 48 hours of notification achieving 67.46%.
- 51 555 sewer blockages cleared within 24 hours of notification achieving 92.67%.
- A total of 927 households were provided with access to basic water.
- 97.68% of manhole covers were replaced within 24 hours.
- 79.41% of leaking valves were repaired within 48 hours.
- A total of 775.88 million litres of water was transported to stationary tanks in informal settlements.
- 270 871 Ventilated Improved Pit-latrines (VIPs) services were conducted (One VIP gets de-sludged on average three times a week).
- Water consumption per capita per day of 261.73 l/c/d.
- 402.36 sewer blockages were experienced per 100 km of infrastructure length.
- 464.66 water pipe bursts were experienced per 100 km of infrastructure length.
- 17 km of water pipes replaced.
- 5 km of sewer pipes replaced.

Unexpected Occurrences

The expiration of the Avis fleet contract in May 2023, resulted in a direct impact on service delivery as it took approximately six weeks for the Johannesburg Water fleet to be replaced with a lesser spec Double cab bakkies. Compounded to this interim vehicle spec is that some of these bakkies are high risk and hijackings have occurred. The most impacted region was Ennerdale/Deep South whereby available teams were reduced to 40% as teams were grouped to work with exclusively the low risk bakkies. The correct specification vehicles were delivered during the year albeit at a slow pace and the process is still ongoing as the balance of vehicles is expected to be delivered in the coming financial year. The subsequent backlogs due to this event resulted in a spike in overtime as extra teams had to be mobilised to catch up on backlogs and this in turn affected response times.

Drinking-Water Quality (SANS 241) Compliance

Johannesburg Water receives its bulk supply directly from Rand Water. The quality of drinking water delivered by Rand Water during

the financial year met all contractual and legislated standards. All physical, chemical, and biological health-related parameters were compliant with the SANS 241 drinking water quality standard.

Johannesburg Water's Cydna Laboratories is a South African National Accreditation System (SANAS) accredited laboratory (Number T0077). Johannesburg Water conducts daily sampling for microbiological analysis and chemical analysis on several selected sampling points across the distribution network in the CoJ. The quality of drinking water in the distribution network on determinands tested during the period under review met legislated standards. All physical, chemical, and biological health-related parameters were compliant with the SANS 241 drinking water quality standard, as indicated in table 21 below, which shows the performance of the organisation for the year under review.

Table 21: Johannesburg Water (distribution) Water Quality Report

Determinands	Measurement units	Risk	Required compliance to SANS 241: 2015 (%)	No. of tests	Achieved compliance to SANS 241: 2015 (%)
Microbiological determinands					
E.Coli	mpn per 100mL	Acute Health	99.0	6 099	99.2
Total Coliforms	mpn per 100mL	Operational	95.0	6 099	97.8
Heterotrophic Plate Count	cfu per 1mL	Operational	95.0	6 067	98.7
Physical and aesthetic determinands					
Colour	Hz	Aesthetic	95.0	7 373	99.9
Conductivity	mS/m	Aesthetic	95.0	618	100
Taste	-	Aesthetic	95.0	497	100
Odour	-	Aesthetic	95.0	498	100
Turbidity	NTU	Operational	95.0	7 374	98.9
Turbidity	NTU	Aesthetic	95.0	7 374	98.9
pH	pH	Operational	95.0	6 099	100
Chemical determinands – micro determindands					
Antimony	(µg / L as Sb)	Chronic health	97.0	145	100
Arsenic	(µg / L as As)	Chronic health	97.0	145	100
Barium	(µg / L as Ba)	Chronic health	97.0	145	100
Boron	(µg / L as B)	Chronic health	97.0	145	100
Cadmium	(µg / L as Cd)	Chronic health	97.0	145	100
Cobalt**	(µg / L as Co)	Chronic health	97.0	145	100
Chromium (Total)	(µg / L as Cr)	Chronic health	97.0	145	100
Copper	(µg / L as Cu)	Chronic health	97.0	145	100
Cyanide (Recoverable)	(µg / L as CN)	Acute health	95.0	513	100
Iron	(µg / L as Fe)	Chronic health	97.0	145	99.3
Iron	(µg / L as Fe)	Aesthetic	95.0	145	99.3
Lead	(µg / L as Pb)	Chronic health	97.0	145	100,0

Determinands	Measurement units	Risk	Required compliance to SANS 241: 2015 (%)	No. of tests	Achieved compliance to SANS 241: 2015 (%)
Manganese	(µg / L as Mn)	Chronic health	97.0	145	99.3
Manganese	(µg / L as Mn)	Aesthetic	95.0	145	99.3
Mercury	(µg / L as Hg)	Chronic health	97.0	145	100
Nickel	(µg / L as Ni)	Chronic health	97.0	145	100
Selenium	(µg / L as Se)	Chronic health	97.0	145	100
Uranium	(µg / L as U)	Chronic health	97.0	145	100
Vanadium**	(µg / L as V)	Chronic health	97.0	2	100
Aluminium	(µg / L as Al)	Operational	95.0	145	100
Chemical determindands – macro determinands					
Free Chlorine	mg/L	Chronic health	97	6 098	100
Monochoramine	mg/L	Chronic health	97	6 098	100
Total Chlorine	mg/L	Chronic health	95	6 098	100
Nitrate	mg/L	Acute health	97	617	100
Nitrite	mg/L	Acute health	97	617	97.6
Sulphate	mg/L	Acute health	97	616	100
Sulphate	mg/L	Aesthetic	95	616	100
Flouride	mg/L	Chronic health	97	616	100
Ammonia	mg/L	Aesthetic	95	617	99.8
Chloride	mg/L	Aesthetic	95	617	100
Calcium	mg/L	Aesthetic	95	145	100
Sodium	mg/L	Aesthetic	95	145	100
Zinc	mg/L	Aesthetic	95	145	100
Magnesium	mg/L	Aesthetic	95	145	100
Chemical determindands – organic determinands					
Chloroform	µg/L	Chronic health	97	120	100
Bromoform	µg/L	Chronic health	97	120	100
Dibromochloromethane	µg/L	Chronic health	97	120	100
Dichlorobromomethane	µg/L	Chronic health	97	120	100
Total Trihalomethane	µg/L	Chronic health	97	120	100
THM Ratio	-	Chronic health	97	120	100
Phenols	µg/L	Aesthetic	95	616	100

** SANS 241: 2011 which is a more stringent standard

ND: Not Detected

Section 2:

SERVICE DELIVERY CHALLENGES

Infrastructure Backlogs

Asset management plans dictate a renewal rate of 1.5% per year of assets' replacement value as per industry norm. An asset renewal rate is defined as the yearly proportion of an asset that needs to be replenished to ensure that the asset is replaced by the end of its expected useful life. Short-expected useful life assets, such as electro-mechanical equipment, will have a higher renewal rate compared to long-expected useful life assets, such as civil infrastructure.

The current expenditure pattern indicates that an average renewal rate of 1.0% has been achieved with current funding allocations. The Company has a total infrastructure renewal backlog (i.e. asset with remaining useful life less than 10 years) of R32.54 billion as a result of underfunding, which has also led to having 26% of the asset base that has a remaining useful life of less than ten years.

The renewal backlog (i.e., asset with remaining useful life between zero to two years and assets which are dure for upgrade) of R26.1 billion requirement is categorised as follows:

- Water mains replacement: R3.3 billion.
- Sewer mains replacement: R3.7 billion.
- Water and sewer capacity upgrading backlog: R11.9 billion.
- WWTW capacity upgrading and equipment replacement: R7.2 billion.

The strategy in mitigation of the ageing infrastructure portfolio involves prioritising critical assets for replacement under the Pipe Replacement Programme and the Wastewater Works Renewal Programme. Where possible, development bulk services contributions are being utilised to upgrade the network as the CoJ develops. Ongoing efforts are also being made to source additional funding to assist in eliminating the infrastructure backlog.

Water Conservation and Water Demand Management

The NRW for the 2023/24 financial year is 46.2% (commercial losses at 9.7%, unbilled authorised consumption at 11.7%, and physical losses at 24.8%) against a target of 35%. This is a 1.1% increase as compared to the 46.1% of the previous financial year, which is of significant concern to the Entity.

Since the award of the repair and maintenance contract and the supply of meter repair parts the Entity has increased the number of operational reservoir and zonal meters from 50% to 60% which will enable the Entity to focus into zones that have high water use inefficiencies. This will in turn, enable the Entity to prioritise the investment in water demand strategies that will yield a better return in the short and long term.

The use of STS prepaid meters will improve the Entity's revenue and reduce commercial losses.

Minimum night flows reduction through advanced pressure management systems has

been identified to have a potential savings of 5 918 Ml per annum. In the 2023/24 financial year, Johannesburg Water refurbish 15 PRVs and retrofitted them with Smart Pressure Controllers.

The organisation has procured a contract for supply, deliver and onsite training of leak detection equipment has been awarded. The project scope entails deploying noise loggers (pipeline embedded sensors). The Entity procured 125 leak detection sensors at a cost of R 5.6 million. These will be installed on the network in the 2024/25 financial year.

Water demand, which is linked to system input volume, is closely linked to NRW. This was mainly experienced in the Randburg/ Roodepoort region as the analysis indicates an overall increase of 17.74% year on year in total consumption for this region. This can mainly be ascribed to high system pressures resulting in increasing pipe bursts and the increase in prepaid meter bypasses in areas like Cosmo City, Fleurhof and Riverside View.

The 10.72% year on year increase in consumption in the Midrand region was attributed to the increase in developments as well as on property leaks in areas like Ivory Park, Kaalfontein, Rabie Ridge. Sandton/ Alexandar region has also registered a year-on-year increase of 5.11%, this has been attributed to high system pressure and leaks is Alexandar Park.

A further contributing factor to the NRW was the deemed customer category which is unique to the CoJ. These customers are billed at a flat rate of 20 kl, 10 kl, or 6 kl. Investigations, however, indicated that the actual consumption to these deemed customers ranges between 50 kl and 60 kl. The difference between the flat rate being billed and the actual consumption translates into NRW and is catered for under Unbilled Authorised Consumption. The areas affected in this category are Soweto, Orange Farm, and Alexandra.

Bulk Water Supply

The delay in Phase II of the Lesotho Highlands Water Scheme Project has created challenges and added pressure on the currently available water resources. Phase II was required to be completed in 2018; however, due to various delays, it will only be completed in 2028. Due to this delay, no further increases are allowed on the water abstraction licenses from the Integrated Vaal River System.

The implication for the CoJ is that the water demand needs to be reduced to 1 500 Ml per day to comply with the CoJ allocation. To address this challenge, Johannesburg Water is part of a Project 1 600 steering committee driven by Rand Water to improve the water use efficiencies of the CoJ. It is anticipated that the interventions discussed at the Steering Committee will assist in reducing the CoJ's water demand.

The five-year strategy that was approved towards the end of the 2021/22 financial year is being implemented and its main objective is to reduce water demand by 37 123Ml per annum after all interventions has been implemented. The 2023/24 system input volume increased by 3.71% from 634 461Ml to 658 009Ml. This has resulted in an increase of AADD from 1 738Ml to 1.8Ml, this presents an annual increase of 2.65% due to 2023/24 financial year being a leap year.

Johannesburg Water implemented various activities to reduce the bulk water supply into its area of responsibility. Leaking reservoirs that require urgent refurbishment were identified during previous financial years. This was based on investigation reports done over several years ago, 40 reservoirs were currently

leaking and 22 of them were identified to be very critical. These reservoirs were allocated to a panel of consultant for design and scoping with the intention to start rehabilitating the reservoirs in the current financial year. Table 22 reflects the progress made in relation to these reservoirs.

Table 22: Procurement progress

Project Stage	No. of Projects	Construction Estimate	Project Description	Comments
Contracts in Procurement	N/A	N/A	Panel of Reservoir Complex Refurbishment - As and when	It is projected that the contract will be awarded in the second quarter of the new financial year.
Designs Complete	5	221,448	Hursthill Reservoir 2 (22.7Ml) Modderhill Reservoir (16 ML) Meadowlands Reservoirs (48.7ML) Aeroton Reservoir (45 ML) Dunkeld Reservoir (14ML)	Design Development complete. Awaiting procurement of panel of contractors. Refurbishment of reservoir complexes is in procurement. Currently reviewing specifications and BOQ.
Project in Detailed Design	5	168,846	Yeoville Reservoir 3 (45.46ML) Jabulani Reservoir Phase 2 (39.7 ML) Crown Gardens Reservoir Power Park Reservoir (64 ML) Randjieslaagte Reservoir (91ML)	Projects in detailed design stage. Expected completion date for specification development is end of August 2024. Projects will be implemented through panel of contractors.

Project Stage	No. of Projects	Construction Estimate	Project Description	Comments
Projects in Preliminary Design	7	248,330	Lenasia Cosmos reservoir (5ML) Marlboro reservoir (39ML) Helderkruin Reservoir and Tower (24Ml / 1.6ML) Erand reservoir and tower (35 ML / 1ML) Alexander Park (45 ML) Linden 1 Res and Tower (24.2ML / 1ML) 2 X Ennerdale reservoirs 22.8ML	Projects in inception stage. Projects allocated to consultants and currently in submission of their contractual.
Projects in Initiation (Allocation of Consultants)	5	521,526	Berea reservoir (24 ML) 2 X Yeoville reservoirs and tower (56.74ML/1ML) Blairgowrie reservoir (7 ML) Rabie ridge reservoir and Tower (7.5ML / 0.75ML) Bryanston reservoirs (5) and tower (100ML / 1ML)	Procurement of consultants is in progress with the intention to appoint late in the 2024/25 financial year.
Total	**21**	**1,160,150**		

The CoJ has 685 Pressure Reducing Valves (PRVs) of which, only 56% of are reliable. The rest are either bypassed, fully opened, removed, etc. An aggressive approach was adopted to undertake major rehabilitation and maintenance on all PRVs. In the 2023/24 period, Johannesburg Water refurbished 15 PRVs and retrofitted them with Smart Pressure Controllers at a cost of R2.2 million. In the 2024/25 financial year we intend to install an additional 15 Smart Pressure Controller at a cost of R2.2 million.

The section below provides progress on the STS project per area contributing to the WCWDM strategy.

These projects are in implementation in Soweto, Orange Farm and Alexandra areas. The scope entails the upgrading of secondary mains, retrofitting of leaking plumbing fixtures and installation of STS meters. The projects progress was negatively affected mainly by resistance to meter installations. Historical culture of non-payment for services is a major problem and meters have been installed in open mode because of the resistance to the

project. The open mode meters were switched to prepaid mode in all the areas and reversed back to open mode following the push back and protests in Diepkloof against the switching of meters.

The community cited lack of consultation and information on the meters as a problem hence public meetings and distribution of information booklets have been planned to close the gap.

A total of 38 903 STS meters were installed of which 38 731 meters have been uploaded on the vending platform. Data for the balance of 172 is being verified on site and submitted for uploading on the new vending platform. The section below provides progress per project area contributing to WCWDM strategy.

Soweto

Table 23 below indicates status per service providers for the implementation of WCWDM projects.

Table 23: STS progress

Description	Scope	Progress
Soweto Water Infrastructure Upgrade: Orlando West	Install 2 067 STS meters	5 373 stands have been retrofitted; 2 144 prepaid STS meters have been installed and 19.23km of pipeline has been commissioned. The balance from 42km will be done under a separate contract. Contractor is still on penalties for lagging behind schedules. The exercise of switching meters from open to prepayment mode is in progress.
Soweto Water Infrastructure Upgrade: Orlando East	Install 4 454 STS meters	The project has achieved completion. 4 457 meters were installed and 4 396 uploaded on the vending platform. The exercise of switching meters from open to prepayment mode is in progress.
Soweto Water Infrastructure Upgrade: Diepkloof	Install 8 803 STS meters	The project has reached completion stage. 8 803 meters were installed and uploaded on the vending platform. Project team is currently issuing Customer Interface Units (CIUs) to the remaining customers

Orange Farm

There are three projects aimed at addressing the high NRW through the upgrade of secondary mains, retrofitting of leaking fixtures and installation of STS meters. The Phase 2C project is now complete and Phases 2A, and Phase 2B are currently attending to snags in the form of data verification. The additional secondary mains will be done under a separate contract. The Engineering Services Unit is currently undertaking design works for the missing secondary mains.

The plan to switch the STS meters installed in Orange Farm thus far to prepaid mode has been revised to July 2024 subject to the conclusion of public meetings and switching of meters in Soweto.

Table 24 below indicates status per service providers for implementation of WCWDM projects.

Table 24: STS Progress

Description	Scope	Progress
Orange Farm WDM 2A	Retrofit and install 16911 STS meters	Secondary mains construction has been completed with 9 849m of mid-block done. 6 689m and 5 188 of yard and erf connections respectively have been completed. 7 653 stands have been retrofitted and 5 111 STS meters have been installed and uploaded on vending platform. The project has reached practical completion stage. The balance of the meters will be installed on a separate contract once the missing pipelines have been installed. The plan is to complete the tie-in by end July 2024. Switching of meters to commence after the public meetings have been held and switching of meters in Soweto has been concluded. A meeting with the RD's office and Cllrs, to communicate the switching of meters, took place on 1 March 2024.
Orange Farm WDM 2B	Retrofit and install 17092 STS meters.	9 009 stands have been retrofitted and 10 067 -yard connections completed, 1 472m of secondary mains have been laid. 8 058 STS meters have been installed and uploaded on vending platform. Outstanding work on the contract is switching of meters to prepaid. Switching of meters to commence after the public meetings have been held. A meeting with the RD's office and Cllrs, to communicate the switching of meters, took place on 1 March 2024.
Orange Farm WDM 2C	Retrofit and install 15997 STS meters	4372 STS meters installed to date and the meter data has been uploaded on to the vending platform. The project has reached completion stage. Outstanding work on the contract is switching of meters to prepaid. Public meetings to be held with the community with regards to the switching of meters. Switching of meters to commence after the public meetings have been held. A meeting with the RD's office and Cllrs, to communicate the switching of meters, took place on 1 March 2024.

In Alexandra, the project is being implemented in four phases. The first phase is construction of bypass at Bhekilanga and Skeen to isolate the leaking 600mm diameter pipeline upstream. The first phase has been completed, the second phase is the upgrading and renewal of the secondary pipelines to curb the leaks on the network. Construction on the second phase is substantially completed and at final stage of tie-ins and snagging. The third phase scope entails the replacement of part of the 600 mm diameter pipe lengths 1.3km as confirmed by Operations and Planning. This phase is at the specifications review stage. The fourth phase entails retrofitting and installation of STS meters on 11000 stands.

Two contractors were appointed for the PRVs project in July 2020 and the works on both Skeen and Bhekilanga PRV chambers have been completed and commissioned. The heavy leaks have stopped with the commissioning of both valve chambers.

Four contractors have been appointed for the secondary mains upgrading and progress is as indicated in table 25 below:

Table 25: Construction progress

Projects	Activity	Comments
Phase 1	600mm dia. by-pass	The project scope entails construction of two bypass PRV chambers at Skeen and Bhekhilanga. The objective was isolate the upstream of the 600mm diameter pipeline which was heavily leaking. Works at both PRV chambers has been completed and the heavy leaks have stopped.
Phase 2	Upgrading of secondary mains	The project scope entails renewal of existing secondary mains pipelines, rehabilitation and developing discrete water supply zones. To date 100% (7190m) of secondary mains have been laid. Scope was reduced from 7499m to 7190 as some sections were found to be in good condition and not needing any upgrading. Project was marred with stoppages by SMMEs and labour who were demanding better rates. Two out of four projects were completed on 31 January 2024 while the other two projects are planned for completion by 31 July 2024 after completing the snag lists issued to both contractors.
Phase 3	Retrofitting and metering of 11 885 properties	The scope of this project entails fixing leaking erf and yard connections, retrofitting leaks on customer properties and installation of domestic prepayment meters. The implementation of this phase is dependent on the acceptance of meter installation by the residents. A public participation survey on the community buy-in has been completed with the indication that meters may not be accepted in Alexandra. The Stakeholder Relations and communications Department has, however, confirmed that the meter project can still proceed despite the low buy-in for meters. Consultants have conducted designs and prepared the tender document for review. The award of construction tender is expected by end of November 2024 for 24 months duration.
Phase 4	Replacement of the 600mm diameter pipeline from Linbro Park Reservoir	The scope of this project entails replacement of a 600mm diameter leaking pipeline from Linbro Park Reservoir to Alexandra. Consultants were instructed to commence with the detailed designs in August 2022. The Detail Design Report has been completed and the consultant has addressed comments from various JW stakeholders. The project is at tender review and will be presented at Bid Specification Committee by end of May 2024. Project Award is anticipated by November 2024 with project duration of 18 months.

The Cosmo City project encountered resistance; however, the issues were resolved. The Entity installed 5 299 meters and 4520 Customer Interface Units have been issued to customers.

Customers at Riverside View have resisted the installation of prepaid meters as they have demanded that their debt should be written off for all existing customer meters. The matter has been escalated to the CoJ.

It is important to note that while implementing the technical aspects of reducing water demand and consumption, the Entity has taken consideration of the human element and implements measures, which aim at changing consumer behavior. This was done by participating in educational campaigns, covering the seven regions of the CoJ.

The public awareness campaigns were conducted with the following key messages:

- Water saving tips.
- paying for services.
- ESP registration.
- benefits of a smart meter.
- what are foreign objects in the system and how to take care of the infrastructure.

On-site Services

Johannesburg Water continued to provide on-site water and sanitation services to households residing in informal settlements. These services included the desludging of VIP latrines, which pose a challenge due to the misuse of sewer infrastructure. This infrastructure was used as a disposal place for solid waste and greywater. It resulted in an increased frequency of desludging, as well as increased time for desludging per toilet due to the manual removal of solid waste. In mitigating this, the Company continued to conduct public awareness campaigns in the affected areas to sensitize the community about the importance of the correct use of sewer infrastructure.

Johannesburg Water provides nominal water services through stationary water tanks filled daily and as and when the need arises. Nominal sanitation services were provided through communal chemical toilets. Year-to-date 775,879 Kl of water were delivered, and 14,705 inspections were carried out on the stationary water tanks to ensure that their condition is still intact.

Sewer Infrastructure

The upward trend in some areas in respect of increases in sewer blockages continues to plague the Entity, more especially, in the hotspot areas of Ivory Park, Diepsloot, Alexandra, some portions of Soweto, Orange Farm, and Cosmo City where the blockage frequency remained unacceptably high, which affected the response times to service interruptions. The main reasons for these high blockages were the incorrect use of the sewer infrastructure by communities and mining activities through which individuals purposefully blocked sewer lines to search for valuables. This was further aggravated by illegal dumping, which culminated in rubble ingression into the sewer manholes as well as illegal building encroachment which leads to premature failure of sewer lines.

Johannesburg Water continued to work together with the CoJ by-law enforcement as well as Customer Relations and Urban Management (CRUM) to address illegal dumping in the sewer infrastructure. The challenge, however, remained that once these interventions had been implemented, illegal dumping and mining resurfaced a few days later. Continued by-law enforcement was required; however, resource shortages hampered this intervention. Ageing sewer infrastructure also posed a challenge that culminated in increased blockages resulting from infrastructure failure. Johannesburg Water placed major emphasis on the renewal of sewer infrastructure, and this will assist in improving infrastructure performance, especially in the hotspot areas. During the period under review, 5 km of sewer infrastructure was replaced against an annual target of 16.4km

Due to budget constraints a fleet of new jetting trucks could not be procured, and the aged jetting trucks are prone to frequent breakdowns which negatively affected the Preventative Maintenance Programme. Although some infrastructure was identified to be replaced and upgraded the main challenge identified to be contributing many of the sewer blockages in the area were related to the misuse of the infrastructure by disposing of solid waste mostly

papers and rags into the system. The Entity continues to roll out an education intervention in hot spot areas to address this issue.

Water Infrastructure

The recurring theft and vandalism of water infrastructure, especially brass water meters, PRV fittings and metallic valve box covers posed serious service delivery challenges to the infrastructure improvement programme. Water meters were stolen, and this caused frequent water interruptions, which affected customers as water teams had to attend to meter replacement work and water bursts. This further impacted negatively on the overall water response times in that teams spent a lot of time replacing stolen and vandalized meters, and other failures were only addressed later. Johannesburg Water is mitigating this by replacing all brass-type domestic meters with plastic ones, which will reduce theft in the medium to long term. Furthermore, Johannesburg Water has established relationships with the local Community Policing Forums to assist in arresting the culprits. This had a positive impact in that the rate of stolen meters decreased in areas where Community Policing Forums were active; however, once police visibility reduced, theft increased.

There were noticeable increases in the vandalism of hydrants by vagrants, illegal car washers, and homeless people with the intention to access water. This happened, especially in the Johannesburg Central Business District areas. Close co-operation between the Johannesburg Metropolitan Police Department (JMPD) and Johannesburg Water was established at the regional level to improve By-law enforcement to mitigate the challenges.

The number of water pipe bursts also remained high owing to ageing infrastructure. A major emphasis has been placed on the renewal of water infrastructure, and this will assist in improving infrastructure performance, especially in the hotspot areas. A total of 17 km of water pipes were replaced against the annual target of 16.67 km.

Load Shedding and Power Failures

The Entity experienced several water supply interruptions due to intermittent power failures mainly experienced in the Midrand and Roodepoort areas. As a result of this, the Entity was unable to pump enough water into certain towers and reservoirs. As loadshedding and power failures are unavoidable, it is mitigated through a framework contract for the emergency supply of mobile generators, of which the existing contract has lapsed, noting that a new contract has been initiated and is currently at procurement stage.

Furthermore, City Power had exempted the Crosby, South Hills, and Brixton pump stations from load shedding. The Entity initially had a contract in place to back up IT equipment at the depots utilising generators and UPS. However, due to contractual issues, this will not be rolled out. Instead, IT equipment will be given back up power supply utilising the newly-installed City power solar panels and battery units at the various depots.

During the review period, Rand Water experienced power failures at the City Power Eikenhof Substation. Compounded to that, electrical failures were experienced by Rand Water at the Zuikerbosch and Vereeniging pump station. These resulted in large areas going without water specifically in the JHB Central, Randburg/Roodepoort and Soweto regions. Systems have since recovered.

Wastewater Treatment

Operational failures on critical electro-mechanical equipment, due to aging infrastructure, had a detrimental impact on overall Works' performance. Various indirect factors, including sand and silt ingress, power failures from load shedding, theft and vandalism of the electrical equipment, contributed to the failure to achieve the effluent quality compliance target. The successful engagements between Johannesburg Water and City Power yielded positive results with the recent exemption of three Wastewater Treatment Works in the Southern Region, from the load-shedding schedule.

This development marked a significant milestone in ensuring uninterrupted operations of critical infrastructure essential for public health and environmental sustainability. Among notable benefits endured following the exemption from loadshedding, Bushkoppies Works experienced a substantial reduction in spillages.

The medium- to long-term challenges are being addressed through the bulk wastewater capital programs. Ongoing projects include the construction phase of Northern Works mixed liquor plant and Unit 5 expansion, with physical progress being at 77% and 51% respectively. The Infrastructure Renewal Plans are in progress, and involve the Northern Works medium voltage upgrade, phase 1 and the Ennerdale refurbishment of electro-mechanical infrastructure, showing physical progress at 82% and 89% respectively.

The Ennerdale Works' expansion project is at the design stage, exploring options for capacity enhancement. The replacement of vandalised electrical infrastructure at the Bushkoppies' Head of Works will be part of the Infrastructure Replacement Programme commencing in the 2024/25 financial year.

During the period under review Johannesburg Water continued with the implementation of actions which were committed to, in response to the directive in terms of section 19 of the National Water Act, No.36 of 1998 for failure to take reasonable measures to prevent pollution and provide a permanent solution for sewerage overflows into the Klein Jukskei River from the Zandspruit Sewer Pump Station and the Cosmo City Township in 2018. Actions were taken to address the directive relating to the Zandspruit sewer pump station and the rising main.

Furthermore, Olifantsvlei Works received a notice of intention to be issued with a directive in terms of section 19 of the National Water Act, No.36 of 1998 for failure to take reasonable measures to prevent pollution. A submission was issued pleading with the Authorities to consider reasons and arguments explaining why the directive should not be issued and why alternative actions should be considered. The submission was a crucial step in the process of influencing the final decision made by the authorities regarding the issuance of the directive.

Three urgent interventions have been sourced to debottleneck the southwestern outfall sewer on short term and medium to long term interventions are at the detailed design stage to reinstate the Van Wyk's Rust pump station.

Preventative measures were implemented in the sewer network to protect and extend the lifespan of the WWTW and sewer pump stations from sand ingress. Progress on the actions was as follows:

- The sewer network was investigated for the design and construction of more sand traps on all outfall sewers for the removal of sand upstream of sewer pump stations and works. Due to the complexity of this work, it was allocated to the panel of professional service providers and the project will be implemented in the coming year.

- Routine hydro-jetting was not done during the period due to the unavailability of jetting trucks. This was because of delays in resolving the backlog in maintenance requirement of the vehicles by the appointed service provider.

Green Drop

In the process of addressing non-compliance and improving the Greendrop Audit assessment score, significant advancements have been observed in the operations of the Southern Regions Works, being Bushkoppies, Goudkoppies, and Olifantsvlei. These Plants were granted exemption from load shedding following lengthy discussions with City Power. This has enabled uninterrupted operations and further contributed to enhanced process efficiencies and equipment availability. While celebrating these achievements, it is essential to acknowledge a slight decline of 3.3% in overall effluent compliance when compared to the 2022/23 financial year. This decrease was primarily attributed to significant equipment challenges encountered at the Northern Works. Despite this setback, proactive measures have been taken to address critical equipment unavailability, with a notable number of equipment undergoing repair and maintenance processes. The projected completion of these repairs between July and August 2024 is anticipated to significantly enhance equipment availability and subsequently improve compliance levels especially at Northern Works.

On a positive note, a noteworthy decline of 6.0% in spillages has been recorded, largely due to improved performance at the Bushkoppie and Goudkoppies Works during the last quarter of the year. To further bolster these achievements, a comprehensive set of interventions outlined are scheduled for completion by the end of September 2024, with additional activities slated for conclusion by the end of December 2024.

Road Reinstatements

Backfilling and road reinstatements were negatively affected by fleet challenges. The SLA between Johannesburg Water and the JRA has now been finalised and a total of 5 493 jobs have been given to JRA of which 1 831 have been completed translating to a completion rate of 33%.

The JRA has been provided with a budget confirmation of R50 million for the 2024/25 financial year to continue implementing its obligations under the SLA.

Section 3:

RESPONSE TO STRATEGIC DIRECTION

Johannesburg Water's service delivery mandate is driven by four of the seven strategic goals, which are aligned to the CoJ Priorities and GDS 2040.

Strategic Goal 1: Utilise infrastructure delivery to create jobs, support SMMEs and attract investments.

The focus is on infrastructure development to improve the quality of services and create the capacity to boost the CoJ's economic growth and development. A detailed description of the progress made in line with this strategic goal is outlined in Chapter 5, Section 4 of the report.

Strategic Goal 2: Deliver water and sanitation service of good quality that is accessible, reliable and efficient.

- The focus is on accelerating access to basic water and sanitation services in informal settlements. A detailed description of the progress made in line with this strategic goal is outlined in Chapter 5, Section 4 of the report.
- Strategic Goal 3: Operate in a manner that promotes environmental conservation and sustainability.
- The focus is on accelerating access to basic water and sanitation services in informal settlements. A detailed description of the progress made in line with this strategic goal is outlined in Chapter 5, Section 4 of the report.

Strategic Goal 4:

Improve customer and Stakeholder satisfaction.

- Improve customer services experience through infrastructure development to ensure that the CoJ's citizens receive services with minimum interruptions. In addition, the Entity ensures that customer queries are attended to expeditiously. A detailed description of the progress made in line with this strategic goal is outlined in Chapter 2, Section 3, and Chapter 3, Section 6 of the report.

Table 26 indicates progress against strategic goals and objectives during the period under review; these goals are aligned to the CoJ priorities as depicted in Chapter one.

Table 26: Strategic Goals and Achievements

Strategic goals or objectives	Achievements 2022/23	Achievements 2023/24
Strategic Goal 1:	• 473.94 sewer pipe blockages per 100km of network length • 297.03 water pipe bursts per 100 km of network length • 0.50% renewal rate on network and WWTW based on the value • 103% Capex spend • 132% B-BBEE procurement spend • 1 808 EPWP job opportunities created • 161 SMMEs supported	• 464.66 sewer pipe blockages per 100km of network length • 402.36 water pipe bursts per 100 km of network length • 0.58% renewal rate on network and WWTW based on the value • 99.32% Capex spend • 133% B-BBEE procurement spend • 1 483 EPWP job opportunities created • 123 SMMEs supported
Strategic Goal 2:	• 99.18% water quality compliance • 1 453 additional households provided access to basic water • 2 349 additional households provided access to basic sanitation	• 99.20% water quality compliance • 927 additional households provided access to basic water • 0 additional households provided access to basic sanitation
Strategic Goal 3:	• 78.5% effluent compliance • 262.05 water consumption per capita (l/c/d)	• 76.1% effluent compliance • 261.73 water consumption per capita (l/c/d)
Strategic Goal 4:	• 65.92% response time to • sewer blockages • 60.04% response time to water bursts	• 92.67% response time to • sewer blockages • 67.46% response time to water bursts

Table 27 illustrates the linkages of the entity's SDBIP performance against the CoJ priorities and GDS 2040.

Table 27: Linkages to SDBIP Performance, CoJ priorities, and GDS 2040

Service Delivery Budget Implementation Plan	GDS 2040	Mayoral Priorities	Key performance indicators	Total expenditure R'000	Target	Actual	Comments
Access to basic services	Continued implementation of the Informal Settlements Upgrade Programme to ascertain that residents have access to basic water and sanitation services, as projected.	P7: A safer city P4: Sustainable service delivery	Number of additional households provided with basic water at minimum LoS1 in settlements	6623	250	927	Achieved
			Number of additional households provided sanitation at a minimum LoS1 in informal settlements.	3292	200	0	Reinstatement after project practical completion – from 2022/23.

Section 4:

PERFORMANCE AGAINST SERVICE STANDARDS

Johannesburg Water has committed to achieving the service standards that have been published as part of the Shareholder's service standards. The Entity achieved five of the fifteen service standards. Ten were not achieved. Of the ten standards that were not achieved, five had a performance range of 90% and above; and five was below 90%. The Entity has put mitigation plans to address the service standards that were not achieved going into the new financial year. A summary of the performance on the service delivery indicators is provided in table 28:

Table 28: Service Standards

Ref	Service Standard Indicator	Service Standard (Target)	2023/24 Actual	Variance	Variance Analysis and Action Plans	2022/23 Actual
SS1	Percentage of water supply interruptions concluded within 12 hours of notification	90%	11.65%	-78.35%	Target was not met due to shutdowns resulting from challenges with water isolation. More time was taken to isolate larger areas and allow the line to drain in order to effect repairs. Key valves in the networks have been identified and form part of Pipe Replacement Plan (PRP) to be rolled out in the various projects. Performance was further impacted by various major bursts at Judges and Republic. The Bryanston and Soweto areas which took considerable times for line to be isolated and drained. This will improve as PRP and valve replacements are rolled out. Record-keeping posed a challenge as well as some jobs contained incomplete records.	88.89%
SS2	Percentage of fire hydrants repaired within 48 hours of notification	80%	68.11%	-11.89%	Target was not met due shortage of vehicles negatively affected the Ennerdale/Hamburg/Randburg depots. Teams were grouped together for safety reasons. There was a backlog in the Central Region. Bursts have been prioritised to reduce water wastage. Although jobs have been completed, an improvement will be noted as the correct specification fleet is delivered at depots.	72.15%
SS3	Percentage of stolen meters replaced within 24 hours of notification	90%	85.03%	-4.97%	Target was not met due to a spike in stolen meters in the central region and due to the high number of backlogs, bursts were prioritised. The Rand Water interruptions also negatively impacted service delivery as teams were diverted to water tanking and flushing air off lines.	89.07%
SS4	Percentage of defective meters repaired within 3 days of notification	80%	75.42%	-4.58%	Target was not met due to prioritising a large influx of credit management technical queries and depot assistance with T-codes which in billing related issues resulting in delayed response times. Backlogs on credit management technical queries and T-codes are being reduced and workload is more manageable therefore an improvement is expected going forward.	79.51%

Ref	Service Standard Indicator	Service Standard (Target)	2023/24 Actual	Variance	Variance Analysis and Action Plans	2022/23 Actual
SS5	Percentage of leaking valves repaired within 48 hours	92%	79.41%	-12.59%	Target was not met due to a shortage of vehicles. Bursts have been prioritised to reduce water wastage. Although jobs have been completed, improvement will be noted as the new fleet is rolled out.	88.48%
SS6	Percentage of missing manhole covers replaced within 24 hours of notification	95%	97.68%	+2.68%	Target was exceeded because of prioritising manhole covers due to the safety aspect. Further to this the replacement of old steel covers to polymer covers has served as a deterrent in theft.	95.90%
SS7	Percentage repair of water pipe burst within 48 hours of notification	85%	67.46%	-17.54%	The target was not met mainly due to incorrect vehicle specifications resulting in teams not transporting sufficient spares and pipes and these led to delays on some jobs. Further to this, the ageing infrastructure specially relating to ac and steel pipes resulted in some repairs taking longer to complete due to custom fittings which needed to be manufactured and welding work which had to be undertaken. Performance KPI is expected to improve as new fleet is being delivered to the depots and PRP continues to be rolled out.	60.04%
SS8	Percentage sewer blockages cleared within 24 hours of notification	92%	92.67%	+0.67%	Target was exceeded due to the in house point repairs done by depot teams in hotspot areas. Also, the use of Jetting trucks via the contract (due to the poor state of internal JW Jetting trucks) has assisted in reducing recurring blockages in hotspot areas. This KPI can improve further once new JW Jetting trucks an CCTV equipment is procured. This will focus mainly on preventative maintenance in hotspot areas.	65.92%

Ref	Service Standard Indicator	Service Standard (Target)	2023/24 Actual	Variance	Variance Analysis and Action Plans	2022/23 Actual
SS9	Percentage of new water connections completed within 15 days of receiving request from customer	70%	68.35%	-1.65%	Target was not met due to shortage of vehicles and prioritising bursts and leaks has negatively affected response times. Vehicles are being delivered in a phased approach and this will improve performance.	64.11%
SS10	Percentage actual water meter readings submitted to bill	88%	85.36%	-2.64%	The target was not met due to technical faults, LTA and possible system updates that resulted in meters not being read. Resolution of T-codes ongoing, estimation managed at Weekly T-code meeting. Ensure system update processed in ISU. Meter Reading Programme to review meters not read.	82.75%
SS11	Percentage of planned service interruption communiqués sent within seven days	95%	100%	+5%	Target was exceeded due to the department sending all planned service interruption notifications shared by Operations/relevant depots within the time stipulated in the Communication Standard Operating Procedure. Communication updates were sent through various Johannesburg Water social media platforms, Daily Water Notices email, website and through the regional councillor WhatsApp groups.	100%
SS12	Communication of unplanned service interruptions send immediately	95%	100%	+5%	Target was exceeded due to the department sending all planned service interruption notifications shared by Operations/relevant depots within the time stipulated in the Communication Standard Operating Procedure. Communication updates were sent through various Johannesburg Water social media platforms, Daily Water Notices email, website and through the regional councillor WhatsApp groups.	100%

Ref	Service Standard Indicator	Service Standard (Target)	2023/24 Actual	Variance	Variance Analysis and Action Plans	2022/23 Actual
SS13	Number of additional households provided access to basic water at minimum LoS 1 in informal settlements	250	927	N/A	N/A	1 453
SS14	Number of additional households provided access to basic sanitation at minimum LoS 1 in informal settlements	200	0	-200	Target was not met due to the delays in work package award. A contractor has been appointed (June 2024) for provision of basic sanitation in Crosby and construction of the ViPs to commence in September 2024.	2 349
SS15	Ratio of households per chemical toilet	10:1	11.74:1	-1.74:1	Target was not met due to the number of households that have increased over the last few months and based on current cost containment measures; it is not financially viable to add more toilets at this stage due to budget constraints. To keep up with the extra usage of toilets, servicing is done twice a week. Additional servicing is provided as and when required.	21:1

Performance against Batho Pele Principles

The Batho Pele ("People First") Principles (know the service you are entitled to) are aligned to the Constitution. Government officials must follow the Batho Pele principles, which require public servants to be polite, open and transparent, and to deliver good services to the public. In executing the principles, the organisation's focus areas are as follows:

Consultation

The organisation consults residents about the level and quality of the public services they receive through public meetings, petitions, visible service delivery meetings, councilor consultation, and project support; wherever possible, residents will be given choices about the services that are offered.

Access

Johannesburg Water provides basic water through standpipes situated at not more than 200-meter radius from the consumer properties. Basic sanitation is provided through Ventilated Improved Pits (VIPs). 61 160 VIPs exist in various informal settlements across the CoJ. During the period under review 64 225 services (some toilets are de-sludged more than once) were undertaken on VIP latrines. The year-to-date figure is 270 871.

Nominal water services are provided through stationary water tanks which are filled up daily through mobile water tanks, and nominal sewer services are provided through chemical toilets which are serviced twice a week. Year-to-date, 775,879 Kl of water were delivered, and 14 705 inspections were carried out on the stationary water tanks to ensure that their condition is still intact.

Information

The Company ensures that citizens are given full and accurate information about the public services they are entitled to receive through the annual publication of the Business Plan, Mid-year Report, and IAR on the website.

Redress

Within the CoJ, the Ombudsman investigates complaints against administrative actions, procedures, and practices such as improper conduct, unfair treatment, poor service, failure to follow procedures, disregard of Batho Pele Principles, and failure to respond to an enquiry, complaint, or other correspondence.

Value for Money

In terms of Regulation 28 (1) of the Municipal Supply Chain Management Regulations, 2005, the Bid Evaluation Committee must evaluate bids in accordance with the achievement of the best value for money. Clause 32.8.1.1.3 of the Company's Supply Chain Management Policy subscribes to the regulation, which is applied in evaluating bids.

Section 5:

PERFORMANCE AGAINST PRE-DETERMINED OBJECTIVES

The entity measured its performance against the 25 Key Performance Indicators (KPIs) as approved in the Business Plan. Targets for 14 KPIs were achieved with 9 KPIs not achieved, of which two were above 90% whilst seven were below 90%. The results for two KPIs (20 and 21) are not yet available as they are pending the AGSA outcome.

Table 29 indicates the business scorecard with both targets and actual annual performance.

Table 29: Balanced Scorecard

Strategic Goals	KPI	2023/24 Target	2023/24 Actual Achievement	Variance	Variance analysis	2022/23 Actual Achievement	Reference Number
SG 1: Utilise infrastructure delivery to create jobs, support SMMEs and attract. investments	Percentage total B-BBEE procurement spent on qualifying SMMEs	125%	133%	+8%	Target was exceeded, due to procuring from general service providers at B-BBEE status of Level 1 and 2 given that they are SMMEs with a turnover less than R50m.	132%	1
	Number of Jobs created based on EPWP	1 139	1 483	+344	Target was exceeded due to applying pressure on Contractors to employ more local labour and adoption of labour-intensive works as much as possible.	1 808	2

Strategic Goals	KPI	2023/24 Target	2023/24 Actual Achievement	Variance	Variance analysis	2022/23 Actual Achievement	Reference Number
	Number of SMMEs supported through community upliftment projects	85	123	+38	Target was exceeded due to applying a lot of pressure on contractors to outsource as much of their work to local SMME s as is feasible without affecting delivery timelines.	161	3
SG 2: Deliver water and sanitation services of good quality that is accessible, reliable and efficient.	Number of sewer blockages per 100 km of network length	524	464.66	+59.34	Target was exceeded due to the various sewer PRP in hotspot areas. In house point repairs on identified hotspots of recurring blockages.	473.94	4
	Number of water pipe bursts per 100 km on network length	428	402.36	+25.64	Target was exceeded due to PRP in hotspot areas of ac/steel pipes as well as the installation or replacement of key valves within the Network to better manage the system.	297.03	5
	Renewal rate of water and sewer networks; and wastewater treatment works electromechanical components based on value	0.40%	0.58%	+2.17%	Target was exceeded due to targeting of priority programmes and ensuring project readiness in prior years to implementation.	0.50%	6
	Percentage Capex Spend	95%	99.32%	+3.69%	Target was exceeded due to building a good project pipeline and adequate mitigation measures for non-awards.	103%	7

Strategic Goals	KPI	2023/24 Target	2023/24 Actual Achievement	Variance	Variance analysis	2022/23 Actual Achievement	Reference Number
	Percentage compliance with drinking water quality standard on E. Coli (SANS 241)	99%	99.20%	+0.20%	Target was exceeded due to the implementation of policies, standards and adherence to existing management systems, ongoing training on quality assurance matters, ongoing improvement of the control measures and overall planning. improvement on working environment condition, i.e., facelift and refurbishment of satellites laboratories	99.18%	8
	Number of additional households provided access to basic water at minimum LoS1 in informal settlements	250	927	N/A	N/A	1 453	9
	Number of additional households provided access to basic sanitation at minimum LoS1 in informal settlements.	200	0	-200	Target was not met due to the delays in work package award. A contractor has been appointed (June 2024) for provision of basic sanitation in Crosby and and construction of the ViPs to commence in September 2024.	2 349	10

Strategic Goals	KPI	2023/24 Target	2023/24 Actual Achievement	Variance	Variance analysis	2022/23 Actual Achievement	Reference Number
SG 3: **Operate in a manner that promotes environmental conservation and sustainability**	Percentage of final effluent compliance in all WWTW	90%	76.10%	-13.90%	The target was not met due to high levels of noncompliance. on the microbiological and chemical parameters in a number of Works due to unavailability of critical electro-mechanical equipment. A detailed IRP (Infrastructure Renewal plan) to address these challenges has been developed and must be resourced to achieve the targets	78.50%	11
	Number of WWTW plants spillage	1 500	1 939	-439	Target was not met due to factors such as load shedding, critical equipment failures, design capacity constraints and theft and vandalism of infrastructure. A detailed action plan to address these challenges has been developed.	2 041	12
	Water consumption per capita per day	271l/c/d	261.73l/c/d	+9.27 l/c/d	The target exceeded due to implementation of the WDM initiatives as well the improved first line response and backlogs reduction of bursts and leaks that have assisted in achieving the target. This figure can be further reduced in the 2024/25 FY because of the implementation of the WDM strategy and projects.	262.05 l/c/d	13

Strategic Goals	KPI	2023/24 Target	2023/24 Actual Achievement	Variance	Variance analysis	2022/23 Actual Achievement	Reference Number
SG 6: Use of technology for effective and efficient operations	Percentage implementation of workforce optimisation system with a service failure reporting application	100%	68%	-32%	Target was not met due to the change in deployment strategy that staggered as opposed to big bang. The project having to be rebase lined to accommodate a staggered approach as opposed to the original big-bang approach. The staggered approached is favoured given the intensity of the training required, both for office bound and field worker staff. The User Acceptance Testing (UAT) has commenced however, it has been identified that more time will be required to complete the UAT. This is owing to the business processes to be covered in the new system. As a result of this, the solution is planned to be deployed over the next three months commencing from July 2024.	New	14

Strategic Goals	KPI	2023/24 Target	2023/24 Actual Achievement	Variance	Variance analysis	2022/23 Actual Achievement	Reference Number
SG 4: **Improve customer and stakeholder satisfaction**	Percentage of Water bursts restored within 48 hours of notification	85%	67.46%	-17.54%	The target was not met due to high number of backlogs relating to bursts in the Central Region and Zandfontein. These were prioritised and resolved. The incorrect vehicle specifications result in teams not transporting sufficient spares and pipes and these led to delays on some jobs.	60.04%	15
	Percentage of Sewer blockages cleared within 24 hours of notification	92%	92.67%	+0.67%	Target was exceeded due to the in house point repairs done by depot teams in hotspot areas. Also, the use of Jetting trucks via the contract (due to the poor state of internal JW Jetting trucks) has assisted in reducing recurring blockages in hotspot areas	65.92%	16

Strategic Goals	KPI	2023/24 Target	2023/24 Actual Achievement	Variance	Variance analysis	2022/23 Actual Achievement	Reference Number
	Percentage Customer Satisfaction	72%	71.1%	-0.9%	The target was not met due to billing problems with customers perceiving inaccuracies in their water statements due to the absence of meters in their yards. This perception has led to reluctance in paying for water services. Additionally, water leakages from Johannesburg Water infrastructure contributed to high bills and emphasize the need for maintenance. However, customers still perceive tap water as safe to drink, which is reassuring, especially considering previous concerns about cholera in 2022/23 study. This suggests that Johannesburg Water has been successful in maintaining water quality standards. Enhanced collaborations will be fostered between Johannesburg Water and various stakeholders, including government departments, community organizations, and non-governmental organisations, seek regular feedback from stakeholders to understand	72 %	17

Strategic Goals	KPI	2023/24 Target	2023/24 Actual Achievement	Variance	Variance analysis	2022/23 Actual Achievement	Reference Number
					their concerns and expectations and incorporate the feedback into service improvement plans and public awareness campaigns will be conducted to educate stakeholders and the general public about water and sanitation issues and the role of Johannesburg Water.		
	Percentage actual water meter reading submitted to bill	**91.5%**	85.36%	-6.14%	The target was not met due to technical faults, LTA and possible system updates resulted in meters not being read. Resolution of T-codes ongoing, estimation managed at Weekly T-code meeting. Ensure system update processed in ISU. Meter Reading program to review meters not read.	82.75%	18
SG 5: Enhance sound financial. management, sustainability and good governance	Percentage Non-Revenue Water	35%	46.2%	-11.2%	The target was not met due to Ageing Infrastructure. To be mitigated through Pipe Replacement Programme and Implementation of the Water Demand and Water Conservation Strategy – Technical and human elements	46.1%	19

Strategic Goals	KPI	2023/24 Target	2023/24 Actual Achievement	Variance	Variance analysis	2022/23 Actual Achievement	Reference Number
	Rand net profit before bad debt provision	R4.967 billion	R5.505 billion	+R538 million	The target was exceeded largely due to the revenue performance. The revenue was above the annual target, which was attributable to higher consumption. Furthermore, there were revenue enhancement and expenditure management initiatives that contributed to the profitability of the company.	R4.398 billion	20
	Audit opinion	Clean audit opinion issued by AGSA	Unqualified audit	N/A	N/A	Unqualified Audit	21
	Percentage of resolution of Internal Audit and AGSA findings	95%	86.5%	-8.5%	Target was not met due to other findings not been resolved as they are long-term in nature. Their action plans have been developed.	New	22
SG 7: **Invest in our staff to sustain optimal performance and a service focussed culture with committed people**	Percentage female employees	34.43%	36.34%	+1.91%	Target was exceeded due to increasing the focus to more female representation through the recruitment process. The female representation target is cascaded down to all departments and this overall focus continue to yield positive results in this regard.	35.78%	23

Strategic Goals	KPI	2023/24 Target	2023/24 Actual Achievement	Variance	Variance analysis	2022/23 Actual Achievement	Reference Number
	Percentage Implementation of Internal Training Plan	90%	72.50%	-17.50%	The target was not met due to delays in implementation of Panel of Training Providers Contracts.	82.27%	24
	Disabling Injury Frequency rate	1.5	1.17	+0.33	The target was exceeded as a result of a number of initiatives that have been implemented to drive health and safety in company, this included safety training of safety representatives, the continued implementation of the medical and safety surveillance programmes. This has resulted in the increased awareness on safety of our employees therefore reducing the number of incidents.	1.10	25

Table 30: Action plans on non-achieved targets

Ref	Key Performance Indicator	Annual Performance		Challenges and Action Plans
		Target	Actual	
10	Number of additional households provided access to basic sanitation at minimum LoS1 in informal settlements.	200	0	**Challenges:** Target was not met due to the delays in work package award. **Action plans:** A contractor has been appointed (June 2024) for provision of basic sanitation in Crosby and the planned commencement of works is in August 2024. In addition, JW is investigating four new informal settlements in Potjie, Patsieng, Zandspruit, Farmroodeport for implementation in 2024/25 financial year. These projects will assist to meet the current financial year target.
11	Percentage final effluent compliance in all WWTW.	90%	76.1%	**Challenges:** The target was not met due to high levels of non-compliance on the microbiological and chemical parameters in several Works due to unavailability of critical electro-mechanical equipment. Budgetary constraints have contributed to challenges when it comes to the implementation of the plan. **Action plans:** A detailed action plan to address these challenges has been developed and the plan includes addressing equipment failures, infrastructure renewal and improvement of security at JW facilities.
12	Number of WWTW plants spillage.	1 500	1 939	**Challenges:** Target was not met due to factors such as load shedding, critical equipment failures, design capacity constraints and theft and vandalism of infrastructure. Budgetary constraints have contributed to challenges when it comes to the implementation of the plan. **Action plans:** A detailed action plan to address these challenges has been developed and the plan includes addressing equipment failures, infrastructure renewal and improvement of security at JW WWTW.

Ref	Key Performance Indicator	Annual Performance		Challenges and Action Plans
		Target	Actual	
14	Percentage implementation of workforce optimisation system with a service failure reporting application.	100%	68%	**Challenges:** The planned target of 100% was not met due to the change in deployment strategy that staggered as opposed to a big bang. The project having to be re-baselined to accommodate a staggered approach as opposed to the original big-bang approach. **Action plans** The staggered approached is favoured given the intensity of the training required, both for office bound and field worker staff. The User Acceptance Testing (UAT) has commenced however, it has been identified that more time will be required to complete the UAT. This is owing to the business processes to be covered in the new system. As a result of this, the solution is planned to be deployed over the next three months commencing from July 2024.
15	Percentage water bursts restored within 48 hours of notification.	85%	67.46%	**Challenges:** The target was not met due to high number of backlogs relating to bursts in the Central Region and Zandfontein. The incorrect vehicle specifications result in teams not transporting sufficient spares and pipes and these led to delays on some jobs. **Action plans:** These were prioritised and resolved.

Ref	Key Performance Indicator	Annual Performance		Challenges and Action Plans
		Target	Actual	
17	Percentage customer satisfaction.	72%	71.1%	**Challenges:** The target was not met due to billing problems with customers perceiving inaccuracies in their water statements due to the absence of meters in their yards. This perception has led to reluctance in paying for water services. Additionally, water leakages from Johannesburg Water infrastructure contributed to high bills and emphasize the need for maintenance. However, customers still perceive tap water as safe to drink, which is reassuring, especially considering previous concerns about cholera in 2022/23 study. This suggests that Johannesburg Water has been successful in maintaining water quality standards. **Action plans:** Enhanced collaborations will be fostered between Johannesburg Water and various stakeholders, including government departments, community organizations, and non-governmental organisations, seek regular feedback from stakeholders to understand their concerns and expectations and incorporate the feedback into service improvement plans and public awareness campaigns will be conducted to educate stakeholders and the general public about water and sanitation issues and the role of Johannesburg Water.
18	Percentage actual water meter reading submitted to bill.	91.5%	85.36%	**Challenges:** The target was not met due to technical faults, LTA and possible system updates resulted in meters not being read. **Action plans:** Resolution of T-codes are ongoing, Estimation managed at Weekly T-code meeting. Ensure system update processed in ISU. Implement the Meter Reading Programme to review meters not read.

Ref	Key Performance Indicator	Annual Performance		Challenges and Action Plans
		Target	Actual	
19	Percentage NRW.	35%	46.2%	Challenges: Budget constraints limited implantation of all the WC/DM Strategy (reservoir programme) Action plans: Initiatives involves bringing performance-based contracting (PPP).
24	Percentage implementation of internal Training Plan	90%	72.50%	Challenges: Delays in Request for Quotations (RFQs) turnaround times for issuing of Purchase Orders (POs) and delays in implementation of panel of training providers contract resulted in target not being met. Action plans could also not be implemented due to the same reasons stated above. Action plans: Finalisation of the panel of training provider will be expedited.



Section 6:

PUBLIC SATISFACTION IN MUNICIPAL SERVICES

The Customer Satisfaction Survey

Johannesburg Water conducts an annual stakeholder and customer satisfaction survey, presenting the results to Johannesburg Water. Ongoing efforts are made to improve the satisfaction levels of both customers and stakeholders. For year, the Johannesburg Water Customer Satisfaction Levels dropped from 72.3% to 71%. Customers raised the following as key issue that dropped their satisfaction level towards Johannesburg Water:

- Poor quality of tap water.
- Poor communications on planned and unplanned water interruptions.
- Dissatisfaction with repairs of sewer infrastructure.
- Depot staff – unprofessional not trained to do their work.
- Meter Readers not reading meters- using estimates.
- Response to complaints – turnaround time too long.
- Burst pipes not attended to immediately.
- Incorrect billing.
- No reinstatements done after maintenance work has been done;
- Not enough vendors for people to purchase prepaid water and
- Cost of water too high, to name but a few.

Finally, concerning the Standard Transfer Specification (STS) Engagement, Johannesburg Water continued to engage councillors and Communities where the STS meters were installed and switched on prepaid mode. The engagements were conducted in Diepkloof, Orlando East, Orlando West, Cosmo city and Orange Farm. The main purpose of these meetings was to inform stakeholders that the meters installed will be switched into prepaid mode and to escalate the meter related issues to the entity for resolution. In all the engagements the stakeholders were given STS meter brochures to assist in the understanding how the meter works, the importance of by-law enforcement on vandalised meters, importance of water conservation and registering the ESP for those that cannot afford to purchase water.

Future Areas of Focus

The primary goal of stakeholder management in the 2024/25 financial year will be to enhance interventions that address the issues raised by customers and stakeholders in the previous customer satisfaction survey. Improvements will be implemented to prevent the recurrence of similar and persistent issues in the following survey. This would necessitate improving communication with both the business sector and city residents.

The focus and strategic direction will be on collaborating not only with the business sector, but also with important stakeholders such as

ward councillors and civil society organisations, to boost visibility and engagement. It is essential to form and enhance these collaborations to regain direct engagement with stakeholders as a vital aspect of public education and awareness, especially in areas that are more prone to service delivery challenges.

An Integrated Marketing and Communication Strategy will strive to enhance the visibility and positioning of Johannesburg Water. A comprehensive media campaign will be developed to provide extensive public education on water and sanitation provision. The objective is to strive for a more accessible approach in all forms of communication, ensuring that the messages are clear, comprehensible, and appealing to the intended targeted audience. The Entity will increase its interaction and engagement with the mainstream and community-based media including key stakeholders, while promoting employee advocacy and participation.



Section 7:

RECOMMENDATIONS AND PLANS FOR THE NEXT FINANCIAL YEAR

The Company's plan for the next financial year has taken cognisance of the GLU objective of R20 billion-rand investment on fixing, replacing, and upgrading roads, bridges, water pipes, wastewater plants, and the power grid.

Capital Budget (2024/25 to 2028/29)

Johannesburg Water has allocated a total capital budget of R8.9 billion from 2024/25 to 2028/29 financial years. Table 31 provides a detailed breakdown per year.

Table 31: Capex Budget 2024/25 to 2028/29

Category	2024/25 R'000	2025/26 R'000	2026/27 R'000	2027/28 R'000	2028/29 R'000
Capital Budget	1,221,086	1,508,298	1,766,602	2, 255,000	2, 210,000

In line with its mandate as part of the GLU's strategy, Johannesburg Water's capital expenditure will be spent mainly on the following programmes:

- WWTW
- Pipe Replacement and Upgrades
- Construction of Reservoirs
- Water Demand Management

In the 2024/25 financial year, Johannesburg Water's capital expenditure will continue to focus on the following projects:

- Upgrades and renewal of WWTW including Olifantsvlei WWTW, Goudkoppies refurbishment, Bushkoppies refurbishment, Northern Works expansion of Unit 5 Module 2, Ennerdale Works expansion and commencement for the new Lanseria WWTW.
- Water and sewer pipe replacement programmes aims to replace 15.6km and 16km of water and sewer pipes respectively.
- Construction of 4 reservoirs and water towers, yielding a storage capacity of 81 Ml.
- Commencement of the bulk water main renewal programme.
- Commence with the refurbishment of leaking reservoir programme.

Transit-oriented Development

To re-energise its economy, the CoJ has identified economic developmental nodes that need attention in the current IDP period, namely the Inner City, Randburg, Roodepoort (Mining Belt), and TOD areas. In support of the political-strategic direction, Johannesburg

Water has planned various projects that seek to support economic activities within the identified nodes. Johannesburg Water has also planned completion of the refurbishment of the Hector Norris pump station, which commenced with construction in 2023/24. Regarding the Randburg and Roodepoort nodes, Johannesburg Water will align its programme with the CoJ's vision and strategic direction of these two nodes. The TOD areas are one of the CoJ's special programmes that are designed to correct the imbalances of the past. The programme is geared towards ensuring that high-density human settlements are developed within the CoJ. This initiative will ensure that people come closer to the CoJ or working zones while also being provided with mobility through public transport (Rea-Vaya).

In support of the TOD areas, Johannesburg Water has identified various capital projects that are geared to support the expected population and economic activities within the nodes. The Company will provide additional capacity for water supply infrastructure and sanitation services to support higher density settlements. It should be noted that the current system has sufficient capacity to support development in the short-term and that funding will be allocated to ensure that the ultimate development scenario is supported.

The Inner-City Programme, comprising the Johannesburg Central Business District and adjacent suburbs, has been defined as a priority development node for the CoJ. Like the TOD areas, the vision is to provide higher density mixed-use development in support of the GDS 2040. The focus in 2024/25 will continue to be the upgrading of Hector Norris pump station.

Brixton, which falls within the TOD, is currently supplied from the existing 22.7 Ml Reservoir and the 2 Ml Brixton Tower. The said infrastructure was constructed in 1917 and has exceeded its useful life. Due to the planned densification resulting from the TOD as well as the growing student communal population, Johannesburg Water requires additional water capacity in the Brixton area. The supply system will be efficient upon completion of the multiyear programme, which entails:

- Construction of the new 26 Ml Brixton Reservoir, which is in construction planned for completion by March 2025.
- Construction of the new 2 Ml Brixton Tower and Installation of the pump station able to deliver at least 200l/s at 35m head, which is in construction planned for completion by March 2025.
- Construction of approximately 3 000m pipeline of 1000mm diameter from the Rand Water connection planned to commence with construction in February 2025 for completion by October 2026.

Upgrade of Crosby Pumpstation to deliver at least 591l/s at 35m head, which is planned to commence with construction in February 2025 for completion by October 2026.

CHAPTER FOUR:

HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT



Stakeholders impacted: Employees Strategic Response: Strategic Goal 7

Section 1:

EMPLOYEE REMUNERATION (TOTAL COSTS INCLUDING EXECUTIVES)

Table 33 reflects the total cost to the Company of employee remuneration for the year under review. Total gross remuneration was R1.665 billion reflecting an under-expenditure of R51 million. The under-expenditure was attributable to a group moratorium on the filling of positions.

Overtime and leave paid out were done in accordance with the provisions of the Basic Conditions of Employment Act and the Entity's Conditions of Service. Although overall there have been savings on the Budget, overtime expenditure was above budget.

Table 32: Employee Remuneration

Budgeted salaries	Budget 2023/24 (R'000)	Actual (R'000)	Variance (R'000)	Percentage variance
Employee costs	1,716,024	1,664,884	51,140	3%

Internal and External Factors that Influenced Remuneration

The annual cost of living adjustment

The negotiations for the annual cost of living increase for bargaining employees for the 2023/24 financial year are yet to be concluded. The implementation is envisaged in the month of September 2024 subject to approval. Executive Management employees did not receive any annual increase for the 2023/24 financial year as no directive is yet received from the Shareholder.

Table 33 outlines salaries paid to the executive management during the 2023/24 financial year.

Table 33: Executive Management Remuneration

Executive	Basic salary	Leave Encashment	Acting allowance	Bonuses and performance-related payments	Travel and housing allowances	Other contributions to pension funds	Contributions to pension and medical aid	Total
Ntshavheni Mukwevho – Managing Director	2,541,916.30	0	0	206,506.08	175,864.92	0	440,897.54	3,365,184.84
Johan Koekemoer – Financial Director	788,053.49	128,683.84	0	0	132,000.00	0	121,909.82	1,170,647.15
Derrick Kgwale – Chief Operations Officer	573,266.08	167,376.14	0	172,289.56	48,000.00	0	74,010.60	1,034,942.38
Shaniseka Mathebula – Chief Audit Executive	1,359,670.99	42,445.26	0	160,081.61	168,000.00	0	263,335.85	1,993,533.71
Kethabile Mabe – Executive Manager: Governance and Legal Services	2,066,422.16	0	0	185,847.36	0	0	144,556.51	2,396,826.03
Raisebe Gaveni - Executive Manager HR and Corporate Services	1,678,812.39	0	0	171,555.30	0	0	257,807.61	2,108,175.30
Thokozile Hlakoane - Executive Manager: Risk and Compliance	1,351,305.30	0	0	84,531.57	120,000.00	0	151,945.74	1,707,782.61
Nondumiso Bernice Mabuza - Executive Manager: Stakeholder Relations and Communication	1,615,033.33	0	0	0	0	0	213,996.71	1,829,030.04
Mosefe Isaya Kgaugelo Mahlaba- Chief Finance Officer	726,761.56	0	0	0	0	0	78,514.44	805,276.00
Total	**12,701,241.60**	**338,505.24**	**0**	**980,811.48**	**643,864.92**	**0**	**1,746,974.82**	**16,411,398.06**

Section 2:

KEY VACANCIES

As of 30 June 2024, there were 252 funded vacancies. Of the 252 funded vacancies, 26 were critical key vacancies, and the rest were ordinary vacancies, including training vacancies that are used for the appointment of bursars, trainees, interns, and apprentices when required.

On average, the key critical positions have been vacant for 25.8 months mainly due to difficulty to attract the required skills, departments putting on hold filling the vacancies whilst they were restructuring their operations and the moratorium on filling of vacancies. The overall recruitment status for all funded position is that 83.3% of the vacancies are at different stages of the recruitment process and some were placed on hold due to the moratorium to fill vacancies. Positions that were finalised during the financial year were filled within a period of 14.34 weeks against a target of 10 weeks.

Staff Movement

There was a total of 75 new employees who joined the Entity as compared to 175 who joined in the previous financial year. In terms of demographics, 100% were black employees, and 50.6% were female employees. There was a total of 10 employees re-entering the organisation, this was mainly the Trainees and Interns that join the Entity for experiential learning as well as short term contract employees. The overall number of exits was 129 employees as compared to 147 who exited in the previous financial year. The reasons for exits are as follows:

Reasons	2022/23 Financial Year	2023/24 Financial Year
Deceased	13	13
Dismissed	10	02
Retirements	40	50
Medical boarding	06	03
End of contract	25	16
Resignations	53	45

The demographic representations of staff movement are outlined in table 34 below.

Table 34: Staff Movement Numbers

Appointments	African	Coloured	Indian	White	Total
Female	35	0	3	0	38
Male	35	0	2	0	37
Total Appointments	**70**	**0**	**5**	**0**	**75**

Exits	African	Coloured	Indian	White	Total
Female	35	3	1	3	42
Male	71	4	2	10	87
Total Exits	**106**	**7**	**3**	**13**	**129**

Re entries	African	Coloured	Indian	White	Total
Female	3	0	0	0	3
Male	6	1	0	0	7
Total Re-Entries	**9**	**1**	**0**	**0**	**10**

Section 3:

EMPLOYMENT EQUITY (EE)

The Company's five-year EE Plan aims at achieving a workforce that is a representation of the demographics of the Water Supply, Sewerage, Waste Management and Remediation Activities sector for the first four occupational categories (i.e., top management, senior management, professionally skilled and skilled) while the demographics of the Economically Active Population (EAP) of Gauteng is used as targets for the semi and unskilled occupational categories. The EE Plan provides a guideline on how the Company's transformation agenda is being implemented over the duration of the plan. The delivery of the plan in terms of milestones to be achieved in each financial year, specifically the identified barriers, is being monitored. The Company has two primary targets that need to be achieved by end of the financial year, namely representation of females and people with disabilities.

The representation of females has grown to 36.34% against a target of 34.43%. The Entity will embark on targeted recruitment initiatives to attract people with disabilities over and above targeting candidates from the designated groups in the recruitment process. The Entity has various programmes that ensure availability of skilled candidates from the designated groups to fill future possible vacancies within Johannesburg Water, namely succession planning, the internship and bursary programmes and apprenticeships.

The total staff complement for the year under review is 2 804, and the representation of employees with a disability was at 2.57% against a target of 2.58%. Although the Entity's set target of 2.58% was not met it should be noted that the 2.57% is over the national target of 2% and the Entity strives to maintain representation of people with disabilities above 2%.

Table 35: Percentage Demographic Staff Distribution

Occupational Levels	Race				Foreign National	Total	Total Black	Total Female	
	African	Indian	Co-loured	White					PWD
Top Management	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	57.14%	0.00%
Senior Management	63.16%	15.79%	5.26%	5.26%	10.53%	100%	84.21%	26.32%	0.00%
Prof. Qualified, specialist and mid-management	82.12%	5.59%	3.31%	5.03%	3.39%	100%	91.62%	37.43%	2.79%
S.tec,Ac. quali.work, junior manager, super, foremen, supering	92.14%	1.73%	3.90%	3.58%	0.65%	100%	95.77%	34.24%	1.41%
Semi-skilled and discretionary decision making	92.65%	1.023%	5.05%	0.92%	2.15%	100%	98.93%	35.83%	2.60%
Unskilled and defined decision making	85.14%	3.81%	10.46%	0.59%	0.00%	100%	99.41%	38.42%	3.62%
Total	**88.23%**	**2.71%**	**6.56%**	**1.96%**	**0.53%**	**100%**	**97.50%**	**36.34%**	**2.57%**

Section 4:

SKILLS DEVELOPMENT AND TRAINING

Johannesburg Water had a total of 2 804 employees (as of 30 June 2024), of which 1 677 occupied positions at an unskilled level and semi-skilled level (1 023 and 653 respectively), while 923 employees were at skilled level and 179 at professional level, with 19 Senior Management and seven Top Management. This classification is based on the level and grade of the positions they are currently occupying. It should be noted, however, that most of the employees occupying positions at unskilled and semi-skilled levels had qualifications above Matric or NQF level 4.

As part of its development of engineers, the Company is managing a programme that is aimed at fast-tracking professional registration for all its engineers and technologists with the Engineering Council of South Africa (ECSA). Johannesburg Water has now managed to build its engineering capacity to 53 professionally registered engineers, technologists and technicians with ECSA, up from the 46 of the previous financial year. In addition, it has partnered with the South African Institute for Civil Engineers (SAICE) to provide additional mentoring support to fast-track the professional registration of junior engineers and trainees, of which there are currently 13 employees on the program.

This has been partially achieved by the ability to attract and recruit registered professionals, as well as specific programmes that have been put in place, such as the Engineering Capacitation Programme and the Specialist Career Grade. Of the 53 professionals, six are registered as professional engineers, 39 are registered as professional engineering technologists, seven are registered as professional engineering technicians and one as Professional Certificated Engineer.

The Company also runs a Scientific Capacitation Programme that is aimed at fast-tracking the professional registration of scientists with the South African Council for Natural Scientific Professions (SACNASP). In terms of this program, there are 27 employees registered with SACNASP. These include 9 Professional Natural Scientists and 18 Certificated Natural Scientists.

Johannesburg Water has an ongoing bursary and internship scheme to supplement the skills pipeline and enhance service delivery. These initiatives assist in addressing the issue of youth unemployment, which is linked in part to low skills development, as defined in the GDS 2040, and contribute to a skilled and capable workforce.

There were six bursar beneficiaries and two completed their studies and are now working as Trainees. Four bursars are still busy with their studies.

One-year internships have been provided to 18 graduates. From this group, four interns resigned after they received permanent employment outside the Company. There are currently 13 Interns remaining. These programmes form part of the Company's social responsibility initiatives.

Training and Development

Johannesburg Water achieved 72.50% implementation of the Internal Training Plan against a target of 90%, as indicated in figure 10. A moratorium on the advertisement of RFQs resulted in delays for the procurement of planned training interventions. Table 36 below further outlines the number of employees per occupational category who attended various training programmes during the year under review.

Table 36 Training attended per occupational category.

OCCUPATIONAL CATEGORY	Number of employees trained
Top Management (EH –E2)	1
Senior Management (D5 -EL)	18
Professionals (D1 – D5)	112
S/Technical Skilled (T7- C5)	326
Semi-Skilled (T4 – T7)	222
Unskilled (T2)	234
Total	**913**

Figure 10: Training Implementation



The Company invested in various Management and Leadership Development Programmes as a key activity to enhance productivity and service delivery. Over this reporting period, the Municipal Financial Management Programme, Leadership and Coaching Programme and Foundation Management Development Programme were offered. A Change Management Workshop was conducted with managers who forms part of the Management Forum.

There were 241 employees that received a subsidy for tertiary and other qualifications under the Subsidised Education Scheme. A total of 22 employees completed their qualifications during the 2023/24 financial year. The fields of study included civil engineering, mechanical engineering, electrical engineering, supply chain management, health and safety, transport and logistics, project management, chemistry, finance, business management, strategic management, administration, public procurement, environmental management, accounting, technical matric, and others.

There is currently no Adult Education and Training (AET) programme running. The

Training and Development Department is currently in a process of appointing an AET training provider that will accommodate more employees who are interested in enrolling for the AET programme. Tender is currently in the evaluation stage.

The Company appointed eight apprentices in vacant apprentices positions on the human resources structure. Four are currently being trained as fitters, three as electricians and one as a welder. These trades and numbers were determined on projection of positions that will become vacant in the next three to four years. This is in line with the Company's Talent Management Strategy.

Section 5:

PERFORMANCE MANAGEMENT

During the period under review, employees entered into performance agreements in accordance with the Performance Management Policy. A standard operating procedure (SOP) was developed to support the Policy and took effect in July 2023.

The Performance Management Policy regulates and manages employees' performance and therefore aligns individual performance to the strategic objectives of the Company.

E-Performance Management System

In its mission to continuously build and upgrade the Company's resources and capabilities to deliver on its mandate, strategic objectives and priorities, Johannesburg Water introduced an E-Performance Management System in 2019. Since the rollout of the E Performance Management System, the number of employees contracting on the system has increased as confidence in using the system has grown. Thirty-three "champions" received training from various departments earlier this year and these champions are now equipped to assist employees in their departments with navigating the E-Performance system.

Total number of employees contracted on SAP ESS to date for 2023/24 is 973 against a total number of 976 employees with access to SAP ESS, representing 99.69% of ESS users. In total 2 761 have submitted performance contracts (both ESS and manual). This translates to a 99.7% submission rate for 2023/24 contracting. For the 2023/24 financial year mid-year review, 2 618 employees (both manual and ESS) concluded their reviews.

Companywide Job Evaluations

In compliance with Job Evaluation's terms of reference, all Company Wide Job Descriptions should be re-evaluated after every five years to align with the strategic priorities of the business. The Company was able to secure a contract with an external service provider to provide Job Evaluation services on and as and when required basis.

The task teams assigned to facilitate the process were able to review 174 job descriptions of the 463 job descriptions job descriptions (JDs) however these JDs were never submitted to Grading. Due to some of the challenges experienced in the process, such as unavailability of task teams members, delays in signing off the reviewed JDs, the departmental target of 231 JDs being for the year could not be reached.

To mitigate some of the challenges and fast track the process going forward, The HR Department is re-evaluating the Implementation Strategy and Plan to ensure the 100% reviewed JDs are achieved by the time the contract with the Service Provider comes to an end.

Section 6:

DISCIPLINARY MATTERS AND OUTCOMES

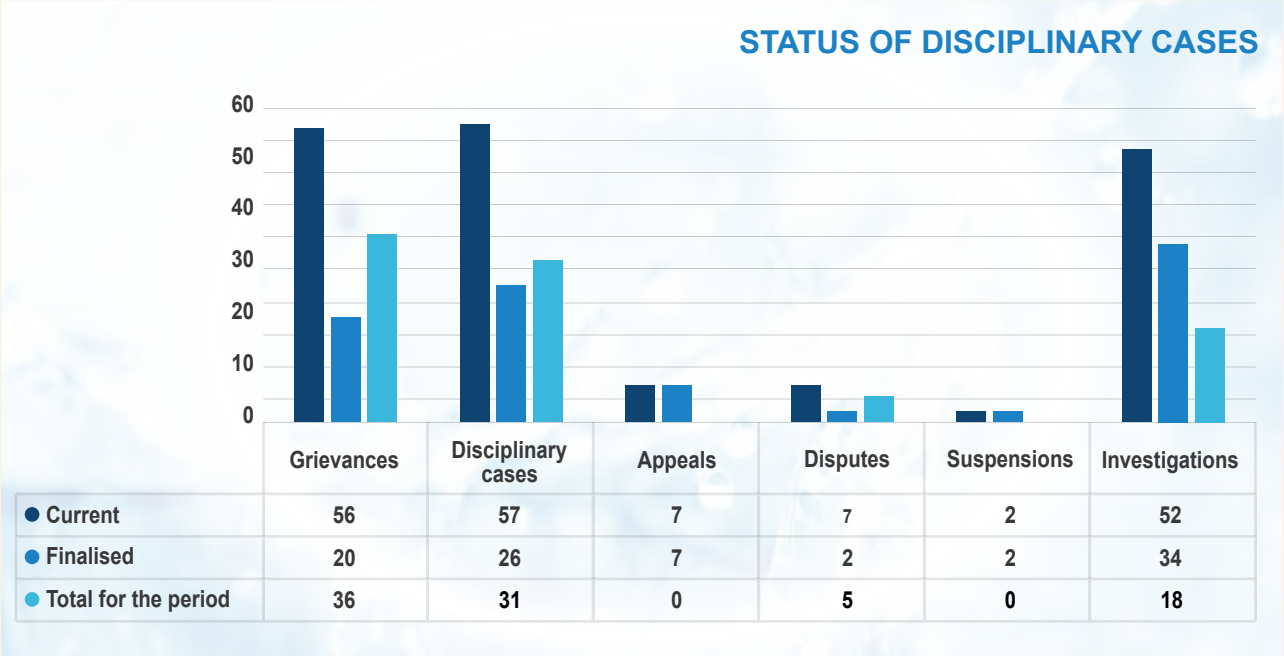
For the year under review there was a total number of fifty-seven disciplinary cases of which twenty-six were finalised and thirty-one outstanding as of 30 June 2024. Out of the fifty-seven disciplinary cases, twenty-six were reported in the previous financial year.

The total number of grievances was fifty-six, and twenty were resolved resulting in thirty-six which were yet to be finalised as of 30 June 2024. The total number of appeals were seven and none are outstanding. The total number of disputes were seven of which two were resolved and five remained outstanding. There were two suspensions during the year, and all were dealt with by end of the financial year. The total number of cases under investigation was fifty-two and thirty-four were finalised whilst eighteen were outstanding as of 30 June 2024.

Progress on cases is managed periodically through meetings with Executives of the department with the aim of fast tracking the process and understanding the cause of delays. The Labour Relations unit has been capacitated with two specialists to support the business to fast-track completion of cases.

Figure 11 below reflects the number and status of cases as of 2023/24 financial year.

Figure 11: Status of Disciplinary Cases



	Grievances	Disciplinary cases	Appeals	Disputes	Suspensions	Investigations
Current	56	57	7	7	2	52
Finalised	20	26	7	2	2	34
Total for the period	36	31	0	5	0	18

Section 7:

LEAVE AND PRODUCTIVITY MANAGEMENT

Gross Sickness Absenteeism Rate (GSAR)

The industry benchmark for GSAR is 2%, while the Company target is 3%. The age profile of Johannesburg Water's employees and the fact that the Company provides more sick leave than the norm makes it very difficult to achieve this benchmark. It is envisaged that once the Company achieves 2.5%, it should be satisfied that an acceptable level has been reached.

During the period under review, the GSAR was 3.07% which is a slight decrease of 0.42 when compared with the 3.49% realised in the 2022/23 financial year.

Absence Without Leave

The benchmark for absence without leave (AWOL) was to maintain AWOL below 1%. The total AWOL rate for the year under review was 0.35% when compared to 0.05% in 2022/23, showing a slight increase of 0.30%. Both AWOL and sick leave utilisation were at a manageable level, and the Company intends to continue improving in these areas to avoid impact on productivity.

Annual Leave

Employees were granted statutory leave as provided for in the Basic Conditions of Employment Act, No. 75 of 1997, and controls are in place to ensure compliance with the provisions of Section 20 of the Act. In the year under review, 94 171 days of annual leave days were utilised.

Section 8:

EMPLOYEE BENEFITS

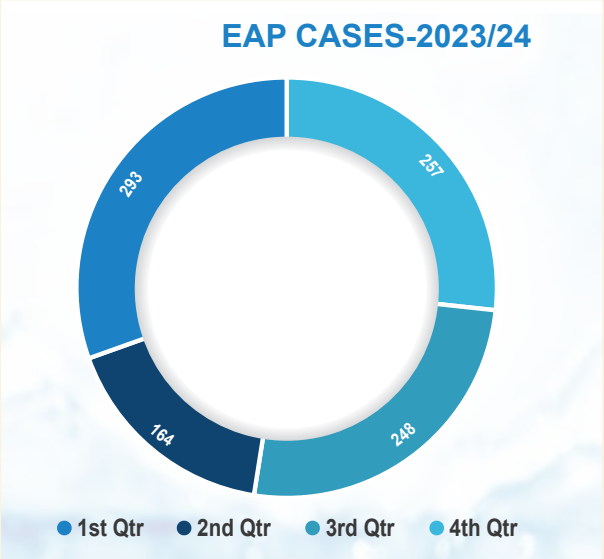
Employee Assistance Programme (EAP)

Johannesburg Water has a hybrid Employee Wellness Programme that combines/blends in-house Employee Assistance services with subsidised external Employee Assistance resources. This model offers employees confidential support/ assistance platforms aimed at addressing personal challenges that have an impact on their life and subsequently their job performance. Furthermore, the hybrid nature of the Wellness Programme promotes healthy living by providing employees with resources to help them improve their overall health and wellbeing. The Wellness services range from confidential counselling, mental health support, debt advice, legal advice to provision of health advice services just to name a few. This is part of Johannesburg Water's Employee Value Proposition aimed at supporting employees thus enabling them to perform their duties opti-

mally. This Employee Assistance service offers a 24-hour and 365-day support service to employees and their immediate family members.

A total of 962 cases were processed through the hybrid Employee Assistance Programme during the 2023/24 financial year. The said challenges were reported by employees and their family members. The challenges are summarised in figure 12 below:

Figure 12: EAP Challenges



Employee Wellness Interventions

The below Wellness initiatives are in line with the approved Wellness Intervention report for the financial year 2023/24:

Gender-Based Violence Awareness Sessions (GBV)

Gender based violence sessions were implemented at all Johannesburg Water workplaces as mitigation to violence against women, girls, and lesbian, gay, bisexual, transgender and/or intersex people (LGBTI). A total of 1076 employees participated. Based on staff compliment, the attendance translates to approximately 40% participation by staff members. The sessions empower employees with understanding and knowledge necessary to prevent and respond to gender-based violence within the workplace and in life generally.

Peer Educator Training

Peer educator engagements were scheduled whereby 121 peer educators from Johannesburg Water workplaces were in attendance. This involved a training session, a team building exercise and two support meetings. Because of shared or common experience with fellow employees, the Peer educators are instrumental in ensuring that Employee Wellness information/ initiatives are disseminated to employees in an effective manner thus ensuring the utilisation of wellness services. Furthermore, the peer educators are empowered regarding their roles and expectations on an on-going basis.

Substance Abuse Awareness Session

Substance abuse awareness sessions were initiated at 22 Company worksites. A total of 1079 employees participated which is approximately 37% of the total staff compliment. The focus point was on dangers of drugs and alcohol abuse/ misuse in the workplace and remedial/ preventative strategies that are applicable within Johannesburg water to assist and support those in need. Furthermore, there is advocacy on healthy ways to cope with stress and problems thus helping to reduce the risk of addiction.

Financial literacy sessions

Financial wellness is a crucial factor affecting overall employees' wellbeing and job performance. With the rising costs for housing, transportation, food, and electricity, Johannesburg Water employees (like most South Africans) feel financially stressed during these tough economic times. As part of mitigation initiatives, financial Wellbeing awareness sessions were implemented in partnership with an external service provider and a total of 1080 employees participated. The aim is to help employees manage their finances in a responsible manner within their means of affordability. Based on the staff compliment of approximately 2900, the attendance translates to approximately 37% participation by staff members.

World Aids Day (WAD) Commemoration

In recognition that HIV/AIDS has not gone away and in fact continues to negatively impact many citizens, World Aids Day was commemorated in all Departmental workplaces. The sessions were attended by 718 employees from Johannesburg Water worksites. With the 2023 International WAD theme being "Let communities lead", the initiative brought an opportunity amongst employees to increase the level of awareness about HIV/AIDS, fight prejudice and improvement on preventative education.

Wellness Marketing Drive

To ensure visibility and optimal utilisation of wellness services and activities, the wellness unit was engaged in a marketing drive throughout Company workplaces. A total of 1006 employees were reached. The drive was a success as it also highlighted areas on concern to be noted thus initiating improvement in that regard from the wellness unit.

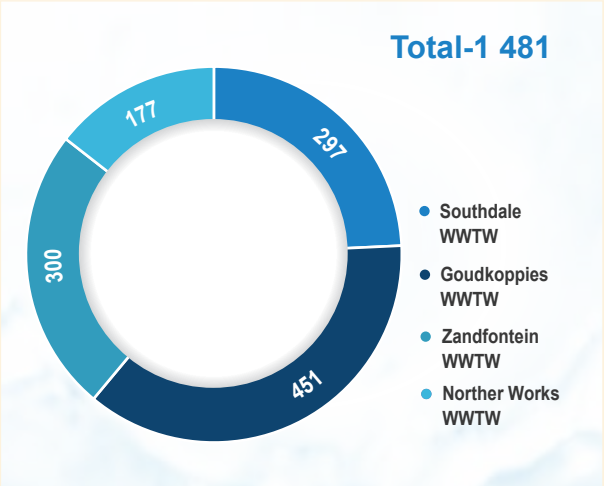
Executive Wellness

Executive Wellness as an intervention designed to address the needs of Johannesburg Water Senior Management staff to optimise and sustain physical, mental, or emotional wellbeing was implemented. A total of 12 Senior Managers were registered into the intervention. However, due to work exigencies on the part of one Executive, one assessment was deferred. Thus, a total of 11 Executives participated.

Wellness Week (Health Risks Mitigation)

The Wellness Week events were implemented in partnership with medical aid schemes (Bonitas, Key Health, Sizwe-Hosmed, LA Health and Samwumed) through EVO financial services. A total of 1 481 employees were reached in all workplaces. Based on the staff compliment of 2 900, the attendance translates to approximately 51% participation by staff members. This is inclusive of the insourced cleaners and security guards. The importance of health assessments done during Wellness Week assists employees in identifying various health risks such as obesity, elevated cholesterol, high blood pressure, and other health concerns. Thus, early detection of these issues enables timely intervention. The workplaces were clustered for better utilisation of resources and participation was as per figure 13 below:

Figure 13: Employee Wellness



Flu Vaccinations

As part of annual support for employees to reduce the risk against flu illnesses and in worst scenario against flu-associated hospitalization, Johannesburg Water partnered with City of Johannesburg Health Services to roll out flu vaccinations. A total of 378 flu vaccinations were administered across all Johannesburg Water sites.

Mental Health Awareness Sessions

Mental Health awareness sessions were conducted throughout Johannesburg Water workplaces. Due to concerning rising statistics on Mental health issues generally in South Africa and supported by Wellness utilisation trends (Internally and by external service provider), there were two mental health awareness initiatives undertaken. One was in Q1 and the other in Q4. A total of 1 575 employees participated. The purpose of the intervention was to raise awareness amongst the employees about mental health, reduce the stigma and discrimination that people with mental illness are often subjected to. Employees were further capacitated with coping mechanisms regarding mental health.

Men's Forum

Men's Forum consultation initiatives meetings were held in all Company workplaces. The sessions were well attended, and many male colleagues are looking forward to further engagement on men's issues-based on health, marital domestic issues, legal issues, and Men's commemoration day. A total of 571 employees participated. Implementation of further sessions was deferred to the next financial year as it involves collaboration with other external stakeholders.

Retirement Programme

A Pre-retirement workshop was hosted and a total of 29 identified retirees participated. The presenters involved the Company Human Resources and retirement funds (e-Joburg Retirement Fund, Municipal Employees Pension Fund, Municipal Gratuity Fund, Joint Municipal EE Pension Fund and City of JHB Pension Fund) to address matters related to the respective funds. Evo Medical Aid brokers presented on medical aid benefits beyond retirement.

Section 9:

OCCUPATIONAL HEALTH AND SAFETY PROGRAMMES

Disabling Injury Frequency Rate (DIFR)

The Company recorded a DIFR of 1.17. This was attributed to Company-wide health, safety, and environmental awareness in all sites during the financial year, the commitment to safety compliance, and the attention to findings made by regional managers, depot managers, and works managers during the financial year. The DIFR is depicted in table 37 and figure 14 below.

Table 37: Disabling Injury Frequency Rate

Description	Q1	Q2	Q3	Q4	YTD
Dog bites	0	1	0	0	1
Trips and falls	1	2	8	5	16
Insect bites	0	0	1	0	1
Excavations	0	0	1	0	1
Electrical	0	0	1	0	1
Got stuck	0	0	1	0	1
Hit/struck by	0	2	1	1	4
Chemical	0	0	1	0	1
Cut by	0	0	1	0	1
Manual lifting	1	0	0	0	1
Inhalation	0	0	1	0	1
Body part stuck	0	1	0	0	1
Motor vehicle	0	0	2	0	2
Assault	0	1	0	0	1
Hijacking	2	0	0	0	2
Fatalities	0	0	0	1	1
Ground caving in/collapse	0	0	0	0	0
Disabling Injuries (DI)	4	7	18	7	36
Occupational diseases	2	1	0	0	3
First Aid Case	1	1	0	0	2
Medical case	0	0	0	0	0
Near Miss	0	0	0	0	0
Property damage	0	0	0	0	0
Man-hours	1 591 819	1 522 392	1 485 062	1 574 049	6 173 322
DIFR	0.50	0.92	2.42	0.89	1.17
Hours lost	168	320	684	136	1 308

Description	Q1	Q2	Q3	Q4	YTD
Reportable injuries	1	0	0	0	1
DIFR target	1.5	1.5	1.5	1.5	1.5
Third party cases	2	2	0	0	4
Contractors OHS incidents	2	1	0	0	3
Environmental incidents	4	1	6	0	11

Figure 14: Disabling Injury Frequency Rate Per Month



Work Related Fatalities

The company has a zero-tolerance approach attached to work related fatalities. There was only one work-related fatality involving a Johannesburg Water employee recorded during the reporting period. A security official was shot and badly wounded while on duty, and later succumbed to his injuries. Measures taken to enhance safety are reflected under the security management below. The company also recorded two separate fatalities involving third parties, and an additional third-party fatality involving one of Johannesburg Water's appointed contractors.

Health and Safety Audits

A total of 385 health and safety compliance audits were conducted in appointed contractors with an average compliance score of 84.16% during the reporting period. The safety compliance audits were aimed at instilling a safety culture within the contractors appointed by the Company and safeguarding compliance with the Occupational Health and Safety Act, No. 85 of 1993 and its Regulations. The Company conducted its annual contractor's safety workshop to reinforce its awareness programmes around construction health, safety, and environment to prevent injuries and fatalities around construction sites.

The organisation will continue to introduce mechanisms to address the primary causes of all incidents and develop measures to eliminate and prevent them. This will enable the health and safety performance of all sites and further reduce the number of incidents.

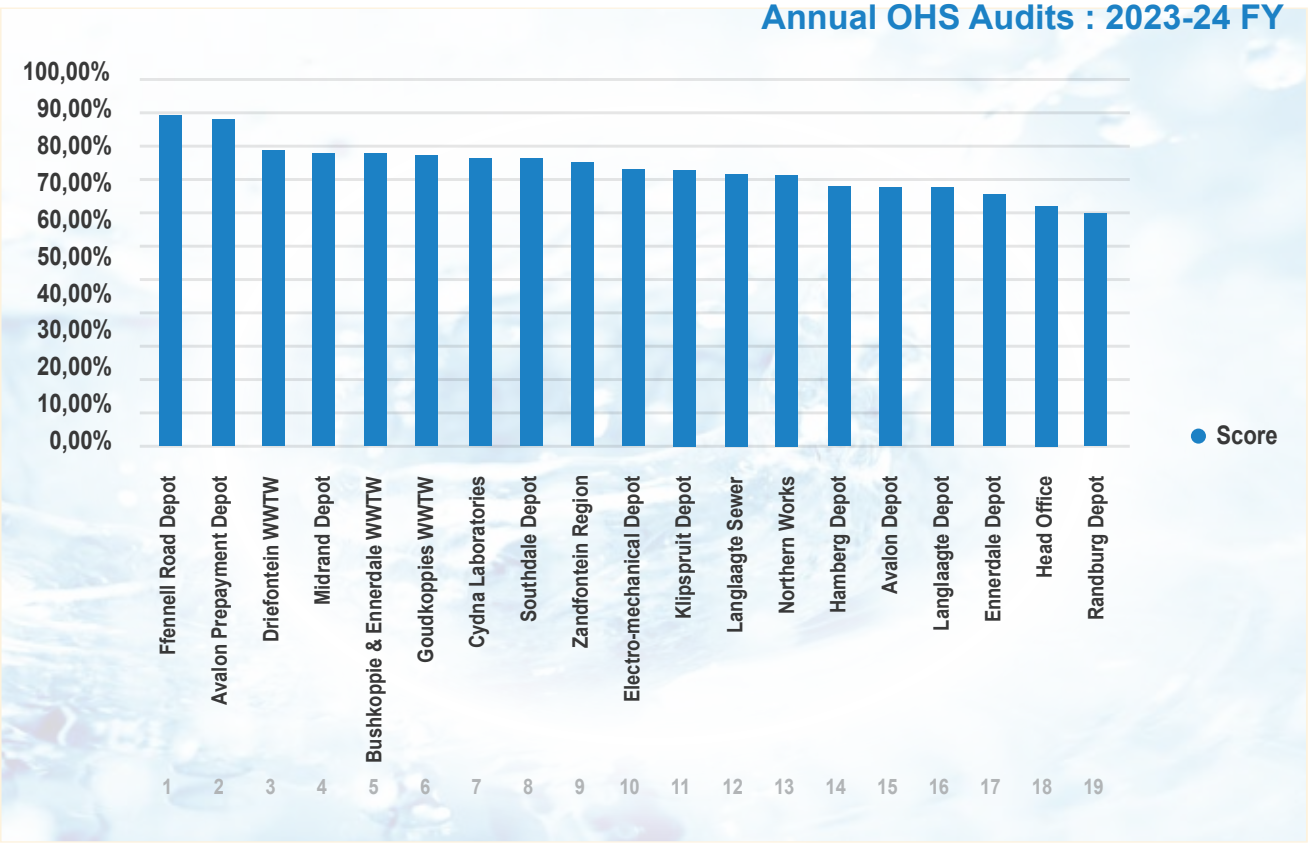
Environmental Audits

A total of 58 and 148 environmental compliance audits were conducted in authorized and unauthorized projects with an average compliance score of 96% for authorized and unauthorized projects during the reporting period. The environmental compliance audits were aimed at embedding environmental compliance culture within the appointed contractors to comply with the National Environmental Management Act, No 107 of 1998 and its Regulations.

Site SHE Audits

A total of 19 Johannesburg Water operational sites were audited for health, safety and environmental compliance during the reporting period. The audit results are portrayed below.

Figure 15: Site SHE Audit Results



Medical Surveillance Programme

A total of 1 324 employees visited the occupational health clinic seeking various medical assistance ranging from doctor's consultation, pre-placements, baseline medicals, medical tests, exit medicals, and vaccinations.

Table 38: Occupational Health Activities

OCCUPATIONAL HEALTH ACTIVITIES	ANNUAL STATISTICS
MEDICAL SURVEILLANCE PROGRAMME	
Pre-placement medicals	134
Baseline medicals	81
Routine medicals	470
Exit medicals	38
MEDICAL EXAMINATIONS	
Other examinations (Internal referral)	112
Medicals done by the doctor	449
Total seen by the doctor	561
TESTS	
Audiometry Tests	686
Lung Function Tests	686
VACCINES	
Typhoid	195
Tetavax	156
Hepatitis A	0
Total vaccines issued	351
HYGIENE INSPECTIONS	
Hygiene inspection	54
SEEN BY THE MEDICAL PERSONNEL	
Total attended by medical pers.	1324
REFERRALS	
Total referrals (external referrals)	58
BIOLOGICAL MONITORING	
Blood tests	0
Urine samples	0
X-RAYS	
Chest X-rays	59
INJURIES TREATED AT THE CLINIC	
Injuries	8

Security Management

The operating model for Security Management Services includes internal security personnel as well as outsourced services to private security companies. Internal personnel include 292 insourced guards who were insourced during October 2019 in collaboration with the City. The number of insourced guards has reduced from 316 to 292 due to various reasons such as retirement, death, and terminations. The total number of private security officers is 455 which includes both tactical response services and guarding services.

Security Incidents

Overall, 72 criminal incidents were reported for the 2023/24 financial year and these incidents were reported to the relevant stakeholders.

Table 39 below provides further details of the incidents.

Table 39: Details of Incidents

	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
CABLE THEFT	6	4	2	2
THEFT OF PROPERTY	7	2	2	3
DAMAGE TO PROPERTY	6	2	4	1
ATTEMPTED THEFT	5	5	2	2
SHOOTING	3	2	1	1
TRESSPASSING	1	0	0	0
ARRESTS	1	3	0	1
ARMED ROBBERY	0	1	1	2

Security Automation project

Regarding infrastructure security, market research was conducted to determine the suitability of effective electronic and technical security equipment to ensure pro-activeness and early detection. The research was based on two aspects namely, Online Security Intelligence and Integrated Security System for CCTV and the Intruder Detection System.

The procurement process for the security automation project has been finalised and the service provider GAP Management was appointed on 01 October 2023. This implementation will enhance effective security monitoring and risk management to all sites. The project will be implemented starting from this current financial year to the 2025/26 financial year which includes maintenance and support services.

It should be noted that the implementation of the integrated security technology has been delayed and will not cover all the priority sites as was outlined on the execution plan due to the limited budget allocated to the project.

This project will be implemented in 3 phases during the 3 financial year and the overall budget for the project is estimated at R33 million. Table 40 reflects progress made in phase 1.

Table 40: Progress

Description	Phase 1:2023/24	Status Update YTD
Budget	• Initial budget: R5 Million • Allocated budget: R3 839 638.81 million	Total budget of R3 839 638.81 million was committed for phase 1 to install CCTV and access control security surveillance system at • Head Office: Turbine Hall control room and server room equipment installation is completed. • Cameras at Driefontein WWTW completed in Quarter 4. • Cameras at Olifantsvlei WWTW completed in Quarter 4. • Camaras at Ennerdale Depot completed in Quarter 4.
Name of Priority sites	1. Turbine Hall 2. Driefontein WWTW 3. Ennerdale Depot 4. Olifantsvlei WWTW	• A card printing machine and access cards procured. • Johannesburg Water Control Room Operators have been trained on new technology and set-up. • Issuing of access cards in progress and all employees will have been issued by end of current financial year. • Control Room equipment's installed and waiting for installation of fibre optic cable to link the system. • Servicing and replacement of parking boom gates. • Servicing of turnstiles at Head Office. • Fixing of 2 Cathexis viewing stations at existing control room. • Three sites linked with new control room.

Section 10:

CORPORATE SOCIAL RESPONSIBILITY

Johannesburg Water invests in and supports developmental projects that prioritise the empowerment of youth, women, people living with disabilities, communities, and SMMEs. These initiatives are guided by a set of principles that drive our actions and decision-making.

- Alignment with the business' vision, mission and strategy.
- Alignment with the City's developmental goals and priorities.
- Alignment with socio-economic development of the B-BBEE.
- Aligned developmental community projects.

The Entity limits its programme support to:

- High schools' career development programmes.
- SMME business development support.
- Community projects support.
- Indigent beneficiaries (Expanded Social Package).

Education and Training

Johannesburg Water contributes to the South African agenda of providing youth

from designated groups with employment and developmental opportunities. This is done through talent pipeline development programmes as the bursary scheme, internship, and apprentices programmes with the aim of achieving the following:

- Providing previously disadvantaged students, in the first instance, the opportunity to further their academic qualifications.
- Enabling the company to focus on future competency requirements by identifying and filling talent gaps.
- Empowering youth with the necessary skills to ensure that they become marketable.
- Creating an opportunity for students who have completed their studies to familiarise themselves with the working environment and gain practical experience.
- Increasing the awareness among young people of job and career opportunities in Johannesburg Water.

Bursars and Internships

The bursars provide a pipeline of young graduates for appointment in vacant positions once qualified and after being provided with practical training. Priority is provided to previously disadvantaged groups in the field of studies deemed to be critical for the business of Johannesburg Water. Females represent 17% of the bursars.

Table 41 below provides details of the demographic breakdown of the four bursars that were sponsored for full-time study in the 2023/24 financial year:

Table 41: Bursaries for full-time study per population group and gender

Demographic	Male	Field of Study	Female	Field of Study
Africans	3	1 B. Eng Civil 1 B.Com Accounting 1 B. Eng Tech Civil Engineering	1	1 B-Eng Tech: Civil Engineering

The number of internships at any given time is relatively stable; however, the numbers fluctuate over quarters as the interns are on contract, and these contracts expire on different dates. Females represent 90% of the interns.

Table 42 provides details of the demographic breakdown of the 21 interns that were in service in the year under review obtaining practical exposure in the workplace.

Table 42: Interns by Population Group and Gender

Demographic	Male	Field	Female	Field
Africans	2	1 ND Analytical Chemistry 1 ND Audit	17	1 B. Soc. Sc 2 B. Com Supply Chain Management 1 BA. Business Administration 1 ND Auditing 1 B. Tech Auditing 1 B. Comm Accounting 1 B. Eng Honours 1 BA Communications 1 B. Com 1 BA Business Administration 1 Master's Analytical Chemistry 1 B. Com Strategic Management 1 BA Communications 2 ND Analytical Chemistry 1 B. Com
Asian	0	-	2	1 BA Human Resources Management 1 LLB

Table 43: Apprentices by Population Group, Gender

Programme	Race			Total	Total Males	Total Females	PWD
	African	Asian	Coloured				
CoJ/LGseta various apprenticeship programmes	83	0	1	84	32	52	0
Apprenticeship Youth with Disabilities	7			7	3	4	7
TOTAL	**90**	**0**	**1**	**91**	**35**	**56**	**7**

CHAPTER FIVE:

FINANCIAL PERFORMANCE AND EXPOSURE



The going concern has been evaluated and considered by the Audit and Risk Committee and the Board. The forecast indicates that the Company will be a going concern in the short term and medium-term, ultimately leading to financial sustainability in the long term. This is material in affecting the organisation's ability to create value.

Stakeholders impacted: Shareholder: Strategic Response: Strategic Goal 5

Section 1:

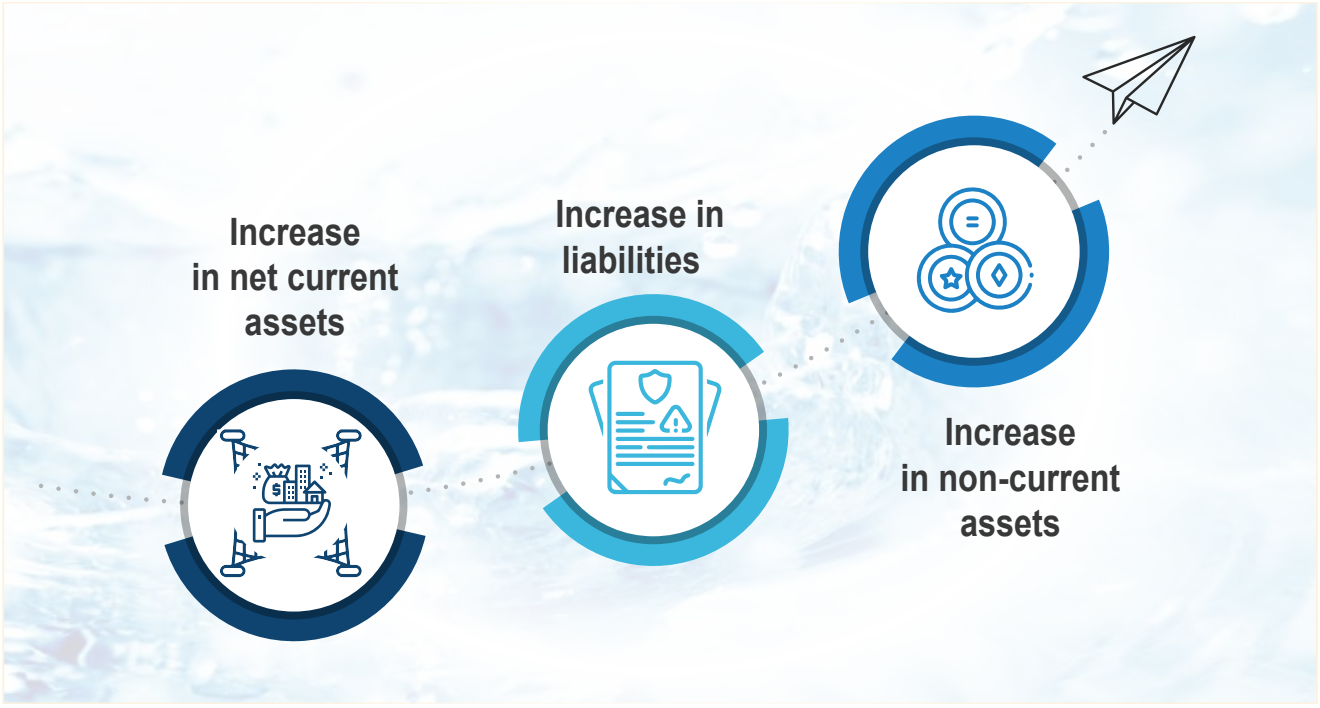
STATEMENT OF FINANCIAL POSITION AND HIGH-LEVEL NOTES

Table 44 reflects the main items in the Statement of Financial Position for the 2023/24 financial year.

Table 44: Statement of Financial Position

	2024	2023	% change to the prior year
	(R'000)	(R'000)	
Current assets	8,486,425	6,882,954	23.30%
Non-current assets	14,199,343	13,401,331	5.95%
Total assets	22,685,768	20,284,285	11.84%
Current liabilities	5,962,807	5,059,008	17.87%
Non-current liabilities	2,852,401	2,476,942	15.16%
Total liabilities	**8,815,208**	**7,535,950**	**16.98%**
Net assets	13,870,560	12,748,335	8.80%

Figure 16: High-Level Notes



The financial position of the Entity remains positive, with a growing asset base and liabilities maintained at a constant level. Non-current assets increased to R14.2 billion (2022/23: R13.4 billion) due to the successful implementation of the capital expenditure programmes. Consumer receivables continue to grow based on a higher revenue base and lower payment levels. The net current asset value increased from the previous year, with an increase in the current ratio of 1.42.

Section 2:

STATEMENT OF FINANCIAL PERFORMANCE AND HIGH-LEVEL NOTES

Table 45 reflects the key financial information contained in the Statement of Financial Performance

Table 45: Statement of Financial Performance

	2024 (R'000)	2023 (R'000)	% change to the prior year
Revenue	17,067,473	15,146,679	12.68%
Bulk Purchases	-8,410,494	-7,423,563	13.29%
Gross Margin	8,656,979	7,723,116	12.09%
Other Income	1,027,550	637,104	61.28%
Operating Cost	-4,339,210	-4,115,858	5.43%
Net Interest	159,513	57,222	178.76%
Debts Impairment	-4,382,610	-3,163,964	38.52%
Net Profit	**1,122,222**	**1,137,620**	**-1.35%**

High-Level Notes

The Entity reflected revenue of R17.1 billion for the year, an increase of 12.68% compared to the previous year (2022/23: R15.1 billion). The sale of water remained the most significant contributor to revenue, having generated R10 billion in the 2023/24 financial year. The sanitation revenue also constitutes a large share of revenue, reflecting R7 billion. Sanitation revenue is the main contributor to the realized surplus for the Entity. The water inventory expense was overspent due to the increase in consumption and non-revenue water. The overall non-revenue water was 46.2% which indicates a possible plateau from the previous growth and this is attributable to the various initiatives to reduce water demand.

Expenditure was well managed within the budget in the year under review while ensuring that service delivery was not hampered. The provision for doubtful debts remains the most significant contributor to over-expenditure due to payment levels being lower than previously budgeted for.

The annual collection rate was 75.7% which was below the budgeted collection rate for the 2023/24 financial year of 78%. Collections were still under pressure as customers continued to default on their current and old debts. The NRW also had a negative impact on our revenue.

Section 3:

CASH FLOW STATEMENT AND HIGH-LEVEL NOTES

Table 46: Key Financial Information from the Cash Flow Statement

	2024	2023	% change to the prior year
	(R'000)	(R'000)	
Cash receipts from operating activities	12,829,177	10,957,442	17.08%
Cash payments from operating activities	-11,605,561	-9,985,577	16.22%
Net cash flows from operating activities	1,223,616	971,865	25.90%
Net cash flows from investing activities	-1,050,403	-118,046	23.02%
Net cash flows from financing activities	-173,215	-118,046	46.74%
Net cash movements	-2	1	
Balance of bank account as of 30 June	29	31	-6.45%

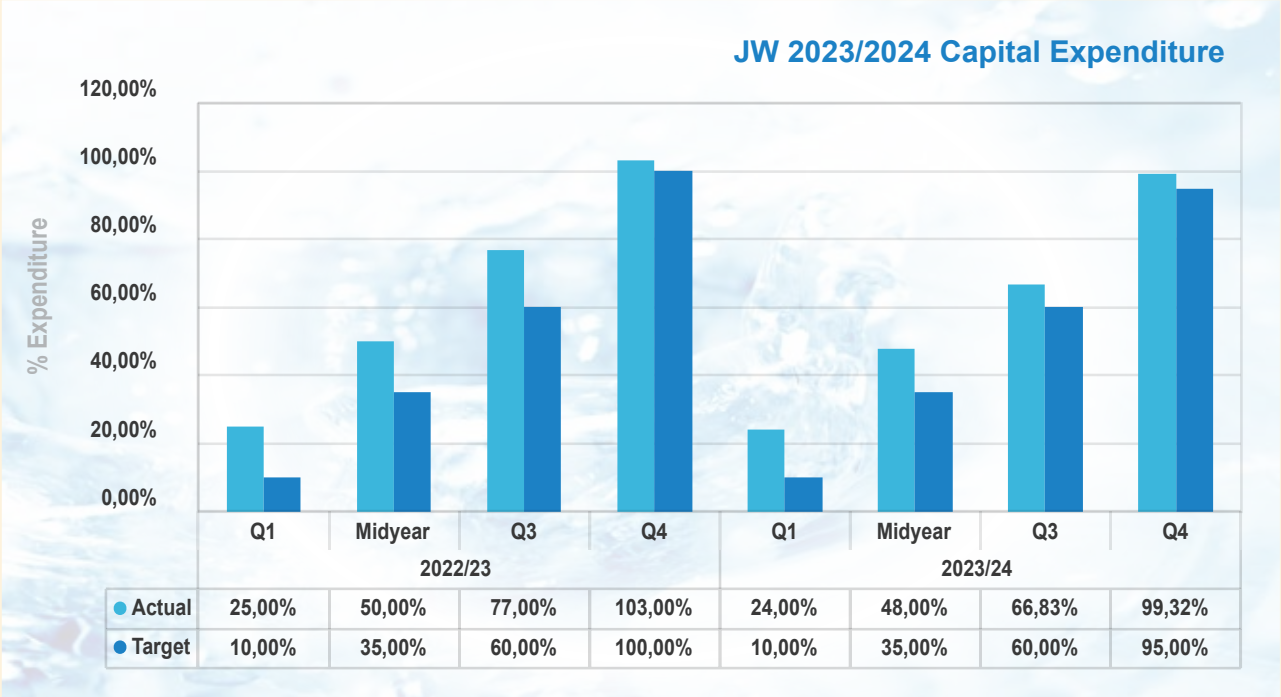
The closing cash balance was R2.811 billion (2022/23: R1.597 billion) as of 30 June 2024. The Company has a sweeping arrangement with the CoJ Metropolitan Municipality, whereby all cash is swept daily to the CoJ. The balance of R28 800 is the remaining petty cash on hand. Johannesburg Water generated cash mainly from the sale of water and the provision of sanitation services. In addition, the Entity received grant funding of R254 million to assist with the funding of capital projects. Other sources of funding, specifically for capital projects, are external loans and cash reserves.

Section 4:

CAPITAL PROJECTS AND EXPENDITURE

The capital budget approved was R1.063 billion increased to R1.072 billion after midyear budget adjustment process. The total capital expenditure for the year under review was R1.064 billion against a lifted budget of R1.072 billion. This represents 99.32% achievement against the targeted 95%. Figure 17 is a graphic depiction of Johannesburg Water's annual capital expenditure.

Figure 17: Capital expenditure



The expenditure breakdown per capital budget category is reflected in table 47.

Table 47: Capital expenditure

Category (R'000)	Approved Budget (R'000)	Actual Expenditure (R'000)	Comments
Corporate Requirements	92,736	83,818	The target has not been met. Slow progress persisted on the Randburg Depot project due to cashflow problems by the Contractor including late payments by Johannesburg Water. The plan is to have the project completed by September 2024. The Contractor will be working on weekends to ensure they catch up to the revised programme.
Water Demand Management	181,466	183,816	The target has been met.
Operations and Maintenance	64,059	61,250	The target has not been met. Florida North pumpstation project still lags behind with performance with the Contractor addressing pump vibrations and penalties have been imposed. Hector Norris pumpstation project is progressing well and has contributed to improved expenditure.

Category (R'000)	Approved Budget (R'000)	Actual Expenditure (R'000)	Comments
Upgrading and Renewal	147,567	145,975	The target has not been met. The delay in allocation of work packages for water and sewer replacement projects affected the performance. Poor performance on the Diepsloot Sewer Pipe and Bridge project was due to Contractor's cash flow challenges and failure to procure material. The project has been terminated.
New Infrastructure	191,380	193,114	The target has been met.
Planning and Engineering	6,473	6,580	The target has not been met. There were delays in completing some of the projects stage.
Marginalised Areas Program	44,282	44,606	The target has not been met. Delays emanated from Housing not unlocking informal settlements projects timeously for implementation. There were also delays in the allocation of sewer projects.
Bulk Wastewater Works	324,119	325,818	The target has been met.
Total	1,072,082	1,064,790	99.32% overall expenditure

Projects Completed

Table 48 depicts projects that were completed successfully.

Table 48: Completed Projects

#	*Contract number*	Description	Total Contract Value R' 000	Project start date	Project end date
1	***UFW913_BLK A***	Alexandra Renewal of Secondary Mains and Discretisation in Sub Block A	11,253	2-Sep-20	24-Jan-24
2	***UFW913_BLK B***	Alexandra Renewal of Secondary Mains and Discretisation in Sub Block B	18,598	2-Sep-20	21-Dec-23
3	***JW14217***	Bezuidenhout Valley Sewer pipe Replacement Phase 1	18,783	1-Feb-22	26-Jun-23
4	***UFW908_SB10 JW13977***	Completion of SIURP in SB10 Diepkloof	65,335	6-Jul-21	6-Oct-23
5	***JW14177***	Completion of water pipe upgrade in Mofolo North	4,723	21-Apr-21	9-Oct-23
6	***JW14284***	Construction of Zandspruit Rising Main Chambers	1,168	25-Nov-21	29-Jun-23

#	*Contract number*	Description	Total Contract Value R' 000	Project start date	Project end date
7	***JW14378***	Ivory Park Outstanding Works Sewer Pipe Replacement	3,346	9-Apr-21	18-Dec-23
8	***JW14068***	Jabulani Reservoir Complex: Emergency Repairs: Replacement and Repair of the bypass pipelines	25,480	1-May-21	23-Sep-23
9	***JW 14279***	Jukskei Heights Pressure Management (PRV Chambers)	2,247	29-Sep-21	26-Jan-24
10	***JW14170***	Satelite depots	21,364	30-Sep-22	10-May-24
11	***JW14186***	Klipspruit West Emergency Project water	4,504	30-Mar-21	7-Feb-24
12	***JW14164***	Linksfield Reservoir Installation of Non-Return and Isolation Valves	3,798	15-Jun-21	4-Aug-23
13	***JW14241***	Melrose water pipe replacement phase 2	13,148	14-Feb-23	6-Aug-23
14	***JW14286***	Northcliff bulk steel pipe emergency replacement	5,226	26-Jan-23	28-Nov-23
15	***JW14300***	Northcliff Emergency water pipe replacement	7,020	2-Sep-21	26-Oct-23
16	***JW13978R***	Orlando East 7B	35,934	1-Mar-22	9-Feb-24
17	***JW14213***	Perth Empire-Sewer Pipe Replacement	12,419	1-Feb-22	27-Jul-23
18	***JWRFP 21/04/2023***	Pipe Repair at Slovoville	811	15-Jan-21	17-Aug-23
19	***JW14347***	Provision of Basic Water in Dark City	9,922	25-Nov-21	1-Aug-23
20	***JW14342***	Provision of Basic Water in Fandisie	5,607	25-Mar-21	1-Aug-23
21	***JW14346***	Provision of Basic Water in Kliptown	8,115	25-Mar-21	26-Jun-23
22	***JW14349***	Provision of Basic Water in Tladi	7,262	26-Mar-21	17-Jul-23
23	***JW14411***	Repairs of Bulk Sewer/(Zonnehoewe ESP)	1,168	25-Mar-21	15-Aug-23
24	***JW14210***	Roodekraans Ext 13 Sewer pipe replacement	23,698	1-Sep-23	24-Jun-23
25	***JW14209***	Roodekraans Ext4,11,13 Sewer pipe replacement	16,234	17-Jan-22	1-Aug-23
26	***JW14230***	Sewer Pipe Replacement Louis Botha 2	18,547	14-Feb-23	21-Aug-23
27	***JW14232***	Sewer Pipe Replacement Louis Botha 4	15,133	27-May-21	6-Jan-24
28	***JW14176***	Soweto upgrade infrastructure SB12a	12,625	06-Jul-21	10-May-23
29	***JW14329_A***	STS Meters Supply and technical support	32,483	9-Jun-22	28-Jun-24
30	***JW14329_B***	STS Meters Supply and technical support	34,095	9-Jun-22	15-May-24
31	***JW14329_C***	STS Meters Supply and technical support	29,579	9-Jun-22	28-Sep-23
32	***JW13846R***	STS Prepaid Meters Cosmo City	31,996	6-Jun-19	1-Nov-23
33	***JW14205***	Witpoortjie A- Sewer	20,003	17-Jan-22	15-Sep-23
34	***JW RFP 21/04/2023***	Yeoville Pump Station	2,087	10-Aug-23	02-Mar-24
			523,711		

WATER PIPE REPLACEMENT

The Water Pipe Replacement Programme was geared towards the reduction of physical losses within the CoJ. To improve the water useful life, Johannesburg Water planned to replace 16.67 km of old water pipes. A total of 17 km has been replaced, which represents 102.35% performance. Table 49 below provides details of the pipes planned and replaced per region.

Table 49: Water pipe replacement

2023/24 WATER PIPE REPLACEMENT PROGRAMME			
Johannesburg Water Regions (CoJ Regions)	**Annual Plan (Metres)**	**Annual Actual (Metres)**	**Comments**
Midrand Region (A)	0	0	No planned and reported pipe replacements.
Randburg Region (B and C)	5 000	6 955	Target met.
Soweto Region (D)	3 330	0	No projects were ready for implementation in the 2023/24 financial year. The shortfall in length was implemented in Region E.
Sandton – Alex Region (E)	1 670	4 689	Target met.
Johannesburg Central Region (F)	6 670	3 012	Target not met due to procurement delays for Village Deep water pipe replacement phase 1-3. The variance was recovered in Region C and G.
Deep South Region (G)	0	2 407	Project was brought forward for implementation in the current financial year as they were ready for implementation.
Total	**16 670**	**17 063**	

Sewer Pipe Replacement

Johannesburg Water intends to reduce the number of blockages per 100 km of sewer network infrastructure to improve service levels to its customers. To improve the level of service, a target of 16.90 km of sewer pipe replacement was planned. A total of 5 km was replaced, which represents 31% performance against an annual target of 16.90 km. The target was not met due to delays in procurement process which resulted in late start of the projects. Table 50 reflects planned and actual lengths of sewer replaced in each of the Johannesburg Water regions.

Table 50: Sewer Pipe Replacement

2023/24 SEWER PIPE REPLACEMENT PROGRAMME			
Johannesburg Water Regions (CoJ Regions)	**Annual Plan (Metres)**	**Annual Actual (Metres)**	**Comments**
Midrand Region (A)	570	360	The target was not met due to final length required on site being lesser than the planned length. The project was completed.
Randburg Region (B and C)	4 530	494	Target not met due to environmental authorisation delays on Thulani project and Parkwood sewer which experienced delays during public participation stage.
Soweto Region (D)	0	1 702	The projects that were ready for implementation in this region were implemented. This entails Protea South emergency project and Anthea Nancefield sewer main outfall projects.
Sandton–Alex Region (E)	6 090	325	The target was not met due to projects not being ready for implementation. The projects were still at design stage.
Johannesburg Central Region (F)	5 710	0	There were delays in work packages allocation.
Deep South Region (G)	0	2 301	Projects in Stretford Ext 4 emergency Sewer Outfall, Stretford Ext 6, 7 and 8, and Stretford Ext 7 were implemented though unplanned due to readiness.
TOTAL	**16 900**	**5 182**	

Bulk Wastewater Major Capital Projects

Table 51 provides some of the major bulk wastewater capital projects that Johannesburg Water implemented in the 2023/24 financial year and their progress status. It should be noted that these are multi-year capital projects.

Table 51: Major Bulk Wastewater Capital Projects

#	Project Description	Project Objective	Projected Completion Date	Total Value (R'000)	Total Expenditure (R'000)	Progress Status
1	NWWTW Unit 4 - liquor	Objective of the project is to construct a new Liquor Treatment Plant to prevent high levels of suspended solids and phosphates to be recycled back into the process resulting in non-compliance of the final effluent.	August 2024	77,166	61,436	Commencement of works was on 24 October 2022. Project behind schedule with 86% construction progress. There were delays in Electro-Mech installations due to change in Mechanical Subcontractor which has since been resolved. Recovery plan submitted and progress is under close monitoring.
2	Ennerdale WWTW: Infrastructure Renewal Plan - Module mixers	Objective of the project is to refurbish and replace electromechanical and civil infrastructure at the WWTW to ensure compliance with DWS Standard	August 2024	23,214	21,557	Project started in September 2022. Project behind schedule and construction progress is at 90%.

#	Project Description	Project Objective	Projected Completion Date	Total Value (R'000)	Total Expenditure (R'000)	Progress Status
3	Unit 5 - Phase 2 (Civil works)	Objective of the Project is to construct Unit 5 Module 2 and its associate structures including a Unit 5 Head of Works with the goal of increasing the capacity of the works by 50Ml/ day.	August 2025	289,986	186,720	Works commenced on 25 July 2022 - Project behind schedule with construction progress at 50%. Project was affected by local labour protest action for an extended period since January 2024. Intervention efforts have been received from the MMC's Office, SAPS Diepsloot and JW Management. A Court interdict was issued to Labour as they were disrupting operations at Northern Works. Operations have resumed without interruptions post interdict.
4	NWWTW IRP Phase 1 Electrical MV Upgrade and Refurbishment	To ensure the support of CoJ new developments and compliance with DWS Standards at Northern WWTW	September 2024	132,437	130,690	Works commenced on 24 October 2022. Project on schedule with construction progress at 80%. Contractor is busy with cable trenching and pipe laying.
		Total		**522,803**	**400,403**	

Water Reservoirs

Johannesburg Water has embarked on the construction of new reservoirs to increase the storage capacity within the CoJ. Table 52 provides detailed progress on reservoir projects.

Table 52: Reservoir Projects

Name and Capacity	Cost Estimate (R'000)	Total Expenditure (R'000)	Status	Planned Completion Date	Comments
Erand Tower 2 (Ml)	77,916	43,212	Construc-tion	May 2025	The project started on 13 March 2023. Project behind schedule with construction progress at 19%. Delays have been due to the asbestos rubble that was found on site. Extension of time was granted up to May and performance has improved. There are potential additional costs and delays due to design reviews by consultants. The engagements with the consultant have been initiated to recover the costs.
Robertsville Tower 2.25 (Ml)	112,000	-	Procure-ment	August 2026	The bid specifications documentation is being finalised with the intention of advertising the bid in the 2024/25 financial year.
Woodmead Reservoir 22 (Ml)	51,262	10,625	Construc-tion	TBC	The project started on 31 August 2022. The project is behind schedule with 30% progress. The delays are attributed to Contractor's poor performance and poor cashflows. The contract was terminated in June 2024 after following a consultation process as per GCC clause 3.2.2. A new tender procurement process has been initiated.
Halfway House reservoir 20(Ml)	95,000	-	Procure-ment	December 2026	Tender document completed and the project is on hold pending the finalisation of the land acquisition process.

Name and Capacity	Cost Estimate (R'000)	Total Expenditure (R'000)	Status	Planned Completion Date	Comments
Blue Hills Tower 1.8 (Ml)	120,000	-	Procure-ment	August 2026	The project is on hold pending the finalisation of the land issues which is being managed by JPC.
Carlswald Reservoir 20ML	105,000	-	Procure-ment	February 2026	The contract was cancelled. New tender initiated.
Linbro Towers	55,000	194	Procure-ment	June 2026	Consultants have completed the detailed design report, and it has been approved. The project is now in the tender documentation phase.
Brixton, Hursthtill, Crosby	250,306	104,561	Construc-tion	March 2025	The project started on 24 July 2023. The project is progressing at 49% completion on construction activities.
Foresthill Tower	80,000	-	Procure-ment	December 2027	Design report approved. The project is at documentation stage.
Linksfield Reservoir	240,000	-	Procure-ment	Decem-ber 2027	Design report approved. The project is at documentation stage.
Total	**1,186,484**	**158,592**			

SMME Development and Expanded Public Works Programme through Capex Projects

Johannesburg Water had targeted to create 1 139 job opportunities within the 2023/24 financial year. A total of 1 483 job opportunities have been created against a target of 1 139. This achievement translates to 130% of the annual target of 1 139.

The SMME Development Programme aims to empower and support emerging contractors to reduce unemployment within the CoJ and empower local communities through the implementation of operational and capital programmes. Johannesburg Water has targeted to support 85 SMMEs in the 2023/24 financial year. The total number of SMMEs supported for the period under review was 123. This translates to an achievement of 145% of the annual target.

Table 53: SMME Development and Expanded Public Works Programme

SMME Programme	Planned Number of SMMEs Supported	Actual Number of SMMEs Supported	Planned Number of Jobs Created	Actual number of jobs created	Actual EPWP expenditure (R'000)	Actual SMME expenditure (R'000)	Comments
Pipe Replacement	25	40	120	417	8 236	5 112	Reported from various pipe replacement projects.
Operations and Maintenance	3	24	10	58	982	3 017	Reported from Florida Pumpstation and Pressure Management projects.
O&M Chemical toilets	0	0	300	0	0	0	No jobs and SMMEs were reported.
Installation of basic water and sanitation	10	1	80	22	219	46	Reported from Tladi Basic Sanitation, Kliptown Basic Water and Stretford Ext 4 Outfall Sewer Projects.
Water Demand Management	20	0	120	0	0	0	No jobs and SMMEs were reported.
Bulk Wastewater	12	25	200	251	17 295	14 385	Reported from various BWW projects.
New infrastructure	12	4	146	23	975	4 784	Reported from the Erand Tower and Woodmead Reservoir projects.
Other projects (Security/ Depots)	3	29	163	712	14 613	2 870	Reported from various security contracts, special projects, and depot projects
TOTAL	**85**	**123**	**1139**	**1483**	**42 320**	**30 214**	

Marginalised Areas Programme

Johannesburg Water initiated a programme called the "Marginalised Areas Programme." This programme tracks the projects and progress within the areas of Ivory Park, Diepsloot, Alexandra, Orange Farm, Soweto, and all informal settlements. During the year under review, 17 projects were implemented within marginalised areas. Table 54 provides details of the projects, including project progress status per region.

Table 54: Marginalised Areas

#	Project name	Total Contract Value (R000')	Project Start Date	Project End date	Comments
1	**Gemsbok Water Pipe Replacement Phase 1**	**6,138**	7Feb-24	31-Jul-24	Project at 99% and has achieved practical completion. Contractor is attending to snags.
2	**Gemsbok Water Pipe Replacement Phase 2**	**5,923**	7-Feb-24	31-Jul-24	Project at 99% and has achieved practical completion. Contractor is attending to snags.
3	**Stretford Ext 6, 7 and 8 Sewer Bulk Pipe Replacement**	**19,396**	8-Apr-24	4-Apr-25	Project at 30% progress and is on schedule.
4	**Stretford Ext 7 Sewer Pipe Replacement Phase 2**	**26,038**	11-Apr-24	7-Apr-25	Project at 18% progress and is on schedule.
5	**Stretford ext. 4 Outfall Sewer**	**27,504**	11-Sep-23	14-Oct-24	Project at 35% progress and is behind schedule. The project is behind schedule due to Contractor's cashflow challenge which is impacting the procurement of materials on site; a cession for materials was done. The project had also been suspended from 08 April 2024 due to expired wayleaves. Although it has taken time, City parks has approved and then JRA is processing the wayleave application.
6	**Provision of basic water in Crosby**	**6,200**	24-May-24	30-Aug-24	Project is at 80% progress
7	**Orlando West 7B**	**48,492**	10-Feb-20	16-Jul-24	Project at 99% and has achieved practical completion. Contractor is attending to snags.
8	**Alexandra Renewal of Secondary Mains and Discretisation in Sub Block C**	**19,959**	2-Sep-20	31-Jul-24	Project at 99% and has achieved practical completion. Contractor is attending to snags.

#	Project name	Total Contract Value (R000')	Project Start Date	Project End date	Comments
9	**Alexandra Renewal of Secondary Mains and Discretisation in Sub Block D**	**25,859**	2-Sep-20	31-Jul-24	Project at 99% progress and is behind schedule. Project reached practical completion and Contractor attending to snag list.
10	**Orange Farm 2A**	**76,955**	10-Feb-20	31-Jul-24	Project at 99% progress and is on schedule. Project reached practical completion; Contractor is attending to snags.
11	**Orange Farm 2B**	**88,037**	10-Feb-20	30-Aug-24	Project at 99% progress and is on schedule. Project reached practical completion; Contractor is attending to snags.
12	**Orange Farm 2C**	**65,876**	10-Feb-20	29-Apr-24	Project is complete.
13	**Anthea Nancefield outfall Sewer**	**63,032**	1-Feb-22	11-Nov-24	Project at 29% progress and is behind schedule. Construction progress delayed by more than 4 months due to delays with wayleave approvals and site closure due to non-payment of service providers. Construction is underway, with a cession having completed to assist with cashflow management.
14	**Diepsloot Sewer Bridges**	**94,850**	18-Jan-23	27-Aug-24	Project has been terminated at 24% progress due to poor performance by the Contractor and delays in procuring material. 30% of the critical material was procured and delivered on site, however the bulk of the material is still outstanding. The preparation for a new tender to complete the scope is in progress.
15	**Thulani Sewer Pipe Replacement Phase 5**	**4,641**	TBC	TBC	Project at 0% progress. The project is currently on hold until approval of the environmental authorisations and commencement of the works certificate has not been issued as a result.
16	**Protea South Ext 9 Sewer Pipe Replacement Phase 9**	**11,274**	13-Jul-23	30-Aug-24	Project at 90% progress and is behind schedule. and Contractor was charged penalties as of 31 May 2024. The Contractor is busy with tie-ins and practical completion was achieved.

#	Project name	Total Contract Value (R000')	Project Start Date	Project End date	Comments
17	**Supply and installation of STS water meters in Cosmo city Phase 2**	**157,478**	18-Jul-2024	9-Apr-2026	Project at 0%. Contractor is busy with the appointment of SMMEs and local labourers.
		747,652			

Basic Services

Johannesburg Water continually provides basic water and basic sanitation to communities living within the informal settlements. The basic water contract is underway in Crosby while the basic sanitation contract was awarded in June 2024.

Basic water: The plan for the financial year was to provide access to basic water to 972 households. In February 2024, Council approved the reduction of the target to 250 households. This was mainly due to the initial delays that have been experienced to receive the list of informal settlement from CoJ HSD. In addition, the list of projects on CoJ HSD approved Business plan have projects that have been provided already with at least LOS1 minimum services before except for Crosby Slovo where construction commenced on 05 June 2024.

Table 55: Progress

Settlement	Target HH	Actual HH
Crosby (Slovo Park)	250	927

Basic sanitation: The plan for the financial year was to provide access to basic sanitation to 900 households. In February 2024, Council approved the reduction of the target to 200 households mainly due to the delays experienced in receiving the list of informal settlement from the CoJ HSD. No households were serviced this financial year. Delays have been experienced during the work package award stage mainly due to mandatory non-compliance and financial risk of the panellists at the time. No households were provided with access to basic sanitation in the current financial year.

Section 5:

RATIO ANALYSIS

Table 56: Financial Risk Indicators

Financial risk indicators	Norm	2024	2023	2022	Percentage change	Comments
Net profit margin	Equal to or greater than 0	6.58%	7.51%	9.31%	-12.46%	The margin decreased from the previous year but is above the norm. This indicates positive revenue performance relative to the operational expenditure resulting in a positive net surplus.
Rate of return on assets	None	4.95%	5.61%	7.03%	-11.80%	The margin decreased from the previous years. This indicates a decrease in surplus achieved in relation to the overall asset resources employed and reflects a decrease in the utilisation of the asset base for profit generation.
Salaries as a percentage of operating costs	25–40%	19.09%	21.02%	21.29%	-9.19%	The margin is below the industry norm and reflects both the effective utilisation of the existing staff resources, as well as capacity challenges within the company.
Consumer receivables collection period (days)	30 days	86	103	91	-16.01%	The ratio is significantly above the target and indicates poor collection levels from customers.
Payables payment period*	30 days	131	113	94	16.08%	The ratio indicates that the company takes longer than the required norm of 30 days to pay the suppliers.
Current ratio	1.5–2.1	1.42	1.36	1.31	4.61%	This ratio increased, reflecting an improvement in the liquidity and ability to settle the debts as they fall due

Financial risk indicators	Norm	2024	2023	2022	Percentage change	Comments
Solvency ratio	2.00	2.57	2.69	2.90	-4.39%	The ratio is above the target and norm and there is less likelihood that the company will default on its long-term debt obligations
Debts to revenue ratio	45%	16.55%	18.15%	18.19%	-8.81%	The ratio is below the norm and reflects that there is unutilised borrowing capacity based on the current revenue base.
Debts to equity ratio	None	20.37%	21.57%	20.97%	-5.56%	The ratio indicates how the company's funding of operations is largely from its own generated funds rather than from debt.
Cash cover (in days)	30-90	84	53	22	58.62%	The ratio has significantly improved due to the increase cash position and indicates that the company closed the financial year at a better cash position.



Section 6:

SUPPLY CHAIN MANAGEMENT AND B-BBEE

The Entity's B-BBEE contribution level for the period under review was a level 8 contributor.

New Tender and Contract Awards

Overall Awards

The total overall awards for the year under review, including all commitments (i.e., new tenders, additional funding, the extension of contracts, deviations, purchase orders via a request for quotation process and appointment through panels), was R2.136 billion (2022/23: 3.450 billion).

Tender Awards

For the year under review, 27 new tenders were awarded to the value of R1.626 billion (2022/23: R2.9 billion). The tender register was developed and is monitored on a weekly basis, the time to complete tenders has increased to 147 days on average from 132 days on average due to budgetary constraints.

Cancelled Tenders

The Entity experienced 15 non-awards in tenders for the year. The reasons vary widely from 9 non-responsive, 4 administrative errors, 1 incorrect specification and 1 no-longer needed. (2022/23: non-awards 42 R552.5 million) (2023/24: 15 non-awards R837.2 million). The SCM Policy was amended.

Disputed Awards

Six tenders were disputed in terms of Regulation 50 of the Municipal Supply Chain Management Regulations, 2005. The tenderers raised objections regarding the tender process. The matters are being opposed. Disputed tenders are defined as those where a tenderer raises a dispute, objection, or complaint regarding any decision by Johannesburg Water in the implementation of its supply chain management system. Table 57 depicts the disputed tenders.

Table 57: Disputed Tenders

Tender No.	Description	Estimated Value	Disputed by	Reason	Status
JW OPS 035/22	Strip, quote and repair of valves, pumps and gearboxes	R39 million	Ndalama Armature Winders Mulbert Pumps Repairs Manxiwa Group DPT JV	All three bidders objected to being disqualified for failure to submit the certified COIDA certificate.	Independent person found that the reason for disqualification was not valid, all bidders were appointed, and the process has been completed.
JW OPS 031/21	Appointment of the panel of service providers for emergency repair and replacement of sewer and water infrastructure	R37.2 million	Khomani Kubwakazi Motla Projects TN Molefe Construction Peo Tsa Mogale Uyapo Engineering	Disputing the reasons for being disqualified for failure to meet the local content requirements.	Independent person has finalised the objection process. The BEC report to be tabled at BAC.
JW IT 34/22	Supply and delivery of printer cartridges	R6.6 million	Joeman Construction Courier Services	The bidder objected to being disqualified for lack of experience in the supply and delivery of printer cartridges.	Independent person found that the reason for disqualification the bidder was not valid. The report to be tabled at BAC.
JW 14335	Supply and delivery of STS prepaid water meters in Cosmo City phase 2	R182.1 million	Puno Harvest Builders (Pty) Ltd	The bidder objected to be disqualified for lack of experience in water meter installation projects.	The outcome of the independent person was in favour of JW. The reason for disqualifying the bidder was valid. The matter has been closed.

Tender No.	Description	Estimated Value	Disputed by	Reason	Status
JW OPS 044/23	Hire of mechanical plant	R56.7million	1. Kukhulu Plant hire 2. Ekene Investment CC 3. Buzaphi Construction	All three bidders objected on being disqualified for not submitting proof of LCO Certificate or Operating Card.	Independent person is currently processing the objection.
JW OPS 003/23	Transportation and delivery of potable water	R223.9 million	1. Ekene Investment 2. Strategic Persuasion	Both bidders are objecting not receiving validity extension letters	The independent person is currently processing both objections.

Awards to Black Designated Groups

As part of tender awards made for the year, a further breakdown into various designated groups is outlined below. It should be noted that these amounts form part of the awards made for the year and are reported to indicate empowerment contributions made to various black designated groups:

- Youth owned: R501 million (2022/23: R R189.4 million) (Enterprises that are more than 50% owned by black youth)
- Women owned: R581.4 million (2022/23: R668.8 million) (Enterprises that are more than 30% owned by black women)
- SMMEs: R 841.7 million (2022/23: R1.445.8 billion) (Exempted micro and small enterprises that have a turnover up to R50 million)
- Black owned: R 1.687.4 billion (2022/23: R2.118.6 billion) (Enterprises that are more than 50% owned by black people)

Actual Procurement Expenditure

Overall Procurement Spend

The entity's total actual procurement spend for all supplier categories for the year was R710 million (2022/23: R349.7 million) with a 102% 2022/23: 76% B-BBEE compliant recognition rate, against the entity's target of 95%.

Total SMME Spend

The total SMMEs procurement spend for the year was R 269.6 million (2022/23: R86.9 million) with a B-BBEE recognition of 133% (2022/23: 132%) against a target of 125%. The SMME spend target has been achieved for the year.

Procurement Spend on Black Designated Groups

The total actual procurement spend for the various designated groups for the year was as follows:

- Black Youth Owned R180.3 million for the year (2022/23: R16.1 million).
- These are enterprises that are more than 50% owned by black youth.
- Black Women Owned R128.6 million for the year (2022/23: R149 million).

These are enterprises that are at least 30% owned by black women.

- SMMEs R269.6 million for the year (2022/23: R86.9 million).

These are Exempt Micro Enterprises (EMEs) and Qualifying Small Enterprises (QSEs) with a turnover not exceeding R50 million.

- Black Owned R589.6 million for the year (2022/23: R290.3 million).

These are enterprises that are more than 50% owned by black people.

- Black disabled-owned nil year to date (2022/23: nil).

These are enterprises that are more than 30% owned by black disabled people.

Contractor Performance

There were 25 poor-performing contractors for the year, of which five were for operating expenditure, and the other twenty from capital expenditure, as depicted in Tables 58 and 59.

Table 58: Operating Expenditure

Tender Number	Contract Description	Contract Value	Problem Statement	Contract Status
JW OPS 010	Hire of generators	**R10 170 000**	Both service providers failed to supply and deliver generators as per contractual obligations.	After the service provider was placed on terms.
JW OPS 012/21	Supply and delivery of PVC pressure and sewer pipes	**R8 400 000.00**	Xigwili Project Management CC- The service provider has failed to supply and deliver various pipes (110mm and 160mm diameter pipes) on multiple orders placed by depot.	Contract has been terminated.

Tender Number	Contract Description	Contract Value	Problem Statement	Contract Status
JW OPS 008	Supply and delivery of Personal Protective Equipment	**R 119 020 000**	Ndulo Holdings (Pty) Ltd - The service provider has failed to supply and deliver two purchase orders placed by Northern Works and Ennerdale on 27 June 2023 and 12 September 2023. Numerous follow-ups were made to request the service provider to deliver as per the issued purchase orders. However, the service provider still failed to deliver. The service provider was then issued with an intension to cancel the contract letter on 22 February 2024. The intention to cancel letter also gave the service provider 14 days to remedy the breach.	Contract has been terminated
JW CYD 022/22	Appointment of a panel of service providers for supplying and delivering various chemicals at the Cydna laboratory on an as-and-when basis for 36 months.	**R4 374 118.11**	Delivered what was not agreed upon.	The supplier resolved the performance issue and delivered accordingly.
JW OPS 012/19R	Supply and delivery of PVC pressure and sewer pipes	**R 1 728 000**	Malaka Supplies cc submitted a letter to withdraw their contract as they were not able to supply the items anymore as result of price increases from their manufacturer due Covid-19 and Ukraine war.	The Contract with Malaka Supplies cc has been terminated.

Table 59: Capital Expenditure

Contract No.	Description	Contract value	Problem Statement	Contract Status
JW14203	Naturena Bulk	**R5 464 552.50**	Project in construction. The contractor is behind schedule. The project is at 96% progress against 100% planned progress. The delays experienced have resulted in failure to achieve practical completion by the due completion date caused by a lack of financial resources. This is due to the contractor's poor performance.	Performance has improved. Although the project in construction and performance has improved, project delays due to the contractor's poor performance have resulted in dire consequences to Johannesburg Water regardless of the remedial action imposed.
JW14164	Linksfield Reservoir Installation of Non-Return and Isolation Valves	**R3 797 728.29**	Project complete. However, the delays experienced have been from 01 December 2021 to 15 Jul 2023 resulted in failure to achieve practical completion by the due completion date and delayed completion of the snag list caused by the lack of financial resources (cashflow) and human resource and delayed completion of snag list. This is due to the contractor's poor performance. Appointment of contractor made under the emergency panel. Contractual penalties are not recoverable. Penalties were stopped on 03 February 2023.	Performance has improved. Project is now complete. Completion Certificate has been issued. Although the project complete and performance has improved, project delays due to the contractor's poor performance have resulted in dire consequences to Johannesburg Water regardless of the remedial action imposed.

Contract No.	Description	Contract value	Problem Statement	Contract Status
JW13829R	Florida North Park Pump Station Upgrade	**R6 765 739.08**	Project is under construction and the Contractor is behind schedule. The project is currently at 98% progress against 100% planned progress. The slow pump and installation pace, along with the late delivery of defective valves and defective generator has resulted in delays (22 months) that have prevented practical completion. Contractor's performance remains unsatisfactory. As of 21 November 2022, the Contractor was penalised for failure to complete the works by the due completion date. The contractor has accrued penalties of R537,600. Penalties are still in place.	There has been no improvement in performance and penalties have been sanctioned. A contractual letter was sent to the Contractor outlining the unsatisfactory rate of progress. Outstanding issues have not been addressed by the Contractor. Contractor's subpar performance results in ongoing project delays, even with the implemented corrective measures.
JW14241	Melrose Waterpipe replacement Phase 2	**R13 418 047.95**	Project complete. However, the delays experienced have been from 01 October 2022 to 25 July 2023 resulted in failure to achieve practical completion by the due completion date and delayed completion of the snag list caused by the lack of financial resources (cashflow), lack of human resource and contractor's failure to timely pay SMMEs. The contractor continued to owe local SMMEs' due payment. This is due to the contractor's poor performance. The contractor has incurred penalties as of 02 November 2022 with a cumulative value of R372 000.	Performance has improved. Project is now complete. Completion Certificate has been issued. Although the project complete and performance has improved, project delays due to the contractor's poor performance have resulted in dire consequences to Johannesburg Water regardless of the remedial action imposed.

Contract No.	Description	Contract value	Problem Statement	Contract Status
JW13518RR	Diepsloot Sewer Pipeline and Bridges Repairs: Bridge 2	**R 94 850 342.83**	Project is under construction and the Contractor is behind schedule. 24% of the project has been completed compared to 86% of the planned work. The Contractor's sluggish pace of work and lack of funding to purchase necessary materials (412m of GRP pipes still outstanding) resulted in delays (12 months). In general, progress happens slowly. Contractor's performance remains unsatisfactory.	Contract has been terminated.
JW14377	Cedar Lakes sewer pipe replacement	**R6 280 355.27**	Project in construction. The project is behind schedule due to contractor's poor planning and cashflow issues. The project is at 64% progress against 93% planned progress. Lack of timeous response to requests for weekly reports, SMME and EPWP reports.	Performance has not improved. Capex-PMU is closely monitoring the performance of the Contractor. Continued project delays effects caused by the Contractor's poor performance have dire consequences to Johannesburg Water regardless of the remedial action imposed.

Contract No.	Description	Contract value	Problem Statement	Contract Status
JW13057	Upgrade of digester heating and mixing system at Olifantsvlei WWTW	**R68 498 394.73**	Construction contract terminated because the Contractor was behind schedule. The project is at 65% progress against 100% planned progress. Delays (7 months) have been experienced resulting in the Contractor's slow rate of progress before termination of contract. The Contractor has accrued penalties of R537,600 Contract cancelled before penalties can be imposed.	Appointment of a new Contractor to complete the works is underway.
JW13504	Construction of a Balancing Tank at the Bushkoppie WWTW	**R61 728 369.60**	Project is under construction and the Contractor is behind schedule. Against a 100% planned progress, the project is currently at 95% progress. Due to the delays (42 months), the Contractor has unjustly terminated the contract, which has caused a delay in completion of the snag list. The Adjudicator rejected the Contractor's request to terminate the contract, and instead, the Contractor was given a new directive (with 14 days' notice) to return to the site and fix the mixers. Contractor's performance remains unsatisfactory.	There has been no improvement in performance and currently in the termination process. Issues have not been addressed by the Contractor. Contractor's subpar performance results in ongoing project delays, even with the implemented corrective measures.

Contract No.	Description	Contract value	Problem Statement	Contract Status
JW14289	Construction of 20ML Woodmead reservoir	**R51 289 452.07**	Project is under construction and the Contractor is behind schedule. The project has achieved 31% of the 100% projected progress. The Contractor's failure to submit the necessary contractual documents on time, his inability to defend his advice to not appoint the SMME with the best score in accordance with the authorised procurement process, and the SMMEs' late payments have all contributed to the project's slow progress rate. The Contractor is moving slowly and is not paying SMMEs on time, which occasionally causes work stoppages. Contractor's performance remains unsatisfactory.	Contractor's subpar performance results in project delays and reputational damage even with the implemented corrective measures. Tender documentation for the procurement of a contractor to complete the remainder work is underway.
JW14086	Jabulani Reservoir bypass	**R23 163 355**	Project complete. However, the delays experienced have been from 19 May 2023 to 20 August 2023 resulted in contractor's failure to complete the outstanding snag list which consists of housekeeping and site de-establishment. This is due to the contractor's poor performance. The contractor has incurred penalties as of 12 September 2022 with the cumulative value of R752 500.	Performance has improved. Project is now complete. Completion Certificate has been issued. Although the project is complete and performance has improved, project delays due to the contractor's poor performance have resulted in dire consequences to Johannesburg Water regardless of the remedial action imposed.

Contract No.	Description	Contract value	Problem Statement	Contract Status
JW14290	Stretford Ext 4 Outfall Sewer Pipe Upgrade	**R27 503 772.54**	Project is under construction and the Contractor is behind schedule. 34% of the project has been completed compared to 74% of the planned work. The Contractor's sluggish pace of work and lack of funding to purchase necessary materials resulted in delays (4 months). The project has been on suspension since 08 April 2024 due to expired wayleaves; contractor delayed with the renewal of wayleaves but encountered challenges with City Parks refusing to renew the wayleave.	Contractor's subpar performance results in ongoing project delays, even with the implemented corrective measures
JW14266	Completion of Randburg Depot	**R39 959 076.29**	Project is under construction behind schedule. 74% of the project has been completed compared to 100% of the planned work. The Contractor's sluggish pace of work due to non-payment of SMMEs and site closures resulted in delays (3 months). In general, progress happens slowly. Contractor's performance remains unsatisfactory.	Contractor's poor performance has resulted in ongoing project delays.

Contract No.	Description	Contract value	Problem Statement	Contract Status
JW14170	Provision of Satellite depots (Northern Works, Protea Glen and President Park)	**R20 257 302,30**	Project currently in construction. Practical completion issued to two sites (Protea Glen and President Park) with Northern Works still not issued. The project is behind schedule by 6 months. Due to the contractor's slow progress, the project has still not been handed over. There have also been problems with SMME payments that were exacerbated by JW's late payments to the contractor. Penalties were imposed	Performance has not improved. The project delays caused by the Contractor have had dire consequences in that the facilities cannot be used yet, and this affects the operational performance of the Company.
JW14091C	Renewal of Secondary Mains and Discretisation in Sub-Block C	**R 19 959 118.50**	Project in construction. The contractor is behind schedule. The project is at 80% progress against 100% planned progress. The delays experienced have resulted in failure to achieve practical completion by the due completion date caused by failure to pay SMMEs, poor quality work and failure to monitor SMME work. This is due to the contractor's poor performance. The contractor has incurred penalties as of September 2023 with the cumulative value of R536 000. Penalties continued to be imposed until completion of the project.	Performance has not improved. Termination letter under review by JW's Legal Department. The Contractor has failed to address the problem. Continued project delays effects caused by the Contractor's poor performance has had dire consequences to Johannesburg Water regardless of the remedial action imposed.

Contract No.	Description	Contract value	Problem Statement	Contract Status
JW14176	Soweto Infrastructure Upgrade and Rehabilitation Project in Super Block 12a	**R 11 477 785.00**	Project practical complete. The contractor is behind schedule. The project is at 99% progress against 100% planned progress. The delays experienced have resulted in failure to achieve practical completion by the due completion date caused by the late delivery of valves, contractor's poor cashflow, non-payment of labourers and poor workmanship. Contractor is also failing to complete the snag list. This is due to the contractor's poor performance. The contractor has incurred penalties as of 30 April 2023 with the cumulative value of R450 000. Penalties were stopped on 07 August 2023.	Performance has improved. Although the project is practically complete and performance has improved, project delays due to the Contractor's poor performance have resulted in dire consequences to Johannesburg Water regardless of the remedial action imposed.
JW14292	Provision of Basic Sanitation Services in Princess Plot	**R18 093 484.70**	Project complete. However, the delays experienced have been from 31 January 2023 to 16 March 2023 resulted in failure to achieve practical completion by the due completion date and delayed completion of the snag list caused by the delivery of insufficient material on site. This is due to the Contractor's poor performance.	Performance has improved. Project is now complete. Completion Certificate has been issued. Although the project is now completed and performance has improved, project delays due to the contractor's poor performance have resulted in dire consequences to Johannesburg Water regardless of the remedial action imposed.

Contract No.	Description	Contract value	Problem Statement	Contract Status
JW14347	Provision of Basic Sanitation Services in Dark City PH2	**R9 027 591.59**	Project complete. However, the delays experienced have been from 14 April 2023 to 25 April 2023 resulted in failure to achieve practical completion by the due completion date. This is due to the contractor's poor performance.	Performance has improved. Project is now complete. Completion Certificate has been issued. Although the Project complete and Performance has improved, project delays due to the contractor's poor performance have resulted in dire consequences to Johannesburg Water regardless of the remedial action imposed.
JW14346	Provision of Basic Sanitation Services in Kliptown	**R9 477 210.61**	Project complete. However, the delays experienced have been from 28 February 2023 to 21 June 2023 resulted in failure to achieve practical completion by the due completion date and delayed completion of the snag list caused by the delivery of insufficient material on site. This is due to the contractor's poor performance.	Performance has improved. Project is now complete. Completion Certificate has been issued. Although the project is complete and performance has improved, project delays due to the contractor's poor performance have resulted in dire consequences to Johannesburg Water regardless of the remedial action imposed.

Contract No.	Description	Contract value	Problem Statement	Contract Status
JW13979	Completion of Soweto Infrastructure Upgrade in Super Block 7B (Orlando West)	**R 48 474 307.50**	Project in construction. The contractor is behind schedule. The project is at 96% progress against 100% planned progress. The delays experienced have resulted in delayed completion of the snag list caused by delayed transfer of house connections from mid-blocks to new secondary mains and the decommissioning of old mid-blocks where the contractor has commissioned new secondary mains. This is due to the contractor's poor performance. The contractor has incurred penalties as of 28 March 2023 with the cumulative value of R450 000. Penalties continue to be imposed.	Performance has not improved. Rate of progress contractual letter sent to the contractor. The contractor has failed to address the problem. Continued project delays effects caused by the contractor's poor performance have dire consequences to Johannesburg Water regardless of the remedial action imposed.
JW11053	Erand Tower-Construction of New 2.0 ML Tower and Pumpstation	**12 114 569**	Project is under construction. Due to the need to review certain project's design features, the Consultant has created delays in the project. The Consultant's decision on the Contractor's claims is disputable, documentation and claims are not being handled promptly. The Consultant's performance remains unsatisfactory.	Consultant's subpar performance results in ongoing project delays, even with the implemented corrective measures.

Although service delivery was disrupted, no actual losses were incurred since the Entity covers and/or mitigates its risks by means of performance guarantees and an additional 10% retention in construction-related contracts. Furthermore, the entity only pays for goods and services delivered or on presentation of a progress certificate in construction contracts.

Procurement Deviations

Total procurement awards via a deviation process for the year under review were R224.7 million (2022/23: R48.8 million), constituting 13.8% of total procurement awards. The breakdown of these deviations was R59.5 million sourced via the request for quotation process and R165.2 million sourced through a negotiations process, as listed below.

The major contributors to the deviations made during the year were as follows:

- Hire of vacuum tankers for the desludging of pits and VIP toilets at R30.6 million.
- Transportation of potable water at R59 million.
- Hire of mechanical plant at R15.8 million.
- Chemical toilets at R4.29 million.
- A breakdown of these deviations was in respect of the following categories:
- Emergencies: R70.3 million (2022/23: R7.9 million).
- Sole suppliers: R0.0 million (2022/23 R15.8 million).
- Impracticality: R94.9 million (2022/23 R25.0 million).

The Entity's Supply Chain Management Policy and the Municipal Supply Chain Management Regulation 36 allow the Accounting Officer to dispense with the official procurement processes established in exceptional cases (i.e., emergencies, sole suppliers, or impracticality) as indicated above. Furthermore, no unsolicited bids were received or awarded by the Entity during this period.

Table 60 and 61 provide a summary of purchases procured through the Company's deviation processes in terms of set delegations as required by the Supply Chain Management Policy and Standard Operating Procedures.

Table 60: Details of Deviations above the R200, 000 thresholds

Deviation type	2023/24 R' million	2022/23 R' million
Emergencies	70.3	8.0
Sole suppliers	0.0	15.8
Impracticality	94.9	25.0
Total	**165.2**	**48.8**

Table 61: Details of Deviations below the R200, 000 thresholds

Deviation type	2023/24 R' million	2022/23 R' million
Emergencies	26.2	38.3
Sole suppliers	3.6	2.1
Impracticality	29.7	25.7
Total	**59.5**	**66.1**

Enterprise Development

The Supply Chain Management Unit has been tasked with the facilitation and co-ordination of the B-BBEE compliance within the entity. This entails ensuring that the entity has an updated valid B-BBEE verification status and that there is compliance with the reporting requirements as set out in Section 13(G) (1) of the B-BBEE Act.

The Entity was verified using the Specialised Sector Scorecard (Gazette no.36928 and 42496). This scorecard is utilised for companies that are State-owned and are therefore measured on 4 of the 5 elements. The element being excluded is Ownership.

The Entity achieved a Level 8 B-BBEE rating for the year ending 30 June 2023 with an expiry date of 24 January 2025. The rating for 30 June 2024 will be concluded by 31 December 2024.

The Entity has initiatives in place to improve Supplier Development for the period under review in the form of Supplier information sessions and/or workshops.

As part of its commitment to Enterprise and Supplier Development, the Entity conducted the following capacitation programmes for suppliers:

- The identification and referral of vendors, who are registered as co-operatives on the Entities' vendor database to apply for funding through Small Enterprise Development Agency (SEDA). The applications are currently being reviewed.
- Black women owned contractors (at least 51% owned) and at Construction Industry Development Board (CIDB) grading 5 were identified and linked with CIDB to undergo training on Contractor Management System (CMS).
- The CMS training enables a business to put in place a framework of processes and procedures to control its construction risks, improve performance and deliver best value to clients. In the long run, the CIDB will be adding the CMS standard as a criterion for grading on the registration of contractors. A total of 3 contractors participated, trained and have since received their certification (SANS 1393:2023 CD – Construction Management Systems implementation and Internal audit).
- The other envisaged development includes the identification of unemployed youth within marginalised areas in the CoJ to be offered basic skills training on plumbing. The programme has been duly approved and is being initiated through the bid committee processes.

Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure refers to expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and Wasteful Expenditure Identified and Incurred in the Current Year

Table 62 below reflects details of fruitless and wasteful expenditure identified and incurred in the current year.

Table 62: Fruitless and wasteful expenditure incurred in current year.

No	Item	Details of Fruitless and Wasteful Expenditure	Amount R'000
1	**Interest charged by Mogale**	Interest Charged by Mogale for payment on 5 April 2024, was due on 31 March 2024.Finance will continue to request reversal on interest from the service provider and provide report thereupon.	**2**
2	**Interest charged by SARS**	SARS deducted the value off VAT Refund SARS.	**145**
3	**Interest charged by Rand Water**	Interest Charged by Rand Water for payment in May 2024 due to CoJ Treasury cash flow limitations.	**3,372**
4	**Icon Construction**	Interest Charged by Icon Construction for late payment in January 2024.	**636**

No	Item	Details of Fruitless and Wasteful Expenditure	Amount R'000
5	**Enzani Technologies**	Interest Charged by Enzani Technologies for late payment in May 2024.	**12**
	Total		**4 168**

Irregular Expenditure

Treasury Guidelines on irregular expenditure provide that this is only recognised when payment pertaining to the non-compliance is made. Any irregular expenditure determined prior to a payment being made shall only be regarded as non-compliance until the payment is made; at which point the irregular expenditure shall be recorded.

Details of Irregular Expenditure identified and incurred in the current year

Table 63 below reflects details of irregular expenditure identified and incurred in the current year.

Table 63: Irregular expenditure identified and incurred in the current year

No	Item	Details of Irregular Expenditure	Amount R'000
1	**VPN line rentals**	Non-compliance with Regulation 36 – Deviations on VPN Lines. Scope of contract was increased prior approval.	**826**
2	**Hire of potable water tankers**	Non-compliance with JW SCM Policy Quotation above R200 and non-compliance with Regulation 36	**6,311**
3	**Hire of vacuum tankers**	Non-compliance with JW SCM Policy Quotation above R200 and non-compliance with Regulation 36	**331**
4	**Hire of Jetting Truck**	Non-compliance with JW SCM Policy Quotation above R200 and non-compliance with Regulation 36 – Deviations on hire of Jetting Trucks	**104**
5	**Strip and Quote**	Non-compliance with JW SCM Policy Quotation above R200 and Non-compliance with Regulation 36 – Deviations on Emergency Strip and quote	**15,242**
6	**Sewer panel**	Contravention of CIDB Regulation 25(A), CIDB requirement for Panel (Tender) was 6CE or Higher, but work allocation was below 6CE	**6 540**
7	**STS meters**	**Depleted contract funds. A ratification request was granted to process the payment**	**27**
8	**Hire and service of chemical toilets**	Section 62(1)(c) of the Municipal Finance Management Act 56 of 2003: Services rendered without an SLA or contract in place	**9,074**
	Total		**38,445**

Details of Irregular Expenditure incurred in the current year but identified in the previous financial years as a result of additional payments made on these contracts.

Table 64 below reflects details of irregular expenditure incurred in the current year but identified in the previous financial years.

Table 64: Irregular expenditure incurred in current year, identified in previous financial year.

No.	Item	Description	Amount R' million
1	**Fleet Services**	Noncompliance with Regulation 32 for the hire of fleet by the City.	**133 788**
2	**Contract award replacement valves and hydrants for 36 months**	Incorrect functionality points awarded.	**2,377**
3	**Contract award supply of chemicals disinfectants**	No evidence of functionality points awarded.	**1,977**
4	**Contract award panel of engineering consultants**	Contract awarded in deviation to specifications. Bidder was unfairly disqualified, as they did not have audited financials	**11 742**
5	**Quotation deviations with no reasons: Strip and quotes**	Non-compliance with the SCM Regulation 36(1) and (2)	**4,088**
6	**STS meters and technical support**	Deviation process contravenes the requirements of regulation 36 of the Municipal Supply Chain Management regulations	**11,352**
7	**Hire of mechanical plant**	Deviation process contravenes the requirements of regulation 36 of the Municipal Supply Chain Management regulations	**73**
8	**Panel of contractors to provide basic sanitation services in informal settlements**	Evaluation was done in contravention of Regulation 21(b) and 27(2) (i) of the Municipal Supply Chain Management Regulations, Paragraph 5(7) of the (PPR) and section 112 of the MFMA. Advertisement of the tender was done in contravention of regulations 22(b)(i) and 22(2) of the Municipal Supply Chain Management Regulation. Non-compliance with regulation 13(c) of the Municipal Supply Chain Management Regulation. Restrictive evaluation criteria, restrictive required CIDB Grading, tender advertised for 14 days instead of 30 days	**11,998**

No.	Item	Description	Amount R' million
9	**Provision of security and maintenance services for the Northern Works Farm.**	Section 62(1)(c) of the Municipal Finance Management Act 56 of 2003: Services rendered without an SLA or deviation in place.	**1,048**
10	**Supply, delivery and removal of skip bins**	B-BBEE certificate for a different company with a common director, 2nd highest scorer should have been awarded. Non-compliance with PPR, 2017 Regulation 6, Preference Point System.	**357**
11	**Cleaning and Maintenance of Reservoirs and Towers**	The highest scorer unfairly eliminated as the company was tax non-compliant on last day of validity period. 7 days were not granted to resolve tax matters. Non-compliance with MFMA Circular 90, Tax Compliance Status.	**556**
12	**Hire of Jetting Trucks**	Procurement process not followed in use of service provider.	**933**
13	**Transportation of potable water**	Noncompliance with JW SCM Policy Quotation above R200 and non-compliance with Regulation 36 – Deviations on transportation of potable water	**16,349**
14	**Hire of mechanical plant**	Non-compliance with PPR 2017	**567**
Total			**197 206**

Details of Irregular Expenditure approved by Board for write-off

The investigations for the following irregular expenditure have been concluded and the write-off of the irregular expenditure was approved by the Board and certified as irrecoverable.

Table 65: Irregular expenditure written off in current year

1	**Over expenditure - Non-cash item: Debt Impairment**	Expenditure over budget. JW incurred expenditure not in accordance with the approved adjustment budget as per requirement of section 87(8) of the MFMA.	**658,431**
2	**Over expenditure - Non-cash item: Depreciation and asset impairment**	Expenditure over budget. JW incurred expenditure not in accordance with the approved adjustment budget as per requirement of section 87(8) of the MFMA.	**90,651**

3	**Over expenditure - Cash item: Other Expenditure (Refer to items overspent in the Budget vs. Actual Statement in AFS)**	Expenditure over budget. JW incurred expenditure not in accordance with the approved adjustment budget as per requirement of section 87(8) of the MFMA.	**215,230**
4	**Stock for emergency repairs and maintenance**	Various RFQ transgressions No disciplinary measures recommended. Internal control measures with respect to Inventory demand management and sourcing of framework contracts are being addressed by Operations and SCM.	**22,649**
5	**Suppliers without certified B-BBEE certificates and original tax certificates**	Disciplinary action completed; written warnings issued to 3 implicated employees. Internal control measures relating to SCM processes for compliance with B-BBEE and Tax Clearance Certificates addressed.	**44,035**
6	**Transversal Fleet Contract**	Non-compliance with Regulation 32 for the hire of fleet. No disciplinary measures recommended, as the irregular expenditure refer to the transversal contract maintained at Group Finance.	**340,562**
7	**Mechanical plant, water and vacuum tankers deviations**	Deviation process contravenes the requirements of regulation 36 of the Municipal Supply Chain Management regulations. Contract awarded in deviation to published evaluation criteria. Bidders were unfairly and not consistently evaluated as per approved Evaluation criteria. Reasons for numerous deviations not justifiable: • Disciplinary process instituted. • Criminal case registered with SAPS. • Internal control measures regarding compliance to SCM deviation process have been enhanced: • Demand management and acquisition plan implemented on critical services. • Deviations are routed via Bid Adjudication Committee to further strengthen controls and to add an additional layer of assurance to the process. All tenders above R5 million including deviations are referred to Internal Audit for probity audit prior to the Bid Adjudication Committee resolutions being approved by the Accounting Office.	**393,794**

8	**Rental Head Office building**	Deviation not justifiable and not in compliance with Circular 62 (not reported/ approved by Council). No disciplinary process recommended. Internal control measures regarding compliance to SCM deviation process are subjected to reviews prior to approval	**247,108**
9	**Randburg Depot lease**	Contravention of MFMA Reg 36, deviation not justifiable. No evidence provided indicating that it was impractical for Johannesburg Water to follow normal competitive bidding process. No disciplinary process recommended. Internal control measures regarding compliance to SCM deviation process have been enhanced: -Deviations are routed via Bid Adjudication Committee to further strengthen controls and to add an additional layer of assurance to the process. -All tenders above R5 million including deviations are referred to Internal Audit for probity audit prior to the Bid Adjudication Committee resolutions being approved by the Accounting Office.	**13,402**
10	**Supply computers, desktops, and printers**	No disciplinary measure recommended. Internal control measures enhanced in SCM to ensure role of SCM Specialist is well-capacitated to guide the process of evaluation by BEC members.	**27,186**
11	**Implementation of IT projects**	The procurement processes were not followed as the winning bidders were allocated points for the criteria that they did not achieve. If the points were not awarded, the bidders would not have achieved the minimum score on functionality to proceed for further evaluation. No disciplinary measure recommended. Internal control measures enhanced in SCM to ensure role of SCM Specialist is well capacitated to guide the process of evaluation by BEC members.	**5,094**

12	**Lenasia Pump Station Upgrade**	The qualifications for the contracts manager and site agent were not the required ones as stated. Therefore, the service provider should have not been awarded points for contracts manager and site agent. The service provider would have not met the minimum qualifying score of 70 that was required to pass functionality and therefore they would have not been evaluated for price The service provider should have not appointed. No disciplinary measure recommended. Internal control measures enhanced in SCM to ensure the role of SCM Specialist is well capacitated to guide the process of evaluation by BEC members.	**16,907**
13	**Supply of chemical disinfectants**	Noncompliance with PPR 2017 Regulation. No evidence of functionality points awarded. No disciplinary measure recommended. Internal control measures enhanced in SCM to ensure role of SCM Specialist is well capacitated to guide the process of evaluation by BEC members.	**25,095**
14	**Panel of engineering consultants**	No disciplinary measures recommended. Internal control measures in SCM with respect to the PPPFA requirements for provision of AFS for tenders above R10 million already in place and the necessary forms have updated on the tender documents.	**16,250**
15	**Repairs of Zandspruit Pump Station**	These transactions were procured through quotations which is incorrect as the transaction value is greater than the quotation threshold. Furthermore, it was noted that the Accounting Officer approved the transactions that did not follow competitive bidding process as indicated above. No disciplinary process recommended. Internal control measures regarding compliance to SCM deviation process are subjected to reviews prior to approval.	**5,906**
16	**Purchase and installation of book scanners**	Faranani Doctec were awarded points incorrectly under the functionality for the experience and contactable reference criteria. The service provider should not have been awarded points for contactable references and experience as they did not provide their own reference letters.	**8,357**

17	**Internet Service**	Although Internet Solutions was the current service provider that provides internet services to JW, they are not the only service provider that can provide internet services. The justification for the deviation that Internet Solution is the current service provider limits competition and does not allow other service providers an opportunity to render services to JW. This is also indicative of Internet Solutions receiving preferential treatment by JW.	**6,363**
18	**Replacement of valves and hydrants**	Incorrect functionality points awarded. No disciplinary measure recommended. Internal control measures enhanced in SCM to ensure role of SCM Specialist is well capacitated to guide the process of evaluation by BEC members.	**11,013**
19	**Biometric System Support**	Johannesburg Water had several deviations with the service provider where the service provider had a non-tax compliant status and outstanding documentation, however they were still appointed. No disciplinary process recommended. Internal control measures regarding compliance to SCM deviation process have been enhanced: -Deviations are routed via Bid Adjudication Committee to further strengthen controls and to add an additional layer of assurance to the process. -All tenders above R5 million including deviations are referred to Internal Audit for probity audit prior to the Bid Adjudication Committee resolutions being approved by the Accounting Officer	**814**
20	**Installation and commission of VSD panels**	These transactions were procured through quotations which is incorrect as the transaction value is greater than the quotation threshold. Furthermore, it was noted that the Accounting Officer approved the transactions that did not follow competitive bidding process as indicated above. No disciplinary process recommended. Internal control measures regarding compliance to SCM deviation process are subjected to reviews prior to approval.	**2,608**

21	**Catering for training**	The procurement processes were not followed as the winning bidder was allocated points for the criteria that they did not achieve. If the points were not awarded, the bidder would not have achieved the minimum score on functionality to proceed for further evaluation. Further to this, the procurement processes were not followed as winning bidders had an amount for the municipal rates, taxes and service charges that was outstanding for more than three months. If this was considered that the bidder should have been rejected. No disciplinary measure recommended. Internal control measures enhanced in SCM to ensure the role of SCM Specialist is well capacitated to guide the process of evaluation by BEC members.	**199**
	Total		**2,151,654**

Section 7:

PENDING LITIGATIONS AND POSSIBLE LIABILITIES

For the year under review, there were seven litigation cases with possible liabilities. These matters are being opposed. Four of these matters did not pose any material financial implications for the Entity, however, three pose potentially significant financial risk should the matters not be ruled in the Entity's favour.

Section 8:

INSURANCE CLAIMS

The Entity received and registered 170 new Insurance Claims for the period under review amounting to R 46.6 million, with the highest claims value registered under the Public Liability Class representing 97% of the total value of claims received.

The table below depicts the claims registered for 2023/24 as well as the financial year to date figures.

Table 66: Summary of Insurance Claims

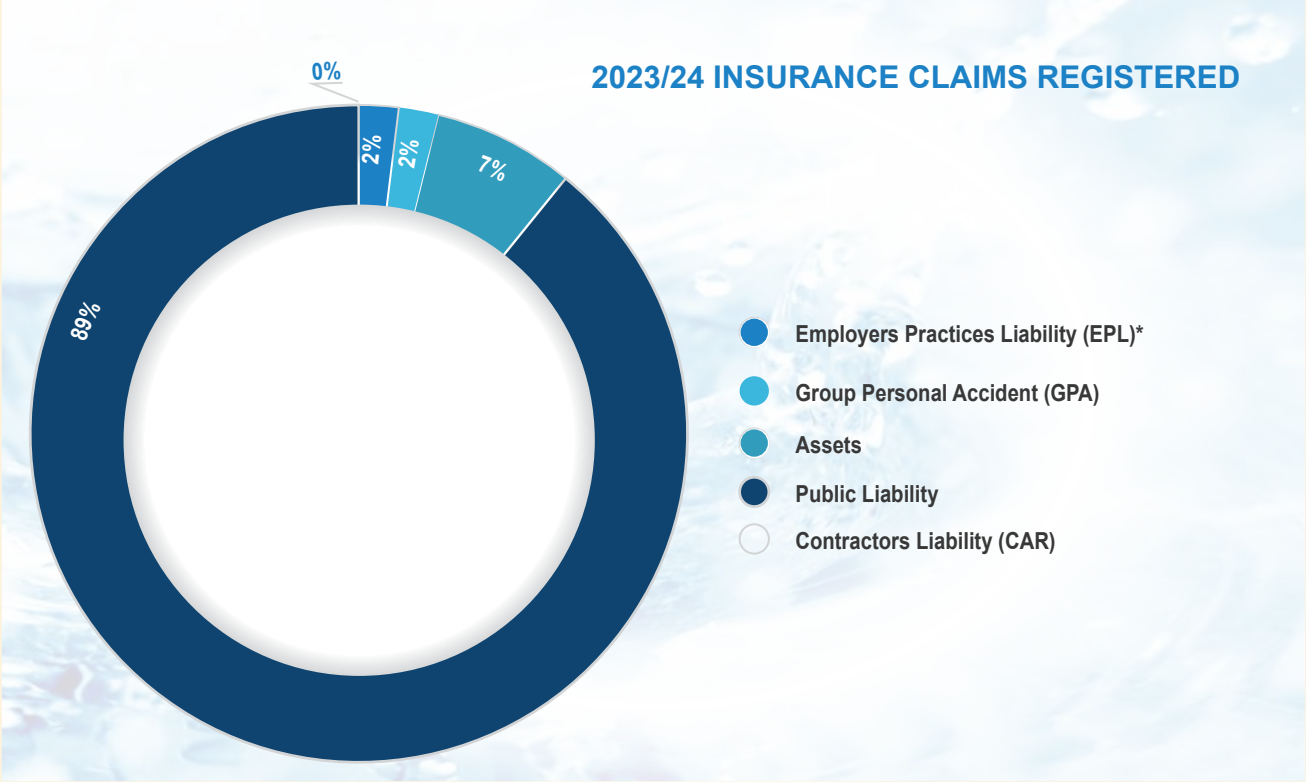
CLASS/TYPE OF CLAIM	PERIOD: 2022/23		PERIOD: 2023/24	
	Number of Claims	Gross Amount of Claims	Number of Claims	Gross Amount of Claims
Employers Practices Liability (EPL)*	5	**TBC**	3	**TBC**
Group Personal Accident (GPA)	1	**R 297 715,08**	3	**R 179 678,00**
Assets	11	**R 922 376,00**	12	**R 1 198 462,00**
Public Liability	160	**R 78 724 227,00**	151	**R 45 246 495,00**
Contractors Liability (CAR)	2	**R 281 043,00**	1	**TBC**
TOTAL	**179**	**R 80 225 361,08**	**170**	**R46 624 635,00**

EPL - Estimates are unknown until final outcome if entity is liable to pay.

CAR - Minor child drowned in an area where contractors worked.

Figure 18 below depicts that the highest claims arise from Public Liability which represents 97% (2022/23: 98%) with Employers Practices and Group Personal Accident at 2% respectively; and Contractor's liability under 1%.

Figure 18: Insurance Claims by Class



Section 9:

STATEMENT ON AMOUNTS OWED BY AND TO GOVERNMENT DEPARTMENTS AND PUBLIC ENTITIES

The amounts reflected in table 67 are owed to the Entity by government departments and public entities. These accounts are highlighted to the CoJ for collection as part of the regular engagement with the Revenue Shared Service Centre. The amounts below are reflected as of 30 June 2023 and 30 June 2024.

Table 67: Amounts owed by Government Departments and Public Entities

Name of Entity (R'000)	2023 June	2024 June
Department of Health	323,309	103,599
Department of Housing	38,462	58,942
Department of Education	24,801	57,689
Department of Infrastructure Development	30,869	18,360
Department of Public Works	6,773	10,971
Department of Correctional Services	-	18,988
Department of National Defence Force	748	-
Department of Finance	105	703
Department of Transport	3	58
Transnet	72,260	70,208
Prasa	67,378	6,690
Eskom	22,383	43,131
Sanral	4,848	3,901
Spoornet	3,345	1,737
SAPO	-	542
Telkom	-	2,334
Monchessi Prop Investment	2,949	3,001
Khula Enterprise Finance	3,266	350
Sabc	2,949	27
SA Spoorpendel Korporasie	-	1,019
Other Entities	1,459	1,007
Total Outstanding	**602,985**	**403,258**

Table 68 below illustrates the debt age analysis per organisation.

Table 68: Debtors Ageing for Government Departments and Public Entities

Client Name (R'000)	Balance	Current	Between 31 and 60	Between 61 and 90	91+ Days
Dept of Health	103,599	49,394	18,669	25,546	9,990
Dept of Housing	58,942	5,627	4,660	4,783	43,872
Dept of Education	57,689	2,434	5,449	1,444	48,362
Dept of Correctional Services	18,988	6,461	11,162	1,366	-
Dept of Infrastructure Development	18,360	2,768	1,780	1,726	12,086
Dept of Public Works	10,971	2,599	716	569	7,087
Dept of Finance	703	414	5	7	277
Dept of Transport	58	17	14	8	19
Grand Total	**269,311**	**69,715**	**42,455**	**35,449**	**121,693**

Table 69: Debtors Ageing for Parastatals

Client Name(R'000)	Balance	Current	Between 31 and 60	Between 61 and 90	91+ Days
Transnet	70,208	477	340	517	68,875
Eskom	43,131	335	19,705	2,455	20,636
Prasa	6,690	1,700	1,218	1,348	2,424
Sanral	3,901	95	9	71	3,726
Monchessi Prop Inv	3,001	4	2	2	2,992
Telkom	2,334	131	15	-99	2,287
Spoornet	1,737	9	8	9	1,710
SA Spoorpendel Korporasie	1,019	18	10	15	975
Other Entities	1,007	138	253	61	555
SAPO	542	497	3	5	37
Khula Enterprise Finance	350	113	115	54	68
SABC	27	-	-	-	27
Grand Total	**133,947**	**3,517**	**21,679**	**4,438**	**104,312**

CHAPTER SIX

INTERNAL AND EXTERNAL AUDIT FINDINGS



Stakeholders impacted: The Shareholder and the Community

Strategic Response: Strategic Goal 4 and 5

Section 1:

PROGRESS ON INTERNAL AUDIT PLAN

There were 43 audit projects for the 2023/24 financial year. According to the Internal Audit strategy, Quarter 3 and Quarter 4 were primarily for follow-up on Quarter 1 and Quarter 2 audits, respectively. However, due to backlogs, some audits were only completed during Quarter 3 and Quarter 4, and the follow-ups will be done in the 2024/25 financial year. The audit projects that were completed during the year under review are indicated in table 70.

Table 70: Performance against the Approved Annual Internal Audit Plan

Quarterly Projects	Allocated	Actual Completed	Variances
Quarter 1	13	13	-
Quarter 2	11	11	-
Quarter 3	12	11	-1
Quarter 4	7	6	-1
Total per Annual Audit Plan for 2023/24	**43**	**41**	**-2**

Projects not yet finalised:

- The POPIA Compliance Review- commissioned the service provider with expertise on implementation of POPIA Compliance Programme agreed execution plan extended to August 2024.
- Review of cyber security risk – scope extended to assessment of stand-alone (off-site IT facilities).

The audits executed and completed during 2023/24 are reflected in table 71 below:

Table 71: Audit Projects completed for 2023/24 FY

1.1.	Comprehensive Audit Only (17)
1.1.1	Payroll Process and SAP Payroll System Audit
1.1.2	Cyber Security Review – JW Core IT and OT Systems
1.1.3	Observation of year-end Stock Take 2022/23
1.1.4	Review of the Annual Financial Statement (AFS) - Consulting activity
1.1.5	Compliance with Effluent Quality Requirements Audit
1.1.6	Meter Reading Management Audit
1.1.7	Access to Sanitation in Informal Settlements (Chemical Toilets, VIP Toilets)
1.1.8	Implementation of ICT Projects in support of JW business operations
1.1.9	Illegal Connections Management Audit

1.1.10	IT Movable Assets Management and Peripherals
1.1.11	JW Insurance Management
1.1.12	Compliance With the National Environmental Management Act 107 of 1998 (Capital projects implementation)
1.1.13	Router Master Application Controls
1.1.14	Compliance with Protection of Personal Information Act No 4 of 2013
1.1.15	Business Continuity Plan and Implementation – IT Facilities
1.1.16	Ethics Audit
1.1.17	Stakeholders Relation and Communication Strategies
2.1	**Continuous audits monitoring projects (Quarterly) (24)**
2.1.1	Follow-up of AGSA Management Letter 2022/23
2.1.2	Prior years Unresolved Internal Audit Findings
2.1.3	Audit of Predetermined Objectives (AoPO)
2.1.4	Investigations of UIFWE
2.1.5	Supply Chain Management Probity Audits
2.1.6	Ad-hoc Investigations and Management Requests

Section 2:

PROGRESS ON RESOLUTION OF INTERNAL AUDIT FINDINGS

The report provides the status of the resolution rate based on the Follow-up conducted during the year. The approach on the audit plan is that comprehensive audits are conducted in the first two quarters of the financial year, and follow-up audits executed in Quarter 3 and Quarter 4. However, some audits could only be finalised during Quarter 3 and Quarter 4 due to a backlog on the execution of the audit plan.

The resolution rate for Internal Audit findings for the period ended 30 June 2024 was at 87% (103 findings resolved of 119 findings), while management were in the process of addressing the remaining 16 (13%) findings. The follow-up process of findings which management flagged as ready for verification as of 30 June 2024, will be concluded during the first quarter of the 2024/25.

The summary of the resolution rate is provided in Table 72 below, and results of follow up per project are provided in table 74.

Table 72: Status of Internal Audit Findings Resolution Rate

Financial Year	Total	Resolved	Work in Progress
2016/17	1	-	1
2017/18	2	1	1
2018/19	2	-	2
2019/20	1	-	1
2020/21	4	2	2
2021/22	5	3	2
Total Opening	15	6	9
2022/23	72	66	6
2023/24	32	31	1
OVERALL TOTAL	**119 (100%)**	**103 (87%)**	**16 (14%)**

Table 73 below indicates long-term intervention plans in the areas relating to recurring findings from previous financial years as follows:

Table 73: Long-term Interventions

Finding Description	Management Actions/ Comments	Interventions/ milestones
Infrastructure and Fixed Asset Database and componentisation	Fixed Asset Verification and Data Cleansing, Develop interface between IMQS and SAP. Deployment of integrated asset management system fully aligned to the revised Fixed Asset Policy.	• IMQS appointed to conduct fixed asset data verification and uploads. • Process in progress to appoint the service provider for physical asset verifications. • The project will take around 8 months to complete following the appointment of the Contractor. • The implementation of mSCOA is a City Project and it is dependent on SAP Upgrade Project.
Fixed Asset Policy alignment to Municipal Standard Chart of Accounts (Mscoa)		
Issues of by-laws enforcement, illegal connections, and update of meter database – service providers to do “stand-by-stand” surveys, implementing cut-offs and conversions to smart meters.	Currently updating the meters by physically replacing the meters on the ground and updating information on the SAP system. Weekly T-code meetings chaired by the FD are conducted where items are tracked and prioritised.	• Contract already awarded for audit of pre-paid stands. • Appointment of the service providers to assist with disconnection of illegal connections. • Replacement of faulty meters – namely T-codes

Finding Description	Management Actions/ Comments	Interventions/ milestones
Installation of Data Loggers on existing PRVs installations	• Implement a network reporting process for PVR alarms. • Pilot of 11 sites (10%) by installing data loggers to transmit real time and based on success rate rollout to the entire sites.	• Network reporting process in place and pilot completed. • Not yet rolled out to the entire sites due to budget limitations.

The results of follow-up audits that were undertaken during the 2023/24 financial year are reflected in table 74 below.

Table 74: Results of follow-up audits on internal audit findings:

No.	Internal Audit Projects	Number of Findings	Findings Resolved	In Progress	Future Dated	Resolution %
2016/17						
1	Meter Reading Management	1	-	1	-	0%
2017/18						
2	Service Delivery System Response Time	2	1	1	-	50%
2018/19						
3	Planning and Implementation of Capital Projects	1	0	1	-	0%
4	Prepayment Meter Management	1	0	1	-	0%
2019/20						
5	Infrastructure Asset Management and Maintenance	1	-	1	-	0%
2020/21						
6	Wastewater Effluent Quality Audit	1	0	1	-	0%
7	Records Management	1	0	1	-	0%
8	Physical Security	2	2	0	-	100%
2021/22						
9	Planning and Implementation of Capital Projects Audit	3	2	1	-	67%
10	Direct Procurement Process/ RFQs	1	1	-	-	100%
11	Audit of compliance with occupational health and safety act no 85 of 1993	1	-	1	-	0%

No.	Internal Audit Projects	Number of Findings	Findings Resolved	In Progress	Future Dated	Resolution %
	Prior Year Resolution Rate	15	6 (40%)	9 (60%)		
2022/23						
12	Compliance with Drinking Water Quality Audit	5	5	-	-	100%
13	Consequence Management Audit	7	7	-	-	100%
14	Infrastructure Asset Management and Maintenance Audit - WWTW	9	8	1	-	89%
15	Implementation and Review of HR Policies	8	8	-	-	100%
16	Audit of Hard close of AFS for 2022/23 Financial Year	6	6	-	-	100%
	Stock take observation report – 2022/23 financial year	1	1	-	-	100%
17	Audit of SCM Tender Process	2	2	-	-	100%
18	Application Controls Review (SAP ERP and Smartworks Prepayment Systems)	3	3	-	-	100%
19	Value for Money Audit- Rollout of STS Pre-paid Meters and Application Controls	4	4	-	-	100%
20	Response Times to Water and Sewerage Reported Calls Audit	1	1	-	-	100%
21	Management of Working Hours (including Standby and Overtime) Audit	7	7	-	-	100%
22	Inventory Management Audit	11	9	2	-	73%
23	Cyber Security Review	8	6	2	-	75%
Current Year Audits – 2023/24 (Q1 and 2)		**32**	**31 (97%)**	**1(3%)**	**0**	
RESOLUTION RATE		119	103 (87%)	16 (13%)		

Section 3:

PROGRESS ON RESOLUTION OF AGSA AUDIT FINDINGS

AGSA Management Report 2022/23

The outcome of the 2022/23 AGSA annual audit review for Johannesburg Water had a total of 66 findings consisting of 57 new audit findings and 9 repeat AGSA findings. The AGSA findings were categorised as follows:

- 13 (20%) of the total AGSA findings were rated as those "Affecting Auditor's Report".
- 30 (45%) of the total AGSA findings as other material findings, misstatements, performance and non-compliance with legislation.
- 23 (35%) of the total AGSA findings reported as "Administrative Matters".

The resolution rate for financial year ended 30 June 2024 was at 86% (57 out of 66 findings were satisfactorily resolved), while management is in the process of addressing the remaining 9 (14%). Progress is monitored through the bi-weekly dashboard meetings chaired by the Managing Director.

Table 75: Number of Findings per Category

CATEGORY	Total Number of Findings	Resolved		Not ready for Testing/ Work In-Progress	
		No.	%	No.	%
A. Matters Affecting Auditor's Opinion	13	12	92%	1	8%
B. Other Important Matters	30	27	90%	3	10%
C. Administrative Matters	23	18	78%	5	22%
TOTAL	**66**	**57**	**86%**	**9**	**14%**

Table 76 depicts progress on resolving AGSA audit findings for 2022/23 as of 30 June 2024:

Table 76: Progress on AGSA Findings

Financial Year	Total Findings	Resolved	In Progress
2022/23 (**recurring issues)	54	48	6
2021/22 (**recurring issues)	4	2	2
2020/21 (**recurring issues)	3	3	0
2019/20 (**recurring issues)	3	3	0
2018/19 (**recurring issues)	2	1	1
Totals	66	57	9
Percentages %	**100%**	**86%**	**14%**

** Recurring issue refer to a situation whereby a finding like the one reported in the current year (2022/23) was reported by AGSA consecutively in the previous financial year(s).

The final signed AGSA Management Letter for 2022/23 was received on the 11 December 2023 and it indicated repeat findings on matter affecting the auditor's report remained significantly high. Management has commenced with the process to analyse the findings and designing the appropriate action plans which will focus on addressing the root causes. The progress will be monitored through the Managing Director's weekly dashboard monitoring meetings.

Recurring findings and related processes

Table 77 below contains the intervention plans of the high-risk repeat AGSA audit findings:

Table 77: Intervention plans

Recurring Findings	Intervention Plans
Meters estimated beyond the by law.	Detailed plan developed for adoption; it is set to improve on compliance with the by law. There are 38 834 meters projected to be estimated beyond by-law (>6 months) at the end of June 2024. The plan requires resourcing (budget, contractors etc) which is in the process of being closed out.
Reasonable steps not taken to prevent irregular expenditure.	UIFW reduction strategy currently being implemented. Further educational workshops are planned to enhance and enforce compliance to the policy and legislation. High risk contracts will be flagged for more direct interventions from SCM and User.
Inadequate user access management practices across various platforms (SAP, Route Master, SCADA etc).	ICT Operations Governance Management Team, through the ICT Operations Governance Committee, will provide oversight and ensure that the indicated actions and activities are implemented and more importantly, that the root cause of the findings is addressed. Additionally, and where technically and financially feasible, the IT department will assist user departments with ICT infrastructure, i.e., hardware, software tools, etc. to ensure findings are not repeated.

Comparisons of the Previous Audit Opinions

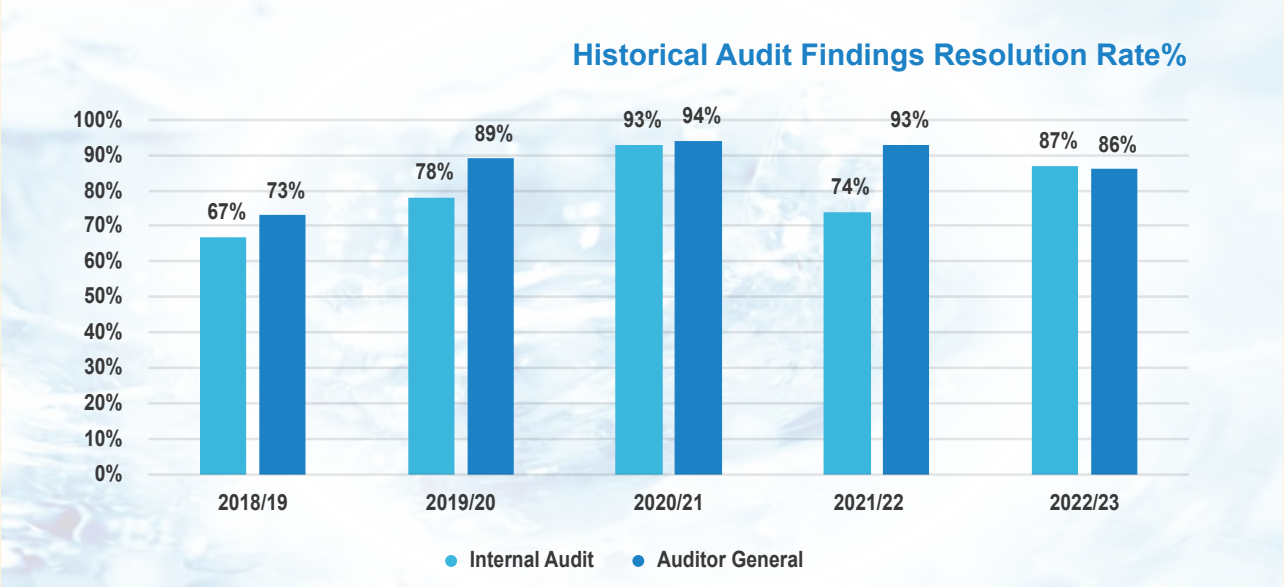
Johannesburg Water has achieved a constant audit outcome/opinion for the past five financial years, i.e., an "unqualified audit opinion," as follows:

Table 78: Comparative audit opinions

Financial Year	2018/19	2019/20	2020/21	2021/22	2022/23
Audit Opinion	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified

The CoJ established the Operation Clean Audit task team to implement a coordinated effort across the board to improve the audit outcome, aiming for a clean audit soon. Johannesburg Water has implemented a dashboard process overseen by the Managing Director to monitor the implementation of remedial actions. There has been a significant improvement in the resolution rate, which is illustrated by the upward trend experienced in the past four financial years (see figure 19).

Figure 19: Audit findings resolution rate



Effectiveness

Management should expedite the implementation of action plans to resolve the findings on 2022/23 AGSA Management letter. In comparison to 2021/22 AGSA management letter, there is an increase in number of findings for 2022/23 and efforts are required on addressing the root causes to eliminate the recurring control issues which the majority relate to SCM processes, particularly the non-compliance with Regulation 36 whilst there were important findings reflecting deficiencies on our IT access controls.

Impact assessment

The impact of the unresolved findings on Johannesburg Water business are significant since they relate to compliance with related laws and regulations which may result in punitive against the company. Furthermore, emphasis must be done to the controls around the applications that are used by the organisation to ensure their security and continuity.

Remedial action taken to address prior-year issues and preventative measures

Most of the findings that were on the AGSA's Management Letter in the 2022/23 financial year related to Supply Chain Management processes, particularly the non-compliance with Regulation 36, while there were important findings of non-compliance with the water use license of Johannesburg Water as well as deficiencies in the IT access and security controls. Management established a Dashboard Committee, chaired by the Managing Director, to address all prior-year findings. The committee met on a bi-weekly basis.

Johannesburg Water Management devised a UIFW reduction strategy which is currently being implemented. The Strategy is being implemented to address the issue of non-compliance with the related Supply Chain Management Regulations and contracts management. Issues of non-compliance with Supply Chain Management Regulations are amongst the main factors contributing to the irregular expenditures reported by AGSA.

Matters of Emphasis

The Internal Audit Department would like to draw attention to the following matters, which the system of internal control could not prevent:

- Non-compliance with the water supply by-laws: Customers billed on estimates for more than six months due to meters not being read. This was attributable to several operational challenges, which included, amongst others issue of faulty meters, Limited Technical Access Areas due to community protests, delays processing meter change requests in SAP.
- Payments to service providers not done within the 30 days period.

Section 4:

OVERALL STATE OF INTERNAL CONTROLS

The Statement on Internal Control is an expression of an opinion by the Internal Audit Department on the status of the internal control system of Johannesburg Water after it has been evaluated. Both the King IV Report and the International Standards of Professional Practice of Internal Auditing (ISPPIA) requires the Chief Audit Executive to provide a written assessment of the adequacy and effectiveness of the internal controls and issue a report reflecting any deficiencies that have been mitigated by management. This report forms the basis of the Audit and Risk Committee's Report.

Independence and Objectivity Declaration

In accordance with the ISPPIA, the Chief Audit Executive confirms and declares that the Internal Audit Department is independent and objective in carrying out its internal audit activities.

The activity is not under the influence or control of Executive Committee members. For the Internal Audit Department, independence is understood as freedom from conditions that threaten its ability or the ability of the Chief Audit Executive to carry out internal audit responsibilities in an unbiased manner.

Objectivity is defined in the Institute of Internal Auditors Standards as an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they have an honest belief in their work product and that the quality of their work is not compromised in any way.

Compliance with ISPPIA

The audits were conducted in accordance with ISPPIA, as determined by the Institute of Internal Auditors and, accordingly, included the consideration of business objectives and the internal controls put in place relative to the inherent risks to assist in determining the nature, timing and extent of the Entity's audit procedures.

The Internal Audit Department obtained a "General Conformance" rating during the external quality assurance reviews undertaken between April 2022 and October 2022, with the final report issued in March 2023. However, there

were areas reported with recommendations for improvement and Internal Audit is in the processing of addressing such and progress report is presented on a quarterly basis.

The Responsibility of the Management

Management is responsible for establishing and maintaining an appropriate system of internal control for the prevention and detection of irregularities and fraud. The objectives of internal controls are to ensure the following:

- Reliability and accuracy of management reporting and financial information: Management reports and financial information is accurate, timely, useful, reliable and relevant.
- Effectiveness and efficiency: Operations are effective, efficient and add value to the accomplishment and monitoring of goals.
- Authorisation: Proper review and approval.
- Safeguarding assets: Assets are protected from theft, misuse, and/or destruction.
- Compliance: Compliance with policies, rules, regulations and laws.

The Internal Audit Department's responsibility

The Internal Audit Department evaluates the adequacy and effectiveness of the internal control systems, governance processes and risk management process. In assessing these, consideration of the abovementioned internal control objectives and the audit evidence obtained during the execution of audits should be used as a basis for the opinion. Only completed assurance engagements or projects should be considered for the overall internal control opinion.

The results of the internal audit support the organisation to achieve its goals in the short, medium and long term. The risk-based approach ensures that the internal audit function focuses on the financial sustainability of the organisation as well as areas that are material for the stakeholders.

Assessment and Conclusion of Internal Controls Using the COSO Framework

Table 79: Assessment of Internal Controls Before Interventions by Management

Reviews components of COSO Framework on full reviews	Infrastructure Assets Management and Maintenance (Pump stations and reservoirs)	Security Management (Infrastructure) Audit	Fleet Management Audit	Direct Procurement Processes (Request for Quotations) Audit	Pipe Replacement Programme Audit	Financial Yer-End Stock Take (Consulting Activity)
Control Environment This sets the tone of an organisation. It serves as a foundation for all other control components. The core of any business is its people: their individual attributes, including integrity, ethical values and competence, as well as the environment in which they operate.	4	4	3	3	3	1
Risk Assessment The entity must be aware of and deal with the risks it faces. It must set organisational objectives that are operating in accord. It must also establish mechanisms to identify, analyse and manage the related risks.	3	3	3	3	4	3

Reviews components of COSO Framework on full reviews	Infrastructure Assets Management and Maintenance (Pump stations and reservoirs)	Security Management (Infrastructure) Audit	Fleet Management Audit	Direct Procurement Processes (Request for Quotations) Audit	Pipe Replacement Programme Audit	Financial Yer-End Stock Take (Consulting Activity)
Control Activities This encompasses control policies and procedures that must be established and executed to help ensure that the actions indemnified by management as necessary to address risks for the achievement of the entity's objectives are effectively carried out.	3	4	3	3	3	3
Information and Communication Surrounding these activities are information and communication systems. This enables the entity's people to capture and exchange the information needed to conduct, manage and control its operations.	3	3	3	2	3	3
Monitoring This refers to the ongoing assessment of internal control quality by management to assure that controls are operating as intended. The entire process must be monitored, and modifications made as necessary.	4	4	3	3	3	3

Table 80: Assessment of internal controls after interventions by management were followed-up

Reviews components of COSO Framework on full reviews	Infrastructure Assets Management and Maintenance (Pump stations and reservoirs)	Security Management (Infrastructure) Audit	Fleet Management Audit	Direct Procurement Processes (Request for Quotations) Audit	Pipe Replacement Programme Audit	Financial Yer-End Stock Take (Consulting Activity)
Control Environment This sets the tone of an organisation. It serves as a foundation for all other control components. The core of any business is its people: their individual attributes, including integrity, ethical values and competence, as well as the environment in which they operate.	4	4	1	1	1	1
Risk Assessment The entity must be aware of and deal with the risks it faces. It must set organisational objectives that are operating in accord. It must also establish mechanisms to identify, analyse and manage the related risks.	1	1	1	1	1	2
Control Activities This encompasses control policies and procedures that must be established and executed to help ensure that the actions indemnified by management as necessary to address risks for the achievement of the entity's objectives are effectively carried out.	1	3	1	1	1	2

Reviews components of COSO Framework on full reviews	Infrastructure Assets Management and Maintenance (Pump stations and reservoirs)	Security Management (Infrastructure) Audit	Fleet Management Audit	Direct Procurement Processes (Request for Quotations) Audit	Pipe Replacement Programme Audit	Financial Yer-End Stock Take (Consulting Activity)
Information and Communication Surrounding these activities are information and communication systems. This enables the entity's people to capture and exchange the information needed to conduct, manage and control its operations.	1	3	1	1	1	2
Monitoring This refers to the ongoing assessment of internal control quality by management to assure that controls are operating as intended. The entire process must be monitored, and modifications made as necessary.	1	1	1	1	1	2

Legends:

Rating	Description
Rating 1	Controls are functioning as intended, and no additional actions are necessary at this time.
Rating 2	Many of the controls are functioning as intended; however, some minor changes are necessary to make the control environment more effective and efficient.
Rating 3	Some controls are in place and functioning; however, several control issues were noted.
Rating 4	Material persistent and pervasive control problems were noted that could jeopardise the accomplishment of business objectives.
Rating 5	Controls are not functioning, and/or fraudulent activities have been detected that will have or already have a material impact on both the financial statements and the operations of the Company.

Analysis of internal audit project follow-ups

There was a total of 119 internal audit findings which were followed up for the period ended 30 June 2024 with the status as follows:

- 103 (87%) internal control deficiencies were resolved; and
- 16 (13%) internal control deficiencies were in the process of being resolved.

Please refer to Section 2 above for the breakdown per project.

IMPACT

The 87% resolution rate on Internal Audit findings is a slight decline when compared to 89% of the previous financial year on the system of internal controls. A significant portion of findings with long-term intervention plans relate to fixed assets management in alignment of mSCOA, and defective wastewater treatment works infrastructure resulting in non-compliance with the water license use as well as IT applications continuity. These areas need to be closely monitored to ensure that the root causes are addressed to reduce the impact of the associated business risks.

These areas are reflected by both the Internal Audit and AGSA audit reports.

Internal Audit Findings Opinion - based on the above analysis, the systems of internal controls are adequate but ineffective 😐 to accomplish organisational goals and objectives.

External Audit Findings Opinion - based on the above analysis, the systems of internal controls are inadequate and ineffective ☹ to accomplish organisational goals and objectives. It requires 100% resolution on matters affecting the auditor's report.

Table 81: Internal Control Evaluation Criteria

LEGEND	EVALUATION CRITERIA	CONTROL RATING	CONTROL DESCRIPTION
☺	Adequacy and Effective	Good	Control addresses risk is officially documented and in operation
😐	Adequate but Ineffective	Fair	Control addresses risk, but documentation and/or operation of control could be improved
☹	Inadequate and Ineffective	Poor	Material persistent and pervasive control problems were noted that could jeopardize the accomplishment of business objectives

SECTION	☺	😐	☹
Audit findings affecting the audit opinion/report.	Management has resolved 100% of the targeted findings.	N/A	Less than 100% of targeted findings have been resolved by management.
State of internal controls (Internal audit opinion).	Controls are adequate and effective.	Controls are adequate but ineffective.	Controls are inadequate and ineffective.
Internal and external audit findings resolution rate.	Management has resolved 90% - 100% of the targeted findings.	Management has resolved 50% - 89% of the targeted findings.	Management has resolved less than 89% of targeted findings.

APPENDICES

Appendix A:

BOARD OF DIRECTORS; COMMITTEE ALLOCATION AND ATTENDANCE

Board Composition

The composition of the Board is as follows for the period under review:

- Mr Sipho Mthembu — Non-executive Director (Chairperson)
- Ms Gugulethu Phakathi — Non-executive Director and former Chairperson (resigned on **23 October 2023)**
- Mr Phetole Modika (resigned on 15 June 2024) — Non-executive Director
- Mr Pholoso Matjele — Non-executive Director
- Mr Kgaile Mogoye — Non-executive Director
- Mr Lunga Bernard — Non-executive Director
- Ms Zandile Meeles — Non-executive Director
- Ms Pamela Mabece — Non-executive Director
- Mr Molate Mashifane — Non-executive Director
- Mr Siphamandla Mnyani — Non-executive Director
- Mr Ntshavheni Mukwevho — (Managing Director and Executive Director)
- Mr Kgaugelo Mahlaba — (Chief Financial Officer and Executive Director – appointed with effect from **1 March 2024)**
- Mr Johan Koekemoer — (Financial Director and Executive Director – contract expired on **30 November 2023)**

Independent Audit and Risk Committee members:

- Mr Collen Samb
- Dr Solly Pooe
- Mr Mokganedi Masibi
- Ms Zodwa Tlale

The composition of the Board Committees from 1 July 2024 to 30 June 2024 was as follows:

Audit and Risk Committee

- Mr Molate Mashifane (Chairman)
- Mr Kgaile Mogoye (Non-executive Director)
- Mr Collen Samb
- Dr Solly Pooe
- Mr Mokganedi Masibi
- Ms Zodwa Tlale

Human Resources and Social and Ethics Committee

- Phetole Modika (Chairman) (Non-executive Director – served until 15 June 2024)
- Pamela Mabece (Non-executive Director)
- Zandile Meeleso (Non-executive Director)
- Lunga Bernard (Non-executive Director)
- Johan Koekemoer (Financial Director – served until 30 November 2023)
- Ntshavheni Mukwevho (Managing Director)

Service Delivery, Procurement and ICT Oversight Committee

- Pholoso Matjele (Non-executive Director) (Chairman)
- Gugulethu Phakathi (Non-executive Director – served until 23 October 2023)
- Siyabonga Mthembu (Non-executive Director)
- Siphamandla Mnyani (Non-executive Director)
- Julias Maputla (Non-executive Director appointed with effect from 18 September 2023)
- Johan Koekemoer (Financial Director – served until 30 November 2023)
- Ntshavheni Mukwevho (Managing Director)

Attendance of meetings from 1 July 2023 to 30 June 2024

Directors and independent members	Board	Audit and Risk Committee	Human Resources and Social and Ethics Committee	Service Delivery, Procurement, and ICT Oversight Committee	Nominations Committee	Total
	10	8	5	4		
Sipho Mthembu	9/10	-	-	4/4	7/7	20/21

Directors and independent members	Board	Audit and Risk Committee	Human Resources and Social and Ethics Committee	Service Delivery, Procurement, and ICT Oversight Committee	Nominations Committee	Total
Gugulethu Phakathi**	3/3	-	-	2/2	1/1	6/6
Molate Mashifane	9/10	8/8	-	-	-	17/18
Phetole Modika**	9/9	-	5/5	-	-	14/14
Pholoso Matjele	10/10	-	-	4/4	-	14/14
Siphamandla Mnyani	10/10	-	-	4/4	-	14/14
Kgaile Mogoye	9/10	7/8	-	-	-	16/18
Lunga Bernard	9/10	-	5/5	-	-	14/15
Zandile Meeleso	9/10	-	5/5	-	-	14/15
Pamela Mabece	9/10	-	5/5	-	-	14/15
Julias Maputla	5/6	-	-	1/1	-	6/7
Ntshavheni Mukwevho	9/10	-	5/5	4/4	8/8	26/27
Johan Koekemoer**	5/5	-	2/3	2/2	-	9/10
Kgaugelo Mahlaba	3/3	-	-	-	-	3/3
*Collen Sambo		8/8	-	-	-	8/8
*Zodwa Tlale-Maoba		8/8	-	-	-	8/8
* Solly Pooe		7/8	-	-	-	7/8
*Mokganedi Masibi		6/8	-	-	-	6/8

*Independent Member of the Audit and Risk Committee

** Resigned or contract ended during the current financial year

Attendance at Group Meetings

Type of Meeting	Fees
G Phakathi Chairpersons' quarterly meeting - 3 August 2023	R4,000
G Phakathi Group Audit and Risk – Meeting 3 July 2024	R8,000
S Mthembu Chairpersons' quarterly meeting – 30 October 2023	N/A
S Mthembu Chairpersons' quarterly meeting – 9 February 2024	N/A
S Mthembu Chairpersons' quarterly meeting – 9 May 2024	N/A

Appendix B:

COMMITTEE AND COMMITTEE PURPOSE

List of all Board Committees

- Audit and Risk Committee
- Human Resources and Social and Ethics
- Service Delivery, Procurement and ICT Oversight Committee

• Purpose of Board Committees

- **Audit and Risk Committee**
  - Ensuring that a combined assurance model is applied to provide a coordinated approach to all assurance activities.
  - Ensuring that the combined assurance received is appropriate to address all the significant financial reporting risks facing the Company.
  - Overseeing internal audit.
  - Assessing the Company's performance on a quarterly and annual basis
  - Overseeing the development and annual review of the Company's enterprise-wide risk strategy and plan for recommendation to the Board
  - Monitoring implementation of the enterprise-wide risk management policy and plan by means of risk management systems and processes.
  - Overseeing that the risk management plan is widely disseminated throughout the Company and integrated in its day-to-day activities.
  - Ensuring that management considers and implements appropriate risk responses.
- **Human Resources and Social and Ethics Committee**
  - Overseeing that the Company is compliant with labour laws and ensuring the development and implementation of a human resources plan.
  - Monitoring the Company's activities, regarding matters relating to social and economic development and good corporate citizenship.
  - Overseeing employee wellness and exercising oversight over the management of ethics.
  - Overseeing the setting and administering of remuneration at all levels in the Company.
  - Ensuring that risks are identified and reported together with mitigating factors and action plans.
  - Overseeing the establishment of a remuneration policy that will promote the achievement of strategic objectives and encourage individual performance.
  - Service Delivery, Procurement, Information and Communications Technology Oversight Committee

- Overseeing the operations, capital expenditure, customers and communications of the company.
- Implementing, monitoring and reviewing the ICT strategy and related policies.
- Ensuring that long-term infrastructure planning is developed and managed and that an asset management plan is developed and implemented.
- Ensuring that the Company's operations (water and sanitation services) are aligned to the Shareholder's Sector Plan within its Integrated Development Plan.
- Maintaining oversight over the implementation of the Supply Chain Management Policy.

- **Nomination Committee**
  - Recruitment and selection for all Executive positions.

Names of Directors serving in each Board Committees

The composition of the Board Committees from 1 July 2023 to 30 June 2024 was as follows:

Audit and Risk Committee

- Mr Molate Mashifane (Chairman)
- Mr Kgaile Mogoye (Non-executive Director)
- Mr Collen Samb
- Dr Solly Pooe
- Mr Mokganedi Masibi
- Ms Zodwa Tlale

Human Resources and Social and Ethics Committee

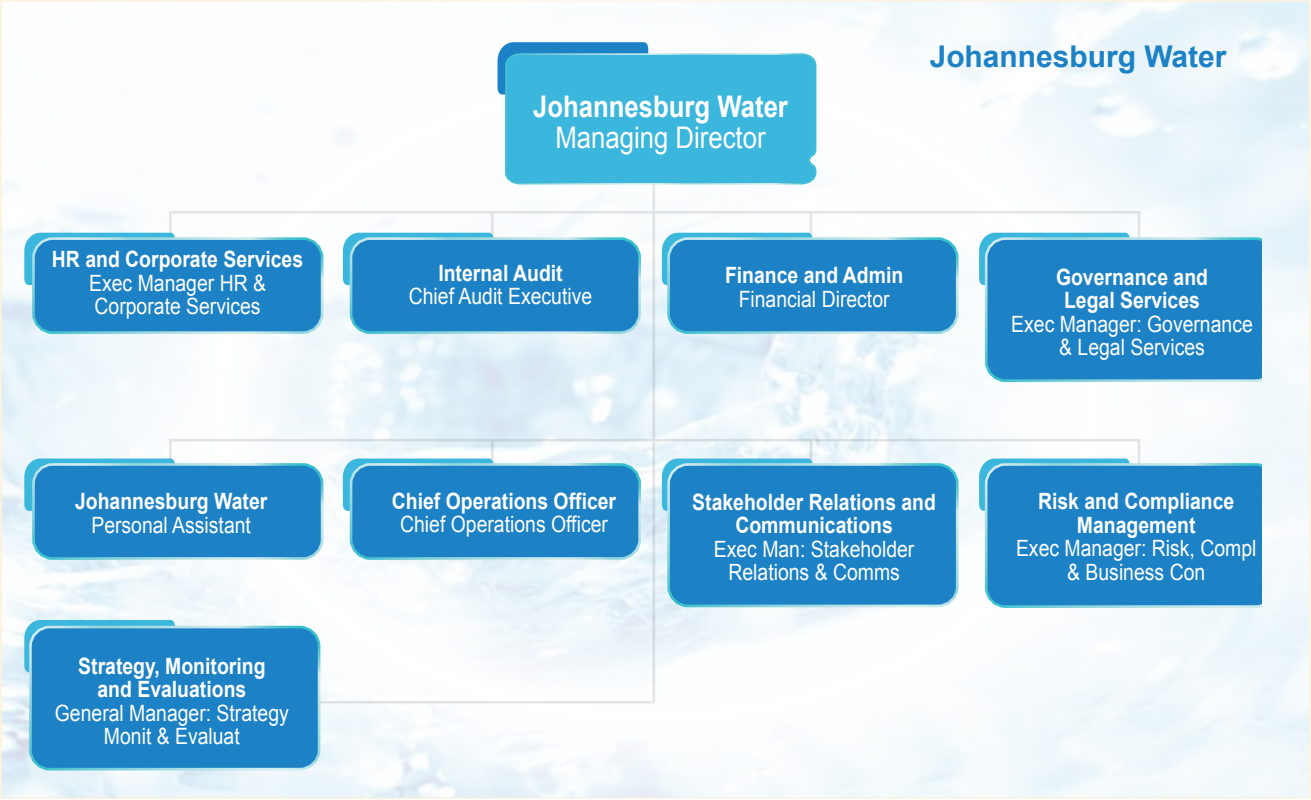
- Phetole Modika (Non-executive Director – served until 15 June 2024) (Chairman)
- Pamela Mabece (Non-executive Director)
- Zandile Meeleso (Non-executive Director)
- Lunga Bernard (Non-executive Director)
- Johan Koekemoer (Financial Director – served until 30 November 2023)
- Ntshavheni Mukwevho (Managing Director)

Service Delivery, Procurement and ICT Oversight Committee

- Pholoso Matjele (Non-executive Director) (Chairman)
- Gugulethu Phakathi (Non-executive Director – served until 23 October 2023)
- Siyabonga Mthembu (Non-executive Director)
- Siphamandla Mnyani (Non-executive Director)
- Julias Maputla (Non-executive Director appointed with effect from 18 September 2023)
- Johan Koekemoer (Financial Director – served until 30 November 2023)
- Ntshavheni Mukwevho (Managing Director)

Appendix C:

THIRD-TIER ADMINISTRATIVE STRUCTURE





HR and Corporate Services



Finance and Admin



Governance and Legal Services



Chief Operations Officer



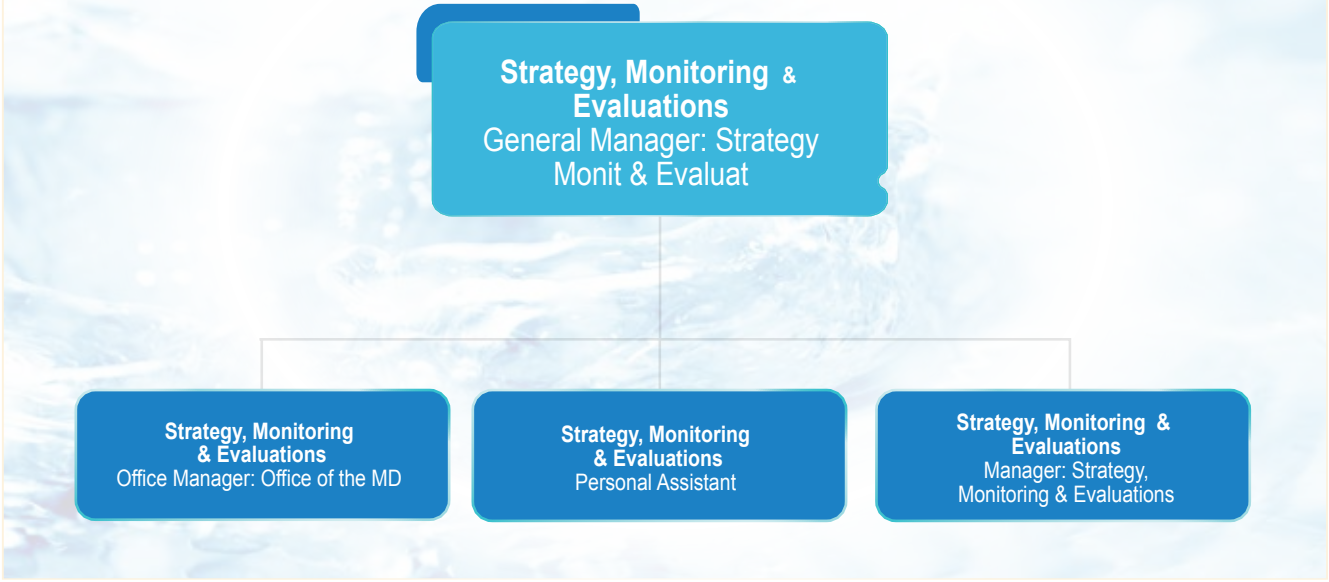
Stakeholder Relations and Communications



Risk and Compliance Management



Strategy, Monitoring and Evaluations





Appendix D:

FUNCTIONS OF ENTITY

Johannesburg Water is a municipal entity, wholly owned by the CoJ and is mandated to provide water and sanitation services to the residents of Johannesburg.

Appendix G:

RECOMMENDATIONS OF THE AUDIT COMMITTEE 2023-24

Date of meeting	Subject	Resolution	Status (implemented/ not implemented)
19 July 2023	Quarterly Report for the Period April to June 2023	That the report be submitted to the Service Delivery, Procurement and ICT Oversight Committee subject to the amendments made.	Implemented
19 July 2023	2023/2024 Annual Work Plan of the Audit and Risk Committee	That subject to amendments, the 2023/24 Annual Work Plan of the Committee be submitted to the Board for approval.	Implemented
19 July 2023	Board and Board Committees Year Planner 2023/24	That the Board and Board Committee Year Planner for 2023/24 be submitted to the Board for approval.	Implemented
19 July 2023	Terms of Reference – Audit and Risk Committee	That the terms of reference of the Audit and Risk Committee be submitted to the Board for approval.	Implemented
19 July 2023	Annual Review of Internal Audit Charter	That the Internal Audit Charter be approved and be submitted to the Board for noting.	Implemented
19 July 2023	Annual Audit Plan: Progress Report – April to June 2023 (Q4) – To follow in Part II	That the report be approved, and the summary version of the report be submitted to the Board for noting.	Implemented
19 July 2023	Draft: Johannesburg Water Business Continuity Management Policy 2023/24 – 2025/26	That subject to amendments, the Business Continuity Management Policy be submitted to the Board for approval.	Implemented

Date of meeting	Subject	Resolution	Status (implemented/ not implemented)
19 July 2023	Draft Johannesburg Water Business Continuity Plan	That the Business Continuity Plan be submitted to the Board for approval.	Implemented
19 July 2023	Annual Risk Management Implementation Plan (RMIP) For the period 2023/2024	That the Annual Risk Management Implementation Plan be submitted to the Board for approval.	Implemented
19 July 2023	Revised Compliance Universe for the period 2023/2024	That the Revised Compliance Universe for the period 2023/2024 be submitted to the Board for approval.	Implemented
19 July 2023	Corporate Compliance Management Programme 2023/2024	That the Corporate Compliance Management Programme for 2023-2024 be submitted to the Board for approval.	Implemented
19 July 2023	Progress Report – Status of Investigation of UIFWE and GFIS Fraud Register	That the report be prepared and submitted at the Special meeting of the Committee to be held in August 2023.	Implemented
19 July 2023	Amendments to the 2023/24 Business Plan	That the amendments made to the Business Plan be noted and the report be submitted to the Board for noting.	Implemented
19 July 2023	Johannesburg Water mSCOA Update Report September 2022	That the report be noted and submitted to the Board for noting.	Implemented
25 August 2023	Consideration of the first Draft Annual Report– Financial year ending 30 June 2023	That subject to input submitted, the Draft Annual Report– Financial Year ending 30 June 2023 be submitted to the Board for consideration.	Implemented
25 August 2023	Submission of Johannesburg Water Annual Financial Statements June 2023	1.That Johannesburg Water Annual Financial Statements June 2023 be forwarded to Board for approval subject to the changes.	1. Implemented
		2.That the quality assurance report by Internal Audit be submitted to the Committee for approval via round robin.	2. Implemented

Date of meeting	Subject	Resolution	Status (implemented/ not implemented)
25 August 2023	2022/23 Annual Performance Report	That the 2022/23 Annual Performance Report be submitted to the Board for noting subject to the internal audit outcome and amendments.	Implemented
25 August 2023	Johannesburg Water Going Concern Assessment 2022/2023	That the report be submitted to Board for noting.	Implemented
25 August 2023	Audit Engagement Letter	That the Engagement letter be submitted to the Board for consideration	Implemented
25 August 2023	Materiality Framework 2022/2023	That the report be submitted to the Board for approval.	
17 October 2023	Meter reading challenges	That management develop and submits to the Committee a plan to resolve all outstanding items arising from the audit finding relating to “meters not read within the 6 months by-law period	Implemented
17 October 2023	Quarterly Report for the period April 2023 to June 2023	1. That the report be submitted to the Service Delivery, Procurement, and ICT Oversight Committee subject to the amendments made.	Implemented
		2. That the Security Plan be shared with the Committee once finalised.	Implemented
17 October 2023	Draft 3-Year Compliance Management Maturity Plan for the period 2023/24 – 2025/26	1. That subject to amendments, the Draft 3-Year Compliance Management Maturity Plan for the period 2023/24 – 2025/26 be submitted to the Board for approval.	Implemented
		2. That the Compliance Maturity Self-Assessment be circulated to members of the Committee.	Implemented
		3. That the targets in the proposed plan be included in the corporate compliance plan and be shared with the Committee.	Implemented
17 October 2023	Annual Audit Plan: Progress Report – July to September 2023 (Q4)	That the Annual Audit Plan: Progress Report – July to September 2023 (Q4) be approved and submitted to the Board for noting.	Implemented

Date of meeting	Subject	Resolution	Status (implemented/ not implemented)
17 October 2023	Progress Report on the implementation of the Revised Credit Control Strategy	That the Progress Report on the Implementation of the Revised Credit Control Strategy be noted and be submitted to the Board for noting.	Implemented
17 October 2023	Johannesburg Water mSCOA Update Report September 2022	That the Johannesburg Water mSCOA update report for September 2022 be submitted to the Board for noting.	Implemented
17 October 2023	Report on Unauthorized, Irregular, Fruitless and Wasteful Expenditure as at September 2023	That the Report on Unauthorized, Irregular, Fruitless and Wasteful Expenditure as of September 2023 be noted and submitted to the Board for noting.	Implemented
17 October 2023	Alternative Funding Initiatives	That the report on Alternative Funding Initiatives be noted and submitted to the Board for noting	Implemented
17 October 2023	Company performance trend Analysis for the last 5 years	That the report on Company performance trend analysis for the last 5 financial years be noted and further submitted to the Board for noting.	Implemented
26 November 2023	Deviation Report: Amendments of the 2023/24 Business Plan	1. That the report be submitted to the Board for approval.	Implemented
		2. That Management develops a mechanism that would regulate the relationship with the City's Human Settlements Department regarding the provision of information that is required for planning purposes in respect of the services that the Entity provides to informal settlements.	Implemented
26 November 2023	2022/23 Company Performance	That subject to amendments, the 2022/23 Company Performance report be submitted to the Board for approval.	Implemented
26 November 2023	2022/23 Company Performance Score	That the 2022/23 Company Performance Score be submitted to the Board for approval.	Implemented

Date of meeting	Subject	Resolution	Status (implemented/ not implemented)
26 November 2023	Audit General Management Report and the Audit Report for the period: 2022/2023	That the Management Report together with the Audit Report be submitted to the Board for consideration.	Implemented
26 November 2023	Submission of Johannesburg Water Annual Financial Statements June 2023	That the Audited Annual Financial Statements be submitted to the Board for approval.	1. Implemented
26 November 2023	Approval of Annual Integrated Report and Financial Statements - Year ending 30 June 2023	That the Annual Report for year ending 30 June 2023 be submitted to the Board for approval.	2. Implemented
24 January 2024	Security Services	That all matters relating to security be deferred for discussion at the Special meeting that would be organised during the month of February 2024.	Implemented
24 January 2024	Mid-year Report for the period July 2023 to December 2023	1. That the report be submitted to the Service Delivery, Procurement, and ICT Oversight Committee subject to the amendments made.	Implemented
		2. That the report on the plan envisaged to assist the Entity to regain the SANAS accreditation at the laboratory be submitted at the next meeting.	Implemented
24 January 2024	Write-Off Irregular Expenditure related to overspending of budget due to non-cash items in the 2022/23 financial year (debt impairment)	That the Write-Off of Irregular Expenditure related to overspending of budget due to non-cash items in the 2022/23 financial year with respect to debt impairment be submitted to the Board for approval.	Implemented

Date of meeting	Subject	Resolution	Status (implemented/ not implemented)
24 January 2024	Write-Off Irregular Expenditure related to overspending of budget due to cash items in the 2022/23 financial year (bulk purchases)	That the Write-off of irregular expenditure related to overspending of budget due to cash items in the 2022/23 financial year with respect to bulk purchases be submitted to the Board for approval.	Implemented
24 January 2024	Review of the Anti-Fraud and Corruption Prevention Policy	That the Anti-Fraud and Corruption Prevention Policy be submitted to the Board for approval.	Implemented
24 January 2024	Review of the Whistle-Blowing Policy	That the revised Whistle-Blowing Policy be submitted to the Board for approval.	Implemented
24 January 2024	Annual Audit Plan: Progress Report – 01 October to 31 December 2023)	1. That the Annual Audit Plan: Progress Report – October to December 2023 be approved and submitted to the Board for noting.	Implemented
		2. That any changes to previous reported performance information which have gone through the Board cycle should be subjected for review by Internal Audit.	Implemented
24 January 2024	Johannesburg Water mSCOA Update Report September 2022	That the Johannesburg Water mSCOA update report be submitted to the Board for noting.	Implemented
23 and 24 April 2024	Security Services	That the Entity conducts a comprehensive security analysis of all Johannesburg Water facilities which should include a cost benefit analysis and submit a revised plan in October 2024	Not yet Implemented. The due date of implementation is October 2024.
23 and 24 April 2024	The Johannesburg Water Turnaround Strategy - 2024	That the Johannesburg Water Strategy be submitted to the Board for approval.	Implemented
23 and 24 April 2024	2024/25 Business Plan	That the 2024/25 Business Plan be submitted to Board for approval.	Implemented

Date of meeting	Subject	Resolution	Status (implemented/ not implemented)
23 and 24 April 2024	Three-year Rolling Internal Audit Planning 2024/25 – 2026/27 and Operational Annual Audit Plan 2024/25	That the three-year Rolling Plan from 2024/25 to 2026/27 and the Annual Audit plan for 2024/25 be approved and submitted to the Board for noting.	Implemented
23 and 24 April 2024	Annual Review of Internal Audit Charter	That the updated Internal Audit Charter be approved and the final approved. Internal Audit Charter be submitted to the Board for noting.	Implemented
23 and 24 April 2024	Annual Fraud Risk Register for the Period 2023/2024	That the revised 2023/2024 financial year Fraud Risk Register be approved.	Implemented
23 and 24 April 2024	Quarterly Report for the Period January 2024 to March 2024	That the report be submitted to the Service Delivery, Procurement and ICT Oversight Committee for approval.	Implemented
23 and 24 April 2024	Annual Audit Plan: Progress Report – 01 January to 30 March 2024)	1. That progress report on the Annual AuditPplan for the period 01 January to 30 March 2024 be approved.	Implemented
		2. That the Human Resources Department indicate in the next meeting interventions that would be put in place to enhance the process of declaration of interests.	Implemented
19 June 2024	Revised Strategic Risk Register for the Period 2024/ 2025	1. That the Strategic Risk Register for the period 2024/2025 be submitted to the Board for approval.	Implemented
		2. That a discussion be facilitated at Board level around cash-flow limitations that was clearly having an impact on the ability of the Entity to fund capital expenditure and exposing the Entity to compliance risk.	Ongoing
		3. That a dashboard be developed on all functional strategies to enable the Committee and the Board to have visibility and to be able to track progress on the implementation of the strategies.	Ongoing

Date of meeting	Subject	Resolution	Status (implemented/ not implemented)
19 June 2024	Submission of Motivations of UIFWE to Audit and Risk Committee and Board for Approval of Write-Off	REPORT 1 - REPORT ON THE OUTCOME OF AN INVESTIGATION OF IRREGULAR EXPENDITURE INCURRED BY JOHANNESBURG WATER (JW) DURING THE 2016/17 TO 2019/20 FINANCIAL YEARS RELATING TO PURCHASE OF EMERGENCY STOCK FROM VARIOUS SUPPLIERS AS FOLLOWS FOR TOTAL AMOUNT OF R22,649,00 RESOLVED TO RECOMMEND That the Board certifies as irrecoverable and writes off a total of R22,649,009 in irregular expenditure disclosed by Johannesburg Water during the 2016/17 to 2019/20 financial years.	All implemented
		REPORT 2 REPORT ON THE OUTCOME OF THE INVESTIGATION OF AN IRREGULAR EXPENDITURE INCURRED BY JOHANNESBURG WATER DURING THE 2012/13 to 2014/15 FINANCIAL YEAR REGARDING INVALID B-BBEE AND TAX CLEARANCE CERTIFICATES RESOLVED TO RECOMMEND That the Board approve that the irregular expenditure amounting to R44,035,103 for the various suppliers be written off as irrecoverable and that the certificate be issued to Executive Mayor for notification purposes only.	
		REPORT 3 REPORT: OUTCOME OF THE INVESTIGATION OF IRREGULAR EXPENDITURE INCURRED BY JOHANNESBURG WATER DUE TO THE CONTRACT TO THE SUPPLY OF FLEET VEHICLES. AFRIRENT FLEET MANAGEMENT (PTY) LTD (COMPANY)) REGISTRATION NUMBER: 2003/023485/07) AND ZEDA CAR LEASING (COMPANY REGISTRATION NUMBER: 1956/002552/07) RESOLVED TO RECOMMEND That the Board approve the irregular expenditure incurred in the previous financial years to-date of R340,562,310 and that future expenditure to be incurred until the contract ends or cancelled by the City be written off.	

Date of meeting	Subject	Resolution	Status (implemented/ not implemented)
		REPORT 4 REPORT ON THE OUTCOME OF AN INVESTIGATION OF IRREGULAR EXPENDITURE INCURRED BY JOHANNESBURG WATER (JW) DURING THE 2018/19 TO 2023/24 FINANCIAL YEARS ON THE FOLLOWING DEVIATION CONTRACTS: 1. HIRE OF MECHANICAL PLANT 2. TRANSPORTATION OF POTABLE WATER 3. TRANSPORTATION OF SEWAGE SLUDE RESOLVED TO RECOMMEND 1. That the Board certify the irregular expenditure relating amounting to R274 640 772,01 for Hire of Mechanical Plant, R114 294 415,67 for Transportation of potable water and R4 858 411,00 for Transportation of Sewage Sludge awarded to various service providers as irrecoverable. 2. That the Board approve the write-off of R274 640 772,01 for Hire of Mechanical Plant, R114 294 415,67 for Transportation of potable water and R4 858 411,00 for Transportation of Sewage Sludge irregular expenditure incurred during the 2018/19 to 2023/24 financial year and issue a certificate of recoverability to the Mayor of the City of Johannesburg for noting.	
		REPORT 5 REQUEST TO MOTIVATE FOR THE WRITEOFF ON IRREGULAR EXPENDITURE INCURRED ON THE EXTRENSION OF LEASE CONTRACTS FOR THE TWO HEAD OFFICE BUILDINGS (SWISS HOUSE AND 17 HARRISON STREET) RESOLVED TO RECOMMEND That the Board approve that irregular expenditure amounting to R247,107,822 incurred during 2019/20 to 2022/23 financial years relating to contract deviation be written off as irrecoverable.	

Date of meeting	Subject	Resolution	Status (implemented/ not implemented)
		REPORT 6 REPORT ON THE OUTCOME OF AN INVESTIGATION OF IRREGULAR EXPENDITURE INCURRED BY JOHANNESBURG WATER (JW) DURING THE 2018/19 FINANCIAL YEAR ON DEVIATION CONTRACTS FOR LEASE AGREEMENT AWARDED TO COMPANY: REDEFINE PROPERTIES LIMITED RESOLVED TO RECOMMEND That the Board certifies as irrecoverable and writes off a total of R13,401,659 in irregular expenditure incurred by Johannesburg Water during the 2020/21 to 2122/23 financial years.	
		REPORT 7 REPORT ON THE OUTCOME OF AN INVESTIGATION OF IRREGULAR EXPENDITURE INCURRED BY JOHANNESBURG WATER (JW) DURING THE 2019/20 AND 2020/21 FINANCIAL YEARS ON THE CONTRACT FOR SUPPLY AND DELIVERY OF COMPUTER DESKTOPS, PRINTERS AND ICT PERIPHERALS AWARDED TO FOLLOWING COMPANIES: SAGE COMPUTER TECHNOLOGIES AND ESIZWE GROUP (PTY) LTD RESOLVED TO RECOMMEND 1.That the Board certify the irregular expenditure amounting to R27 186 025.00 relating to the appointment of Sage Computer Technologies and Esizwe Group (PTY) LTD for supply and delivery of book desktops, printers, and ICT peripherals as irrecoverable. 2.That the Board approve the write-off of R27 186 025.00 irregular expenditure incurred during the-2019/20 and 2020/21 financial years and issue a certificate of recoverability to the Mayor of the City of Johannesburg for noting.	

Date of meeting	Subject	Resolution	Status (implemented/ not implemented)
		REPORT 8 REPORT ON THE OUTCOME OF AN INVESTIGATION OF IRREGULAR EXPENDITURE-INCURRED BY JOHANNESBURG WATER (JW) DURING THE 2019/20 AND 2020/21 FINANCIAL YEARS ON THE CONTRACT FOR THE IMPLEMENTATION AND APPLICATION SUPPORT FOR MICROSOFT SHAREPOINT FOR THE PERIOD OF 36 MONTHS TO COMPANY AND THE BUSINESS UNIT DASHBOARD: ADAPT IT (PTY) LTD RESOLVED TO RECOMMEND 1.That the Board certify the irregular expenditure amounting to R5 093 801.05 relating to the appointment of Adapt IT (PTY) Ltd for the Implementation and Application Support for Microsoft SharePoint for the period of 36 months and the implementation of the business unit dashboard as irrecoverable. 2.That the Board approve the write-off of R5 093 810.05 irregular expenditure incurred during the 2019/20 and 2020/21 financial years and issue a certificate of recoverability to the Mayor of the City of Johannesburg for noting.	
		REPORT 9 INVESTIGATION INTO ALLEGED INCORRECT FUNCTIONALITY POINTS AWARDED TO THE WINNING BIDDER –EIGEN DZENGA PROJECTS JV RESOLVED TO RECOMMEND That the Board certifies as irrecoverable and writes off a total of R16,832,321.11 in irregular expenditure incurred by Johannesburg Water during the 2019/20 to 2020/21 financial years.	

Date of meeting	Subject	Resolution	Status (implemented/ not implemented)
		REPORT 10 REPORT ON THE OUTCOME OF AN INVESTIGATION OF IRREGULAR EXPENDITURE INCURRED BY JOHANNESBURG WATER (JW) DURING THE 2019/20 FINANCIAL YEAR SUPPLY AND DELIVERY OF CHEMICAL DISINFECTANTS FOR SEWAGE EFFLUENT AWARDED TO COMPANY: THUTHUKANI CHEMICAL SERVICES (PTY) LTD RESOLVED TO RECOMMEND That the Board certifies as irrecoverable and writes off the amounts of R25,095,332.00 for to supply and delivery of chemical disinfectants for sewage effluent incurred by Johannesburg Water for the period 2018/19 to 2022/23 financial years.	
		REPORT 11 REPORT ON THE OUTCOME OF AN INVESTIGATION OF IRREGULAR EXPENDITURE INCURRED BY JOHANNESBURG WATER (JW) DURING THE 2018/19 FINANCIAL YEAR ON A PANEL OF ENGINEERING CONSULTING SERVICES CONTRACT RESOLVED TO RECOMMEND That the Board certifies as irrecoverable and writes off a total of R16,249,551.00 in irregular expenditure disclosed by Johannesburg Water during the 2021/22 to 2023/24 financial years.	
		REPORT 12 REPORT ON THE OUTCOME OF AN INVESTIGATION OF IRREGULAR EXPENDITURE INCURRED BY JOHANNESBURG WATER (JW) DURING THE 2018/19 FINANCIAL YEAR ON DEVIATION CONTRACTS FOR TO COMPANY: AYAMER PROJECTS AND ENTERPRISES (PTY) LTD RESOLVED TO RECOMMEND That the Board certifies as irrecoverable and writes off a total of R7,611,938.55 in irregular expenditure incurred by Johannesburg Water during the 2020/21 to 2120/22 financial years.	

Date of meeting	Subject	Resolution	Status (implemented/ not implemented)
		REPORT 13 REPORT ON THE OUTCOME OF AN INVESTIGATION OF IRREGULAR EXPENDITURE INCURRED BY JOHANNESBURG WATER (JW) DURING THE 2018/19 FINANCIAL YEAR ON THE CONTRACT FOR SUPPLY AND DELIVERY OF BOOK SCANNERS AWARDED TO COMPANY: FARANANI DOCTEC (PTY) LTD RESOLVED TO RECOMMEND 1. That the Board certify the irregular expenditure amounting to R8 357 463.00 relating to the appointment of Faranani Doctec for supply and delivery of book scanners as irrecoverable. 2. That the Board approve the write-off of R8 357 463.00 irregular expenditure incurred during the 2018/19 financial year and issue a certificate of recoverability to the Mayor of the City of Johannesburg for noting.	
		REPORT 14 REPORT ON THE OUTCOME OF AN INVESTIGATION OF IRREGULAR EXPENDITURE INCURRED BY JOHANNESBURG WATER (JW) DURING THE 2019/20 TO 2021/22 FINANCIAL YEARS ON THE DEVIATION CONTRACT FOR THE PROVISION OF INTERNET AND OTHER COMMUNICATION SERVICES TO JOHANNESBURG WATER AWARDED TO COMPANY: INTERNET SOLUTIONS (PTY) LTD RESOLVED TO RECOMMEND 1. That the Board certify the irregular expenditure amounting to R7 774 704.00 relating to the appointment of Internet Solutions (PTY) Ltd through a deviation procurement process as irrecoverable. 2. That the Board approves approve the write-off of R7 774 704.00 irregular expenditure incurred during the 2019/20 to 2021/22 financial years and issue a certificate of recoverability to the Mayor of the City of Johannesburg for noting.	

Date of meeting	Subject	Resolution	Status (implemented/ not implemented)
		REPORT 15 REPORT ON THE OUTCOME OF AN INVESTIGATION OF IRREGULAR EXPENDITURE INCURRED BY JOHANNESBURG WATER (JW) DURING THE 2019/20 FINANCIAL YEAR FOR ALLEGED INCORRECT FUNCTIONALITY POINTS AWARDED TO THE WINNING BIDDER: RODECON NKOSITHANDILEB JV RESOLVED TO RECOMMEND That the Board certifies as irrecoverable and writes off a total of R11,012,736 in irregular expenditure incurred by Johannesburg Water during the 2019/20 to 2020/21 financial years.	
		REPORT 16 REPORT ON THE OUTCOME OF AN INVESTIGATION OF IRREGULAR EXPENDITURE INCURRED BY JOHANNESBURG WATER (JW) DURING THE 2018/19 FINANCIAL YEAR ON DEVIATION CONTRACTS FOR BIOMETRIC SYSTEM MAINTENANCE AND SUPPORT AWARDED TO COMPANY: DORMAKABA SOUTH AFRICA (PTY) LTD RESOLVED TO RECOMMEND 1. That the Board certify the irregular expenditure amounting to R813 935.00 relating to the appointment of Dormakaba South Africa (PTY) Ltd through a deviation procurement process as irrecoverable. 2.That the Board approve the write-off of R813 395.00 irregular expenditure incurred during the 2018/19 to 2020/21 financial years and issue a certificate of recoverability to the Mayor of the City of Johannesburg for noting.	

Date of meeting	Subject	Resolution	Status (implemented/ not implemented)
		ITEM 17 REPORT ON THE OUTCOME OF AN INVESTIGATION OF IRREGULAR EXPENDITURE INCURRED BY JOHANNESBURG WATER (JW) DURING THE 2018/19 FINANCIAL YEAR FOR ALLEGED INCORRECT FUNCTIONALITY POINTS AWARDED TO THE WINNING BIDDER: NIDEC INDUSTRIAL AUTOMATION (PTY) LTD RESOLVED TO RECOMMEND That the Board certifies as irrecoverable and writes off a total of R2,608,182 in irregular expenditure incurred by Johannesburg Water during the 2018/19 to 2019/20 financial years.	
		REPORT 18 INTEREST ON EJOBURG PENSION FUND Mr Mathebula told the Committee that the report was erroneously left out of the agenda. He said it will be submitted in future.	
		REPORT 19 REPORT ON THE OUTCOME OF AN INVESTIGATION OF IRREGULAR EXPENDITURE INCURRED BY JOHANNESBURG WATER (JW) DURING THE 2018/19 FINANCIAL YEAR ON DEVIATION CONTRACTS RELATING CATERING FOR TRAINING CONTRACT AWARDED TO COMPANY: RESOLVED TO RECOMMEND That the Board certifies as irrecoverable and writes off a total of R199,085.00 in irregular expenditure disclosed by Johannesburg Water during the 2018/19 to 2020/21 financial years.	

Appendix H:

LONG TERM CONTRACTS AND PUBLIC-PRIVATE PARTNERSHIP

Sewer agreements

1. Memorandum of Agreement between the Emfuleni Local Municipality and Johannesburg Water (SOC) Ltd. The Emfuleni Local Municipality accepts into its regional main sewerage pipelines wastewater emanating from areas within the jurisdiction of the CoJ. The wastewater is treated by Emfuleni at its Sebokeng WWTW. The initial period of the agreement is set for five years, effective from July 2016. The agreement expired after five years (in July 2021), and Johannesburg Water has submitted reminders to Emfuleni Local Municipality to effect the review the agreement.

2. Memorandum of Agreement between Mogale City and Johannesburg Water (SOC) Ltd. The main agreement was entered into by and between the Town Council of Roodepoort and the Town Council of Krugersdorp (in January 1977). The last addendum was done between Mogale City and Johannesburg Water (SOC) Ltd (successors of the main agreement) in January 2011. The sewerage from Mogale City is treated by Johannesburg Water at the Driefontein WWTW. The main agreement does not have an expiry date; thus, Johannesburg Water has sent reminder to Mogale City to review this contract and to come up with a new contract that has an expiry date.

3. Memorandum of Agreement between East Rand Water Care Company (ERWAT) and Johannesburg Water (SOC) Ltd. The main agreement was entered into by and between ERWAT and the Town Council of Midrand (in November 1992). Johannesburg Water is the successor in title of this agreement. The agreement will expire in 30 years (in November 2022), and Johannesburg Water has shared a draft with ERWA, which will have an expiry date and shorter duration.

4. Memorandum of Agreement between the City of Tshwane Metropolitan Municipality and Johannesburg Water (SOC) Ltd. The agreement was renewed in 2023/24 financial year.

Drinking water agreements

1. Cross-boundary provision of bulk water services to the Northview Estate between the City of Tshwane Metropolitan Municipality and Johannesburg Water (SOC) Ltd. The agreement that was entered into in December 2013, expired in December 2023, a new draft agreement is under discussion between the two parties. The water quality supply to the City of Tshwane must comply with SANS 241, and the water quantity is restricted to 2 600 ℓ per day.

2. Memorandum of Agreement between the City of Ekurhuleni and Johannesburg Water (SOC) Ltd. The agreement is for bulk water services and was approved in 2023/24.

3. Memorandum of Agreement between Mogale City and Johannesburg Water (SOC) Ltd. The CoJ is the successor in title to the then Greater Johannesburg Transitional Metropolitan Council ("GJTMC") and the Northern Metropolitan Substructure of the Greater Johannesburg Transitional Metropolitan Council ('NMSS"). All historical cross-boundary agreements were assigned to Johannesburg Water (SOC) Ltd. Mogale City Local Municipality is the successor in title to the Transitional Local Council of Krugersdorp ("TLCK"). The area referred to as Ruimsig Township was under the jurisdiction of the local authority of the TLCK and was supplied with bulk potable water by the GJTMC in terms of an agreement dated 6th September 1995, which runs into perpetuity or without a termination date. The GJTMC also supplied the TLCK with bulk potable water from its Honeydew reservoir via Sonnedal meter in terms of an agreement dated 7th November 1996, for a period of ten years which agreement has expired and notwithstanding such expiration Johannesburg Water continued to supply the TLCK with bulk potable water on the terms and conditions of the expired agreement. The conditions of the expired agreement are still in place, although a draft agreement has been submitted to Mogale City for their review and acceptance.

4. Bulk water supply contract with Rand Water.



Appendix I:

MUNICIPAL ENTITY/SERVICE PROVIDER PERFORMANCE SCHEDULE

Service Delivery Budget Implementation Plan	GDS 2040	Mayoral Priorities	Key performance indicators	Total expenditure R'000	Target	Actual	Comments
Access to basic services	Continued implementation of the Informal Settlements Upgrade Programme to ascertain that residents have access to basic water and sanitation services, as projected.	P7: A safer city P4: Sustainable service delivery	Number of additional households provided with basic water at minimum LoS1 in Settlements	6623	250	927	Achieved
			Number of additional households provided sanitation at a minimum LoS1 in Informal Settlements.	3292	200	0	Reinstatement after project practical completion – from 2022/23.

Appendix J:

DISCLOSURE OF FINANCIAL INTEREST

2023/24 Declaration of Interest – Johannesburg Water's Executive Management

The Municipal Systems Act, Act No. 32 of 2000, Section 4(3) of Schedule 2, provides that no staff member may be a party to or beneficiary under a contract for the provision of goods or services to any municipality or municipal entity established by a municipality. This entails that municipal employees should not be involved in private business or work with any organ of State, including a municipality.

All members of the Executive Management of Johannesburg Water submitted their declaration of interest forms for 2023/24, and no conflict of interest could be detected. A description of interest declared can be summarised as follows:

Surname	First name	Description of interests declared as per the employee's declaration form for 2023/24
Mukwevho	Ntshavheni	**Shares and Securities:** • Sasol Khanyisa – 750 • Sasol BEE Ordinary shares – 75 **Member of a Close Corporation:** • Mukwevho Properties No 3 – 50% • Mukwevho Properties No 4 – 50% • Mukwevho Properties No 5 – 25% • Mukwevho Motors No 5 – 50% • Mukwevho Motors No 4 – 50% • Mukwevho Motors No 5 – 25%
*Kgwale	Mokutu Derrick	**Shares and Securities:** • Phuthuma Nathi – multichoice • Zakhele Futhi – MTN **Member of a Close Corporation:** • Diaho Kgwale and Associates (DKA) – 100% • Kgwale Passenger Transport Services (KPTS) – 100%

Surname	First name	Description of interests declared as per the employee's declaration form for 2023/24
*Koekemoer	Johan	No financial interest to declare
Mabe	Kethabile	No financial interest to declare
Mnisi	Jones	No financial interest to declare
Mathebula	Shaniseka	No financial interest to declare
Hlakoane	Thokozile	**Directorships:** • Akuchi Consulting PTY Ltd • Aphphata Logistics PTY Ltd
Gaveni	Raisebe	No financial interest to declare
Nondumiso	Mabuza	No financial interest to declare



Surname	First name	Description of interests declared as per the employee's declaration form for 2023/24
Rubens	Da Silva	• Shares and Securities: • Amplats • Anglo gold • Aspen • Brait • BHP Group • Bid Corp • BATS • Bidvest • Clicks • Capitec • Dis-chem • Discovery • Datatec • EOH • ETFTOP40 • Exxaro • FNBGGEQFOF • First Rand • Glencore • COREGDIF • COREGPROP • MC Group • Mediclinic • MR Price • MTN Group • Naspers • Netcare • Novus • Prosus • RMBH • South 32 • Standard Bank • Shoprite • Spar • SYGMSCIWD • Tiger Brands • Vodacom • Woollies • SBRM04

***Contracts expired during the course of the financial year under review**

The latest declaration by Non-Executive Directors were registered as follows:

Surname	First name	Disclosure of other directorship
*Phakathi	Gugulethu	AQUATAN (PTY) LTD
Mashifane	Molate	No other directorship declared
*Modika	Phetole	No other directorship declared
Matjele	Pholoso	Global Economic Fraternal (GEF) Business Association
Mogoye	Kgaile	No other directorship declared
Mnyani	Siphamandla	No other directorship declared
Mthembu	Siyabonga	No other directorship declared
Mabece	Pamela	No other directorship declared
Meeleso	Zandile	No other directorship declared
Bernard	Lunga	No other directorship declared
**Maputla	Julias	No other directorship declared

*Resigned during the financial year under review

**Appointed during the financial year under review

Appendix M:

CAPITAL EXPENDITURE – NEW AND UPGRADE/RENEWAL PROGRAMMES: INCLUDING USDG, EFF AND CRR

Description	2022/23 FY	2023/24 FY		
	Actual Expenditure	Adjusted Budget	Actual Expenditure	Variance
Appendix M (i) Capital Expenditure on New Assets				
Infrastructure				
Infrastructure - Water				
Dams and Reservoirs	35,895	191,380	193,045	(1,665)
Water purification				–
Reticulation	162,964	58,422	56,061	2,361
Infrastructure - Sanitation				
Reticulation	1,605	2,472	2,062	409
Sewerage purification	81,988	124,685	124,936	(250)
Other assets				
Plant and equipment				–
Computers - hardware/equipment	22,571	8,000	8,734	(734)
Furniture and other office equipment	10,504	3,912	3,783	129
Other Buildings	26,624			–
Other Land	153	235	235	–
Intangibles				–
Computers - software and programming	5,588	12,000	12,047	(47)
Other *(list sub-class)*				–
Total Capital Expenditure on New Assets	**347,891**	**401,107**	**400,902**	**204**

Appendix M (ii) Capital Expenditure on Upgrading/Renewal Assets				
Infrastructure				
Infrastructure - Water				
Dams and Reservoirs		12,424	11,265	1,159
Water purification				–
Reticulation	204,257	240,998	241,790	(792)
Infrastructure - Sanitation				
Reticulation	238,075	123,760	124,851	(1,091)
Sewerage purification	68,748	200,236	201,675	(1,439)
Infrastructure - Other				–
Other assets				
General vehicles				–
Specialised vehicles				–
Plant and equipment	1,013	488	488	(0)
Other Buildings		39,207	33,691	5,516
Computers - hardware/equipment				–
Furniture and other office equipment		49,833	45,931	3,902
	891	4,030	4,196	(167)
Intangibles				
Computers - software and programming				
Other *(list sub-class)*				–
				–
Total Capital Expenditure on Renewal of Existing Assets	**512,984**	**670,976**	**663,888**	**7,088**
Grand Total	**860,875**	**1,072,082**	**1,064,790**	**7,292**

Appendix N:

CAPITAL PROGRAMME BY PROJECT

CIMS JSIP #	PROJECTS DESCRIPTION	APPROVED BUDGET 2023/24FY	ACTUALS 2023/24 FY	VARIANCES
2231	2231_00_Operational Capital: Corporate Requirements of Johannesburg Water	92,736	83,818	8,918
2231	Operational Capital: Information Technology	20,000	19,813	187
2197	2197_00_Water Demand Management: New Operate and Maintenance Assets (Orange Farm and Soweto)	181,466	183,816	-2,350
2226	2226_00_Operational Capital: Operations and Maintenance	64,059	61,250	2,809
	SUB TOTAL CO, WDM, OM	**358,261**	**348,697**	**9,564**
2567	Midrand: Blue Hills Tower 1.8ML	-	197	-197
3461	Midrand: Carlswald Reservoir New Reservoirs CARLSWALD A.H. A Regional	745	550	195
3464	Sandton/ Alexandra: Woodmead Reservoir 22ML	13,068	13,006	62
4040	Roodepoort/Diepsloot: Robertville Tower 2.25ML	-	-	-
6494	Midrand: Erand Tower 2 1.5ML	43,596	40,976	2,620
6496	Midrand: Halfway House Reservoir 20ML	-		-
22083	Johannesburg Central: Brixton Reservoir 2.26ML	132,910	137,324	-4,414
23681	Bryanston Tower 1.5 Ml	-		-
23761	Linbro Park Towner 1.5Ml	-	-	-
30020	Crosby Bulk Pipeline	-		-
30021	Crosby Pumpstation	-		-
31054	Turffontein Redevelopment Corridor: Forest Hill Tower	1,061	1,061	-
	SUB TOTAL EXTENSION AND NEW INFRASTRUCTURE	**191,380**	**193,114**	**-1,734**
2225	Operational Capital: Planning and Engineering Studies	6,473	6,580	-107
	SUB TOTAL PLANNING ENGINEERING	6,473	6,580	-107

CIMS JSIP #	PROJECTS DESCRIPTION	APPROVED BUDGET 2023/24FY	ACTUALS 2023/24 FY	VARIANCES
2198	Basic Water Service: New Basic Water and Sewer Services	6,646	6,623	23
23759	Orange Farm/Deep South: Lenasia Reservoir 675mm dia Bulk	1,589	1,601	-12
3520	Orange Farm/ Deep South: Planned Replacement Sewer Mains	26,030	26,331	-301
2375	Orange Farm/ Deep South: Lenasia Water Upgrade	10,017	10,052	-35
	SUB TOTAL SPECIAL PROJECTS	**44,282**	**44,607**	**-325**
2245	Sandton/Alexandra: Planned Replacement Water Mains	23,723	23,707	16
2246	Roodepoort/Diepsloot: Planned Replacement Water Mains	31,824	31,470	354
2248	Johannesburg Central: Planned Replacement Watermains	567	160	407
2314	Sandton/Alexandra: Linbro Park Water Upgrade	-		-
2481	Soweto: Planned Replacement of the Water Mains	2,113	2,221	-108
2484	Operational Capital: Provision for Emergency Work	2,942	2,993	-51
3540	Midrand: Planned Replacement: Water Mains Renewal	-		-
3631	Soweto: Protea Glen Sewer Upgrade	12,313	10,494	1,819
6517	Midrand: Planned Replacement Sewer Mains	2,118	2,118	-
4023	Sandton/Alexandra: Louis Botha Corridor (JW: Sewer) Renewal Corridors of Freedom Intervention	8,878	9,071	-193
31058	Cosmo City Sewer Upgrade	-		-
3558	Sandton/Alexandra: Planned Replacement Sewer Mains	6,741	6,575	166
3586	Roodepoort/Diepsloot: Planned Replacement Sewer Mains	644	568	76

CIMS JSIP #	PROJECTS DESCRIPTION	APPROVED BUDGET 2023/24FY	ACTUALS 2023/24 FY	VARIANCES
3601	Roodepoort/Diepsloot: Lanseria Outfall Sewer Upgrade	-		-
3627	Soweto: Planned Replacement Sewer Mains	259	344	-85
3918	Roodepoort/Diepsloot: Diepsloot Sewer Pipelines and Bridge	29,325	30,070	-745
22511	Soweto: Anthea Nancefield Sewer (Klipspruit River) Phase 1	16,550	16,527	23
3610	Roodepoort/Diepsloot: Witpoortjie Sewer Upgrade Renewal Bulk Waste Water WITPOORTJIE C	2,658	2,658	-
3614	Johannesburg Central: Planned Replacement Sewer Mains	4,168	4,204	-36
23413	Naturena Bulk Water Upgrade	2,744	2,795	-51
	SUB TOTAL UPGRADING AND RENEWAL	**147,567**	**145,975**	**1,592**
2308	Northern Works: Belt Presses New Number 4	-		-
2446	Olifantsvlei Works: Digester Heating and Mixing	118	213	-95
3482	Bushkoppies Works: Infrastructure renewal plan	754	766	-12
3497	Driefontein Works: Infrastructure Renewal Plan	1,258	1,302	-44
21993	OV: Infrastructure Renewal Plan	1,074	983	91
2519	Northern works: Unit 5 mod 2	123,381	123,730	-349
3484	Goudkoppies Works: Infrastructure Renewal Plan	3,209	3,209	-
3490	Northern Works: Infrastructure Renewal	116,478	117,321	-843
3961	Northern Works: Unit 4 Liquor Treatment	53,265	53,584	-319
6503	Bushkoppies Works: Upgrade Main Blowers and Pipework	253	253	-
6547	Ennerdale Works: Replace Module Mixers and Motors	23,121	23,249	-128

CIMS JSIP #	PROJECTS DESCRIPTION	APPROVED BUDGET 2023/24FY	ACTUALS 2023/24 FY	VARIANCES
22722	EN: Upgrading of Southern Treatment Capacity	-		-
3232	LA: Module 1	412	412	-
3491	Driefontein Works: Drying Bed Extension	370	370	-
6501	Bushkoppie: New PSTs Number 2	426	426	-
	SUB TOTAL BULK WASTEWATER	**324,119**	**325,818**	**-1,699**
	GRAND TOTALS	**1,072,082**	**1,064,790**	**7,292**

REPORT OF THE AUDITOR-GENERAL TO GAUTENG PROVINCIAL LEGISLATURE AND THE COUNCIL OF THE CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY ON JOHANNESBURG WATER SOC LTD

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Johannesburg Water (SOC) Limited 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 and cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Johannesburg Water SOC Limited 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 Companies Act 71 of 2008 (Companies Act of South Africa).

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. Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements for the current period. These matters were addressed in the context of my audit of the financial statements as a whole and in forming my opinion, and I do not provide a separate opinion on these matters.

Key audit matter	How matter was addressed in audit
Revenue from service charges for water, as disclosed in note 25 to the annual financial statements, was recognised based on actual meter readings or estimates of consumption. Revenue recognition for water service charges has been identified as a key audit matter due to significant judgement applied in calculating the estimations of the consumption used and the significant volume of transactions processed and interfaced through a complex information system.	Our procedures included the following: •Understanding and evaluating the flow of information, the information technology (IT) system and the controls relating to the meter-reading process, the billing process and the systems interface process, which included involving our IT audit specialists. •Identifying the significant risks associated with service billing and designing specific procedures to address the risks identified. •Performing substantive testing of detail using computer-assisted audit techniques by IT audit specialists on the water consumption billed to identify estimations used. •Performing substantive testing of detail on a sample basis on the reasonability of the estimation and meter-reading process. •Performing procedures on the appropriateness of assumptions made by management in calculating the estimate to determine whether it is reasonable. •I found that manual and IT controls were designed, however these controls were not adequately implemented. We found that the significant judgements made by management in calculating the estimate were reasonable. There were no significant issues noted on the reasonableness of revenue

Emphasis of matters

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

Material impairments – consumer receivables

8. As disclosed in note 9 to the financial statements, material losses of R 27 394 216 000 was incurred as a result of doubtful debts on consumer receivables.

Material losses – water

9. As disclosed in note 27 to the financial statements, material water losses of R 2 901 billion (2022-2023: R2 480 billion) was incurred, which represents 34.49% (2022-2023: 33.41%) of total water purchased. Physical losses amounted to R 2 088 billion (2022-2023: R 1 786 billion) and was due to leaks on the water network infrastructure. Commercial losses amounted to R812, 1 million (2022- 2023: R694, 3 million) and were due to illegal connections and metering and associated data transfer errors.

Unauthorised, irregular and fruitless and wasteful expenditure

10. As disclosed in note 41 to the financial statements, irregular expenditure of R1 020 278 000 was incurred, as proper tender processes were not followed and overspending of approved budget.

Contingent liabilities

11. With reference to note 44 to the financial statements, the municipal entity is the defendant in various legal claims. The municipal entity is opposing these claims. The ultimate outcome of these matters could not be determined and no provision for any liability that may result was made in the financial statements.

Other matter

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

Unaudited disclosure notes

13. 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

14. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the MFMA and the Companies Act; and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

15. 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

16. 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.

17. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page 11, forms part of our auditor's report.

Report on the audit of the annual performance report

18. 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 strategic goals presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

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

Strategic goal	Page numbers	Purpose
SG 1 – Utilise infrastructure delivery to create jobs, support SMMEs and attract investment.	X-X	Roll out infrastructure to deliver services that attracts investment in the CoJ, while rolling out infrastructure; jobs will be created with an emphasis on developing SMMEs
SG 2 - Deliver water and sanitation services of good quality that are accessible, reliable and efficient.	X-X	Provide additional households with services at a mini-mum Level of Service 1 (LoS1) for water and sanitation basic services, where there is inadequate provision of water and sanitation to improve the quality, reliability, and efficiency of the provision of these services.
SG 3 - Operate in a manner that promotes environmental conservation and sustainability.	X-X	Minimise and prevent environmental pollution.
SG 4 - Improve customer and stakeholder satisfaction	X-X	Enhance internal and external communication.

20. I evaluated the reported performance information for the selected strategic goals 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.

21. 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.

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

23. I did not identify any material findings on the reported performance information for the SG 1- Utilise infrastructure delivery to create jobs, support SMMEs and attract investment, SG 2- Deliver water and sanitation services of good quality that are accessible, reliable and efficient, SG 3- Operate in a manner that promotes environmental conservation and sustainability and SG 4- Improve customer and stakeholder satisfaction.

Other matters

24. I draw attention to the matter below.

Achievement of planned targets

25. The annual performance report includes information on reported achievements against planned targets.

26. The tables that follow provide information on the achievement of planned targets and list the key indicators that were not achieved as reported in the annual performance report.

SG 2 - Deliver water and sanitation services of good quality that is accessible, reliable and efficient.

Targets achieved: 86%		
Key indicator not achieved	**Planned target**	**Reported achievement**
Number of additional households provided access to basic sanitation at minimum LoS1 in informal settlements	200	0

SG 3: Operate in a manner that promotes environmental conservation and sustainability

Targets achieved: 33%		
Key indicator not achieved	**Planned target**	**Reported achievement**
Percentage of final effluent compliance in all WWTW	90%	76.10%
Number of WWTW plant spillage	1 500	1 939

SG 4: Improve customer and stakeholder satisfaction

Targets achieved: 33%		
Key indicator not achieved	**Planned target**	**Reported achievement**
Percentage of Water bursts restored within 48 hours of notification Indicator	85%	67.46%
Percentage Customer Satisfaction	72%	71.1%

Material misstatements

27. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for SG 4 - Improve customer and stakeholder satisfaction. Management subsequently corrected all the misstatements, and I did not include any material findings in this report.

Report on compliance with legislation

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

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

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

31. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Expenditure management

32. Reasonable steps were not taken to prevent irregular expenditure amounting to R1 020 278 000 as disclosed in note 41 to the annual financial statements, as required by section 95(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with SCM regulations.

33. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R4 168 000, as disclosed in note 41 to the annual financial statements, in contravention of section 95(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was due to interest charged on late payments.

34. Money owed by the municipal entity was not always paid within 30 days, as required by section 99(2)(b) of the MFMA.

35. Expenditure was incurred in excess of the approved adjustments budget, in contravention of the section 87(8) of the MFMA.

Other information in the annual report

36. 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 of South Africa. The other information referred to does not include the financial statements, the auditor's report and those selected strategic goals presented in the annual performance report that have been specifically reported on in this auditor's report.

37. 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.

38. 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 strategic goals

presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

39. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

40. 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.

41. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on compliance with legislation included in this report.

42. The accounting officer did not exercise adequate oversight over the internal controls relating to compliance with laws and regulations which resulted to repeat material non-compliance findings being reported.

43. Senior management did not adequately review and monitor compliance with applicable laws and regulations as repeat material non-compliance findings were identified during the audit.

Material irregularities

44. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of material irregularities as previously reported in the auditor's report.

Material irregularity in progress

45. I identified a material irregularity during the audit and notified the accounting officer, as required by material irregularity regulation 3(2). By the date of this auditor's report, the response of the accounting officer was not yet due. This material irregularity will be included in next year's auditor's report.

Status of previously reported material irregularity

Customers not billed for water and sewer services

46. Some customers were not billed for water and sewer services in the 2021-22 financial year, as required by section 97(e) of the MFMA.

47. The municipal entity is likely to suffer a material financial loss if impacted customers are not billed for water and sewer services and debt recovered. The financial loss is disclosed in note 24 of the financial statements for the period ended 30 June 2022.

48. The accounting officer was notified of the material irregularity on 2 May 2023.

49. The actions taken by the accounting officer to resolve the material irregularity were as follows:

- Finalised the verification of all customers to determine if they were billed for services rendered in June 2023.
- Internal audit finalised the audit of customers not previously billed in November 2023. The findings from the internal audit are as follows:
  - In some instances, water and sewer services, including availability charges are not loaded when creating new contract accounts.
  - The revenue shared services centre solely depends on customers to come and apply for metered services.
  - Water meters removed from the ground as a result of credit control processes and meters closed on industry solution for utilities system are not subsequently billed for availability charges as a replacement.
  - Water and sewer services accounts are closed on industry solution for utilities system without valid reasons, while the respective water meters are still on the ground.
  - Contract accounts are not created on industry solution for utilities system when properties change ownership.
- The internal audit also concluded that water and sewer services accounts which are closed on industry solution for utilities system without valid reasons could be an indication of deliberate actions by officials to prevent such related properties from billing for water and sewer services.
- In responding to the deficiencies identified by the internal audit, the accounting officer has put the following controls in place to prevent a re-occurrence.
  - Implementation of the review master file which is supported by data purification and additional fields that ensures compulsory revenue completeness and accuracy in line with the billing schedule as well as revenue protection through the "Know Your Customer" process.
  - Performs monthly extraction of customer details from the billing system to identify customers not billed for services rendered.
  - An interface between land information system and the billing system that enables account creation from property branch.
  - The change of ownership process is proactive to align services to the new owners.
  - The new connection process from development planning enables view of potential customers for all entities including revenue shared services centre to prepare service offering accordingly and close the revenue control deficiencies.
  - Management information system is decentralised per specialised area of performance with revenue information disseminated daily/ weekly and monthly as per specified

reports to enable various stakeholders an opportunity to make a business decision. System integration has been implemented to centralise management information system and planning is in progress with group communication information technology unit.

- The process of billing customers not previously billed was finalised in June 2024
- Prepaid meter information has been linked to industry solution for utilities system data environment to display usage and vending in completing the revenue assurance process.
- Initiated a process to upgrade the system to display all services rendered to the property per customer's invoice/ statement. The display will include unbilled services (prepaid water, borehole, and septic tank among others).
- Implemented online improvement to the billing system to enable end to end new connection process with audit trail and arranged for service level agreement aimed at ensuring that all new connections are monitored and billed when services are rendered.
- End to end connection process will prevent closure of water and sewer services accounts on industry solution for utilities system without valid reasons

50. The material irregularity is resolved.

Other reports

51. In addition to the investigations relating to material irregularities, 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.

52. The Group Forensic and Investigation Services (GFIS) was investigating allegations of possible fraud, procurement irregularities and financial misconduct at the municipal entity, covering various financial years and including the current financial year. The outcome of these investigations were in various stages at year end.

Auditor - General

Johannesburg

30 November 2024

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected strategic goals and on the municipal entity's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipal entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the municipal entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipal entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to those charged with governance, I determine those matters that were of most significance in the audit of the financial statements for the current period and are therefore key audit matters. I describe these matters in this auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in this auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003 (MFMA)	Sections: 1, 62(1)(f)(i), 62(1)(f)(ii), 62(1)(f)(iii), 87(5)(b), 87(5)(d), 87(5)(d)(i), 87(5)(d)(iii), 87(6)(c), 87(8), 88(1)(a),90(1), 90(2)(a), Sections: 90(2)(b), 95(d), 96(2)(a), 96(2)(b), 97(e), 97(f), 97(h), 97(i), 99(2)(a), 99(2)(b), 99(2)(c), 99(2)(g), 102(1), 102(2)(a), Sections: 112(1)(j), 116(2)(b), 116(2)(c)(ii), 122(1), 126(2)(b), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, 172(3)(a), 172(3)(b)
Municipal Systems Act 32 of 2000 (MSA)	Sections: 93B(a), 93C(a)(iv), 93J(1)
Companies Act 71 of 2008	Sections: 45(2), 45(3)(a)(ii), 45(3)(b)(i), 45(3)(b)(ii), 45(4), 46(1)(a), 46(1)(b), 46(1)(c), 112(2)(a)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations: 73(1)(a), 73(1)(b), 73(2)(b), 73(2)(d), 75(1), 75(2)
MFMA: Municipal Investment Regulations, 2005	Regulations: 3(2), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations: 5(4), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2005	Regulations: 5, 12(1)(c), 12(3), 13(b), 13(c), 16(a), 17(1)(a), 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e), Regulations: 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), Regulations: 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, 46(2)(e), 46(2)(f)
Preferential Procurement Policy Framework Act 5 of 2000	Sections: 2(1)(a), 2(1)(f)

Legislation	Sections or regulations
Preferential Procurement Regulations, 2022	Regulations: 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Preferential Procurement Regulations, 2017	Regulations: 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), 10(1), 10(2), Regulations: 11(1), 11(2)
Construction Industry Development Board Act 38 of 2000	Section: 18(1)
Construction Industry Development Board Regulations, 2004	Regulations: 17, 25(7A)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section: 34(1)
National Water Act 36 of 1998 (NWA)	All sections

CHAPTER SEVEN:

FINANCIAL INFORMATION





JOHANNESBURG WATER (SOC) LIMITED

Annual Financial statements

for the year ended 30 June 2024

The preparation of these Annual Financial Statements was supervised by:

K. Mahlaba (Chief Financial Officer)

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Supply of water services as defined in the Water Services Act, 108 of 1997
Directors	D Majavu (Chairperson) S Mthembu N Mukwevho (Managing Director) K Mahlaba (Chief Financial Officer) L Bernard P Mabece J Maputla M Mashifane P Matjele Z Meeleso S Mnyani K Mogoye
Registered office	65 Ntemi Piliso Street Newtown Johannesburg 2113
Business address	65 Ntemi Piliso Street Newtown Johannesburg 2113
Postal address	P. O. Box 61542 Marshalltown Johannesburg 2107
Shareholder	City of Johannesburg Metropolitan Municipality
Bankers	Standard Bank of South Africa Limited and Absa Bank Limited
Auditor	The Auditor-General of South Africa
Secretary	K Mabe
Company registration number	2000/029271/30
Attorneys	Johannesburg Water is assisted by various attorneys as assigned by the Shareholder on an as and when required basis

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DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required by the Municipal Finance Management 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 director's responsibility 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 year then ended, in conformity with Standards of Generally Recognised Accounting Practices (GRAP) and in accordance with directives issued by the National Treasury. The Auditor-General of South Africa is engaged to express an independent opinion on the annual financial statements and were provided with unrestricted access to all relevant financial records and data.

The annual financial statements have been prepared in accordance with GRAP including any interpretations, guidelines and directives issued by the Accounting Standards Board, the Companies Act, 71 of 2008, the Local Government: Municipal Finance Management Act 56 of 2003 and directives issued by the National Treasury.

The annual financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates. No external party, including the shareholder, has the authority to amend the annual financial statements after being issued by the company.

The company is a wholly owned subsidiary of the City of Johannesburg Metropolitan Municipality. The entity relies on the City of Johannesburg Metropolitan Municipality Revenue Shared Service Centre for the following functions for all its customers:

- Customer billing
- Cash collection
- Consumer receivables administration
- Call centre management

The management of the above functions is regulated by an agency agreement between the City of Johannesburg Metropolitan Municipality and Johannesburg Water (SOC) Limited. The implemented processes and methods of operations are solely under the control and stewardship of the Revenue Shared Service Centre of the City of Johannesburg Metropolitan Municipality. This arrangement is managed in terms of a service level agreement underpinning the agency agreement.

Clause 13.3 of the Agency Agreement with the City of Johannesburg Metropolitan Municipality states that "The performance of the Customer Revenue Collection and Customer Relations Management functions shall be conducted and records thereof kept by the City of Johannesburg Metropolitan Municipality in such a manner as to ensure that the audited accounts of the Company are in no way qualified as a result of any act or omission connected with the execution of the Customer Revenue Collection and Customer Relations Management functions". The directors place full reliance on the internal controls as established by The City of Johannesburg Metropolitan Municipality in the execution of the Customer Billing and Revenue Collection and Customer Relations Management functions.

The directors acknowledge that they are ultimately responsible for the system of internal financial controls established by the entity and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss 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 strategic, operational and external 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 and internal audit, 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 loss.

DIRECTORS' RESPONSIBILITIES AND APPROVAL

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 directors have reviewed the entity's cash flow, statement of financial position and performance, business plan and budgets and financial ratios and consider the entity to be operating on a going concern basis. They are satisfied that the entity has or will have access to adequate resources to continue in operational existence for the foreseeable future. The approved budget for the ensuing financial year assumes a positive cash flow.

The Auditor-General of South Africa is responsible for providing assurance and reporting on the entity's annual financial statements.

The annual financial statements set out on pages 284 to 363, which have been prepared on the going concern basis, were reviewed by the Board on 29 November 2024 and were signed on their behalf by:

D Majavu (Chairperson)

N Mukwevho (Managing Director)

REPORT OF AUDIT AND RISK COMMITTEE

We are pleased to present our report for the annual financial year ended 30 June 2024.

Audit and Risk committee responsibility

The Audit and Risk Committee reports that it has complied with its responsibilities arising from section 94(7) of the Companies Act, 71 of 2008, as amended, and section 166(2) of the Local Government: Municipal Finance Management Act, No 56 of 2003. The Audit and Risk Committee also reports that it has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter in line with the principles of King IV, has regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein.

Assessment of the finance function

The Audit and Risk Committee is satisfied that the annual financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgements and estimates. The committee will continue exercising oversight responsibility over the preparation of the annual financial statements to prevent material misstatements. The committee considered the expertise, resources and experience of the finance function and concluded that these were appropriate and effective.

The effectiveness of internal controls

The Audit and Risk Committee evaluated the internal control environment, and based on the information, reports and explanations provided by management, Internal Audit Department and the Auditor-General South Africa, assessed the internal controls as adequate but ineffective to mitigate the related risks to an acceptable level. The internal controls were ineffective as indicated in the Statement of Internal controls (SIC) by Internal Audit which highlighted some areas with repeat findings which required intervention by management. The Committee has noted the resolution of audit findings has improved marginally with the resolution rate for internal audit and AGSA being at 86% compared to 74% and 82% compared to 79% in the previous year respectively. The increase in resolution rate is attributable to Management who had devised strategic intervention plans focusing on the root causes of the recurring findings.

The implementation of the action plans relating to IT backup and access management, physical security and assets/infrastructure maintenance had an impact on the resolution rate of the audit findings. The Committee commits to holding the accounting officer and senior management accountable to ensure that the internal control deficiencies are addressed.

Significant progress was made during the year on investigation of new Unauthorised Irregular Fruitless and Wasteful expenditure and a major portion of finalised investigations were motivated to the Board for consideration and approval in accordance with Section 102 of MFMA read together with Regulation 75 of MBRR which provides the framework within which a municipal entity will deal with irregular expenditure. The impact of this process was that Johannesburg Water was able to reduce its prior years accumulated UIFW balance from over R2,6 billion to around R1,6 billion and the major part is aimed to be processed in the 2024/2025 financial year.

Nothing significant has come to the attention of the Committee to indicate that any material breakdown in the functioning of the controls, procedures and systems during the year under review.

REPORT OF AUDIT AND RISK COMMITTEE

The effectiveness of the internal audit department

The Internal Audit department executed and completed 95% (41 of 43) audit projects against the 2023/24 financial year approved annual internal audit plan and ensures that more resources were utilised on value-add continuous reviews such as probity audits on SCM Tenders, adhoc investigations and UIFW investigations. The plan was properly aligned to the strategic register. The Committee is satisfied with the effectiveness of the internal audit function during the year and accepts that the internal audit activity has to a large extent highlighted matters relevant to the significant risks pertinent to Johannesburg Water. The unit also provided proactive assurance on the SCM tenders process by conducting probity audit prior to finalization of tenders above R5 million (18 probity reviews valued around R1,3 billion were completed during the year under review).

The committee considered the expertise, resources and experience of the Internal Audit Activity and concluded that these were appropriate and effective.

Performance reporting

The performance of the entity is measured through the Balanced Scorecard which is based on targets approved by the Board of Directors. The Internal Audit Department has been mandated to conduct audit of predetermined objectives and report to the Audit and Risk Committee on quarterly basis. The implementation of proper record keeping to ensure complete and accurate information to support performance information needs to be enhanced.

Risk management

Johannesburg Water focuses on the identification, assessment, and monitoring of business risks. Based on the information provided, the committee notes that the residual risk for the two strategic risks, Declining Payment Levels, as well as the Inadequate Infrastructure and Operational Funding remain very high in view of the current state of revenue collections. Although revenue collections levels have improved and stabilised post peak of the pandemic, they remain relatively lower at 75.7% compared to target of 78% with impact both on operational and capital infrastructure funding. There remains a significant under funding of capital budgets in addressing infrastructure backlogs and expansion requirements which are critical for the provisions of sustainable services.

Legal compliance

Although there are processes in place to monitor the level of compliance to laws and regulations within the organisation, the audit outcomes indicate that the processes need to be enhanced, as can be evidenced by the irregular expenditure incurred.

Submission of quarterly reports in terms of the Local Government: Municipal Finance Management Act, No 56 of 2003

Quarterly reports have been submitted and reviewed by the committee in terms of the Municipal Finance Management Act.

External Auditors

Having considered the matters set out in section 94(8) of the Companies Act, No. 71 of 2008 the committee is satisfied with the independence and objectivity of the external auditors.

Matters raised by the Auditor-General

Of the 66 findings reported in 2022/23 Management Letter, 57 (86%) findings were resolved while 9 (14%) findings were in the process of being resolved at the end of 2024/25 financial year. The Committee has noted the improved resolution rate on the Auditor-General of South Africa findings and the progress on remedial actions taken to address the issue of revenue billing estimates and implementation of the Supply Chain Management turnaround to minimize the level of deviations.

REPORT OF AUDIT AND RISK COMMITTEE

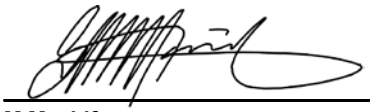
The Committee has noted the findings raised by the Auditor- General of South Africa in 2023/24. The committee acknowledges the improvement in the audit outcomes of the entity as reflected in the overall audit outcomes expressed in the Auditor General Management Letter. The outcomes reflect a largely positive outcome on all segments of the audit outcome areas, and in particular the committee acknowledges the significant improvement to the procurement and contract management segment. It is noteworthy that the clean audit for the entity was only impacted due to expenditure management, and in particular, aspects related to non-compliance with laws and regulations. These instances of non-compliance were related to payment of creditors within 30 days which was not always possible in the main due to cash flow restrictions imposed by the City of Johannesburg on the entity, as well as some instances related to internal processes which management will improve upon.

In addition, non-compliance was noted due to budget overspending by the entity, and these were directly ascribed to Water Losses and Impairment of Customers. Both these elements are significantly influenced by external factors such as Illegal Connections by consumers, vandalism and theft of infrastructure as well as the economic downturn, which are not always under the control of the entity. In addition, the ageing infrastructure also contributes to levels of water losses experienced and this can be ascribed to the underinvestment / underfunding of the entity capex for an extended period.

The entity has approved a Turnaround Strategy in late 2023/2024 in keeping with the National Treasury reforms on Trading Services. This Strategy was approved and adopted by council in the 2024/2025 financial year, and implementation hereof will assist in eradicating these non-compliance challenges and will support the entity in its endeavours towards achieving a clean audit. The Committee willcontinue to monitor progress on the implementation of action plans to resolve the Auditor-General of South Africa's findings raised and commits to continue holding the accounting officer and senior management accountable for the implementation of action plans, with more-emphasis on recurring findings.

Appreciation

The Audit and Risk Committee expresses its appreciation to the Board, Accounting Officer, Senior Management and the Auditor-General of South Africa for their contributions during the year under review.



M Mashifane
Johannesburg Water (SOC) Limited
Chairman of the Audit and Risk Committee

29 November 2024

DIRECTORS' REPORT

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

1. Incorporation

The entity was incorporated on 21 November 2000 and obtained its certificate to commence business on 1 January 2001.

2. Review of activities

Main business and operations

The entity is engaged in the supply of water services as defined in the Water Services Act, 108 of 1997 as well as the treatment of wastewater and operates principally in South Africa within the City of Johannesburg municipal demarcation.

The entity continues to rely on the City of Johannesburg Metropolitan Municipality for the following functions for all customers:

- Customer billing
- Cash collection
- Consumer receivables administration
- Call centre management

The centralisation of the customer call centre, billing and credit control functions in the 2010 financial year has resulted in significant challenges in the performance of all migrated functions. The board of directors have continued to express their concern to the Shareholder, and have been assured that the challenges are being addressed, and that appropriate interventions are being implemented by the City of Johannesburg Metropolitan Municipality.

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

Net Surplus of the entity was R1,122 billion (2023 as restated: R1,138 billion). The entity is exempt from income tax with effect from the financial year ended 30 June 2007 in terms of Section 10(1)(t) of the Income Tax Act, 58 of 1962 as amended. There is consequently no taxation effect.

The significant increase in the allowance for debt impairment is ascribed to the general decline in the global and local economic conditions over the past year. This matter is being closely monitored by the Directors who will continue to address the plans to arrest the decline with management.

3. Going concern

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

4. Directors' interest in contracts

The directors of the entity did not have any personal financial interest in contracts entered into by the entity.

5. Accounting policies

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

6. Share capital

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

According to the entity's register at 30 June 2024, the City of Johannesburg Metropolitan Municipality held 100% of the ordinary share capital of the entity.

DIRECTORS' REPORT

7. Borrowing limitations

In terms of the sale of business agreement, the entity requires the approval of the shareholder in instances where the borrowing is to be secured by the hypothecation of the assets of the entity.

8. Non-current assets

There were no major changes in the nature of non-current assets of the entity during the year.

9. Distributions to Shareholder

No distributions were declared or paid to the shareholder during the year.

10. Directors

The directors of the entity during the year and to the date of this report are as follows:

Name	Nationality	Changes
D Majavu (Chairperson)	South African	Appointed as Chairperson on 31 July 2024 (Refer to Note 42)
S Mthembu	South African	Appointed as Chairperson on 27 October 2023 and resigned as Chairperson on the 31 July 2024
N Mukwevho (Managing Director)	South African	
K Mahlaba (Chief Financial Officer)	South African	Appointed 1 March 2024
J Koekemoer (Financial Director)	South African	Retired 30 November 2023
L Bernard	South African	
G Phakathi (Chairperson)	South African	Resigned 23 October 2023
P Mabece	South African	
J Maputla	South African	Appointed 18 September 2023
M Mashifane	South African	
P Matjele	South African	
Z Meeleso	South African	
S Mnyani	South African	
P Modika	South African	Resigned 15 June 2024
K Mogoye	South African	

DIRECTORS' REPORT

11. Secretary

The secretary of the entity is K Mabe of:

Physical Address:

65 Ntemi Piliso Street
Newtown
Johannesburg
2113

12. Corporate governance

12.1 General

The board of directors are committed to business integrity, ethics, anti-corruption, transparency and professionalism in all its activities. As part of this commitment, the board supports the highest standards of corporate governance and the development of best practice.

The entity confirms and acknowledges its responsibility to total compliance with the principles as laid down in the King IV Report on Corporate Governance, and the Companies Act, 71 of 2008. The board of directors discuss the responsibilities of management in this respect at board meetings and monitors the entity's compliance with the King IV Report and the Municipal Finance Management Act on a quarterly basis.

12.2 Board of directors

The board retains full control over the entity, its policies, strategies and plans; 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.

In terms of the entity's Memorandum of Incorporation, the Board shall comprise of a minimum number of three (3) directors and no alternate directors. The Board must consist of at least a third of the non-executive directors and have a non-executive Chairperson.

12.3 Chairman and Managing Director

The Chairperson is a non-executive and independent director and is not in the employ of the parent municipality. The roles of the Chairperson and Managing Director are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion. The powers and duties of the Managing Director are appropriately delegated and are contained in a written power of delegation document approved by the Board of Directors.

DIRECTORS' REPORT

12. Corporate governance (continued)

12.4 Board and Board Committee meetings

The directors have met on 10 separate occasions during the financial year. The directors are scheduled to meet at least 4 times per annum.

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

Name	Board Meetings	Audit and Risk Committee meeting	Human Resources and Social and Ethics Committee	Service Delivery and Oversight Procurement Committee meeting	Nomination Committee	Total meetings
Total number of meetings held	10	8	5	4	-	27
S Mthembu	9	-	-	4	-	13
N Mukwevho (Managing Director)	9	-	5	4	-	18
K Mahlaba (Chief Financial Officer)	3	-	-	-	-	3
J Koekemoer (Financial Director)	5	-	2	2	-	9
L Bernard	9	-	5	-	-	14
G Phakathi (Chairperson)	3	-	-	2	-	5
P Mabece	9	-	5	-	-	14
J Maputla	5	-	-	1	-	6
M Mashifane	9	8	-	-	-	17
P Matjele	10	-	-	4	-	14
Z Meeleso	9	-	5	-	-	14
S Mnyani	10	-	-	4	-	14
P Modika	9	-	5	-	-	14
K Mogoye	9	7	-	-	-	16

12.5 Audit and Risk Committee

M Mashifane is the Chairperson of the Audit and Risk Committee with K Mogoye as the other member of the Board serving in the committee. The committee is also composed of an additional 4 independent members who serve together with the two members of the board. The committee met 8 times during the financial year to review matters necessary to fulfil its role.

- M Mashifane (Non-executive director) (Chairman)
- K Mogoye (Non-executive director)
- S Pooe (Independent member)
- Z Tlale (Independent member)
- M Masibi (Independent member)
- C Sambo (Independent member)

In terms of Section 166 of the Local Government: Municipal Finance Management Act, No 56 of 2003, the City of Johannesburg Metropolitan Municipality, as the shareholder, must appoint members of the Audit and Risk Committee. Notwithstanding the fact that non-executive directors appointed by the shareholder constituted the entity's Audit and Risk Committee, National Treasury policy requires the appointment of further members to the committee who are not directors of the entity. Four independent members were appointed to the Audit and Risk Committee in compliance with Section 166 of the Local Government: Municipal Finance Management Act, No 56 of 2003.

DIRECTORS' REPORT

12. Corporate governance (continued)

At 30 June 2024, the independent members of the Audit and Risk Committee comprised of the following members:

Name	Number of meetings
C Sambo	8
Z Tlale	8
S Pooe	7
M Masibi	6

12.6 Internal audit

The entity has an internal audit unit which is operational. This is in compliance with the Local Government: Municipal Finance Management Act, No 56 of 2003.

13. Controlling entity

The controlling entity is the City of Johannesburg Metropolitan Municipality.

14. Special resolutions

The entity did not pass any special resolution during the year under review.

15. Bankers

The Standard Bank of South Africa Limited and Absa Bank Limited served as the entity's bankers throughout the financial year.

16. Auditors

The Auditor-General of South Africa will continue in office in accordance with the Public Audit Act, No 25 of 2004, Section 92 of the Local Government: Municipal Finance Management Act, No 56 of 2003 and Section 90 of the Companies Act of South Africa, No 71 of 2008.

COMPANY SECRETARY'S CERTIFICATION FOR THE YEAR ENDED 30 JUNE 2024

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, and the Local Government: Municipal Finance Management Act, No 56 of 2003, I certify that to the best of my knowledge and belief, the entity has lodged and/or filed, for the year ended 30 June 2024, all such returns and notices as required and that all such returns and notices are true, correct and up to date.



K Mabe
Company Secretary
Johannesburg Water (SOC) Ltd
29 November 2024

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

Amounts in Rand thousand	Note(s)	2024	2023 Restated
ASSETS			
Current Assets			
Inventories	5	204,203	183,646
Trade receivables with group companies: Exchange transactions	6	42	18
Trade receivables with shareholder: Exchange transactions	7	310	225
Loans to shareholder: Non-exchange transactions	7	4,144,332	2,409,203
Other receivables: Exchange transactions	8	24,905	28,820
Consumer receivables: Exchange transactions	9	4,021,681	4,261,011
VAT receivable	18	90,923	-
Cash and cash equivalents	10	29	31
Total Current Assets		**8,486,425**	**6,882,954**
Non-Current Assets			
Property, plant and equipment	3	14,167,111	13,371,487
Intangible assets	4	32,232	29,845
Total Non-Current Assets		**14,199,343**	**13,401,332**
Total Assets		**22,685,768**	**20,284,286**
LIABILITIES			
Current Liabilities			
Trade payables with group companies: Exchange transactions	11	171,290	56,955
Trade payables with shareholder: Exchange transactions	12	1,479,516	1,074,356
Loans from Shareholder	13	709,434	879,767
Finance lease obligation: Shareholder	14	1,430	1,517
Finance lease obligation: Other	15	19,006	579
Trade and other payables: Exchange transactions	16	3,525,196	2,841,511
Provisions	17	56,935	54,411
VAT	18	-	149,912
Total Current Liabilities		**5,962,807**	**5,059,008**
Non-Current Liabilities			
Loans from shareholder	13	2,045,184	1,864,589
Finance lease obligation: Other	15	50,347	3,119
Employee benefit obligation	19	51,383	52,988
Consumer receivables: Deposit	20	705,487	556,246
Total Non-Current Liabilities		**2,852,401**	**2,476,942**
Total Liabilities		**8,815,208**	**7,535,950**
Net Assets		**13,870,560**	**12,748,336**
NET ASSETS			
Share capital	23	1	1
Accumulated surplus		13,870,557	12,748,335
Total Net Assets		**13,870,558**	**12,748,336**

STATEMENT OF FINANCIAL PERFORMANCE AS AT 30 JUNE 2024

Amounts in Rand thousand	Note(s)	2024	2023 Restated
Revenue from exchange transactions	25	17,067,473	15,146,679
Water inventory consumed	5	(5,509,993)	(4,943,586)
Gross surplus		**11,557,480**	**10,203,093**
Revenue from non-exchange transactions	26	1,027,550	637,104
Operating expenses	28	(11,622,321)	(9,759,799)
Operating surplus		**962,709**	**1,080,398**
Investment revenue	30	395,546	303,931
Finance costs	31	(236,033)	(246,709)
Surplus for the year		**1,122,222**	**1,137,620**

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2024

Amounts in Rand thousand	Note(s)	Share capital	Accumulated surplus	Total net assets
Balance at 1 July 2022 as previously reported		1	12,293,439	12,293,440
Prior year adjustments (Errors)	38		(682,724)	(682,724)
Balance at 01 July 2022 restated		**1**	**11,610,715**	**11,610,716**
Surplus for the year as previously reported			1,234,296	1,234,296
Prior year adjustments (Errors)	38		(96,676)	(96,676)
Surplus for the year restated			1,137,620	1,137,620
Balance at 01 July 2023 restated		**1**	**12,748,335**	**12,748,336**
Surplus for the year			1,122,222	1,122,222
Balance at 30 June 2024		**1**	**13,870,557**	**13,870,558**
Note			23	

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 2024

Figures in Rand thousand	Note(s)	2024	2023 Restated
Cash flows from operating activities			
Receipts			
Customers		11,496,471	10,319,060
Government grants and bulk service contributions		1,010,441	456,136
Interest income		173,025	152,561
Consumer receivables: Deposits		149,240	29,685
		12,829,177	**10,957,442**
Payments			
Suppliers and employees		(11,305,117)	(9,793,607)
Finance costs		(300,444)	(191,970)
		(11,605,561)	(9,985,577)
Net cash flows from operating activities	33	**1,223,616**	**971,865**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(1,044,300)	(853,281)
Purchase of other intangible assets	4	(8,216)	(2,788)
Proceeds from post retirement notional account		2,113	2,251
Net cash flows from investing activities		**(1,050,403)**	**(853,818)**
Cash flows from financing activities			
Repayments on finance lease obligation: Shareholder		(1,517)	(1,374)
Repayments of finance lease obligation: Other		(3,861)	(436)
Proceeds on new loans		462,820	294,487
Repayments on loans		(630,657)	(410,723)
Net cash flows from financing activities		**(173,215)**	**(118,046)**
Net increase/(decrease) in cash and cash equivalents		**(2)**	**1**
Cash and cash equivalents at the beginning of the year		31	30
Cash and cash equivalents at the end of the year	10	**29**	**31**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2024

Budget on Accrual Basis Amounts in Rand thousand	Approved Original Budget	Adjustments	Adjusted Budget	Actuals per Budget Classification	Difference between Adjusted Budget and Actual	Reference
Statement of Financial Performance						
Revenue						
Service charges - water revenue	9,486,608	499,788	**9,986,396**	10,097,469	**111,073**	
Service charges - sanitation revenue	6,893,182	364	**6,893,546**	6,965,769	**72,223**	
Interest earned - outstanding debtors	191,198	104,728	**295,926**	294,792	**(1,134)**	
Operational revenue - Intercompany	584,898	-	**584,898**	584,898	**-**	
Interest earned outstanding receivables - intercompany	22,824	-	**22,824**	100,754	**77,930**	1
Other revenue	-	18,183	**18,183**	192,793	**174,610**	2
Operational revenue	118,335	(118,335)	**-**	-	**-**	
Total revenue	**17,297,045**	**504,728**	**17,801,773**	**18,236,475**	**434,702**	
Expenditure						
Employee related costs	(1,672,811)	(34,523)	**(1,707,334)**	(1,654,795)	**52,539**	
Debt impairment	(3,712,078)	-	**(3,712,078)**	(4,382,610)	**(670,532)**	3
Depreciation and asset impairment	(419,613)	(73,056)	**(492,669)**	(482,829)	**9,840**	
Finance charges	(5,000)	-	**(5,000)**	(20,111)	**(15,111)**	4
Inventory consumed	(5,830,147)	395,695	**(5,434,452)**	(5,509,993)	**(75,541)**	5
Contracted services	(956,886)	(346,009)	**(1,302,895)**	(1,327,132)	**(24,237)**	
Other expenditure	(447,705)	14,783	**(432,922)**	(455,697)	**(22,775)**	
Losses	(1,920,014)	(699,468)	**(2,619,482)**	(2,900,501)	**(281,019)**	5
Direct expenditure	**(14,964,254)**	**(742,578)**	**(15,706,832)**	**(16,733,668)**	**(1,026,836)**	
Operating surplus	**2,332,791**	**(237,850)**	**2,094,941**	**1,502,807**	**(592,134)**	
Finance charges - Inter company	(319,389)	-	**(319,389)**	(215,922)	**103,467**	6
Other expenditure - Inter company	(343,731)	(142)	**(343,873)**	(419,020)	**(75,147)**	7
	(663,120)	**(142)**	**(663,262)**	**(634,942)**	**28,320**	
Operating surplus/(deficit)	**1,669,671**	**(237,992)**	**1,431,679**	**867,865**	**547,122**	
Transfers and subsidies - Capital National/Provincial	307,694	(53,337)	**254,357**	254,357	**-**	
Operating surplus/(deficit)	**1,977,365**	**(291,329)**	**1,686,036**	**1,122,222**	**(563,814)**	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2024:

The reconciliation of actual amounts is included in note 46

1 The over recovery in interest earned is attributable to the positive bank balance throughout the financial year. .

2. Other revenue was over recovered due to Bulk Contributions received as well as Developer Funded Networks.

3. The higher Debt impairment was as a result of the collection levels being below the budget.

4. The variance is attributable to interest on finance leases not budgeted for.

5. The inventory consumed and water losses reflects over consumption of water. On average JW consumed 1.97 million kilolitres more per month compared to the 2022/23 financial year.

6. The under spending on finance costs is attributable to both the interest rate and the frequency in loan drawdowns being lower than anticipated in the budget.

7. The overspending of Other expenditure is as a result of an increase in insurance expense. This is attributable to the aging infrastructure and the increasing risk of damage due to accidental breakages, or other unforeseen circumstances. It was deemed necessary to secure comprehensive insurance coverage for water and sewer pipelines.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Budget on Accrual Basis

Figures in Rand thousand	Approved Original Budget	Adjustments	Adjusted Budget	Actuals per Budget Classification	Difference between Adjusted Budget and Actual	Reference
Capital budget Performance						
Sources of funds						
Loans	589,306	109,238	**698,544**	698,544	**-**	
Own Funding	166,794	(47,613)	**119,181**	111,889	**(7,292)**	
Grants and subsidies - USDG	307,694	(53,337)	**254,357**	254,357	**-**	
	1,063,794	**8,288**	**1,072,082**	**1,064,790**	**(7,292)**	

The underspending in capital budget was noted under the Special Projects category due to challenges relating to implementation of projects in informal settlements. The detail summary of variances is under chapter 5, section 4 and 5 of the annual report.

ACCOUNTING POLICIES

1. Basis of preparation

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board, the Local Government: Municipal Finance Management Act, No 56 of 2003 and the Companies Act, no 71 of 2008.

The annual financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 7,11 and 12 of GRAP 3 and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The annual financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value, and incorporate the principal accounting policies set out below.

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

1.1 Presentation currency and rounding

The annual financial statements are presented in South African Rand rounded to the nearest thousand unless stated otherwise.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Significant judgements and estimation uncertainty includes:

Useful life of property, plant and equipment and intangible assets

The entity's management determines the estimated useful lives and related depreciation or amortisation charges for the property, plant and equipment and intangible assets. This estimate is based on industry norms. Management will adjust the depreciation or amortisation charge where the useful lives of these assets have changed from previous estimates.

Impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets, are reviewed annually by management for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Employee benefit obligations

The present value of the employee benefit obligations 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 a discount rate, rate of increase in employer post retirement medical contribution and expected increase in salaries. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The appropriate discount rate at the end of each financial year is determined by actuaries. 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 post retirement obligations. In determining the appropriate discount rate, the actuary considers the interest rates of government bonds, adjusted to reflect the margin on 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 post retirement liability.

Other key assumptions for employee benefit obligations are based on current market conditions. Additional information is disclosed in Note 19.

ACCOUNTING POLICIES

1.2 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

The entity used a risk free interest rate to discount revenue and expenditure that impacts trade and other payables, trade payables with group companies, consumer receivables, other receivables, trade receivables with group companies and loans to and from shareholder.

Allowance for debt impairment of consumer receivables

The allowance for impairment is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Management utilises judgement in evaluating credit risk related to customers. Judgement is based on various factors including, but not limited to, historical information available.

Consumer receivables with credit balance allocation

City of Johannesburg Metropolitan Municipality (CJMM) invoices clients for the following revenue components; electricity on behalf of City Power, water on behalf of Johannesburg Water, refuse on behalf of Pikitup and rates and taxes on behalf of City of Johannesburg Core Administration. Revenue and corresponding consumer receivable are allocated to each municipal entity based on the actual consumption/billing.

With regards to credit balances in consumer receivables, the City of Johannesburg Metropolitan Municipality allocates credit balances applicable to each entity using the 3 year billing for customers with credit balances at account level. In the event that the customer has no current billing and a credit balance exists, a 3 year annualised overall billed revenue will be used to determine the allocation rate. Management have applied judgment in determining the allocation basis.

Valuation of water stock

The value of water held at year end is based on water volumes held in reservoirs, towers and pipelines multiplied by the cost of water at that date. Water is valued at lower of cost and net realisable value for water sold, with water not sold at lower of costs and current replacement value, with current replacement value being the cost per kilolitre.

Provision

Provisions were raised and management determined estimates based on information available. Additional disclosure on these estimates and provisions are included in note 21.

Provisions are measured at managements best estimate of the expenditure required to settle the obligation at the reporting date.

Accounting by principals and agents

The entity makes an assessment on whether it is the principal or agent in principal-agent relationships. Significant judgment has been applied to determine that the entity is the principal in the arrangement with the City of Johannesburg Revenue and Shared Services (COJ RSSC) as well as with the COJ Group Risk Services and Johannesburg Property Company as disclosed in note 13.

The judgements applied are that the City of Johannesburg RSSC and Group Risk Services, as well as the Johannesburg Property Company:

- undertakes transactions with third parties for the benefit of the entity
- does not have the power to determine/alter/vary the significant terms and conditions of the transaction
- does not have the ability to use all or substantially all of the resources that result from the transaction for its own benefit
- is not exposed to the variability in the results of the transaction

ACCOUNTING POLICIES

1.2 Significant judgements and sources of estimation uncertainty (continued)

Projects halted

Management applies significant judgement in assessing and determining if a project under construction is halted. Management considers a project to be halted when construction on the project has been postponed and is awaiting further administrative steps to be executed before recommencing. These administrative steps include but are not limited to one or more of the following steps:

- Securing of budget/funding have shifted to the extent that the project is no longer urgent or a priority
- Sourcing of a service provider via the approved Supply Chain Management practices in place in the entity
- Sourcing land to execute the project on via approved Supply Chain Management practices in place in the entity
- Cancellation of a service provider's contract and the sourcing of a new/replacement service provider via the approved SCM practice in place in the entity.
- When there is an interdict from a service provider and the project/contractual delivery is subjected to sustained litigation and or court processes.

COJ Funded Projects

In addition to the entities approved budget, the City of Johannesburg provides the entity with program or project specific funding in order for the entity to execute these programs on behalf of the shareholder. These programs/projects and associated funding are governed through a service level agreement between the parties whereby the shareholder appoints the entity to execute work that has been budgeted for within the shareholders purview and mandate. The entity has assessed these arrangements and there is consequently no consideration for recognition of either revenue or expenditure in terms of the entities approved budget mandate. As such the transactions resulting from this arrangement are managed directly through the entities statement of financial position, and any unspent funding paid to the entity by the shareholder is recognized as a current liability at the reporting date.

1.3 Property, plant and equipment

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.

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

Property, plant and equipment transferred to the entity by developers at no cost to the entity are recognised as an asset when the project is signed off and approved by the entity. The asset is recorded at fair value to construct the asset as indicated by the developer.

Cost model

Property, plant and equipment excluding land and capital work-in-progress, which is held for use in the production or supply of goods or services or for administrative purposes are stated in the Statement of Financial Position at cost less accumulated depreciation and any accumulated impairment losses. Depreciation commences when the assets are ready for their intended use.

Capital work-in-progress is carried at cost, and depreciated from the date the assets are technically complete, i.e. ready for intended use. Where the assets are taking longer than planned to be constructed, or halted, these are disclosed as part of note 3. Day to day repairs and maintenance expenses are charged to the Statement of Financial Performance during the financial year in which they are incurred and is disclosed as part of note 3. The costs of major renovations are included in the carrying amount of the asset when it is probable that future economic benefits or service potential will flow to the entity and the cost of the items can be measured reliably.

Land is regarded as having an indefinite useful life and is not depreciated. Depreciation is provided on all property, plant and equipment other than land and capital work-in-progress, to write down the costs, less estimated residual value, on a straight line basis over their estimated useful lives as follows:

ACCOUNTING POLICIES

1.3 Property, plant and equipment (continued)

Item	Useful life
Buildings	5 - 30 years
Communication equipment	2 - 22 years
Furniture and Fixtures	2 - 30 years
Computer equipment	4 - 32 years
Motor vehicles	5 - 12 years
Laboratory equipment	2 - 30 years
Minor plant	2 - 22 years
Office equipment	2 - 30 years
Plant and machinery	10 - 40 years
Wastewater and water networks	
• Pump stations - Civil	60 - 100 years
• Pump stations - Mechanical	5 - 15 years
• Pump stations - Electrical	7 - 16 years
• Water meters	4 - 17 years
• Pipelines and other	10 - 100 years

The residual values, depreciation methods and the useful lives of the asset categories are reviewed at each financial year-end and adjusted if necessary. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from 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 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.

1.4 Intangible assets

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.

Intangible assets are initially recognised at cost and comprise of computer software and servitudes. Cost includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates and the costs can be measured reliably. All other expenditure is expensed as incurred.

ACCOUNTING POLICIES

1.4 Intangible assets (continued)

Cost model

Intangible assets are carried at cost less any accumulated amortisation and any accumulated 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. Amortisation is not provided for these intangible assets. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. 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 each year-end and adjusted if necessary.

By their nature, servitudes confer upon the holder a right in perpetuity over the property and as these rights have an indefinite useful life, they are not amortised.

An item of intangible asset is derecognised upon disposal or when no future economic benefits or service potential are expected from its use or disposal. The surplus or deficit arising from derecognition of an item or intangible asset is included in the surplus or deficit when the item is derecognised. The surplus or deficit arising from derecognition of an item of intangible assets is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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

Item	Useful life
Computer software	3 - 22 years

The entity discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements and is disclosed as part of note 4. The gain or loss arising from derecognition of an item of intangible assets is determined as the difference between the net disposal proceeds, if any and the carrying amount of the item.

1.5 Financial instruments

Initial recognition

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are recognised initially at fair value.

In the case of financial instruments not at fair value, they are recognised through profit or loss, including any directly attributable transaction costs.

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument.

Fair value determination

Management establishes fair value for financial instruments by using certain valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and relying as little as possible on entity-specific inputs.

Loans and receivables

Loans and receivables comprise trade receivables with group companies, loans to shareholder, other receivables, consumer receivables and cash and cash equivalents. Loans and receivables are subsequently measured at amortised costs using the effective interest method.

ACCOUNTING POLICIES

1.5 Financial instruments (continued)

Payables from exchange transactions

Financial liabilities at amortised cost comprise trade payables with group companies, trade and other payables and loans from shareholder. These liabilities are subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and are subsequently measured at amortised cost.

Impairment of Financial Assets

The entity assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that consumer receivables or a group of consumer receivables is experiencing significant financial difficulty, default or delinquency in interest or principal payments (more than 90 days overdue as well as observable payment levels for overdue through to 89 days), the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For amounts due from loans and advances to customers carried at amortised cost, the entity first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 expected credit losses that have not yet been incurred) discounted using the instrument's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the surplus or deficit.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  (a) the entity has transferred substantially all the risks and rewards of the asset, or
  (b) the entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the entity has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the entity's continuing involvement in the asset.

ACCOUNTING POLICIES

1.5 Financial instruments (continued)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Gains and losses for Financial Assets

Gains and losses are recognised in the statement of financial performance when the asset is derecognised or impaired as well as through the amortisation process.

Gains and losses for Financial Liabilities

Gains and losses are recognised in the statement of financial performance when the liability is derecognised as well as through the amortisation process.

1.6 Income Tax

The entity is an exempt entity in terms of Section 10(1)(t) of the Income Tax Act, 58 of 1962. As a result of the exemption no income tax has been provided for in the current financial year.

1.7 Leases

Finance leases as lessee

Finance leases are recognised as assets in the Statement of Financial Position at amounts equal to the fair value of the leased asset 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.

The 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 on the remaining balance of the liability.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the entity will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases as lessee

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Financial Performance on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place. Contingent rentals are expensed as incurred.

The lease for motor vehicles is classified as an operating lease at inception. It is not straight-lined due to the lease contract containing multiple parameters such as escalations linked to various market indices, which is variable depending on the prevailing market indicators. This renders the escalation clause to be uncertain and it is therefore impractical to calculate the straight lining of this lease in accordance with GRAP 13.

1.8 Inventories

Inventories consist of materials, components, fuel on hand and water stock. Inventories are measured at cost using the weighted average cost formula. Water is valued at lower of cost and net realisable value for water sold, with water not sold at lower of costs and current replacement value, with current replacement value being the cost per kilolitre. 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.

ACCOUNTING POLICIES

1.8 Inventories (continued)

When inventories are utilised or consumed, the carrying amounts of those inventories are recognised as an expense in the period. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. Reversals of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Impairment of non-financial assets

Property, plant and equipment and other non-current and intangible assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Servitudes are subject to annual impairment review irrespective of whether an indicator of impairment exists. An impairment loss is recognised in the Statement of Financial Performance for the amount by which the carrying amount of the asset exceeds its recoverable amount, that is, the higher of the asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

In assessing the value in use, the estimated future cash flows are discounted to the present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in surplus or deficit in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is an indication that previously recognised impairment losses may no longer exist or may be decreased. If such indication exists, the entity estimates the assets recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in surplus/ (deficit).

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave 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 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

The majority of the entity's employees are members of various defined contribution plans. A defined contribution plan is a retirement plan under which the entity pays fixed contributions into separate trustee administered funds.

The entity’s contributions to the defined contribution plans are charged to the Statement of Financial Performance in the financial year to which they relate.

The entity has no further payment obligations once the contributions have been paid.

Defined benefit obligations

ACCOUNTING POLICIES

1.10 Employee benefits (continued)

The entity provides post-retirement health care benefits and gratuities upon retirement to some retirees. This benefit is not funded by any underpinned assets.

Components of Defined Benefit Cost:

Defined benefit cost is made up of the following components:
- Service costs
- Net interest revenue/expense
- Remeasurements

Service cost
Service cost comprises the following costs:
- Current service cost
- Settlement
- Past service cost, made up of:
- Plan amendments
- Curtailments

The remeasurements of the net defined liability (asset), to be recognized in surplus or deficit, comprise actuarial gains and losses return on plan asset, excluding amounts in net interest on the net defined benefit liability (asset); and any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability.

The entitlement to post-retirement health care benefits and gratuities 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 using the projected unit credit method of these benefits on an annual basis. The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains and losses and past service costs are charged to the Statement of Financial Performance as the costs occur.

1.11 Provisions and contingencies

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

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation. A provision is used only for the expenditure for which the provision was originally recognised. Provisions are not recognised for future operating surplus (deficit).

Contingent assets and contingent liabilities are not recognised, however the financial information in relation thereto is disclosed in the notes to the annual financial statements.

ACCOUNTING POLICIES

1.12 Revenue from non-exchange transactions

Revenue from non-exchange transactions comprises predominantly of Government Grants, Developer funded networks and Bulk Service Contributions. Government grants received are recognised as revenue, except to the extent that a liability is recognised with regards to conditions that give rise to a present obligation on the initial recognition of the asset. In cases that a liability is recognised, the carrying amount of the liability is reduced and the amount is recognised as revenue to the extent that the entity satisfies the stipulated present obligations. Bulk service contributions are received by the entity from developers for the potential expansion and/or augmentation of infrastructure relating to the provision of water and sanitation services to the development. When received the amounts are credited to the Statement of Financial Performance. Developer Funded assets are assets that are produced by a developer and handed over to the entity at no cost. The transactions are recorded as an asset at fair value on the Statement of Financial Position and as non exchange revenue on the Statement of Financial Performance as highlighted in the Property, plant and equipment policy.

1.13 Revenue from exchange transactions

Revenue comprises predominantly of the invoiced value of sales in respect of the provision and distribution of water and provision of sewer services. Other revenue from exchange transactions is recognised when the services are performed and the amounts become due to the entity. Revenue from the distribution of water is recognized when water is made available and consumed. Actual meter readings are utilised to determine consumption for invoicing as per approved tariffs. Estimated consumption (using actual / township consumption averages) is invoiced where meter readings have not been performed. Deemed consumption areas are billed on a flat rate service charge for use of between 5kl and 20kl of water per stand per month, regardless of actual consumption. The provision of sanitation services is recognised as and when the service is made available, or based on consumption patterns of water. Revenue is measured at the fair value of the consideration received or receivable excluding rebates and represents the amounts receivable for goods and services provided in the normal course of business.

1.14 Interest Revenue

Interest revenue is recognised on a time-proportion basis using the effective interest method.

1.15 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.

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.

ACCOUNTING POLICIES

1.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use are capitalised as part of the costs of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that are incurred in connection with the borrowing of funds.

1.17 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure is expenditure that was incurred in vain and would have been avoided had reasonable care been exercised. It is recognized as expenditure in the Statement of Financial Performance according to the nature of the expense in the period that it was incurred. During the period of the investigation of the fruitless and wasteful expenditure, the expenditure will remain in the expense account.

The results of the investigation will determine the course of action to be taken regarding this expenditure. If the fruitless and wasteful expenditure cannot be recovered from an employee, the expenditure will remain as a debit against the relevant expenditure item and will be disclosed as such in the relevant note to the annual financial statements.

1.18 Irregular expenditure

Irregular expenditure is incurred as a result of transactions, conditions or events where there have been legislative transgressions. When confirmed, irregular expenditure must be recorded in the notes to the annual financial statements. The amount to be recorded in the notes must be equal to the value of the irregular expenditure incurred unless it is impractical to determine the value thereof. Where such impracticality exists, the reasons therefore must be provided in the notes. Irregular expenditure will be removed from the notes when it is:

- condoned by the relevant authority, or
- transferred to receivables for recovery, or
- it is not condoned and is irrecoverable, or
- approved by council as write off of the amount

1.19 Budget information

The entity's budget is prepared on an accrual basis that is comparable with the annual financial statements. The budget is prepared for the period from July 2023 to June 2024 which is in alignment to the presentation of the annual financial statements reporting period.

Appropriate variance explanations are only provided when the variances to budget exceed 10%.

1.20 Segment information

Management has chosen to organise the reportable segments based on differences in services provided. The entity provides a water and sewer service. No aggregation of segments was done on the segments.

The water segments represent the provision of the water service which comprises of the sale of bulk water and the related operational and administrative costs to deliver the water services. The sanitation segments represent the provision of sanitation service which comprise of the sewer charge to customers for the related costs of waste water treatment and the related operational and administrative costs to deliver the sanitation services.

The entity provides services to different regions but the geographical areas of operation are seen as a single geographical area for decision making purposes due to goods or services provided being substantially the same.

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. The amounts allocated to reported segment surplus or deficit, are done on a reasonable basis.

ACCOUNTING POLICIES

1.21 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 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. Related party transaction is the transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether 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 members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within the 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 individual entity or person in the same circumstances and term 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 annual financial statements to understand the effect of related party transactions on its annual financial statements.

1.22 Prior year error

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and the reason for the reclassification is disclosed.

When accounting errors have been identified in the current financial year, the correction is made retrospectively as far back as it is practical. The prior period comparatives are accordingly restated. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far back as it is practical. The prior period comparatives are accordingly restated.

1.23 Offsetting

Assets, liabilities, revenue and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. Standards issued not yet effective

The following Standards of GRAP, Interpretations of Standards of GRAP and ASB Guidelines have been published but are not yet effective and have not been early adopted by the company - additionally, these standards and interpretations are not always relevant to the company's operations and are indicated as such below:

Standard of GRAP/Nature of Impending Changes/Expected Impact		Effective Date	Planned date for Application by the Entity
GRAP 104	Financial Instruments (Revised) Unlikely that there will be a material impact	01/04/2025	30/06/2026

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand

3. Property, plant and equipment

	2024			2023		
	Cost	Accumulated depreciation and accumulated impairment	Carrying amount	Cost	Accumulated depreciation and accumulated impairment	Carrying amount
Land	12,208	-	12,208	12,208	-	12,208
Buildings	417,263	(235,391)	181,872	336,535	(206,565)	129,970
Plant and machinery	2,870,161	(827,420)	2,042,741	2,542,193	(816,957)	1,725,236
Furniture and fixtures	24,294	(17,044)	7,250	23,686	(15,999)	7,687
Motor vehicles	74,693	(3,845)	70,848	10,028	(5,024)	5,004
Office equipment	21,506	(14,020)	7,486	20,454	(12,141)	8,313
Computer equipment	82,333	(45,990)	36,343	69,566	(36,073)	33,493
Communication equipment	19,936	(14,576)	5,360	19,712	(12,308)	7,404
Laboratory equipment	42,982	(35,620)	7,362	42,239	(33,089)	9,150
Minor plant	142,687	(123,372)	19,315	142,332	(109,768)	32,564
Wastewater network	5,803,632	(1,267,125)	4,536,507	5,678,062	(1,164,462)	4,513,600
Water network	9,554,567	(2,314,748)	7,239,819	8,904,586	(2,017,728)	6,886,858
Total	**19,066,262**	**(4,899,151)**	**14,167,111**	**17,801,601**	**(4,430,114)**	**13,371,487**

No non-current assets within property, plant and equipment have been pledged as security.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Developer funded network	Depreciation and impairment	Impairment loss	Total carrying amount
Land	12,208	-	-	-	-	-	12,208
Buildings	129,970	80,728	-	-	(28,826)	-	181,872
Plant and machinery	1,725,236	327,970	-	-	(10,465)	-	2,042,741
Furniture and fixtures	7,687	612	-	-	(1,049)	-	7,250
Motor vehicles	5,004	70,945	-	-	(5,101)	-	70,848
Office equipment	8,313	1,056	-	-	(1,883)	-	7,486
Computer equipment	33,493	13,757	(215)	-	(10,692)	-	36,343
Communication equipment	7,404	246	(2)	-	(2,288)	-	5,360
Laboratory Equipment	9,150	1,829	(22)	-	(3,595)	-	7,362
Minor plant	32,564	355	-	-	(13,604)	-	19,315
Wastewater network	4,513,600	74,595	-	51,002	(102,690)	-	4,536,507
Water network	6,886,858	554,782	-	94,995	(280,124)	(16,692)	7,239,819
	13,371,487	**1,126,875**	**(239)**	**145,997**	**(460,317)**	**(16,692)**	**14,167,111**

Land and buildings

Land and buildings to the carrying amount of R17,726 (2023: R18,216) purchased from the City of Johannesburg Metropolitan Municipality in terms of the sale of business agreement, have not as yet been transferred into the name of Johannesburg Water SOC Limited. A register containing the information required as contained in the Sale of Business Agreement, Annexure G, is available for inspection at the registered office of the entity.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Developer funded network	Depreciation and impairment	Total carrying amount
Land	12,208	-	-	-	-	-	12,208
Buildings	175,066	28,006	(383)	(54,539)	-	(18,180)	129,970
Plant and machinery	2,493,411	147,460	(13,821)	(805,398)	-	(96,416)	1,725,236
Furniture and fixtures	10,409	943	(1,065)	-	-	(2,600)	7,687
Motor vehicles	2,511	3,749	-	-	-	(1,256)	5,004
Office equipment	10,227	232	(124)	-	-	(2,022)	8,313
Computer equipment	22,683	26,533	(4,008)	-	-	(11,715)	33,493
Communication equipment	2,437	7,135	(139)	-	-	(2,029)	7,404
Laboratory Equipment	11,059	954	(118)	-	-	(2,745)	9,150
Minor plant	45,479	878	(443)	-	-	(13,350)	32,564
Wastewater network	3,296,929	242,930	(243)	985,795	114,038	(125,849)	4,513,600
Water network	6,893,298	403,133	(54,100)	(125,858)	91,927	(321,542)	6,886,858
	12,975,717	**861,953**	**(74,444)**	**-**	**205,965**	**(597,704)**	**13,371,487**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand

3. Property, plant and equipment (continued)

The following leased assets are included in Property, Plant and Equipment listed above

	2024			2023		
	Cost	Accumulated depreciation	Carrying amount	Cost	Accumulated depreciation	Carrying amount
Motor Vehicles - Shareholder	1,429	-	1,429	6,278	(5,023)	1,255
Motor Vehicles - Other	73,264	(3,563)	69,701	3,749	-	3,749
Total	**74,693**	**(3,563)**	**71,130**	**10,027**	**(5,023)**	**5,004**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2024	2023 Restated

3. Property, plant and equipment (continued)

Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Water network	716,803	719,127
Plant and machinery	763,437	437,464
Wastewater network	168,223	198,047
Buildings	118,013	60,665
IT equipment	4,937	5,327
Furniture and fixtures	309	256
Minor plant	124	59
Laboratory equipment	1,751	-
	1,773,597	**1,420,945**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand

3. Property, plant and equipment (continued)

Carrying amount of property, plant and equipment in the process of being constructed or developed, that is taking a significantly longer period of time to complete than expected.
June 2024:

Project name	Reason for delay	Carrying amount
*BWW609 OV: Digester mixing	Project terminated in December 2021.The project delayed by 7.9 years due to dispute process. New tender to complete the work to be re-initiated in 2024/25 FY for completion by October 2029	74,681
Construction of Randburg Depot	Project delayed by 6.7 years due to the termination of the contractor due to contractor non-performance. Project currently in construction. Project completion date moved from February 2018 to September 2024.	68,340
*UR1314 -Diepsloot Sewer Pipeline & Bridge Repair	Project terminated in June 2024.The project delayed by 10.6 years due to new tender to complete the works to be re-initiated in 2024/25 FY (adding 3.5 years) for completion of construction. Project completion date moved from August 2017 to February 2028.	53,269
*EI1303 - JW14289 - Woodmead Reservoir	Project terminated in June 2024. The project delayed by 3.2 years due to new tender to complete the works to be re-initiated in 2024/25 FY for completion of construction by July 2027.	12,872
*EI1306 - Halfway House Reservoir	Project delayed by 8 years due to finalisation of the land acquisition. The process is still being finalised by JPC. The Project is currently on the land acquistion stage and the completion date moved from December 2018 to December 2026	4,901
EI1302 - Robertville Tower	Project delayed by 9.3 years due to budget constraints and procurement delays (3 non awards). The Project is currently at design stage and the completion date moved from June 2017 to September 2026.	3,190
*UR1311 - Linbro Park Water Upgrade	Project delayed by 8 years due to budget contraints and thereafter procurement (non awards). The Project is currently in the procurement stage and the completion date moved from December 2018 to December 2026	3,182
BWW1518 OV: Refurbish Unit 2	Project delayed by 6.1 years due to budget constraints. The project currently is on design stage. The project completion date moved from June 2021 to July 2027.	2,219
UR1302 - Carlswarld Water Upgrade	Project delayed by 8.6 years due to land acquisition and environmental issues.The project is currently at design stage and the completion date moved from August 2017 to February 2026.	1,372
*UR1328 - Turffontein Redevelopment Corridor Water	Project delayed by 7.6 years due to budget constraints. The project is currently on hold and the completion date be moved from December 2019 to June 2027	1,061
		225,086

*All items marked with an Asterix are currently halted. Management have considered requirements for impairment of these halted projects and found no reason to impair any of the projects based on the evaluation conducted. It is the intention to complete these projects when the obstacles related to their respective delays have been resolved.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand

3. Property, plant and equipment (continued)

Carrying amount of property, plant and equipment in the process of being constructed or developed, that is taking a significantly longer period of time to complete than expected.
June 2023:

Project name	Reason for delay	Carrying amount
Construction of Randburg Depot	Project delayed by 6.5 years due to the termination of the contractor due to contractor non-performance. Project currently in construction. Project completion date moved from February 2018 to November 2023.	44,598
UR1314 -Diepsloot Sewer Pipeline & Bridge Repair	Project delayed by 7 years due to procurement delays. Project is currently in construction phase with a completion date of August 2024.	23,123
EI1306 - Halfway House Reservoir	Project delayed by 5 years due to finalisation of the land acquisition. The process is still being finalised by JPC. The Project is currently on the land acquisition stage and the completion date moved from December 2018 to December 2025.	4,901
*UR1311 - Linbro Park Water Upgrade	Project delayed by 6.5 years due to budget constraints and thereafter procurement (non awards). The Project is currently in the procurement stage and the completion date moved from December 2018 to June 2025.	3,182
*EI1302 - Robertville Tower	Project delayed by 8 years due to budget constraints and procurement delays (3 non awards). The Project is currently at procurement stage and the completion date moved from June 2017 to July 2025.	3,160
BWW1518 OV:Refurbish Unit 2	Project delayed due to budget constraints. The project currently is on design stage.The Project completion date moved from June 2021 to July 2027.	2,219
UR1302 - Carlswarld Water Upgrade	Project delayed by 7 years due to finalisation of the land acquisition process.The project is currently at design stage, BSC report for implementation has been approved and revised. Completion date is March 2025.	862
*UR1500 - JW14119 - Northcliff SWR Diversion	The contractor was awarded on 16 July 2020 for completion in September 2020. The project currently on hold due to lack of access. The project was further delayed by the acquiring of servitude in one of the affected stands. The project completion date will be determined once the registration of servitude has been completed.	216
		82,261

*All items marked with an asterix were halted at the time. Management have considered requirements for impairment of these halted projects and found no reason to impair any of the projects based on the evaluation conducted. It is the intention to complete these projects when the obstacles related to their respective delays have been resolved.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2024	2023 Restated

3. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Buildings	11,595	26,752
Plant and machinery	113,291	96,558
Furniture and fixture	13	66
Motor vehicles	10,224	9,515
Office equipment	22	7
Computer equipment	13,644	12,494
Communication equipment	796	2,560
Laboratory equipment	2,981	2,147
Minor plant	412	468
Wastewater network	729,103	578,980
Water network	709,145	650,027
	1,591,226	**1,379,574**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand

4. Intangible assets

	2024			2023		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Servitudes	1,727	-	1,727	1,727	-	1,727
Computer software	55,597	(25,092)	30,505	47,381	(19,263)	28,118
Total	**57,324**	**(25,092)**	**32,232**	**49,108**	**(19,263)**	**29,845**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand

4. Intangible assets (continued)

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation and impairment	Total carrying amount
Servitudes	1,727	-	-	1,727
Computer software	28,118	8,216	(5,829)	30,505
	29,845	**8,216**	**(5,829)**	**32,232**

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Amortisation and impairment	Total carrying amount
Servitudes	1,727	-	-	1,727
Computer software	30,339	2,788	(5,009)	28,118
	32,066	**2,788**	**(5,009)**	**29,845**

Intangible assets in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of Intangible assets	**2024**	**2023**
Computer software under development and servitudes	4,608	12,653

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2024	2023 Restated

5. Inventories

Materials and Components	190,267	169,630
Water inventory	15,529	15,642
Subtotal	205,796	185,272
Provision for inventory write downs	(1,593)	(1,626)
	204,203	**183,646**

No current assets within inventories have been pledged as security.

Water inventory expensed	5,509,993	4,943,586
Water losses	2,900,501	2,479,977
Other inventory expensed	46,160	42,206
Inventory write down	802	164
Reversal of inventory write down *	-	(757)
Total inventories recognised as an expense	**(8,457,456)**	**(7,465,176)**

*Items reversed relates to stock previously considered obsolete but have subsequently been usable and similar items have been utilised for other repair work.

6. Trade receivables with group companies

Trade receivables with group companies: Exchange transactions

Johannesburg Roads Agency SOC Ltd	42	18

Credit quality of trade receivables with group companies

The credit quality of trade receivables with group companies that are neither past due nor impaired are considered fair by the entity taking into account the historical information available and due to the fact that there has been no default in the past.

Trade receivables with group companies past due but not impaired

At 30 June 2024, R20 (2023: R12) were past due but not impaired

30 days past due	-	6
60 days past due	7	6
180 days past due	13	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2024	2023 Restated

7. Trade receivables with shareholder: Exchange transactions and Loans to shareholders

Loans to shareholder: Non-exchange transactions

City of Johannesburg Metropolitan Municipality - Sweeping account	2,810,738	1,566,965
City of Johannesburg Metropolitan Municipality - Other receivables	1,011,709	705,839
City of Johannesburg Metropolitan Municipality - Grants	-	51,811
City of Johannesburg Metropolitan Municipality - Capex drawdown	275,739	40,015
City of Johannesburg Metropolitan Municipality - Post retirement benefit	46,146	44,573
	4,144,332	**2,409,203**

Other receivables and the capex drawdown are short term (30 - 60 days), unsecured and interest free.

The terms of trade receivables with shareholder have not been renegotiated in the current or prior period.

City of Johannesburg Metropolitan Municipality - Sweeping account

Bank Sweeping Account	2,810,738	1,566,964

The bank sweeping account is an unsecured interest bearing loan to the shareholder with no fixed repayment terms. The loan earns interest at a variable rate which was 8.26% (2023: 8.18%) at the reporting date.

Trade receivables with Shareholder: Exchange transactions

City of Johannesburg Metropolitan Municipality - Cydna Laboratory	310	225

Trade receivables with shareholder past due but not impaired

At 30 June 2024, R47,724 (2023: R0) were past due but not impaired.

The ageing of the amounts past due but not impaired is as follows:

30 days past due	47,104	-
60 days past due	88	-
90 days past due	299	-
120 days past due	45	-
180 days past due	188	-

8. Other receivables: Exchange transactions

Sundry Receivables	6,433	9,180
Prepaid expenses	3,658	6,392
Service deposits paid	15,957	15,957
Allowance for impairment	(1,143)	(2,709)
Total other receivables	**24,905**	**28,820**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2024	2023 Restated

8. Other receivables: Exchange transactions (continued)

Sundry receivables consist predominantly of general service recoveries.

Credit quality of Sundry receivables

Sundry receivables comprise of the recovery of sundry services. Management evaluates credit risk relating to these customers on an on-going basis. The credit quality of other receivables that are neither past due nor impaired are considered fair by the entity taking into account the historical information available.

Sundry receivables past due but not impaired

At 30 June 2024, R847 (2023: R720) was past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

30 days past due	91	65
60 days past due	120	29
90 days past due	113	195
120 days past due	523	431

Sundry receivables impaired

As at 30 June 2024, sundry receivables of R6,433 (2023: R9,180) were considered for impairment testing. The allowance for impairment losses for the period was R1,143 (2023: R2,709).

The classification and respective ageing categories considered by management during the testing for impairment are as follows:

Current	4,444	5,867
1 - 30 days	91	168
31 - 60 days	120	132
61 - 90 days	113	313
91 - 120 days	523	550
121 - 365 days	219	902
> 365 days	923	1,248
Total other receivables	**6,433**	**9,180**

Reconciliation of allowance for impairment of other receivables

Opening balance	(2,709)	(1,060)
Allowance for impairment losses	(1,143)	(1,649)
Reversed during the year	2,656	-
Debt impairment written off against allowance	53	-
	(1,143)	**(2,709)**

The creation and release of the allowance for impairment of other receivables have been included in operating expenses in the Statement of Financial Performance (note 28). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Factors considered by the entity in determining whether the financial asset needed to be impaired include when other receivables or a group of other receivables is experiencing significant financial difficulty, default or delinquency in interest or principal payments (more than 180 days overdue as well as observable payment levels for overdue through to 179 days), consideration of the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2024	2023 Restated

9. Consumer receivables: Exchange transactions

Trade receivables	31,415,897	26,642,638
Allowance for impairment	(27,394,216)	(22,381,627)
	4,021,681	**4,261,011**

An impairment is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. Accordingly, an impairment loss is recognised based on the ageing as well as the profile of consumer receivables.

The increase in consumer receivables is largely ascribed to deemed consumption areas where payment levels remain extremely poor as well as conventional consumption areas in central and southern regions of operation.

Credit quality of consumer receivables

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an on-going basis and characteristics like collection levels are considered during evaluation for impairment. The credit quality of trade receivables that are neither past due nor impaired are considered fair by the entity taking into account the historical information available.

Summary of consumer receivables by classification

Domestic consumers		
Current	822,177	856,849
30 days	567,217	750,505
31 - 60 days	481,706	436,084
61 - 90 days	476,167	573,334
91 - 120 days	415,796	182,415
121 - 365 days	3,620,833	2,781,209
> 365 days	15,770,273	12,596,329
	22,154,169	18,176,725
Less: Allowance for impairment	(20,177,193)	(15,920,738)
	1,976,976	**2,255,987**
Domestic consumers - Past due and impaired		
30 days	(137,720)	(153,854)
31 - 60 days	(116,958)	(89,397)
61 - 90 days	(115,613)	(117,534)
91 - 120 days	(415,796)	(182,415)
121 - 365 days	(3,620,833)	(2,781,209)
> 365 days	(15,770,273)	(12,596,329)
	(20,177,193)	**(15,920,738)**
Domestic consumers - Current, past due and not impaired		
Current	822,177	856,849
30 days	429,497	596,651
31 - 60 days	364,748	346,687
61 - 90 days	360,554	455,800
	1,976,976	**2,255,987**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2024	2023 Restated
9. Consumer receivables: Exchange transactions (continued)		
Commercial consumers		
Current	709,399	583,606
30 days	340,277	465,507
31 - 60 days	296,564	270,209
61 - 90 days	214,962	250,289
91 - 120 days	201,700	132,922
121 - 365 days	1,302,435	1,261,717
> 365 days	5,398,962	4,609,054
	8,464,299	7,573,304
Less: Allowance for impairment	(6,750,915)	(5,839,358)
	1,713,384	**1,733,946**
Commercial consumers - Past due and impaired		
91 - 120 days	(176,736)	(111,857)
121 - 365 days	(1,175,217)	(1,118,447)
> 365 days	(5,398,962)	(4,609,054)
	(6,750,915)	**(5,839,358)**
Commercial consumers - Current, past due and not impaired		
Current	709,399	583,606
30 days	340,277	465,507
31 - 60 days	296,564	270,209
61 - 90 days	214,962	250,289
91 - 120 days	24,964	21,065
121-365 days	127,218	143,270
	1,713,384	**1,733,946**
National and provincial government		
Current	189,985	147,236
30 days	49,241	65,777
31 - 60 days	47,354	32,277
61 - 90 days	44,741	25,788
91 - 120 days	16,414	9,963
121 - 365 days	125,985	145,644
> 365 days	323,709	465,924
	797,429	892,609
Less: Allowance for impairment	(466,108)	(621,531)
	331,321	**271,078**
National and provincial government - Past due and impaired		
91 - 120 days	(16,414)	(9,963)
121 - 365 days	(125,985)	(145,644)
> 365 days	(323,709)	(465,924)
	(466,108)	**(621,531)**
National and provincial government - Current, past due and not impaired		
Current	189,985	147,236
30 days	49,241	65,777
31 - 60 days	47,354	32,277
61 - 90 days	44,741	25,788

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2024	2023 Restated
9. Consumer receivables: Exchange transactions (continued)		
	331,321	**271,078**
Total consumer receivables		
Current	1,721,561	1,587,691
30 days	956,735	1,281,789
31 - 60 days	825,624	738,570
61 - 90 days	735,870	849,411
91 - 120 days	633,910	325,300
121 - 365 days	5,049,253	4,188,570
> 365 days	21,492,944	17,671,307
	31,415,897	26,642,638
Less: Allowance for impairment	(27,394,216)	(22,381,627)
	4,021,681	**4,261,011**
Total consumer receivables - Past due and impaired		
30 days	(137,720)	(153,854)
31 - 60 days	(116,958)	(89,397)
61 - 90 days	(115,613)	(117,534)
91 - 120 days	(608,946)	(304,235)
121 - 365 days	(4,922,035)	(4,045,300)
> 365 days	(21,492,944)	(17,671,307)
	(27,394,216)	**(22,381,627)**
Total consumer receivables - Current, past due but not impaired		
Current	1,721,561	1,587,691
30 days	819,015	1,127,935
31 - 60 days	708,666	649,173
61 - 90 days	620,257	731,877
91 - 120 days	24,964	21,065
121 - 365 days	127,218	143,270
	4,021,681	**4,261,011**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(22,381,627)	(18,942,376)
Contributions to allowance	(5,014,141)	(3,620,894)
Debt impairment written off against allowance	1,552	181,643
	(27,394,216)	**(22,381,627)**

Factors considered by the entity in determining whether the financial asset needed to be impaired include when consumer receivables or a group of consumer receivables is experiencing significant financial difficulty, default or delinquency in interest or principal payments (more than 90 days overdue as well as observable payment levels for overdue through to 89 days), consideration of the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2024	2023 Restated

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	29	31

The company has a sweeping arrangement with the City of Johannesburg Metropolitan Municipality whereby all cash is swept on a daily basis to the City of Johannesburg Metropolitan Municipality's bank account. Petty cash is reflected as being on hand. The cash owed to the company by the City of Johannesburg Metropolitan Municipality is reflected as an amount due from the shareholder. The amount due as at 30 June 2024 R2,811 billion (2023: R1,567 billion).

The following bank accounts are in operation at Johannesburg Water:

Bank	Account Type	Account number		
Standard Bank	Expenditure	000196789	-	-
Standard Bank	Revenue	000170461	-	-
Standard Bank	Salaries	000196843	-	-
Standard Bank	Bank charges	000196398	-	-
ABSA Bank Ltd	Revenue	4101197140	-	-
			-	-

11. Trade payables with group companies

Trade payables with group companies: Exchange transactions

City Power SOC Ltd	(56,169)	-
Johannesburg Roads Agency SOC Ltd	(55,180)	(14,144)
Johannesburg City Parks NPC	(19)	(2,747)
Johannesburg Theatre SOC Ltd	(403)	(343)
City of Johannesburg Property Company SOC Ltd	(59,519)	(39,721)
	(171,290)	**(56,955)**

The above payables with group companies are short term (30-60 days), unsecured and interest free.

12. Trade payables with Shareholder: Exchange transactions

City of Johannesburg Metropolitan Municipality - Trade payables with shareholder	(1,479,516)	(1,074,356)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2024	2023 Restated

13. Loans from Shareholder

Current		
City of Johannesburg Metropolitan Municipality - Other	(260,726)	(260,726)
City of Johannesburg Metropolitan Municipality - Current portion of long term loans	(448,708)	(619,041)
	(709,434)	**(879,767)**
Non- current		
City of Johannesburg Metropolitan Municipality - Conduit Mirror and French Development Agency (FDA) loans	(2,045,184)	(1,864,589)

City of Johannesburg Metropolitan Municipality - Conduit Mirror and FDA loans

Loans at the beginning of the year	(2,483,630)	(2,575,115)
New loans	(698,544)	(264,799)
Interest for the year	(235,566)	(246,172)
Repayments for the year - Interest	293,190	191,916
Repayments for the year - Capital	630,658	410,540
Balance at end of year	**(2,493,892)**	**(2,483,630)**

The conduit loans for the financial years ending 2024, 2022, 2020 and prior are repayable in equal quarterly instalments over a period of 10 years from loan acquisition. These unsecured loans bear interest at a fixed rate of 9.65% to 11.23% (2023: 7.73% to 11.23%).

The conduit loan for the financial years ending 2023 and 2021 are repayable in equal repayments at each quarter over a period of 10 years, commencing on 30 September 2022 and 31 December 2020 respectively. The capital amount on the loan for 2021 shall bear interest at a floating rate of three months Jibar plus 4.04% and the capital amount on the loan for 2023 shall bear interest at a floating rate of three months Jibar plus 2.30% and will be reset quarterly at the beginning of each calendar quarter. This unsecured loan bears interest at a variable rate of 7.73% to 10.78% (2023: 7.73% to10.78%)

The second French Development Agency (FDA) loan is repayable in equal half yearly instalments over a period of 15 years, commencing 15 November 2014. These unsecured loans bear interest at a fixed rate of 7.4% and 7.47% (2023: 7.4% and 7.47%).

Conduit Mirror Loan Rates from inception of loan

2013/2014	Fixed	9.65%
2014/2015	Fixed	10.18%
2015/2016	Fixed	9.88%
2016/2017	Fixed	11.23%
2017/2018	Fixed	10.56%
2018/2019	Fixed	10.07%
2019/2020	Fixed	10.07%
2020/2021	Variable	7.73% to 10.57%
2021/2022	Fixed	10.57%
2022/2023	Variable	8.08% to 10.78%
2023/2024	Fixed	10.78%

French Development Agency Loan Rates

FDA 2 - Tranche 1 (R412m)	Fixed	7.40%
FDA 2 - Tranche 2 (R80m)	Fixed	7.47%

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2024	2023 Restated

14. Finance lease obligation: Shareholder

Finance lease obligation: Specialised Vehicles

Minimum lease payments due		
- within one year	1,508	1,601
	1,508	1,601
less: future finance charges	(78)	(84)
Present value of minimum lease payments	**1,430**	**1,517**
Present value of minimum lease payments due		
- within one year	1,430	1,517

Interest on finance leases are calculated at 10% per annum, and repayments on the lease arrangements are made monthly. The lease terms range from 3 years to 7 years. The carrying amount of the finance leased assets is included in property, plant and equipment, under motor vehicles. Refer note 3 for further information.

15. Finance lease obligation: Other

Finance lease obligation: Vehicles

Minimum lease payments due		
- within one year	27,475	1,041
- in second to fifth year inclusive	62,074	4,029
	89,549	5,070
less: Future finance charges	(20,196)	(1,372)
Present value of minimum lease payments	**69,353**	**3,698**
- within one year	19,006	579
- in second to fifth year inclusive	50,347	3,119
	69,353	**3,698**

Interest on finance leases are calcualted at 13.24% per annum and repayment on the lease arrangements are made monthly. The Lease term varies between 3-5 years depending on the date the vehicle was leased to the contract termination date. The carrying amount of the finance leased assets is included in property, plant and equipment under motor vehicles. Refer note 3 for further information.

16. Trade and other payables: Exchange transactions

Trade payables	2,734,861	2,205,955
Payments received in advanced	656,529	502,329
Accrued leave pay	70,246	64,568
Accrued bonus (13th Cheque)	39,557	36,257
Operating lease payables	1,974	2,566
Sundry payables	22,029	29,836
	3,525,196	**2,841,511**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2024	2023 Restated

17. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for bonuses	54,411	47,063	(44,539)	-	56,935

Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for bonuses	47,730	48,314	(41,633)	-	54,411

The bonus provision relates to the performance bonus that the entity expects to pay to qualifying employees. The amount is based on the organisational and individual performances in the financial year under review, which is yet to be determined. The provision is management's best estimate of the entity's liability at the reporting date.

18. VAT

VAT Receivable	90,923	-
Vat Payable	-	(149,912)
	90,923	**(149,912)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand		2024	2023 Restated

19. Employee benefit obligations

The actuarial valuations were performed by ZAQ Consultants and Actuaries, who are independent post retirement plan administrators. The loan receivable (note 7) from the City of Johannesburg Metropolitan Municipality covers a portion of the liability.

Post-retirement liability			
Provision: Post-Retirement Medical Obligation	19.1	22,348	23,915
Provision: Post-Retirement Gratuity Obligation	19.2	29,035	29,073
Balance at end of year		**51,383**	**52,988**

19.1 Post retirement medical aid plan

The entity has made provision for post retirement medical benefits covering 47 continuation members (2023: 50 continuation members). There are 2 medical schemes.

Reconciliation of post retirement medical aid plan

Opening balance	23,915	25,559
Benefits paid	(2,306)	(2,250)
Interest costs	2,169	2,242
Actuarial gain/loss: Demographic assumption	(793)	580
Actuarial gain/loss: Financial assumption	(637)	(2,216)
Balance at end of year	**22,348**	**23,915**

Key assumptions used

Assumptions used on last valuation on .

Consumer Price inflation	5.09 %	5.44 %
Discount rates used	10.00 %	9.77 %
Medical aid contribution inflation	6.09 %	6.44 %
Net effective discount rate (PRMA)	3.69 %	3.13 %
Expected increase in salaries	6.09 %	6.44 %

In determining the appropriate discount rate, the actuary considers the interest rates of government bonds, adjusted to reflect the margin on 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 post retirement medical aid plan liability.

Change in assumptions

A sensitivity analysis with respect to a 1% change in the discount rate for salary and medical inflation will have the following impact:

	-1%	**0%**	**1%**
Liability	21,934	22,348	22,673
Percentage change	-1.85%	0%	1.45%

Post Retirement Mortality

	-20%	**0%**	**20%**
20% adjustment to mortality rate	24,072	22,348	20,919
Percentage change	-7.71%	0%	6.39%

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2024	2023 Restated

19. Employee benefit obligations (continued)

Other assumptions:

Age of Spouse	-	husbands five years older than wives
Mortality of in-service members	-	In accordance with the SA 85-90 mortality tables
Mortality of pensioners	-	In accordance with the PA(90) ultimate mortality tables.

Maturity Analysis

The table below provides a maturity analysis based on the expected future benefit payments. It should be noted that these are discounted figures and may change if actual future experience deviates from current assumptions used in the valuation.

Catergory	1 year Projection	2-5 year Projection	5+ year Projection	Total
Present value of future benefit payments	2,486	6,935	12,927	22,348

19.2 Post retirement gratuity plan

The entity has made provision for post retirement gratuity benefits covering 103 employees (2023: 114 employees).

Reconciliation of post retirement gratuity plan

Opening balance	29,073	34,212
Benefits paid	(4,077)	(6,324)
Interest Cost	2,678	3,031
Actuarial gain/loss: Demographic assumption	1,878	161
Actuarial gain/loss: Financial assumption	(517)	(2,007)
Balance at end of year	**29,035**	**29,073**

Key assumptions used

Assumptions used on last valuation on .

Consumer Price inflation	5.09 %	5.44 %
Discount rates used	10.00 %	9.77 %
Medical aid contribution inflation	6.09 %	6.44 %
Net effective discount rate (PRMA)	3.69 %	3.13 %
Expected increase in salaries	6.09 %	6.44 %

In determining the appropriate discount rate, the actuary considers the interest rates of government bonds, adjusted to reflect the margin on 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 post retirement gratuity plan liability.

Change in assumptions

A sensitivity analysis with respect to a 1% change in the discount rate for salary inflation will have the following impact:

	-1%	0%	1%
Liability	28,167	29,035	29,936
Percentage change	-2.99%	0%	3.10%

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2024	2023 Restated

19. Employee benefit obligations (continued)

Post Retirement Mortality

	-20%	**0%**	**20%**
20% adjustment to mortality rate	29,004	29,035	29,066
Percentage change	-0.11%	0%	0.11%

Maturity Analysis

The table below provides a maturity analysis based on the expected future benefit payments. It should be noted that these are discounted figures and may change if actual future experience deviates from current assumptions used in the valuation.

Category	**1 year Projection**	**2-5 year Projection**	**5+ Projection**	**Total**
Present value of future benefit payments	7,199	14,014	7,822	29,035

Five years Historical Post Retirement Obligation

The experience adjustments were calculated in the current and prior financial year. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

	2024	2023	2022	2021	2020
Post Retirement Obligation	51,383	52,988	59,771	58,543	60,096
Experience adjustment	1,085	741	269	2,842	(605)

19.3 Net expense recognised in the statement of financial performance for the year ended 30 June 2024

Post retirement medical aid plan	739	606
Post retirement gratuity plan	4,039	1,185
Total included in employee related costs	**4,778**	**1,791**

19.4 Defined contribution plan

The entity's liability is limited to its contributions to the plan.

The total entity contribution to such schemes	160,198	147,205

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand

20. Consumer receivables: Deposit

Water	705,487	556,246

21. Principal Agent arrangements

21.1 City of Johannesburg Revenue Shared Services Centre

The entity has a principal agent arrangement in place with its shareholder, the City of Johannesburg Metropolitan Municipality. The entity is the principal and relies on its agent, for the following functions for all its customers:

- Customer billing
- Cash collection
- Consumer receivables administration
- Call centre management

The management of the above functions is regulated by an agency agreement between the parties. The implemented processes and methods of operations are solely under the control and stewardship of the Revenue Shared Service Centre of the City of Johannesburg Metropolitan Municipality. Full reliance is placed on the internal controls as established at the agent, being The City of Johannesburg Metropolitan Municipality in the execution of the functions.

The arrangement is managed in terms of a service level agreement underpinning the agency agreement. Clause 13.3 of the Agency Agreement with the City of Johannesburg Metropolitan Municipality states that "The performance of the Customer Revenue Collection and Customer Relations Management functions shall be conducted and records thereof kept by the City of Johannesburg Metropolitan Municipality in such a manner as to ensure that the audited accounts of the entity are in no way qualified as a result of any act or omission connected with the execution of the Customer Revenue Collection and Customer Relations Management functions".

The entity incurred fees for the arrangement as follows:-

City of Johannesburg service fee	293,278	280,649

21.2 City of Johannesburg Risk Services

The COJ Risk Service department manages the insurance portfolio of the Group centrally in order to achieve better economies of scale when approaching the market for various insurance related products. In procuring insurance products for the group, they place a cost recovery to the entity for the premiums with the third party as well as charging certain service fees to the entity which is recognised as a related party transaction. The entity incurred fees for the arrangement as follows:

City of Johannesburg insurance service fee	1,746	1,171

21.3 City of Johannesburg Property Company

The Johannesburg Property Company manages the acquisition of property in permanent or rental capacity for the Group centrally in order to achieve better economies of scale when approaching the market for various housing/office /land related products. In procuring these products for the Group, they place a cost recovery to the entity for the actual costs incurred with the third party they contract with and in addition, they also charge administration fees to the entity for the arrangement. The entity incurred fees for the arrangement as follows:

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

21. Principal Agent arrangements (continued)

City of Johannesburg Property Company administration and commission fee	6,318	5,319

The resource/cost implications on all of the above arrangements with the City of Johannesburg and its subsidiary being City of Johannesburg Property Company would be restricted to the total costs disclosed above in the event the arrangements are terminated. The entity would require the self-same financial, human and technological resources to execute its billing and collections, and would require the services of an insurance broker to secure and manage its insurance portfolio, as well as the services of a managing agent/property specialist to manage any potential property transactions, as is all currently undertaken by the agents.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand

22. Financial instruments disclosure

Categories of financial instruments

Financial assets at amortised cost

	2024	2023
Consumer receivables: Exchange transactions	4,021,681	4,261,011
Trade receivable with Shareholder: Exchange transactions	310	225
Loans to Shareholder: Non-exchange transactions	4,144,332	2,409,203
Other receivables: Exchange transactions	21,247	22,428
Trade receivables with group companies: Exchange transactions	42	18
Cash and cash equivalents	29	31
	8,187,641	**6,692,916**

Financial liabilities at amortised cost

Loans from shareholder	2,754,618	2,744,356
Trade payables with shareholder: Exchange transactions	1,479,516	1,074,356
Trade and other payables: Exchange transactions	2,844,091	2,317,608
Trade payables with group companies: Exchange transactions	171,290	56,955
Finance lease obligation: Shareholder	1,430	1,517
Finance lease obligation: Other	69,353	3,698
Consumer deposits	705,487	556,246
	8,025,785	**6,754,736**

23. Share capital

Authorised		
200 Ordinary shares of R1 each	200	200
Issued		
200 Ordinary shares of R1 each	200	200

The amounts disclosed above are not rounded and reflect the Rand value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand

24. Government grants

The grants comprise of unconditional and conditional grants received from government.

Any unspent portions are carried forward to the next financial year in conjunction with the grant conditions set forth

Unconditional grant

Equitable Share

Balance at beginning of year	-	-
Grants allocated in current year	584,898	-
Utilised during the year	(584,898)	-
	-	**-**

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury. The Constitution provides that each sphere of government - National, Provincial and Local, is entitled to an equitable share of revenue raised nationally. The Equitable Share Grant received during this financial year, as distributed by the City of Johannesburg Metropolitan Municipality, was utilised to provide basic services and perform municipal functions. The grant was fully utilised during the current financial year.

Conditional grants and receipts comprises of:

Urban Settlements Development Grant (USDG)

Balance at beginning of year	-	-
Grants allocated in current year	254,357	324,644
Utilised during the year	(254,357)	(324,644)
Balance at the end of the year	**-**	**-**

The grants received during the year are made up Urban Settlements Development Grant (USDG) as distributed by the City of Johannesburg Metropolitan Municipality. The grant is used to supplement the capital revenue of the entity in order to implement infrastructure projects that promotes equitable, integrated, production, inclusive and sustainable urban development. This distribution is made only upon fulfilment of conditions as imposed from time to time by the City of Johannesburg Metropolitan Municipality.

Upgrading of Informal Settlement Programme (UISP)

Balance at beginning of year	-	-
Grants allocated in current year	-	31,522
Utilised during the year	-	(31,522)
Balance at the end of the year	**-**	**-**

The grant received during last financial year, from the Upgrading of Informal Settlements Programme (UISP), was to support upgrading on an area-wide basis, maintain fragile community networks, minimise disruption and enhance community participation. The grant was fully utilised during the financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand

24. Government grants (continued)

Local Government Sector Education and Training Authority (LGSETA) grant

Balance at beginning of year	-	-
Grants allocated in current year	2,445	2,667
Utilised during the year	(2,445)	(2,667)
Balance at the end of the year	**-**	**-**

The grant received during this financial year from the Local Government Sector Education and Training Authority (LGSETA) was to support the artisan training and development programme in the entity. The grant was fully utilised during the current financial year.

Energy and Water Sector Education and Training Authority (EWSETA)

Balance at beginning of year	-	-
Grants allocated in current year	2,710	2,533
Utilised during the year	(2,710)	(2,533)
Balance at the end of the year	**-**	**-**

The grant received during this financial year from the Energy and Water Sector Education and Training Authority (EWSETA) was to support skills development within the entity. The grant was fully utilised on associated training programs during the current financial year.

25. Revenue from exchange transactions

Sale of water	10,097,469	8,982,510
Rendering of sanitation services	6,965,769	6,161,304
Other	4,235	2,865
	17,067,473	**15,146,679**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand

26. Revenue from non-exchange transactions

Unconditional Government Grants - Equitable share (Refer note 24)	584,898	-
Conditional Government Grants - USDG (Refer note 24)	254,357	324,644
Developer Funded Network	145,996	205,965
Bulk Contributions received	25,144	67,500
Donations received	11,751	-
Conditional Government Grants - UISP (Refer note 24)	-	31,522
Conditional Government Grants - Other (Refer note 24)	5,154	5,200
Penalties	250	2,273
	1,027,550	**637,104**

Conditional Government Grants - Other consists of Local Government Sector Education and Training Authority (LGSETA) grants and Energy and Water Sector Education and Training Authority (EWSETA) grants.

27. Non-revenue water

The level of NRW for the year under review to June 2024 is 46.18% [R3,884 billion] (2023: 46.11% [R3,423 billion]). The level of unbilled authorised consumption for the year under review to June 2024 is 11.69% [R983,0 million] (2023: 12.70% [R943,0 million] and is included under water inventory expensed. Unbilled authorised consumption is water supplied to the informal environments, water supplied to deemed consumption areas over and above the flat rate of recovery applied, as well as water utilised in network system maintenance performed.

The level of water losses (physical and commercial losses) which is part of NRW for the year under review is 34.49% [R2,901 billion] (2023: 33.41% [R2,480 billion]) and is included under Operating expenditure as Water losses. Refer to note 28.

- The level of physical losses for the year under review to June 2024 is 24.83% [R2,088 billion], (2023: 24.05% [R1,786 billion]). Physical losses are incurred as a result of leaks on the water network infrastructure.
- The level of commercial losses for the year under review to June 2024 is 9.66% [R812,1 million], (2023: 9.35% [R694,3 million]. Commercial losses are incurred as a result of illegal connections and metering and associated data transfer errors.

The various benchmark levels of Non-Revenue Water were published in the latest South African Water Research Commission report on the State of Non- Revenue Water in South Africa classifies Non Revenue Water in the following categories:

	Legend	Description
1	<15%	Low level of NRW, very good performance
2	15-30%	Low level of NRW, good performance
3	30-40%	Average level of NRW, average performance
4	40-50%	High level of NRW, poor performance
5	>50%	Very high level of NRW, very poor performance

Certain levels of Non-Revenue Water are acceptable from an economic point of view as indicated in the table above. This means the cost of interventions to reduce Non-Revenue Water should be less than the savings to be realised.

The objective for the entity was to achieve an average level of Non-Revenue Water (30%-40%) for the year under review to June 2024. This average level of Non Revenue Water achieved for the year under review to June 2024 exceeded the upper end of the average range by 6.18% [R519,4 million], (2023: 6.11% [R453,6 million]).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand

28. Operating expenses

Allowance for debt impairment	4,382,610	3,163,964
Water losses	2,900,501	2,479,977
Employee costs	1,664,884	1,530,269
Depreciation and amortisation	466,143	525,788
Contractors metering and revenue services	315,954	300,270
Electricity	202,148	198,216
Sewer system charges	226,627	202,806
Lease rentals on operating lease	193,608	153,730
Vacuum tankers	180,446	95,088
Water Tankers	165,535	121,639
Contractors VIP and chemical toilets	153,927	207,006
Security	115,415	94,017
Contractors maintenance service	107,052	124,161
Insurance	103,650	42,454
Fuel and oil	60,622	61,128
Impairment on property, plant and equipment	16,692	76,926
Store issues and direct material purchases	55,831	52,471
Reinstatements	55,187	32,532
Mobile plant by contract	43,239	31,231
Consultants fees	34,416	33,260
Telecommunications	34,053	30,750
Other operating expenses	32,665	25,851
Information technology expenses	27,921	25,934
Utilities - Other	19,205	13,810
Chemicals	14,926	15,296
Levies	14,562	13,431
Marketing and communication expenses	11,723	5,968
Commission	7,767	7,823
Auditors remuneration	7,355	6,858
Training	5,858	9,789
Sludge disposal	1,558	2,912
Loss on disposal of property, plant and equipment	241	74,444
	11,622,321	**9,759,799**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand

29. Employee costs

Basic salaries	920,492	843,733
Overtime	184,232	155,890
Pension costs - company contributions	164,351	151,969
Medical aid - company contributions	104,884	99,436
Shift allowances	73,957	77,674
Service bonus	66,953	58,057
Performance bonus	47,063	48,314
Car allowance	39,511	39,997
Leave pay provision charge	28,135	23,696
WCA - Coid	10,090	9,500
Housing allowance	7,936	7,262
UIF	6,742	6,608
Acting allowance	5,889	4,427
Uniforms and protective clothing	2,561	131
Temporary employees	2,157	7,057
Post retirement benefit plan cost (Defined benefit plan)	(69)	(3,482)
	1,664,884	**1,530,269**

Average number of employees employed during the year		
- Permanent	2,827	2,772

30. Interest revenue

Interest revenue		
Interest on customers	294,792	226,397
Interest earned - sweeping account	97,068	74,556
Interest on notional accounts	3,686	2,978
	395,546	**303,931**

31. Finance costs

Interest on shareholder loans	223,932	241,198
Interest on post retirement benefits	4,847	5,273
Interest on finance leases	2,128	237
Interest: Vendor arrears	5,126	1
	236,033	**246,709**

32. Taxation

As the entity is a water service provider it has been exempt from normal company taxation in terms of Section 10(1)(t) of the Income Tax Act, 58 of 1962, published in the Government Gazette.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand

33. Cash generated from operations

Surplus	1,122,222	1,137,620
Adjustments for:		
Depreciation and amortisation	482,839	525,786
Impairment of property, plant and equipment	-	76,926
Inventory adjustment/obsolescence	(33)	(1,521)
Developer funded asset income	(145,996)	(205,965)
Accrued finance costs	(7,170)	54,739
Allowance for impairment	4,382,254	3,163,964
Loss on disposal of property, plant and equipment	241	74,444
Accrued interest income	(222,372)	(151,370)
Provisions	47,063	48,315
Changes in working capital		
Inventories	(20,524)	(35,097)
Other receivables: Exchange transactions	5,529	(3,609)
Consumer receivables: Exchange transactions	(3,925,851)	(3,674,086)
Employee benefit obligation	(6,452)	(12,056)
Provisions	(44,539)	(41,634)
Trade receivables with group companies	(24)	3
Trade receivables with shareholder: Exchange transactions	(85)	(225)
Consumer receivables : Deposits	149,241	29,686
Trade and other payables: Exchange transactions	683,685	899,960
VAT payable	(149,912)	83,154
VAT receivable	(90,923)	-
Trade payables with group companies	114,335	26,236
Trade payables with shareholder: Exchange transactions	347,920	100,491
Loans to shareholder: Non-exchange	(1,497,832)	(1,123,896)
	1,223,616	**971,865**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand

34. Commitments

Authorised capital expenditure

Approved and contracted for:

Property, plant and equipment	944,771	1,256,170

Commitments are disclosed exclusive of VAT. The commitments disclosed above relate only to construction contracts with suppliers. Other procurement contracts with suppliers are subject to the demand or requirements of Johannesburg Water and as such, there is no fixed future obligation or commitment in respect of these contracts.

This expenditure will be financed from:

Loans	398,955	456,094
Grants and subsidies	541,015	567,795
Own funding	4,801	232,281
	944,771	**1,256,170**

Operating leases - as lessee

Minimum lease payments due

• within one year	36,543	48,138
• in second to fifth year inclusive	1,342	37,884
	37,885	**86,022**

Operating lease payments represent rentals payable by the entity for certain of its office properties and office equipment. The lease terms are negotiated for an average of three years and no contingent rent is payable. Lease agreements over office properties are subject to escalation clauses.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand

35. Related parties

Related parties disclosed in this note are in relation to the City of Johannesburg Metropolitan Municipality and its subsidiaries only.

Relationships	
Parent	City of Johannesburg Metropolitan Municipality
Other members of the group	City of Johannesburg Property Company (SOC) Ltd City Power Johannesburg (SOC) Ltd Johannesburg City Parks and Zoo (NPC) Johannesburg Development Agency (SOC) Ltd Johannesburg Metropolitan Bus Services (SOC) Ltd Johannesburg Roads Agency (SOC) Ltd Johannesburg Social Housing Company (SOC) Ltd Metropolitan Trading Company (SOC) Ltd Pikitup Johannesburg (SOC) Ltd The Johannesburg Civic Theatre (SOC) Ltd The Johannesburg Fresh Produce Market (SOC) Ltd
Members of key management	Directors' emoluments and other Key Management Personnel Remuneration - note 36

Related party balances

Amounts owing by related parties		
City of Johannesburg Metropolitan Municipality	4,144,642	2,409,428
Johannesburg Roads Agency (SOC) Ltd	42	18
	4,144,684	**2,409,446**

Amounts owing to related parties		
City of Johannesburg Metropolitan Municipality- Non current liabilities	2,045,184	1,864,589
City of Johannesburg Metropolitan Municipality - Current liabilities	2,188,950	1,954,122
City of Johannesburg Metropolitan Municipality - Leases : Current and non-current liabilities	1,429	1,517
City Power Johannesburg (SOC) Ltd	56,169	-
Johannesburg Roads Agency (SOC) Ltd	55,180	14,144
City of Johannesburg Property Company (SOC) Ltd	59,519	39,721
The Johannesburg Civic Theatre (Pty) Ltd	403	343
Johannesburg City Parks and Zoo (NPC)	19	2,747
	4,406,853	**3,877,183**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand

35. Related parties (continued)

Related party

Sales to related parties		
City of Johannesburg Metropolitan Municipality	685,738	540,060
Johannesburg City Parks and Zoo (NPC)	51,467	38,450
Johannesburg Social Housing Company (SOC) Ltd	94,435	46,964
Johannesburg Metropolitan Bus Services (SOC) Ltd	1,443	1,998
Pikitup Johannesburg (SOC) Ltd	20,539	17,917
Johannesburg Roads Agency (SOC) Ltd	6,500	4,705
City Power Johannesburg (SOC) Ltd	10,446	8,799
The Johannesburg Fresh Produce Market (SOC) Ltd	12,478	24,289
Johannesburg Civic Theatre (SOC) Ltd	24	89
	883,070	**683,271**
Purchases from related parties		
City of Johannesburg Metropolitan Municipality	(294,404)	(282,502)
City Power Johannesburg (SOC) Ltd	(93,525)	(94,713)
Johannesburg Roads Agency (SOC) Ltd	(42,754)	(8,692)
City of Johannesburg Property Company (SOC) Ltd	(6,457)	(5,371)
Johannesburg City Parks and Zoo (NPC)	(22)	(8,396)
Pikitup Johannesburg (SOC) Ltd	(3,489)	(4,056)
Johannesburg Civic Theatre (Pty) Ltd	(1,081)	(1,117)
Johannesburg Metropolitan Bus Services (SOC) Ltd	(7)	-
	(441,739)	**(404,847)**
Interest on shareholder loans, finance leases, notional and sweeping accounts		
Interest income on sweeping and notional accounts	(100,754)	(77,534)
Interest expense on shareholder loans and lease liability	235,649	246,399
	134,895	**168,865**

All transactions with group companies are conducted at arm's length.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand

36. Directors' emoluments and other Key Management Personnel Remuneration

The emoluments paid to the directors, senior management and members of the independent audit committee is reflected hereunder.

Executive directors

2024	Basic Salary	Acting Allowance	Bonuses and Performance related payments	Leave, Travel and subsistence allowance	Contributions to pension funds and medical aids	Total
N Mukwevho	2,542	-	207	176	441	3,366
J Koekemoer	788	-	-	261	122	1,171
K Mahlaba	727	-	-	-	79	806
	4,057	**-**	**207**	**437**	**642**	**5,343**

i N Mukwevho (Managing Director) performance bonus payment relates to financial year 2021/2022.

ii J Koekemoer (Financial Director) contract ended on the 30 November 2023.

iii K Mahlaba (Chief Financial Officer)was appointed as Chief Financial Officer on the 1 March 2024.

2023	Basic Salary	Acting Allowance	Bonuses and Performance related payments	Leave, Travel and subsistence allowance	Contributions to pension funds and medical aids	Total
N Mukwevho	2,357	-	166	176	423	3,122
J Koekemoer	1,687	-	132	238	265	2,322
	4,044	**-**	**298**	**414**	**688**	**5,444**

i N Mukwevho (Managing Director) performance bonus payment relates to financial year 2020/2021

ii J Koekemoer (Financial Director) performance bonus payment relates to financial year 2020/2021.

Non executive directors

Services rendered as director of entity

R Kalidass	-	199
C Aigbavboa	-	116
P Matji	-	205
S Mnyani	-	192
M Ramurunzi	-	124
L Bernard	120	-
G Phakathi	76	72
P Matjele	172	46
P Mabece	172	44

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2024	2023 Restated
36. Directors' emoluments and other Key Management Personnel Remuneration (continued)		
Z Meeleso	172	32
S Mnyani	180	-
P Modika	182	46
	1,074	**1,076**
Services rendered by independent audit committee members		
S Singh	-	72
C Tilly	-	48
M Mrwebi	-	40
S Pooe	56	16
Z Tlale	88	16
C Sambo	88	16
	232	**208**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand

36. Directors' emoluments and other Key Management Personnel Remuneration (continued)

Senior Management

2024	Basic salary	Acting Allowance	Bonuses and performance related payments	Leave, Travel and subsistence allowances	Contributions to pension funds and medical aid	Total
D Kgwale	573	-	172	215	74	1,034
S Mathebula	1,360	-	160	210	263	1,993
R Gaveni	1,679	-	172	-	258	2,109
T Hlakoane	1,351	-	85	120	152	1,708
K Mabe	2,066	-	186	-	145	2,397
N Mabuza	1,615	-	-	-	214	1,829
J. Mnisi	-	77	-	-	-	77
C Tavaria	-	88	-	-	-	88
W Chitsa	-	31	-	-	-	31
	8,644	**196**	**775**	**545**	**1,106**	**11,266**

i D Kgwale performance bonus payment relates to financial year 2021/2022 and his contract ended on 31 October 2023

ii S Mathebula performance bonus payment relates to financial year 2021/2022.

iii R Gaveni performance bonus payment relates to financial year 2021/2022

iv. T Hlakoane performance bonus payment relates to financial year 2021/2022

v. K Mabe performance bonus payment relates to financial year 2021/2022.

vi. J Mnisi acted as Chief Operating Officer for the period 1 November 2023 to 30 April 2024.

vii W Chitsa acted as Chief Operating Officer for the period 1 May 2024 to 30 June 2024.

viii C Tavaria acted as Chief Financial Officer for the period 1 December 2023 to 28 February 2024.

2023	Basic salary	Acting allowance	Bonuses and performance related payments	Travel and subsistence allowances	Contributions to pension funds and medical aid	Total
D Kgwale	1,723	-	153	108	219	2,203
S Mathebula	1,226	-	137	126	291	1,780
R Gaveni	1,585	-	99	-	242	1,926
T Hlakoane	1,258	-	-	90	153	1,501
K Mabe	1,940	-	127	-	145	2,212
N Mabuza	1,524	-	-	-	202	1,726
	9,256	**-**	**516**	**324**	**1,252**	**11,348**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand

36. Directors' emoluments and other Key Management Personnel Remuneration (continued)

i D Kgwale performance bonus payment relates to financial year 2020/2021.

ii S Mathebula performance bonus payment relates to financial year 2020/2021.

iii R Gaveni performance bonus payment relates to financial year 2020/2021.

iv K Mabe performance bonus payment relates to financial year 2020/2021.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand

37. Comparatives Restated

Comparatives for the prior period have been restated for the prior period error note 38 as well as for the items set out below.

	As previously reported	As restated
Loans to shareholder	2,409,428	-
Trade Receivables with shareholder: Exchange transactions	-	225
Loans to shareholder: Non-exchange transactions	-	2,409,203
Surplus for the year	**2,409,428**	**2,409,428**

The Loans to shareholder were reclassified into Trade receivables with shareholder: Exchange transactions and Loans to shareholder: Non- exchange transactions to achieve enhanced disclosures.

	As previously reported	As restated
Loans from shareholder	1,954,122	-
Trade payables with shareholder: Exchange transactions	-	1,074,355
Loans from shareholder	-	879,767
	1,954,122	**1,954,122**

The loans from shareholder was reclassified into Trade payables with shareholder: Exchange transactions and Loans from shareholder to achieve enhanced disclosures.

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

The Repairs and Maintenance expenditure was previously disclosed based on the nature of the expenditure and in the current year, the disclosure was changed to be based on the class of property plant and equipment.
There was an additional expenditure of R31,041,648 under the class of Plant and Machinery which was not included in the prior financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand

38. Prior period errors

38.1 Revenue from exchange transactions

The City of Johannesburg Metropolitan Municipality has recalculated the accrual value in relation to the 2022 and 2023 financial years. These transactions result in an adjustment to revenue for the 2022 and 2023 financial years as disclosed below. This has been accounted for as a prior period adjustment accordingly.

	2023	2022
Impact on Statement of Financial Position		
Increase in Consumer receivables: Exchange transactions	33,219	47,323
Impact on Statement of Financial Performance		
Increase in revenue from exchange transactions	33,219	47,323
Impact on Statement of Changes in Net Assets		
Increase in Net Surplus for the years	33,219	47,323

38.2 Finance Lease: Vehicles

The City of Johannesburg Metropolitan Municipality has entered into a transversal contract with a supplier to supply vehicles to the entity from 18 May 2023. This lease was assessed and classified as a Finance lease. However the vehicles supplied subsequent to the contract start date were incorrectly classified as the finance lease, as these vehicles are adhoc vehicles and will be replaced with proper leased vehicles over time. The Ad-hoc supply was part of an interim arrangement in terms of contract transitioning.

	2023	**2022**
Impact on Statement of Financial Position		
Decrease in Finance lease liability: Other	217,090	-
Decrease in Property, Plant and Equipment - Motor Vehicles	(217,040)	-
Decrease in Property, Plant and Equipment - Motor Vehicles - Acc Depreciation	943	-
Increase in Trade and other Payables: Exchange transactions	(3,166)	-
Impact on Statement of Financial Performance		
Increase in operating expenditure: lease rentals on operating lease	(3,575)	-
Decrease in operating expenditure: depreciation	943	-
Decrease in Finance Charges	459	-
Impact on Statement of Changes in Net Assets		
Decrease in Net Surplus for the year	(2,173)	-

38.3 Depreciation adjustment on componentisation

The entity has componentised all assets in the fixed asset register as per GRAP requirements which resulted in an adjustment in depreciation and full retrospective restatement for the prior years.

	2023	**2022**
Impact on Statement of Financial Position		
Decrease in Property, plant and equipment	(127,722)	(730,047)
Impact on Statement of Financial Performance		
Increase in Operating expenditure: Depreciation	127,722	730,047
Impact on Statement of Changes in Net Assets		
Decrease in Net Surplus for the years	(127,722)	(730,047)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand

Cumulative Impact on Statement of Changes in Net Assets

The cumulative impact of the Statement of Changes in Net Assets as a result of the prior year adjustments listed above is as follows:

	2023	2022
Impact on Statement of Changes in Net Assets		
Decrease/Increase in Net surplus for the year	(96,676)	(682,724)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand

39. Risk management

Financial risk management

The entity's overall risk management program, in conjunction with the shareholder, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance. Risk management is carried out by a central treasury department at the shareholder under policies approved by the mayoral committee. The board of directors sanction a risk management policy which considers financial risk management within the organisation. The entity has no exposure to foreign exchange risk.

Liquidity risk

The entity's risk to liquidity is a result of the funds necessary to cover future commitments. The entity manages liquidity risk through an on-going review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilisation of borrowings facilities are monitored. The entity's funding is managed by the City of Johannesburg Metropolitan Municipality. The City of Johannesburg is responsible for borrowing of money in the open market through issuance of bonds as and when required. Due to the dynamic nature of the underlying businesses, the entity's treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 30 June 2024	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Loans from Shareholders	2,147,900	370,641	956,549	676,178
Trade payables with shareholder	1,479,516	-	-	-
Finance lease obligation: Shareholder	1,430	-	-	-
Finance lease obligation: Other	19,006	20,200	30,147	-
Trade payables with group companies	171,290	-	-	-
Trade and other payables from exchange transactions	2,844,092	-	-	-

At 30 June 2023	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Loans from Shareholders	1,954,122	400,287	627,704	778,205
Trade payables with shareholder	1,074,356	-	-	-
Finance lease obligation: Shareholder	1,517	-	-	-
Finance lease obligation: Other	579	981	2,138	-
Trade payables with group companies	56,955	-	-	-
Trade and other payables from exchange transactions	2,317,609	-	-	-

Interest rate risk

As the entity has no significant interest-bearing assets or liabilities subject to interest rate fluctuations, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

The entity's only interest-bearing assets or liabilities subject to interest rate fluctuations is the bank sweeping account with the shareholder. Other than this item, the entity's income and operating cash flows are substantially independent of changes in market interest rates. The table below illustrates the likely cash flow risk to the entity in the event the interest rate fluctuates. An increase / (decrease) in the interest rate at the reporting date would have increased / (decreased) the surplus by the amounts shown below.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand

39. Risk management (continued)

Sensitivity analysis for interest rate risk	**Current interest rate**		
Financial instrument			
Bank sweeping (+1%)	8.26%	11,745	10,858
Bank sweeping (-1%)	-	(11,745)	(10,858)
Shareholder loan (Jibar Linked) (+1%)	10.78%	1,610	972
Shareholder loan (Jibar Linked) (-1%)		1,601	(967)

Credit risk

Credit Risk is the risk of financial loss to the entity if a customer fails to meet its contractual obligations. This arises ostensibly from the entity's Consumer Debtors: Exchange Transactions and Other Receivables. Management evaluates credit risk relating to these customers on an on-going 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. Customers are grouped according to their credit characteristics, including but not limited to whether they are domestic, commercial or government accounts, geographic locations, ageing profile and payment history. Sales to customers are ordinarily settled in cash or using major credit cards. Further collateral security is obtained from customers either in the form of cash or demand guarantees. In addition, the entity also has minor exposure to credit risk with trade receivables from group companies and loans to shareholder. These are regarded as minor as they are controlled through a group intercompany process which attempts to ensure timeous settlement of these debts to avoid payment defaults and debt impairment on these items. The maximum exposure to credit risk is limited to the values disclosed in note 6, 7, 8. and 9.

Business Risk

The country's post pandemic economic performance and slow recovery rate is demonstrated internally through the underperforming revenue collection levels which remain below approved budget. The increased level of nominal services with the resultant higher costs of delivering the service is a tolerable risk of service delivery in responding to the pandemic with the emerging threats of new biological diseases remaining priority risk exposures to be mitigated. The development of a comprehensive business continuity plan is near completion to enable the entity to effectively respond to existing and emerging business risks internally or those external to the entity.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand

40. Supply Chain Management Regulations

40.1 Deviations from formal procurement processes

Category	Bid Committee	Quotations	Total Deviations
Emergencies	70,299	25,173	95,472
Sole Suppliers	-	3,695	3,695
Impracticality	94,932	30,079	125,011
	165,231	**58,947**	**224,178**

The table above indicates instances where the entity has deviated from formal procurement processes. The entity's supply chain management policy and the Local Government Municipal Finance Management Act, 2003, as per Regulation 36(1) allows the Accounting Officer to dispense with the official procurement processes established, to procure any required goods or services through any convenient process which may include direct negotiations or price quotations in the following instances:

- Emergencies - where immediate action is necessary to avoid a dangerous or risky situation or misery or disaster
- Sole suppliers - where such goods or services are produced or available from a single provider only
- Any other exceptional cases where it is impractical or impossible to follow the official procurement processes

It is further noted that the deviations referred to above have been ratified by the Accounting Officer on a monthly basis and the appropriate reasons recorded, where officials or bid committees acted in terms of delegated powers which are purely of a technical nature. In terms of regulations, all these deviations have been reported to the board of directors.

Total deviations of R224,1 million (2022/2023: R114,1 million) for the period under review predominantly comprises of deviations relating to emergencies and impracticality. The major contributors to the deviations are Hire of vacuum tankers, hire of potable water, hire of mechanical plant, servicing of chemical toilets and strip & quote gear boxes and pumps.

40.2 Procurement of goods and services from another organ of state

Regulation 32 allows for the procurement of goods and services under a contract secured by another organ of state, through a competitive process.

Organ of State	Tender	2024
National Treasury	The provision of annual B-BBEE verification audit services	350
National Treasury	Supply and delivery of security uniform	9,986
		10,336

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand

40. Supply Chain Management Regulations (continued)

40.3 Bids awarded to family of employees in service of the state

In terms of section 45 of the municipal SCM regulation, any award above R2 000 to family of employees in the service of the state must be disclosed in the financial statements. The following is a list as recorded in the declaration-of-interest form

Name of Company	Director	Connected Person (Employee of the state)	Relation to Director	Organ of State	Position held by employee	Contract Value Awarded 2024
Sigodi Marah Martin	L Marah	LJ Marah	Child	Eskom Holdings SOC Ltd	Assistant Officer: Governance and Compliance	3,930
Sigodi Marah Martin	L Marah	LJ Marah	Child	Eskom Holdings SOC Ltd	Assistant Officer: Governance and Compliance	5,317
Sigodi Marah Martin	L Marah	LJ Marah	Child	Eskom Holdings SOC Ltd	Assistant Officer: Governance and Compliance	5,609
Moodie and Robertson	T Lethetsa	T Lethetsa	Spouse	City of Johannesburg	Group Treasury: Assistant Director	2
Moodie and Robertson	T Lethetsa	T Lethetsa	Spouse	City of Johannesburg	Group Treasury: Assistant Director	37
Moodie and Robertson	T Lethetsa	T Lethetsa	Spouse	City of Johannesburg	Group Treasury: Assistant Director	5
Moodie and Robertson	T Lethetsa	T Lethetsa	Spouse	City of Johannesburg	Group Treasury: Assistant Director	24
Moodie and Robertson	T Lethetsa	T Lethetsa	Spouse	City of Johannesburg	Group Treasury: Assistant Director	9
Moodie and Robertson	T Lethetsa	T Lethetsa	Spouse	City of Johannesburg	Group Treasury: Assistant Director	94
Ian Dickie and Company	MA Samuels	D Samuels	Spouse	SAPS	Warrant Officer	1
Ian Dickie and Company	MA Samuels	D Samuels	Spouse	SAPS	Warrant Officer	12
Ian Dickie and Company	MA Samuels	D Samuels	Spouse	SAPS	Warrant Officer	2
*Sanfana 2001 (Pty) Ltd	S Ngwenya	NP Ngwenya	Spouse	Gauteng Department of Human Settlements	Deputy Director: Monitoring and Evaluation	Rate Based
						15,042

*The award to the service provider was based on a rate structure, and as such, the contract value at inception could not be determined. The final contract value is dependent on the total value of purchase orders issued over the term of the contract. Consequently, the contract value will be finalized at the conclusion of the contract, once all purchase orders issued during its duration have been processed. Given the nature of the rate-based contract, it is impractical to determine a fixed contract value at inception.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2024	2023 Restated

41. Irregular and fruitless and wasteful expenditure

41.1 Irregular expenditure

Opening balance as previously reported	2,584,990	2,084,780
Correction of prior period error	-	36,000
Opening balance as restated	2,584,990	2,120,780
Irregular expenditure identified and incurred in the current year	38,455	107,828
Irregular expenditure identified in prior years, incurred in the current year	197,206	309,684
Irregular expenditure incurred in prior years, identified in current year	-	23,207
Irregular expenditure – overspending of approved budget	981,823	1,085,657
Amount written off	(2,151,654)	(1,062,166)
	1,650,820	**2,584,990**

Details of all items disclosed in the above table are available and managed on the entity's register containing the same.

Details of prior period errors

The error was as a result of incorrect recording of the irregular expenditure that was originally detected and declared in prior periods. A reconciliation performed prior to obtaining approvals for write off of the expenditure, highlighted deficiencies in the recording of the expenditure in the prior periods. These have now been corrected as a prior period error	-	36,000

Incidents identified in the current year include those listed below:

Non-compliance with PPR, 2017 Regulations	6,536	818
Non-compliance with MFMA SCM Regulation 36	31,916	103,087
Non-compliance with MFMA Circular 62	-	3,127
Non-compliance with MFMA Circular 90	-	796
Total	**38,452**	**107,828**

Cases under investigation

By 30 June 2024 , 19 cases (2023: 10 cases) related to non-compliance with the Municipal Finance Management Act (including regulations and entity policies) were under investigation.	320,706	148,748

Overspending on approved budget

Non-cash items	644,006	749,082
Cash items	337,817	336,575
Total	**981,823**	**1,085,657**

Amounts written off

After the completion of the investigations, the JW Board adopted the recommendation to write off an amount from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.	2,151,654	1,062,165

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2024	2023 Restated

41. Irregular and fruitless and wasteful expenditure (continued)

41.2 Fruitless and wasteful expenditure

Details of all items disclosed in the above table are available and managed on the entity's register containing the same.

Reconciliation of fruitless and wasteful expenditure		
Opening balance as previously reported	1,112	710
Fruitless and wasteful expenditure in current year	4,168	704
Reversal	-	(302)
	5,280	**1,112**
Details of fruitless and wasteful expenditure		
Interest and penalties	4,168	704
Details of reversal		
The investigation concluded that the monies paid was recovered from the contractor and therefore there was no incurrence of fruitless and wasteful expenditure.	-	(302)

42. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	-	155
Current year subscription / fee	7,354	6,857
Amount paid - current year	(7,354)	(6,857)
Amount paid - previous years	-	(155)
	-	**-**

PAYE and UIF

Opening balance	19,307	18,573
Current year subscription / fee	285,771	261,420
Amount paid - current year	(263,119)	(242,113)
Amount paid - previous years	(19,307)	(18,573)
	22,652	**19,307**

Pension and Medical Aid Deductions

Current year subscription / fee	394,080	363,139
Amount paid - current year	(394,080)	(363,139)
	-	**-**

VAT

VAT receivable	90,923	-
VAT payable	-	(149,912)
	90,923	**(149,912)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2024	2023 Restated

42. Additional disclosure in terms of Municipal Finance Management Act (continued)

Skills Development Levy

Opening balance	1,017	967
Current year subscription/fee	13,836	12,821
Amount paid - current year	(12,718)	(11,805)
Amount paid - previous year	(1,017)	(967)
	1,118	**1,016**

43. Subsequent Events

Director Appointments

The shareholder held an annual general meeting on the 31 July 2024 and resolved to adjust the board compositions accross all the entities. The company was provided with new Directors and a new Board Chair being D Majavu, appointed with effect from 31 July 2024.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2024	2023 Restated

44. Contingent Liabilities

The entity has the following contingent liabilities:

44.1 The plaintiff's claim relates to alleged failure to reimburse the first plaintiff with reasonable costs for the upgrade and repair of water infrastructure. The alternative claim relates to a claim for enrichment in the same amount. The matter is held in abeyance by the plaintiffs and the entity is not aware of any trial date. The total amount claimed is R5,487 (Incl VAT). If the court finds in favour of the entity and a cost order is issued, recovery of legal fees will be pursued.

44.2 The plaintiff claims that the entity caused damage to its fibre infrastructure for an amount of R322 (Incl VAT). Judgement was handed down on 14 October 2022 dismissing the entities 2 special pleas raised. The entity's attorneys requested the magistrate provide reasons for his decision. The matter will now proceed to trial with the contractor having joined as a defendant. The entity still awaits the reason for the decision in the interlocutory matter and the matter to be set down for trial by the plaintiff.

44.3 The plaintiff is contesting the imposition of fines and billing of its discharge of industrial effluent into the sewer claiming that the entity did not bill accurately based on volumes obtained on direct measurements reflecting actual effluent discharge alternatively, that the entity billed based on inaccurate measurements. The plaintiff is seeking reimbursement of the amount of R5,048 (Incl VAT) for unjustified enrichment.

44.4 The Plaintiff instituted action in the high court against Johannesburg Water for damages arising from explosion of an electric transformer which resulted in the plaintiff sustaining burns. The plaintiff is seeking reimbursement of the amount of R11,500 (Incl Vat).

44.5 The Plaintiff instituted a claim for damages suffered allegedly because of maintenance work on a burst pipe abutting the Plaintiff's property, damaging the boundary wall, paving and electrical fence. The COJ's insurer repudiated the claim. An exception was filed against the particulars of claim as disclosing no action, summons was amended by the plaintiff. A special plea objecting to the amended summons was filed. Pleadings are continuing in the matter. The Plaintiff is seeking reimbursement of R23 (Incl Vat)

44.6 The Plaintiff issued summons against Johannesburg Water for damages arising from an alleged tacit agreement between the parties in which Johannesburg Water is alleged to have agreed to compensate the plaintiff for additional distances travelled beyond the estimated distances in the tender document and an alleged agreement to extend the main agreement by 12 months. The matter is being defended. The plaintiff is seeking reimbursement of the amount of R171,391 (Incl Vat).

44.7 The Plaintiff issued summons against Johannesburg Water for damages arising from an alleged failure to inform a tenderer that they have been awarded a tender. Johannesburg Water has served and filed its intention to defend and is now in the process of drafting a special plea given that the plaintiff has failed to remove the cause of the complaint served in terms of rule 23(1) of the Uniform Rules of the High Court. The plaintiff is seeking reimbursement of R109 231 (Incl Vat).

The aggregate amounts for the claims are as follows:

Claims for damages	11,523	13,946
Claims for reimbursements	291,479	10,857
Claims for under-billing	-	104,577
	303,002	**129,380**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Johannesburg Water (SOC) Limited

(Registration number 2000/029271/30)
Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Amounts in Rand thousand

45. Segment Reporting Information

2024

	Water	Sanitation	Unallocated	Total
Statement of Financial Performance				
Revenue from exchange transactions	10,097,469	6,965,768	4,235	17,067,472
Water inventory expensed	(5,509,993)	-	-	(5,509,993)
Water losses	(2,900,501)	-	-	(2,900,501)
Revenue from non -exchange transactions	232,034	193,464	602,053	1,027,551
Operating expenditure	(980,838)	(1,562,842)	(1,312,697)	(3,856,377)
Debt impairment	(3,258,625)	(1,125,288)	1,303	(4,382,610)
Impairment of Property, plant and equipment	(16,692)	-	-	(16,692)
Depreciation	(286,121)	(124,547)	(55,472)	(466,140)
Investment revenue	222,818	172,473	255	395,546
Finance costs	(118,017)	(118,017)	-	(236,034)
Surplus/(deficit) for the year	**(2,518,466)**	**4,401,011**	**(760,323)**	**1,122,222**

Unallocated relates to items that could not be allocated reasonably between water and sanitation.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

45. Segment Reporting Information (continued)

2023

Statement of Financial Performance	**Water**	**Sanitation**	**Unallocated**	**Total**
Revenue from exchange transactions	8,982,510	6,161,304	2,865	15,146,679
Water inventory expensed	(4,943,586)	-	-	(4,943,586)
Water Losses	(2,479,977)	-	-	(2,479,977)
Revenue from non-exchange transactions	281,839	316,271	38,995	637,105
Operating expenditure	(1,004,857)	(1,617,088)	(891,200)	(3,513,145)
Debt impairment	(2,364,138)	(798,362)	(1,465)	(3,163,965)
Impairment of property, plant and equipment	(30,602)	(46,324)	-	(76,926)
Depreciation	(379,704)	(139,810)	(6,272)	(525,786)
Investment revenue	171,439	129,514	2,978	303,931
Finance costs	(123,355)	(123,355)	-	(246,710)
Surplus/(deficit) for the year	**(1,890,431)**	**3,882,150**	**(854,099)**	**1,137,620**

Unallocated relates to items that could not be allocated reasonably between water and sanitation.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2024	2023 Restated

46. Reconciliation of budget and actual information

Differences between budget and actual amounts on the basis of presentation

The budget and actual amounts are both on the accrual basis of accounting. The classification of budget information is based on the uniform guidelines provided by the parent company. The following aggregation was applied to actual information to align to the budget classification.

Service charges - water revenue	Refer to the sale of water in note 25
Service charges - sanitation revenue	Refer to rendering of sanitation services in note 25
Interest earned- outstanding debtors	Refer to interest on customers in note 30
Interest earned - outstanding debtors intercompany	Refer to note 30 interest earned - sweeping account and interest on notional accounts.
Other revenue	Refer to other in note 25 and developer funded network and bulk contributions received in note 26.
Employee related costs	Refer to employee costs in note 29 less the COID insurance included under operating expenditure intercompany .
Debt impairment	Refer to allowance for debt impairment in note 28
Depreciation and asset impairment	Refer to depreciation, amortization and impairment on property plant and equipment in note 28
Finance charges	Refer to note 31 less amount included as intercompany which relates to the loans from shareholder.
Losses	Refer to water losses in note 28
Inventory consumed	Refer to cost of inventory expensed as disclosed in note 5 with the exception of water losses.
Transfers and subsidies - Capital National/Provincial	Refer to all conditional government grants in note 26

The following expenditure is included under operating expenditure - inter company		
Insurance :Coid - disclosed under employee cost in note 29	10,090	9,500
Fleet and non-motor insurance disclosed under insurance in note 28	103,650	40,185
COJ Service fees disclosed under note 28 - contractors metering and revenue services	293,278	280,649
Sap Maintenance License- disclosed under note 28 information technology expenses	12,000	12,000
Training fees MFMA - disclosed under training	-	1,218
	419,018	**343,552**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in Rand thousand	2024	2023 Restated

46. Reconciliation of budget and actual information (continued)

Contracted services include the following categories		
Contractors VIP and chemical toilets	153,927	207,006
Lease rentals on operating lease #	150,084	109,821
Contractors maintenance service #	107,052	124,161
Sewer system charges	226,627	202,806
Vacuum tankers	180,446	95,088
Water tankers	165,535	121,639
Reinstatements	55,187	32,532
Mobile plant by contract	43,239	31,231
Other expenses #	2,635	746
Specialist services	34,416	33,260
Contractors metering and revenue services	22,676	19,621
Fuel and oil	60,622	61,128
Information technology expenses #	2,091	1,646
Security #	115,415	93,986
Legal fees	5,622	-
Sludge disposal	1,558	2,912
Utilities #	-	319
	1,327,132	**1,137,902**

Refers to line items that include contracted services and other expenditure within the same category.

Other expenditure includes all other expenditure not categorised above.

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