



CITY POWER JOHANNESBURG  
**(PROPRIETARY) LIMITED**  
Registration No: 2000/030051/07

# ANNUAL REPORT

## 2005/2006

(In terms of Section 121 of the  
Municipal Finance Management Act, 2003 and Section 46 of the Municipal Systems Act, 2000)

**CITY POWER JOHANNESBURG  
(PROPRIETARY )LIMITED**

**COMPANY INFORMATION:**

**Registration number:** 2000/030051/07

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2016

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**Bankers** : ABSA Bank of SA Limited

**Auditors** : Auditor-General

***Vision***

***To be a world-class electricity utility, striving for social and economical development of the region***

***Mission***

***To meet the expectations of customers and stakeholders***

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## CHAPTER ONE: INTRODUCTION AND CORPORATE PROFILE

### Section 1: Corporate Profile / Overview of the entity

City Power Johannesburg (Pty) Ltd (City Power) was established in 2000 as an independent municipal entity, wholly owned by the City of Johannesburg to supply electricity to approximately 300 000 customers ranging from domestic to commercial and industrial properties. City Power is accountable to provide network services to all its customers. The City of Johannesburg (CoJ) provides retail customer services for all domestic customers i.e. processing applications, customer queries, customer complaints, customer accounts and revenue management. City Power provides retail customer services to key customers, commercial and industrial customers and prepaid customers.

The core competency of the business is the purchase, distribution and sale of electricity within the geographical footprint of the City of Johannesburg. The National Electricity Regulator granted City Power a licence to trade on 19 December 2001. City Power is not the sole provider of electricity services for the CoJ. The areas not covered by City Power (predominantly Soweto and Sandton) are serviced by Eskom.

City Power has annual turnover of approximately R3, 5 billion and a staff complement of 1954. It has total assets of R4, 5 billion rand and contributes 22,9% of the total economic value added in the CoJ as a whole.

#### Establishment of the Regional Electricity Distributor (RED4)

The government's objective of restructuring the Electricity Distribution Industry (EDI) is premised on the Government's 1998 White Paper on Energy and the EDI Restructuring Blueprint Document. The government's vision of restructuring the EDI industry is informed by the following objectives:

- Providing electricity to all consumers on a cost effective basis with equitable tariffs.
- Providing reliable and high quality of supply and services to consumers.
- Reducing service disparities across the City.
- Accelerating and ensuring that electrification targets are met.
- Meeting the economic and social interest of EDI role-players and operating in a financially sound and effective manner in order to provide a sustainable EDI.
- Improve operations and investment programs.
- Attract and retain competent employees.

Currently, the industry is highly fragmented in nature with Eskom distributing electricity to approximately 40% of consumers by number, which represents about 60% of sales by volume. The 187 local municipalities (including City Power) collectively distribute to about 60% of consumers by number, which represents about 40% of sales by volume. This highly fragmented nature of the EDI makes it difficult to leverage on the benefit of economics of scale, and synergy from the scarce technical skills and co-ordinated network maintenance and required capital expenditure. As a result, the industry is generally characterized by huge disparities ranging from financial, technical, and the spread of electrification obligations etc.

Due to the concerns mentioned above, a staged EDI reform process was initiated by National Government, EDI Holdings, a company mandated to facilitate this reform process, EDI Holdings, was established to lead the process of establishing the Regional Electricity Distributors (REDS).

A cabinet decision taken on 14 September 2005 has inter alia mandated the EDI Holdings company to facilitate the formation of six metro REDS and one national RED (the so called "6+1" RED model) as soon as possible after the last national municipal elections in march 2006. A further requirement by cabinet also (as part of its said 14 September 2005 decision) was that DME via EDIH had to model the above "6+1" model and other relevant models and the results had to be taken back to cabinet.

Based on the above modelling results and other input from relevant stakeholders cabinet made the following announcement on 25 October 2006:

- The creation of six "wall-to-wall" Regional Electricity Distributors (REDs).
- The REDs to be created as public entities, in terms of the Public Finance Management Act and Electricity Regulation Act
- The DME through EDI Holdings will oversee and control the establishment of REDs
- A Roadmap will be put in place to move from current scenario into future industry structure
- Strategy to be developed to deal with capital investment requirements for the REDs
- EDI restructuring legislation be introduced
- National electricity pricing system will be developed

The following areas will make up the RED4 wall-to-wall RED:

- Three(3) Provinces: Gauteng, North West, & Northern Cape
- City Power and
- Eskom Central Region and
- Twenty four (24) other local municipalities and
- Six(6) district councils

#### Progress to Date

Based on the 14 September 2006 cabinet decision the City of Johannesburg's Mayoral Committee on 9 February 2006 resolved that City Power be used as a nucleus for the JORED establishment. Detail discussions have been taking place between the City of Johannesburg, City Power, Eskom and EDI Holdings to develop appropriate means and the best approach to ensure a speedily and successful establishment of JORED( included City Power and Eskom supply areas within the COJ political boundaries. In this regard the EDI Holdings company had established several institutional mechanisms in order to ensure that there was a smooth process in the creation of JORED. These included the Sponsors Committee, Steering Committee and various workgroups. The established Joint Programme Management Office is responsible for providing project support to the JORED Steering Committee by collating and integrating feedback from all the various working groups thus enabling the Steering Committee to monitor workgroups' performance.

The way forward in respect of these governance structures may have to reviewed in the light of the possible impact of the said 25 October 2006 decision.

The COJ has noted the cabinet's decision of the 25 October 2006 and is currently assessing its impact before the Mayoral Committee will decide on the way forward.

Whilst RED4 must be formed, it is based on the assumption that the EDI reform will not negatively affect the financial viability and the interests of the COJ.

## **Section 2: Strategic Objectives**

The CoJ has a Growth and Development Strategy (GDS). City Power forms part of the infrastructure and services sector whose 5 year sector plan is.

“A city with a backbone of efficient and well-maintained service infrastructure, extended to all, so that all citizens and stakeholders can access an expanding package of innovative, safe, reliable and affordable services.”

### **Long Term Goal**

1. Extend a differentiated package of service that is fit for purpose, affordable and reliable In accordance with national policy commitments, and an agreed local definition of appropriate levels of service.

### **Strategic Interventions**

Eliminate any and all current backlogs in access to basic services

Progressively increase the share of the population accessing higher levels of services with regard to affordability and within environmental considerations.

Solve the non-account holder problem in the social package to ensure that all eligible households have access to an agreed package of free basic services with creative solutions

### **5-Year Strategic Objectives**

Electrification distribution to at least 95% of formalised households

Provision of streetlights to 95% of Johannesburg.

Provision of streetlights to 60% of informal settlements

### **Basic Service Delivery Programme**

- a. Develop and implement an Energy Management Plan
- b. Implementation street lighting programme to formal and informal areas
- c. Introduce delivery mechanisms to ensure residents of multi-dwelling stands receive benefits as per the revised social package
- d. Improve the City's understanding of users' consumption needs and behaviours, especially among poor and vulnerable groups

### **Long Term Goal**

2. Extension and maintenance of reliable and competitively priced services required by commercial and institutional consumers

### **Strategic Interventions**

Within the framework of the RED meet the electricity needs of all commercial and bulk electricity users in the City

Through efficiency improvements, reduce the cost per capita operating expenditure for running and maintaining all service networks

Against a benchmark of other South African and selected international cities, ensure that end user tariffs remain commercially competitive

### **5-Year Strategic Objectives**

Assist COJ with the establishment of the RED

Reduce electricity billing losses from 3% to 1%

Reduction in electricity outages by 50% in year 2010 (bulk, medium and low voltage)

### **Service delivery improvement programme**

- a. Right-size bulk business by focussing on new technologies and customers by 2007
- b. Implement education and awareness programme
- c. Identification of electricity hot-spots
- d. Integrated programme of electricity infrastructure upgrading, leak repair and improved metering and billing.
- e. Reduce Electricity maintenance backlogs by 50%
- f. Evaluate future energy distribution and demand requirements and develop a strategy to secure supply
- g. Formulate a demand-side energy management strategy in response to consumption levels in different consumption categories
- h. Formulate and implement policy on conventional and prepaid meters

### **Long Term Goal**

3. Service delivery is secured through well-designed well-integrated and well-maintained generation/supply, processing and distribution networks.

### **Strategic Interventions**

Ensure integrated design and maintenance planning for all infrastructure, with a view to manageable recurrent costs and extended life of service networks.

Eliminate backlogs in service infrastructure replacement and maintenance by 2015 (estimated R8billion), and ensure ongoing adherence to a clear, far-sighted asset maintenance and normalised life-cycle replacement plan.

Develop and maintain a cross-city maintenance planning and management system to prevent cost-transfer behaviour and to avoid unnecessary wastage of resources

Investments to extend the service life of infrastructure are within cost effective thresholds and technical tolerances

### **5-Year Strategic Objectives**

Reduction in illegal electricity connections by 70%

Maintain asset value of all infrastructure and augment capacity to meet growth requirements

### **Service reliability programme**

- a. Electricity Meter installation programme
- b. Asset refurbishment and maintenance programme
- c. Formulate and implement policy on conventional and prepaid electrical meters.
- d. Design and implement a long-term asset management strategy and plan for energy, water and waste.
- e. Remove illegal connections

### **Long Term Goal**

4. Leadership in sponsoring and adopting innovative, yet locally relevant, technologies and delivery capabilities that enable new service offerings and ongoing efficiency improvement across all service areas

### **Strategic Interventions**

With a view to optimising new telecommunications and other technologies, introduce new service offerings that meet the changing needs of citizens and stakeholders.

Contribute to R&D and industry development by sponsoring, and where appropriate adopting, new technologies that enable service efficiency and quality improvements, especially those that are relevant to developing world/city contexts

Contribute to environmental sustainability through adoption of technological and strategic solutions that conserve commercial and non renewable resources.

### **5-Year Strategic Objectives**

Implement at least 5 innovative new technologies in service delivery.

97% compliance with environmental Legislation. (Emphasis on oil spillage at electrical substations)

### **Infrastructure modernisation programme**

- a. Rollout solar street lighting
- b. Reinstate gas turbines using natural gas.
- c. City wide education programmes an energy conservation
- d. Provision of alternate energy services (i.e. solar power and gas) to at least 20% of all consumers
- e. Evaluate and implement alternative energy services programme to address demand side management

## **Long Term Goal**

5. Maintain a regime of responsible service delivery regulation and stakeholder interaction.

## **Strategic Interventions**

Maintain and improve service delivery efficiency levels through progressive and continuous improvement.

## **5-Year Strategic Objectives**

Introduce and maintain Quality of Service Monitoring and evaluation system for at least 3 years that can inform regular stakeholder engagement.

## **Service regulation programme**

- a. Establish closer liaisons with external regulatory/ government bodies to initiate customer satisfaction and feedback
- b. Establish a stakeholder forum body, comprising government departments, external regulators and consumer groups
- c. Undertake impact analysis of sector tariff increases on various consumer segments.
- d. Build internal capacity to undertake audits of technical and operational performance

## **Section 3: Foreword by Member of the Mayoral Committee**

Improved Service delivery is the single biggest imperative facing the City. Reliable service delivery to meet the growing needs of the City will require significant capital investment;

- to address service backlogs
- to upgrade existing networks
- to replace increasingly old infrastructure and equipment

Within the framework of the City of Johannesburg Growth Development Strategy the objectives for City Power in the next 5 years are:

- Develop and implement an energy plan
- Implement a street-lighting program
- Expand the provision of street-lighting in informal settlements
- Provide 100% street-lighting in the Alexander renewal programme
- Establish JORED
- Eliminate backlogs in service infrastructure replacement and maintenance and ensure ongoing adherence to a clear, far sighted asset maintenance and normalised life cycle replacement plan
- Introduce city wide education programmes on energy conservation
- Provide and implement alternative energy sources to address demand side management

I am pleased to report that City Power has made significant progress meeting these objectives as reflected in the improvement in the level of outages and the increased expenditure on public lighting. Whilst there are significant challenges in obtaining sufficient funding to meet these backlogs I am confident that with the assistance of the City of Johannesburg these funds will be sourced.

There is a need for a robust strategy in respect of Demand Side Management that addresses energy conservation, new technology and education.

The establishment of JORED is progressing at a steady pace. The relevant structures have been set up and numerous meetings with Eskom and the EDI Holding Company as participants have been held already. There has been a significant amount of information sharing and clarification at a local level and once certain national decisions with respect to boundaries and compensation frameworks have been made we will be in a position to establish JORED in a extremely short time frame.

#### **Section 4: Chairperson's Foreword**

2006 was a year characterised by significant challenges, which faced the organisation. However, City Power was able to meet the expectations of its multitude of stakeholders as was reflected in the service delivery objectives in our corporate scorecard being met.

The mandate and priorities of the Shareholder have always been factored into our strategic plans. Significant attention has been given by management to ensuring that these priorities are transformed into implemented deliverables. The success of the initiatives with regards to the Expanded Public Works Programme, procurement from BEE compliant suppliers; the reduction of outages and the increased focus on Public Lighting has resulted in us delivering on these Mayoral Priorities.

Management has managed to meet its revenue objectives and whilst meeting increased stakeholders requests for improved service delivery have managed to manage costs and produce improved profit levels. The favourable financial position that we have achieved will strengthen our position going forward.

Record levels of capital expenditure enabled the company to significantly reduce the level of outages whilst also meeting demands for additional capacity in certain areas. It is hoped that these levels of funding will continue into the future in order to enable us to address backlogs and meet stakeholders objectives.

Despite the resignation during the year of the chairperson Nivan Pillay, Dr Maree and the President and CEO MK Mohlala, the Board of Directors has ensured that the levels of corporate governance have remained at a high standard. The Finance and Audit Committee has ensured that all significant issues raised by the Auditor General in last year's audit were rectified. A significant amount of effort was spent by the Board in ensuring that management put in structures and processes to comply with the requirements of the MFMA, especially with regards to the procurement processes.

## Section 5: Managing Director's Report

The period ended June 2006 has been an exacting one for the company. Not only were we faced with the demanding task of reducing the high levels of outages experienced by our stakeholders in the previous year, and improving visible service delivery ahead of the elections, but the management team and staff had to manage this in the face of the departure of the President and CEO Mr Mohlala as well as two key members of the Board, the chairman Nivan Pillay and Dr Maree.

I am pleased to report that the company produced a commendable performance in the face of these challenges. Highlights included:

- capital expenditure of approximately R800 million
- significant reductions in outage levels as a result of the capital expenditure on the network
- significant improvements in restoration times of faults
- compliance with the regulators quality of supply standards
- gender equity ratio of 22% exceeding the target
- affirmative action ratio in respect of supervisory positions and above of 68%
- over 1500 jobs created in terms of the EPWP
- expenditure of R800 million (64% of the total) on Black Economic Empowerment
- expenditure of R165 million on engendered companies
- reduction of losses to below 13%
- improved performance in resolving public lighting complaints

Unfortunately there were some targets that we were unable to meet specifically in the area of customer satisfaction ratings and responsiveness in the call centre. These areas of non performance are attributable to the high levels of outages and the corresponding high volumes of customers calls that they generate.

Steps have been taken to address these problems, namely a continuation of the current high levels of capital expenditure on the network, focusing on those areas at risk due either to age and condition or customers capacity demands posing a threat to the networks ability to bear the capacity. We are confident that the trend of a reduction in outages will continue. In addition the staffing and capacity of the call centre has been bolstered which should see an improvement in both call answer rates and query resolution rates.

It is concerning to note that there were 3 public fatalities as a result of illegal connections. We will continue to educate the public as to the dangers of illegal connections as well increasing efforts in removing such connections.

City Power is committed to continually improving its performance and in the 2007 period has instituted stretch targets based on improving on the current performance. It is also expected that the progress towards the creation of JORED will accelerate during the year and the demands placed upon our staff will increase as a result. However we are confident that we will continue to meet the expectations of all our stakeholders.

## Public Lighting

In the last financial year two major projects were started and completed in Sol Plaatjies and Elias Motsoaledi. These projects were urgent and required quick actions as the communities were affected negatively. In a short space of time City Power managed to find budgets through the City as well as our own resources to complete these projects on time. Also a major challenge were the local elections, which were held in the month of March. City Power had to make sure that in all areas under the jurisdiction of the City of Johannesburg Service Delivery was attended to. In tandem with this City Power undertook a project called Lungisa (Fix it), which required that each and every street in Johannesburg be visited at least once and that all problems uncovered were repaired. Out of that exercise it was found that in Soweto alone there were more than 2000 poles which needed to be replaced. It was also discovered that a backlog of R750 million had to be addressed. The six months between September 2005 and March 2006 was dedicated to cleaning up as well as rectifying these problems on the network. This has now become part of our daily routine. This highlighted the amount of effort as well as the resources, which one needs to utilize going forward. Whilst a lot of energy has been expended in cleaning up the current and existing network the department still faces challenges since the network is growing daily. Further challenges will become evident once the JORED environment has been finally concluded. This will again necessitate a further refining of the current systems and processes. The use of KPI's as well as measurable deliverables has allowed us to quantify the extent of the problems we are facing as well as the effort, which has been expended to rectify these. Internal benchmarks have been set and are being monitored. This allows the department to at least monitor its performances on an ongoing basis via the SAP eRespond. The department feels that improvements have been observed and successes going forward will become more visible.

For Public Lighting to meet its service delivery obligations it has become evident that new technologies have to be deployed. In pursuit of this City Power intends to employ the Public Lighting eRespond module. This technology will allow for visibility of all resources in real time. This will also further allow for financial and operational benchmarks to be quantified effort required to catch up on the backlog. Using GPS coordinates City Power has also embarked on identifying all Public Lighting infrastructures in the networks. This will finally result in an overall Masterplan for Public Lighting throughout the CoJ. Any changes and additions to the network will be uploaded and captured on a GPS environment on a daily basis. The growth as well as extension on this network will continuously be visible and quantified. This would enable first time resources to be matched with the need. This has allowed Public Lighting department to elevate its profile and to present a more customer focused view to all its stakeholders.

City Power has started to deploy new lighting technologies. In Zandspruit City Power will for the first time since its existence be able to supply solar power public lighting. This will amongst other things reduce the cost of Energy for City Power whilst providing lighting to needy communities. This will also shorten the times required to connect streetlights as availability of power ESKOM will not be a factor in this exercise. We would also be creating networks, which should be vandal proof and tamper proof.

This remote monitoring system will be economical to install and should not interfere with service delivery.

Focus areas going forward are:

- Implementation of Public Lighting network extension and refurbishment projects throughout the regions (36 projects).
- Further implementation of the Work Management Solution (WMS).
- Creation of Public Lighting Master Plan. City Power Strategic partner YBG Consulting has already completed the master plans for 35% of the current network.
- GPS coordinates for each streetlight pole to improve maintenance service delivery.
- Pilot remote monitoring systems for major Public Lighting routes.
- Research and installation of solar powered public lighting

## **Section 6: Statement of Responsibility**

The directors are responsible for the preparation, integrity and fair presentation of the financial statements of City Power. The financial statements presented in chapter 5 have been prepared in accordance with SA GAAP and include amounts based on judgement and estimates made by the management.

The directors are responsible for the preparation of the other information in the annual report and are responsible for both its accuracy and its consistency with the financial statements. The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the entity will not be a going concern in the foreseeable future based on the forecast and available cash resources. Refer to the Directors report on page 4 of the financial statements with regard to the appropriateness of the going concern assumption for the preparation of the financial statements.

The Auditor-General, who was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board of Directors and committees of the Board, has audited the financial statements. The directors believe that all representations made to the Auditor-General during their audit are valid and appropriate. The Auditor-General's report is presented in chapter 5. The financial statements were approved by the Board of Directors on 25<sup>th</sup> January 2007 and signed on its behalf by:

## **CHAPTER TWO: PERFORMANCE HIGHLIGHTS**

### **Section 1: Highlights and Achievements**

City Power has met or exceeded most of the Key Performance indicators for the 2005/2006 financial year. Some of the more noteworthy achievements include:

- 94% of the Capital Budget was spent on improving or upgrading the network
- The bulk and medium voltage outages for the year were 22% and 2% respectively better than the targets set while the outages in respect of the low voltage network was 15% better than the target. There were also significant improvements in the fault restoration times. These targets were already better than the prior year levels

- Compliance with the NRS 048 standards, which relate to the Quality of Supply were exceeded in all categories, namely Industrial, Rural and Domestic.
- 1 532 temporary and permanent jobs were created in terms of the Expanded Public Works Programme policy (EPWP)
- The total City Power complement as at 30 June 2006 amounted to 1 954 employees with 194 separations during the year and 206 new appointments. The affirmative action target for the year was set at 70%. However the actual target reached was 67,7%, which is marginally less than target, while the gender equity ratio of 21,6% exceeded the target of 16% by 35%.
- City Power also performed exceptionally well with respect to Black Economic Empowerment expenditure. The BEE target for the year of 64% was exceeded with the actual expenditure of R805, 7 million.
- Engendered expenditure for the year also amounted to a substantial R164, 7 million.

## **Section 2: Financial Performance**

City Power's financial year ended with pre-taxed profits of R145 million.

Capital expenditure on property, plant and equipment amounted to nearly R816 million for the year.

Despite City Power financing capital expenditure consisting of the abovementioned property, plant and equipment of nearly R200 million from its own resources the bank balance at the end of the year amounted to R627, 6 million. This account is administered by the City of Johannesburg via a sweeping account arrangement.

### **2.1.1 REVENUE**

City Power's revenue for the financial year amounted to R3 483 million which is an increase of 5,1% on the 2004/05 revenue of R3 315 million.

In addition to the revenue billed for the consumption of electricity, the revenue includes fees received from new service connections amounting to R31, 7 million for the year. This is an increase of 33% on the previous financial year. This increase in new service connections has contributed to the year on year increase in sales volumes of 2,6%.

### **2.1.2 RESULTS OF OPERATIONS**

The operational expenditure for the year excluding cost of sales amount to R1040 million (2004: R1017,7 million). This represents an increase of 2.2%. The salient features of the operating costs for the year are set out below.

- Employee costs amounted to R350,7 million for the year. The total employee costs include a general salary increase of 6% given to all staff on 1 July 2005.
- General expenses for the year amounts to R291,7 million. The major categories of expenditure include vehicle fleet costs of R57,8 million, insurance of R22,8 million, consulting and professional fees of R51,7

million, security costs of R33,8 million and meter reading charges of R25,4 million. In addition commission paid to third party vendors for the collection of electricity billing income amounts to R9,9 million.

- Repairs and maintenance incurred on maintaining the network and other related expenses amounted to R88, 6 million which is a marginal increase on the 2004/05 expenditure of R88, 2 million.
- Depreciation for the financial year amounted to R174.4 million compared to R167 million for the previous financial year. This substantial increase is due to the increased depreciation based on the revaluation of the assets.
- The provision made for bad debts increased to R136 million (2004/05: R107, 6 million) mainly as a result of the increased billing for the financial year under review with payment levels remaining more or less constant at 98,6% for City Power customers and 93,8% for City of Johannesburg billed customers.

### **2.1.3 CASH FLOW**

City Power ended the financial year with a bank balance of R627, 6 million which is reflected as Loans to Shareholders in the Balance Sheet.

The salient features of the cash flow for the year include the following:

- Expenditure incurred on acquisition of property, plant and equipment amounted to R816 million and other tangible assets of R46,7 million.
- A positive cash flow of R761 million generated from operations was offset by financing costs of R315,8 million.
- The cash inflow from financing activities amount to R487,3 million. This amount includes the reimbursement by the City of Johannesburg of loan funded capital projects of R428, 9 million.

### **2.1.4 BALANCE SHEET**

Total fixed assets of City Power as at 30 June 2006 amounted to R2327.7 million which is an increase of nearly R3,1 billion on the 2004/05 assets of R1 675,8 million. In addition Intangible Assets amounted to R71.5 million which include consideration paid for the refurbishment of transformers belonging to Eskom Holdings Limited.

Current assets amount to R1 737,2 million and include R627, 6 million Loans to Shareholder which relates to the City Power bank balance. Other major items reflected include the trade debtors of R662,3 million compared to R577 million for 2004/05. The total gross debtors of both City Power and the City of Johannesburg administered

debtors amount to R1 731,2 million less the provision for impairments of R970 million. The balance held for consumer deposits amounts to R108, 9 million.

Non-Current Liabilities amount to R2650 million the major portion being the Loans from Shareholder which amounts to R2 052,7 million (2004/05: R1 822,2 million). These loans consist of a shareholders loan of R624, 7 million and conduit mirror loans of R1 427,9 million which relate to the loans granted by the City to fund ongoing capital expenditure.

Deferred income of R512 million (2004/05: R344,7 million) relate to grants received from, amongst others, the Department of Mineral and Energy for electrification programmes, CMIP grants for the provision of streetlighting and the Alexandra Renewal Grant for upgrading of services and infrastructure in Alexandra.

Current liabilities of R1 003,3 million have increased by R168,2 million compared to the R835,1 million for the 2004/05 financial year. This increase is attributable to the trade and other payables amounting to R669,2 million which has increased by R117,3 million. This increase is because of the substantial increase in capital expenditure especially in the final months of the financial year.

### **Section 3: Capital Projects**

By the end of the financial year expenditure of R766m (before accruals) was realised against a total budget of R704m. The over expenditure of R61m is as result of bulk infrastructure Eskom projects which commenced towards the end of the financial year and payments to Eskom had to be made in order to start with the procurement of long lead items. Some of the funds were also allocated to distribution projects aimed at eradicating overloading situations, which were experienced during the first cold spell in May 2006.

The overall focus was on the upgrade and refurbishment programmes of HV, MV and LV distribution networks across all the regions and also delivery and installation of major power transformers in Parkhurst, Cydna, Westfield, Wemmer, Rosebank, and Roosevelt substations. During this winter there is already a visible reduction in outages in areas where these projects have taken place.

The table below highlights the actual expenditure per project category. From the expenditure pattern it can be seen that the emphasis is on network related projects i.e. Infrastructure refurbishment, Electrification, Public Lighting, Service connection and upgrade of MV and LV networks.

<b>Project Category</b>	<b>Actual Expenditure (end of June 2006)</b>
Building Alterations	11,754,417
Infrastructure Refurbishment	149,242,244
Computer Software	13,359,293
Electrification	43,991,905
Furniture	916,888
Meters	23,160,362
Network Development	3,053,826
Office Equipment	6,213,230

Public Lighting	77,762,159
Plant and Machinery	10,299,977
Service Connections	80,946,415
Tools and Loose Gear	1,780,863
Township Reticulation	5,700,684
Upgrade of Network	326,104,195
SCADA	11,124,352
Insurance	147,834
<b>TOTAL</b>	<b>765,558,644</b>

### **Current and future initiatives**

As part of our continuous effort to improve quality of supply and meeting the ever increasing development needs, the following initiatives are in progress or planned into the near future:

#### ***Upgrading and the establishment of Major Transmission Substations (MTS's)***

- Two new MTS's are planned for commissioning within the next five years to service the greater Johannesburg area. One will be located to the south and the other to the north east of the Johannesburg central business district. Each will have a potential capacity of 1000MVA and will be supplied at 275kV from the Eskom transmission network. Preliminary sites have been identified and discussions on our proposals are in an advanced stage with Eskom. These MTS's will supplement our existing three MTS's and Kelvin power station.
- The firm capacity at our Delta substation will be increased from 250MVA to 500MVA during the next 18 months. The detailed design is at an advanced stage and the acquisition of the transformer has gone out on tender.

#### ***Upgrading of existing substations***

- Twenty seven substations require upgrading in capacity to meet existing and future load growths. Four have recently been upgraded and two are currently being upgraded. Six others are in the detailed design stage.

#### ***Establishment of new substations***

- Fifteen new sub stations are required into the future. One is currently under construction and detailed designs for three others have been completed and will shortly be going out on tender. Three others are in the preliminary design stage.

#### ***Refurbishment/replacement of transformers***

- Fifty two (52) transformers have been identified for replacement due to their age and condition. Seven (7) have been replaced over the last eighteen months and another thirteen (13) are on order and will be replaced over the next eight months. This process will continue as the need arises.

#### ***Refurbishment/replacement of switchgear***

- Fifty four (54) switchboards (including the satellite subs) whose average age is in excess of forty (40) years and whose arc quenching medium is primarily oil have been identified for replacement.

### ***Replacement of Medium Voltage Cable (MV)***

- A significant amount of first generation MV- PEX cable has been replaced due to its inherent design impediment, which has manifested itself in an increase in cable failures. The replacement of this type of cable will continue.
- The age of much of the MV paper insulated cable is in excess of fifty years old. The performance of this cable is being monitored and it is being replaced where necessary.

#### Section 4: Performance against IDP and City Scorecard

	Target	Actual
<b>Improvement in service delivery</b>		
a) Number of power outages:		
• Bulk	150	117
• MV	1275	1248
• LV	93900	79740
b) % Compliance with NRS 048 (Quality of Supply)		
• Category 4 - Domestic	97%	100%
• Category 3 - Rural	100%	100%
• Category 2 - Industrial	83%	97%
c) Faults restoration within the specified time frame as a percentage of the total number of faults reported (NRS 047)		
• Within 1.5 hrs	30%	26%
• Within 3.5 hrs	60%	67%
• Within 7.5 hrs	85%	87%
• Within than 24 hrs	94%	96%
<b>Comments:</b>		
As a result of the increased capital expenditure outages have decreased significantly during the year, whilst the quality of supply and fault restoration times are ahead of targets. The implementation of new systems will play a significant part in improving immediate response times.		
d) Public lights repaired as a percentage of complaints received	95%	95%
e) Turnaround time per customer complaint	14 days	13 days
f) Total number of customer complaints CLOSED versus Total number of customer complaints RAISED (during a defined period)	90%	97%
<b>Comments:</b>		
There have been large increases in operating and capital budgets to enable us to meet the increased shareholder expectation regarding public lighting		
<b>Improved customer service</b>		
a) Annual customer satisfaction index rating		
• Key Customers	75%	63%
• Top Customers	75%	59%
• Domestic Customers	75%	60%
b) Total number of calls answered in (30 seconds) as a percentage of total calls received	91%	75.99%
c) Number of customer complaints/queries resolved per total calls received	98%	80,3%
d) Average time taken for City Power to resolve queries that are referred to them	10 days	5.8 days
e) Number of households with access to free basic electricity (Lifeline tariff only)	232,159	248,962
<b>Comments:</b>		
Customer service indices all deteriorated during the year due to the high number of outages combined with resourcing problems in the call centre. Additional resources been allocated and improvements already noted.		
<b>Health and Safety</b>		
a) Number of employee disabling injury frequency ratio	0.40	0.69
b) Number of employee job related fatalities	0	0
c) Number of public fatalities	0	3
d) HIV positive employees as a percentage of total compliment.	10%	4.12%
<b>Comments:</b>		
Whilst the injury ratio is worse than target, the performance is extremely commendable bearing in mind the number of projects the company has. A ratio of 1 considered excellent in the industry. Safety training is an ongoing priority for the business. It is deeply concerning to note the public fatalities as a result of illegal connections. We will continue to educate the public as to the dangers as well as continue to remove such connections.		

	Target	Actual
<b>Compliance with Corporate Social Responsibility</b>		
a) Employment Equity (AA ratio) (Supervisory and above)	70%	67.65%
b) Employment Equity (Gender Equity ratio)	16%	21.56%
c) Job creation as per EPWP policy	1090	1532
d) BEE procurement as a percentage of total budget	64%	69.06%
e) Engendered Expenditure	22%	20.45%
<b>Comments:</b> The company has performed extremely well in terms of its corporate social responsibility. Whilst the EE ratio is lower than the target it is a function of turnover of skilled black professionals who are difficult to replace. The company is putting in place staff retention strategies.		
<b>Profitability enhancement</b>		
a) Revenue collected as percentage of total revenue billed:		
• Key Customers	100%	100.20%
• Top Customers	98%	98.67%
• Domestic Customers	93%	93.83%
b) Unaccounted for electricity as a percentage of electricity dispatched	13.2%	12.92%
<b>Comments</b> Collection levels have been in excess of targets. Total losses for the year have been less than budget. Assuming that technical losses make up 9% then non- technical losses (consumption not billed) make up 3.92%, which is highly commendable in the national context.		

## Section 5: Assessment of Arrears on municipal taxes and service charges

### 5.1 Assessment of Municipal Taxes and Service Charges owed to City Power

	Total	Consumer	Industrial / commercial	National and Provincial Government			
Current (0-30days)	433 175	175,008	254,015	4,152			
31-60 days	105 337	78,664	22,718	3,955			
61-90 days	48 149	25,408	19,577	3,164			
91-120 days	51 073	25,138	22,570	3,365			
121-365 days	201 167	130,604	52,143	18,420			
+.365 days	893 222	550,875	250,624	91,723			
Sub-total	1 732 123	985 697	621 647	124 779			
Less: Provision for bad debts	( 970 049)	(607,952)	(268,440)	(93,657)			
<b>Total</b>	<b>762 074</b>	<b>377 745</b>	<b>353 207</b>	<b>31 122</b>			
	>30	>60	>90	>180	>365	>366	Total
City Power	265,675,351	19,571,466	17,435,400	23,168,311	33,073,400	49,438,109	408,362,037
COJ	167,499,690	85,765,452	30,713,483	27,904,548	168,094,000	843,783,891	1,323,761,064
Total	433,175,041	105,336,918	48,148,883	51,072,859	201,167,400	893,222,000	1,732,123,101

## 5.2 Assessment owed by City Power for service charges

City Power owes the following for service charges;

City of Johannesburg	Rates and Taxes	R6,367.000	(annual payment)
Johannesburg Water	Water	R84,000	(current amount)

## 5.3. Assessment of Directors' and senior managers' municipal accounts

Name	Designation	Municipal	Municipal Account Name/Number	Account Status	Comments
K Simelane	Chairperson	Johannesburg	K Simelane 401900792	Current	
J Kumbirai	Non-executive	Tshwane	J Kumbirai 2071470635	Current	
Professor T Marwala	Non-executive	Johannesburg	Professor T Marwala 202039917	Current	
N Nyembezi	Non-executive	Johannesburg	Constantinon & Associates	Current	
Adv. L Kugel	Non-executive	Tshwane	L Kugel 2074016447	30 Days	
L Reddy	Non-executive	Johannesburg	M J van Dyk 60213186	Current	
S Zimu	Managing Director (Acting)	Johannesburg	S Zimu 20160018	Current	
B Leshnick	Director Finance	Johannesburg	B Leshnick 202089509	Current	
V Padayachee	Director Operations	Johannesburg	V Padayachee 201239060	Current	
Z Nkosi	Director Commercial	Johannesburg	Z Nkosi 504115018	Current	
L Mashao	Director Corporate Services	Tshwane	L Mashao 330110716	Current	
S Mosolo	GM Public Relations	Ekurhuleni	Morrison Estates	Current	
M Mojapelo	GM Internal Audit	Johannesburg	M Mojapelo 900137978	60 Days	Subsequently paid
A Lishivha	GM Legal Services	Johannesburg	K Molewa 206521871	Current	
M Sibuta	GM Public Lighting	Johannesburg	Andrew Lucas Real Estate	Current	

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**Section 6: Statement on amounts owed by Government Departments and Public Entities**

<b>Gov Accounts 30 June 2006</b>				
<b>Acc no</b>	<b>SCHOOLS</b>	<b>Total</b>	<b>Status</b>	<b>Comments</b>
220083813	EAST BANK HIGH SCHOOL	22,537.16	Pending adjustments	Faulty meters replaced
220082200	BRYANSTON PRIMARY SCHOOL	11,317.58	Current	-
220065035	ATHLONE BOYS HIGH SCHOOL	7,498.38	Current	-
220025018	PREPRIMERE SKOOL DIE MOSSIE	2,503.70	Current	-
220028700	PHILIP KUSHLICK SCHOOL	9,802.08	Current	Payment received early July
220055421	SOUTHVIEW SECONDARY SCHOOL	19,777.40	Payment received late	Payment received mid July
220075925	WESTERN HIGH SCHOOL	7,370.41	Current	-
220047406	ENNERDALE SECONDARY SCHOOL	9,235.31	Current	-
220055608	AZARA SECONDARY SCHOOL	28,247.35	Current	-
220058969	PENTA-ROSA PRIMARY SCHOOL	13,824.40	Current	-
220057299	GREYVILLE PRIMARY SCHOOL	23,030.79	Current	-
220057186	LENASIA SECONDARY SCHOOL	24,615.01	Current	-
220100709	RIVERLEA LAERSKOOL	133,284.91	Pending adjustments	Meter duplications
220091356	KENSINGTON SECONDARY SCHOOL	6,526.33	Current	-
220057179	ALPHA PRIMARY SCHOOL	18,288.17	Current	-
220055453	PARKSIDE PRIMARY SCHOOL	63,008.31	In arrears	Difficulty experienced in getting Pmt.
220059000	TOPAAS SECONDARY SCHOOL	23,405.61	Current	-
220025000	HOERSKOOL DIE FAKKEL	10,114.39	Current	-
220057193	MODEL PRIMARY SCHOOL	28,776.47	In arrears	Difficulty get payment from Principal
220096040	WINCHESTER RIDGE PRE-PRIMARY SCHOOL	-0.4	Current	-
220052276	ST MARYS SCHOOL FOR GIRLS	17,355.16	Current	-
220061143	MISSOURILAAN SEKONDERE SKOOL	24,171.32	Current	-
220061150	NANCEFIELD LAERSKOOL	11,626.12	Current	-
220069777	QUEENS HIGH SCHOOL HOSTEL	-5,614.82	Current	-
220058951	HARMONY PRIMARY SCHOOL	26,457.98	In arrear	Difficulty getting payment from Dept Ed.
220024991	FOREST HIGH SCHOOL	6,898.38	Current	-
220010501	EDUCATION MODEL C SCHOOLS 873	2,858.19	Arrear	Meter adjustments pending
<b>TOTAL</b>		<b>546,915.69</b>		

Acc no	POLICE	Total	Status	Comments
220052075	SAP FLATS	137,485.41	Current	-
220093804	SAP WYNBERG	18,456.19	Current	-
220078806	SAP RADIO STATION	5,055.33	Current	-
220028957	S A POLICE STATION HONEYDEW	11,108.99	Current	-
220028435	SAP MOTOR WERKWINKEL	35,596.79	Current	-
220072040	SAP BRIXTON [MOORD / ROOF AFD]	27,911.36	Current	-
220069512	JEPPE POLICE STATION	964	Current	-
220056954	HOSPITAL HILL POLICE STATION	-8,392.22	Current	-
220002412	BRAMLEY POLICE STATION	10,242.68	Current	-
220059151	SAP DODEHUIS EN KWARTIERE PWD	100,869.70	Arrear	Said no budget to pay.
220033682	SAP STATION BOOYSSENS	31,757.29	Current	-
220062250	CLEVELAND POLICE STATION	18,341.86	Current	-
220052068	SAP STATION NORWOOD	10,779.25	Current	-
220062242	SAP CLEVELAND P W D	-38,798.86	Current	-
220093794	ALEXANDRIA POLICE STATION	9,760.31	Current	-
220062732	POLICE & CIVIL RIGHTS UNION	5,108.00	Current	-
220057080	SAP SAM HANCOCK STR (PWD)	1,237.96	Current	-
220056993	SAP SAM HANCOCK STR	610.02	Current	-
220057059	SAP SAM HANCOCK	275.92	Current	-
220057010	SAP SAM HANCOCK	524.05	Current	-
220057066	SAP SAM HANCOCK STR (PWD)	1,355.93	Current	-
220057027	SAP SAM HANCOCK	712.6	Current	-
220057041	SAP SAM HANCOCK	-2,722.41	Current	-
220057002	SAP SAM HANCOCK STR	756.21	Current	-
220057274	SAP LENASIA	29,794.53	Current	-
220080386	SAP FLATS	22,403.54	Current	-
		0.00	Current	-
<b>TOTAL</b>		<b>431,194.43</b>		

Acc no	COURTS	Total	Status	Comments
220062002	SAP LAW COURTS LENASIA	10,612.60	Current	-
220061954	KLIPTOWN REGIONAL COURT PWD	24,175.96	Current	-
<b>TOTAL</b>		<b>34,788.56</b>	Current	-

Acc no	PUBLIC WORKS	Total	Status	Comments
220035859	R S A PUBLIC WORKS & LAND	19,477.53	Current	-
220042510	R S A PUBLIC WORKS	1,539.95	Current	-
<b>TOTAL</b>		<b>21,017.48</b>		

Acc no	HOSPITALS	Total	Status	Comments
220068999	JOHANNESBURG HOSPITAL	115.01	Current	-
220028474	BARAGWANATH HOSPITAL	1,338,054.13	Current	-
220078757	JG STRYDOM HOSPITAL	115.01	Current	-
220091003	JHB HOSPITAL	0.00	Current	-
220008887	LIFEMED HOSPITAL (PTY) LTD	89,218.52	Arrears	Regular late payer
220031580	WILGEHEUWEL HOSPITAL (PTY) LTD	0.00	Current	-
220017137	SOUTH RAND HOSPITAL	-176,000.00	Current	-
220028001	MULBARTON HOSPITAL LIMITED	0.00	Current	-
221038725	EDENVALE HOSPITAL	0.00	Current	-
220030804	DISCOVERY HOSPITAL	2,823.74	Current	-
220090433	CSF EMSANI HOSPITAL	35,682.36	Current	-
220068100	JHB HOSPITAL	0.00	Current	-
220989742	BARCLAYS HOSPITAL	5,703.83	Current	-
220055414	LENASIA HOSPITAL	2,018.70	Current	-
<b>TOTAL</b>		<b>1,297,731.30</b>		

Acc no	CLINICS	Total	Status	Comments
220094124	ALEXANDER CLINIC	20,341.39	Current	-
221036090	ALEXANDRA WOMENS CLINIC	3,027.17	Current	-
221036083	EASTBANK CLINIC	5,582.64	Current	-
220004667	SHIFA CLINIC	0.00	Current	-
220014136	MAYO CLINIC	0.00	Current	-
220052340	JOHN FORTHERING CLINIC	-493.95	Current	-
		0.00		
<b>TOTAL</b>		<b>28,457.25</b>		

Acc no	PROVINCIAL	Total	Status	Comments
220015926	GAUTENG PROVINSIAL GOVERNMENT	-59,058.75	Current	-
220055615	GAUTENG PROVINCE-HOUSING DEV BRD	52,118.57	Arrears	Allege no budget left to pay
<b>TOTAL</b>		<b>-6,940.18</b>		

Acc no	HOSTEL	Total	Status	Comments
220001345	GRESSWOLD SPEC HOSTEL	16,731.89	Current	-
<b>TOTAL</b>		<b>16,731.89</b>		

Acc no	HOUSING	Total	Status	Comments
220088628	HEALTH&HOUSING: HOUSING 245	2,603.31	Current	Billing query
220100547	TROYVILLE HOUSING CO- OPERATIVE LTD	33,313.24	Current	-
220087134	HEALTH&HOUSING: HOUSING 245	35,287.29	Current	-
220045991	MURRAY & ROBERTS HOUSING (PTY)	38,253.93	Current	-
220946570	JOHANNESBURG HOUSING CO LTD	46,641.18	Current	-
220046804	COPE TSWELOPELE HOUSING_COOPERATIVE	22,444.47	Current	-
220080530	DEPT.HOUSING AND LOCAL GOV.	59,191.19	Arrears	Allege no budget
221051081	JOHANNESBURG HOUSING COMPANY ( CARR	63,527.02	Current	-
220061009	DEPT.HOUSING AND LOCAL GOVT.	148,412.23	Arrears	Allege no budget
220990723	SIMUNYE HOUSING ASSOCIATION	29,362.67	Arrears	Allege no budget
220100882	JOHANNESBURG HOUSING COMPANY	42,104.68	Current	-
220044660	DEPT.HOUSING AND LOCAL GOVT.	19,588.29	Arrear	Allege no budget
220044726	DEPT.HOUSING AND LOCAL GOVT.	19,808.44	Arrears	Allege no budget
220003543	SA LEGION SOLDIERS HOUSING ORG	28,640.30	Arrears	Allege no budget
220044740	DEPT.HOUSING AND LOCAL GOVT.	17,584.19	Arrears	Allege no budget
220044765	DEPT.HOUSING AND LOCAL GOVT.	11,478.69	Arrears	Allege no budget
220044733	DEPT.HOUSING AND LOCAL GOVT.	19,612.68	Arrears	Allege no budget
220044719	DEPT.HOUSING AND LOCAL GOVT.	16,604.80	Arrears	Allege no budget
220080523	DEPT.HOUSING AND LOCAL GOV.	-1,074.67	Arrears	Allege no budget
220014633	NEW HOUSING COMPANY	0.00	Current	-
220089639	HEALTH&HOUSING: COMM HLTH 230	12,106.42	Arrears	Allege no budget
220046441	DEPT.HOUSING AND LOCAL GOVT.	11,736.36	Arrears	Allege no budget
221064041	JHB HOUSING COMPANY LTD	17,048.39	Current	-
220046427	DEPT.HOUSING AND LOCAL GOVT.	13,090.43	Arrears	Allege no budget
220046434	DEPT.HOUSING AND LOCAL GOVT.	13,331.06	Arrears	Allege no budget
220044758	DEPT.HOUSING AND LOCAL GOVT.	12,151.10	Arrears	Allege no budget
220046498	DEPT.HOUSING AND LOCAL GOVT.	11,007.51	Arrears	Allege no budget
220044684	DEPT.HOUSING AND LOCAL GOVT.	466.33	Arrears	Query on account
220089607	EVEREST COURT HOUSING ASS.	7,091.68	Current	-
220044677	DEPT.HOUSING AND LOCAL GOVT.	19,879.00	Arrears	Allege no budget
220046508	DEPT.HOUSING AND LOCAL GOVT.	14,125.43	Arrears	Allege no budget
220046466	DEPT.HOUSING AND LOCAL GOVT.	13,312.31	Arrears	Allege no budget
220003529	SOLDIERS HOUSING ORG SA	3,909.15	Arrears	Allege no budget
220046522	DEPT.HOUSING AND LOCAL GOVT.	6,089.38	Current	-
220046530	DEPT.HOUSING AND LOCAL GOVT.	11,103.95	Arrears	Allege no budget
220046515	DEPT.HOUSING AND LOCAL GOVT.	10,057.73	Arrears	Allege no budget
220046473	DEPT.HOUSING AND LOCAL GOVT.	8,788.96	Arrears	Allege no budget
221010864	BOU PEN HOUSING (PTY) LTD	0.00	Current	-
220046480	DEPT.HOUSING AND LOCAL GOVT.	2,777.84	Arrears	Allege no budget
220016038	JOHANNESBURG HOUSING COMPANY	52,414.04	Arrears	Allege no budget
220067113	JOHANNESBURG HOUSING COMPANY	0.00	Current	-
220100642	JHB HOUSING CO	0.00	Current	-
220003536	SOLDIER HOUSING ORG	7,946.55	Arrears	Allege no budget
<b>TOTAL</b>		<b>901,817.55</b>		

Acc no	CORRECTIONAL SERVICES	Total	Status	Comments
220091388	SA DEFENCE QUEENS HIGH	9,345.63	Current	-
220028442	DIEPKLOOF PRISON P W D	0.00	Current	-
<b>TOTAL</b>		<b>9,345.63</b>		

Acc no	POST OFFICE	Total		

220058510	BRAAMFONTEIN POST OFFICE	6,718.38	Current	-
220017627	SOUTH HILLS POST OFFICE	-7,340.62	Current	-
<b>TOTAL</b>		<b>-622.24</b>		

Acc no	GOVERNMENT	Total	Status	Comments
220052075	SAP FLATS	137,485.41	Current	-
220034855	TELKOM SA	-14,341.34	Current	-
220090521	TELKOM SA BPK.WITWATERSRAND	-8,689.38	Current	-
220058567	SA INSTITUTE FOR MEDICAL	72,208.71	Current	-
220078926	J C NEWMAN T/A VAAL DIESEL	109,460.79	Arrear	Billing query / resolution pending
220069512	JEPPE POLICE STATION	964	Current	-
220081414	R S A P A AFDELINGSINGENEUR	25,649.19	Current	-
220058479	MYNTERING BURO PWD	30,015.45	Current	-
220028428	PTN MORTUARY FOR COLOURDS PWD	69.16	Current	-
220058550	PNEUMOCONIOSIS RESEARCH PWD	25,543.26	Current	-
220058542	OLD MEDICAL BUILDING PWD	54,006.89	Arrears	Site under investigation
220077922	TELKOM SA BPK.WITWATERSRAND	43,841.78	Current	-
220016920	OPENBARE WERKE EN GRONDSAKE	102,559.35	Arrears	Disputed
220061954	KLIPTOWN REGIONAL COURT PWD	24,175.96	Current	-
220078108	TELKOM SA BPK.WITWATERSRAND	0.00	Current	-
220022970	DIE STREEKSVERTEENWOORDIGER	13,088.40	Current	-
220091388	SA DEFENCE QUEENS HIGH	9,345.63	Current	-
220092430	7TH DIV HEADQUARTERS PWD	-33,734.62	Credit Due	Consumption 'run off'
220035859	R S A PUBLIC WORKS & LAND	19,477.53	Current	-
220057274	SAP LENASIA	29,794.53	Current	-
220033682	SAP STATION BOOYSENS	31,757.29	Current	-
220008816	DIE HOOFDIREKTEUR	3,883.39	Current	-
220078115	TELKOM SA BPK.WITWATERSRAND	75,448.93	Arrear	Payment received late
220052068	SAP STATION NORWOOD	10,779.25	Current	-
220021937	WEMMER PAN VLOOT BASIS	11.13	Current	-
220079140	PETRONET (AREA LANGLAAGTE).	14,450.48	Current	-
220070444	TELKOM SA BPK.WITWATERSRAND	14,956.79	Current	-
220091074	DIE SENIOR STREEKBESTUURDER	68,842.24	Arrear	Payment received late
220078845	R S A OPENBAREWERKE&GRONDSAKE	76,401.31	Current	-
220042503	LANDMARK CLOCKS (PTY) LTD	24,088.78	Arrears	Site under query
220049820	TELKOM SA BPK.WITWATERSRAND	20,830.02	Current	-
220042510	R S A PUBLIC WORKS	1,539.95	Current	-
220077087	TELKOM SA BPK.WITWATERSRAND	27,149.79	Arrear	Payment received late
220001345	GRESSWOLD SPEC HOSTEL	16,731.89	Current	-
220000782	THE DEANS SHELTER	0.00	Current	-
220018973	DIE SENIOR STREEKBESTUURDER_MROOD01	-6,375.34	Current	-
220078242	THE COLLEGE OF MEDICINE OF S A	6,565.89	Current	-
220058510	BRAAMFONTEIN POST OFFICE	6,718.38	Current	-
220080347	DANIE VAN ZYL ONTSPANNINGSSENT.	16,892.79	Arrear	Difficult to collect
220046755	THE VERNON/LEVITAN FAMLTY TRUST	10,089.43	Current	-
220029005	DIE SENIOR STREEKBESTUURDER_MROOD01	20,197.78	Arrear	Payment received late
220029358	LINK TRUST	-0.03	Current	-
220059105	HILLBROW REC CENTER	13,798.98	Arrear	Difficult to collect
220067811	SA INSTITUTE OF ELECTRICAL	2,771.70	Current	-
220000775	MOBLIE TELEPHONE NETWORK	37.97	Current	-
220077094	LAERSKOOL LOUW GELDENHUYS	169.17	Current	-
220081421	TELKOM SA PTY LTD	-340.63	Current	-
<b>TOTAL</b>		<b>1,098,318.03</b>		

Section 7: Recommendations and Plans for the next financial year.

Key focus areas for the coming year are:

Continue to spend record levels of capital expenditure focusing on

- upgrading of major transmission substations
- upgrading of existing substations
- establishment of new substations
- refurbishment/replacement of transformers
- refurbishment/replacement of switchgear
- replacement of medium voltage cable
- implementation of the public lighting network extension and refurbishment projects
- impact upgrade of the work management station to improve outage response times
- roll out of prepayment systems in order to reduce billing losses and improve collections
- continued support of the EPWP
- Continued involvement in the CoJ EDI Project workstreams
- Continued development and training of our staff

## CHAPTER THREE: DIRECTORS'S REPORT AND GOVERNANCE

### Section 1: Corporate Governance Statement

The Board of Directors and Executives recognise and are committed to the principles of openness, integrity and accountability advocated by the King II Code on Corporate Governance. Through this process, shareholders and other stakeholders may derive assurance that the entity is being ethically managed according to prudently determined risk parameters in compliance with generally accepted corporate practices. Monitoring the entity's compliance with King Code on Corporate Governance forms part of the mandate of the group audit committee. The entity has complied with the Code in all respect during the year under review.

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

The Protocol is premised on the principles enunciated in the King Report for Corporate Governance for South Africa 2002 ("King II report"). The Company steadfastly consolidated its position in respect of adherence to the King II report on Corporate Governance. City Power's practices are, in most material instances, in line with the principles set out in the King II Report. Ongoing steps are however taken to align practices with the Report's recommendations and the Board continually reviews our progress to ensure that we improve our Corporate Governance. During the year under review the Company entrenched its risk management reviews and reporting and compliance assessments were conducted in terms of the Companies Act and the Municipal Finance Management Act (MFMA). Annual Board assessments and evaluations are conducted and an annual report for the previous year was effectively completed in accordance with the terms of section 121 of the Municipal Finance Management Act. The current financial report was guided by the same principles.

### Section 2: Board of Directors

City Power has a unitary board, which consist of executives and non-executives directors. The Board is chaired by the non-executive director; **Ms K.P.M.M (Getty) Simelane** The board meets regularly, at least quarterly and retains full control over the company. The Board remains accountable to City of Johannesburg Metropolitan Municipality, the sole member and its stakeholders, the citizens of Johannesburg. A Service Delivery Agreement (SDA) concluded in accordance with the provisions of the MSA governs the entity' relationship with the City of Johannesburg. The Board provides Monthly, Quarterly, Bi-Annually and Annual Reports on its performance and service delivery to the parent municipality as prescribed in the SDA, the MFMA and the MSA.

Non-executive Directors contribute an independent view to matters under consideration and add to the depth of experience of the Board. The roles of Chairperson and Managing Director are separate, with responsibilities divided between them. The Chairperson has no executive functions. Members have unlimited access to the Company Secretary, who acts as an advisor to the Board and its committees on matters including compliance with Company Rules and Procedures, statutory regulations and best corporate practices.

The Board or any of its members may, in appropriate circumstances and at the expense of the company, obtain the advice of independent professionals. An annual director and peer review is undertaken, as well as a Board evaluation.

The board consists of six non-Executive Directors; Ms K.P.M.M. (Getty) Simelane, Adv. H.W.L. (Les) Kügel, Ms N Nyembezi, Ms L. M. Reddy, Ms J Kumbirai and Prof. T Marwala and one Acting Executive Director, Mr S.M. Zimu, who is also the Acting Managing Director. The Articles of Association provide that the directors of the company will be elected by the shareholder and appointed by the Board of directors. The Managing Director will be appointed by the Board.

Two non-executive Directors viz. Mr M. (Niven) Pillay and Dr. J. B. Maree resigned on 28 October 2005 and 20 January 2006 respectively. The Managing Director, Mr M.K. Mohlala, was retired on 31 January 2006 when his term of office of five years expired. Mr S. M. Zimu was appointed as the Acting Managing Director on 1 February 2006. Executive directors are permanent employees in terms of the company's conditions of service.

Attendance at meetings held during the year was as follows:

<b>Directors</b>	<b>Board</b>	<b>Board Workshops</b>	<b>Finance &amp; Audit</b>	<b>HR &amp; Remuneration</b>	<b>Board Oversight</b>	<b>Pricing &amp; Regulatory</b>	<b>Capex</b>	<b>Board Procurement</b>
<b>No. of meetings held</b>	17	5	5	7	3	4	2	11
<b>N. Pillay</b>	8	1		4			1	3
<b>M.K. Mohlala</b>	12	2	2	4	1	2	2	9
<b>J. B. Maree</b>	10	1	3	1				
<b>L. Kügel</b>	15	4		6	3	4	2	11
<b>G Simelane</b>	17	5	1	6	3			7
<b>N. Nyembezi</b>	15	4		5		4		9
<b>L. M. Reddy</b>	3					2		
<b>T. Marwala</b>	16	3	3		3	4	2	9
<b>J. Kumbirai</b>	13	4	5		3			
<b>S. M. Zimu</b>	4	2		2	2	1		1

The Board of Directors has adopted the Board Charter, which includes matters of ethics, procedure and the conduct of committee members. Registers are kept and updated on the disclosure and declaration of interests of directors and senior management. The Board and Senior Management ensure that there is full material compliance to all relevant legislation. The Company Secretary has certified in terms of section 268(d) of the Companies Act that all statutory returns have been submitted to the Registrar of Companies.

### **Section 3: Board Committees**

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

- Finance and Audit Committee
- Human Resources and Remuneration Committee
- Pricing and Regulatory Committee
- Supply Chain Management Board Oversight Committee
- Capital Funding and Network Planning Committee

#### **3.1 Finance and Audit Committee**

The Finance and Audit Committee consisted of the following non-executive directors: Dr. J Maree, Ms G Simelane, Prof. T Marwala, Ms L Reddy and Ms J Kumbirai. And one executive director, Mr M K Mohlala.

Mr T Wixley is an external appointment to the committee. Mr M K Mohlala was replaced by Prof T Marwala in November 2005 (in order to comply with a directive of National Treasury, that the Chief Executive Officer not be a member of the Audit Committee). Ms Reddy was replaced by Ms J Kumbirai in July 2005 and Ms G Simelane retired from the committee in October 2005. Dr. J Maree retired from the committee in January 2006.

The role of the Finance and Audit Committee is to assist the board by performing an objective and independent review of the functioning of the organisation's finance and accounting control mechanisms. It exercises its functions through close liaison and communication with corporate management and the internal and external auditors. The Committee met five times during the year under review.

The Finance and Audit Committee operates in accordance in with a written charter authorised by the board, and provides assistance to the board with regard to:

- Ensuring compliance with applicable legislation and the requirements of regulatory authorities;
- Matters relating to financial accounting, accounting policies, reporting and disclosures;
- Internal and external audit policy;
- Activities, scope, adequacy and effectiveness of the internal audit function and audit plans;
- Review/ approval of external audit plans, findings, problems, reports and fees;
- Compliance with the Code of Corporate Practices and Conduct; and
- Compliance with code of ethics.

The Finance and Audit Committee addressed its responsibilities properly in terms of the charter during the year under review. No changes to the charter were adopted during the year under review. Management has reviewed the financial statements with the Finance and Audit Committee and the members of the Finance and Audit Committee has reviewed them without management or the external auditors being present. The quality of the accounting policies was discussed with the external auditors.

The Finance and Audit Committee considers the annual financial statements of City Power to be a fair presentation of its financial position on 30 June 2006 and of the results of its operations, changes in equity and cash flow for the period ended then in accordance with GAAP and the Companies Act.

### **3.2 Human Resources and Remuneration Committee**

The Human Resources and Remuneration Committee consist of the following non-executive directors: Mr N Pillay, Adv. L Kügel, Ms G Simelane and Ms N Nyembezi. And one executive director Mr M K Mohlala /Mr S Zimu.

Mr N Pillay resigned in October 2005. Mr M K Mohlala retired in February 2006 and was replaced by Mr S Zimu.

The Human Resources and Remuneration Committee advises the board on remuneration policies, remuneration packages and other terms of employment for all directors and senior executives. Its specific terms of reference also include recommendations to the board on matters relating *inter alia*, general staff policy remuneration, profit bonuses, executive remuneration, director's remuneration and fees, service contracts. The Committee met seven times during the year under review.

### **3.3 Pricing and Regulatory Committee**

The Pricing and Regulatory Committee consist of the following non-executive directors: Ms L Reddy, Adv. L Kügel, Ms N Nyembezi and Prof. T Marwala. And one executive director Mr K Mohlala /Mr S Zimu.

Mr M K Mohlala retired in February 2006 and was replaced by Mr S Zimu.

The Pricing and Regulatory Committee advises the Board on strategic direction on electricity pricing strategies and policies, address regulatory changes in the Electricity Supply Industry that affects the company, ensures that the company complies with the regulatory requirements on tariffs, recommends structural tariffs changes to the National Electricity Regulator, and compliance with NRS 047 and NRS 048. The Committee met four times during the year under review.

### **3.4 Supply Chain Management Board Oversight Committee**

The Supply Chain Management Board Oversight Committee consisted of the following non-executive directors: Adv. L Kügel, Mr N Pillay, Dr. J Maree, Ms G Simelane, Ms J Kumbirai and Prof T Marwala.

Mr N Pillay resigned in October 2005 and Dr. J Maree resigned in January 2006.

The Supply Chain Management Board Oversight Committee advises that Board on the oversight responsibilities set out in the Supply Chain Management Policy and Procedures which is in line with the Municipal Finance Management Act Regulations of Supply Chain Management.

The Supply Chain Management Board Oversight Committee operates in accordance with a mandate authorised by the Board, and provides assistance to the board with regard to:

- Maintaining oversight over the implementation of the Supply Chain Management Policies as contained in the Supply Chain Management Manual;
- Monitoring and reporting on the implementation of the Supply Chain Management Policy and Procedures and the performance of Supply Chain Management;

- Assessing deviations and exceptions from policy and procedures;
- Advising on the multi-year business plan and annual budget plan;
- Monitoring and reporting on group spend against the approved budget and business plan;
- Assessing the achievements of output on projects

The Supply Chain Management Board Oversight Committee is informed of all emergency procurements and considers the following;

- Approving any spend planned outside the approved plans
- Pro-actively approve deviations/amendments from policy;

### **3.5 Capital Funding and Network Planning Committee**

The Capital Funding and Network Planning Committee consisted of the following non-executive directors: Mr N Pillay, T Marwala, Adv. L Kügel and Dr. J Maree. And one executive director Mr K Mohlala.

The Capital Funding and Network Planning Committee advises the Board on the long term capital expenditure plan and ensures that that the expectations of all stakeholders are met including that of the shareholder. The Committee was dissolved in October 2006. The Committee met twice during the year under review.

### **3.6 Procurement Committee**

The Procurement Committee consisted of the following non-executive directors: Ms G Simelane, Adv. L Kügel, Ms N Nyembezi, Mr N Pillay and Prof. T Marwala. And one executive director Mr K Mohlala.

Mr M K Mohlala retired in February 2006 and was replaced by Mr S Zimu.

The Procurement Committee considers and awards tenders between R2 million and R50 million in value and reviews all procurement policies and procedures and makes recommendations to the board in this regard. The Committee was dissolved in March 2006 after having disposed of all matters that arose under the previous tender policy. The Committee met eleven times during the year under review.

## Section 4: Director's Remuneration

	Directors												Grand Total
	ADV/HML KUGEL	JB MAREE	KPM SIMELANE	L REDDY	MK MOHLALA	MN PILLAY	NNYEMBEZI	PROF T MARWALA	S J KUMBIRA	SM ZIMU	TVMXLEY		
Salaries & Wages					879512.87					792275			1671787.84
Performance Bonus					513462.18					177660			691122.18
Pension					68789.7					102648			171437.7
Medical Aid					17960					49836			67796
Other contributions					36819.28					35766.96			71586.24
Travel & Car					83973.47					138877.9			222851.36
Subsistence					14507.27					1392.8			15900.07
Other	4996.97	2900.92	4993.76	262.79	438398.72	2814.08	3310.29	3677.83	1769.69	25065.47	420.58		488611.1
<b>Total Directors Fees</b>	<b>368936.5</b>	<b>214738</b>	<b>369659</b>	<b>19452.5</b>		<b>208311.75</b>	<b>245042</b>	<b>272250</b>	<b>131000</b>			<b>31131</b>	<b>1861480.75</b>
Travel	12154.1	5120.28	7677.8	52.8		7502.6	1448.98	5913.3	5282.4			223.26	45375.52
<b>Total</b>	<b>387047.57</b>	<b>222759.2</b>	<b>382330.56</b>	<b>19768.09</b>	<b>2062423.49</b>	<b>218628.43</b>	<b>249801.27</b>	<b>281841.13</b>	<b>138052.09</b>	<b>1323522</b>	<b>31774.84</b>		<b>5307948.76</b>

	Executive											Grand Total
	BN LESHNICK	CS MASOLO	EM Sibuta	F PATEL	MA LISHIVHA	ME MASHAO	MR MOJAPPELO	RN SMITH	T Z NKOSI	VP PADAYACHEE	(blank)	
Salaries & Wages	839345.67	434001.7	444533.35	485750.7	267156.4	588174.48	341228.93	315888.3	558037.16	828935.86		5103052.57
Performance Bonus	167311.72	51415	65157	53804	26950	117000		165049.3	132444	159847.05		938978.07
Annual Bonus				67512.59					63000			130512.59
Pension	34328.94	54499.56	59857.8	72800.03	40625	80613	52650	11261.28	87457.56	34097.4		528190.57
Medical Aid	47395	18859		27469.44	40776	30294	23426		42816	35724		266759.44
Other contributions	36054.6	19139.76	20990.04		14295.2	28157.52	18501	11773.06	30521.28	35644.08		215076.54
Travel & Car	138844.59	52257.44	108000	84075.6	67034	124562.06	124076.14	17407.6	138378.09	150335.04		1004970.56
Subsistence	1453.8	778.8	414			2224.8	540.4	1850	430	1158		8849.8
Other	17742.92	9957.66	8899.52	154654.6	13804.69	15376.15	24066.26	105192.06	12439.83	21129.48		383263.19
<b>Total</b>	<b>1282477.24</b>	<b>640908.92</b>	<b>707851.71</b>	<b>946067</b>	<b>470641.29</b>	<b>986402.01</b>	<b>584488.73</b>	<b>628421.6</b>	<b>1065523.92</b>	<b>1266870.91</b>		<b>8579653.33</b>

## Section 5: Company Secretarial Function

The primary function of the company secretary is to act as the link between the board and management and to facilitate good relationships with the shareholders. The company secretary is responsible for the general administration, more specifically to ensure compliance to good corporate governance practices and to provide guidance to the directors on corporate governance principles and applicable legislation.

## Section 6: Risk Management and internal controls

Effective risk management is integral to the company's objective of consistently adding value to the business. Management is continuously developing and enhancing its risk and control procedures to improve the mechanisms for identifying and monitoring risks.

Operating risk is the potential for loss to occur through a breakdown in control, information, business processes and compliance systems. Key policies and procedures are in place to manage operating risk involve segregation of duties, transactions authorisation, supervision, monitoring and financial and managerial reporting. Financial risk management is dealt with in the financial statements on pages [insert page no.]

In order to meet its responsibility with respect to providing reliable financial information, City Power maintains financial and operational systems of internal controls. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management authority, that the assets are adequately protected against material loss or unauthorised acquisition, use or disposal and that the transactions are properly authorised and recorded. The system includes a documented organisation structure and visions of

responsibility, established policies and procedures, including a Code of Ethics to foster a strong ethical climate, which are communicated to the parent municipality. It also includes the careful selection, training and development of people.

Internal auditors monitor the operation of the internal control systems and report findings and recommendations to management and the board of directors. Corrective actions are taken to address control deficiencies and other opportunities for improving the system as they are defined. The board, operating through its audit committee, provides supervision of the financial reporting process and internal control systems. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls.

Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation and the safeguarding of assets. Furthermore, the effectiveness of internal control systems can change with circumstances. A documented and tested business continuity plan exists to ensure the continuity of business-critical activities. The entity assessed its internal control systems in relation to the criteria for effective internal control over financial reporting described in its Internal Control Manual. The internal control process has been in place up to the date of approval of the annual report and financial statements. Based on its assessment, the group believed that, its system of internal control over financial reporting and over safeguarding of assets against unauthorised acquisitions, use or disposition, met those criteria.

## **Section 7: Internal Audit Function**

City Power internal audit department has a current staff complement of six (6) senior qualified persons. Its has a specific mandate from the audit committee and independently appraises the adequacy and effectiveness of the company's systems, financial internal controls and accounting records, reporting its findings to local and divisional management and the Auditor-General as well as the audit committee. The Internal Audit General Manager reports administratively to the Managing Director on a functional basis and has direct access to the chairman of the board.

The internal audit coverage plan is based on risk assessment performed at each operating unit. The coverage plan is updated annually, based on the risk assessment and results of the audit work performed. This ensures that the audit coverage is focused on and identifies areas of high risk.

## **Section 8: Response to the Auditor-General Report**

### **QUALIFICATION**

#### **1 Property, plant and equipment**

##### **1.1 Verification of fixed assets**

The fixed asset register for movable and immovable assets held by the company was incomplete and assets were not adequately detailed to allow identification of the physical assets. Consequently, I was unable to verify the completeness, existence and accuracy of property plant and equipment. Management embarked on an asset

identification project and revised valuation and condition assessment in order to update the company's records with the correct information. The project will be completed in the 2007 financial year.

#### **Management's comments**

The comment is accepted.

#### **4.1.2 Non-compliance with South African Generally Accepted Accounting Practice (SA GAAP)**

- (a) Contrary to IAS36; Impairment of assets, management did not assess whether there was an indication that property, plant and equipment may be impaired in view of the ageing infrastructure and deferred maintenance programme and did not estimate the recoverable amount. As a consequence no impairment loss, if any, had been recognised in the income statement.

#### **Management's comments**

It is management's view that an assessment of individual assets is not pertinent to this industry. A medium term cash flow analysis was conducted by the business and management is satisfied that the ongoing viability of the business means that no impairment of the assets is considered necessary.

This comment is a repeat from last year and was discussed extensively in a number of audit committees at which the Auditor General was present. It is management's view that the auditors have not adequately applied their mind to this issue. The comment should be removed from the audit report.

- (b) Contrary to IAS16; Property, plant and equipment, the residual lives of distribution assets were not reviewed at year end.

#### **Management's comments**

In terms of p.53 of IAS16 if the residual values of assets are considered insignificant or zero there is no need to review the residual line of assets. The nature of the electricity distribution business is such that assets will not be disposed of. Thus there is no need to assess the residual lives of the assets. Furthermore to be practical about issues there is no active-market where these assets are traded to determine the value every year. This comment should be removed from the audit report.

- (c) The residual lives of non-distribution assets stated at R1 were reviewed during the financial year as required by IAS 16; Property, plant and equipment. As a result adjustments of R14 million and R10 million were processed to the asset balance and the retained earnings respectively. The accuracy and validity of these adjustments could not be verified as the register used to determine the revised value was incomplete and inaccurate. Furthermore, the revised value was calculated for assets already scrapped.

#### **Management's comments**

This comment should be removed as it is already dealt with in 4.1.1. above.

- (d) Computer software with a book value of R23, 633 million was incorrectly disclosed as property, plant and equipment and not as intangible assets as required by IAS 38; Intangible assets.

#### **Management's comments**

The necessary adjustments were made in the financial statements.  
This comment should be removed.

#### **EMPHASIS OF THE MATTER**

- 1 Consumer revenue and consumer debtors

Supporting documentation for a sample of the CJMM administered debtors with credit balances totalling R5,284 million and system journals of R0,954 million could not be obtained from the Company. Also, payments received from the CJMM controlled debtors could not be traced to individual debtor's accounts due to centralised billing and receipting at the CJMM. The company did not review systems journals processed for revenue for accuracy and validity and did not investigate debtors with credit balances in good time.

#### **Management's comments**

We believe this comment is invalid as the City has implemented a process since 2004 to deal with the analysis of Credit balances. It needs to be appreciated that the City will always have credit balances as it is part of our business, hence we have embarked on putting proper processes in place to deal with this issue. The City even further segmented their population of credit balances so that they can deal with them appropriately. No request was made by the auditors to the people managing the process in the city to address this issue.

With regard to system journals we also believe that there was no proper process to audit this issue as there is a proper audit trail behind any system journal in the City. We do not agree with the comment. Before a journal can be processed there are individuals from each entity concerned who approve such transaction. We therefore request that the auditors of the City to relook at these issues on central basis.

## **2 Revenue adjustments**

Included in revenue were net adjustments of R5 927 472.12 to customer accounts that are related to prior years. As disclosed in note 1.13 to the financial statements, the company deviated from SA GAAP due to the volume and the continuous nature of the adjustments that made it impractical to determine to which years the adjustments relate to.

#### **Management's comments**

The auditors have been requested which SA GAAP standard has not been complied with.

This comment should be removed from the audit report as it is the nature of our business to make such adjustments.

## **3 Property (Title deeds)**

Freehold land and buildings to the value of R7, 242 million purchased from the City of Johannesburg Metropolitan Municipality (CJMM) in terms of the sale of business agreement dated 21 January 2001 (and subsequent amendments) were still not registered in the name of the Company (note 3 of the annual financial statements. The company is currently in negotiation with the SARS with regards to the payment of transfer duties.

#### **Management's comments**

The comment is accepted

## **4 Related party disclosure**

The company based their related party disclosure on confirmations received from other utilities, agencies and corporation controlled by the CJMM. Various omissions and errors were identified when the amounts disclosed were compared with the financial statements of the said related parties. Management did not obtain confirmations from related parties based of audited financial statements.

#### **Management's comments**

The auditors have been requested explain what regulation requires management to obtain confirmations from related based on audited financial statements.

Management complied with the agreed upon processes of CJJM as well as normal business practice.

The comment should be removed from the audit report.

## **5 Accounts receivable**

Management did not review the fair value adjustments made by a consultant adequately. An error was identified in the fair value calculations that resulted in an overstatement of R1, 338 million in account receivable balances.

## **Management's comments**

This error was unknown to management. An adjustment would have been made in the financial statements if the amount had been included in the summary of overs and unders.

The comment should be removed from the audit report.

## **6 Inadequate supporting documentation**

- (a) Audit evidence could not be obtained to verify creditor debit adjustments of R0, 966 million due to inadequate supporting documentation maintained by management.

## **Management's comments**

These adjustments were accepted by the creditor by the fact that the reduced payment was accepted and no overdue amounts were recorded on subsequent statements.

- (b) The schedule for the CJMM contract which includes monthly rental and the value per vehicle could not be provided for audit purposes.

## **Management's comments**

The information was provided to the auditors. The auditors did not attend a number of scheduled meetings set up to resolve the queries raised.

This comment should be removed.

## **7 Non-compliance with laws and regulations**

### **7.1 Revenue and expenditure submissions**

Contrary to the requirements of section 87(12) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), City Power did not submit statements on the projection of revenue and expenditure on a monthly basis to the accounting officer of the parent municipality seven days after the end of each month. Management responded to requirements from the CJMM and did not ensure compliance with the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

## **Management's comments**

The process laid down by the CJMM is that changes in budgeted revenue and expenditure will be addressed in the mid year review process, and then again at the year end. This monthly returns are not required to project revenue and expenditure. The CJMM will manage this on a consolidated basis.

This comment should be removed from the audit report.

### **7.2 Value Added Tax**

The company did not comply with the Value Added Tax Act in the under-mentioned instances as a result of inadequate enforcement of compliance to Value Added Tax:

- (a) Contrary to the requirements of sections 17(2) and 10(21) of the Value Added Tax Act, 1991 (Act No. 89 of 1991), input VAT of R460 379 was claimed and output VAT of R151 501 was paid to the SARS on canteen purchases and sales to employees.

## **Management's comments**

- (a) The comments are accepted. However they are not considered material and should be removed from the audit report.

- (b) Contrary to the requirements of section 17(2) of the Value Added Tax Act, 1991 (Act No. 89 of 1991), input VAT of R10 223 was claimed on entertainment expenses.

#### **Management's comments**

The comments are accepted. However they are not considered material and should be removed from the audit report.

- (c) Audit evidence could not be provided for audit purposes that VAT totalling R536 497 relating to revenue earned for disconnections for the period January 2006 to June 2006 was not accounted for.

#### **Management's comments**

This related to an adjustment from one category to another. Evidence was provided showing that VAT had been accounted for in the original entry.

This comment should be removed from the audit report.

### **7.3 Supply chain management**

Contrary to section 19(a) of the Supply Chain Management Policy, certain goods and services were not procured through a competitive bidding process by the entity. A contract of R3 million could not be submitted for audit purposes to verify compliance to Supply Chain Management regulations. Also, two contracts totalling R54, 544 million were not signed by both parties. This resulted from inadequate reviews conducted to ensure compliance to the MFMA.

#### **Management comments**

The supply chain processes were followed in all respects. The missing contract and incomplete signing of two contracts are considered administration errors.

The comment should be removed from the audit report.

## **8 Significant control weaknesses identified**

The following control weaknesses relating to fixed assets were identified:

- (a) The fixed assets policy and procedures (prepared 20 May 2002) and assets guidelines (prepared 20 March 2002) were not approved by the Director of Finance and the Acting Managing Director;
- (b) The serial number and inventory number fields were not captured on the asset master record in respect of asset acquisitions. In addition, other useful fields such as location or room number that establish where the asset is situated are also not entered on the asset master record;
- (c) Asset transfers have not been captured timeously into the SAP system; and
- (d) Changes made to asset master records were not reviewed periodically by management.

These comments are covered under 4.1.1 and should not be included elsewhere in the audit report. The fixed asset policy and procedures document are adhered to by users. The fact that there is formal approval in 2002 is considered irrelevant. These policies are included in the current and prior year financial statements.

These comments should be removed from the audit report.

## **9 Remuneration packages**

Section 89(a) of the MFMA provides for the CJMM to determine the upper limits of the remuneration of the Chief Executive Officer and senior management of the entity. No such upper limits were determined for the year under review.

**Management's comments**

The comment is accepted.

**10 Performance information**

In terms of section 121(4)(d) of the MFMA, the annual report of a municipal entity must include an assessment by the entity's accounting officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and its parent municipality. Adequate audit evidence could not be obtained to verify the domestic two part and domestic life line performance measurements and the number of pre-paid customer accounts.

**Management's comments**

The comment is accepted, however, the matter is considered insignificant and should only be included in the management letter.

Staff members (both current and ex) were entitled to various post-retirement benefits which were detailed in the notes to the financial statements. Where details existed, the company provided for liabilities. In the case of pension benefits, the actuaries and management of the CJMM were not able to determine the portion of pension obligations and pension assets attributable to the staff of each municipal entity. Accordingly, the CJMM undertook to carry all pension obligations up to 30 June 2006. Provision was not made in the books of the entity for any further obligations which might arise once the surplus or deficit per entity is determined.

**Management's comments**

The disclosure in the financial statements is more than adequate. Any additional provision can only be made once the actual deficit is determined.

The comment should be removed from the audit report.

**12 Late completion of the audit**

The financial statements of City Power Johannesburg (Proprietary) Limited were submitted on 31 August 2006 as required by section 126(2) of the MFMA. Due to material adjustments, the annual financial statements were rectified and a final adjusted set was presented to audit on 4 January 2007.

**Management's comments**

It is management's contention that a considerable contribution to the late submission was as a result of weaknesses in the audit process. We would request that the word "material" be removed.

**Section 9: Corporate Ethics and Organisational Integrity**

The company has a Code of Conduct, which has been fully endorsed by the Board as part of the Supply Chain Management Policy and Procedure and applies to all directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism.

In summary the Code requires that at all times, all company personnel act with utmost integrity and objectivity and in compliance with the letter and spirit of both the law and company policies. Failure by employees to act in terms of the Code results in disciplinary action. The Policy and Procedure is discussed with each new employee as part of his or her induction training and all employees are asked to sign a declaration confirming their compliance with the Policy and Procedure. A copy of the Policy and Procedure is available to interested parties upon request. A toll-free anonymous telephone facility exists for reporting of non-adherence to the Policy and Procedure or ethic related matters. Furthermore, any breach of the Policy and Procedure is considered a serious offence and is dealt with accordingly; as a result, this acts as a deterrent

## **Section 10: Sustainability Report**

### **Sustainability Risks**

The following are the top eight sustainability risks identified by EXCO and Board members arising from the above exercises.

- Network performance (interruptions and capacity)
- Non performance of CoJ Shared Services (RMU/Proton)
- EDI Restructuring
- Illegal connections, meter tampering, theft and vandalism
- Operating productivity
- Poor data quality
- People management

### **Network performance**

The company response strategy for this sustainability risk is given in Table 3.7 below:

City Power Johannesburg (Pty) Ltd customers are experiencing an unacceptably high level of supply interruptions and/or the network is not able to meet their electricity capacity needs. Previous presentations to the Board, EXCO and the Shareholder highlighted the overall poor condition of the City Power Johannesburg (Pty) Ltd electrical infrastructure. In order to create a sustainable network it is envisaged that large sums of capital be made available to City Power Johannesburg (Pty) Ltd in order to reduce the average age of the electrical infrastructure from 30 years to 15 years.

### **Response Strategies to be Considered**

Improve network planning

Introduce a maintenance strategy

Improve resource scheduling

Improve quality of public lighting services

### **Non performance of COJ Shared Services**

City Power's domestic customers are experiencing a poor level of service. They have to interact with different contact centres in order to have their service needs met. (They do not experience one-stop

customer service). The Phakama Project is an initiative currently underway which is aimed at addressing the shortfalls.

#### Response Strategies

Improve relations with RMU

Deploy City Power Johannesburg (Pty) Ltd at the RMU

Invoke RMU SLA penalties

#### **EDI restructuring**

It is anticipated that City Power Johannesburg (Pty) Ltd will merge into JoRED, which is to be formed by June 2006. The key impact areas are:

City Power's Board role in the RED

City Power Johannesburg (Pty) Ltd Executive Team sustainability

City Power Johannesburg (Pty) Ltd Governance processes

City Power/RED –integration: process, systems and people requirements

EDI shared services

#### **Response Strategies**

Sustained focus on service delivery

Manage change dynamics – keep low key

Assist COJ in development of the RED.

Develop a City Power/RED integration strategy and re-craft City Power's business model accordingly, depending on the out comes of the due diligence.

Represent COJ and City Power's interest at the various EDIHC work teams

#### **Illegal connections, meter tampering, theft and vandalism**

Losses through illegal connections, meter tampering, theft and vandalism significantly impact the profitability of the company. Company viability is dependant on the continuous reduction of these incidents

#### **Response Strategies**

Improve utilisation of security systems and resources at community service points

Reduce cash in transit and cash management risks to a minimum

Implement best practice strategies and procedures for cavalry team operations

Regionalise Risk Control operations

Reduce non-technical loses through strategic investigations

#### **Operating productivity**

City Power Johannesburg (Pty) Ltd has not significantly improved its operating productivity over the past three years. The current business plan also does not reflect significant productivity improvements for the future. This has a detrimental impact on the profitability of the business

#### **Response Strategies**

Reduce operating costs  
Align targets with SAIDI productivity benchmarks  
Implement zero based budgeting practices  
Improve the utilisation of internal resources versus utilisation of external contractors  
Outsource non-core functions  
Improve time and attendance

### **Poor data quality**

City Power Johannesburg (Pty) Ltd does not have access to a comprehensive suite of business intelligence to facilitate appropriate management decision-making. Even in cases where business intelligence is available, the quality of data is poor resulting in poor decision-making or improper/wasteful activities

### **Response Strategies**

Prepare and implement data management strategy

### **People management**

Under capacitated in key service delivery areas

### **Response Strategies**

Implement HR Strategy  
Build sustainable skills and competence base  
Pro-actively manage staff costs  
Cultivate a performance driven company culture  
Re-craft the remuneration philosophy  
Introduce mechanisms for retention of key skills and competencies

### **Environmental Sustainability**

Research in South Africa in renewable energies is limited to non-grid electrification. The availability of new and more efficient technologies is as a result, uncertain in the short to medium term. Current research projects will have a minimal direct or indirect impact to the Electricity Distribution Industry (EDI) in the short term. Existing legislation makes it difficult for the effective introduction of “green power” within the municipal environment.

Research projects under review in South Africa include the following:

#### **Solar Energy**

This form of energy can be used to generate electricity, heat water, cool and light buildings. For example, photovoltaic systems capture the energy in the sunlight and convert it directly into electricity.

#### **Wind Energy**

Energy of the wind is used to generate electricity. This form of energy is used mainly in remote areas for large agricultural stock farms, as they are more reliable than diesel pumps.

## **Biomass Energy**

Wood is the largest source of this type of energy. Other types of biomass include plants, residues from or forestry and organic components in industrial waste. Large-scale biomass utilisation encompasses direct combustion for process heat, ethanol production, gasification, co-generation and biogas production in the industrial sector. Other forms of renewable energies like hydropower and nuclear power have not been considered as they impact more on electricity generation than the demand side. Grid electricity consumption in South Africa remains the most used form of energy in the residential sector. In 2000, electricity alone accounted for 38.3% of the energy used. The on-going national electrification project is more likely to reduce dependence of households on coal and wood for energy. The use of other alternative forms of energy like LPG and paraffin is also likely to reduce due to the national electrification project.

## **Section 11: Corporate Social Responsibility Report**

The Company's Corporate Social Investment Philosophy and function have, over the years been broadly underpinned by the concept of sustainable development. The policy of City Power is to act as a facilitator rather than as sole sponsor of social investment projects. In this way, the long-term sustainability of projects is encouraged, additional donors attracted and formerly disadvantaged communities are empowered.

In the financial year under review, City Power contributed food parcels to orphanages in Alexandra. This included items like sugar, tea, Millie-meal, bread flour and other foodstuffs. The contributions were done during the Christmas season with the aim of making Christmas enjoyable to the children in the orphanages. This was after City Power realized that the orphanages would not be able to provide a decent Christmas meal to the children in their care.

In the Roodepoort area, City Power partnered with **Roodepoort Record News Paper** in a project named the "Winter Chill Chaser". This project, which was launched during the winter months, led to the purchase of winter blankets for needy families and to street children. The blankets were donated to poor families in informal settlements and also to street kits in an attempt to protect them from the winter cold.

In another initiative we collected second hand clothes from City Power employees and gave them to families, which could not afford to purchase decent clothing for themselves.

City Power engages annually in the projects of collecting donations to needy children through the annual Casual Day donations where we encourage employees to donate funds through purchasing Casual Day stickers. The funds collected on this particular day are used for donations to needy organizations.

The Public Relations & Communications Department partners annually with CANSA: Cancer Association of South Africa and produce City Power branded diaries which do not only contribute to funding the Association, but also contribute to branding City Power while simultaneously positioning it as a good corporate citizen. Funds collected through this initiative are used by the Cancer association to take care of people affected by Cancer.

## **Community Social Investment**

With regards to community investment projects, City Power aims to contribute not only hand-outs for improving people's lives but also aims at encouraging community upliftment projects and hopefully in some way invest into the future economic and social upliftment of our communities. Unlike the social responsibility projects, these

projects are more of an investment into the future and we hope that somehow we can influence the direction of history and contribute to a better life for all in our area of supply today and into the future.

One such project is our partnership with Continuity South Africa where we contributed computers, printers and fridges to Igugulethu Primary School, which is situated in an informal settlement in Lenasia south of Johannesburg. We are of the view that this contribution immediately met the basic needs of the school and allowed it to run in a professional manner.

In another contribution in Alexandra Township and in the Johannesburg city center, City Power, in partnership with Phillips contributed low energy consumption light bulbs to the schools in the area. While on this project, the utility also took the opportunity to educate both learners and teachers about electricity related matters, like the difference between a low energy consumption bulb and other light bulbs. School children were also educated about the safe use of electricity, saving energy, billing process, illegal connections and other electricity related matters.

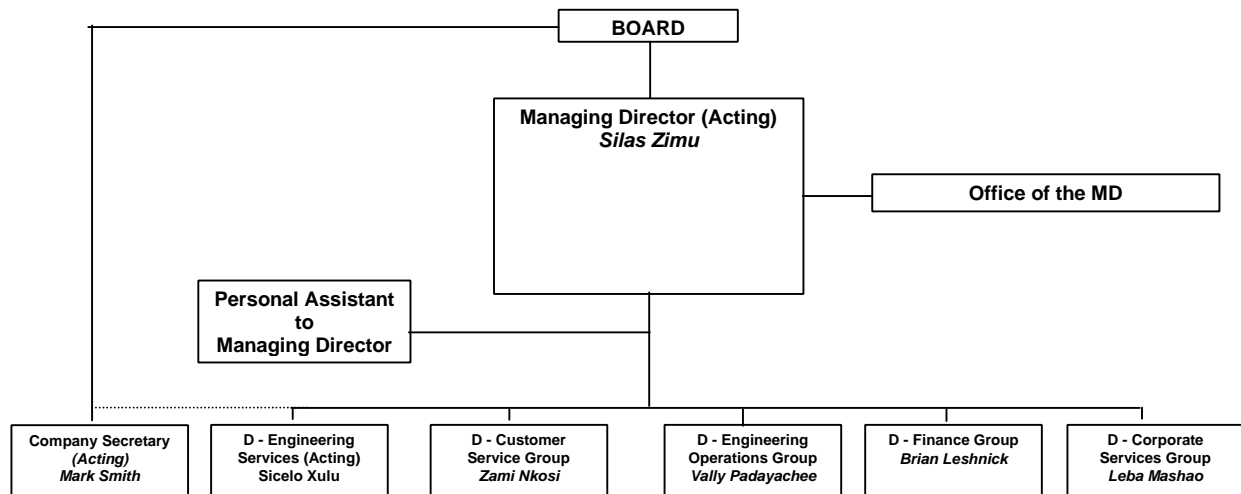
In Lenasia and Ennerdale areas, City Power partnered with a community radio station named **East Wave Radio Station** in educating learners about electricity, its use, saving on electricity, illegal connections, payment and other electricity related matters. While this was an educational initiative, City Power in partnership with Coin Africa donated radio sets and other teaching and learning equipments, which could assist teachers to facilitate teaching and learning.

In Midrand and the Johannesburg City Center, City Power partnered with the Department of education to educate learners about electricity matters. While this was an educational initiative, City Power further used the opportunity to meet the basic needs of the poor schools in both areas through donations of teaching and learning aids as well as low energy consumption light bulbs.

The Company awarded a total of 44 bursaries amounting to R2 million to young people from disadvantaged backgrounds and 43% of all bursary holders are females.

## CHAPTER FOUR: HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT

### High Level Organisation Structure (as from 1 July 2006)



#### Functions

##### Office of the MD

- Legal
- Security Risk Control
- Internal Audit
- Public Relations and Communications
- Business Planning & Continuous Improvement Group

##### Engineering Services

- Technology
- Projects Planning
- Projects Management
- Support Services
- Program Management
- Realization & Quality Ass
- Capital Execution
- Stores and distribution (CAPEX)
- Building & Works Services

##### Customer Services Group

- Customer Services
- Account Operations
- Key Customer Executives
- Product Development & Pricing
- Tariffs
- IS Architecture
- IS Solution Support Services
- Program Management
- Realization & Quality Ass

## **Engineering Operations**

- Maintenance, Tx, Dx
- SHER
- Fleet, Mobile  
Generators
- Program Management
- Realization & Quality  
Ass
- Stores and distribution  
(OPEX)
- Public lighting
- Energy Trading
- Supply Availability

## **Finance Group**

- Financial Planning
- Financial Reporting
- Financial Analysis
- Assets and Insurance
- Financial Operations
- Supply Chain Management
- BEE
- Program Management
- Realization & Quality Ass

## **Corporate Services Group**

- Human Resources
- Organisation Development
- Employee Relations
- Employee Benefits
- Employee Recruitment
- Employee Development
- Employee Wellbeing
- Employment Equity
- Change Management
- Program Management
- Realization & Quality Ass
- Canteen
- Office Cleaning

**DEMOGRAPHICS FOR CUSTOMER SERVICE GROUP AS AT 30  
JUNE 2006**

<b>CUSTOMER SERVICES</b>											
	<b>BM</b>	<b>BF</b>	<b>CM</b>	<b>CF</b>	<b>WM</b>	<b>WF</b>	<b>IM</b>	<b>IF</b>	<b>Disabled</b>	<b>Total</b>	
Executive	0	0	0	0	0	0	1	0	0	1	
General Managers	1	2	0	0	0	0	0	0	0	3	
Senior Management	2	0	0	0	0	0	0	0	0	2	
Managerial	11	2	1	0	8	1	0	0	0	23	
Professionals	11	11	1	0	7	3	0	0	0	33	
Supervisory	10	6	0	0	1	2	0	0	0	19	
Administration	49	78	6	6	2	5	1	1	0	148	
Support	24	0	4	0	4	0	0	0	0	32	
	108	99	12	6	22	11	2	1	0	261	

**DEMOGRAPHICS FOR COMMERCIAL SERVICES  
GROUP 30 JUNE 2006**

<b>COMMERCIAL SERVICES</b>										
	<b>BM</b>	<b>BF</b>	<b>CM</b>	<b>CF</b>	<b>WM</b>	<b>WF</b>	<b>IM</b>	<b>IF</b>	<b>Disabled</b>	<b>Total</b>
Executive	1	0	0	0	0	0	0	0	0	1
General Managers	1	0	0	0	0	0	0	0	0	1
Senior Management	0	0	1	0	0	0	0	0	0	1
Managerial	3	3	1	0	5	1	1	1	0	15
Professionals	10	0	0	0	4	0	0	0	0	14
Supervisory	14	0	1	2	6	2	0	0	0	25
Administration	10	14	2	1	2	6	0	0	0	35
Artisan	6	0	1	0	10	0	0	0	0	17
Support	140	34	1	0	0	0	0	0	0	175
General Worker	25	3	0	0	0	0	0	0	0	28
	210	54	7	3	27	9	1	1	0	312

**DEMOGRAPHICS FOR OPERATIONS GROUP  
30 JUNE 2006**

<b>OPERATIONS GROUP</b>										
	<b>BM</b>	<b>BF</b>	<b>CM</b>	<b>CF</b>	<b>WM</b>	<b>WF</b>	<b>IM</b>	<b>IF</b>	<b>Disabled</b>	<b>Total</b>
Executive	1	0	0	0	0	0	0	0	0	1
General Managers	2	0	0	0	3	0	1	0	0	6
Senior Management	0	0	0	0	1	0	0	0	0	1
Managerial	14	0	1	0	11	0	2	0	0	28
Professionals	38	19	5	0	54	1	4	1	0	122
Supervisory	56	12	9	0	47	0	3	0	0	127
Administration	12	33	3	0	3	18	1	1	0	71
Artisan	144	10	19	1	60	0	4	0	0	238
Support	287	19	5	0	10	2	0	0	0	323
General Worker	321	0	5	0	0	0	0	0	0	326
	875	93	47	1	189	21	15	2	0	1243

**DEMOGRAPHICS FOR FINANCE GROUP 30 JUNE 2006**

<b>FINANCE</b>											
	<b>BM</b>	<b>BF</b>	<b>CM</b>	<b>CF</b>	<b>WM</b>	<b>WF</b>	<b>IM</b>	<b>IF</b>	<b>Disabled</b>	<b>Total</b>	
Executive	0	0	0	0	1	0	0	0	0	1	
General Managers	0	0	0	0	0	0	0	0	0	0	
Senior Management	0	0	0	0	0	0	0	0	0	0	
Managerial	1	1	0	0	1	0	1	0	0	4	
Professionals	3	3	0	0	3	0	0	0	0	9	
Supervisory	0	0	0	0	0	0	0	0	0	0	
Administration	2	5	0	1	3	4	0	0	0	15	
Artisan	0	0	0	0	0	0	0	0	0	0	
Support	0	0	0	0	0	0	0	0	0	0	
General Worker	0	0	0	0	0	0	0	0	0	0	
	6	9	0	1	8	4	1	0	0	29	

**DEMOGRAPHICS FOR CORPORATE SERVICES GROUP 30 JUNE 2006**

<b>CORPORATE SERVICES</b>										
	<b>BM</b>	<b>BF</b>	<b>CM</b>	<b>CF</b>	<b>WM</b>	<b>WF</b>	<b>IM</b>	<b>IF</b>	<b>Disabled</b>	<b>Total</b>
Executive	0	1	0	0	0	0	0	0	0	1
General Managers	0	1	0	0	1	0	0	0	0	2
Senior Management	1	0	0	0	1	0	0	0	0	2
Managerial	2	3	1	0	2	1	0	0	0	9
Professionals	8	16	0	2	2	0	0	1	0	29
Supervisory	4	0	0	0	0	3	0	0	0	7
Administration	10	12	0	1	0	0	0	0	0	23
Artisan	0	0	0	0	0	0	0	0	0	0
Support	1	3	0	1	0	0	0	0	0	5
General Worker	0	0	0	0	0	0	0	0	0	0
	26	36	1	4	6	4	0	1	0	78

**DEMOGRAPHICS FOR OFFICE OF THE MD GROUP 30  
JUNE 2006**

<b>OFFICE OF THE MD</b>	<b>BM</b>	<b>BF</b>	<b>CM</b>	<b>CF</b>	<b>WM</b>	<b>WF</b>	<b>IM</b>	<b>IF</b>	<b>Disabled</b>	<b>Total</b>
Executive	0	0	0	0	0	0	0	0	0	0
General Managers	4	0	0	0	0	0	0	1	0	8
Senior Management	0	0	0	0	0	0	0	0	0	0
Managerial	2	3	0	0	0	1	0	0	0	6
Professionals	1	1	1	0	1	0	0	0	0	4
Supervisory	0	0	0	0	0	0	0	0	0	0
Administration	3	5	0	3	1	3	0	0	0	15
Artisan	0	0	0	0	0	0	0	0	0	0
Support	0	1	0	0	0	0	0	0	0	1
General Worker	0	0	0	0	0	0	0	0	0	0
	10	10	1	3	2	4	0	1	0	31

**DEMOGRAPHICS FOR TRANSFORMATION AND  
STRATEGY GROUP 30 JUNE 2006**

<b>TRANSFORMATION AND STRATEGY</b>	<b>BF</b>	<b>CM</b>	<b>CF</b>	<b>WM</b>	<b>WF</b>	<b>IM</b>	<b>IF</b>	<b>Disabled</b>	<b>Total</b>
Executive	0	0	0	0	0	0	0	0	0
General Managers	0	0	0	0	0	0	0	0	0
Senior Management	0	0	0	0	0	0	0	0	0
Managerial	0	1	0	0	1	0	0	0	2
Professionals	0	0	0	0	0	0	0	0	0
Supervisory	0	0	0	0	0	0	0	0	0
Administration	0	1	0	0	0	0	0	0	1
Artisan	0	0	0	0	0	0	0	0	0
Support	0	0	0	0	0	0	0	0	0
General Worker	0	0	0	0	0	0	0	0	0
	0	2	0	0	1	0	0	0	3

**DEMOGRAPHICS FOR CITY POWER 30 JUNE 2006**

Executive	2	1	0	0	1	0	1	0	0	5
General Managers	8	3	0	0	4	0	1	1	0	17
Senior Management	3	0	1	0	2	0	0	0	0	6
Managerial	32	13	4	0	28	3	4	1	0	86
Professionals	72	56	8	2	72	4	5	2	0	216
Supervisory	84	15	10	3	54	7	3	0	0	176
Administration	85	146	8	14	11	36	2	2	0	304
Artisan	150	10	20	1	70	0	4	0	0	255
Support	451	55	10	2	13	2	0	0	0	533
General Worker	344	4	4	0	0	0	0	0	0	352
	1231	303	65	22	255	52	20	6	0	1954

(Note the demographics above are at 30 June 2006 prior to the revised management structure)

## **Section 1: Human Resource Management**

City Power implemented a comprehensive Human Resources Strategy during July 2005 in order to ensure ongoing alignment with between internal strategies, policies and practices and industry best practice. Emphasis was placed on the development and implementation of a Job Grading System, Remuneration Philosophy & Strategy, Attraction & Retention Strategy, Skills Audit and the enhancement of the existing Performance Management System. The Human Resources policies were reviewed periodically to ensure that it remains relevant and practical for the changing needs of the Company and to ensure the attraction and retention of competent employees that will add value on an ongoing basis.

Our vision is to be the employer of choice in our field through the ongoing alignment to industry best practice.

## **Section 2: Employment Equity**

The progressive employment practices implemented by the Company ensure that the targets for Employment Equity and Gender Equity are being met on an ongoing basis. The implementation of the developed Attraction and Retention Strategy will further enhance the Company's ability to compete in the market for the required skills and competencies. We are committed to endorse the four key areas of employment equity identified by the Employment Equity Act:

- elimination of discrimination in decision-making;
- promotion of employee diversity;
- reduction of barriers to advancement of the disadvantaged; and
- introduction of measures and procedures for transformation.

Again we delivered on our conviction to ensure that previously disadvantaged companies can compete in the market and our success can be measured by the percentage of procurement that was spent on the designated companies and individuals.

## **Section 3: Skills Development and Training**

City Power's success and sustained competitive advantage is dependent upon the pool of skills, attributes and capabilities of its human resources. To this end a planned process was implemented to improve individual, team, group and business performance. Emphasis was placed on the development of an appropriate conceptual competency framework that provides an ideal foundation for, among other things, recruitment and selection, reward management, performance management, career management, staff re-deployment, training and development, talent pool management and other human resources related processes.

Our skills development programmes are in line with the requirements of the Skills Development Act and our workplace plan (WSP) is aligned to our business plan and focus is placed on occupational specific programmes, management development and legally required training. In the next year, our training will focus on addressing the gaps as identified in the gap analysis that forms an integral part of the Skills Audit rollout.

The Company awarded a total of 44 bursaries to young unemployed people of which 43% are females.

#### **Section 4: Performance Management**

Performance Management was implemented for all occupational levels within the Company. The key focus areas for the past year were to ensure that regular and consistent assessments of teams and individuals are performed and performance management training and advice is rolled out to the business. This resulted in improved individual performance, improved team performance and the attainment of corporate, company and group objectives.

The balanced scorecard forms the basis for our performance management processes and practices. The performance indicators are linked to the Business Plans and the IDP scorecard as required by the Shareholder. Substantial emphasis was placed on compliance with the Municipal Management Finance Act.

We remain firm in ensuring service excellence to our customers and stakeholder and are committed to performance that will benefit our communities. The forthcoming 2010 World Cup has already been factored into our strategies and our operational plans. We will, however, continue to strive for operational effectiveness and, with our customers and stakeholders, we will collectively focus on improving the environmental well-being of our society.

#### **Section 5 : HIV/AIDS in the workplace**

The challenge to manage HIV/Aids in the workplace is ever increasing. In order to effectively manage the associated risks faced by City Power the following core principles have been adopted as a basis for its HIV/ Aids policy:

- Continuously assess the risks posed by HIV/Aids on the business;
- Limit the number of new infections among employees through planned interventions of ongoing education and information;
- Ensure employees living with HIV/ Aids are aware of their rights and that their rights are respected and protected;
- Provide case management and support to employees living with HIV/Aids.

##### **1.1. HIV/Aids Structures**

The company has trained 31 peer educators, who are fulltime employees, who have shown passion and willingness to assist their fellow HIV positive colleagues to ensure that HIV positive employees receive care and support in their work environment. A comprehensive support structure was created to support infected and affected employees (HIV/Aids in the Workplace).

## 1.2. Prevalence rate and VCTs

In order to gauge the rate of infection amongst employees, the prevalence study, which is based on anonymity, will be conducted for the first time in 2006/7, in order to direct more employees into the treatment net. For financial years 2004/5 & 2005/6, the emphasis was on VCT, aimed at encourage employees to test voluntarily. All these are / will be done with the support of both Unions.

## 1.3. Actuarial impact analysis

The company employed the services of an actuary to assess the current and future expected cost to the organisation, resulting directly and indirectly from HIV/Aids. The company recognises the cost involved to both the company and the community of not taking progressive steps in combating the disease & has therefore allocated an additional annual budget to fighting the disease.

## 1.4. Awareness of the disease

The committee has focussed its attention on identifying and measuring the extent of the risk of HIV/Aids to the organisation. In order to identify employees' level of awareness, the committee used the help of three psychologist and qualified counsellor to anonymously survey all staff numbers through the KAPB survey.

## 1.5. Education

The Company has a fully-fledged clinic, which is manned by Professional Health Practitioners (1 Doctor, Social Workers & Occupational Health Nurses). In order to build on the awareness programme, an ongoing education programme has been instituted with the assistance of these Practitioners, amongst other duties.

The first phase of this programme was to train peer educators who will then provide HIV/Aids education to all staff on an ongoing basis. Peer educators received training on lay counselling, grief management, company benefits, first aid and treatment of workplace injuries.

## 5.6 Case Management

Employees that have declared their status have been put on treatment regime i.e. immune boosters & ARVs, depending on the stage of their infection. Most of the treatment is covered by employees' medical aid as ALL employees have been compelled to belong to a medical aid; where there are gaps, the Company tops up from its annual budget.

## **Section 6: Employee Benefits**

The Company is a participating employer in one or more of the various retirement benefit schemes through which the City of Johannesburg Metropolitan Municipality and its associated Utilities, Agencies and Companies (UACs) provide post-employment benefits to all their permanent employees through 5

(Five) Defined Contribution Funds and 7(Seven) Defined Benefit Funds. The following funds provide pension benefits for the City Power employees:

**Defined Contribution Funds:**

- E-Joburg Retirement Fund
- City Power Retirement Fund
- Municipal Employees Gratuity Fund
- Meshawu National Local Authorities Retirement Fund
- South African Municipal Workers Union National Provident Fund

In the case of these defined contribution funds, the contributions paid have been expensed as required in terms of AC 116.

**Defined Benefit Funds:**

- Johannesburg Municipal Pension Fund
- City of Johannesburg Pension Fund
- Municipal Employees Pension Fund
- Soweto City Council Pension Fund
- Joint Municipal Pension Fund
- South African Local Authorities Pension Funds
- Diepmeadow Pension Fund

Contributions to the Diepmeadow Pension Fund were ceased for the Group with effect from 31 July 2003.

Contributions ceased for City Power employees to the following funds as from 1 January 2005.

- Meshawu National Authorities Pension Fund
- South African Municipal Workers Union National Provident Fund
- South African Local Authorities Pension Fund

Benefits have been made paid up and will accumulate for members on a defined contribution basis.

**Section 7: Supply Chain Management and Black Economic Empowerment**

City Power has adopted Supply Chain Management systems in compliance with the provisions of the MFMA and the National Treasury: Municipal Supply Chain Management Regulations, 2005. An SCM unit was established in September 2005 and which monitors the implementation of the entity's SCM policies in line with the regulations that seeks to modernises financial governance and improve accountability and transparency in the entity's processes. The entity's SCM policies provide for the exclusion of awards to persons in the service of the state subject to the exemptions and regulations issued by National Treasury from time to time.

The entity has implemented the three-stage-bidding processes with separate Bid specification, Bid evaluation and Bid Adjudication committees having been set out.

The Board has ensured that the procurement policy embraced the objectives of broad-based Black Economic Empowerment and the Managing Director, as the Accounting Officer of the Company, was tasked as the custodian for effective implementation. The Capital projects implemented during this period served as valuable foundations for ensuring community participation the Company's BEE programmes. This pace will be enhanced and the Company will continue to be sensitive to the financial constraints facing emerging black businesses.

The entity has made 46 awards of approximately R2, 0 billion in value with almost 70% of the value of the tender awards going to SMMEs and BEE companies. In addition 20% was awarded to engendered companies.

No unsolicited bids were made by the company.

Due to the lack of appropriate internal systems the entity cannot quantify the number and value of awards made to spouses, children or parent of persons in the service of the state or have been in the service of the state in the previous twelve months as required by Regulation 45 of the Local Government: Supply Chain Management Regulations, 2005.

## CHAPTER FIVE: AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION

### REPORT OF THE AUDITOR-GENERAL TO THE MEMBER ON THE FINANCIAL STATEMENTS OF CITY POWER JOHANNESBURG (PROPRIETARY) LIMITED FOR THE YEAR ENDED 30 JUNE 2006

#### 1. AUDIT ASSIGNMENT

The financial statements as set out on pages [ ] to [ ], for the year ended 30 June 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004) and sections 92 and 126(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003). These financial statements are the responsibility of the accounting authority. My responsibility is to express an opinion on these financial statements, based on the audit.

#### 2. SCOPE

The audit was conducted in accordance with the International Standards on Auditing read with *General Notice 1512 of 2006*, issued in *Government Gazette* no. 29326 of 26 October 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
- assessing the accounting principles used and significant estimates made by management
- evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

#### 3. BASIS OF ACCOUNTING

The entity's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as described in note 1 to the financial statements.

#### 4. QUALIFICATION

##### 4.1 Property, plant and equipment

##### 4.1.1 Verification of fixed assets

The fixed asset register for movable and immovable assets held by the company was incomplete and assets were not adequately detailed to allow identification of the physical assets. Consequently, I was unable to verify the completeness, existence and accuracy of property plant and equipment. Management embarked on an asset identification project and revised valuation and condition assessment in order to update the company's records with the correct information. The project will be completed in the 2007 financial year.

##### 4.1.2 Non-compliance with South African Generally Accepted Accounting Practice (SA GAAP)

- (b) Contrary to IAS36; Impairment of assets, management did not assess whether there was an indication that property, plant and equipment may be impaired in view of the ageing infrastructure and deferred maintenance programme and did not estimate the recoverable amount. As a consequence no impairment loss, if any, had been recognised in the income statement.

- (d) Contrary to IAS16; Property, plant and equipment, the residual lives of distribution assets were not reviewed at year end.
- (e) The residual lives of non-distribution assets stated at R1 were reviewed during the financial year as required by IAS 16; Property, plant and equipment. As a result adjustments of R14 million and R10 million were processed to the asset balance and the retained earnings respectively. The accuracy and validity of these adjustments could not be verified as the register used to determine the revised value was incomplete and inaccurate. Furthermore, the revised value was calculated for assets already scrapped.
- (e) Computer software with a book value of R23, 633 million was incorrectly disclosed as property, plant and equipment and not as intangible assets as required by IAS 38; Intangible assets.

The possible effect of any adjustment required could not be quantified and also effects the accuracy of depreciation and deferred tax charged to the statement of financial performance as well as the deferred tax liability disclosed in the statement of financial position.

## **5. QUALIFIED AUDIT OPINION**

In my opinion, except for the effect on the financial statements of the matter referred to in paragraph 4, the financial statements present fairly, in all material respects, the financial position of City Power Johannesburg (Proprietary) Limited at 30 June 2006 and the results of its operations and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury of South Africa, as described in note 1 to the financial statements, and in the manner required by the MFMA.

## **6. EMPHASIS OF MATTER**

Without further qualifying the audit opinion expressed above, attention is drawn to the following matters:

### **6.1 Consumer revenue and consumer debtors**

Supporting documentation for a sample of the CJMM administered debtors with credit balances totalling R5, 284 million and system journals of R0, 954 million could not be obtained from the Company. Also, payments received from the CJMM controlled debtors could not be traced to individual debtor's accounts due to centralised billing and receipting at the CJMM. The company did not review systems journals processed for revenue for accuracy and validity and did not investigate debtors with credit balances in good time.

### **6.2 Revenue adjustments**

Included in revenue were net adjustments of R5 927 472.12 to customer accounts that are related to prior years. As disclosed in note 1.13 to the financial statements, the company deviated from SA GAAP due to the volume and the continuous nature of the adjustments that made it impractical to determine to which years the adjustments relate to.

### **6.3 Property (Title deeds)**

Freehold land and buildings to the value of R7, 242 million purchased from the City of Johannesburg Metropolitan Municipality (CJMM) in terms of the sale of business agreement dated 21 January 2001 (and subsequent amendments) were still not registered in the name of the Company (note 3 of the annual financial statements. The company is currently in negotiation with the SARS with regards to the payment of transfer duties.

### **6.4 Related party disclosure**

The company based their related party disclosure on confirmations received from other utilities, agencies and corporation controlled by the CJMM. Various omissions and errors were identified when the amounts disclosed were compared with the financial statements of the said related parties. Management did not obtain confirmations from related parties based of audited financial statements.

### **6.5 Accounts receivable**

Management did not review the fair value adjustments made by a consultant adequately. An error was identified in the fair value calculations that resulted in an overstatement of R1, 338 million in account receivable balances.

## **6.6 Inadequate supporting documentation**

- (a) Audit evidence could not be obtained to verify creditor debit adjustments of R0, 966 million due to inadequate supporting documentation maintained by management.
- (b) The schedule for the CJMM contract which includes monthly rental and the value per vehicle could not be provided for audit purposes.

## **6.6 Non-compliance with laws and regulations**

### **6.6.1 Revenue and expenditure submissions**

Contrary to the requirements of section 87(12) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), City Power did not submit statements on the projection of revenue and expenditure on a monthly basis to the accounting officer of the parent municipality seven days after the end of each month. Management responded to requirements from the CJMM and did not ensure compliance with the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

### **6.6.2 Value Added Tax**

The company did not comply with the Value Added Tax Act in the under-mentioned instances as a result of inadequate enforcement of compliance to Value Added Tax:

- (a) Contrary to the requirements of sections 17(2) and 10(21) of the Value Added Tax Act, 1991 (Act No. 89 of 1991), input VAT of R460 379 was claimed and output VAT of R151 501 was paid to the SARS on canteen purchases and sales to employees.
- (b) Contrary to the requirements of section 17(2) of the Value Added Tax Act, 1991 (Act No. 89 of 1991), input VAT of R10 223 was claimed on entertainment expenses.
- (c) Audit evidence could not be provided for audit purposes that VAT totalling R536 497 relating to revenue earned for disconnections for the period January 2006 to June 2006 was not accounted for.

### **6.6.3 Supply chain management**

Contrary to section 19(a) of the Supply Chain Management Policy, certain goods and services were not procured through a competitive bidding process by the entity. A contract of R3 million could not be submitted for audit purposes to verify compliance to Supply Chain Management regulations. Also, two contracts totalling R54, 544 million were not signed by both parties. This resulted from inadequate reviews conducted to ensure compliance to the MFMA.

## **6.7 Significant control weaknesses identified**

The following control weaknesses relating to fixed assets were identified:

- (e) The fixed assets policy and procedures (prepared 20 May 2002) and assets guidelines (prepared 20 March 2002) were not approved by the Director of Finance and the Acting Managing Director;
- (f) The serial number and inventory number fields were not captured on the asset master record in respect of asset acquisitions. In addition, other useful fields such as location or room number that establish where the asset is situated are also not entered on the asset master record;
- (g) Asset transfers have not been captured timeously into the SAP system; and
- (h) Changes made to asset master records were not reviewed periodically by management.

## **6.8 Remuneration packages**

Section 89(a) of the MFMA provides for the CJMM to determine the upper limits of the remuneration of the Chief Executive Officer and senior management of the entity. No such upper limits were determined for the year under review.

## **6.9 Performance information**

In terms of section 121(4)(d) of the MFMA, the annual report of a municipal entity must include an assessment by the entity's accounting officer of the entity's performance against any measurable performance objectives set in

terms of the service delivery agreement or other agreement between the entity and its parent municipality. Adequate audit evidence could not be obtained to verify the domestic two part and domestic life line performance measurements and the number of pre-paid customer accounts.

Staff members (both current and ex) were entitled to various post-retirement benefits which were detailed in the notes to the financial statements. Where details existed, the company provided for liabilities. In the case of pension benefits, the actuaries and management of the CJMM were not able to determine the portion of pension obligations and pension assets attributable to the staff of each municipal entity. Accordingly, the CJMM undertook to carry all pension obligations up to 30 June 2006. Provision was not made in the books of the entity for any further obligations which might arise once the surplus or deficit per entity is determined.

#### **6.11 Late completion of the audit**

The financial statements of City Power Johannesburg (Proprietary) Limited were submitted on 31 August 2006 as required by section 126(2) of the MFMA. Due to material adjustments, the annual financial statements were rectified and a final adjusted set was presented to audit on 4 January 2007.

### **7. APPRECIATION**

The assistance rendered by the staff of City Power Johannesburg (Proprietary) Limited during the audit is sincerely appreciated.

**Ms MA Masemola for Auditor-General**

**Johannesburg**

**15 January 2007**



**A U D I T O R - G E N E R A L**

## CHAPTER 6: FUNCTIONAL AREA SERVICE DELIVERY REPORTING

Electricity Distribution			
Reporting Level	Detail	Total	Cost
	Includes the bulk purchase and distribution of electricity		
Analysis of the Function:			
1	Total quantity and cost of bulk electricity purchases in kilowatt-hours and rand.  Bulk electricity purchases are not broken down into consumer categories	(GWh) 12,103	R (000s) 2,178,057
2	Total quantity and receipts for bulk electricity sales in kilowatt-hours and rand.  Revenue split not known at this point in time.	(GWh) 10,540	R (000s) 3,451,868
3	Total year-to-date electricity losses in kilowatt hours and rand	(GWh)  1,564	R (000s)  281,470
4	Number of households with electricity access, and type and cost of service:	312,240	
5	Number of new connections:  Cost per new connection	5171	5000
6	Number and cost of disconnections and reconnections  Disconnections	40,818	R (000s) 20,200
	Reconnections	22,747	
7	Number and total value of electrification projects planned and current:  - Current  - Planned (future years)	17078  27400	R (000s) 86,500 105,460
8	Estimated backlog in number (and cost to provide) of connections: There are no electrification backlogs. As housing projects are proclaimed they are electrified immediately.		
9	Free Basic Service Provision:  - Quantity (number of households affected)  - Quantum (value to each household)  All households on the Life-line tariff enjoy 50kWh of free electricity per month This includes 94,790 prepaid customers and 154,172 conventionally metered customers.	248,962  50 kWh pm	(R 000) 56,838 228
10	Total operating cost of electricity distribution function		994 434

Type and number of grants and subsidies received:		R000
11		
	<b>April - June 2005</b>	
	CMIP Grant	3,197
	Engineerring Services Contribution	39,761
	<b>July-September 2005</b>	
	CMIP Grant	8,305
	DME Electrification Grant	1,075
	Service Connections paid by Public	15,169
	Street Pole Advertising CAPEX Projects	659
	<b>October - December 2005</b>	
	Alexandra Renewal Grant from Province	3,509
	CMIP Grants	2,157
	Service Connections paid by Public	14,474
	Street Pole Advertising CAPEX Projects	625
	Grant COJ Housing - Streetlighting	3,574
	<b>January-March 2006</b>	
	CMIP Grants	2,210
	Service Connections paid by Public	6,644
	Street Pole Advertising CAPEX Projects	547
	COJ Grant Electrification Bushkoppies Hostel	500
	<b>April-June 2006</b>	
	CMIP Grants	2,273
	Service Connections paid by Public	46,078
	Street Pole Advertising CAPEX Projects	629
	Alexandra Renewal Grant from Province	19,871
	Engineering Services Contribution	35,981
	Gauteng Province Grant Housing	1,500
	COJ Grant Streetlighting Tshepiso West	3,126
	DME Electrification Grant	20,800
	<b>Total</b>	<b>232,664</b>

Street Lighting			
		Total	Cost
Overview:	Includes all activities associated with the provision of street lighting to the community		
Analysis of the Function:			
	1 Number and total operating cost of streetlights servicing population:	160406	81410
	2 Total bulk kilowatt hours consumed for streetlighting:	80081	14415

Finance and Administration

1. Debtor billings: number and value of monthly billings:

Month	City of JHB		City Power		Total	
	Number	Value	Number	Value	Number	Value
July		133,635		154,773		288,408
Aug		127,853		204,294		332,147
Sep		120,591		253,490		374,081
Oct		103,139		149,360		252,499
Nov		90,013		184,480		274,493
Dec		88,532		150,416		238,948
Jan		83,990		162,027		246,017
Feb		83,417		166,720		250,137
Mar		93,741		167,447		261,188
Apr		92,754		173,020		265,774
May		101,688		208,523		310,211
Jun		126,722		257,727		384,449
		1,246,075		2,232,277		3,478,352

2. Debtor collections: value of amount received and interest:

Month	City of JHB		City Power		Total	
	Number	Value	Number	Value	Number	Value
July		203,997,714		175,313,532		379,311,246
Aug		220,528,109		190,996,850		411,524,960
Sep		248,020,960		209,498,880		457,519,840
Oct		203,800,754		167,099,337		370,900,091
Nov		193,009,597		166,260,473		359,270,070
Dec		177,558,727		153,686,585		331,245,312
Jan		176,231,475		149,901,567		326,133,043
Feb		190,642,819		160,241,169		350,883,988
Mar		189,758,907		164,270,371		354,029,278
Apr		149,774,731		130,332,639		280,107,370
May		217,028,010		186,880,638		403,908,648
Jun		233,526,627		203,989,144		437,515,771
Total		2,403,878,431		2,058,471,186		4,462,349,618

3. Write off of debts: number and value of debts written off:

Month	City of JHB		City Power		Total	
	Number	Value	Number	Value	Number	Value
July		8974				
Aug		24487				
Sep						
Oct	206	5493				
Nov		8764				
Dec		33463				
Jan		117114				
Feb		16094				
Mar	88	16329				
Apr	191	5163				
May		961				
Jun	1,609	(18402)				
		94624	2141	2141		96165

4. Indigent Policy:  
- Quantity (number of households)  
affected (total value across municipality)

No.	5,613
R	5,388,480

5. Creditor Payments:

Creditor Name	R (000s)							Total
	Current	< 30	< 60	< 90	< 120	< 150	< 151	
ESKOM	259,055	-	-	-	-	-	-	259,055
AES Kelving Power (Pty) Ltd	41,702	-	-	-	-	-	-	41,702
INTATAKUSA CONSULTING (PTY) LT	23,451	1,290	-	-	-	-	-	24,741
SIEMENS LIMITED	6,999	-	-	-	-	-	-	6,999
ACTARIS SOUTH AFRICA (PTY) LTD	1,468	1,470	-	-	-	-	-	2,938

6. External Loans:  
- Total loans received and paid during the year

	Interest Rate	Balance 1 July 05	Loans received	Loans Repaid	Loans Accrued	Balance 30 June 06
Shareholder Loans	0	581,814,023				581,814,023
Shareholder Loan Midrand	0	42,978,817				42,978,817
Conduit Loan	0	482,975,537		49,942,094		433,033,443
Conduit Loan - Midrand	0	24,696,701		2,198,523		22,498,178
Capex Loan 2002	0	94,965,720		10,865,613		84,100,107
Capex Loan 2003	0	198,660,896		17,906,399		180,754,497
Capex Loan 2004	0	158,410,530		12,354,776		146,055,754
Capex Loan 2005	0	345,004,843		26,817,030		318,187,813
Capex Loan 2006	0		146,754,877	8,891,926	251,515,981	389,378,932
Less Shortterm portion						146,057,070
		1,929,507,068	146,754,877	128,976,362	251,515,981	2,052,744,494

7. Delayed and Default Payments:

None
List here whether Council has delayed payment on any loan, statutory payments or any other default of a material nature.

Function: Sub Function: Other Administration (Procurement)			
Reporting Level	Detail	Total	
Analysis of the Function:			
1	Details of tender / procurement activities:		
	- Total number of times that tender committee met during year	24	
	- Total number of tenders considered	54	
	- Total number of tenders approved	46	
	- Average time taken from tender advertisement to award of tender	Info not available	
2	Details of tender committee:		
	Board Procurement Committee		
	L Kugel (Chair)		
	G Simelane		
	N Nyembezi		
	Prof Marwala		
	MK Mohlala		
	S Zimu		
	Executive Committee Bid Adjudication Committee		
	S Zimu (Chair)		
	B Leshnick		
	V Padayachee		
	Z Nkozi		
	L Mashao		
	S Xulu		
	M Mojapelo		
	A Lishivha		
	S Masolo		
	E Sibuta		
	F Patel		
3	Number of people employed through job creation schemes:	1532	
4	Number and cost to employer of all health personnel:		
	- Professional (Doctors/Specialists)		
	- Professional (Nurses/Aides)	4	968
	- Para-professional (Clinic staff qualified)	7	1,822
	- Non-professional (Clinic staff unqualified)	3	165
	- Temporary	2	684
	- Contract		
5	Total annual patient head count for service provided by the municipality:	2,182	
6	Total operating cost of health (clinic) function:		4,577