



INTEGRATED REPORT

2018-2019

Towards a Smart Market

Company Information

Country of Incorporation and Domicile:	South Africa
Registration Number:	2000/023383/07
Registered Address:	Market Main Building 4 Fortune Road (Off Heidelberg Road) City Deep 2049
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Municipal Erf Number:	Erf 117 & 118 City Deep
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Auditors:	Auditor-General of South Africa
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Anti-Fraud Hotline:	0800 002 587

SMART GOALS

Vision

A smart fresh produce trading hub that is globally competitive

Mission

A trading complex that catalyses the growth of the City's economy through an inclusive business environment

Values

Transparency
Service excellence
Integrity
Innovation

Joburg Market

Towards a Smart Market



GPS Coordinates: S26° 13' 678" E28° 04' 866"



Towards a Smart Market



INTEGRATED REPORT 2018 /2019

03

Glossary of Terms

ACRONYM	DETAIL
AGM	Annual General Meeting
ARC	Audit and Risk Committee
BBBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
BPR	Business Process Re-engineering
CAPEX	Capital Expenditure
CEO	Chief Executive Officer
CIPC	Companies and Intellectual Commission
CFO	Chief Financial Officer
COBIT	Control Objectives for Information and Related Technology
CoJ	City of Johannesburg
COO	Chief Operations Officer
CSI	Corporate Social Investment
DED	Department of Economic Development
EPWP	Expanded Public Works Programme
FIPC	Finance, Investment and Procurement Committee
FPM	Fresh Produce Market
GAP	Good Agricultural Practice
GDS	Growth and Development Strategy
GRAP	Generally Recognised Accounting Practices
GRAS	Group Risk and Assurance Services
GRI	Global Reporting Initiative
HIV/AIDS	Human Immunodeficiency Virus Infection / Acquired Immunodeficiency Syndrome
HR	Human Resources
IAC	Independent Audit Committee
IDP	Integrated Development Plan
IEC	Independent Electoral Commission
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
ILP	Individual Learning Portfolio
IMASA	Institute of Market Agents of South Africa
IT	Information Technology
ITIL	Information Technology Infrastructure Library
JM	Joburg Market
JOSHCO	Johannesburg Social Housing Company
JRA	Johannesburg Road Agency
KPI	Key Performance Indicator
MFMA	Municipal Finance Management Act, 56 of 2008
MMC	Member of the Mayoral Committee
MotF	Market of the Future
MSA	Municipal Systems Act, 32 of 2000
NDP	National Development Plan



Glossary of Terms

ACRONYM	DETAIL
NGO	Non-Governmental Organisation
NHBRC	National Home Builders Registration Council
OHS	Occupational Health and Safety Act
OPEX	Operational Expenditure
PDA	Public Development Authority
PIP	Priority Implementation Plan
REMCO	Remuneration and Human Resource Committee
SADC	South African Development Community
SANAS	South African National Accreditation System
SCM	Supply Chain Management
SDA	Service Delivery Agreement
SDC	Service Delivery Committee
SDBIP	Service Delivery and Budget Implementation Plan
SEC	Social and Ethics Committee
SETA	Sector Education Training Authority
SHE	Safety, Health and Environment
SMME	Small, Medium and Micro Enterprise
SoA	Sweating of the Assets
SOC	State-owned Company
SPS	Sales Processing System
TCTA	Trans Caledonian Tunnel Authority



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About This Report

Section 1: Scope

Since 2012, the Joburg Market (JM) has applied Circular 63 of the Municipal Finance Management Act (MFMA) No 56 of 2003 issued by the National Treasury in the preparation of its Annual Reports. The circular prescribes the content Municipalities should consider the preparation of Annual Reports. The 2018/2019 Integrated Report provides all the required data and tables in relation there to.

To comply with local and international sustainable reporting best practice guidelines, the 2018/2019 Integrated Report take into account the financial, social and economic factors in reporting on JM's business operations. The guidelines applied include;

- Reporting requirements as per the Municipal Finance Management Act Number 56 of 2003, Circular 63 (MFMA);
- The South African Statements of Generally Recognised Accounting Practice (GRAP);
- Section 46 (1) of the Municipal Systems Act (2000)
- International Integrated Reporting Council's Integrated Report Framework (IIRC IRF)
- King Code of Governance for South Africa
- National Treasury Guidelines and Regulations; and
- Batho Pele Principles.

JM's objectives are aligned to the CoJ's 2016/17 - 2020/21 Integrated Development Plan and the Joburg 2040 Growth and Development Strategy (GDS 2040).

Section 2: Materiality

JM applies the principle of materiality in determining the nature, timing and extent of disclosures in its Integrated Reports. A matter is considered material if it is of such relevance and importance that it could substantially influence an assessment of the report and the entity's ability to create value in the short, medium and long term. Material matters are embedded into the company's processes in accordance with the following factors which influence inputs of efficiency;

- **Strategy:** To feed into ongoing strategy development by highlighting rapidly emerging issues and enabling them to be factored into strategy development and possibly addressed as business opportunities, rather than ignored until they become business risks;
- **Performance:** To promote internal understanding on the link between environmental, social and governance issues and business performance;
- **Stakeholder Engagement:** To provide a framework that will inform stakeholder engagement strategies and a tool that will assist identifying opportunities for dialogue and collaboration; and
- **Reporting:** To determine the scope of reporting and other communications so that they are more strategically aligned and useful to external stakeholders.

Internal Criteria	External Criteria
Joburg GDS 2040 criteria and objectives	Emerging opportunities and challenges facing JM
	Changes in the socio-economic development agenda and priorities of national and provincial government
Enterprise Risk Management Process, including key risks affecting JM's strategic and operational objectives and the associated mitigating activities	Factors that may affect JM's reputation and influence its ability to promote sustainable growth
Stakeholder feedback and expectations	The provisions of various frameworks, including the MFMA, Section 46(1) of the MSA, King Code, IFRS, MGDs & BBEEE code
JM's Vision, Mission, Values and Strategic Objectives	
JM's governance framework and policy environment	

Section 3: Assurance Statement

JM's Executive Management, Internal Audit Unit, Audit and Risk Committee and the Board have reviewed and assessed the company's Integrated Report for 2018/2019 to ascertain whether minimum disclosure requirements have been complied with in line with Circular 63 of the MFMA on Annual Reporting Requirements and the Integrated Reporting Framework.

JM will continue to refine its approach to reporting to ensure continuous alignment to international standards, and to maintain consistency and accountability in executing its mandate or brand strive to be consistent and accountable in its work to record JM's mandate for all its stakeholders of Johannesburg.

Section 4: Board Responsibility and Approval

The Board is responsible for the fair presentation of the financial statement of the entity. The Financial statements presented in Chapter 5 have been prepared in accordance with Generally Recognised Accounting Standards and fairly represents the financial position of the organisation.

The Board is further accountable for the preparation of other information in the Integrated Report for both its accuracy and consistency with financial statements. The Board is also accountable for the presentation of the JM's Audited financial Statements noted in this document and the integrity of the disclosures recorded in the Integrated Report. The going concern basis has been adopted in preparing the financial statements. Refer to Chapter 5 for detailed information of the company's financial performance.

The financial statements were approved by the Board of Directors on 30 August 2019 in accordance with the company's Separation of Powers.



Ms Yolisa Ngxabazi
Chairperson: Board of Directors
Joburg Market SOC Limited



CHAPTER ONE

Leadership and Corporate Profile

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Councillor Lloyd Phillips

MMC Economic Development

As a Member of the Mayoral Committee, it humbles me to present the Joburg Market 2018/19 Integrated Report. The Joburg Market has intensified its efforts towards strengthening capacity and utilising allocated resources to achieve its strategic objectives in support of Mayoral Priorities applicable to the environment. As part of its commitment towards a clean, safe and smart market, JM has, in the 2018/19 financial year received recapitalisation budget to fund the urgent needs of the Joburg Market.

The GDS 2040 outcomes imperative of financial stability and the IDP objective of achieving economic growth for the City of Johannesburg have not been taken lightly by the Joburg Market. Through the trading floors, the turnover of the Market surpassed its intended budget by achieving a record of R7.9 billion against the budget of R7.5 billion. This is an 8.2% growth since the prior financial year. This growth is a welcome achievement and we look forward to sustaining this growth so that the SMME's and informal businesses can keep thriving as far as they are linked to the Joburg Market business

Response to Mayoral Priorities

JM has an obligation to ensure the strategic alignment to the City's strategic objectives as well as Mayoral Priorities. In order to fully fulfill and achieve its mandate, the Joburg Market has been consistent in increasing its revenue and bottom line. For the financial year under review, a number of partnerships were created to realise short, medium and long term goals, including support for the SMMEs. JM has partnered with the Department of Economic Development in the City of Johannesburg will be setting up an Opportunity Centre at the Market in order to continue its trajectory of empowering small businesses with the best practices of running a sustainable company. This facility is aimed at ensuring that fresh and non-fresh produce small businesses are mentored and supported to ensure future growth and sustainability.

Challenges affecting Service Delivery

In the reporting period, JM also experienced some operational challenges, particularly the negative impact of the ageing infrastructure on business operations. The Market has traded in the City Deep precinct for over 40 years, and the facility has started to show signs of deterioration. This has become an impediment in terms of rendering effective services. Council considered the importance of this business and saw it necessary to appropriate a budget of R305 million over the next 3 years, which will be invested in the refurbishment or upgrade of the facilities.

JM worked on the rental rates for the sites, which for a long time, were unreliable. This will enable the signing of long outstanding leases in the Market. These are aimed at creating certainty to tenants as well as improve the administration and management of the facility as far as the company contracts with the users.

Acknowledgements

In terms of strategic partnership, JM has managed to establish good relationship with stakeholders.

I take this opportunity to thank the Board, Management and staff of JM for ensuring that the company contributes positively to the imperatives of the City. It is our considered view that the Smart Market trajectory will deliver a fresh produce market that competes globally and that continues to spur the economic development of the City.

Cllr Lloyd Phillips



Yolisa Ngxabazi

Chairperson of the Board of Directors

In 2018, the Joburg Market Board adopted the Smart Market Strategy. Since that adoption, the organisation has commenced its response to the multitude of needs that have accumulated over time. This strategic trajectory has placed the needs of our stakeholders at the heart of our delivery objectives. It is anticipated that innovative solutions that are intended will ease the stakeholder pain when it comes to doing business with the JM.

The 2018/2019 financial year has seen the Market's footprint growing from strength to strength. The Market Share has improved from 44.02% to 45.5%, indicating JM's dominance as a leader in fresh produce. This growth signifies the confidence of our farmers, buyers and agents to the value offered by JM facilities. Ours is to deliver on the excellent service that our stakeholders have come to expect of a Market that has set its eyes on the global arena.

In the year under review, JM completed the Recapitalisation Programme for the medium and long term. This programme is aimed at restoring the infrastructure to suitable trading conditions so that we could ensure seamless trading processes. Against this backdrop, we noted that the maintenance fund was relied upon to replace some capital items that started to fail, signifying that the property cannot handle the stress of the trade in its current form. We thank the City for responding to the recapitalisation call by way of appropriating funding to the JM.

I would like to thank the Board and its Committees for their strategic support and encouragement to continue to take the JM to greater heights.

Yolisa Ngxabazi



Ayanda Kanana

Chief Executive Officer

The Joburg Market's drive towards a SMART Market is underpinned by our ability to provide a facility that is Clean, Safe & Smart through efficiencies and innovative solutions we implement. We underwent a structural review process in order to align with the strategic direction of the organisation. Essential changes took place at the Executive Senior Management level and these changes are expected to yield full benefits in the medium term.

We have seen the business respond in half-certain but definitely progressive steps towards the SMART Market direction. Through change management principles that we instilled to our management team, we saw some basic changes taking place in the Market:

- We completed the precinct plan for discussion with our Agents and Tenants;
- We restored the roads upgrade which improved the user experience;
- We added IT capacity for our servers to prepare for user portals for farmer, buyers and agents;
- We progressively migrated our employees to an electronic payroll system;
- We commenced with the implementation of the public Wi-Fi in the precinct;
- We commenced with the demolition of the exit gate tower for a simpler exist point;

These developments and others in the pipeline responded directly to the IDP objectives and Diphetogo principles.

Our tonnage received from farmers improved from the prior year from 1.3 million to 1.4 million. This translates to a record-breaking R7.9 billion against a budget of R7.5 billion. Our surplus improved from R95.8 million to R125 million. These improvements cemented our position in the industry as a leading market with a market penetration of 45.5%. This responded directly to the City's sustainability objectives. This growth was not only limited to the Market. Our SMME's shared in the contracts awarded for service delivery objectives, and contractor and EPWP jobs were created in the process. We believe that the Market is one of the key contributors to the 5% growth in the economy of the City, and can do more for the economic transformation of the City.

While we experienced much success in igniting change and steering towards and our vision of being a globally competitive organisation, we did see some failures in what we had set for ourselves. These were as follows:

- Our inability to spend the full maintenance budget – only 41.7% of R & M Budget spent;
- Our inability to spend the full allocation of the capital budget – only 86% of CAPEX Spent;
- Our inability to pay invoices within 30 days – only 50% of invoiced were paid on time;

These are critical success factors for the Market and our processes need to be aligned to ensure that we are able to meet these key areas of performance. Our partnership with the JPC is anticipated to deal with some of the repairs and maintenance backlog in the 2019/20 financial year. These areas stand firm as key risks for the organisation and mitigations we have put in place must deliver results.

Our 2018/19 Auditor-General audit presented an improvement in the overall internal controls. Several repeat audit findings were resolved. Our focus on an improved control environment has yielded benefits and we intend on growing this footprint to ensure that our controls are preventative in nature and not only corrective.

We appreciate the partnership with our shareholder departments and the sister entities for collaborative work. These include group finance for our overall budget processes, Pikitup for waste collection and JPC for the newly established infrastructure contracts. The achievements we have made together are remarkable and must be celebrated. The Joburg Market also acknowledges the role of APAC under the able leadership of Mr. F Knowles and we commit ourselves to work with him as a Regulator.

Once again, the Market is grateful to the Board of Directors for the support and direction given to deliver on the mandate. We also thank the office of the MMC for the open-door policy and willingness to unbundle any problem we face as we forge ahead. We also thank our employees, who remain dedicated and committed, in spite of numerous challenges experienced during the year. Your focus on the achievement of organisational goals remains commendable. With you onboard, the Market is set for even greater and greener pastures

Ayanda Kanana



Sifiso Dlamini

Chief Financial Officer

It has been a challenging year from a South African economy point of view with growth slowing from 1.3% in 2017 to 0.7% in 2018. It is however expected to reach 1.5% by the end of the year 2019. This has been evidenced by the grim reading of the unemployment figures, which stood at 27.6% by the end of the 1st quarter of 2019. Given the slowdown in economic activity and the increasing levels of unemployment, it is pleasing that the JM managed to increase its overall revenue by 9.9% compared to the prior year.

The main charge in these pleasing results came from commission income and interest income, which grew 8.5% and 49.5% respectively if you compare to the prior year. This is quite a phenomenal achievement considering that we are predominantly a cash business.

The following represents some of the highlights for the year under review:

- Revenue earned of R496million against a budget of R449million
- Net surplus realized of R123million against a budget of R97million.
- Strong liquidity and solvency ratios
- Improved capital spending of R34million compared to R13million in the prior period.

In spite of our best efforts to execute and deliver on our mandate, there were areas where we fell short. These areas have been made a priority for the upcoming financial year and management is reasonable certain that the plans put in place to address those areas will bear some fruits. One area in particular that remains a black spot is the repairs and maintenance, which has seen under performance for 2 years in a row. It gives me no pleasure to report that we managed to only spend 41.7% of our repairs and maintenance budget in the current year. Given the age of our infrastructure and how critical this spending is to our revenue-generating capacity, this is one area, which we need to get right.

Key focus areas for the coming financial year:

- To execute on the CAPEX project that has been approved.
- To instil better financial management control that will ensure that suppliers are paid on time.
- To improve repairs and maintenance spending on the facility.

The prevailing economic climate is expected to continue in the short to medium term. We are not immune to its effects, which is why the focus remains improving our infrastructure in the short to medium term so as to keep our existing stakeholders and attract new business.

I remain grateful for the support that I have received from the staff during the financial period. I look forward to completing this journey we have started in the coming years.

Sifiso Dlamini

Strategic Objectives

The Joburg Market strategy seeks to respond to various internal and external elements by identifying opportunities for economic growth and job creation. The strategy supports the achievement of Government initiatives and is aligned to the National Development Plan (NDP), the Joburg GDS 2040; CoJ's, Integrated Development Plan (IDP) and Service Delivery and Budget Implementation Plan (SDBIP). The following are the entity's strategic objectives:

Short Term

- Ensure Financial Sustainability and growth of the entities
- Ensure effective stakeholder engagement

Medium Term

- Operate a sustainable, resilient premier marketing and trading facility
- Ensure that our staff are engaged, skilled, motivated and satisfied

Long Term

- Become an agent for socio-economic transformation
- Become a high-performance organisation

6.1 Achievement of short term strategic objectives

The Joburg Market intends to implement the following strategies to achieve these strategic objectives;

- A draft stakeholder engagement and communication strategy and plan has been finalised. It is going through internal governance and approval processes. It is envisaged that this will create a solid platform for effective stakeholder engagement interventions.
- In conjunction with Market Agents, the Joburg Market has embarked on a space optimisation project, which will see more revenue generated per square metre than before.

6.2 Achievement of medium term strategic objectives

The Joburg Market intends to implement the following strategies to achieve these strategic objectives;

- The Joburg Market has finalised the Precinct Development Strategy and Plan, which is being utilised to motivate for the recapitalisation of the company. Arising out of this intervention, an appropriation of R 305 million has been allocated in the medium term to fund the completion of priority projects. These projects will see the market becoming a resilient premier marketing and trading facility;
- The Joburg Market has developed a skills plan, which is aligned to the new strategy. The skills plan seeks to fast-track the training and development of employees and enhances competencies. To ensure that staff remains engaged, CEO Engagements are held periodically to brief staff on company developments. Relationships with labour are also being strengthened through labour forums, where-in local issues are discussed and resolved.

6.3 Achievement of long term strategic objectives

The Joburg Market intends to implement the following strategies to achieve these strategic objectives;

- To become an agent for socio-economic transformation, the Joburg Market has embarked on two key projects that are targeting historically disadvantaged individuals. Conceptual designs of the Pack-house have been completed to target emerging black farmers; and the business plan for the establishment of the Eikenhoff Farm for women and the youth has also been completed. Discussions on the operating model and implementation plans are at an advanced stage.
- To become a high-performance organisation, the company has adopted the Smart Market Strategy, which seeks to seamlessly integrate people, systems and processes that would improve both people and company performance.



The 2019 Public Sector
CEO of The Year

AYANDA KANANA

Johannesburg Market

Overview of Joburg Market

The company owes its origins to the establishment of the fresh produce market at the Market Square in central Johannesburg in 1887 where three thousand people congregated to trade in fresh produce. As the City grew so did the trading of fresh produce. This prompted the building of a new facility in Newtown in 1913. The Market achieved an annual turnover of R1.5 million in 1913. The premises in Newtown became too small and by 1974, the market relocated to its current location in City Deep.



The political transition in South Africa saw Joburg Market (JM) emerge as a private company, wholly-owned by the City of Johannesburg Metropolitan Municipality (CoJ) in 2000, it was later converted into a State-Owned Company SOC in line with the implementation of the Companies Act of South Africa (Act No. 71 of 2008).

The Company is required to comply with various pieces of legislation that set out the statutory requirements, among them being the Companies Act, the Municipal Systems Act and the Municipal Finance Management Act 56 of 2003.



The Company represents the biggest fresh produce market in Africa in terms of the volume of fresh produce traded and has a staff complement of 302 employees. JM trading facilities are provided to farmers across the RSA whose produce is marketed and exposed daily to thousands of buyers from South Africa and the Southern African Development Community (SADC) region. JM, Market Agents and Tenants operating within JM's facilities create jobs within the sector.

JM plays a critical role in determining the price for the fresh produce industry in South Africa since it represents 44.00% market share of the National Fresh Produce Market in both volume and turnover. The Company is the only fresh produce market with a South African National Accreditation System (SANAS TO532) accredited laboratory to ensure the maintenance of food safety standards.

Mandate

The Company is mandated to manage and operate a market facility through the provision of SMART market facilities and complementary services to the fresh produce industry.

This will include the following:

- Provision and management of facilities and services for the distribution of fresh produce;
- Ensuring a competitive trading platform for fresh produce trading;
- Enabling market access, sustainable availability and affordable fresh produce and,
- Ensuring food safety and quality standards



Joburg Market Value Creation Process

Value is created through an organization's business model, which takes inputs from the capitals and transforms them through business activities and interactions to produce outputs and outcomes that, over the short, medium and long term, create or destroy value for the organization, its stakeholders, society and the environment.

The nature of those effects informs an assessment of whether, to what extent, for whom and over what timescales value has been created. This in turn depends in part on the outcomes from the business model for the environment and for consumers and other stakeholders affected by the organization's activities. Figure 1 below depicts the Joburg Market Value Creation Process.

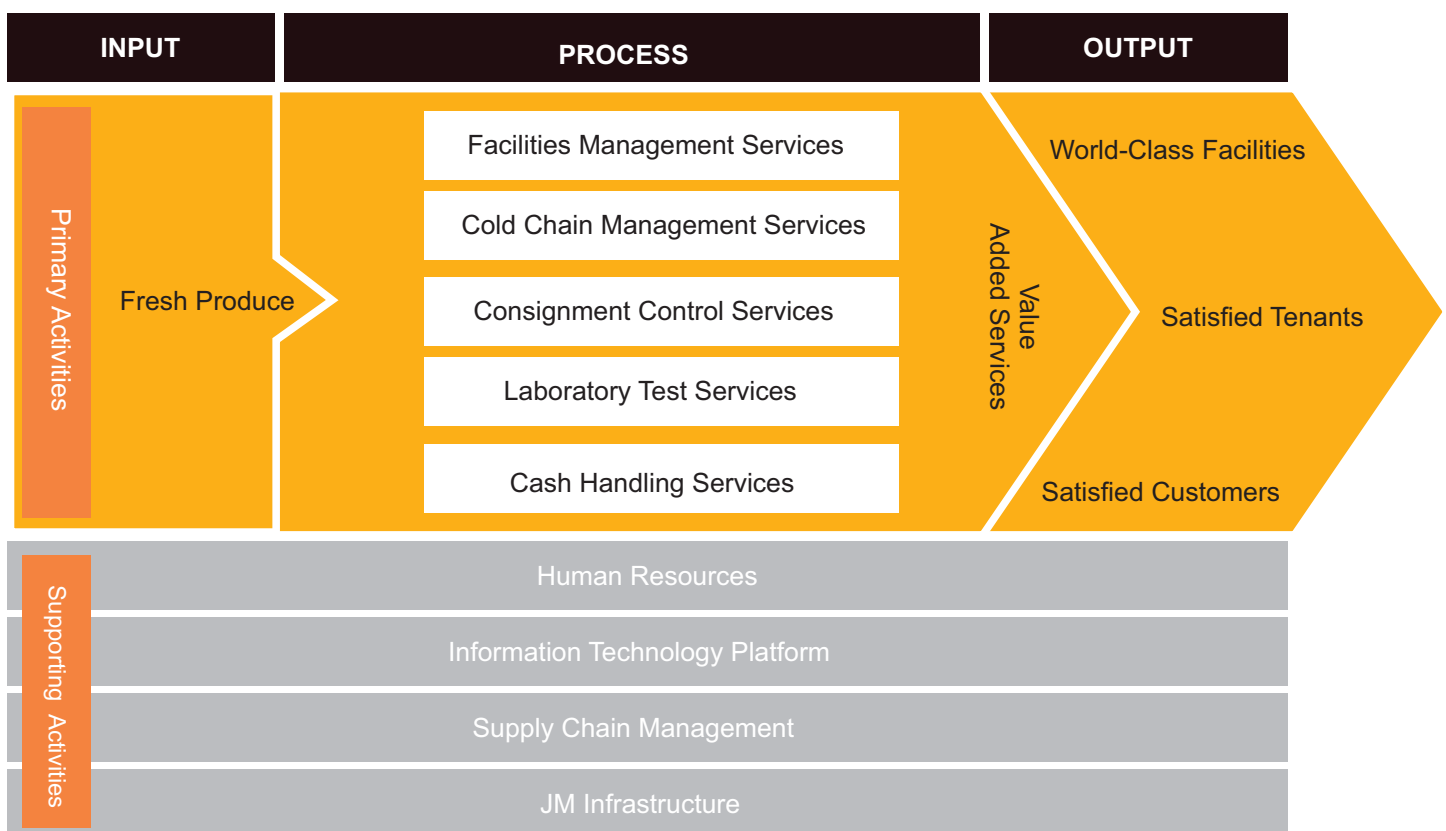


Figure : Value Creation Process

The Value Creation Process is characterised by the following;

- The JM's various inputs (i.e. financial, human, intellectual) that are transformed into financial returns as well as non-financial outcomes;
- JM has aligned all its business activities to achieve expected results by optimising its gate to gate process

The net outcome of the value creation process is to have clean, safe and smart market facilities that meet the requirements of all stakeholders.

Joburg Market Supports SME



Corporate Governance Statement

Corporate governance ensures that accountability and governance arrangements are in place. In line with, Section 121(2) (c) of the Municipal Finance Management Act (MFMA), the Joburg Market is required to compile and publish an Integrated Report and equally communicate information on governance matters with communities in compliance to the requirements of Section 18(1) (d) of the Municipal Systems Act (MSA). The purpose of this Integrated Report is to promote accountability to Shareholders, City of Johannesburg, communities and other stakeholders for the decisions taken by the Board on matters relating to administrative structures, throughout the 2018/19 financial year.

Governance Framework

JM recognises that conducting its affairs with integrity will ensure that the public and its parent municipality, the City of Johannesburg Metropolitan Municipality, have confidence in its work. To that end, the JM Board of Directors and executive management team subscribes to the governance principles as prescribed by relevant legal and regulatory prescripts.

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

Governance Arrangements

JM falls under the Department of Economic Development, who provides strategic direction on key business issues and reports to the office of the relevant MMC which exercises political oversight. JM is also part of the Economic Development Mayoral Cluster Committee, which coordinates and integrates all departments and entities responsible for economic development in the City. The Council's Section 79 Portfolio Committee on Economic Development provides political oversight on JM's operations.

The Joburg Market has signed both the Shareholder Agreement and the Service Delivery Agreement. These documents define the strategic and operational direction that the company requires to take and defines service standards, scorecards and performance measures expected by the Shareholder. In addition, the Board of Directors is appointed by the Shareholder to take accountability for strategic and operational matters related to strategy, risk mitigation and performance management.

Implementation of the King Codes of Corporate Governance

JM applies the King IV governance principles to entrench and strengthen recommended practices in its governance structures. The Board and Executive Team recognise and are committed to the principles of openness, integrity, and accountability advocated by the King Code on Corporate Governance. Through this process, the shareholder and other stakeholders may derive assurance that the entity is being ethically managed according to prudently determined risk parameters.

Ethical Leadership

The Board of Directors, as the Governing Body remains committed to the implementation of good corporate governance principles as set out in King IV. The Board is also committed to exercising ethical and effective leadership in the running of operations at the Joburg Market. Ethical leadership is characterised by Integrity, Competence, Responsibility, Accountability, Fairness and Transparency. Board strives to ensure that these values permeate throughout JM business operations and in relationship with staff and all other stakeholders.

Corporate Citizenship

The social responsibility of JM and the extent, to which legal, ethical, and economic responsibilities are concerned, as established by shareholders, remain a focus for the organisation. As a good corporate citizen, operations and projects decisions are taken with due consideration of the myriad of social responsibilities that affects society. This area of the business is overseen by the REMSEC Committee, with periodic feedback provided as and when required.



CHAPTER TWO

Corporate Governance

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Composition, Key Activities & Remuneration of Board Directors

Board Composition

The Board consists of two executive and nine non-executive directors. The Board is satisfied that its composition reflects the appropriate mix of knowledge, age, skills, experience, diversity and independence to be fully effective in providing the required oversight and guidance to JM towards the achievement of its strategic objectives. The Board also provides quarterly, bi-annual and annual reports on its performance and service delivery to the Shareholder as prescribed in the SDA, the MFMA and the MSA. The regulatory framework, as prescribed, has influenced the design and constitution of the Board and the oversight committees. The Board remains accountable to the CoJ Metropolitan Municipality as the entity's sole shareholder.

The Board, as the accounting authority of the company, is the highest decision-making body within the organisation (see section 2 below). The process of decision-making is managed through JM's Delegation of Authority, which prescribes certain powers to the Accounting Officer. The roles of Chairperson and Chief Executive Officer are separate and the Chairperson has no executive functions and is considered independent. Board members have unfettered access to the Company Secretary who is responsible for providing advisory services to the Board and its Committees on statutory, compliance, regulatory and other governance related matters.

BOARD OF DIRECTORS



Yolisa Ngxabazi
Chairperson



Abigail Ramakoaba
Non Executive



Busisiwe Makgalo
Non Executive



Michael Kgopa
Non Executive



Happy Godi
Non Executive



Pat Naidoo
Non Executive



Livhuwani Nengovhela
Non Executive



Muemeleli Mutanwa
Non Executive



Sihle Ndlovu
Non Executive



Citizen involvement in the planning and implementation of projects

The Joburg Market works closely with various stakeholders to ensure the participation of stakeholders in the planning and execution of strategic projects. These engagements involve allowing tenants, market agents, wholesalers and other stakeholders define what their business requirements are. Through the project office, the necessary project planning, which include feasibility studies is undertaken.

This information serves as input to the Joburg Market Medium Term Revenue and Expenditure Framework (MTREF). Projects are then motivated and where applicable, the necessary budgets procured. JM's procurement strategies are geared towards empowering local communities through the rollout and implementation of various work packages.

As at the end of the 2018/2019 financial year, JM created 215 jobs/job opportunities. In addition to this achievement, JM, in partnership with CoJ's Department of Social Development, has distributed food parcels to identified indigent families and deserving NGOs. With the implementation of projects, JM ensures that local labour is utilised, targeting largely the youth and women. In the year under review, about 100 EPWPs were deployed in various projects. The Audit and Risk Committee provides strategic project oversight and reports to Board on any non-compliances.

Compliance with laws, rules, codes and standards

The Board oversees the entity's compliance with applicable laws, rules, codes and standards and this remains an important consideration in all its decision-making processes. Reported incidents of non-compliance with laws and regulations are addressed in accordance with relevant governance prescripts.

JM operates within its Delegations of Authority, which is continuously reviewed in line with business and legislative requirements

Environmental Management.

The Joburg Market subscribes to the principle of sustainable development in relation to all operational and capitalised projects, from conceptual design, right up to project handover. Sustainable development is understood as: 'development that meets the needs of the present without compromising the ability of future generations to meet their needs'. It is a fitting response to the organisation being an integral part of society, its status as a corporate citizen and its stakeholders' needs, interests and expectations

The designs in some of our strategic projects have incorporated elements such as the harvesting of rain water, the deployment of photovoltaic systems to power up new building, the replacement of existing globes with energy efficient ones and the upgrading of our cold management systems to be much more energy efficient.

In addition, our partnership with the community in terms of waste material reclamation has been the establishment of a number of SME entities that recycle paper, wood, plastics and other waste material. The company is also working with CoJ's EISD to turn our waste produce in methane gas, which could be utilised to power up Metro Buses.

The role of Internal Audit

In compliance with Section 138 of the Companies Act, JM has appointed an Internal Audit Unit. The role of internal audit is to provide independent assurance that an organisation's risk management, governance and internal control processes are operating effectively. In addition, Internal Audit assists the organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The role played by the Internal Audit Unit in the period under review is captured in Chapter 6 of this Integrated Report.

Board of Directors

Table 3 below depicts pertinent details of previous and current Non-executive Directors and Independent Audit Committee members:

Board Member	Capacity	Period of Membership	Qualification/s	Race	Gender	Board Committee Membership
Doris Dondur	Chairperson (Non-executive)	16 March 2017	CA(SA), MBA	White	Female	Pre AGM 17 April 2019 Post AGM 17 April 2019
Jan Mocke	Non-executive	16 March 2017	MBL, Bsc Engineering Electronic	White	Male	REMC0/SEC Retired
Sihle Ndlovu	Non-executive	16 March 2017	MBA, Chartered Institute of Management Accounting (CIMA)	Black	Male	None ARC
Abigail Ramakoaba	Non-executive	16 March 2017	Msc Bio Chemistry	Black	Female	REMC0/SEC REMC0/SEC
Livhuwani Nengovhela	Non-executive	16 March 2017	International Executive Development Programme, LLM in Labour Law, B Com Honours	Black	Male	REMC0/SEC Chairperson, ARC
Pat Naidoo	Non-executive	10 May 2017	B. Engineering, MBA, MSc Electrical Engineering, PhD	Indian	Male	REMC0/SEC REMC0/SEC
Tumelo Mlangeni	Non-executive	13 November 2018	BA Degree, Executive Development Programme	Black	Male	None Retired
Wellington Twala	Non-executive	13 November 2018	PhD, National Dip Civil Engineering, B Tech Civil Engineering, Bsc Applied Science	Black	Male	None Retired
Yolisa Ngxabazi	Chairperson (Non-executive)	17 April 2019	LLB, ITIL Foundation Certificate, Legal Management Training,	Black	Female	N/A Chairperson

2.1.1 Board of Directors

Table 3 below depicts pertinent details of previous and current Non-executive Directors and Independent Audit Committee members:

Board Member	Capacity	Period of Membership	Qualification/s	Race	Gender	Board Committee Membership
Busisiwe Makgalo	Non-executive	17 April 2019	MSc Research Methods, M Phil Economic Development, BA Sociology	White	Male	Pre AGM 17 April 2019 Post AGM 17 April 2019 REMCO/SEC
Michael Kgopa	Non-executive	17 April 2019	MBA, Masters of Engineering, Bsc Computer Science	White	Male	N/A ARC
Muimeleli Mutangwa	Non-executive	17 April 2019	MSc Engineering, BSc Engineering, Small Business Boast	Black	Male	N/A REMCO/SEC
Happy Godi	Non-executive	17 April 2019	LLB, Admitted Attorney, Admitted Notary Public, Admitted Conveyancer	Black	Male	N/A REMCO/SEC
Rob Theunissen	Independent Audit Committee	16 March 2017	CA(SA), B Acc, Dip in Criminal Justice and Forensic Auditing	Black	Male	ARC Chairperson Retired
Robert Hill	Independent Audit Committee	25 February 2014	BSc Honours in Computer Science, Higher Dip Computer Auditing, Bsc Information Processing	Indian	Male	ARC Retired
Cassim Tilly	Independent Audit Committee	10 May 2017	CA(SA), M Com SA Domestic and International Tax, Post Graduate Dip Auditing, Certificate Theory of Accountancy, B Acc Honours, B Com	Black	Male	ARC Retired
Michael Sass	Independent Audit Committee	17 April 2019	PhD, National Dip Civil Engineering, B Tech Civil Engineering, Bsc Applied Science	Indian	Male	N/A ARC Chairperson
Morwesi Ramonyai	Independent Audit Committee	17 April 2019	International Executive Development Programme, Executive MBA, B Com	Black	Female	N/A ARC

2.1.1 Board of Directors

Table 3 below depicts pertinent details of previous and current Non-executive Directors and Independent Audit Committee members:

Board Member	Capacity	Period of Membership	Qualification/s	Race	Gender	Board Committee Membership
Aubrey Mokwena	Independent Audit Committee	17 April 2019	MBA, Post Grad Dip Taxation, Professional Accountant, Post Grad Dip in Accounting Science, B Compt	Black	Male	Pre AGM 17 April 2019
Ayanda Kanana	CEO (Executive Director)	01 September 2017	CA(SA)	Black	Male	Post AGM 17 April 2019
Sifiso Dlamini	CFO (Executive Director)	01 January 2018	CA(SA)	Black	Male	None

The Shareholder retired the following members at the AGM held on 17 April 2019.



Board Members Retirement

- Ms. Doris Dondur
- Mr. Jan Mocke
- Dr. Wellington Thwala
- Mr. Tumelo Mlangeni
- Mr. Robin Theunissen (IAC)
- Mr. Cassim Tilly (IAC)
- Mr. Robert Hill (IAC)

None of the members have served for a period longer than 9 years and thus the board has not been required to provide a view regarding the independence of such members.

* The Chairperson of the Board Ms. Doris Dondur resigned as Chairperson and Non-Executive Director of the Joburg Market in October 2018.

**The Mayoral Committee resolved to appoint Mr. Jan Mocke as the Chairperson of the Joburg Market Board in December 2018.

*** Ms. Yolisa Ngxabazi was appointed as Chairperson of the Joburg Market at the AGM held on 17 April 2019.

Duties of the Board

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

- Providing effective, transparent, accountable and coherent oversight of JM's affairs;
- Ensuring that JM complies with all applicable legislation, service delivery agreements and various shareholder policy directives issued by COJ from time to time;
- Dealing with the Shareholder in good faith and communicating openly and promptly on all pertinent matters requiring the attention of its shareholder;
- Determining and developing strategies that set out the organisation's purpose and values in accordance with the shareholder mandate and strategic documents such as the integrated development plan; and
- Reviewing and approving financial objectives, including significant capital allocation and expenditure.

Board Activities

The Company Secretary has certified in terms of Section 88(2) (e) of the Companies Act no 71 of 2008 that all statutory returns have been submitted to the Registrar of Companies. During the reporting period, Board exercised its fiduciary duties and functions as captured in the board charter and work plan for the period under review. Table 4 below provides the high-level details of meeting attendance by Board Members and Independent Audit Committee Members

Members Attendance as at 30 June 2019

Members	Board Meeting		Audit & Risk Committee		REMCO & SEC Committee	
	A	B	A	B	A	B
Dondur D*	4	11	-	-	-	-
Ramakoaba A	8	11	-	-	4	4
Mocke J	8	11	-	-	4	4
Nengovhela L	9	11	7	7	4	4
Ndlovu S	10	11	-	-	-	-
Naidoo P	10	11	-	-	3	4
Thwala W**	3	11	-	-	-	-
Mlangeni T**	3	11	-	-	-	-
Theunissen R (IAC)	7	11	6	7	-	-
Hill R (IAC)	-	-	7	7	-	-
Tilly C (IAC)	-	-	6	7	-	-
Ngxabazi Y***	2	11	-	-	-	-
Kgopa M***	2	11	0	7	-	-
Makgalo B***	2	11	-	-	0	4
Godi H***	2	11	-	-	0	4
Mutangwa M***	2	11	-	-	0	4
Sass M (IAC)***	1	11	0	7	-	-
Ramonyai M (IAC)***	-	-	0	7	-	-
Mokwena A (IAC)***	-	-	0	7	-	-
Kanana A (Executive Director)	10	11	7	7	4	4
Dlamini S (Executive Director)	8	11	7	7	4	4

Meetings attended of the Board and its Committees



Meetings attended



Number of meetings scheduled



Independent Audit Committee Member

*Resigned on 29 October 2018

**Appointed on 06 November 2018

***Appointed on 17 April 2019



Board (Oversight) Committees

During the Annual General Meeting of 2019, the Shareholder limited the creation of the Board Committees to two, to align to legislative requirements. Consequently, the following Board Committees were established.

- Audit and Risk Committee; and
- Remuneration, Social and Ethics Committee

Audit and Risk Committee

The role of this Committee is to provide oversight and independently review the functioning of the organisation's financial position, audit and risk management and accounting controls.

The Audit and Risk Committee operates in accordance with a written Terms of Reference authorised by the Board and is responsible for:

- ensuring compliance with applicable legislations and the requirements of regulatory bodies;
- overseeing matters relating to financial accounting, accounting policies, reporting disclosures;
- reviewing internal and external audit policies;
- reviewing activities, scope, adequacy and effectiveness of the internal audit function and audit plans; and
- reviewing the approval of external audit plans, findings, problems, reports and fees;

The Audit and Risk Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

Remuneration and Human Resources Committee

The role of this Committee is to provide oversight over remuneration policies, HR practices and organisation. Its specific terms of reference also include recommendations to the Board on matters relating to policy, and HR matters, ethics and social responsibility matters.

The Remuneration and Human Resources Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

Shareholder representatives (Group Governance and Office of the MMC: Economic Development) also attend both the Board and Committee Meetings as well.

Remuneration of Directors and Prescribed Officers

Prescribed Officers are remunerated in accordance with the JM's remuneration policy, which is informed by directives issued by the CoJ's Group Governance. The policy is executed in full compliance with local government regulations. Remuneration of non-executive directors and independent audit committee members is determined in accordance with the CoJ Group Remuneration Policy. The remuneration of staff at JM is regulated by the JM Policy, which is used as a tool to incentivise employee performance. The remunerative details are contained in chapter 4 of this report.

Remuneration of Board Directors

The remuneration of Non-Executive Directors for the year under review is reported as follows:

Table : Remuneration of Non-Executive Directors as at 30 June 2019

NON-EXECUTIVE DIRECTORS REMUNERATION				
No	Name	Designation	Meeting Fee YTD (R'000)	Total (R'000)
1	Doris Dondur	Chairperson	68	68
2	Abigail Ramakoaba	Member	158	158



NON-EXECUTIVE DIRECTORS REMUNERATION

No	Name	Designation	Total (R'000)
3	Jan Mocke	Chairperson	203
4	Livhuwani Nengovhela	Member	213
5	Sihle Ndlovu	Member	144
6	Pat Naidoo	Member	187
7	Wellington Thwala	Member	72
8	Tumelo Mlangeni	Member	36
9	Yolisa Ngxabazi	Chairperson	40
10	Busisiwe Makgalo	Member	24
11	Michael Kgopa	Member	24
12	Happy Godi	Member	24
13	Muimeleli Mutangwa	Member	30
Total			1223

Non-Executive Director Remuneration is inclusive of all engagements and meeting attendances (ordinary, special, ad-hoc).

Independent Members' Payments

Table : Remuneration of Independent Audit Committee Members

INDEPENDENT AUDIT COMMITTEE MEMBERS ANNUAL REMUNERATION AS AT 30 JUNE 2019			
No	Name	Designation	Total (R'000)
1	Robin Theunissen	IAC	117
2	Robert Hill	IAC	36
3	Cassim Tilly	IAC	30
4	Michael Sass	IAC	8
Total			191

The total cost of Non-Executive Directors Remuneration as at 30 June 2019 is R1.4m against a budget of R1m for the 2018/19 financial year. This expense is 34% above budget as a result of the need for special meetings during the period under review.

Role of Company Secretary

The primary function of a Company Secretary is to facilitate the relationship between Board and Management. The company secretary is responsible for the general administration, more specifically to ensure compliance to good corporate governance practices and to provide guidance to the directors on corporate governance practices and applicable legislation.

Board believes that the current corporate governance services provided by the company secretary are adequate. However, recruitment is underway to appoint a full time Company Secretary.



High-level Organisational Structure

The JM approved high-level structure of JM as at 30 June 2019 is depicted in Figure 2 below:

Figure 1



As part of the JM efforts to enhance its structure; increased accountability; increased participation in problem-solving, strategy, monitoring and evaluation. The company underwent a rigorous exercise to review and revise its structure in line with the JM SMART objectives.

The new structure was approved for implementation during the 2018/2019 financial year.

Executive Management



Next page provides details on the JM Executive Committee as at 30 June 2019



Executive Management



Mr. Ayanda Kanana
Chief Executive Officer



Qualifications:

- Chartered Accountant (SA)
- Bachelor of Commerce Honours
- Bachelor of Commerce (Financial Accounting)

The CEO is a member of SAICA and is a member of the Ethics Committee at SAICA. He is also a member of the Board of Directors at the East London IDZ. His contract commenced on 1 September 2017 for 5 years.



Mr. Sifiso Dlamini
Chief Financial Officer



Qualifications:

- Chartered Accountant (SA)
- Bachelor of Accounting Science Honours
- Bachelor of Commerce (Economics)



Mr. Charles Hamilton
(Executive Manager – Strategy & Transformation) **Acting**



Qualifications:

- Senior Management programme in Municipal Management/Business Administration
- Strategic Forecasting and Risk Management
- Baccalaureus Degree: Marketing
- National Diploma: Marketing and Sales Management
- Advanced Diploma: Marketing and Sales Management
- Municipal Executives Financial Management





Mr Josiah Mazibuko
(Executive Manager – Core Operations)



Qualifications:

- Master of Science in Engineering Business Management
- International Leadership Development Programme
- Municipal Executives Finance Management Programme: Wits Business School
- Senior Managers Programme
- Management Development Programme
- National Diploma: Electrical Engineering
- Artisan Certificate: Electrician

Mr Charles Park
Acting (Executive Manager: Core Operations)



Qualifications:

- Master of Business Administration (MBA)
- B-Tech in Transportation Management focused on Logistic Management
- National Diploma in Transportation Management
- Municipal Executives Finance Management: WITS Business School



Mr. Tshifhiwa Madima
(Executive Manager – Agri-Business) **Acting**
Resigned 31 December 2018



Qualifications:

- Masters in Agricultural Economics
- Honours degree in Agricultural Economics
- Bachelor of Agricultural Management degree
- Municipal Executives Financial Management
- International Leadership Development Programme
- Post Graduate Diploma in Business Management Practice



Executive Management Remuneration

Table 8 below summarises executive remuneration as at 30 June 2019.

Name	Designation	Salary	Pension	Medical Aid	Cell Phone	Travel	Subsistence	Housing	Acting	Leave Pay	Insurance	SDL/ BCL	13th Cheque	Total
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Ayanda Kanana	CEO	1 794	152	103	46	180	16				1	19		2 311
Sifiso Dlamini	CFO	1 580	208		39				12		1	15		1 856
Charles Hamilton	Acting Strategy & Transformation Executive	1 511	309		34				206		1	18		2 079
Josiah Mazibuko	Core Operations Executive	1 734	92	73	38						1	17		1 955
Charles Park	Acting Core Operations Executive	578	36		20				74			6		714
Tshifhiwa Madima*	Agri-Business Executive	695	39	25	19	48		5		148		8		987
Keeran Singh	Acting Company Secretary	464	98	25	38			6	65		1	6	45	748
Total		8 356	935	226	234	228	16	11	357	148	5	89	45	10 650

*Resigned, 31 December 2018

Governance of Stakeholder Relations

In executing its mandate and driving business objectives, JM interacted with various stakeholders who have a direct or indirect influence on JM business. Some of the key stakeholders include the following;

Table : JM Key Stakeholders

Stakeholder Group	Nature Of Engagement
Office of the Executive Mayor	The Joburg Market engages with the Office of the Executive Mayor to ensure strategic alignment with COJ priorities, key decisions and formal oversight committees. The engagements ensure that JM's priorities are in line with GDS 2040, IDP, SDBIP and other plans and policies of the City, and as and when required feedback is required.
Office of the MMC: Economic Development	The Joburg Market engages with the Office of the Executive Mayor to ensure strategic alignment with COJ priorities, key decisions and formal oversight committees. The engagements ensure that JM's priorities are in line with GDS 2040, IDP, SDBIP and other policies of the City.
The JM Boards of Directors	JM engages with the MMC: Economic Development to ensure both the strategic and operational engagements on CoJ priorities, key decisions and oversight committees. Through the MMC/Chairperson's Quarterly Meetings, the MMC is kept abreast of key developments and where required solicit interventions where required.
Members of the Mayoral Committee	The JM is accountable for strategic and operational matters to the Board of Directors, who control and maintain a fiduciary duties towards the company
Municipal Owned entities and COJ Department	The Joburg Market reports on a quarterly basis to Sub-Mayoral and Mayoral Committees on company performance, business planning and achievements on strategic projects that the company embarks upon.
Municipal Owned entities	JM interact with other municipal owned entities on a project by project basis on matters that are critical to the performance of the company.

Table : National and Provincial Stakeholders

Stakeholder Group	Nature Of Engagement
Auditor General of South Africa (AGSA)	The auditor-general of South Africa has a constitutional mandate and, as the Supreme Audit institution of South Africa, exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence. Annually, the AGSA conducts audits on the performance and financial information of JM
Department of Agriculture, Land Reform and Rural Development (DALRRD)	The Joburg Market engages with the DALRRD from time to time to ensure strategic and legislative alignment with key developments in the industry.
Gauteng Provincial Department of Agriculture and Rural Development	Due to strategic farm projects that JM is engaging on, it is imperative that stakeholders from the Provincial Department be engaged to ensure alignment of implementation plans.



Table : Agricultural Industry Stakeholders

Stakeholder Group	Nature Of Engagement
Agricultural Produce Agents Council	The Joburg Market engages with APAC as the regulator who regulate the occupations of fresh produce agents and who maintain the status, dignity and integrity of market agents
Market Agents / Institute of Market Agents of South Africa	Market agents sell produce from farms to buyers. Through IMASA, the Joburg Market has a close relationship with Market Agents to regulate trading activities on the JM.
Fresh Produce Farmers	The JM has over 6000 registered farmers in its database who from time to time, undertake farm visits to engage on challenges and aspirations of farmers as key stakeholders.
Perishable Products Export Control Board (PPECB)	The PPECB is a tenant at the Joburg Market and provides quality certification and cold chain management services for producers and exporters of perishable food products within JM.

Table : Tenants, Retailers and Wholesalers

Stakeholder Group	Nature Of Engagement
Tenants, retailers and Wholesalers	JM has over 200 tenants, retailers and wholesalers, who rent properties of various sizes. The company engages them from time to time to discuss issues of mutual interest, including billing, cleanliness, compliance to bylaws and legal prescripts.

Table : Employees and Trade Unions

Stakeholder Group	Nature Of Engagement
Employees and Trade Unions	JM employees and trade unions play a central role in the operations of JM. Occasionally, the company engages both employees and trade unions on performance and conditions of employments respectively.

Table : Business Partners and Service Providers

Stakeholder Group	Nature Of Engagement
Business Partners and Service Providers	The Joburg Market engages with various service providers on the delivery of quality work on time and costs. This includes engagements on performance and payment for services rendered.
Small, Medium and Micro Enterprises	The Joburg Market's mission direct the company to create a conducive environment for economic empowerment and make use of development of SMMEs and EPWP Programmes. These interventions are geared towards spurring local economic development.



Table : Special Interest Groups

Stakeholder Group	Nature Of Engagement
Organised Labour	It is necessary to engage workers on their needs in the environment (transport, access, safety, etc.) as well as on the development of enterprise and employment opportunities through project interventions
Ward 57 residents and business owners	JM engages local residents and business owners in Ward 57 to expose business and investment opportunities. These opportunities extend to EPWP opportunities on projects rolled out by the company.
Women and the Youth	A number of programmes directed at women and youth in the agricultural sector have been developed by the Joburg Market. It has become important that these groups are directly engaged to ensure that they are mainstreamed.
Civil Organisations and Political Parties	JM interacts with Civil Organisations and Political Parties from time to time on key projects that impact the community, particularly around job creation.



Risk Management

The accountability of managing risk in the company primarily resides with the Board. The Board has delegated the oversight thereof to the Audit and Risk Committee. As part of the JM enterprise-wide, risk management process to those charged with governance. JM has adopted the CoJ Group Risk Management Framework and Group Risk Management Policy as approved by Council.

The Risk Management processes are reviewed annually to continuously align with the City's Risk Management Framework and the Compliance Monitoring Framework.

6.1 Annual Risk Management Plan

JM complied with the CoJ Group Risk Assurance Service (GRAS)'s annual Risk Management Plan for the financial year.

6.2 Annual Operational Plan for Regulatory Compliance Monitoring

The Entity has established the following mechanisms to monitor compliance with applicable laws and regulations:

- A compliance checklist is completed annually to assess the level of adherence to applicable laws governing the entity.
- Internal audit conducts its assignments according to the applicable legal and compliance framework.

6.3 Risk Management Status Update

JM has conducted an EXCO Strategic Risk Assessment session for 2019/20 and the process assisted management in planning and aligning the implementation of risk management measures, decisions, as well as ensuring effective use of resources. The risk assessment results are utilised to take proactive and preventative measures in addressing uncertainties / risks that could hinder achievement of the company's performance objectives. The rolling out of the proposed intervention measures are also being implemented, monitored and mitigated.

6.4 Analysis of Risk (Inherent and Residual)

The chart below indicates the ratings of inherent risks as compared to the residual risks assessed pertaining to JM:

Table : Top 4 Strategic Risks

Risk	Risk Name	Inherent risk rating	Residual risk rating
R1	Ageing infrastructure	25	20
R1	Good governance – Theft fraud and corruption	25	20
R1	Stagnant tonnages	25	16*
R1	Transformation project failure	20	16*

*Relevant to Risk R3 the residual risk rating had dropped mainly as a result of the fact that JM sold more tonnages in relation to tonnages sold during the comparable period last year.

*In terms of Risk R4 JM concluded its designs for a packhouse and the upgrade of the Mandela Market which are aimed at the transformation in the sphere of fresh produce trading.

Risk Management

During May 2019, a strategic risk workshop was undertaken and the results are under consideration and will be approved by EXCO whereinafter the new strategic risk register will be presented to the Board for final approval.

6.5 Risk Appetite and Risk Tolerance

During the year under review, with the assistance of an external service provider, the Board of Directors and EXCO participated in risk appetite and risk tolerance assessment. It was determined that JM has a low-risk appetite and a low-risk tolerance level. Knowing the company tolerance levels allows the company to plan better for all risks and address risks much more aggressively.

6.6 Risk Transfer through Insurance - Exposures and compliance

JM is insured through the centralised insurance function of COJ. In the year under review, JM processed seven insurance claims.

The following key matters should be noted regarding legal and regulatory compliance matters within the Entity:

- Joburg Market has a Legal division that works on legal matters that the company may need to defend itself against where necessary. Where required, specialist skills and competencies are insourced; and
- At present, the company is engaged in a number of legacy as well as current litigation matters, which are managed by an Internal Legal Department with oversight provided by the ARC and the Board.

Section 7:

Anti-corruption and Fraud Investigations (including forensic investigations)

The fraud hotline is a very useful tool in the fight against theft, bribery, misuse of property/company assets and other unlawful acts. The Hotline facility is available telephonically on 0800 00 25 87; SMS 32840; Email: anticorruption@tip-offs.com and website: tip-offs.com. **No tip-offs** were received from the facility during the period under review.

Two fraud related matters, emanating from the previous financial year, are still under investigation by GFIS.



FRAUD

IT Governance

JM's IT department is managed by the Executive Manager: Information Communication Services who reports to the CEO. The IT department also reports to the Audit and Risk Committee on all matters pertaining IT governance.

The IT department governance framework is the ITIL (Information Systems Infrastructure Library) framework. The department intends to implement COBIT as a governance framework and reviewing the process of implementation.

The department has implemented internal service standards, incorporated into the company's internal KPAs and IT policies were still valid following the review done and approved by the JM Board in April 2018.

To ensure that the IT function remains effective and that technology and information management outcomes are addressed, participating in programmes commissioned by the CoJ CIO Forum, to standardise and align all IT related policies & strategies in the CoJ is still continuing. This is essential for the CoJ SAP implementation at all entities. Once the SAP implementation is rolled out, the governance structures of SAP will be under the auspices of the CoJ.

As part of the Smart Market, IT remains a focus area for the upcoming year with the rollout of the Public Wi-Fi at JM and upgrades to existing servers capacity.

Section 9:

Joburg Market By-Laws

The JM is also engaged, with the assistance of the shareholder, in a process to update its Bylaws for operational efficiencies, OHS and regulatory compliance within the JM precinct. All information relating to the JM Bylaws may be obtained from www.joburgmarket.co.za.

Section 10:

Public Satisfaction on KM Services

As part of the JM's commitment on delivering quality services to our stakeholders, JM continues to monitor and report on stakeholder concerns from surveys previous conducted and Service Standards Agreement. (See Chapter 3 for details).

Company Auditors

The Auditor General of South Africa (AGSA) has been and remains the company's external auditor as derived from Section 9 of the Constitution of the Republic of South Africa Act number 108 of 1996 and the Public Audit Act number 25 of 2004. All significant findings raised by the AGSA in previous audit have been on the radar of both management and the Board (through the Audit and Risk Committee).

The 2018/2019 audit will be the test of the interventions put in place by the company to close the findings previously raised by the AG. The view of the ARC regarding the quality of the external audit, the effectiveness of the internal audit function, control environment and any reports issued by external audit regulators will be included as part for the audit outcome from the AGSA.

Section 12:

Board Evaluation

In the period under review, the Board performed an annual self-evaluation on their performance. The board has satisfied itself of its performance and, based on the outcomes of the assessments, the appropriate training initiatives have been undertaken through the office of the Company Secretary. These include training intervention on the roles and responsibility of the Company Secretary, Director Training, and Ethics training for Directors.

Section 13:

Combined Assurance

JM applies a combined assurance model, which seeks to optimise the assurance obtained from management, internal and external assurance providers while fostering a strong ethical climate and mechanisms to ensure compliance. The Board, through the ARC, is ultimately accountable for the JM system of internal controls, designed to identify, evaluate, manage and provide reasonable assurance against material misstatement and loss. Internal audit plays a pivotal role in this while the AGSA reviews key controls.



CHAPTER THREE

Service Delivery Performance

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Service Delivery Performance

JM provides trading facilities and complimentary services to facilitate trading in fresh fruit and vegetables. Trade takes place via a commission-based system in three food hubs; namely: Fruit, Vegetable and Potato & Onion Hub measuring a total of 75 000m2.

The JM charges the producer a marginal 5% commission on all sales made from the trading floor, while market agents charge between 5%-7.5% depending on the produce. Cold storage services are provided to help prolong the shelf life of produce.

Section 1:

Highlights and Achievements

In the period under review, the Joburg Market recorded amongst others the following highlights and achievements;

Highlights and Achievements

Highlights



The company achieved the following milestones in the period under review

- Finalisation of the road rehabilitation project
- Free Public Wi-Fi access
- Improved Financial Performance

Standardised Rental Rates:

The Board of Directors approved the new standardised rental rate for implementation. Stakeholder's engagements are underway to discuss new rental rates; and Resolution of legacy litigation: A ten-year-long outstanding legal case with SCAI was successfully resolved after protracted legal engagements between JM and SCAI legal teams.

Job Creation:

A total of 215 new jobs were created against a target of 200 jobs, providing opportunities to largely the youth and women;

Strategic Projects:

The Joburg Market successfully completed a number of strategic projects. This included the resurfacing of the internal ring road, installation of a public Wi-Fi, upgrade of Exit Gate and the acquisition of new IT infrastructure and accessories

Improved Financial Performance:

A turnover achievement of R7.9 billion, which represents a positive growth of 5.6% compared to the budgeted turnover of R 7.5 million;

Promulgation of a new set of JM Bylaws:

The new JM bylaws were published for public comment and members of the public were provided with the opportunity to provide written inputs. Subsequently, Section 79 – Economic Development Committee, facilitated a public consultation session.

Recapitalisation Strategy and Plan:

A Recapitalisation Strategy and Plan was developed during the year under review. The Strategy was used for strategic engagements with key stakeholders. This resulted in the Joburg Market being allocated a R304 million CAPEX Budget in terms of the Mid-Term Expenditure Framework;

Joburg Market Precinct Development Plan:

In conjunction with the Recapitalisation Strategy and Plan, a Joburg Market Precinct Development Plan was also developed and approved. This plan now informs the deployment of each project at the Joburg Market;



Service Delivery Challenges

Although the overall performance of the Joburg Market during the period under review was considered satisfactory, several lowlights were also encountered, which included amongst others the following:

- The invoicing from Pikitup remains erratic, which renders the accuracy of services rendered questionable
- A fatality occurred when a contractor of Pikitup lost a staff member during the waste removal exercise at JM.
- Infrastructure repair and maintenance work were not adequately executed due to the delays in the appointment of service providers.
- Sufficient trading space remains a major challenge, as market agents had to temporarily store fresh produce on the platforms and in the roadway.

Section 3

Response to Strategic Direction

The delivery of the company's strategic agenda is set around the requirements of CoJ. As a Shareholder, COJ expects JM to operate a well-functioning trading facility aimed at creating financial returns while supporting the producer, traders, communities and citizens of Johannesburg. In the process, the company is expected to deliver key outcomes such as food security, a well-nourished and healthy population, a job creation organisation and food safety.

JM operates in a unique environment that serves as one of the marketing channels for fresh produce in South Africa, wherein a variety of qualities and quantities of fresh produce are traded amongst producers and buyers. The company's footprint extends beyond South Africa into SADC and beyond.

In response to its strategic direction, the Joburg Market will place greater emphasis on driving the following key strategic interventions

The company creates value by providing the following value proposition;

- Implement and roll out the new organisational structure, including the appointment of the required executives;
- Appoint a co-sourced partner for the Internal Audit Department to bring in the required capabilities;
- Expediting the rollout and implementation and Mandela Market Precinct.
- Appointment of Professional Service Providers for Repairs and Maintenance works a JM;
- Appointing a Programme Management Service Provider to capacitate the internal PMO to enable the delivery of capital projects;
- Strengthen stakeholder engagement programmes to facilitate improvements in stakeholder satisfaction levels. A survey will also be conducted in the new financial year;
- Provide oversight in the development, finalisation and publishing of the new JM newsletter;
- Initiate and complete the insourcing of cleaners as required by the shareholder;
- Complete designs for and implementation of a pack-house for emerging farmers;

JM's Future Outlook on Performance

JM's Future Outlook on performance remains positive. This assertion is accentuated by the following factors;

- The Smart Market Strategy has been adopted and is been institutionalised;
- The resilience of JM's Business Model;
- A new organisational structure was recently approved by Board and funding for feeling the positions have been secured from the shareholder;
- Financial projections indicate that the Joburg Market turnover will for the first time exceed R 8 billion per annum;
- The Shareholder has appropriated R 305 million in the medium term to fund strategic projects that will see the market becoming a Clean, Safe and Smart Market;
- Investment in capital projects that will transform JM into a market of choice;
- Technology enablement and digital transformation is being pursued with greater vigour;
- Stakeholder engagement interventions are being accelerated to position JM as a market leader who is responsive to industry and stakeholder needs and requirements.
- Service Level Agreements have been signed with capacitated sister companies to help deliver strategic projects

Section 5

Potential implications for JM's Business Model and Future Performance

The deregulation of the fresh produce industry saw the emergence of a number of new entrants to the market. This has resulted in increased competition. With volumes of fresh produce destined for the National Fresh Produce Market progressively reducing, the Joburg Market will face new and emerging challenges.

It is therefore important that the Recapitalisation programme be maintained, that stakeholder engagement interventions be accelerated and compliance to food safety standards be fully implemented. The Joburg Market also needs to introduce new product lines at the market so that new revenue streams can be generated.



Company objectives aligned to CoJ Priorities and Diphetogo

In the year under review, JM had pursued projects and programmes linked to the GDS and IDP. The Table below shows the alignment of JM Programmes/Projects to the priorities as well as the Diphetogo programme.

No	JM Goals	CEO – KPI's	CoJ Priorities	Diphetogo principles
1	JM Strategic deliverable 1 – Investment in infrastructure – R1.2 billion infrastructure spend by 2021	Finalize planning and design for phase 1 of the Mandela Market precinct by 30 September 2018.	CoJ Priority 1 - Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021. CoJ Priority 2 - Ensure pro-poor development that addresses inequality and poverty and provides meaningful redress.	Economic Development Pillar: The significant improvement in the ease and experience of doing business in the City
2	JM Strategic deliverable 2 – Investment in creating expertise	Create 100 EPWP job opportunities by 30 January 2019.	CoJ Priority 1 - Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021. CoJ Priority 2 - Ensure pro-poor development that addresses inequality and poverty and provides meaningful redress.	Economic Development Pillar: The significant improvement in the ease and experience of doing business in the City
3	JM Strategic deliverable 3 – Transformation at farm levels through targeted programmes and incentives	Develop a support programme for black farmers from targeted groups by 30 September 2018.	CoJ Priority 6 - Ensure pro-poor development that addresses inequality and poverty and provides meaningful redress.	Economic Development Pillar: Increasing the number of SMMEs as suppliers to the City
4	JM Strategic deliverable 4 – Maximize revenue to turnover R10 billion per annum by 2022	Achieve a turnover of R7.2 billion for 2017/18	CoJ Priority 7 - Enhance our financial sustainability.	Finance Pillar: Increase in the collection of revenue to increase funding to City projects
5	JM Strategic deliverable 5 – Good governance	Resolution of External Audit findings raised in prior year's management report.	CoJ Priority 5 - Create an honest and transparent City that fights corruption	Institutional Review Pillar: The structural realignment of the organisation to strategic direction of the administration

Programmes/projects were also linked to the CEO's scorecard:

Performance against Service Standards

The Joburg Market achieved five (7) out of eight (8) service standards as indicated in the table below. This represents a 87.5% achievement of service standards. Mitigating strategies are provided for areas of poor performance. Internal audit has audited these outcomes as a means of assuring the achievements.

Core Service	Service Level Standard Target	Actual	Means of Verification	Verified Actual*	Variance	Variance Explanation	Mitigations / Comments
1. Opening a new buyer account	20 minutes	2.30 minutes	Buyers Registration Document	No	17.30 minutes Favourable	Target achieved	The Service Level Target was successfully met.
2. Electronic Sales Processing System disruptions	Mirror/back- up 12w system to go live: within 55 minutes	100% uptime recorded	Database Report	No	0%	Target achieved	There were no SPS disruptions for the year under review
3. Time to resolve cashiering queries when clients are depositing money.	Resolution of depositing queries within 30 minutes	1.58	Cashier deposit report	No	28.02 minutes Favourable	Target achieved	The Service Level Target was successfully met.
4. Repairs of infrastructure facilities	Commencement with repairs process on reported infrastructure breakdown within 24 hours	100% Completed within 24 hours	Work Order Sheet	No	0%	Target achieved	Work orders were attended to as soon as they are reported for repairs.
5. Repairs to ripening facilities	90% Availability	87.70% Availability	Daily Monitoring summary report	No	2.30% Unfavourable	Target not achieved	
6. Cold Room facilities	Average temperature variance not greater than 2°c of agreed customer requirements	0.44°c	Daily Temperature Reading Summary report Set at 1.65°c	No	1.69°c Favourable	Target achieved	There is constant monitoring of temperature variation.
7. Stakeholder complaints	Response within 12 hours	0	Website Report/ Email	No incidents reported	0%	N/A	No complaints reported **
8. Stakeholder complaints	Resolution within 48 hours	0	Website Report	No incidents reported	0%	N/A	No complaints reported **

The service standards 7 & 8 indicate a lack of awareness from the stakeholders of the existence of such mechanisms.

***There is going to be an awareness campaign to publicise this tool in the next quarter.*

Performance against Predetermined Objectives

The table below presents a summary of JM's performance against the company scorecard, as reflected in the 2018/19 business plan:

Item	Quarter 1 KPI's	Mid-year KPI's	Quarter 3 KPI's	Quarter 4 KPI's
Total no. of KPIs on the scorecard	17	17	15*	15*
No. of KPIs in Scorecard	15	15	13	15
KPI's not due in Quarter	2	2	2	0
No. of KPIs achieved	7	9	9	9
No. of KPIs not achieved	8	6	4	6
% achievement	47%	60%	69%	60%
No. of KPIs exceeded	6	7	7	7

* As a result of the Mid-year adjustments, 2 KPIs were discontinued.

5.1 Detailed breakdown of performance per KPI

In the period under review, JM performed as follows against agreed KPIs;

Key Performance Indicator	Baseline	Annual Target	Results	Deviation/ Mitigation
CoJ Strategic priority 1: Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021				
% Targeted market share held by JM in relation to other FPMs	42.5% Targeted market share held by JM in relation to other FPMs	44.0% Targeted market share held by JM in relation to other FPMs	45.5% Targeted market share held by JM in relation to other FPMs	*Achieved and exceeded
(1.2) % of repairs and maintenance budget spent	New	100% of repairs and maintenance budget spent	41.7% of repairs and maintenance budget spent	Not Achieved
CoJ priority 2: Ensure pro-poor development that addresses inequality and provides meaningful redress				
(2.1) Complete 2 development support programmes for farmers from targeted groups	New	Completed design for a packhouse.	1 x completed design for a packhouse	Achieved
(2.2) Number of Jobs created	New	200 jobs created	215 jobs created	Achieved and exceeded
CoJ priority 3: Create a culture of enhanced service delivery with pride				
(3.1) % resolution of stakeholder concerns	New	70 % resolution of stakeholder concerns	76.9% resolution of stakeholder concerns	Achieved and Exceeded

Continues

5.1 Detailed breakdown of performance per KPI

In the period under review, JM performed as follows against agreed KPIs;

Key Performance Indicator	Baseline	Annual Target	Results	Deviation/Mitigation
CoJ priority 7: Enhancing our financial sustainability				
(4.1) % of valid entity invoices paid within 30 days of the receipt date of an invoice	New	100% of valid entity invoices paid within 30 days of the receipt date of an invoice	50% of valid entity invoices paid within 30 days of the receipt date of an invoice.	Not Achieved
(4.2) % resolution of Auditor General and Internal Audit findings	Unqualified audit	95% resolution of Auditor General findings	83% resolution of Auditor General findings	Not Achieved
		95% resolution of Internal Audit findings	78% resolution of Internal Audit findings	
(4.3) % of entity capital budget spent	87%	95% of entity capital budget spent	86% of entity capital budget spent	Not achieved
(4.4.) % of entity operational budget spent	New	95% of entity operational budget spent	96% of entity operational budget spent	Achieved and exceeded
(4.5) Value of net surplus achieved	R74.2M Value of net surplus achieved	R60.1M Value of net surplus achieved	R 125 M Value of net surplus achieved	Achieved and Exceeded
CoJ priority 3: Create a culture of enhanced service delivery with pride				
(5.1) % of employees receiving performance coaching** (Employees with performance contracts**)	New	100% of employees receiving performance coaching	45% of employees receiving performance coaching	Not achieved
(5.2) Number of business days taken to resolve disciplinary cases** (Internal hearings**)	New	120 business days taken to resolve disciplinary cases	57 business days taken to resolve disciplinary cases	Achieved and exceeded
(5.3) Number of business days taken to fill critical vacancies	New	90 business days taken to fill crucial vacancies	41 business days taken to fill crucial vacancies	Achieved and exceeded
(5.4) % of entity performance targets achieved	New	85% of entity performance targets achieved	60% of entity performance targets achieved	Not achieved
(5.5) % monthly reporting into Capital Management System (iRIS)	New	100% monthly reporting into Capital Management System (iRIS)	100% monthly reporting into Capital Management System (iRIS)	Achieved

Public Satisfaction on Municipal Services

JM has introduced measures to resolve as many as possible challenges as tabled in the two illustrations below. The status as at 30 September 2018 is summarised as follows

Item	Annual Performance
Total no of stakeholder concerns	13
Number of items partially resolved	0
Number achieved	10
Number not achieved	3
% achievement	76.9%

Public Satisfaction on Municipal Services

Public Satisfaction on Municipal Services

The table below depicts a list of concerns received from stakeholders

Concerns from Stakeholders

No	Listed concerns	Achieved resolutions, mitigation and on-going interventions to sustain achievements since the completion of the survey	Status
1	Lack of cleanliness at the market	- Significant improvements in the cleanliness of the Joburg Market has been achieved in the recent past; 100 x EPWPs were appointed to assist with the cleaning of the Joburg Market; - In addition, JM has executed its C2C cleansing initiative; - Periodic Are Sebetseng Cleaning Campaigns are undertaken to build the culture of cleanliness; - Engagements with various stakeholders are held periodically to deal with hygiene issues; - The company also continued to monitor the hygiene services provided by contractors	Resolved
2	State of ablution facilities	12 x ablution facilities were upgraded during the current financial year; - An additional 18 other ablution facilities are due for refurbishment in the new financial year; - Public Ablution Facilities have dedicated cleaning staff assigned and operate over 24 hrs; - Servicing records of ablutions are kept - SHE monitors hygiene service providers performance - Performance Measures are in place to manage the performance of the service provider.	Resolved
3	Lack of security guards	- JM has appointed a service provider to provide security services to the Market. 63 x Security Guards are deployed on a 24 hr basis; - JM security services contractors are trained and equipped in specialised firearms 20 x additional security officers are being procured for each peak season.; 8 x interns are complementing security guards at the Truck Entrance/Delivery Gate; - Additional security guards will be appointed as part of the new contract. Delays caused by the COJ insourcing initiative. - JM works in conjunction with SAPS to increase visibility and combat crime. The office is manned occasionally. Only fully manned during peak season. 280 x Surveillance Cameras managed from a 24hr staffed control room are fully operational. Operators are in constant contact with security guards on the ground.	Resolved

Continues

The table below depicts a list of concerns received from stakeholders

Concerns from Stakeholders

No	Listed concerns	Achieved resolutions, mitigation and on-going interventions to sustain achievements since the completion of the survey	Status
4	Recklessness of trolleys and forklift drivers and the excess of forklifts in walking passages Control of forklifts operating during trading hours	- Periodic inspections are conducted by Joburg MARKET management - The numbered and branded forklifts have contributed to improved controls - Forklifts a standing item on forum agenda with agents - New bylaws are being promulgated to increase controls - In the next financial year, plans are underway to segregate forklifts from pedestrians to minimize chances of injury. - Markets Precinct Rules and Code of Conduct for tenants are correctly being developed to help improve operational efficiency	Resolved
5	Construction of bigger loading bays Need for a bigger market place and space	- Completed the new Precinct Development Strategy and Plan which will address loading bays as required. JM is in the process of securing CAPEX Budget for this project; - Proposals will include doubling of Ramps at halls to separate human and mechanical traffic.	Not Resolved
6	Separate entrance and walkways for people entering the market	There are suitable walkways – pedestrian entrance- facilities at JM	Resolved
7	Construction of separate and designated roads and road signs for forklifts, trolleys and pedestrians.	- A new tender for Road signage and OHSA are undergoing procurement to address the identified challenge; - Proposals in the precinct design will include doubling of Ramps at halls to separate human and mechanical traffic.	Not Resolved
8	Control of vehicles entering the market. Control of all traffic in the market	- Additional speed humps were installed during the recent road rehabilitation process to improve controls; - Road remarking was also improved; - Speed calming is in place - JM has completed specifications for complete safety and traffic signage at JM - A traffic management study has been concluded; - A new tender for Road signage and OHSA are undergoing procurement to address the identified challenge;	Resolved
9	Establish a backup plan for businesses during periods of Eskom load shedding	- The Generator Farm was established and commissioned; - Isolating high user areas during power outages as they have their own standby generators; - Technical staff available on standby to ensure a quick response. - In conjunction with market agents, the arrangements pertaining to power failures are well structured. - Communications processes are in place and response times vastly improved	Resolved
10	Need for more cashiers	- An additional 4 cashiers were appointed during the quarter under review 20 x New counting machines were procured to speed up transactions and waiting time - More cashiering booths during the operating period	Resolved

Continues

The table below depicts a list of concerns received from stakeholders

Concerns from Stakeholders

No	Listed concerns	Achieved resolutions, mitigation and on-going interventions to sustain achievements since the completion of the survey	Status
11	Need for more security to guard the loss of stock	- Currently, all JM inspector positions are filled. - C2C cleaning intervention was also conducted to enhance cleaning standards	Resolved
12	Need for more security to guard the loss of stock	- The deployment of security personnel aims to cover all critical points. - Surveillance cameras are used to monitor suspicious activities at the Joburg Market. - Plans are underway to upgrade the system further	Resolved
13	Need for improvement of infrastructure, including the maintenance of leaking taps potholes on platforms and the inclusion of improved drainage systems	- This remains Work in Progress - Road rehabilitation was completed. - Ablution blocks refurbished; - Drainage System was unblocked and cleaned; - Exit Gate improvements implemented - Precinct Development Plan completed - Affected repairs and maintenance on the cold rooms and banana ripening plant - Over R 9 million was spent on various repairs and maintenance intervention - Going Forward - Repairs and Maintenance Budget was increased to over R33 million; - SLA signed with JPC to assist with R & M Programmes	Ongoing

Think Smart
Eat Healthy



Joburg Market Creates jobs for unemployed youth



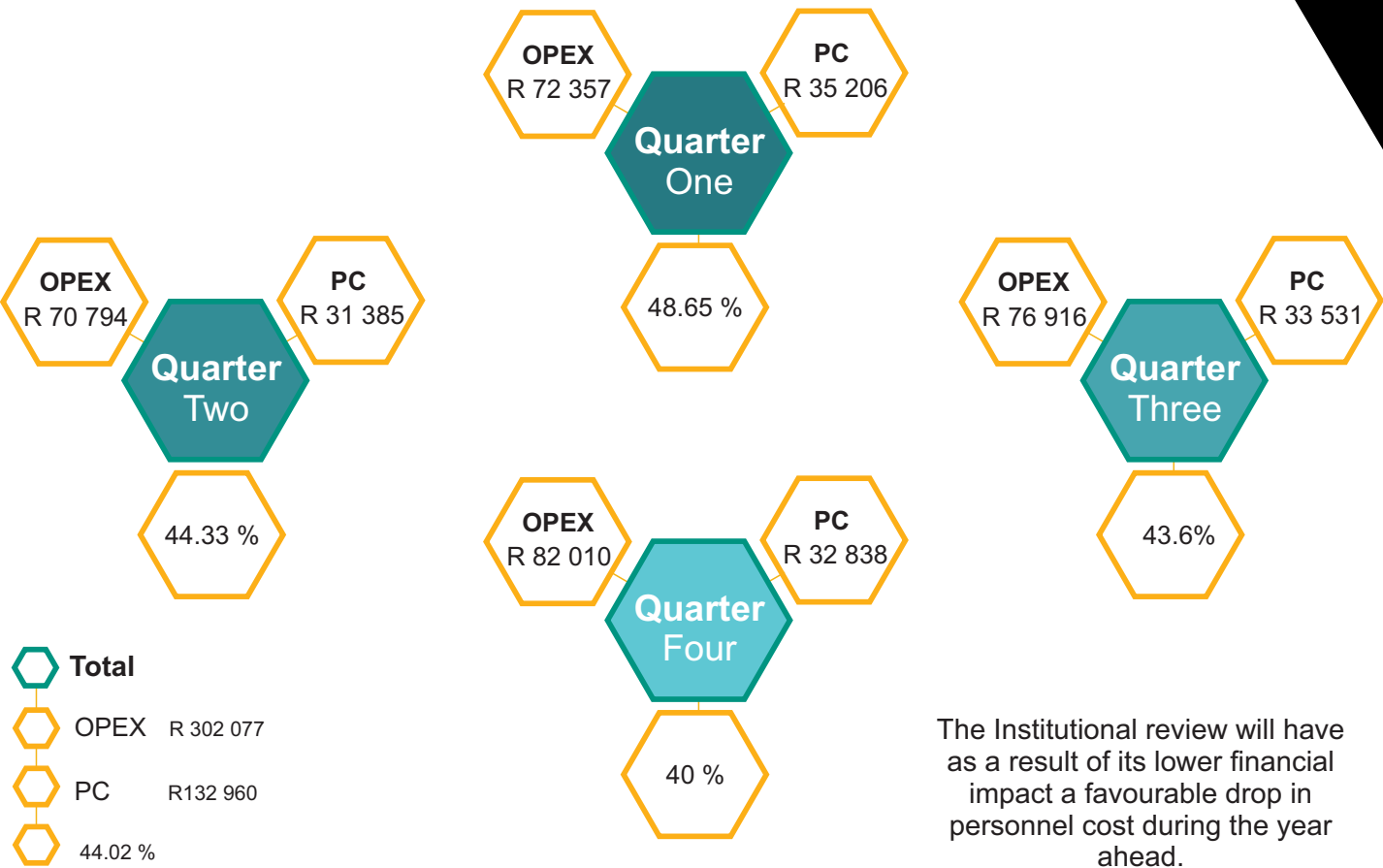
CHAPTER FOUR

Human Resources and Organisational Management

- 55 Section 1: Employee Remuneration
- 55 Section 2: Key Vacancies
- 57 Section 3: Employment Equity
- 57 Section 4: Skills Development and Training
- 61 Section 5: Disciplinary Matters and Outcomes
- 62 Section 6: Leave & Productivity Management
- 62 Section 7: Employee Wellness
- 63 Section 8: Employee Benefits



Employee Remuneration (Total costs including Executives)



Section 2:

Key Vacancies

The filling of vacant positions in core business areas remains a priority. After the review of the organisational structure, the recruitment and appointment of executive managers have become much more urgent. Funding constraints remain a concern considering the importance of senior management skill required to propel the company forward. A process is being initiated to submit a special request for funding to the shareholder for strategic posts. Fourteen new appointments were recorded for the period against a loss of twenty-six. Two interns have been appointed into permanent positions in the structure; while 23 new interns have been brought on-board as part of JM's contribution to Youth development.

2.1 Terminations

Twenty-six (26) terminations were recorded during the year. This was as a result of a combination of natural attrition and resignations.

Staff movements – permanent staff

Staff Movement as at 30 June 2019

							Total
	Appointments	Dismissals	Retirements	Medical Board	Deceased	Resigned	
African	 7	2	0	0	4	4	17
	 7	2	2	0	1	7	19
Coloured	 0	0	0	1	0	0	01
	 0	0	0	0	0	0	0
Indian	 0	0	0	0	0	0	0
	 0	0	0	0	0	0	0
White	 0	0	0	0	1	1	01
	 0	0	0	0	0	1	02
Total	14	4	2	1	6	13	

Staff Establishment

Description	2018/19			
	Approved no. of posts	No. of employees	No. of vacancies	% of vacancies
Top management	1	1	0	0
Executive management	4	2	2	50
Middle management	40	31	9	22.5
Skilled technical/junior management	103	68	35	33.9
Semi-skilled	140	165	(25)	-17.8
Unskilled housekeepers/cleaners	40	35	5	12.5
Total	328	302	26	7.9

Employment Equity

The JM employment equity profile remains skewed towards more Africans; particularly at the semi-skilled levels. This is partly due to the positions at that level. Efforts were made to attract other racial groups into the company without any success.

Employment Equity Demographics Status

Occupational Levels	Male 				Female 				Foreign Nationals 		Total
	A	C	I	W	A	C	I	W			
Top management	1										1
Executive Management	2										2
Professionally qualified and experienced specialists and mid-management	12	2	3	6	7			1			31
Skilled technical and academically qualified workers, junior management, supervisors, foremen, & superintendents	26	1	1	1	26	2	1	7	1	1	67
Semi-skilled and discretionary decision making	72	3	0	4	74	4		8			165
Unskilled and defined decision making	17				18						35
Total permanent staff	130	6	4	11	125	6	1	16	1	1	301
Temporary employees	1										1
Grand Total	131	6	4	11	125	6	1	16	1	1	302

Section 4

Skills Development and Training

The training interventions were focused on legal compliance training and generic skills development to improve performance. The implementation of the skills audit was delayed due to the central coordination processes of the shareholder for levels 1-3 and the funds set aside for that project have not been used.

The skills audit rollout for levels 4-6 has been concluded at the end of May and the implementation of remedial interventions is planned for the second quarter of the next financial year.

Seven maintenance workers are enrolled for an NQF Level 3 Electrical Construction Learnership. These workers are utilised to support the repairs and maintenance team in attending to first-line maintenance. This is part of the career guidance process for lower-level employees to empower them for future opportunities both within and outside of JM

Skills Development Accredited Training

Skills Development	Males 				Females 				Total	Amount (R)
	A	I	C	W	A	I	C	W		
Electrical construction skills programme	3	0	0	0	1	0	0	0	4	54 400
Introduction to SAMTRAC	1	0	0	0	0	0	0	0	1	8 490
Payday Systems Software	1	0	0	0	1	1	0	0	3	11 500
Outcome based Monitoring and Evaluation	1	0	0	0	1	0	0	0	2	23 230
The Power of Speaking	0	0	0	0	2	0	0	0	2	8 624
Customer Care Service Training	64	0	2	1	73	1	3	7	147	69 090
Job Evaluation and Profiling	0	0	0	0	3	1	0	0	4	14 950
Ammonia Safe Handling	1	0	0	0	0	0	0	0	1	8 000
HR Administrator	0	0	0	0	0	0	0	1	1	9 000
OPEX Budget upload	2	0	0	0	2	0	0	0	4	0
Payday Software System	0	0	0	0	1	0	0	0	1	5 832
Forklift Training Re-Certification	3	0	0	0	0	0	0	0	3	2 473
Strategic recruitment	0	0	0	0	1	0	0	0	1	8 999
HR Administrator	1	0	0	0	0	0	0	1	2	15 998
Performance management training	128	1	2	7	123	0	3	15	279	209 275
Health and safety	106	3	6	10	111	1	6	16	259	123 025
Paper trail writing	0	0	0	0	2	1	0	0	3	0
Payday	4	0	0	0	6	1	0	0	11	15 444
WR Operation	8	0	0	0	21	0	0	0	29	261 000
End User Computing	7	0	0	0	5	0	0	0	12	108 000
Total Beneficiaries	326	4	10	18	353	6	12	40	769	957 330

4.1 Conferences and seminars

One of the initiatives of ensuring Professionalisation of JM services is the enrolment of all managers to professional institution in accordance with their areas of expertise. These managers are then encouraged to attend conferences and seminars to acquire CPD points and thereby improve their skills and knowledge in their respective professions. The outcome of which is to render professional service to the JM customers.

Table : Conferences and Seminars

Occupational Levels	Male 				Female 				Total	Amount (R)
	A	I	C	W	A	I	C	W		
IMPISA 34th International conference	1	0	0	0	1	0	0	0	1	8 900
SAOUG Connect Conference	0	0	0	0	1	0	0	0	2	6 850
9th Annual- Performance Monitoring and Evaluation in Government and state owned enterprise	0	0	0	0	1	0	0	0	1	9 999
Legal Opinion Writing	0	1	0	0	0	0	0	0	1	8 999
Africa Secretarial & Office Administration Summit 2019	0	0	0	0	1	0	0	1	2	34 000
The 4th Industrial Revolution & Employee Wellness Conference	1	0	0	0	0	0	0	0	1	7 000
GC-MS Training	3	0	0	0	1	0	0	0	4	18 000
Total Beneficiaries	5	1	0	0	5	0	0	1	12	93 748



Skills Development and Training - Continues

4.2 Study Assistance

Due to insufficient funds to cater for all development needs of employees, the study assistance facility is offered to employees who wish to further their academic studies at accredited tertiary institutions. 35 employees are beneficiaries of this scheme and are enrolled at various tertiary institutions. The assistance is provided in the form of a loan and priority is given to qualifications that are relevant for JM and broader the City of Johannesburg business. When employees are unsuccessful in their academic outcomes, they are required to repay the amounts loaned.

Table : Study Assistance Beneficiaries

Institution	Male 				Female 				Total	Amount (R)
	A	I	C	W	A	I	C	W		
Milpark Education	0	0	0	0	1	0	0	0	1	8 310
Regent School of Business	0	0	0	0	3	0	0	0	3	60 200
MANCOSA	0	0	0	0	4	0	0	0	4	122 605
UNISA	2	0	0	0	2	0	0	0	4	40 350
Boston City Campus	0	0	0	0	2	0	0	0	2	33 475
Wits University	10	0	0	0	5	1	0	0	16	166 851
University of Johannesburg	1	0	0	0	0	0	0	0	1	10 500
IMAS	1	0	0	0	0	0	0	0	1	8 650
Henley Business School	0	0	0	0	1	0	0	0	1	83 200
Monash	1	0	0	0	0	0	0	0	1	54 972
Regenesys	0	0	0	0	1	0	0	0	1	58 422
Total Beneficiaries	15	0	0	0	19	1	0	0	35	647 545

As part of the Youth development support programme, the JM has provided training to 41 unemployed youth on two Learnerships (NQF Level 2 & NQF Level 3) in the 2018/2019 financial year. A further 23 youth was hosted on an internship and is deployed across various departments. These initiatives form the base of the JM talent pool for future skills requirements.

Disciplinary Matters and Outcomes

In the period under review, labour cases were well managed by the Human Resources Department. There were four (4) employees on suspension. Two (2) of them were pending finalisation of investigation whilst the other two were served with the disciplinary charges, with disciplinary enquiries held and concluded by the end of the financial year.

The three Disciplinary enquiries driven from the City by GFIS have now been concluded with the affected employees found guilty and dismissed.

During the year, JM had five (5) cases before the CCMA/ Bargaining Council. Three cases have been referred for Arbitration and two (2) of these cases are scheduled for the next financial year. JM has received Arbitration awards in relation to the two cases, namely, one constructive dismissal case at SALBC and another one of equal pay for work of equal value from CCMA. The decisions were all in favour of JM.

JM had four (4) cases pending finalisation at the Labour Court. Two of these cases have been heard and ruled in favour of JM. One of the remaining two cases is scheduled for hearing on the 28th of January 2020 whereas we are still awaiting a set down date for the other case.

In its endeavour to ensure Labour peace, JM resuscitated the Labour Management Forum during the year. This forum was intended to serve as a platform to discuss matters that affect JM employees with organised Labour. JM has recently received a communication from CoJ instructing that SAMWU shop steward were no longer recognised within the City and its Entities. This has resulted in the suspension of activities of the Local Labour Forum within the City and LMF's within its Entities. JM will however continue to meet with IMATU on matters affecting their members.

The JM subscribes to the principle of sound employee relations and accordingly all disciplinary matters are dealt with within the prescripts of the South African Labour Laws and applicable CoJ and JM policies.

A total of fourteen cases at different litigation structures were recorded. These included cases that were internal, bargaining council, CCMA and labour court. All disputes considered to pose potential costs or losses for JM were registered with the Employer's Liability Insurance.

Labour Relations are dealt with jointly with organised labour through the Labour Management Forum. Due to other problems the forum was not fully operational and CoJ processes have handled this matter with the seriousness it deserved.



Leave & Productivity Management

The leave benefit ensures employees can take time to recharge and rest to allow for improved productivity. Compulsory leave requirement ensures that employees do take the leave as they accumulate it. The patterns of leave are substantial over the period at 6899 annual leave days recorded for the relevant year. Out of 14574 leave days processed across all categories, only 1.4% of that was unpaid leave.

In terms of sick leave there is a notable increase over the winter and spring period. The clinic on the premises assists in containing sporadic absence due to recurrence of minor seasonal illnesses. There are few cases of chronic ailments where sick leave allocations are depleted. Such cases are managed through the clinic. Out of 3444 sick leave days captured; only 5.37% of were without sick notes.

6.1 Productivity Levels

The levels of productivity are relatively average in comparison to the standard expected by customers. There is a process to introduce performance management at all levels to improve productivity and to inculcate a culture of service excellence.

The focus of training interventions undertaken was aimed at building requisite technical skills and improves existing skills to increase capacity and thus impact positively the productivity levels. Constant performance discussions are held at EXCO levels to maintain the momentum and encourage the management of performance by managers.

Senior managers are undergoing intervention programmes after a skills audit was conducted over the previous period. The skills audit has been concluded for middle and lower management levels. The focus of all of these initiatives is intended to address productivity and improve the customer experience.

Section 7

Employee Wellness

The JM operates a Primary Health Care clinic that serves mainly employees, but also provides first aid for all users of the JM facility. The presence of the clinic provides much needed health support particularly for emergencies that occur within the trading facility and generally. Employees prefer to use this facility over public and private facilities due to its convenience and turnaround times for service.

The clinic runs health educations and awareness campaigns quarterly to ensure the promotion of healthy lifestyles. In the period the JM also sourced the services of an external provider to address the Employee Assistance (EAP) services for employees. The role of the EAP service provided help to employees in dealing with their personal psychological, emotional and financial problems and requests for continuation of the service have been received and a process is in place to resuscitate such service.

The education and awareness campaign conducted in the period included the Candle Light Commemoration, Financial Management (Old Mutual), PSA, HIV testing, PAP Smear and Cholesterol and Blood Sugar testing, Male Circumcision and BMI, TB and BP screening.

7.1 Injuries and sickness

The clinic at the Joburg Market provides emergency assistance to both employees and customers requiring urgent medical attention. During the period under review, two injuries were attended to at the clinic, both being market agents' employees;

- An unfortunate incident of a person, who was inadvertently hit by a loose skip bin, during a truck loading process by Pikitup, succumbed to his injuries; and
- A casual worker who went into labour on the premises was attended to by the clinic, and the C-section delivery was handled by the nearby hospital due to complications noted at the clinic.

Employee Benefits

The Joburg Market offers competitive benefits to employees as prescribed by legislation and the local government bargaining council.

8.1 Medical Aid Scheme

A number of lower level employees do not have medical aid due to the cost of medical and the fact that JM operates a clinic on site. The clinic serves as a preferred provider for primary health care needs of employees.

The following are the accredited medical aid schemes in operation within JM, namely;



An investigation is planned to source a cheap medical product to cover the employees and ensure they can get hospitalisation cover.

8.2 Pension Fund/Provident Funds

Existing retirement and/or provident funds are the following;

- City of Johannesburg Pension Fund – 12 Members
- Momentum Provident Fund and – 187 Members
- E-Joburg Retirement Fund – 103 Members



CHAPTER FIVE

Financial Performance and Exposure

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Financial Overview

JM overall financial performance for the year ended 30 June 2019 was pleasing, considering the current economic environment of low growth and high unemployment.

- Turnover recorded was R7.9bn, which represents an increase of R381m above budget.
- Revenue recorded was R496m, which equates to R43m above budget.
- Net surplus achieved was R123m, which equates to R28m above prior year.

The JM revenue mix includes commission, interest received, storage and other revenue. The significant revenue stream which is commission increased by 8.5% in the current year to (R399m) compared to the previous years commission of (R367m). This variance is due to the favourable performance of fresh produce products. The commission revenue represents a significant revenue stream as it contributes 80% of the total revenue generated in the current year.

The Capital Expenditure for the current year amounted to R34m against a CAPEX Target of R39.7m. This represents an achievement of 86% against budget for the year. The under-performance is largely due to the delay in the appointment of service providers and poor execution by some service providers during the year.

The payment of creditors within 30 days for the year under review remained unsatisfactory; JM is however redesigning its controls to improve the situation.

JM's liquidity and solvency ratios as illustrated on the ratio analysis section below. This means that the entity has sufficient cash and asset to meet its short-term obligations as and when they become due.

Key financial ratios for the year ended 2018/2019

Financial Ratios	Norm	Current Year	Prior Year
Liquidity (CA/CL)	2: 1	2.85: 1	2.4 : 1
Solvency (Total Liabilities/Total Assets)	<40%	24%	26%
Debtors Days (Trade Receivable/Revenue)*365 Days	30 Days	21 Days	21 Days
Remuneration to Expenditure ratio	<40%	45%	46%

- As can be seen above, the company is performing above the norm for most ratios except the remuneration to expenditure ratio. This however must be read in the context of the nature of the organization which is a 24hr x 6 day operation.
- *The Cash cover is not included in the ratios above due to the fact that COJ sweeps the account every day, thus JM will not hold cash in their bank account. The best representation of the cash that belongs to JM is the loans to shareholders.



Statement of Financial Performance for the Year (2018/2019)

Table below depicts the financial performance of JM as at 30 June 2019;

Figures in Rand	Note (s)	2019	2018
Revenue			
Commission		399 301 851	367 793 837
Rental of facilities and equipment		53 474 606	47 991 889
Interest received	16	28 458 379	19 027 199
Storage		5 963 998	7 180 719
Cash handing fees		3 662 673	3 215 574
Banana ripening		1 826 047	3 669 889
Sundry Revenue		2 601 078	1 434 850
Miscellaneous other revenue		1 280 193	1 224 960
Discount received		4 997	2 000
Total revenue		496 573 822	451 540 917
Expenditure			
Employee related costs	17	(141 940 177)	(136 011 858)
Depreciation and amortisation	18	(25 114 372)	(23 438 759)
Impairment loss	19	(5 081 665)	-
Finance costs	20	(3 106 866)	(4 061 997)
Lease rentals on operating lease		(645 784)	(590 678)
Debt impairment	21	(8 363 733)	(55 880)
General expenses	22	(133 998 431)	(131 928 620)
Total expenditure		(318 251 028)	(296 087 792)
Operating surplus		178 322 794	155 453 125
(Loss) gain on disposal of assets and liabilities		(4 361 769)	7 311
Surplus before taxation		173 961 025	155 460 436
Taxation	24	50 385 601	59 622 032
Surplus for the year		123 575 424	95 838 404

2.1 Revenue Analysis for the year 2018/2019

- The Commission Business contributed about R399,4m, which represents 80% of total revenue generated;
- The next biggest contributor to revenue was the rental lease income. rental lease income (including both water and electricity recoveries) of R53.4m was recorded compared to prior year of R47m. This equates to an increase of 13% due to an average increase of 10% in water and electricity rates and new leases in the current year.
- Cold storage facilities income of R5.9m was recorded compared to prior of R7.1m. This equates to a decrease of 16% due to less demand for cold storage during the year. High turnover of produce resulted in less demand for cold storage.
- Banana ripening facilities income of R1.8m was recorded compared to prior of R3.6m. This equates to a decrease of 50% due to adverse production conditions resulting in reduced delivery and demand for the facility.

2.2 Expenses Analysis for the year ended 2018/2019

- In the period under review, the following expenses were incurred;
- Personnel costs of R141m were recorded compared to a prior of R136m. This equates to 3.67% increase mainly due to staff vacancies being filled and annual salary increases.
- Marketing costs of R5k was recorded compared to prior of R1.8m. This more than 100% savings resulted from the “Youth Desk” project that was discontinued due to suspected irregularities and is currently under investigation.
- Repairs and maintenance costs of R9.3m was recorded compared to prior of R19m. The variance is due to delay in appointing of service providers.
- Impairment loss of R5m was recorded in the relevant year, due to the impairment of the generators, which were not usable for the South African market.



Statement of Financial Position for the Year (2018/2019)

Table below depicts the Statement of JM's financial position as at 30 June 2019

Figures in Rand	Note (s)	2019	2018
Assets			
Current Assets			
Loans to shareholder	5	309 255 164	153 606 150
Current tax receivable		7 459 353	8 140 804
Receivables from exchange transactions	8	44 808 969	39 485 957
VAT receivable	9	3 035 939	561 873
Cash and cash equivalents	10	170 943 947	201 206 750
		535 503 372	403 001 534
Non-Current Assets			
Investment property	2	377 197	400 016
Property, plant and equipment	3	340 251 740	337 569 080
Intangible assets	4	6 354 040	9 239 707
Deferred tax	6	7 925 135	6 076 335
		354 908 112	353 285 138
Total Assets		890 411 484	756 286 672
Liabilities			
Current Liabilities			
Loans from shareholder	5	8 192 449	10 408 637
Finance lease obligation	12	-	136 126
Payables from exchange transactions	14	176 947 633	155 033 261
Provisions		2 698 117	-
		187 838 199	165 578 024
Non-Current Liabilities			
Loans from shareholder	5	10 306 694	18 499 143
Employee benefit obligation	7	2 528 000	2 782 000
Deferred Tax	6	12 486 922	15 751 263
		25 321 616	37 032 406
Total Liabilities		213 159 815	202 610 430
Net Assets		677 251 671	553 676 242
Share capital / contributed capital	11	20 000 000	20 000 000
Accumulated surplus		657 251 671	533 676 247
Total Net Assets		677 251 671	553 676 247

3.1 Analysis of the Financial Position

The analysis of the JM's Financial Position as at 30 June 2019 reveals that;

- Non-current assets have improved by R1.5m to date; this is due to an increase in deferred tax and PPE.
- Current assets have improved by R133.7m mainly due to a significant increase in loans to shareholder.
- Non-current liabilities have reduced by R11.7m mainly due to repayment of the loan from shareholders.
- Current liabilities improved by R22.1m as a result of an increase in provision and payable from exchange transaction.



Analysis of the Cash Flow Statement for the year 2018/2019

The Table below depicts the Cash Flow Statement of JM as at 30 June 2019;

Figures in Rand	Note (s)	2019	2018
Cash flows from operating activities			
Receipts			
Sale of goods and services		457 613 231	429 735 850
Interest income		28 458 379	19 027 199
		486 071 610	448 763 049
Payments			
Employee costs		(138 058 835)	(138 030 415)
Suppliers		(138 896 980)	(85 862 026)
Finance costs		(3 106 866)	(4 017 559)
Taxes on surpluses	26	(54 817 291)	(42 884 827)
		(334 879 927)	(270 794 827)
Net cash flows from operating activities	25	151 191 638	(270 794 827)
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(15 258 960)	(8 740 275)
Purchase of intangible assets	4	-	(4 702 046)
Loan to shareholder - Sweeping account		(155 649 014)	(71 987 846)
Net cash flows from Investing activities		(170 907 974)	(85 430 167)
Cash flows from financing activities			
Repayment of shareholders' loan		(10 408 637)	(14 418 746)
Finance lease payments		(137 830)	(934 711)
Net cash flows from financing activities		(10 546 467)	(15 353 457)
Net Increase in cash and cash equivalents		(30 262 803)	77 184 598
Cash and cash equivalents at the beginning of the year		201 206 750	124 022 152
Cash and cash equivalents at the end of the year	10	170 943 947	201 206 750

From the above, it is deduced that;

- The Net cash flow from operating activities is R151m compared to R177m in the prior year. The deterioration of 14% in the current year is due to the increase in the taxation paid and suppliers.
- The Net cash flow from investing activities is R170m compared to R85m in the prior year. The improvement of 100% in the current year is due to the re-classification of the swept account from financing activities in the prior year.
- The Net cash from financing activities is R10m compared to R15m in the prior year. The decrease of 33% was due to repayments made towards the loan balance.

Analysis of Supply Chain Management

5.1 Irregular Expenditure for the year 2018/2019

In the period under review, the Joburg Market incurred the following irregular expenditure due to non-compliance with SCM regulation and MFMA:

NO.	Name	Description	Amount
1.	CCTV Rental	The contract was extended whilst the entity awaits the organizational decision of Metro Trading Company.	R8 700 861
2.	Rental and maintenance of photocopying machines	The contract was extended whilst the entity awaits the finalisation of group procurement contracts.	R832 558
3.	Security Services	Contract was on a month to month basis. The appointment of a new service provider for security services was delayed due to a directive from CoJ. Approval has been provided to procure. Tender has been advertised.	R14 240 237
4.	Zeda Car Leasing Pty Ltd (Avis Car Rental)	Contract is on a month to month basis. The appointment of a new service provider for leasing of vehicles was delayed due to a directive from CoJ. Awaiting the COJ to finalize the new appointment.	R1 238 258
5.	Irene Country Lodge	The amount spent exceeded the contracted amount. The amount incurred outside the appointment was committed without following the procurement processes.	R14 450
6.	Segosedi	The Service Provider was appointed without following proper tendering process as stipulated in the MFMA	R30 000
7.	City Youth Media	The Service Provider was appointed without following proper tendering process as stipulated in the MFMA.	R4 855
8.	Eenbee	The Service Provider was appointed without following proper tendering process as stipulated in the MFMA.	R196 278
9.	1st Ground Events Management	The Service Provider was appointed without following proper tendering process as stipulated in the MFMA	R108 262
10.	JRA	Road Refurshment costs went over the limit by R 9 million due to unforeseen areas that also needed to be fixed and additional work performed for completeness and practicality	R4 453 675
11.	Inqaba Ya Matolo	The Service Provider was appointed without following proper tendering process as stipulated in the MFMA.	R9 200
12.	Tswelopele	The Service Provider was appointed without following proper tendering process as stipulated in the MFMA.	R7 751
13.	Eazi Access	The contract term was exceeded	R25 325
TOTAL			R29 861 710

The Irregular expenditure was R29.8m in the current year compared to R19.9m in the previous year.



5.2 Fruitless and Wasteful Expenditure for the year 2018/2019

The table below depicts the fruitless and wasteful expenditure incurred as defined in the MFMA:

NO.	Name	Description	Amount
1.	SARS - PAYE	Late submission - relates to Q2 and Q4 (R263 639; R204 168)	R467 808
2.	SARS - Prov Tax	Penalty and Interest relating to provisional tax return filed in incorrect period	R206 692
3.	GENSET	Impairment of generators that were never used	R16 003 050
4.	Strauss Daly (Pty) Ltd	Legal Service Interest incurred on late payment	R59 269
TOTAL			R16 736 819

The Fruitless and wasteful expenditure was R16m in the year under review as compared to R26m in the prior year. This amount is largely due to the impairment of the generators.

Both irregular and fruitless and wasteful expenditure have been referred for further investigation.

Deviation for the year 2018/2019

The table below represents deviation as defined in Regulation 36 of SCM:

NO.	Name	Description	Reason
1.	Bracken Refrigeration (Emergency)	Mechanical Preventative Maintenance work	The banana ripening facility and some cold rooms were not functional due to failure by the appointed service provider to replace and repair key components
2.	Klause Engineering (Emergency)	Fault finding and repairs of ammonia plant compressors	Compressors in the cold rooms were frequently tripping. This causes the temperature to rise negatively affecting fresh produce. The cost was incurred to avoid claims from the entity due to damage to fresh produce
3.	Global Payment Technologies	Minor Breach	Minor breach in terms of Regulation 36(1)(b)
4.	Fest Fire Security (Exceptional case)	Repair of the fire room detection panel	Fire suppression panel malfunctioned causing a discharge of fire suppressant gas. Repairing the detection panel will ensure that fire alarms are activated
5.	Nexus Forensic Services (Exceptional Case)	Forensic Services	The service provider was appointed by CoJ to testify on behalf of JM. There were disputes in terms of who is supposed to settle the debts between JM and CoJ
6.	Pilu Holdings	Minor Breach	Minor breach in terms of Regulation 36(1)(b)
7.	Oracle licences (Sole Supplier)	Software	A tender was issued for a database of service providers to be appointed through which Oracle licences are renewed. A service provider has not been appointed and the licences have expired. The cost was incurred to avoid re-instatement fees of expired software licences

Continuing

Deviation for the year 2018/2019

The table below represents deviation as defined in Regulation 36 of SCM:

NO.	Name	Description	Reason
8.	Home Components Design	Furnisher	The supplier had not supplied certain information which according to BAC was immaterial
9.	Unified Plumbing	Plumbing	The tender process of outsourcing services is still ongoing. The ablution facilities were not functional due to lack of maintenance, therefore plumber was insourced.
10.	Zizabantu	Plumbing	The tender process for plumbing preventative maintenance service is still ongoing. The ablution facilities were not functional due to lack of maintenance, therefore plumber was sourced
11.	Malonza	Plumbing	The tender process for plumbing was not approved. New tender process is underway. Both sewer and stormwater were not functional

Section 6:

Contingencies

The total estimated claims amount to R33 858 196, excluding legal costs, which is in respect of disputes with suppliers, the entity is of the view that this represents the maximum exposure. Details of the four (4) disputes are as follows:

- Dispute with service provider due to a utility cost analysis project that was suspended as a result of an invalid tender award - R792 070
- A claim for loss of income with a service provider due to a diesel project that was suspended - R27 266 125
- Dispute with a customer who sustained injuries in an accident involving a forklift of an agent - R4 020 000
- Dispute with a customer who slipped on a peel of lettuce on the premises of the entity and sustained injuries - R1 780 000



Joburg Market soc Limited

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Financial Statements for the year ending 30 June 2019

General Information

COUNTRY OF INCORPORATION AND DOMICILE	Republic of South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Providing of infrastructure to distribute fresh produce
DIRECTORS	Ms Y Ngxabazi (Chairperson) Dr P Naidoo Mr S Ndlovu Mr L Nengovhela Ms A Ramakoaba Mr M Kgopa Ms B Makgalo Mr M Mutangwa Mr H Godi Mr A Kanana (Chief Executive Officer) Mr S Dlamini (Chief Financial Officer)
REGISTERED OFFICE	1 Heidelberg Road City Deep Johannesburg 2049
BUSINESS ADDRESS	4 Fortune Road (Off Heidelberg Road) City Deep Johannesburg 2049
POSTAL ADDRESS	P O Box 86007 City Deep Johannesburg 2049
CONTROLLING ENTITY	The City of Johannesburg Metropolitan Municipality incorporated in South Africa
BANKERS	Standard Bank Limited
AUDITORS	The Auditor-General: South Africa
SECRETARY	Mr K Singh (Acting)
COMPANY REGISTRATION NUMBER	2000/023383/07
PREPARER	The financial statements were internally compiled by: Mr S Dlamini CA(SA) Chief Financial Officer

Joburg Market soc Limited

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Financial Statements for the year ending 30 June 2019

Directors' Responsibilities and Approval

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

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board, the Municipal Finance Management Act (Act 56 of 2003) as well as any relevant Act.

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

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

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

The directors have reviewed the entity's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, they are satisfied that the entity has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the entity is a going concern and that the City of Johannesburg Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Approval of annual financial statements:

The financial statements set out on pages 9 to 67, which have been prepared on the going concern basis, were approved by the directors on 29 November 2019 and were signed on its behalf by:



Ms Y Ngxabazi
Board Chairperson



Mr A Kanana
Chief Executive Officer

Johannesburg 29 November 2019

Joburg Market soc Limited

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Financial Statements for the year ending 30 June 2019

Audit and Risk Committee's Report

This Audit and Risk Committee report is presented as recommended by the King Code on Corporate Governance and Regulation 3.1.13 of the Treasury Regulations. The Audit and Risk Committee performs its functions in accordance with section 94(7) of the Companies Act and section 166 of the Municipal Finance Management Act (MFMA). The Audit and Risk Committee also reports that it has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter, has regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein. Additional text The Board has assigned oversight of the risk management function to the Committee, which has an oversight role with respect to financial reporting risks arising from internal financial controls, fraud and IT risks.

Composition of the Audit Committee and Attendance:

Membership:

The Audit and Risk Committee consists of three non-executive directors and three independent committee members.

The CEO, CFO, Senior Manager: Internal Audit and Senior Manager: Compliance are required to attend meetings of the Committee. The external auditors together with other COJ shareholder representatives attend the meetings by invitation.

Committee Meetings

The Committee is required to meet a minimum of four times per annum as per the provisions of the Municipal Finance Management Act (MFMA). Four ordinary and three special meetings were held during the financial year under review.

Joburg Market soc Limited

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Financial Statements for the year ending 30 June 2019

Directors' Responsibilities and Approval

Name of Member	Role	Appointment / Resignation Date	Qualifications	No of Meetings
Mr R Theunissen (Chairperson)	Independent Audit Committee Member	16 March 2017 – 17 April 2019	- CA(SA) - B Acc - Registered Auditor - Dip in Criminal Justice and Forensic Auditing	6/7
Mr L Nengovhela	Non -Executive Director	10 July 2017	- LLM Labour Law - B Com Honours - Post Graduate Dip labour Relations - B Admin - Advanced Management Programme - International Executive Programme	7/7
Mr C Tilly	Independent Committee Member	10 May 2017 – 17 April 2019	- CA(SA) - M Com (SA Domestic & International Tax) - PG Dip Auditing - B Compt Honours & C.T.A - B Com	6/7
Mr RS Hill	Independent Committee Member	25 February 2014 – 17 April 2019	- BSc (Information Processing) - Higher Dip in Computer Auditing - BSc Honours (Computer Science)	7/7
Mr M Sass* (Chairperson)	Independent Committee Member	17 April 2019	- M Com - Certified Internal Auditor - CA(SA) - B Compt Hons & CTA - B Com (Hons) - B Com (Acc)	0/7
Mr S Ndlovu	Non -Executive Director	16 March 2017	- MBA - Chartered Institute of Management Accounting (CIMA)	0/7
Mr M Kgopa*	Non -Executive Director	17 April 2019	- MBA - Masters of Engineering - BSc Computer Science	0/7

*Appointed on 17 April 2019, post the last scheduled meeting of the 2018/19 financial year.

Summary of the main activities undertaken by the Audit and Risk Committee during the year

In executing its duties, the Audit and Risk Committee performed the following activities during the year:

External Audit

-Reviewed and approved the audit plan with the Auditor-General, with specific reference to the proposed audit scope and approach, as well as recommend the audit fee;

-Reviewed and discussed the Annual Financial Statements to be included in the Annual Report, with the Auditor-General and the Accounting Officer;



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Financial Statements for the year ending 30 June 2019

Audit and Risk Committee's Report

Internal Audit

- Considered the effectiveness of Internal Audit, which included approving the one-year operational and three-year strategic internal audit plans and monitored Internal Audit's adherence to its annual programme;
- Received and reviewed reports from internal auditors concerning the effectiveness of the company's internal control environment, systems and processes;
- Reviewed the adequacy and appropriateness of management's corrective action plan as a consequence of audit findings; and
- Made appropriate recommendations regarding the corrective actions to be taken as a consequence of the audit findings.

Risk Management

- Oversee the adoption of the risk management policy, risk management framework and risk management processes, along with the development of a risk management plan.
- Monitor the implementation of the risk management policy, framework and processes
- Oversee the risk assessment are performed on a continuous basis
- Oversee that management considers and implements appropriate risk control measures
- Oversee that continuous risk monitoring by management takes place
- Make recommendations to the Board concerning the risk appetite and risk tolerance matrix in line with City of Joburg

Framework

- Express the committees formal opinion to the Board on the effectiveness of risk management,
- Review the report concerning the risk management that is to be included in the annual report, ensuring that it is timely, comprehensive and relevant.

General

- Reviewed the accounting practices adopted by the company and found those to be appropriate
- Monitored the company's compliance with applicable legislation and regulations including, without limitation, the MFMA, the Treasury Regulations and the Companies Act; and
- Reported on items of fruitless and wasteful and irregular expenditure in terms of the MFMA.
- Finalized high risk matters in the year under review

Assessment of Internal Audit

The Audit and Risk Committee is not satisfied that the internal audit function is operating effectively and that it has addressed the mitigating controls of the risks pertinent to the company in its audit. The entity has given assurances that this matter is receiving urgent attention and will be fully functional in the new year.

Internal Control Environment

The internal control environment has been a focus area of management in ensuring operating effectiveness of financial controls. The system of internal control was effective for the year under review.

The Audit and Risk Committee is satisfied with the content and quality of quarterly and yearly management reports prepared and issued by the Accounting Officer of the company during the year under review in terms of the MFMA.

Joburg Market soc Limited

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Financial Statements for the year ending 30 June 2019

Audit and Risk Committee's Report

Going Concern

The committee considered the going concern premise of the company before recommending to the board that the company will be a going concern in the foreseeable future.

Auditor-General South Africa

The Audit and Risk Committee has met with the Auditor-General South Africa to ensure that there are no unresolved issues

Assessment of the Financial Function and Competency of the Chief Financial Officer

As required by King Code, the Audit and Risk Committee is required to assess the company's financial function as well as the competency of the Chief Financial Officer. The Audit and Risk Committee has performed this assessment and accordingly the Audit and Risk Committee is satisfied with:

The expertise and adequacy of the resources within the financial function of the company;
The experience of the senior members of management responsible for the financial function; and that the expertise and experience of the Chief Financial Officer is appropriate to meet the responsibilities commensurate with the position.

Risk Management

The Board has assigned oversight of the company's risk management function to this Committee. The Committee fulfills an oversight role regarding enterprise wide risk management, which includes financial reporting risk, internal financial controls, fraud risk as it relates to financial reporting and information technology risks as it relates to financial reporting.

Annual Financial Statements

The Audit and Risk Committee has evaluated the audited annual financial statements for the year ended 30 June 2019 and considers that it complies, in all material aspects, with the requirements of the MFMA and the Public Audit Act, no 25 of 2004. The Audit and Risk Committee has therefore recommended for the adoption of the Audited Annual Financial Statements by the Board of Directors at their meeting on 29 November 2019.

The Audit and Risk Committee has evaluated the draft Integrated Report for the year ended 30 June 2019 and considers that it complies, in all material respects, with the requirements of the Companies Act, 71 of 2008 and the Municipal Finance Management Act, 56 of 2003. The Audit and Risk Committee has therefore recommended for the adoption of the draft Integrated Report by the Board of Directors at their meeting on 29 November 2019.



Mr. M Sass
Chairperson of the Audit and Risk Committee

26 November 2019 Johannesburg

Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2019

Report of the auditor-general to Gauteng Provincial Legislature and council of the City of Johannesburg Metropolitan Municipality on Joburg Market (SOC) Limited

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Joburg Market (SOC) Limited set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2019, the statement of financial performance, statement of changes in net assets and cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the 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 Joburg Market (SOC) Ltd as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (the Companies Act).

Context for the 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 auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.

4. I am independent of the Municipal entity in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of ethics for professional accountants and, parts 1 and 3 of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA codes) as well as the 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 codes.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

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

An uncertainty relating to the future outcome of litigations

7. As disclosed in note 29 to the financial statements, the municipal entity is the defendant in various lawsuits. The ultimate outcome of these matters cannot presently be determined and/or reliably measured; therefore, no provision for any liabilities that may result has been made in the financial statements.

Fruitless and wasteful expenditure

8. As disclosed in note 36 to the financial statements, the municipal entity incurred fruitless and wasteful expenditure of R16 003 050, as of generators which were procured in the prior years but were never commissioned as a result they deteriorated and were no longer functional.

Material impairments

9. As disclosed in note 8 to the financial statements, the receivables for exchange transactions balance has been significantly impaired. The provision for impairment was R19 846 733 (2018: R11 483 073), which represents 44% (2018: 23%) of the total receivables from exchange transactions balance.

Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2019

Report of the auditor-general to Gauteng Provincial Legislature and council of the City of Johannesburg Metropolitan Municipality on Joburg Market (SOC) Limited

Other matter

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

Unaudited disclosure notes

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

Responsibilities of the accounting officer for the financial statements

12. The board of directors, which constitutes the accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA 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.

13. In preparing the financial statements, the accounting officer is responsible for assessing the Joburg Market (SOC) Limited'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.

Auditor-general's responsibilities for the audit of the financial statements

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

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

Report on the audit of the annual performance report

Introduction and scope

16. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

17. My procedures address the reported performance information, which must be based on the approved performance planning documents of the Municipal entity. I have not evaluated the completeness and appropriateness of the performance measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2019

Report of the auditor-general to Gauteng Provincial Legislature and council of the City of Johannesburg Metropolitan Municipality on Joburg Market (SOC) Limited

18. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the Municipal entity for the year ended 30 June 2019:

Objectives	Pages in the annual performance report
CoJ strategic priority 1: Promote economic development and attract investments towards achieving 5% economic growth that reduces unemployment by 2021	46 – 49
CoJ strategic priority 7: Enhancing our financial sustainability	46 – 49

19. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

20. I did not raise any material findings on the usefulness and reliability of the reported performance information for these objectives:

- CoJ strategic priority 1: Promote economic development and attract investments towards achieving 5% economic growth that reduces unemployment by 2021
- CoJ strategic priority 7: Enhancing our financial sustainability

Other matters

21. I draw attention to the matters below.

Achievement of planned targets

22. Refer to the annual performance report on pages 46 to 49 for information on the achievement of planned targets for the year.

Report on the audit of compliance with legislation

Introduction and scope

23. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the Municipal entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

24. The material findings on compliance with specific matters in key legislations are as follows:

Annual financial statements

25. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA.

Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2019

Report of the auditor-general to Gauteng Provincial Legislature and council of the City of Johannesburg Metropolitan Municipality on Joburg Market (SOC) Limited

26. Material misstatements of non-current assets, accumulated surplus and disclosures identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Procurement and contract management

27. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of SCM regulation 17(a) and (c).

28. Some of the quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).

Expenditure management

29. Reasonable steps were not taken to prevent irregular expenditure amounting to R4 849 794 as disclosed in note 36 to the annual financial statements, as required by section 95(d) of the MFMA. The majority of the irregular expenditure was caused by the exceeding of the original contract price without the approval of a delegated official.

30. Money owed by the municipal entity was not always paid within 30 days, as required by section 99(2)(b) of the MFMA.

Consequences management

31. Some of the regular expenditure incurred by the municipal entity were not investigated to determine if any person is liable for the expenditure, as required by municipal budget and reporting regulations 75(1).

Other information

32. The accounting officer is responsible for the other information. The other information comprises the 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, 2008 (Act No. 71 of 2008) (Companies Act). The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.

33. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

34. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

35. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.



Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2019

Report of the Auditor-General to Gauteng Provincial Legislature and council of the City of Johannesburg Metropolitan Municipality on Joburg Market (SOC) Limited

Internal control deficiencies

36. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

37. Non-compliance with laws and regulations could have been avoided had management put in the appropriate measures to ensure compliance with laws and regulations.

38. Internal audit did not fully implement its annual plan which resulted in internal control deficiencies not being identified and corrected

Other reports

39. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the municipal entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. 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.

40. Investigations into alleged financial irregularities, financial misconduct and fraud were completed during the year under review. Various measures were recommended, including taking action against the identified officials, and these were in the process of being implemented. The recommendations were at various stages of implementation.

Auditor - General

Johannesburg
30 November 2019



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2019

Report of the auditor-general to Gauteng Provincial Legislature and council of the City of Johannesburg Metropolitan Municipality on Joburg Market (SOC) Limited

Annexure – Auditor-general's responsibility for the audit

1. 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 objectives and on the Municipal entity's compliance with respect to the selected subject matters.

Financial statements

2. 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 by the board of directors, which constitutes the accounting officer
- conclude on the appropriateness of the board of directors, which constitutes the accounting officer's 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 related to events or conditions that may cast significant doubt on the Joburg Market (SOC) Limited ability 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 the 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 continuing as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. 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.

4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2019

Directors' Report

Name	Board Meeting	Audit & Risk committee meeting	Remuneration Social and ethics committee meeting
Total number of meetings held	11	7	4
Ms Y Ngxabazi (Chairperson)*	2		
Ms D Dondur (Chairperson)**	4		
Mr J Mocke (Chairperson)***	8		4
Dr P Naidoo	10		3
Mr S Ndlovu	10		
Mr L Nengovhela	9	7	4
Ms A Ramakoaba	8		4
Mr M Kgopa*	2		
Ms B Makgalo*	2		
Mr M Mutungwa*	2		
Mr H Godi*	2		
Dr W Thwala***	3		
Mr T Mlangeni***	3		
Mr A Kanana	10	7	4
Mr S Dlamini	8	7	4
Independent audit committee members:			
Mr R Theunissen (Chairperson)***	7	6	
Mr C Tilly***		6	
Mr R Hill***		7	
Mr M Sass*	1		

The members did not all serve for the full year:

*Appointed 17 April 2019.

**Resigned 29 October 2018

***Retired 17 April 2019

Mr A Mokwena and Ms M Ramonyai are independent audit committee members who were appointed at the last AGM on 17 April 2019 post the last scheduled audit committee meetings of the 2018/19 financial year.

Audit and Risk Committee

The Audit and Risk Committee (ARC) comprises of 6 members, 3 of whom are non-executive directors and 3 independent members. The committee is constituted in accordance with Section 166 of the Municipal Finance Management Act and was chaired by Mr M Sass, who is an independent audit and risk committee member. The ARC had 4 ordinary and 3 special meetings during the 2018/19 financial year to review matters necessary to fulfil its role.

Internal audit

The internal audit function was performed internally. Certain internal audit activities were outsourced. This ensured that the internal audit function was effective throughout the period of review.

Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2019

Directors' Report

The directors hereby submit their report for the year ended 30 June 2019.

1. INCORPORATION

The entity was incorporated on 08 September 2000 and obtained its certificate to commence business on the same day.

2. REVIEW OF ACTIVITIES

Main business and operations

The entity is a municipal entity, engaged in the provision of infrastructure to distribute fresh produce and operates principally in the City of Johannesburg.

During the year there were no major changes in the activities of the business.

The total turnover generated by the entity was R 7,894,779,031 (2018:R 7,283,390,420) and the revenue recognised is R 496,104,411 (2018:R 451,540,917) of which an average of 80% is the main revenue - commission.

Net surplus of the entity was R 123 206 369 (2018: surplus R 95 838 404).

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.

The current assets of the entity exceeds its current liabilities at year end by R347,195,762 (2018: R237,423,510). Included in current liabilities is an amount of R 8,192,449 (2018: R10,408,637) relating to current portion of loans from the shareholder which is payable in the coming year. The directors are confident that the entity will meet all its obligations in the coming financial year.

4. SUBSEQUENT EVENTS

After several attempts to engage Joburg Water about incorrect water billing, they replaced the water meter subsequent to year end (July 2019). Invoices post this date might include corrections to prior periods billing. As at the date of preparation of the financial statements, it was impractical to determine the possible financial impact of the change.

5. DIRECTORS' PERSONAL FINANCIAL INTERESTS

All of the directors have declared that they do not have any personal financial interests in any contracts entered into by the entity.

6. 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 and Municipal Finance Management Act.

There were no changes in accounting policies during the year.



Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2019

Directors' Report

7. SHARE CAPITAL / CONTRIBUTED CAPITAL

There were no changes in the authorised or issued share capital of the entity during the year under review. The entire shareholding of the entity is held by The City of Johannesburg Metropolitan municipality. Unissued ordinary shares are under the control of The City of Johannesburg Metropolitan Municipality.

8. BORROWING LIMITATIONS

In terms of the sale of business agreement, The Joburg Market SOC Limited does not have the authority to borrow on its own behalf. All external funding is managed under the auspices of The City of Johannesburg Metropolitan Municipality's treasury department.

9. NON-CURRENT ASSETS

There were no major changes in the nature of non-current assets of the entity during the year.

Property plant and equipment to the value of R34,165,483 (2018: R 9,524,147) and intangible assets to the value of R0 (2018: R4,702,046) were acquired during the year under review.

10. DIVIDENDS

No dividends were declared or paid to the shareholder during the year.

11. DIRECTORS

The directors of the entity during the year and to the date of this report are as follows:

Name	Nationality	Changes
Ms Y Ngxabazi (Chairperson)	South African	Appointed 17 April 2019
Ms D Dondur (Chairperson)	South African	Resigned 29 October 2018
Mr J Mocke (Chairperson)	South African	Retired 17 April 2019
Dr P Naidoo	South African	
Mr S Ndlovu	South African	
Mr L Nengovhela	South African	
Ms A Ramakoaba	South African	
Mr M Kgopa	South African	Appointed 17 April 2019
Ms B Makgalo	South African	Appointed 17 April 2019
Mr M Mutangwa	South African	Appointed 17 April 2019
Mr H Godi	South African	Appointed 17 April 2019
Dr W Thwala	South African	Retired 17 April 2019
Mr T Mlangeni	South African	Retired 17 April 2019
Mr A Kanana (Chief Executive Officer)	South African	
Mr S Dlamini (Chief Financial Officer)	South African	

12. SECRETARY

Mr K Singh was appointed as acting secretary as of 01 July 2017.

Business address:

4 Fortune Road (Off Heidelberg Road)
City Deep
Johannesburg
2049

Postal address:

P O Box 86007
City Deep
Johannesburg
2049

Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2019

Directors' Report

13. CORPORATE GOVERNANCE

General

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

The Board of directors have endeavoured to comply with the requirements of the King Code including integrated and sustainability reporting, which has been adopted using the City of Johannesburg Municipality's recommended template.

Board of directors

The Board of directors:

- Retains full control over the entity, its plans and strategy;
- Acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- Is of a unitary structure comprising:

9 times non-executive directors, all of whom are independent directors as defined in the King Code of Corporate Governance.

2 times executive directors; Chief Executive Officer and Chief Financial Officer.

Chairperson and Chief Executive Officer

The Chairperson is an independent non-executive director (as defined in the King Code of Good Corporate Governance).

The roles of Chairperson and Chief Executive Officer are separate, so that no individual has unfettered powers of discretion.

Remuneration

The remuneration of the Chief Executive Officer and the executive committee, is determined by the Board of directors in accordance with Section 89 of the Municipal Finance Management Act and the upper limits set by the City of Johannesburg Metropolitan Municipality.

Board and committee meetings

The directors have met on 11 separate occasions during the financial year. The directors were scheduled to meet 6 times within the year. Ongoing investigations and the appointment of the Chairperson and Directors necessitated 5 additional special meetings.

Non-executive directors have access to all members of management of the entity. The board is also expected to meet with the shareholder on a quarterly basis.



Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2019

Directors' Report

14. CONTROLLING ENTITY

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

15. SPECIAL RESOLUTIONS

There were no special resolutions taken for the year under review.

16. BANKERS

Standard Bank Limited.

The management of the treasury function is under the auspices of The City of Johannesburg Metropolitan Municipality's Assets and Liabilities Committee and Treasury Directorate.

17. AUDITORS

The Auditor-General: South Africa will continue in office in accordance with the Public Audit Act No 25, section 90 of the Municipal Finance Management Act No 56 of 2003 and section 90 of the Companies Act of 2008.

18. CONTINGENCIES

Joburg Market has in previous financial years reported long outstanding legacy litigation matters. For the year under review the exposure on litigation has increased compared to the previous year. Disputes with employees have decreased. Refer to note 29.

19. CURRENT INVESTIGATIONS

Some procurement irregularities that necessitated investigations in prior years have not all been finalised. Those that were finalised and disciplinary action recommended, action was taken by the organisation and concluded. For investigations that are still ongoing, the entity will await the finalisation thereof and implement the recommendations as directed.

Company Secretary's Certification

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

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, I certify that, to the best of my knowledge and belief, the entity has lodged and/ or filed, for the financial year ended 30 June 2019, all such returns and notices as required and that all such returns and notices are true, correct and up to date.



Mr K Singh
Company Secretary
Joburg Market (SOC) Ltd

Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2019

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018
Assets			
Current Assets			
Loans to shareholders	5	309 255 164	153 606 150
Current tax receivable		7 459 353	8 140 804
Receivables from exchange transactions	8	44 966 969	39 485 957
VAT receivable	9	2 408 528	561 873
Cash and cash equivalents	10	170 943 947	201 206 750
		535 033 961	403 001 534
Non-Current Assets			
Investment property	2	5 630 638	6 130 687
Property, plant and equipment	3	335 233 024	331 901 368
Intangible assets	4	6 354 040	9 239 707
Deferred tax	6	7 925 135	6 076 335
		355 142 837	353 348 097
Total Assets		890 176 798	756 349 631
Liabilities			
Current Liabilities			
Loans from shareholders	5	8 192 449	10 408 637
Finance lease obligations	12	-	136 126
Payables from exchange transactions	14	176 947 633	155 033 261
Provisions	13	2 698 117	-
		187 838 199	165 578 024
Non-Current Liabilities			
Loans from shareholders	5	10 306 694	18 499 143
Employee benefit obligations	7	2 528 000	2 782 000
Deferred tax	6	12 558 333	15 751 263
		25 393 027	37 032 406
Total Liabilities		213 231 226	202 610 430
Net Assets		676 945 572	553 739 201
NET ASSETS			
Share capital	11	20 000 000	20 000 000
Accumulated surplus		656 945 574	533 739 205
Total Net Assets		676 945 574	553 739 205



Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2019

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018
Revenue			
Commission		398 729 853	367 793 837
Rental of facilities and equipment		53 608 906	47 991 889
Interest received	16	28 458 379	19 027 199
Storage		5 963 998	7 180 719
Cash handling fees		3 630 960	3 215 574
Banana ripening		1 826 047	3 669 889
Sundry revenue		2 601 078	1 434 850
Miscellaneous other revenue		1 280 193	1 224 960
Discount received		4 997	2 000
Total revenue		496 104 411	451 540 917
Expenditure			
Employee related costs	17	(141 940 177)	(136 011 858)
Depreciation and amortisation	18	(24 806 344)	(23 438 759)
Impairment loss	19	(5 217 926)	-
Finance costs	20	(3 106 866)	(4 061 997)
Lease rentals on operating lease		(645 784)	(590 678)
Debt Impairment	21	(8 363 733)	(55 880)
General Expenses	22	(133 998 431)	(131 928 620)
Total expenditure		(318 079 261)	(296 087 792)
Operating surplus		178 025 150	155 453 125
(Loss) on disposal of assets and liabilities		(4 361 769)	7 311
Surplus before taxation		173 663 381	155 460 436
Taxation	24	50 457 012	59 622 032
Surplus for the year		123 206 369	95 838 404

Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2019

Statement of Changes in Net Assets

Figures in Rand	Share capital contributed capital	Share premium	Total share capital	Accumulated surplus	Total net assets
Balance at 01 July 2017	1	19,999,999	20,000,000	437 900 801	457 900 801
Changes in net assets					
Surplus for the year	-	-	-	95 838 404	95 838 404
Total changes	-	-	-	95 838 404	95 838 404
Balance at 01 July 2018	1	19,999,999	20,000,000	533 739 205	553 739 205
Changes in net assets					
Surplus for the year	-	-	-	123 206 369	123 206 369
Total changes	-	-	-	123 206 369	123 206 369
Balance at 30 June 2019	1	19,999,999	20,000,000	656 945 574	656 945 574
Note (s)	11	11	11		



Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2019

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018
Cash flows from operating activities			
Receipts			
Sale of goods and services		457 613 231	429 735 850
Interest income		28 458 379	19 027 199
		486 071 610	448 763 049
Payments			
Employee costs		(138 058 835)	(138 030 415)
Suppliers		(138 896 980)	(85 862 026)
Finance costs		(3 106 866)	(4 017 559)
Taxes on surpluses	26	(54 817 291)	(42 884 827)
		(334 879 972)	(270 794 827)
Net cash flows from operating activities	25	151 191 638	177 968 222
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(15 258 960)	(8 740 275)
Purchase of intangible assets	4	-	(4 702 046)
Loan to shareholder - Sweeping account		(155 649 014)	(71 987 846)
Net cash flows from investing activities		(170 907 974)	(85 430 167)
Cash flows from financing activities			
Repayment of shareholders loan		(10 408 637)	(14 418 746)
Finance lease payments		(137 830)	(934 711)
Net cash flows from financing activities		(10 546 467)	(15 353 457)
Net increase in cash and cash equivalents		(30 262 803)	77 184 598
Cash and cash equivalents at the beginning of the year		201 206 750	124 022 152
Cash and cash equivalents at the end of the year	10	170 943 947	201 206 750

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Appropriation Statement

Figures in Rand

Reported
unauthorised
expenditure

Expenditure
authorised in
terms of section
32 of MFMA

Balance to be
recovered

Restated
audited
outcome

Management considers a variance of 10% or more as material. A detailed description of variances is provided below

Revenue

1. Investment revenue - The increase resulted from the interest on the sweeping account which was not budgeted for in the current period.

Expenditure

2. Employee costs - Over budget by 15% is due to R37,5m budget cut-off by the shareholder during budget adjustment.

3. Debt impairment - This is the current year impairment of debtors which was not budgeted for. This resulted from the current debtors that were in arrears in their account

4. Depreciation and asset Impairment - Over budget by 32% is due to the impairment of generators of R4m which was not budgeted for.

5. Finance charges - The decrease in finance charges is due to the reduction in the shareholder loan and no new loans taken in the current year.

6. A delay in the award of a tender for maintenance has resulted in under-spending on maintenance. R&D expenses as well as legal expenses budget has not been fully utilized

Capital expenditure

7. The budget for the year under review for capital expenditure was R39,7m and actual capital expenditure incurred by 30 June 2019 amounted to R34m which represents 86% of actual spend.

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Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2019											
Financial Performance											
Investment revenue	2 250 000	-	2 250 000	-		2 250 000	28 458 379	1	26 208 379	1 265 %	1 265 %
Other own revenue	450 581 000	(3 005 000)	447 576 000	-		447 576 000	467 646 032		20 070 032	104 %	104 %
Total revenue (excluding capital transfers and contributions)	452 831 000	(3 005 000)	449 826 000	-		449 826 000	496 104 411		46 278 411	110 %	110 %
Employee costs	(160 839 000)	37 506 000	(123 333 000)	-		(123 333 000)	(141 940 177)	2	(18 607 177)	115%	113 %
Debt impairment	-	-	-			-	(8 363 733)	3	(8 363 733)	- %	- %
Depreciation and asset impairment	(22 921 000)	-	(22 921 000)			(22 921 000)	(30 024 270)	4	(7 103 270)	131 %	131%
Finance charges	(32 274 000)	24 624 000	(7 650 000)	-	-	(7 650 000)	(3 106 866)	5	4 543 134	41 %	10 %
Other expenditure	(145 652 000)	(29 335 000)	(174 987 000)	-	-	(174 987 000)	(139 005 984)	6	35 981 016	79 %	95 %
Total expenditure	(361 686 000)	32 795 000	(328 891 000)	-	-	(328 891 000)	(322 441 030)	20	6 449 970	98 %	89 %
Surplus/(Deficit)	91 145 000	29 790 000	120 935 000			120 935 000	173 663 381		52 728 381	144 %	191 %
Taxation	33 826 000	(10 433 000)	23 393 000	-		23 393 000	50 457 012		27 064 012	216 %	149 %
Surplus/(Deficit) for the year	57 319 000	40 223 000	97 542 000	-		97 542 000	123 206 369		25 664 369	126 %	215 %
Capital expenditure and funds sources											
Total capital expenditure	39 676 000	-	39 676 000	-		39 676 000	34 165 483	7	(5 510 517)	86 %	86 %

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Financial Statements for the year ending 30 June 2019

Accounting Policies

1. Presentation of Financial Statements

Basis of preparation and presentation

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the Municipal Finance Management Act (MFMA) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, unless specified otherwise.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions are to be developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated where material. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly where material. Where the error is immaterial, the full effect is accounted for in the current year. Where there has been a change in accounting policy or reclassification in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Assets, liabilities, revenues and expenses were not offset, except where offsetting was required or permitted by a Standard of GRAP.

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

1.1. Presentation currency

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

1.2. Going concern assumption

These financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern at least twelve months from the end of the reporting period.

1.3. Materiality

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

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



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Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty

In preparing the Annual Financial Statements in conformity with GRAP, management is required to use professional judgment, estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Future actual results could differ from these estimates which may be material to the Annual Financial Statements. These estimates and underlying assumptions are reviewed on an ongoing basis. Effect of changes in estimates are accounted for on a prospective basis in the statement of financial performance.

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. Such valuation techniques include using recent arm's length market transactions, reference to current market value of other similar instruments, discounted cash flow analysis and option pricing models. Quoted market prices or dealer quotes for similar instruments are used for long-term debt.

The carrying value less impairment provision of trade receivables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

Impairment of property, plant and equipment

The entity assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

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

The excess of the carrying amounts over the recoverable amount is recognised as impairment loss in the statement of financial performance.

Provisions, contingent assets and contingent liabilities

Management's judgment is required when recognising and measuring provisions, contingent liabilities and contingent assets. Provisions are raised based on current information available to management.

A provision is recognised when the municipality has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Employee benefit obligation

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

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Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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

Other key assumptions for pension obligations are based on current market conditions, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainties.

Impairment of financial assets

Where objective evidence of impairment loss on financial assets measured at amortised cost exists, the present value of the future cash flows of the financial assets discounted at the financial asset's original effective rate is determined and compared to the carrying value of the financial assets. The carrying amount of asset shall be reduced either directly or through the use of an allowance account. The amount of loss shall be recognised in the statement of financial performance.

Useful lives and residual value

The useful life of assets are based on management's estimates. Management considers the impact of technology, service requirements and the required return on assets to determine the optimum useful life expectation, where appropriate. The estimated residual value of assets is also based on management's judgment which takes into account the condition of assets at the end of their useful life.

Budget information

Management makes a judgement as to which variances are regarded as material. Management considers a variance of 10% or more as material and all material variances are explained in the notes to the annual financial statements

1.5 Investment property

Definition

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation excluding property held for use in the production or supply of goods or services or for administrative purposes, or sale in the ordinary course of operations

Recognition

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and the cost or fair value of the investment property can be measured reliably.

Initial measurement

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition. Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.



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Accounting Policies

1.5 Investment property (continued)

Subsequent measurement

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Investment property comprise of land which is not depreciated.

Investment properties, with the exception of land, are depreciated on the straight line basis over their expected useful lives as follows:

Item	Average useful life
Investment property	30 years

Transfers to, or from, investment property shall be made when, and only when, there is a change in use.

Derecognition.

The entity derecognises investment property on disposal, or when no future economic benefits or service potential are expected from its use or disposal. If the entity has recognised in the carrying amount of an investment property, the cost of a replacement part, it derecognises the carrying amount of the replaced part. As investment property is accounted for using the cost model, a replaced part is not a part that was depreciated separately. If it is not practicable for the entity to determine the carrying amount of the replaced part, the entity uses the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or constructed. The gain or loss arising from derecognition of investment property is recognised in the statement of financial performance.

1.6 Property, plant and equipment

Definition

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

Recognition

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.

Initial measurement

Property, plant and equipment is initially measured at cost.

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

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

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Accounting Policies

1.6 Property, plant and equipment (continued)

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

Subsequent measurement

PPE are shown at cost less accumulated depreciation and any accumulated impairment. Land is measured at cost less any impairment in value and is not depreciated since the useful life is considered to be indefinite.

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready and available for its use as intended by management.

Property, plant and equipment with the exception of land are depreciated on a straight line basis over their expected useful lives to their estimate residual values. The depreciation method used for each asset reflects the pattern in which the asset's economic benefits or service potential has been expected to be consumed by the entity.

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

Item	Depreciation method	Average useful life
Buildings	Straight line	10 - 30 years
Plant and machinery	Straight line	10 - 17 years
Furniture and fixtures	Straight line	7 - 15 years
Motor vehicles	Straight line	8 - 10 years
Office equipment	Straight line	7 - 13 years
IT equipment	Straight line	5 - 12 years
Finance leased assets	Straight line	3 - 5 years

Subsequent expenditure is included in the cost of the asset when incurred, if it is probable that such expenditure will result in future economic benefits associated with the item flowing to the entity and the cost can be measured reliably.

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

Assets held under finance leases are depreciated based on the lower of lease term or expected useful life. When it is reasonable certain that ownership will be transferred to the lessee at end of lease term, the leased asset will be depreciated over the useful life of the asset. Depreciation is recognised in the statement of financial performance.

The entity assesses at each reporting date whether there is any indication that its expectation about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such exists, the entity will revise the expected useful life and/or residual value accordingly. The change will be accounted for as a change in an accounting estimate in accordance with the relevant GRAP standard. In assessing whether there is any indication that the expected useful life of an asset has changed, the entity considers; the composition of the asset change during the reporting period and the factors influencing the change in the use of the asset. In assessing any indications pertaining to the residual value, the entity considers any changes regarding the expected timing of disposal of the asset.

The entity shall assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, it shall estimate the recoverable service amount of the asset.

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Accounting Policies

1.6 Property, plant and equipment (continued)

The depreciation charge for each period is recognised in the statement of financial performance unless it is included in the carrying amount of another asset.

Derecognition

The entity derecognises property, plant and equipment on disposal, or when no future economic benefits or service potential are expected from its use or disposal. If the entity had recognised a replacement part at a carrying amount, the entity derecognises the carrying amount of the replaced part regardless of whether the replaced part had been depreciated separately. If it is not practicable for the entity to determine the carrying amount of the replaced part, the entity uses the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or constructed. The gain or loss arising from derecognition of property, plant and equipment is recognised in the statement of financial performance.

1.7 Intangible assets

Definition

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others or for administrative purposes.

An asset is identifiable if it either:

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

Recognition

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.

Initial recognition

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

Subsequent measurement

Under the cost model intangible assets are carried at cost less any accumulated amortisation and impairment losses.

Amortisation commences when the intangible assets are available for their intended use. The amortisation period and method for intangible assets with finite useful lives are reviewed annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Intangible assets with finite useful life are amortised on the straight-line basis over their useful lives.

Intangible assets with an indefinite useful life are not amortised but will be tested for impairment when there is an indicator. The entity reviews the useful life of an intangible asset with an indefinite useful at each reporting period to determine whether events and circumstances continue to support an indefinite useful life for that asset.

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Accounting Policies

1.7 Intangible assets (continued)

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

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3 - 7 years

The amortisation charge for each period is recognised in the statement of financial performance.

Derecognition

The entity derecognises intangible assets; on disposal, when there is no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition of intangible assets is recognised in the statement of financial performance.

1.8 Financial instruments

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

The entity enters into contractual agreements with other parties that have clear economic consequences that the parties involved have little, if any, discretion to avoid, usually because the agreement is enforceable by law.

Classification

The entity classifies financial assets and financial liabilities into the following categories:

Class

Cash and cash equivalents
Receivables from exchange transactions
Loans to shareholder

Class

Payables from exchange transactions
Loans from shareholder

Initial recognition

The entity recognises a financial instrument when the entity becomes a party to the contractual provisions of the instrument.

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 assets and financial liabilities

Financial assets

A financial asset is a) cash; b) a residual interest of another entity; or (c) a contractual right to:

- (i) Receive cash or another financial asset from another entity; or
- (ii) Exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.



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Accounting Policies

1.8 Financial instruments (continued)

Receivables from exchange transactions

Trade receivables are initially measured at fair value, subsequently measured at amortised cost using the effective interest rate method. Appropriate allowance for estimated recoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payment (more than 30 days past due) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the assets carrying amount and the present value of estimated future cashflows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance asset, and the amount of the allowance is recognised in the statement of financial performance within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Loans to shareholder

Loans to shareholder are classified as financial assets measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially recorded at fair value and subsequently recorded at amortised cost.

All receivables are on accrual basis except for VAT which is on a cash basis.

Financial liabilities

A financial liability is any liability that is a contractual obligation to: a) deliver cash or another financial asset to another entity; or b) exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Finance costs on financial liabilities at amortised cost are expensed in the statement of financial performance in the period in which they are incurred using the effective interest rate method. In addition, gains and losses on these financial liabilities are recognised in the statement of financial performance when the liability is derecognised.

Loans from shareholder

Loans from shareholder are classified as financial liabilities which are initially recognised at fair value and subsequently measured at amortised cost.

Payables from exchange transactions

Payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition

Financial assets

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Accounting Policies

1.8 Financial instruments (continued)

The entity derecognises a financial asset (or where applicable a part of a financial asset or part of a group of similar financial assets) where:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where 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 recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of financial performance.

1.9 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

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

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

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in the statement of financial performance for the period.

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

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Accounting Policies

1.10 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

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

Any contingent rent is expensed in the period in which it is incurred.

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Accounting Policies

1.11 Impairment of cash-generating assets

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

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

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

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

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

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

The recoverable amount of a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Irrespective of whether there is any indication of impairment, the entity also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.



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Accounting Policies

1.11 Impairment of cash-generating assets (continued)

An impairment loss is recognised immediately in the statement of financial performance

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in the statement of financial performance.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

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Accounting Policies

1.12 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the entity are classified according to the substance of the contractual arrangements entered into.

Equity instruments issued by the entity are recorded at the proceeds received, net of direct issue costs.

1.13 Employee benefits

Short-term employee benefits

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

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

The expected cost of 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.

The entity recognises the expected cost of bonus and performance related payments when and only when: (a) it has a present legal or constructive obligation to make such payments as a result of past events, (b) a reliable estimate of the obligation can be made.

Defined contribution plans

A defined contribution plan is a post-employment pension plan under which the entity pays fixed contributions into a separate entity (a fund). The municipality has no further payment obligations once the contributions have been paid. Accordingly, the municipality recognises the contributions to the scheme as an expense when the employees have rendered a service.

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

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit funds are actuarially valued on the projected credit method.

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

Past service costs are recognised immediately in the statement of financial performance in the reporting period in which the plan is amended.

Actuarial gains and losses are recognised in full in the statement of financial performance when they arise.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In statement of financial performance, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement. The entity does not only account for the legal obligation under formal terms but also for any constructive obligation that arises from the entity's informal practices.

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Accounting Policies

1.13 Employee benefits (continued)

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation less fair value of planned assets out of which obligations are to be settled directly, plus any liability that may arise as a result of the minimum funding requirement.

Other post retirement obligations

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

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

1.14 Provisions and contingencies

Provisions are recognised when:

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

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

Expense relating to provisions is presented in the statement of financial performance.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability is a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

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

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

Provisions are not recognised for future operating deficits.

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

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Accounting Policies

1.14 Provisions and contingencies (continued)

Additional disclosures of estimates of provisions are included in the provisions note.

Contingent assets and contingent liabilities are not recognised but are separately disclosed. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

1.15 Commitments

IA commitment is a contract that is non-cancelable or only cancelable at significant cost, to the extent that the amount has not been recorded elsewhere in the financial statements.

These commitments are disclosed in the notes to the annual financial statements.

Revenue from exchange transactions

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

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

Measurement

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

Rendering of services

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

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

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

Interest

Interest revenue is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably. Interest is recognised on a time-proportion basis in the statement of financial performance, using the effective interest rate method.



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Accounting Policies

1.17 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds. All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure which was incurred and identified during the financial year is disclosed in the notes to annual financial statements. However, fruitless and wasteful expenditure which was incurred and identified during the financial year but failed to be written off by the council is initially recognised as expenditure based on its nature and after further investigations classified to receivables and income. Where it is not possible to recover the revenue recognised from fruitless and wasteful, the receivable is written-off following proper write off processes in terms of the MFMA.

1.20 Irregular expenditure

Irregular expenditure is expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the MFMA, Municipal Systems Act or the Public Office-Bearers Act, and which has not been written off in terms of the MFMA.

Irregular expenditure which was incurred and identified during the current financial year but was still waiting to be written off or condoned by a council at year end, is disclosed in the irregular expenditure note to financial statements. The amount recorded is equal to the value of the irregular expenditure incurred.

Irregular expenditure is only removed from the balance of irregular expenditure note when it is either condoned or written off by the council in terms of MFMA or recovered from the liable official.

1.21 Value-added tax (VAT)

The entity is registered with the South African Revenue Services (SARS) for VAT on the payment basis, in accordance with section 15(2) of the VAT Act No.89 of 1991.

1.22 Related parties

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

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

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Accounting Policies

1.22 Related parties (continued)

Management is considered a related party, and comprises of the Board of Directors, Chief Financial Officer, Chief Operating Officer and Executives.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity. Related party relationships where control exists are disclosed. The entity discloses the nature of the related party relationship as well as information about those transactions and outstanding balances as a note to the financial statements.

1.23 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Reporting date means the last day of the reporting period to which the financial statements relate.

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Statements on GRAP issued but not yet effective

At the date of authorisation of these Annual Financial Statements, the following standards of GRAP were in issue but not yet effective or adopted during the period under review:

Name	Effective date
GRAP 20 - Related Parties	01 April 2019
GRAP 32 - Service concession arrangements: Grantor.	01 April 2019
GRAP 34 - Separate financial statements	Not yet effective
GRAP 35 - Consolidated financial statements	Not yet effective
GRAP 36 - Investments in associates and joint ventures	Not yet effective
GRAP 37 - Joint arrangements	Not yet effective
GRAP 38 - Disclosure of interest in other entities	Not yet effective
GRAP 108 - Statutory Receivables	01 April 2019
GRAP 109 - Accounting by Principles and Agents	01 April 2019
GRAP 110 - Living and non-living resources	Not yet effective
GRAP 18 - Segment reporting	Not yet effective
IGRAP 18 - Interpretation of the standard of GRAP on recognition and derecognition of land	01 April 2019
IGRAP 17 - Service concession arrangements where a grantor controls a significant residual interest in an asset	Not yet effective
IGRAP 19 - Liabilities to pay levies	Not yet effective

The effect as of the above standards will have no material impact on the financial statements.

The municipality applied the principles established in the Standard of GRAP that has been issued, but not yet effective, in developing an appropriate accounting policy dealing with the Related Parties (GRAP 20).

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Notes to the Financial Statements

2. INVESTMENT PROPERTY (continued)

Details of property

Investment property was purchased from The City of Johannesburg Metropolitan Municipality. In terms of the sale agreement signed in May 2003, Joburg Market has rights to this property and is awaiting the finalisation of the transfer process from COJ.

Investment property consists of the following properties:

Stand 118 City Deep Extension 2, Johannesburg, Gauteng - comprising of retail shops, hall 1,2 and 9.

The market value of the property as determined by an independent valuer in the current year is R53 000 000.

Valuation of Investment property

An external, independent valuation entity, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the entity's investment property portfolio every two years.

Valuation method

In the current year, the JM property was valued and the purpose of the valuation was to determine the fair market value, rental determination and replacement cost estimate.

The method of valuation employed was the Income Capitalisation Approach. The net normalised income of the property was determined based on the assumption that the property is fully let at open market rentals; market escalation applies and incurs market related operating cost. The net normalised income was then capitalised into perpetuity using a market related capitalisation rate to reflect the open market value.

As a cross reference the Comparable Sales Approach was also utilised. The value indicated was established by comparing the subject property with similar properties, called comparable sales. Comparable sales are recent property transactions that were sold in accordance with the definition of market value. The valuer considered a comparable sales rate/m2.

As a third reference the Depreciated Replacement Cost Method was utilised in order to determine the replacement value of the subject property. This method allows for the calculation of the current replacement costs of the improvements that are then depreciated based on physical, functional, economical depreciation and buyers resistance.

The gross property rental income earned by the entity from its investment property, all of which are leased out under gross operating leases, amounted to R22 143 616 (2018: R18 219 037).

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

During the year no assets were pledged for security.

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Notes to the Financial Statements

Figures in Rand	2019	2018
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2. INVESTMENT PROPERTY

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	15 137 083	(9 506 445)	5 630 638	15 137 084	(9 006 397)	6 130 687

Reconciliation of investment property - 2019

	Opening balance	Depreciation	Total
Investment property	6 130 687	(500 049)	5 630 638

Reconciliation of investment property - 2018

	Opening balance	Depreciation	Total
Investment property	6 630 735	(500 048)	6 130 687

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Notes to the Financial Statements

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3. PROPERTY, PLANT AND EQUIPMENT

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	17 639 000	-	17 639 000	17 639 000	-	17 639 000
Buildings	352 992 666	(122 688 361)	230 304 305	343 021 190	(112 186 888)	230 834 302
Plant and machinery	70 460 610	(25 621 876)	44 838 734	63 234 606	(21 067 650)	42 166 956
Furniture and fixtures	4 777 343	(3 300 231)	1 477 112	4 262 207	(3 090 991)	1 171 216
Motor vehicles	1 816 783	(1 495 498)	321 285	1 816 783	(1 363 257)	453 526
Office equipment	2 083 736	(1 087 388)	996 348	1 817 073	(935 691)	881 382
IT equipment	29 901 558	(16 621 581)	13 279 977	22 919 169	(13 771 664)	9 147 505
Capital work in progress	26 309 687	-	26 309 687	29 148 970	-	29 148 970
Finance lease assets	783 873	(717 297)	66 576	783 873	(325 362)	458 511
Total	506 765 256	(171 532 232)	335 233 024	484 642 871	(152 741 503)	331 901 368

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	17 639 000	-	-	-	-	-	17 639 000
Buildings	230 834 302	210 264	(4 104 398)	15 463 241	(11 962 841)	(136 263)	230 304 305
Plant and machinery	42 166 956	3 776 402	(193 259)	4 513 319	(5 424 684)	-	44 838 734
Furniture and fixtures	1 171 216	598 900	(25 828)	-	(267 176)	-	1 477 112
Motor vehicles	453 526	-	-	-	(132 241)	-	321 285
Office equipment	881 382	304 499	(14 203)	-	(175 330)	-	996 348
IT equipment	9 147 505	7 222 975	(24 080)	-	(3 066 423)	-	13 279 977
Capital work in progress	29 148 970	22 218 942	-	(19 976 560)	-	(5 081 665)	26 309 687
Finance lease assets	458 511	-	-	-	(391 935)	-	66 576
	331 901 368	34 331 982	(4 361 768)		(21 420 630)	(5 217 928)	335 233 024

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3. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	17 639 000	-	-	-	-	17 639 000
Buildings	240 024 037	633 822	-	1 590 529	(11 414 086)	230 834 302
Plant and machinery	46 736 875	449 831	-	-	(5 019 750)	42 166 956
Furniture and fixtures	1 357 113	117 676	-	-	(303 573)	1 171 216
Motor vehicles	440 050	181 000	-	-	(167 524)	453 526
Office equipment	759 363	279 007	-	-	(156 988)	881 382
IT equipment	11 998 279	274 090	7 311	-	(3 132 175)	9 147 505
Capital work in progress	23 934 651	6 804 848	-	(1 590 529)	-	29 148 970
Finance lease assets	188 480	783 873	-	-	(513 842)	458 511
	343 077 848	9 524 147	7 311	-	(20 707 938)	331 901 368

Assets subject to finance lease (Net carrying amount)

Finance lease assets	66 576	458 511
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Refer to Note 12 for the liability relating to the finance lease assets. Other than that no assets were pledged for security.

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3. PROPERTY, PLANT AND EQUIPMENT (continued)

Details of properties

Freehold land and buildings to the value of R 77,582,957 were purchased from The City of Johannesburg Metropolitan Municipality. In terms of the sale agreement signed in May 2003, Joburg Market has rights to this property and is awaiting the finalisation of the deeds transfer process.

The total market value of the freehold land and building as determined by an independent valuer in the current year is R680 000 000.

Land and buildings comprise of the following properties:

Stand 117 City Deep Extension 2, Johannesburg, Gauteng - Market floors, retail outlets and an office block.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Property, plant and equipment in the process of being constructed or developed

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Sweating of assets (New strategic direction regarding land development.)	1 103 903	1 264 450
Generator (Entity unable to commission generators acquired in 2008)	-	4 915 165
Speedstyle	196 500	-
Electricity reticulation	935 000	-

2 235 403 6 179 615

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Other PPE	Total
Buildings	41 849 326	-	41 849 326
Plant and machinery	-	9 352 084	9 352 084
Transferred to completed items	(15 539 640)	(9 352 084)	(24 891 724)
	26 309 686	-	26 309 686

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Other PPE	Total
Buildings	21 387 415	-	21 387 415
Plant and machinery	-	9 352 084	9 352 084
Transferred to completed items	(1 590 529)	-	(1 590 529)
	19 796 886	9 352 084	29 148 970

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Expenditure on property, plant and equipment in aggregate	9 359 687	19 662 074
1 month past due	8 192 499	28 907 780

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4. INTANGIBLE ASSETS

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	14 896 826	(8 542 786)	6 354 040	14 896 826	(5 657 119)	9 239 707

Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software, other	9 239 707	(2 885 667)	6 354 040

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software, other	6 768 435	4 702 046	(2 230 774)	9 239 707

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

5. LOANS TO (FROM) SHAREHOLDERS

City of Johannesburg Metropolitan Municipality - Capital expenditure loans	(18 499 143)	(28 907 780)
Sweeping account	309 255 164	153 606 150
	290 756 021	124 698 370
Current assets	309 255 164	153 606 150
Non-current liabilities	(10 306 694)	(18 499 143)
Current liabilities	(8 192 449)	(10 408 637)
	290 756 021	124 698 370

Credit quality of loans to shareholders

The credit quality of loans to shareholders that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

Fair value of loans to and from shareholders

Loans to shareholders	309 255 164	153 606 150
Loans from shareholders	18 499 143	28 907 780

Loans to shareholders past due but not impaired

The ageing of amounts past due but not impaired is as follows:

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Figures in Rand	2019	2018
5. LOANS TO (FROM) SHAREHOLDERS (continued)		
Capex loans		
Loans at beginning of the year	(28 907 780)	(43 326 526)
Repayments	12 865 151	18 177 283
Interest	(2 456 514)	(3 758 537)
	(18 499 143)	(28 907 780)
The Capex loans bear interest between 9% and 10,4%, compounded monthly. The capital repayments are not fixed and the loans are repayable in forty quarterly installments over the duration of the contracts.		
Sweeping account		
Loans at beginning of the year	153 606 150	81 618 304
Receipts	151 378 990	79 902 835
Repayments	(12 865 151)	(18 177 283)
Interest	17 135 175	10 262 294
	309 255 164	153 606 150
The sweeping account loan is unsecured and bears interest at an average rate of 6.60% per annum. The bank balance for the business account is rolled over on a daily basis into the sweeping account. The loan is repayable on demand.		
6. DEFERRED TAX		
Deferred tax liability		
Property, plant and equipment	(12 299 211)	(15 588 155)
Trade and other receivables	(240 479)	(34 726)
Leases	(18 641)	(128 382)
Total deferred tax liability	(12 558 331)	(15 751 263)
Deferred tax asset		
Trade and other receivables	4 167 814	2 411 445
Health care and leases deferred tax asset	707 840	817 075
Trade and other payables and provisions	3 049 481	2 847 815
Total deferred tax asset	7 925 135	6 076 335
Deferred tax liability	(12 558 331)	(15 751 263)
Deferred tax asset	7 925 135	6 076 335
Total net deferred tax liability	(4 633 196)	(9 674 928)
Reconciliation of deferred tax asset \ (liability)		
At beginning of year	(9 674 928)	(8 184 112)
Movement in temporary timing differences	5 041 730	(1 490 816)
	(4 633 198)	(9 674 928)

Recognition of deferred tax asset

The entity is confident that there will be sufficient taxable profit in the foreseeable future against which the deferred tax asset will be utilised.

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7. EMPLOYEE BENEFIT OBLIGATIONS					
7.1 Defined benefit plan					
The actuarial valuations were done by ZAQ Consultants and Actuaries in June 2019, an independent post retirement plan administrator, and they determined that the retirement plans were in a sound financial position, taking into account the notional loan account receivable from The City of Johannesburg Metropolitan Municipality.					
Post-retirement liability					
Post-Retirement Medical Aid Plan	(980 000)	(954 000)			
Retirement Gratuity Plan	(1 548 000)	(1 828 000)			
	(2 528 000)	(2 782 000)			
7.1.1 Post retirement medical aid plan					
The Joburg Market SOC Limited has obligations to subsidise medical aid contributions in respect of certain qualifying staff and pensioners and their surviving spouses. There is currently 2 qualifying staff members.					
Movements for the year					
Opening balance	954 000	903 412			
Net expense/(surplus) recognised in the statement of financial performance	26 000	50 588			
	980 000	954 000			
Net expense/(surplus) recognised in the statement of financial performance					
Interest cost	87 000	74 964			
Actuarial (gains) losses	4 786	34 624			
Curtailment or settlement	(65 786)	(59 000)			
	26 000	50 588			
Key assumptions used					
Assumptions used on last valuation on 30 June 2019.					
Discount rates used	9,27 %	9,37 %			
Expected increase in salaries	7,05 %	7,36 %			
The liability is sensitive to the real rate of return earned (i.e. the difference between the rate of discount and the rate at which medical aid contributions increase) as illustrated below :					
+ 1% increase in discount rate will increase the liability to R2,704,000.					
- 1% decrease in discount rate will decrease the liability to R2,372,000.					
	2019	2018	2017	2016	2015
Post retirement medical aid plan	980 000	954 000	903 412	934 610	298 761

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Notes to the Financial Statements

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7. EMPLOYEE BENEFIT OBLIGATIONS (continued)					
7.1.2 Post retirement gratuity plan					
The Joburg Market SOC Limited provides gratuities on retirement or prior death in respect of certain qualifying staff members who have service with The City of Johannesburg Metropolitan Municipality or The Joburg Market SOC Limited when they were not members of one of the retirement funds and who meet certain service requirements in terms of The City of Johannesburg Metropolitan Municipality's conditions of employment. The gratuity amount is based on 1 month's salary per year of non-retirement funding service. There are currently 8 qualifying staff members.					
The above liability is unfunded. However, The City of Johannesburg Metropolitan Municipality has undertaken to cover such portion of the liability for the staff of The Joburg Market SOC Limited who are entitled to benefits that relate to their service with The City of Johannesburg Metropolitan Municipality from the time that the entity was established. This amount was determined at 1 July 2003 and has been crystallised in the form of a notional loan account and against which the entity may claim benefit payments, made. This loan does not constitute a plan asset and in terms of GRAP 25 cannot be offset against the liability. It has however been included in the assets of The Joburg Market SOC Limited.					
The plan is a post-employment gratuity benefit plan.					
Movements for the year					
Opening balance	1 828 000	2 115 833			
Net expense/(surplus) recognised in the statement of financial performance	(280 000)	(287 833)			
	1 548 000	1 828 000			
Net expense/(surplus) recognised in the statement of financial performance					
Interest cost	151 000	146 241			
Actuarial (gains) losses	(431 000)	(34 074)			
Curtailment or settlement	-	(400 000)			
	(280 000)	(287 833)			
Key assumptions used					
Assumptions used on last valuation on 30 June 2019.					
Discount rates used	9,27 %	9,37 %			
Expected increase in salaries	7,05 %	7,36 %			
The liability is sensitive to the real rate of return earned (i.e. the difference between the rate of discount and the rate at which medical aid contributions increase) as illustrated below :					
- 1% increase in discount rate will increase the liability to R1,911,000.					
- 1% decrease in discount rate will decrease the liability to R1,751,000.					
Present value of post retirement gratuity plan	2019 1 548 000	2018 1 828 000	2017 2 115 833	2016 2 420 554	2015 2 470 611

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7. EMPLOYEE BENEFIT OBLIGATIONS (continued)

7.2 Defined contribution plan

All employees transferred from The City of Johannesburg Metropolitan Municipality belong to various defined benefit plans established by The City of Johannesburg Metropolitan Municipality. New employees belong to the entity's retirement fund, a defined contribution plan established subsequent to the date of acquisition.

The total amount recognised as an expense for defined contribution plans for the year amounts to R 10,102,287 (2018: R 10,121,454).

During 2005 the City entered into an agreement with the Johannesburg Municipal Pension Fund and the City of Johannesburg Pension Fund to the effect that, in return for payment of an amount of R400 million plus interest from 1 January 2006:

- Except as set out below, the assets and liabilities of the City of Johannesburg Pension Fund will be merged into the Johannesburg Municipal Pension Fund and the City will sever all financial ties with the latter Fund.
- The City of Johannesburg Pension Fund will be converted into a defined contribution fund. Members will be given the option of remaining as members of the Fund and accruing future benefits on a defined contribution basis or of joining the The Joburg Market Retirement Fund in respect of the accrual of future service benefits. Pensioners will be given the opportunity to transfer to an insurer instead of remaining pensioners of the Johannesburg Municipal Pension Fund.
- The settlement amount is to be adjusted to allow for any excess contributions paid until the effective date and for the cost of bonus service in respect of exited members.

The necessary provisions have been made in The City of Johannesburg Metropolitan Municipality financial statements.



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8. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Trade receivables	48 436 318	37 053 326
Less : Provisions for impairment	(19 846 733)	(11 483 073)
Sundry receivable	7 249 502	10 317 060
Prepayments	808 855	380 811
Operating lease receivables	-	18 149
Related party debtors	8 319 027	3 199 684
	44 966 969	39 485 957
Fair value of trade and other receivables		
Trade and other receivables	44 966 969	39 485 957
Trade and other receivables past due but not impaired		
Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2019 , 22 547 770 - (2018: 19 835 064) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	19 011 946	16 177 527
2 months past due	1 543 712	1 371 269
3 months past due	1 992 113	2 286 268
Trade and other receivables impaired		
As of 30 June 2019, trade and other receivables of 19 846 733 - (2018: 11 483 073) were impaired and provided for.		
The ageing of these loans is as follows:		
3 to 6 months	591 684	204 285
Over 6 months	19 255 050	11 273 685
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	(11 483 073)	(11 430 636)
Provision for impairment	(8 817 113)	(388 747)
Unused amounts reversed	453 453	336 310
	(19 846 733)	(11 483 073)

The creation and release of provision for impaired receivables have been included in operating expenses in the statement of financial performance (note 21). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The entity does not hold any collateral as security.

9. VAT RECEIVABLE

VAT	2 408 528	561 873
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All VAT returns have been submitted by the due date throughout the year.

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Notes to the Financial Statements

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10. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Cash on hand	15 000	15 000
Bank balances	170 928 947	201 191 750
	170 943 947	201 206 750

The entity had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Standard Bank - Deposit account - 000-197-033	157 424 983	181 818 508	170 315 417	198 749 423
Standard Bank - RD cheque account - 000-196-991	601 554	491 812	601 554	491 812
Standard Bank - Business account - 000-196-916	1	-	-	-
Standard Bank - Salary account - 000-196-924	-	1 950 515	-	1 950 515
Standard Bank - Charges account - 000-196-878	-	1	-	-
Standard Bank - Trust account - 000-197-025	-	1	-	-
Total	158 026 538	184 260 837	170 916 971	201 191 750

11. SHARE CAPITAL / CONTRIBUTED CAPITAL

Authorised

1 000 000 Ordinary shares of R0.01	10 000	10 000
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Issued

1 Ordinary share rounded up to R1	1	1
Share premium	19 999 999	19 999 999

20 000 000 **20 000 000**

12. FINANCE LEASE OBLIGATION

Minimum lease payments due

- within one year	-	(137 830)
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	-	(137 830)
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less: future finance charges	-	1 704
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Present value of minimum lease payments	-	(136 126)
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Present value of minimum lease payments due

- within one year	-	136 126
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It is entity policy to lease certain [property]motor vehicles and equipment under finance leases.

The average lease term was 3-5 years and the average effective borrowing rate was (2018: 11%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent. The entity has not defaulted on any of its interest or capital repayments during the year, and none of the terms and conditions of the finance leases were re-negotiated.

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 3.

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13. PROVISIONS

Reconciliation of provisions - 2019

	Opening Balance	Additions	Total
Performance bonus	-	2 698 117	2 698 117

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	3 054 108	1 194 812	(1 755 801)	(2 493 119)	-

In the prior year, no performance bonus were provided for due to the performance management system that was not implemented. In the current year, performance management system has been implemented.

14. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	101 615 286	98 495 464
Related party creditor	51 193 380	36 670 003
Payroll and sundry accruals	11 946 044	8 462 541
Accrued leave pay	7 441 836	6 737 421
Accrued staff 13th cheques	3 449 166	3 433 348
Accruals	1 301 921	1 234 484
	176 947 633	155 033 261

The entity has not defaulted on any of its payments. The terms and conditions of trade and other payables were not renegotiated.

The carrying amounts of the financial liabilities approximates their fair value due.

The accounting policies for financial instruments have been applied to the line items below:

Fair value of trade and other payables

Trade payables	176 947 633	155 033 261
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Notes to the Financial Statements

Figures in Rand	2019	2018
15. REVENUE		
Commission	398 729 853	367 793 837
Storage	5 963 998	7 180 719
Rental of facilities and equipment	53 608 906	47 991 889
Banana ripening	1 826 047	3 669 889
Miscellaneous other revenue	1 280 193	1 224 960
Discount received	4 997	2 000
Sundry revenue	2 601 078	1 434 850
Cash handling fees	3 630 960	3 215 574
Interest received	28 458 379	19 027 199
	496 104 411	451 540 917
The amount included in revenue arising from exchanges of goods or services are as follows:		
Commission	398 729 853	367 793 837
Storage	5 963 998	7 180 719
Interest received	53 608 906	47 991 889
Banana ripening	1 826 047	3 669 889
Miscellaneous other revenue	1 280 193	1 224 960
Discount received	4 997	2 000
Sundry revenue	2 601 078	1 434 850
Cash handling fees	3 630 960	3 215 574
Interest received	28 458 379	19 027 199
	496 104 411	451 540 917
16. INVESTMENT REVENUE		
Interest revenue		
Bank	11 057 902	8 666 277
Interest earned - outstanding debtors	265 302	98 628
Interest earned - sweeping account	17 135 175	10 262 294
	28 458 379	19 027 199
17. EMPLOYEE RELATED COSTS		
Employee related costs : Salaries and wages	102 457 834	102 887 108
Provident fund	10 102 287	10 121 454
Other payroll costs	8 091 123	6 885 921
Bonus - 13th cheque and performance	8 961 431	4 824 267
Pension costs	4 351 306	4 245 914
Leave pay provision charge	3 068 218	2 445 850
Overtime payments	1 769 411	1 347 216
SDL	1 204 162	1 191 233
WCA	1 206 293	1 119 082
UIF	592 678	577 600
Gratuities	135 434	366 213
	141 940 177	136 011 858
18. DEPRECIATION AND AMORTISATION		
Property, plant and equipment	21 897 858	21 185 166
Investment property	22 819	22 819
Intangible assets	2 885 667	2 230 774
	24 806 344	23 438 759

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Notes to the Financial Statements

Figures in Rand	2019	2018
22. GENERAL EXPENSES		
Advertising	1 073 482	1 770 115
Assets expensed	190 153	121 429
Auditors remuneration	2 754 782	2 600 520
Bank charges	6 412 443	5 900 490
Cleaning	6 647 115	5 935 655
Conferences and seminars	543 363	244 108
Consulting and professional fees	9 520 819	5 464 376
Consumables	1 103 293	964 494
Donations	558 720	668 964
Electricity	41 067 080	33 693 623
Gifts	16 799	56 948
Insurance	1 130 906	1 063 126
IT expenses	4 519 401	5 711 138
Marketing	5 000	1 866 500
Motor vehicle expenses	1 921 416	1 863 744
Placement fees	45 815	535 751
Postage and courier	562	455
Printing and stationery	1 924 475	2 039 847
Protective clothing	2 467 001	1 382 383
Refuse	16 268 151	15 164 355
Repairs and maintenance	9 359 688	19 978 040
Secretarial fees	135 747	94 798
Security (Guarding of municipal property)	18 670 948	17 957 834
Sewerage and waste disposal	1 037 145	553 198
Staff welfare	964 931	1 077 496
Subscriptions and membership fees	138 205	193 744
Telephone and fax	1 215 236	1 055 914
Training	2 474 825	2 346 776
Travel - local	368 821	474 941
Travel - overseas	414	-
Water	1 461 695	1 147 858
	133 998 431	131 928 620
23. AUDITORS' REMUNERATION		
Fees	2 754 782	2 600 520

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Notes to the Financial Statements

Figures in Rand	2019	2018
19. IMPAIRMENT OF ASSETS		
Impairments		
Property, plant and equipment	5 081 665	-
Impairment of generators that were never commissioned and a d iscontinued project on a farm.		
Buildings	136 260	-
Damage to the entrance gate and fit guardrails		
	5 217 925	-
20. FINANCE COSTS		
Interest paid on shareholder loans	2 456 514	3 758 537
Finance leases	1 704	44 438
Bank	435	32 344
Fair value adjustments: Notional interest	346 967	-
Other interest paid	301 246	226 678
	3 106 866	4 061 997
21. DEBT IMPAIRMENT		
Debt impairment	73	6 096
Contributions to/(reversals of) debt impairment provision	8 363 660	49 784
	8 363 733	55 880



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Figures in Rand	2019	2018
24. TAXATION		
Major components of the tax expense		
Current		
Local income tax - current period	55 498 742	41 215 157
Local income tax - recognised in current tax for prior periods	-	(1 028 777)
	55 498 742	40 186 380
Deferred		
Originating and reversing temporary differences	(5 041 730)	19 435 652
	50 457 012	59 622 032
Reconciliation of the tax expense		
Reconciliation between applicable tax rate and average effective tax rate.		
Applicable tax rate	28,00 %	28,00 %
Disallowable charges	0,09 %	1,49 %
Current tax - prior period adjustment	- %	(0,67)%
Deferred tax - prior year adjustment	%	9,55 %
	28,09 %	38,37 %
25. CASH GENERATED FROM OPERATIONS		
Surplus	123 206 369	95 838 404
Adjustments for:		
Depreciation and amortisation	24 806 344	23 438 759
(Gain) loss on sale of assets and liabilities	4 361 769	(7 311)
Finance costs - Finance leases	-	44 438
Interest income	(28 458 379)	-
Net movement in finance costs	348 021	-
Impairment deficit	5 217 926	-
Debt impairment	8 363 733	55 880
Movements in retirement benefit assets and liabilities	(254 000)	(237 245)
Movements in provisions	2 698 117	(3 054 108)
Movement in tax receivable and payable	-	(2 698 448)
Other non-cash items - deferred tax	(5 041 730)	19 435 652
Reclassification of creditors with debit balances	113 397	(2 449 465)
Changes in working capital:		
Receivables from exchange transactions	(5 481 012)	(2 831 748)
Net movement in tax	1 243 366	-
Payables from exchange transactions	21 914 372	49 476 721
VAT	(1 846 655)	956 693
	151 191 638	177 968 222
26. TAX PAID		
Balance at beginning of the year	8 140 804	5 442 356
Current tax for the year recognised in surplus or deficit	(55 498 742)	(40 186 380)
Balance at end of the year	(7 459 353)	(8 140 804)
	(54 817 291)	(42 884 828)

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Figures in Rand	2019	2018
27. FINANCIAL INSTRUMENTS DISCLOSURE		
Categories of financial instruments		
2019		
Financial assets		
	At amortised cost	Total
Loans to shareholders	309 255 164	309 255 164
Trade and other receivables from exchange transactions	44 966 969	44 966 969
Cash and cash equivalents	170 943 947	170 943 947
	525 166 080	525 166 080
Financial liabilities		
	At amortised cost	Total
Loans from shareholders	18 499 143	18 499 143
Trade and other payables from exchange transactions	176 947 633	176 947 633
	195 446 776	195 446 776
2018		
Financial assets		
	At amortised cost	Total
Loans to shareholders	153 606 150	153 606 150
Trade and other receivables from exchange transactions	39 485 957	39 485 957
Cash and cash equivalents	201 206 750	201 206 750
	394 298 857	394 298 857
Financial liabilities		
	At amortised cost	Total
Loans from shareholders	28 907 780	28 907 780
Trade and other payables from exchange transactions	155 033 261	155 033 261
	183 941 041	183 941 041



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Figures in Rand	2019	2018
28. COMMITMENTS		
Authorised capital expenditure		
Authorised and contracted for		
Property, plant and equipment	201 529 027	30 447 018
Total capital commitments		
Contracted for and authorised by directors	201 529 027	30 447 018
This committed expenditure relates to buildings and plant and equipment and will be financed by available bank facilities.		
Operating leases - as lessor (income)		
Minimum lease payments due		
- within one year	-	447 171

29. CONTINGENCIES

Other contingencies

The total estimated claims amount to R33 858 195, excluding legal costs, which is in respect of disputes with suppliers, the entity is of the view that this represents the maximum exposure. Details of the four (4) disputes are as follows:

Dispute with service provider due to a utility cost analysis project that was suspended as a result of an invalid tender award - R792 070

A claim for loss of income with a service provider due to a diesel project that was suspended - R27 266 125. This case was subsequently won by Joburg market, refer to note 34, subsequent events

Dispute with a customer who sustained injuries in an accident involving a forklift of an agent - R4 020 000

Dispute with a customer who slipped on a peel of lettuce on the premises of the entity and sustained injuries - R1 780 000

The directors are of the opinion that the cases can be successfully defended by the entity.

Disputes with employees

The entity is involved in five (5) litigation matters with employees and former employees. Three (3) of the matters are currently lodged with the CCMA and two (2) of the matters are currently lodged with the labour court. The directors are of the opinion that the cases can be successfully defended by the entity.

Contingent assets

Subsequent to the disciplinary hearing in respect of the irregular expenditure referred to in Note 35, civil proceedings will commence against the employee concerned to recover an amount of R 674 144. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount.

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30. RELATED PARTIES

Relationships

Directors

Controlling entity

Other entities within COJ group

Refer to directors' report note 31

The City of Johannesburg Metropolitan Municipality

The Johannesburg City Parks/Zoo

Johannesburg Metro Trading Company

Johannesburg Road Agency

Johannesburg Development Agency

Johannesburg Property Company

Pikitup Johannesburg (SOC) Ltd

Joburg Theatre (SOC) Ltd

Johannesburg Water (SOC) Ltd

City Power Johannesburg (SOC) Ltd

Related party balances

Amounts owing by related parties

The City of Johannesburg Metropolitan Municipality

317 482 306

154 308 978

The Johannesburg City Parks/Zoo

91 886

47 390

Amounts owing to related parties

The City of Johannesburg Metropolitan Municipality

52 831 810

65 674 150

Johannesburg Metro Trading Company

4 422 616

10 523

Johannesburg Road Agency

7 728 975

-

Johannesburg Development Agency

539 276

-

Johannesburg Property Company

4 169 846

-

Related party transactions

Sales to related parties

The City of Johannesburg Metropolitan Municipality

4 164 169

947 889

Pikitup Johannesburg (SOC) Ltd

-

27 870

The Johannesburg City Parks/Zoo

708 408

321 135

Purchases from related parties

The City of Johannesburg Metropolitan Municipality

2 062 465

1 730 443

The Johannesburg City Parks/Zoo

11 802

-

Johannesburg Metro Trading Company

109 806

108 275

Joburg Theatre (SOC) Ltd

-

44 265

Pikitup Johannesburg (SOC) Ltd

16 255 120

15 141 505

Johannesburg Water (SOC) Ltd

2 483 839

1 679 106

City Power Johannesburg (SOC) Ltd

41 067 080

33 693 623

Interest paid to related parties

The City of Johannesburg Metropolitan Municipality (loans)

2 456 514

3 758 537

Interest received from related parties

The City of Johannesburg Metropolitan Municipality

17 135 175

10 262 294

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30. RELATED PARTIES (continued)

Remuneration of management

Executive management

2019

	Basic salary	Bonuses and performance related payments	Other benefits received	Total
Name				
Chief Executive Officer	1 794 698	-	520 649	2 315 347
Chief Financial Officer	1 580 375	-	278 443	1 858 818
Executive : Strategy & Transformation (Acting)	1 511 453	-	570 923	2 082 376
Executive : Core Operations	1 734 143	-	224 369	1 958 512
Executive : Core Operations (Acting)	578 382	-	138 443	716 825
Executive : Agr-Business	695 995	-	296 387	992 382
Company Secretary (Acting)	464 362	45 602	244 898	754 862
	8 359 408	45 602	2 274 112	10 679 122

2018

	Basic salary	Bonuses and performance related payments	Other benefits received	Total
Name				
Chief Executive Officer	1 415 141	-	407 354	1 822 495
Chief Executive Officer (Acting)	212 443	-	88 989	301 432
Chief Financial Officer	749 658	-	127 230	876 888
Chief Financial Officer (Acting)	554 525	-	246 926	801 451
Executive: Core Operations	1 649 673	148 734	214 829	2 013 236
Executive : Shared Services	217 387	72 917	184 842	475 146
Executive : Agri-Business	1 316 866	114 075	395 522	1 826 463
Executive : Strategy & Transformation	954 992	116 795	468 961	1 540 748
Executive : Strategy & Transformation (Acting)	471 169	117 770	180 124	769 063
Company Secretary	678 644	79 986	265 547	1 024 177
Company Secretary (Acting)	434 677	42 619	261 764	739 060
	8 655 175	692 896	2 842 088	12 190 159

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31. DIRECTORS' EMOLUMENTS			
Executive			
2019			
	Emoluments	Other benefits*	Total
Mr A Kanana (Chief Executive Officer)	1 794 698	520 649	2 315 347
Mr S Dlamini (Chief Financial Officer)	1 580 375	278 443	1 858 818
	3 375 073	799 092	4 174 165
Non-executive			
2019			
	Directors' fees		Total
Ms Y Ngxabazi (Chairperson)	40 000		40 000
Ms D Dondur (Chairperson)	68 000		68 000
Mr J Mocke (Chairperson)	203 000		203 000
Dr P Naidoo	187 000		187 000
Mr S Ndlovu	144 000		144 000
Mr L Nengovhela	213 000		213 000
Ms A Ramakoaba	158 000		158 000
Mr M Kgopa	24 000		24 000
Ms B Makgalo	24 000		24 000
Mr M Mutangwa	30 000		30 000
Mr H Godi	24 000		24 000
Dr W Thwala	72 000		72 000
Mr T Mlangeni	36 000		36 000
Mr R Theunissen (ARC chairperson)	117 000		117 000
Mr C Tilly	30 000		30 000
Mr R Hill	35 652		35 652
Mr M Sass (ARC chairperson)	8 000		8 000
Mr A Mokwena	-		-
Mr M Ramonyai	-		-
	1 413 652		1 413 652
2018			
	Directors' fees	Committees fees	Total
Ms D Dondur (Chairperson)	536 168	-	536 168
Mr M Makopo	137 403	-	137 403
Mr J Mocke	424 211	34 924	459 135
Dr P Naidoo	210 752	-	210 752
Mr S Ndlovu	186 588	220	186 808
Mr L Nengovhela	362 130	-	362 130
Mr H Raborifi	27 209	-	27 209
Ms A Ramakoaba	132 504	-	132 504
Mr R Theunissen (ARC chairperson)	501 000	-	501 000
Mr C Tilly	68 445	-	68 445
Mr R Hill	91 260	-	91 260
	2 677 670	35 144	2 712 814

32. PRIOR-YEAR ADJUSTMENTS

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

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32. PRIOR-YEAR ADJUSTMENTS (continued)

Statement of financial position

2019

	Note	As previously reported	Correction of error	Restated
Current tax receivable		-	8 140 804	8 140 804
Current tax payable		(8 104 996)	8 104 996	-
Building accumulated depreciation		(120 806 201)	(8 619 313)	(112 186 888)
Plant and equipment accumulated depreciation		(20 698 076)	(369 574)	(21 067 650)
VAT		2 909 900	(2 348 027)	561 873
Investment property		811 061	14 326 022	15 137 083
Buildings		358 937 922	(15 916 732)	343 021 190
Investment property accumulated depreciation		411 046	8 595 351	9 006 397
Work in progress		27 558 260	1 590 710	29 148 970
Accumulated surplus		(520 187 045)	(13 552 160)	(533 739 205)
		(279 990 221)	-	(279 990 221)

Company tax

An error in the calculation of company tax in the prior year was identified and corrected in the current year. The error resulted from passing an incorrect journal to the company tax account.

Sweeping account - Loan to shareholder

In the prior years, the bank balance that is swept by the shareholder daily was incorrectly reported as financing activities instead of investing activities in the cash flow statement which has been updated accordingly.

Assets

During the year under review, certain assets were identified in the work in progress that should have been capitalised in the prior period. The assets were moved to property, plant and equipment and accumulated depreciation was adjusted accordingly.

During the year under review, it was discovered that an asset that was incomplete had been capitalised to buildings in the prior years. This asset was reclassified to work in progress and the related depreciation was reversed accordingly.

Audit and Risk Committee

In the prior years, the related party disclosure note omitted members of the Audit and Risk Committee. They are however, in terms of section 75 of the Companies Act, they are considered as a related party.

VAT

VAT error resulting from take on balances.

Reclassifications

The following reclassification adjustment occurred:

Investment property

During the year, it was discovered that the investment property had been classified as property plant and equipment, the investment property was appropriately reclassified.

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33. RISK MANAGEMENT

Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance. The directors provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and investment of excess liquidity.

Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	8 192 449	6 100 404	4 206 288	-
Trade and other payables	176 947 633	-	-	-
At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	10 408 637	14 292 854	4 206 288	-
Payables from exchange transactions	155 033 261	-	-	-
Finance lease	136 126	-	-	-

Credit risk

Credit risk consists mainly of loans to shareholders, cash and cash equivalents and trade receivables.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2019	2018
Cash and cash equivalents	170 943 947	201 206 750
Receivables from exchange transactions	44 966 969	39 485 957
Loans to shareholder	309 255 164	153 606 150

34. EVENTS AFTER THE REPORTING DATE

Non-adjusting event:

Faulty meters

Numerous communications were sent to Joburg Water indicating incorrect billing resulting from a faulty meter. The meter was subsequently replaced by Joburg Water after year end.

It was impracticable to determine the financial impact of the non-adjusting event during the preparation of the financial statements as a result of the above. The impact could be material to the financial statements.

Contingent liability

Subsequent to the preparation of financial statement on 31 August 2019, the court ruled in favour of Joburg Market in the diesel case. The award of the tender and lease agreement was set aside. The service provider was ordered to settle the legal fees.

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35. FRUITLESS AND WASTEFUL EXPENDITURE		
Opening balance	26 400 916	26 195 891
Identified in the current year but incurred in the prior year	16 003 050	205 025
Current year	733 770	-
	43 137 736	26 400 916

2019: Penalty and interest relating to provisional tax return filed in an incorrect period R206,692. PAYE late payment penalty R467,808 (R204,168 relates to an amount that was filed on time however payment was late since the filing system was linked to the old JM bank account). Legal Service Interest incurred on late payment R59,269. Generators that were never commissioned R16 003 050 (In terms of the assessment report, the generators had deteriorated to a state of non-functionality and the original voltage was not compatible with the local frequency 50Hz and voltage 400V/220V).

The above fruitless and wasteful expenditure has been identified in the current year and has been reported accordingly for investigation.

No disciplinary steps or criminal proceedings have taken place pending the outcome of the investigation.

Included in the opening balance of 2018, are matters still under investigation and some matters have been concluded.

36. IRREGULAR EXPENDITURE		
Opening balance	81 255 952	61 283 636
Add: Irregular Expenditure - Outside of Joburg Market's control	25 011 914	19 298 172
Add: Irregular Expenditure - Within Joburg Market's control	4 849 794	674 144
	111 117 660	81 255 952

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36. IRREGULAR EXPENDITURE (continued)

Details of irregular expenditure – current year

CCTV rental	The contract was extended whilst the entity awaits the organisational decision of Metro Trading Conmapy.	8 700 861
Rental and maintenance of photocopying machines	The contract was extended whilst the entity awaits the finalisation of group procurement contracts.	832 558
Security	The contract was extended whilst the entity awaits the insourcing of security services by the City of Johannesburg.	14 240 237
Avis car rental	The contract expired, however there was a need to use the vehicles. The extension of the contract was done by COJ which allowed the entities to continue to rent the Avis cars for transportation purposes.	1 238 258
Irene country lodge	The amount spent exceeded the contracted amount. The amount incurred outside the appointment was committed without following the correct process.	14 450
Segosedi	The service provider was appointed without following the proper tender process as stipulated in the MFMA (3 quotation process)	30 000
City Youth Media	The service provider was appointed without following the proper tender process as stipulated in the MFMA (3 quotation process).	4 855
Eenbee	The service provider was appointed without following the proper tender process as stipulated in the MFMA.	196 277
1st ground events management	The service provider was appointed without following the proper tender process as stipulated in the MFMA.	108 261
Johannesburg Roads Agency	Road refurbishment costs went over the contract amount of R9 000 000 due to additional work being performed without the approval of the Accounting Officer.	4 453 674
Inqaba Ya Matolo	The service provider was appointed without following the proper tender process as stipulated in the MFMA (3 quotation process).	9 200
Tsoelepele	The service provider was appointed without following the proper tender process as stipulated in the MFMA (3 quotation process).	7 751
Eazi access	The contract term was exceeded.	25 325

29 861 707



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37. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
Skills development levy		
Current year expense	1 204 162	1 191 233
Amount paid - current year	(1 204 162)	(1 191 233)
	-	-
Audit fees		
Current year audit fees	2 754 782	2 600 520
Amount paid - current year	(2 754 782)	-
Amount paid - previous years		(2 600 520)
	-	-
PAYE and UIF		
Opening balance	1 873 408	-
Current year expense	23 036 467	23 481 793
Amount paid - current year	(23 036 467)	(21 608 385)
Amount paid - previous years	(1 873 408)	-
	-	1 873 408
Pension and Medical Aid Deductions		
Current year expense	13 729 422	13 514 085
Amount paid - current year	(13 729 422)	(13 514 085)
	-	-

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38. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

Regulation 36 of SCM regulation states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the directors and includes a note to the financial statements.

Deviations authorised by the Accounting Officer

	2019	2018
Sole supplier	3 279 735	-
Exceptional Case	1 165 050	-
Emergency procurement	3 700 200	537 478
Minor Breaches	1 081 216	-
	9 226 201	537 478

Details regarding the deviation is as follow

Emergency procurement

Bracken Refrigeration (Mechanical preventative maintenance work) - The banana ripening facility and some cold rooms were not functional due to failure by the appointed service provider to replace and repair key components.

Klaue engineering (Fault finding and repairs of ammonia plant compressors) - Compressors in the cold rooms were frequently (within 3 hours) tripping, this causes the temperature to rise negatively affecting fresh produce. The repairs were to avoid claims from the users as a result of damage to their fresh produce.

Unified plumbing (Plumbing) - The tender process of outsourcing plumbing preventative maintenance services is still on-going. The ablution facilities were not functional due to lack of maintenance, therefore a plumber was sourced.

Sizabantu (Plumbing) - The tender process for plumbing preventative maintenance services is still on-going. The ablution facilities were not functional due to failure to maintain. A plumber was, therefore sourced.

Malonza (Plumbing) - The tender process for plumbing preventative maintenance was not approved, new tender process is underway. The pipeline system for both sewer and storm water were not functional.

Exceptional Case

Fest fire security (Repair of fire room detection panel) - Fire suppression panel malfunctioned causing a discharge of fire suppressant gas. Repairing the detection panel will ensure that fire alarms are activated.

Nexus forensic services - The service provider was appointed by COJ to testify on behalf of JM. There were disputes in terms of who is supposed to settle the debt between COJ and JM.

Database administration - The contract was extended while the entity awaits the finalisation of the tender process.

Minor Breach

Home components design - Minor breach in terms of regulation 36(1)(b), telephone and fax number was not provided.

Global payment technologies - Minor breach in terms of regulation 36(1)(b)

Pilu Holdings - Minor breach in terms of regulation 36(1)(b)

Sole Supplier

Oracle (Licences) - This includes annual licences for 2019 as well as annual licences for 2020 year where deviation was signed and approved before 30 June 2019.

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36. IRREGULAR EXPENDITURE (continued)			
Details of irregular expenditure - prior year			
CCTV rental	The contract was extended whilst the entity awaits the organisational decision of Metro Trading Company.	7 049 640	
Rental and maintenance of photocopying machines	The contract was extended whilst the entity awaits the finalisation of group procurement contracts.	897 206	
Security	The contract was extended whilst the entity awaits the insourcing of security services by the City of Johannesburg.	10 832 271	
Travelling	The amount spent was over R200 000, the entity should have followed an open tender process	361 568	
Avis car rental	The contract expired, however there was a need to use the vehicles. The extension of the contract was done by COJ which allowed the entities to continue to rent the Avis cars for transportation purposes.	349 045	
Eqstra equipment rental	The contract expired, however there was a need to use the vehicles. The extension of the contract was done by COJ which allowed entities to continue to rent Eqstra forklifts.	170 010	
Strauss Daly Attorneys	The deviation was caused by a variation on the appointment which went above the threshold of R200 000. This is because the service provider was charging on an hourly basis and the process was not completed when the budget was depleted. Therefore it would have been impractical to source another service provider.	312 576	
		19 972 316	

African market



CHAPTER SIX

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Internal & External Audit Findings

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Progress on Internal Audit Plan

The Annual Audit Plan defines the audit work that needs to be completed in a financial year. It is a methodical approach that enables the Internal Audit to focus on important business areas.

The ARC approved the Internal Audit Plan for 2018/2019 during October 2018. Progress against the current Internal Audit Plan as of 30 June 2019 as summarised in the table below:

Table 39: Progress Status on Internal Audit Plan

Description	Progress Status On The Plan To Date On 30 June 2019					
	Project Allocation	Not started	Planning Phase	Execution Phase	Reporting Phase	Completed
Planned audits for the year	17	0	3	2	6	6
Total	17	0	3	2	6	6
Percentage	100%	0%	18%	12%	35%	35%

There were seventeen (17) audits planned. Of these, 3 were still at the planning phase; 2 were in the execution phase; 6 were in the reporting phase and another 6 were completed. This represents a 35% completion as of 30 June 2019. To ensure timeous completion of audits, 4 of the planned audits were outsourced. These assignments will be completed by 30 September 2019.

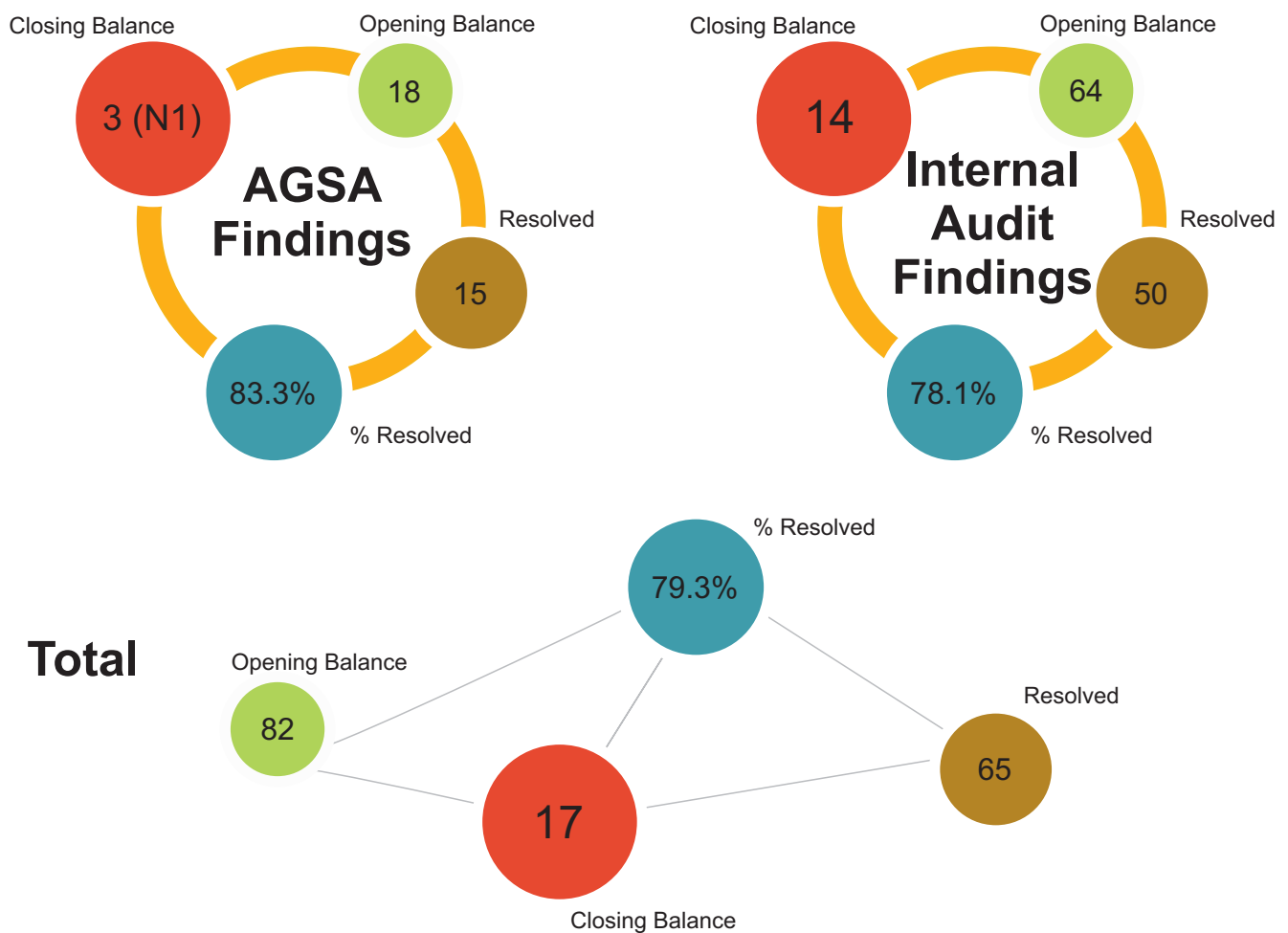


Progress on Resolution of Internal and External Audit Findings

As required by the MFMA, Municipal Systems Act, the IIA Standard and the Internal Audit Charter, Internal Audit conducted follow-up audits to ensure that the agreed action plans are being implemented within the time frames that management committed to. The unit conducts follow-ups on findings raised in the Internal and External Audit Reports as raised by the AGSA in the management letter. For significant findings, evidence supporting the remediation of findings is obtained and physically verified by the Internal Audit Unit.

The table below shows a summary of all internal and external audit findings reported in the 2018/19 FY. Internal Audit efforts are focused on ensuring that findings classified as high risk receive adequate management attention.

Table : Summary of outstanding AGSA Audit Findings



From the Table, it is evident that;

- 83.3% of the external AGSA Findings were resolved in time; while
- 78.1% of the internal audit was resolved

(N1) = See below for a summary of outstanding AGSA Audit findings.

Overall status of Internal Controls

The evaluation of internal controls remains critical in ensuring that the entity has adequate and effective systems, processes, policies and procedures that will support the achievement of organisational objectives. Internal controls are designed and implemented by management through systems, policies and procedures executed in day-to-day operations.

Internal Audit makes an assessment of the effectiveness of these controls based on the results of audits conducted in the various business areas and other interactions with the organisation. The internal controls are thus evaluated as partially adequate and partly effective as significant control weaknesses were identified in several business processes. However, the internal audit concludes that the overall control environment has improved based on key interventions that management has put in place over the financial year.

JM also has various functional and effective management structures such as the Executive Management Committee (EXCO); Management Committee (Manco), and Capital Programme Forum to review, monitor and evaluate capital programme performance as well as overseeing the effectiveness of corrective measures taken.

Management is committed to addressing control weaknesses identified by internal and external audits through the implementation of audit recommendations and monitoring of action plans. However, there is room for improvement as stricter commitment is required from management. Based on internal audits completed in this financial year, the Internal Audit Unit's overall conclusion is that current controls are adequate, but are partially effective in providing reasonable assurance that JM objectives will be achieved.

The overall JM control environment requires improvement.

Section 4:

Auditor-General's Report for the current year

The auditor-general of South Africa has a constitutional mandate to carry out annual audits that will ensure the transparency, accountability of the financial performance and compliance by the SOC.

In the past five years, the Auditor General has undertaken the auditing and reporting on the accounts, financial statements and financial management of JM. The Audit Opinions of the AGSA are depicted below

Table : AGSA Audit Opinions for the past 5 years

YEAR	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
AUDIT OPINION	Clean	Clean	Unqualified	Unqualified	Unqualified	Unqualified



Historical Audit Findings and Remedial Actions

The 18 findings were tracked for resolution during the financial year, 15 were resolved and the remaining 3 will be resolved during Q2 of 2019/2020.

Table : Historical Audit Findings

Finding	Current status	Updated comments / corrective action	Due date	Responsible Official
1. B2. Intergroup differences	In progress	Joburg Market management engaged with Group Accounting as well as related entities to ensure that all differences are followed up and cleared prior to submitting the final AFS for audit	30 November 2019	Snr Manager
2. B10. Rental agreements not signed and renewed.	In progress	The following progress has been made with regard to resolving the rental agreement issue; • A draft Lease Agreement has been developed by the Property Department and validated and approved by the legal department for use; • An independent valuer was appointed to develop standard tariffs for the Joburg Market. This process has been concluded ,and a report presented to EXCO; • A submission of the new Tariff Structure was subsequently presented to the Executive Committee for the recommendation; • A submission to the next Service Delivery Committee will be tabled for recommendations of the new Tariff Structure to Board; • A submission to the next Board Meeting will be tabled for the approval of the new Tariff Structures; • These new Tariff Structures will be incorporated into the lease agreements with tenants, after stakeholder engagements on the issue; • The Tenants Lease Agreement Register will be updated accordingly and made available for reference purposes; This process is anticipated to be concluded by 30 November 2019	30 November 2019	Executive –Core operations
3. B11. Receivables from exchange transactions: Outstanding debt not collected from rental debtors	In progress	New Leases are being signed ,and credit control measures are being implemented which, includes the signing of acknowledgement of Debt.	30 November 2019	Senior Financial Controller/ Executive –Core operations

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