



**PIKITUP JOHANNESBURG SOC LIMITED
PERFORMANCE REPORT
AS AT THE END OF THE SECOND QUARTER 2018/19
(MID-YEAR)**

Company Information

Registration number
Registered Address

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Tel: (011) 712-5200
Bankers:
Auditors:

Website: www.Pikitup.co.za
Standard Bank of South Africa Limited
Auditor-General of South Africa

Vision

To be the leading integrated waste management company in Africa and be considered amongst the best in the world.

Mission

To provide sustainable and innovative waste management solutions that exceed stakeholder expectations.

Organisational values

The organisational values that guide and direct all Pikitup's interactions with external and internal stakeholders are hereby outlined:

- **Exceptional Service Ethic** - Putting the customer first thereby achieving the highest customer satisfaction index.
- **Environmental Consciousness** - Being environmental activists and a sought-after group of people.
- **Respect for Human Dignity** - Trust, integrity and respect for each other's culture, religion and beliefs.
- **Good Corporate Citizenship** - Loyalty towards Pikitup, colleagues, community and the country at large.
- **Unity of Purpose** - Teamwork, perseverance, embracing change, determination, exceptional commitment and relationship building.
- **Results Driven** - Understanding Pikitup's strategy and its objectives and relating it to areas where efforts should be focused.
- **Innovative** - Providing innovative waste solutions by providing systems and technologies that require the innovative thinking of specialists in the field of waste management.
- **Continuous Improvement** - Maintaining a competitive edge over our competitors by continuously improving business processes in waste management solutions and in the company.

Approval

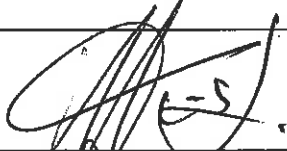

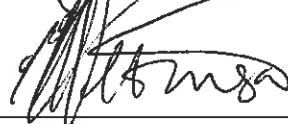
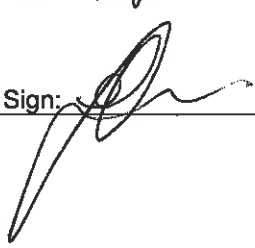
Mr. Litshani Matsila Acting Chief Financial Officer	Date: 16/01/2019	Sign: 
Mr. Segala Malahlela Acting Managing Director	Date: 16/01/2019	Sign: 
Prof. Fuluwelo Netswera Acting Chairman of the Pikitup Board	Date: 17/01/2019	Sign: 
Mr. Nico de Jager, MMC Environmental & Infrastructure Services	Date: 22.01.2019	Sign: 

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Structure of the Report

The purpose of this Second Quarter (Mid-term) Assessment Report is to provide an overview to our stakeholders on the performance of Pikitup under the period in review. It highlights both the achievements as well as the challenges facing the entity during the reporting period. This report further presents the overall Pikitup's performance against the set target as per the 2018/2019 Business Plan approved by the Board of Directors. The aforementioned Business Plan forms part of the service delivery agreement between Pikitup and the City of Johannesburg.

The Quarterly Assessment Report is submitted in the format prescribed by Group Governance and includes the following:

- Chapter 1: Leadership and corporate profile
- Chapter 2: Governance
- Chapter 3: Company secretarial function
- Chapter 4: Enterprise risk management
- Chapter 5: Service delivery performance
- Chapter 6: Organizational development performance (Human resources management)
- Chapter 7: Environmental compliance
- Chapter 8: Supply chain management and financial performance
- Chapter 9: Internal and external (Auditor General) audit findings

1. Leadership and Corporate Profile

1.1 Corporate Profile, Overview and Mandate of the Entity

Pikitup Johannesburg (SOC) Limited (Pikitup) was established in 2000 as an independent municipal entity, wholly owned by the City of Johannesburg (CoJ). The entity handled, collected and disposed approximately 1.24 million tonnes of general domestic waste as at the end of the 2017/18 operational period.

Pikitup practically provides the waste collection service through three categories in the main as follows:

- Level of service 1 (LoS-1) – provided with 240 litre wheelie bins and once a week waste collection service;
- Level of service 2 (LoS-2) – provided with multiple 85 litre plastic bags and once a week or more waste collection service;
- Level of service 3 (LoS-3) – provided with strategically placed 6m³ communal waste skips and bi-weekly to daily waste collection service.

During the period under review, in line with its mandate, the entity serviced 888 253 service points (i.e. Level of service, LoS-1), 183 895 informal dwellings (i.e. Level of Service, LoS-2), 91 communal skips (Level of Service, LoS-3), with 435 099 tonnes landfilled (92.6%) and 34 952.8 (7.4%) tonnes diverted respectively year to date. In addition, 8 606 commercial customers and 1 168 bulk customers were serviced including 9 000 kilometers of pedestrian pavements and public areas, i.e. informal trading areas cleaned.

The entity Board of Directors carry out their fiduciary duties in accordance with the Memorandum of Incorporation (MOI) and the Service Delivery Agreement (SDA). The broad scope of operations include the following:

- Collection and disposal of domestic waste;
- Collection and disposal of business waste;
- Collection and disposal of putrescible waste;
- Collection and disposal of green waste;
- Cleaning services;

- The provision of lane flushing;
- Management of litter bins;
- Collection and disposal of animal carcasses found in public spaces;
- Implementation and management of waste separation at source;
- Implementation and management of waste to energy projects, community programmes and other initiatives aimed at diverting waste away from landfills;
- The management and operation of City landfill sites and
- Implementation and management of an underground bin system.

To achieve its objectives, the entity promotes the common interests pertaining to general waste management of the members of the community falling within the jurisdictional area of CoJ.

Pikitup continues to deliver on its mandate of providing sustainable integrated waste management services whilst advancing a move towards addressing the imperatives of the Growth and Development Strategy (GDS 2040), the Integrated Waste Management Policy, and the National Waste Management Strategy. As such, Pikitup seeks to reduce the waste stream going to landfills, while extracting maximum value from the waste stream at all stages of collection and disposal.

1.2 Strategic Objectives

Pikitup works within the framework of the 2040 Growth and Development Strategy (GDS 2040) as well as the Integrated Development Plan (IDP) for the City of Johannesburg, therefore its goals and objectives are aligned to achieve the same outcomes. The strategic goals of the company are:

- a) Stakeholder behavioral change to intensify Integrated Waste Management and Waste Minimisation;
- b) Grow the contribution of the waste sector in the Green Economy;
- c) Promoting and Ensuring the Effective Delivery of Waste Services;
- d) Successful Partnerships and Stakeholder Engagement;
- e) Build an Effective and Efficient Waste Management Company.

1.3 Salient Features

In essence, Pikitup provides two categories of services: council services and commercial operations:

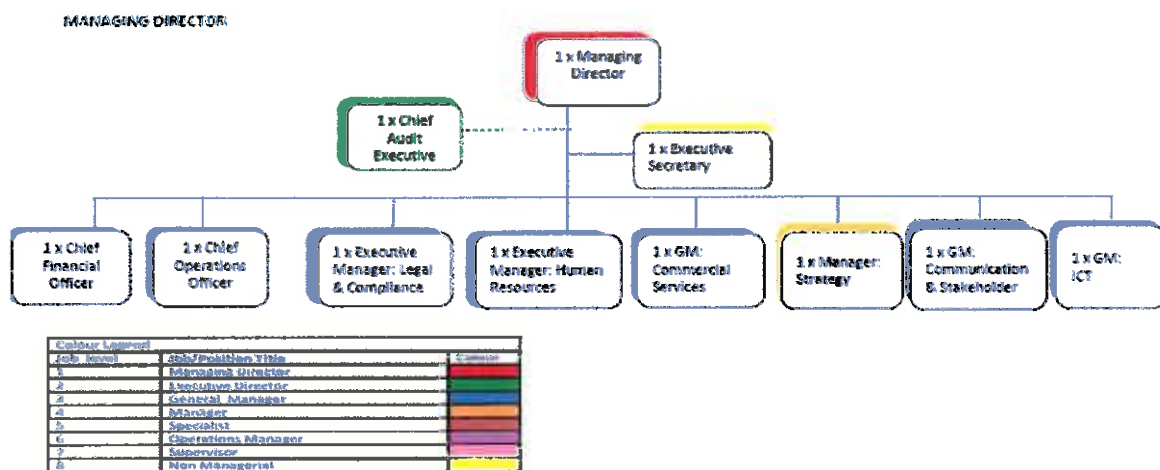
Table 1.3: Services provided by Pikitup	
Council services	Commercial operations
CoJ mandated services. In terms of Constitution municipality has sole mandate to collect domestic waste from residents and this is paid through tariffs. Residents cannot choose to use other service provider for domestic waste collection.	Where we service businesses (competing with other private companies) or where there are opportunities to collect revenue through other mechanisms
<ul style="list-style-type: none"> ▪ Collection and disposal of domestic waste ▪ Street cleaning lane flushing, general area cleaning (street sweeping and litter picking) ▪ Management of litter bins ▪ Collection of illegally dumped waste ▪ Collection and disposal of animal carcasses found in public places ▪ Operation of garden sites ▪ Operation and management of landfill sites ▪ Cleaning of informal settlements ▪ Recycling activities ▪ Where feasible, work in collaboration with the members of the community, to deliver waste management services 	<ul style="list-style-type: none"> ▪ Bulk collection services ▪ Dailies - collection of putrescible food waste ▪ Services for special events ▪ Private operators pay disposal fees for waste disposal at Pikitup's landfill sites

Pikitup owns and operates twelve (12) waste management depots strategically located across CoJ's seven (7) regions. It manages forty two (42) garden sites, four (4) operational landfill sites, and two closed landfill sites. In addition, some waste is disposed at two privately owned landfill sites, namely: Mooiplaats and Chloorkop.

All landfill sites comply with permit requirements and were licensed/permitted by the national Department of Water Affairs and Forestry. The management and monitoring of the licensing/permitting function has since been transferred to the Department of Environmental Affairs in 2002.

1.4 High-level organizational structure

The entity's organisational structure is as presented below and strives to give effect to both the strategic objectives and its core mandate.



During the course of 2017/18, the organisation developed a new staff establishment, which was approved by the Board of Directors on 20 April 2018. Recruitment and appointments for the following positions: Executive Manager Legal and Compliance, Executive Manager Human Resources and General Manager Supply Chain Management were concluded. The process to appoint the Chief Financial Officer for the entity is still in progress, and anticipated to conclude during the third quarter of the current operational period.

1.5 Chairpersons Foreword

The Board of Directors (Board) would like to thank and recognize the cooperation and support received from the different stakeholders including the City of Johannesburg political leadership in the execution of our fiduciary duties and oversight at Pikitup.

On the 30 November 2018 the final Auditor General's (AG) audit report outcome on both the financials and non-financial performance of the entity was presented to the Board. The Board noted with great concern the internal control deficiencies raised by AG. The Board would like to implore the organization's leadership and management to strengthen the ongoing monitoring and resolution of the audit findings.

The Board has noted with disappointment the underperformance of the entity in key performance areas as outlined in the 2018/19 Service Delivery Budget and Implementation Plan (SDBIP). The challenges at both strategic and operational levels remain, including diversion of green waste, dealing with illegal dumping and builder's rubble. The availability and unit running costs of especially refuse collection vehicles remains a major risk for the entity. The City's Fleet Management Division needs to support the Board in ensuring that

this critical and strategic asset class is refreshed. This is key to the efficient execution of the entity's Ward by Ward strategic plan.

It must be said that the delay in fleet procurement has posed a significant challenge in enabling the entity to provide an efficient and effective waste management service throughout the City. The manner in which the fleet contract is currently structured continues to be expensive and unsustainable. This has manifested itself in increased overtime in the operations, staff moral, fleet breakdowns and has severely compromised service delivery at varying levels throughout the City. This has also had an impact and compromised on the entity being able to provide an efficient and effective service in the commercial business. There is, therefore, a high risk of losing commercial client's contracts, and the resultant commercial revenue.

Landfills airspace deficiencies continue to be our biggest concern, however various scenarios, i.e. waste diversion efforts, expansions at the existing landfills, private landfill partnering, implementation of alternative waste treatment technologies in the medium to long-term and others are being explored by management to counter this challenge. This remains one of the Board's priorities.

As we approach the last term of the operational period, we would like to appeal to management to put measures that address the highlighted challenges in order to improve the entity's performance.

Despite all of the challenges the entity faced during my tenure as the Board Chairperson, including the very traumatic staff absorption exercise that was undertaken to absorb the Jozi at work and the 2010 staff, on behalf of the Board of Directors I would like to pay special recognition to our staff's commitment in executing their duties with the due diligence and care that has been shown throughout very demanding times. I would also like to thank the Board for their support and guidance given to the Pikitup leadership team who have shown tremendous understanding of the organization's requirements.

Finally let me take this opportunity to pronounce that Mr Lungile Dhlamini who was appointed as the Managing Director and Accounting Officer as well as Ms Christa Venter who was appointed as the Chief Operations Officer of Pikitup resigned with effect from 31 December 2018 and 17 January 2019 respectively. I would like to express the Board's and my personal appreciation for their exemplary leadership, which ensured a stable Pikitup seen in a while. I wish them well in their respective future endeavours.

I have also resigned as the Chairperson of the Board of Directors with effect from 30 December 2018 due to the fact that I took a responsibility in the private sector that demanded more of my time.

On behalf of the Board, I would like to thank the MMC, Mr Nico de Jager and his team for his stewardship and dedication to the service of the people of the City of Johannesburg, the MD and COO for providing a sterling leadership to progress the strategic imperatives of the entity.

Mr. Bheki Shongwe

Chairperson: Pikitup Board

1.6 Managing Director's Report

This segment of the report delivers a high level overview of the operational period ending December 2018.

The areas of focus include but are not limited to the challenges and risks associated with human capital, state of landfills, acceleration of waste minimisation programmes, staff establishment and organisational re-design, fleet re-configuration, community partnerships (active citizenry programmes like A Re

Sebetseng, monthly clean-up campaign), operational costs optimisation as well as a review of the entity top ranking risks. The operational risk of declining landfill airspace and the adoption of smart technologies have become urgent in the delivery of integrated waste management services as driven by rapid growth in demand from urbanization.

1.6.1 Second quarter performance highlights

The waste diversion performance against plan for the period under review is as presented in Table 1.6.1 below:

Waste Stream Diversion (Tons)	Quarter-1		Quarter-2		Quarter-3		Quarter-4		YTD Target Tons	YTD Actual Tons
	Target	Actual	Target	Actual	Target	Actual	Target	Actual		
Green waste	10,000	9,329	15,000	10,071.9	20,000		15,000		25,000	19,400.9
Builder's rubble	10,000	2,432	12,000	0	13,000	Pending	15,000	Pending	22,000	2,432
Dry waste	10,000	6,205	12,000	6,914.9	14,000		14,000		22,000	13,119.9
Total	30,000	17,967	39,000	16,986.8	47,000		44,000		69,000	34,952.8

- The entity managed to achieve a performance of 50.7% (or 34 952.8 tons) diversion against a target of 69 000 tons year to date.
- The underperformance in dry waste diversion was partly due to the interruption of some of the depots which included the burning of the recyclables of the cooperatives by the disgruntled community members from the Insourcing project.
- Mandatory separation at source has since been introduced as planned from the 1st July 2018, and will be monitored over time for its impact on improving the recyclables extracted from the rollout areas. A review of the current model for middle to high income areas is also underway.
- Notwithstanding the garden waste off-take challenges, the garden waste diversion for the period under review is 77.6% of the target (i.e. 19 400.9 tons against a target of 25 000 tons year to date). A request for an Expression of Interest for the revitalization of the decommissioned Panorama Compost plant plan has been recommitted for Quarter 3 of 2018/19 to address off-take challenges.
- The zero diversion in builders' rubble is primarily due to machine downtime because of vandalism, which also coincided with the expiry of the maintenance contract. The crushing plants are now being kept near the weighbridges overnight to mitigate against vandalism. A procurement process is currently underway to address the maintenance of the crushing plants to improve plant availability and throughput.
- The capital expenditure performance for the second quarter of the operational period being reviewed is R 27,848 million which is 29% of the total capital budget of R 96,217 million, and is 1% less than the planned second quarter target of 30%.

1.6.2 Depot structure – ward based operational approach

Pikitup developed Ward Based Operational Plan to address some of its ward specific challenges and to improve productivity, operational efficiencies, service delivery and customer relations.

As part of the ward based plans the entity business model will focus on waste minimisation, recycling and diversion including budgets being shifted from clearing of illegal dumping and rather with emphasis on education, awareness and stakeholder partnerships programmes with for example waste-pickers.

A revised staff establishment was concluded and approved in order to give effect to the ward based business operating model.

1.6.3 Fleet and logistics status

It should be noted that the unplanned RCR overtime as a result of vehicle breakdowns and unavailability amounted to R4.6m during the review period and sitting at R8.4m year to date. The RCR fleet availability as well as the unplanned overtime cost can be addressed through the award of the new fleet contract. It is therefore critical that the procurement of a fleet contract is expedited.

As a stop gap measure, in the short term to address fleet breakdowns and availability, CoJ Group Fleet approved an extension with Avis till end of March 2019.

Furthermore, a new fleet strategy involving full maintenance lease has been specified and forwarded to the shareholder's group fleet department to procure the same. A budget of R200 million has been set aside for the outright purchase of specialized vehicles such as compactor trucks.

1.6.4 Landfill status

Pikitup is still facing a crises regarding landfill airspace capacity, although it is diverting approximately 6 000 tons per month to private landfill. The entity is currently disposing approximately 72 516.5 tons of general waste onto the City's landfills per month.

The following interventions are being implemented on a phased approach to mitigate the depleting airspace and prolong the existing design capacity:

- Exploring landfill height and lateral extensions by conducting permit/license amendments to increase the existing landfill capacity is in progress;
- Construction of clean Material Recovery Facilities (MRFs) and Transfer Stations at Marie Louise; Kya Sands and Linbro Park landfill sites will assist in a great deal to reduce waste disposed at the landfills, implementation will be phased in line with resource allocations;
- In the medium to long-term, phasing-in of the waste by rail system to a privately operated landfill in Delmas.

1.6.5 Recycling optimisation

Separation at source contracts are currently being reviewed for selected middle to high income areas to be based on the tonnages of dry recyclables diverted which will increase the tonnages of dry waste diverted by the contractors.

In addition, mandatory separation at source in targeted areas has been implemented with effect from 01 of July 2018 in order to increase tonnages of recyclable waste diverted away from landfills. There was also significant progress in entity's cooperation with EISD for the development of alternative waste treatment facilities (i.e. the 500,000 tons per annum (tpa) mass burn technology and the 50 ton per day bio-digester). A new Transaction Adviser has since been appointed to take the project through the procurement process for the 500,000 tpa mass burn technology, starting with the finalization of the National Treasury Views 1 and 2 processes. An Engineering Procurement and Construction (EPC) consultant for the design of the 50 ton per day bio-digester will be concluded in Quarter 3 of the 2018/19 operational period.

1.6.6 Commercial business

Commercial services show a negative variance of R2.54m for the quarter compared to budget:

- Bulk container services billing is under budget by R4.22m for the quarter as a result of challenges of maintaining fleet availability to service current client base, as well as disruptions in depot operations.

- Landfill revenue exceed budget by R4.12m.
- Business RCR is under budget by R 3.52m for the quarter.
- Business dailies is below the budget by R2.08m.

Mr Lungile Dhlamini
Managing Director

1.7 Chief Financial Officer's Report

1.7.1 Operating revenue and expenditure

The entity realised surplus during the second quarter of 2018/19 financial year amounting to R61.21m compared to R98.89m in the first quarter. The reduction in surplus in this quarter was mainly due to increase in payroll cost (related to former 2010 and Jozi@ work employees) and allowance of doubtful debt.

- Pikitup revenue for the second quarter was R 42.74m over budget (R 623.276m compared to R 580.532m) as a result of the re-valuation of the CoJ Property Valuation Roll.
- Expenditure for the second quarter was R 17.944m under budget with the majority of underspending related to:
 - Continued staff attrition.
 - Third party contractor costs are under budget with the largest of the variances relating to the yellow plant contract where costs for garden sites have been much lower than anticipated.

Commercial services performance for the second quarter shows a profit of R24.25m compared to R29.78m realised in the first quarter. Revenue was below the budget in the second quarter. The reduction in profit for commercial services is attributable to loss of customers, loss of key staff in the unit, adjustment in customer accounts and increase in bad debts.

1.7.2 Capital expenditure

Capital expenditure to date amount to R27.85m (R10.90 for Q1 and R16.93 for Q2) which equate to 29% of the total capital budget. This expenditure is 1% below the planned 30% expenditure at the end of mid-term. The total amount of work assigned to suppliers (commitment) amounts to R39.591m which equate to 41.1% of the total capital budget. Expenditure is expected to increase during the third and fourth quarters.

1.7.3 General comment

The entity finished the quarter with a positive bank balance of R250.55m as at 31 December 2018 and the net asset position of R316.69m.

The detail financial performance can be found in the finance section of this report.

Mr Litshani Matsila
Acting Chief Financial Officer

2 Governance

Pikitup's governance framework is based on the principles of accountability, transparency, ethical management and fairness. A philosophy of sound governance is entrenched across the business. The directors recognise that good governance, achieved through an ethical culture, competitive performance, effective control and legitimacy that can create sustainable value and enhance long-term financial performance.

2.1 Reporting

The Board, assisted by the Audit and Risk Committee, assumes responsibility for the annual financial statements and all other statutory reporting on key matters affecting Pikitup and its stakeholders. The board has delegated the preparation of Pikitup's reporting to the executive committee. Auditing of the annual financial statements and the performance information was finalised by the Auditor General of South Africa (AGSA) for the 2017/18 operational period, and the report in this regard was presented to Board on 30 November 2018. Pikitup maintained an unqualified opinion on the financial statements with material findings on the annual performance report and compliance with laws and regulations.

2.2 Board composition

Pikitup's board is comprised of 7 (seven) non-executive directors and 1 (one) executive director, namely; B Shongwe (Chairperson), V Mathebula, F Netswera, C Mayne, L Brenner, N Kana, J Snyman, S Bogatsu and L Dhlamini (Accounting Officer). L Matsila (acting Chief Financial Officer) is an ex-officio member of the board, and C Louw is the newly appointed Company Secretary of the Board.

2.2.1 Meeting attendance

The attendance at meetings and other engagements held during the period under review were as follows:

Description	BOD	AC	SEC	HRR	OSD	RICT
Number	4	2	1	1	1	1
Bogatsu S	4		1	1		
Brenner, L	4	2				1
Buys, R		1				
Dhlamini, L	4	2	1	1	1	1
Hattingh, W		2				
Kana, N	4		1			1
Mathebula, V	-					
Mayne C	4	2	1			1
Netswera, F	4		1	1	1	
Shongwe, B	4	2		1	1	
Snyman, J	4				1	1

**The shareholder is represented by various invitees at committee and board meetings. A list of the attendees varies from time to time and is available upon request from the Company Secretary.*

2.3 Board committees and membership

2.3.1 Audit and Risk Committee (ARC)

L Brenner (Chairperson), J Snyman, R Buys, W Hattingh and C Mayne.

The ARC met twice during the quarter under review. The audit and risk committee is a statutory committee of the board appointed in terms of section 94(7) of the Companies Act, 2008. It has duties assigned to it by the board over and above its statutory duties. Specific responsibilities include providing oversight in respect of the effectiveness of Pikitup's finance function, external and internal assurance services, and risk management with particular focus on combined assurance arrangements and the relationship between external and internal assurance providers and Pikitup. The Committee has a board approved charter and work plan.

The board confirms that the committee has discharged its mandate during the period under review.

2.3.2 Social and Ethics (SEC)

S Bogatsu (Chairperson), N Kana, G Netswera and C Mayne.

The SEC met once during the quarter under review. The Social and Ethics Committee is a statutory committee of the board established in terms of the Companies Act, 2008. The responsibilities of the Social and Ethics Committee are detailed in its terms of reference, which include its duties per the Companies Act of 2008, King IV, and other responsibilities allocated to it by the board. The committee has a board approved charter and work plan.

The Board confirms that the committee has discharged its mandate during the period under review.

2.3.3 Operation and Service Delivery Committee (OSD)

B Shongwe (Chairperson), N Kana, F Netswera, J Snyman

The OSD met once during the quarter under review. The objectives of the committee are to oversee strategy formulation and implementation at an operational level.

The board confirms that the committee discharged its mandate during the period under review.

2.3.4 Human Resources and Remuneration Committee (HRRC)

F Netswera (Chairperson), B Shongwe, S Bogatsu

The HRRC met once during the year under review. The committee advises the board and has oversight over the human resources strategy and supporting policies and practices for the Pikitup's employees and directors, monitoring the implementation and effectiveness of the strategy, policies and practices; as well as the remuneration policies and practices for employees and directors, and monitoring the implementation and effectiveness of the policies and practices. The committee has a board approved charter and work plan.

The board confirms that the committee discharged its mandate during the period under review.

2.3.5 Information, Communication Technology (ICT) Committee

N Kana (Chairperson), J Snyman, C Mayne and L Brenner.

The committee met once during the quarter under review. It has the responsibility for setting the direction for how technology and information should be approached and addressed in Pikitup, approving an ICT philosophy and ICT strategy that ensures that Pikitup derives value from its information systems investments, guide and monitor the implementation of business systems projects, review the rationale for new system implementation, system upgrades and enhancements and ensure that these are aligned to and contribute to Pikitup's strategic plan. The committee has a Board approved charter and work plan.

The Board confirms that the Committee discharged its mandate during the period under review.

2.4 Performance Evaluation

The board is conscious of its responsibility to evaluate its own performance, the performance of its subcommittees, of its Chairperson and of the Company Secretary. In line with best practice and King IV, the Pikitup board conducted a board and board committee evaluation in the quarter under review.

2.5 Resignation of Directors

Mr Bheki Shongwe, who was appointed as the Chairperson of the Board of Directors of the company resigned, due to the fact that he took a responsibility in the private sector that demanded more of his time. He has since resigned as a non-executive director on the board of Pikitup with effect from 31 December 2018. Mr Lungile Dhlamini who was appointed as the Managing Director and Accounting Officer of Pikitup resigned as a director with effect from 31 December 2018.

Continuity of membership of the board is essential for the proper governance of Pikitup, and a process to find suitable candidates has commenced. The process will make certain that there is a balance of knowledge, range of skills and experience, age, culture, race, gender and other distinctive merits to ensure an appropriately balanced board.

The company secretary will ensure that required notifications are given to the Companies and Intellectual Property Commission in relation to the resignations from and appointments to the board.

3 Company Secretarial Function

The appointment and functions of the company secretary are in line with the requirements of the Companies Act of 2008 and the Pikitup MOI, and the Board of Pikitup has appointed Ms C Louw with effect from 1 December 2018 as its company secretary. The board of directors have satisfied themselves that the company secretary is suitably qualified and competent, in accordance with applicable legislation, to act as its company secretary.

4 Enterprise Risk Management

The entity is committed to a process of risk management that is aligned with the principles of good corporate governance, as provided for in the Municipal Finance Management Act No. 56 of 2003 (MFMA), the King IV Report on Good Governance for South Africa and National Treasury guidelines on the management of risks by government entities, in order to ensure a responsive, accountable and productive administration.

Pikitup has a comprehensive Enterprise Risk Management Framework which requires that risk assessments are undertaken regularly, appropriate risk responses put in place and that the efficacy of these risk responses are monitored and reported to the governance structures of Pikitup on a regular basis.

4.1 Enterprise Risk Management Performance

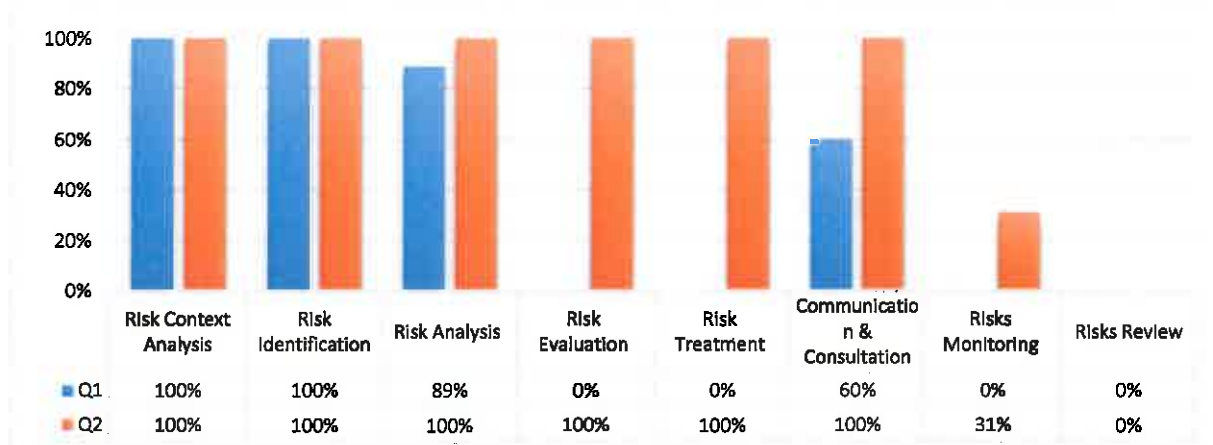
4.1.1 Progress on management of 2018/19 strategic risks

The key milestones achieved during the quarter under review includes:

- Completion of strategic risk assessment process and the strategic risks register;
- Development of risk mitigating action plans;
- Communication and consultation with all risk owners including the Managing Director.

The quarter under review has been occupied by changes in management positions (acting, new recruitments and resignations) which adversely affected risk monitoring. Progress on the implementation of risk mitigating action plans has been provided for 31% of the strategic risks, as a result, further progress will be reported as from the 3rd Quarter.

The figure below reflect progress made in managing strategic risks vs the first quarter:



The risks assessment process resulted in the thirteen strategic risks that will be managed and reported on as from the 3rd quarter of 2018/19.

The table below lists the thirteen (13) strategic risks for Pikitup business along with strategic goals:

#	PIKITUP GOALS 2018/19	RISK TITLE	IR	RR
1.	Integrated Waste Management, Waste Prevention and Waste Minimisation	Misalignment of human resources with the desired integrated waste management, prevention & minimisation	20	20
2.	Integrated Waste Management, Waste Prevention and Waste Minimisation	Depletion of available landfill of waste	25	25
3.	Integrated Waste Management, Waste Prevention and Waste Minimisation	Failure to implement the integration of waste minimisation into operations	16	16
4.	Effective and Efficient Waste Services	Failure to secure the Full Maintenance Lease (FML) contract for fleet and plant	25	19
5.	Building an Efficient, Effective and viable waste management company	Inadequate business intelligence and data to inform business decisions	20	20
6.	Building an Efficient, Effective and viable waste management company	Inability of ICT to meet business requirements	16	12
7.	Building an Efficient, Effective and viable waste management company	Information security and Cyber threats	20	20
8.	Building an Efficient, Effective and viable waste management company	Qualified audit opinion on performance information	16	12
9.	Integrated Waste Management, Waste Prevention and Waste Minimisation	Poor projects and contracts management	25	19
10.	Effective and Efficient Waste Services	Strike Actions	25	19
11.	Building an Efficient, Effective and viable waste management company	Fraud and Corruption	15	15
12.	Building an Efficient, Effective and viable waste management company	Inability to achieve the set market share growth and profit for commercial services	10	10
13.	Integrated Waste Management, Waste Prevention and Waste Minimisation	Failure to change public behaviour towards the handling of waste	20	20

4.2 Information On Emerging / New Risks

Inability of business units / departments to operate effectively in the event senior employee leave the organization.

4.3 Corporate Ethics and Organizational Integrity

The Board and management recognize that the entity is formed under a political structure. As such, it has a social and moral standing in society with all the attendant responsibilities. The Board is therefore responsible for ensuring that the entity protects, enhances and invests in the well-being of the economy, society and natural environment, and pursues its activities within the limits of social, political and environmental responsibilities outlined in international conventions on human rights.

The foregoing is inextricably linked with Pikitup's mandate to provide municipal waste management and minimization services as codified in the governance instruments that regulate its activities. Pikitup has developed an Ethics Management Programme which is supported by the Codes of Conduct prescribed by the Municipal Systems Act (MSA). The foregoing is amplified by clear direction on the annual declaration of financial interests by all directors and staff, a policy on the declaration of possible conflicts of interest together with an Ant-Fraud and Corruption Policy.

The latter enhanced by stakeholders being able to report, anonymously if necessary, any matter of suspicion through Pikitup's anti-fraud and corruption hotline. As explained in more detail elsewhere in this report, the Board reconstituted the Social, Ethics and Human Resources Committee, which Committee, with a fresh mandate and under new leadership closely monitors and guides Pikitup's management of ethics and leadership development.

4.4 Sustainability Report

Pikitup works to ensure the continued relevance and sustainability of the company, and to add value to the CoJ Shareholder Compact and the Service Delivery Agreement. The company provides value through a number of programmes and initiatives and partnerships with various stakeholders.

4.4.1 Value creation

- Creating a clean, healthy environment which is conducive to civic pride, investment, and confidence in local government. A clean City is achieved through waste collection from households, street cleaning, collection of illegally dumped materials, and disposal of waste at landfills. These activities are implemented in a cost efficient and effective manner to ensure value for money to the ratepayers.
- Pikitup provided a waste collection service to 888 253 formal households on a weekly basis during the period under review, an increase in the number from previous 869 082 in the first quarter of 2018/19.
- Pikitup is providing a waste refuse management service to 157 known informal settlements consisting of 183 895 dwellings.
- There are approximately 22 hostels within the CoJ where cleaning activities such as litter picking, clearing of illegal dumping and domestic waste collection are performed by Pikitup.
- In the quarter under review there were a total of 1 893 wheelie bins which were distributed compared to a total of 7 707 in the first quarter of 2018/19.

4.5 Anticorruption and Fraud

Fraud represents a significant potential risk to the entity's assets, service delivery efficiency and reputation.

As such Pikitup will not tolerate fraudulent or corrupt activities, whether internal or external to the entity, and will vigorously pursue and prosecute any parties, by all legal means available, which engage in such practices or attempt to do so.

Fraud prevention is a process that has been adopted, in putting mechanisms in place, to manage Pikitup's vulnerability to fraud. Such mechanisms are designed to prevent, deter and detect fraud. The anti-fraud hotline (080 000 2587) remains in operation and all reports made thereon, are reported directly to the Internal Audit Department and the ARC for consideration.

4.6 ICT Governance

Pikitup has an Information Communications and Technology (ICT) governance framework which is in accordance with the guidelines contained in King IV which recognizes that ICT is an integral part of doing business, as it is fundamental to the support, sustainability and growth of institutions. ICT cuts across all aspects, components and processes in business and is therefore not only an operational enabler for an institution, but an important strategic asset which can be leveraged to create opportunities and to facilitate service delivery.

4.6.1 ICT performance

There was a total of 31 service requests logged during the period of 01 October – 31 December 2018. The SR's were reviewed across the WAN. Various tickets logged for Connectivity, VOIP, Cloud Security and General Support enquiries. There are a few sites that experienced last mile related outages due to Vendor network failures, Faulty equipment, Vandalism at sites and Change Management due to cutting over from Wireless to Fibre.

4.6.2 ICT security upgrades

Cloud Web Security - For Pikitup to mitigate the security risks of using Web-based technologies by managing user access to Web content, the outsourced firewall was upgraded from a silver to a gold tier.

Benefits:

- Control access to different types of Web content, limiting exposure to undesirable content and potential security threats;
- Web traffic is scanned before being allowed through;
- Real time reports on web traffic and usage;
- With a secure connection to your corporate network, Pikitup employees can work from anywhere without compromising the company's online security.

4.7 Compliance with Laws & Regulations

There are various legislation that Pikitup has to comply with. Some of the legislation are general and relates to the general management and operation of a public entity, labour relations and others.

There are, however, legislation that are specific to waste management that has to be complied with as well, such as the Waste Management Act 59 of 2008 as amended. Compliance to legislation is monitored and included in the operations, audit and risk management processes of the company. All laws and regulations have been complied with during the period under review.

Independent audits, which is an annual requirement, have also been undertaken in June 2018 in relation to landfill operations to ascertain compliance to the respective applicable legislation, operating permits and or licenses. An achievement of 94.16% and 86.47% was attained for operational and closed landfill sites respectively.

5 Service Delivery Performance

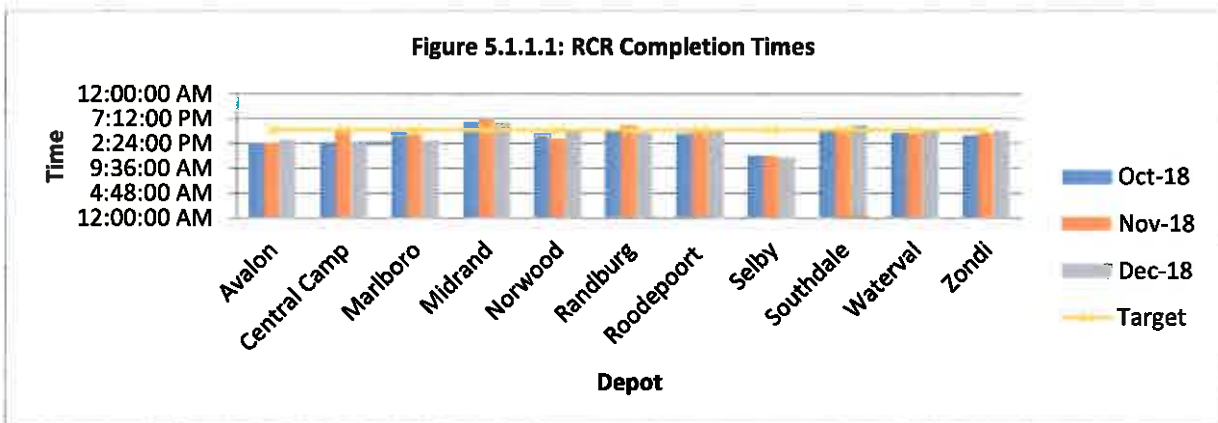
This section provides an overview of Pikitup service delivery performance during the period under review. Operations services covers: Refuse Collection Rounds, street cleaning, eradication of illegal dumping, informal settlements, hostel cleaning, garden sites, Inner-city, fleet and landfills. Waste was collected through various activities such as RCR, street cleaning and others.

5.1 Waste services

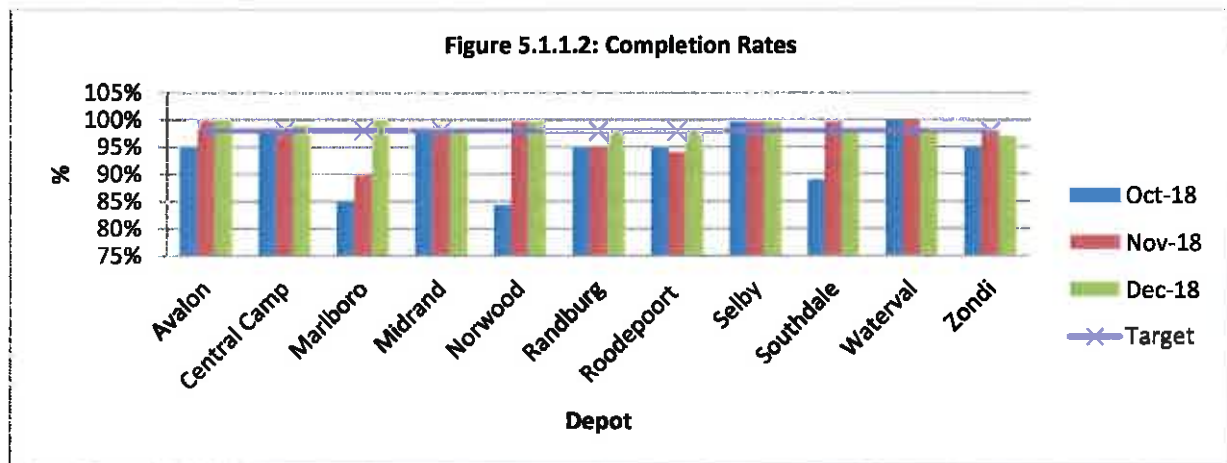
The depicted table hereunder outlines the consolidated waste tonnages handled and collected from the different Pikitup activities year to date. Pikitup also dispose waste at two private landfills (Chloorkop and Mooiplaats) and the tonnages are included herein.

Waste Disposed Per Activity	Total for 2013/2014	Total for 2014/2015	Total for 2015/2016	Total for 2016/2017	Total for 2017/18	2018/19 Quarter 1	2018/19 Quarter 2	2018/19 Quarter 3	2018/19 Quarter 4	YTD 2018/19
RCR	646 019	741 967	665 923	673 845	668 315	136 039	154 582	Pending	Pending	290 621
Street Cleaning	87 135	111 820	115 077	89 713	87 075	20 013	21 383			41 396
Illegal Dumping	229 709	276 806	312 503	303 006	238 459	65 879	77 036			142 915
Hostels	825	2 852	3 288	3 395	3 072	931	1 606			2 537
Informal Settlements	29 629	40 367	31 655	21 788	21 269	10 639	19 287			29 926
Garden Sites	132 110	145 429	123 384	107 988	101 397	25 010	6 117			31 127
Total	1 125 427	1 319 241	1 251 830	1 199 735	1 122 659	258 511	280 011			538 522

5.1.1 Refuse collection rounds completion time and rate



Despite a number of vehicle availability issues depots managed to complete all refuse collection within the SLA time frames. There were disruptions by staff at Marlboro, Randburg and Roodepoort in November 2018, but all depots assisted to stabilize the service delivery backlogs. This is with the exception of the first week in October 2018 when the extension of the Fleet contract was not signed timeously. However all efforts were made to catch up within a week's period, and 75% waste collection was completed within the targeted time frame.



5.1.2 Inner City cleanliness level

Table 5.1.2: Inner City Cleanliness Levels for the quarter October – December 2018

Quadrant 1	Level	Quadrant 2	Level	Quadrant 3	Level	Quadrant 4	Level
Bertrams	2	Hillbrow	2	CBD	2	Braamfontein	2
Doornfontein	2	Berea	2	Joubert Park	2	Newtown	2
Troyeville	2	Parktown	1	Jeppesstown	2	Fordsburg/Mayfair	2
Malvern	2	Yeoville	2	City Suburb	2	Marshalltown	1
Jeppesstown	2			Marshalltown	1	Selby	1
Average	2		2		2		2

Cleanliness level 2 has been maintained in the Inner City during the reporting period.

5.1.3 Bins issued

Table 5.1.3: Provides information on bins issued during the quarter under review

	Depot	Number of Bins Issued												Total
		Oct-18				Nov-18				Dec-18				
		New	Additional	Damaged	Stolen	New	Additional	Damaged	Stolen	New	Additional	Damaged	Stolen	
2	Avalon	0	0	0	0	0	0	0	0	0	0	0	0	0
	Central Camp	1	0	104	119	1	0	28	31	1	0	9	51	345
	Marlboro	0	0	0	1	6	0	0	0	0	0	0	0	0
	Midrand	0	0	0	0	0	0	0	0	26	3	2	1	32
	Norwood	0	0	0	0	0	0	0	0	45	0	0	0	45
	Randburg	0	0	0	0	0	0	0	0	0	0	0	0	0
	Rondepoort	0	0	0	0	6	0	38	39	125	72	444	261	985
	Selby	0	0	0	0	0	0	0	0	0	0	0	0	0
	Southdale	0	0	0	0	0	0	0	0	20	0	0	45	0
	Waterval	0	0	0	0	0	0	0	0	0	0	0	0	0
	Zondi	125	2	122	237	0	0	0	0	0	0	0	0	486
Total	126	2	226	357	13	0	66	70	217	75	455	358	1893	

Table 5.1.4 indicates the number of 240 litre bins distributed during the period under review. During this quarter 2 000 litre bins were received by Operations and distribution is on a continuous basis as depicted

by the table above. New service bins amounted to 356. The backlog in this regard is that 15 350 litre bins are required and delivery of bins is awaited in order to deal with this service delivery backlog.

5.1.4 Street cleaning

Street cleaning has stabilized as the insourcing of former Jozi@work and 2010/2011 has been completed and staff have started working at the various depots. A total number of 1 541 employees was insourced. An impact has been felt as this has boosted numbers working in CBD areas and informal settlements. The appointments of Supervisors and Monitoring and Evaluation Officers is critical to ensure ongoing supervision of staff. A total of 475 EPWP workers were employed as from 24 December 2018 to 24 January 2019 to assist over the festive period.

5.1.5 Informal settlements

The cleaning program in the 157 proclaimed informal settlements within the City continues on the following basis in all areas.

- Round Collection Refuse (RCR);
- Street Cleaning which includes Litter Picking; and
- Removal and Clearing of Illegally Dumped Waste.

5.1.6 Hostel cleaning

Rudimentary cleaning services has also been provided to approximately 22 Hostels within the City, which comprises of litter picking, clearing of illegal dumping, bulk container removal and domestic waste collection depending on what is required at each hostel.

5.1.7 Illegal dumping

There were five (5) sites of illegal dumping that were eradicated during the second quarter. This represent 90% below the target of 50 sites.

5.1.8 Commercial services

Commercial services generated revenue amounting to R68.3m during the quarter, a decrease by R1.9m from the first quarter. The closing and unrest at the depots during the first quarter severely impacted on performance of gaining new business. The impact of the unrest is now felt/reflected in this quarter performance.

Businesses are keen to explore partnerships with Pikitup Commercial services in an effort to reduce waste and start recycling programmes. Companies were approached to engage with Pikitup to get recycling programmes of the ground.

Commercial services show a negative variance of R2.54m for the quarter compared to budget.

- Bulk container services billing is under budget by R4.22m for the quarter as a result of challenges of maintaining fleet availability to service current client base, as well as disruptions in depot operations.
- Landfill revenue exceed budget by R4.12m.
- Business RCR is under budget by R 3.52m for the quarter.
- Business dailies is below the budget by R2.08m.

The decrease in revenue (depots unrest) is mainly due to challenges experienced at the depots during the first quarter. Measures will be fast tracked during the third quarter to speed up the repositioning of the unit. Performance of the unit is expected to increase once the repositioning of the unit is completed.

Refer to the finance section for the detail financial performance of the unit.

Table 5.1.8.: below illustrates the total customers as at 31 December 2018

Category	End June 2017/18	End September 2018	End December 2018
Business RCR	8 034	8 043	Pending
Bulk	1 153	1 168	Pending
Dailies	546	563	Pending
Total	9 733	9 774	Pending

5.2 Waste Avoidance, Prevention and Minimisation

5.2.1 Waste Diversion

During the period under review, a total of 16 986.8 tons of waste was diverted against a target of 39 000 tons as depicted in the Chart 5.2.1. below by each waste stream. Total waste diverted is lower than the diversions achieved in the previous quarter, largely as a result of the zero diversion of builder's rubble in this quarter.

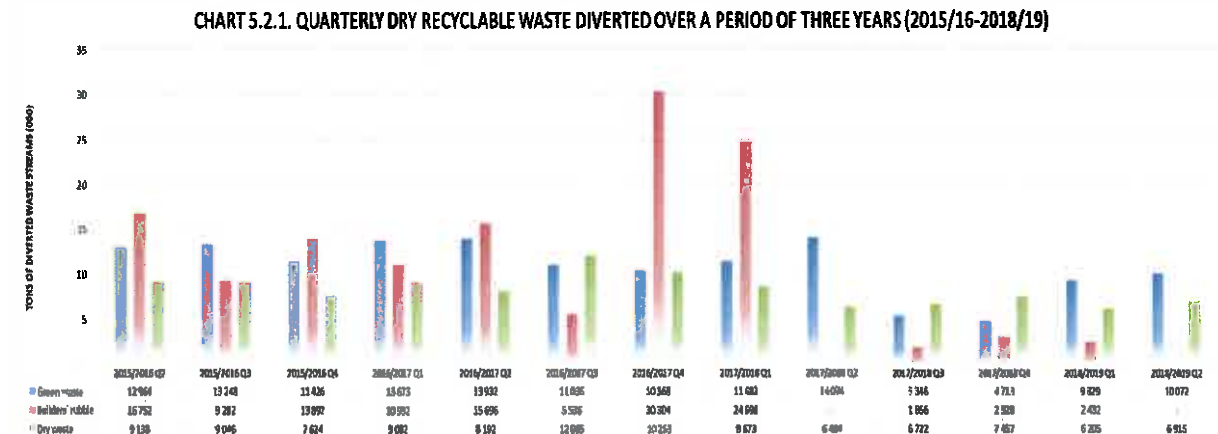


Figure 5.2.1 above illustrates quarterly waste diversions for dry recyclables, green waste and builders' rubble.

Zero diversion in builders' rubble diversion is primarily due to machine downtime because of vandalism, which also coincided with the expiry of the maintenance contract. The crushing plants are now being kept near the weighbridges overnight to mitigate against vandalism. A procurement process is currently underway to address the maintenance of the crushing plants to improve plant availability and throughput.

5.2.2 Separation at Source

Performance against the Separation at Source quarterly target was 6 914.9 tons (57.6%) of dry waste diverted against a target of 12 000 tons.

The underperformance in dry waste diversion was partly due to the interruption of some of the depots including the burning of recyclables of cooperatives by the disgruntled community members from the Insourcing project.

The backlog in the medium to long-term, especially against dry waste stream will be clawed back with the introduction of mandatory separation at source effective the 1st July 2018, as well as the reviewing the current separation at source contracts.

Notwithstanding the garden waste off-take challenges, the garden waste diversion for the quarter is 67.2% of target (i.e. 10 071.9 tons against a target of 15 000 tons). A request for an Expression of Interest for the revitalization of the decommissioned Panorama Compost plant is planned for Q3 of 2018/19 to address off-take challenges. Panorama composting plant has the capacity to handle and treat 17 000 tons of green waste per annum into compost.

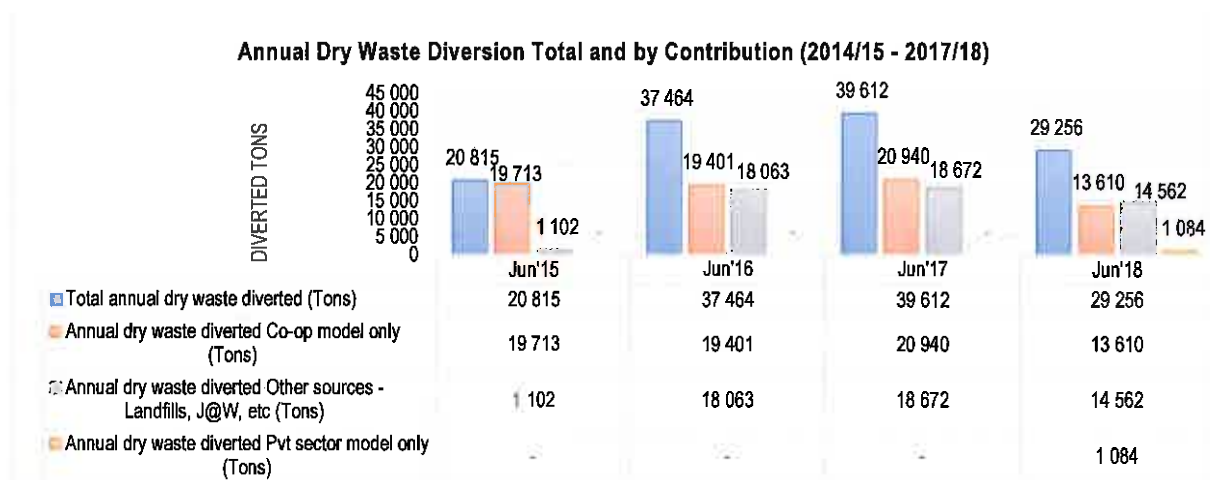
5.2.2.1 Cost per ton of waste diverted

A technical analysis of the diversion programmes on a cost per ton basis was undertaken to understand the costs associated with each of the programmes. Annual costs were compared to annual diversions for the last three years. The following graphs depict the results for each of the diversion programmes.

5.2.2.2 Dry recyclables

Below is the graph that represents the annual dry waste recycled, including the contribution from each of the diversion models employed in dry waste diversion programme.

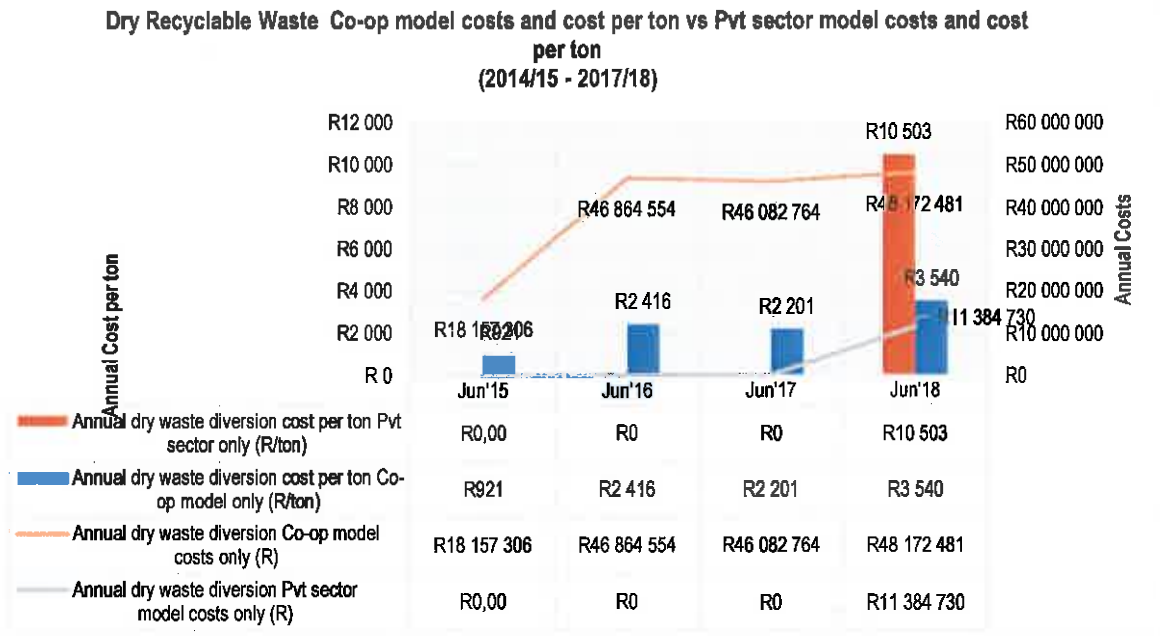
Fig 5.2.2.1a: Annual Dry waste diversion and contribution from each model



As can be seen in figure 5.2.2.1a above, the highest contribution of dry waste diversion for the 2017/18 financial year comes from the Co-op model, followed by "other" programmes (such as garden sites, landfill diversion, former J@W, etc.), with the private sector model contributing the least tonnages.

The below graph depicts a comparison between the annual costs, and the respective cost per ton for the Co-op model vs the private sector model.

Fig 5.2.3.1b: Dry waste annual cost and cost per ton comparisons

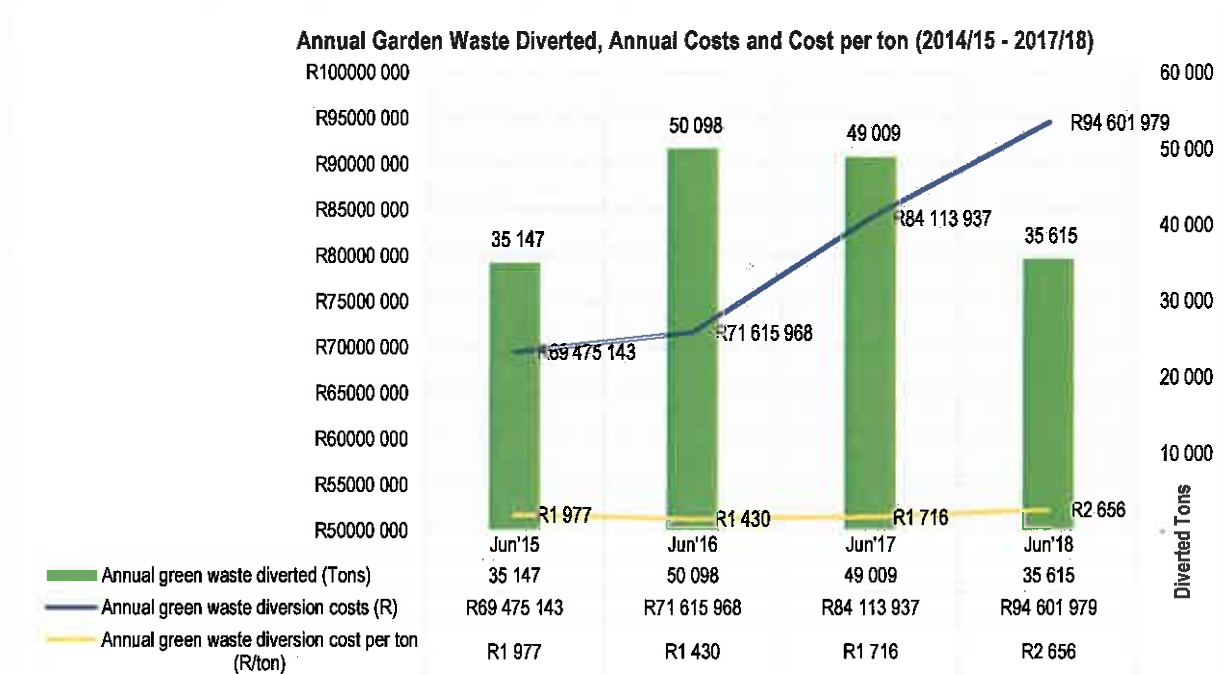


As can be seen in figure 5.2.2.1b above, the private sector model's cost per ton is almost three times more expensive than the Co-op model. As a result, management is reviewing the separation at source programme with a view to developing a model that is both financially sustainable as well as encompassing a strong element of waste picker integration.

5.2.2.3 Green waste

Below is a graphical representation of the annual costs for garden waste diversion as well as the related cost per ton.

Fig 5.2.2.3: Garden waste annual cost and cost per ton comparisons

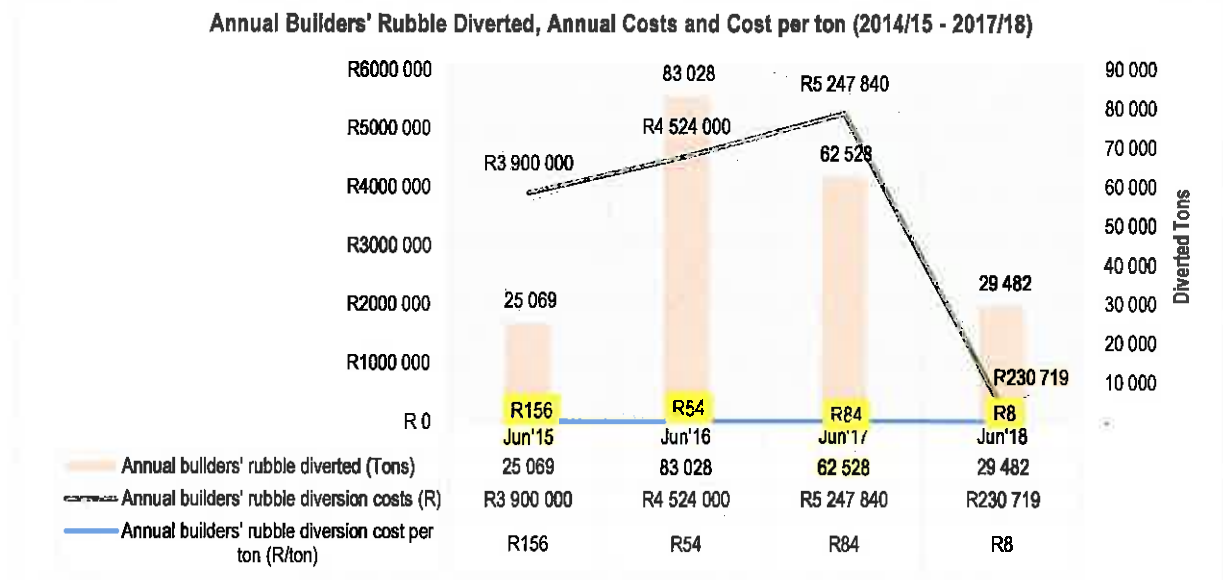


As can be seen in figure 5.2.3.3 above, the cost per ton has increased in 2017/18 because of the reduction in off-takes stemming from the withdrawal of the service provider who had been collecting at no charge to Pikitup. An interim off-take is currently in place. A request for an Expression of Interest for the revitalization of the decommissioned Panorama Compost plant is planned for Quarter 3 of 2018/19 to address off-take challenges.

5.2.2.4 Builders' rubble

Below is a graphical depiction of the annual costs as well as the related cost per ton for the diversion of builders' rubble.

Fig 5.2.2.4: Builders' rubble annual cost and cost per ton comparisons



As can be seen in figure 5.2.2.4 above, there has been a drastic drop in cost per ton for the 2017/18 primarily as a result of reduction throughput as a result of machine downtime as a result of vandalism, which also coincided with the expiry of the maintenance contract (i.e. no money spent on the maintenance contract). The crushing plants are now being kept near the weighbridges overnight to mitigate against vandalism. A procurement process is currently underway to address the maintenance of the crushing plants.

5.2.3 Landfill management

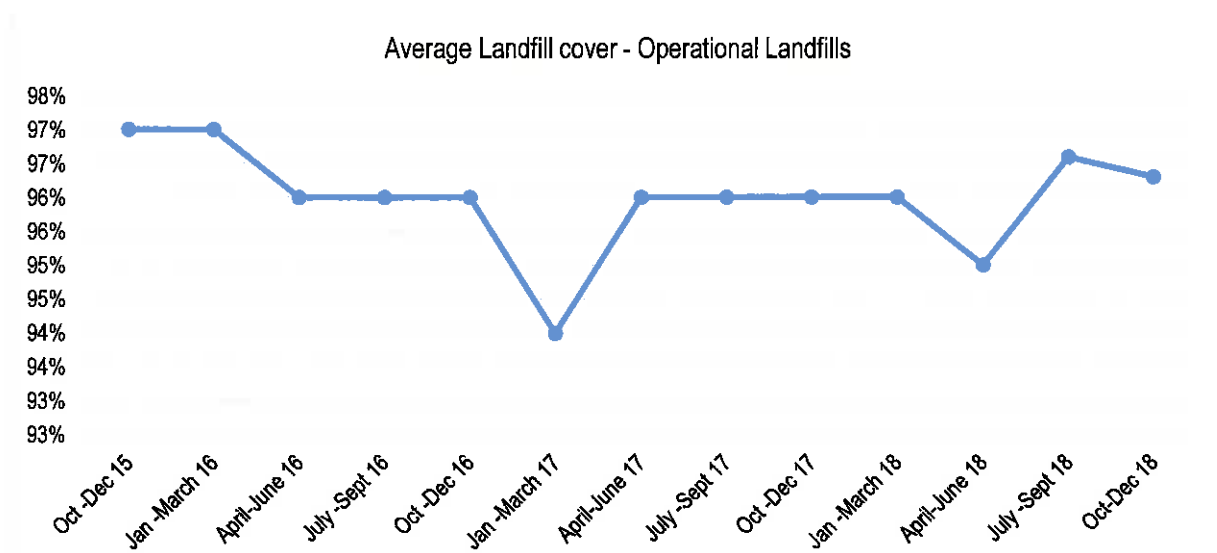
This section provides a summary pertaining to the Disposal Management which incorporates operations of the four landfill sites, namely: Robinson Deep, Goudkoppies, Marie Louise and Ennerdale. Also incorporated under this section is the monitoring of the two closed landfills, namely: Linbro Park and Kya Sands.

5.2.3.1 Landfill daily cover

It is a permit requirement that the landfills should be covered daily, to minimise nuisances associated with the landfills, i.e. odour, breeding of vectors, to minimise percolation of precipitation as well as improve aesthetics associated with the landfill.

The daily cover achieved for the period under review had maintained the standard. The visual assessments conducted show that an average of 96.3 % daily cover was achieved for the period under review. The graph in the following figure below illustrates the landfill cover achieved for the respective landfill sites from 15/16 financial year and for the period under review.

Figure 5.2.3.1: Illustrates average percentage cover at the operational landfills



5.2.3.2 Landfill infrastructure development

Landfill	Capital Project	Remarks
Ennerdale Landfill	Purchase of Corobrick property.	JPC has finally signed the purchase of the Corobrick property. Property in the process of being registered.
Marie Louise, Kya Sands and Linbro Park Landfills	Construction of MRF and Transfer Stations	Consultants were appointed to undertake the designs for the construction of a MRF and Transfer stations at the Marie Louise operational landfill and the Kya Sands and Linbro Park landfills closed landfill. The designs for Marie Louise and Kya Sands landfill was completed.
Robinson Deep Landfill site	Construction of a storm water management system.	Construction of a storm water management system for the Robison Deep Landfill site to ensure landfill compliance with the permit. Project started on the 5 April 2018. The project is still ongoing with the contractors busy installing the paving at the entrance and the completion of the storm water culvert located on the access haul road. It is anticipated that the project will be completed in March 2018.

The above improvements will enhance the landfill compliance in relation to the following: Recycling facilities incorporating rubble crushing plants and wood chippers at the landfills will enhance waste reclamation activities off the tip face, ensuring a safer tip face working environment and promoting airspace preservation.

5.2.3.3 Waste disposed at landfills and waste diverted

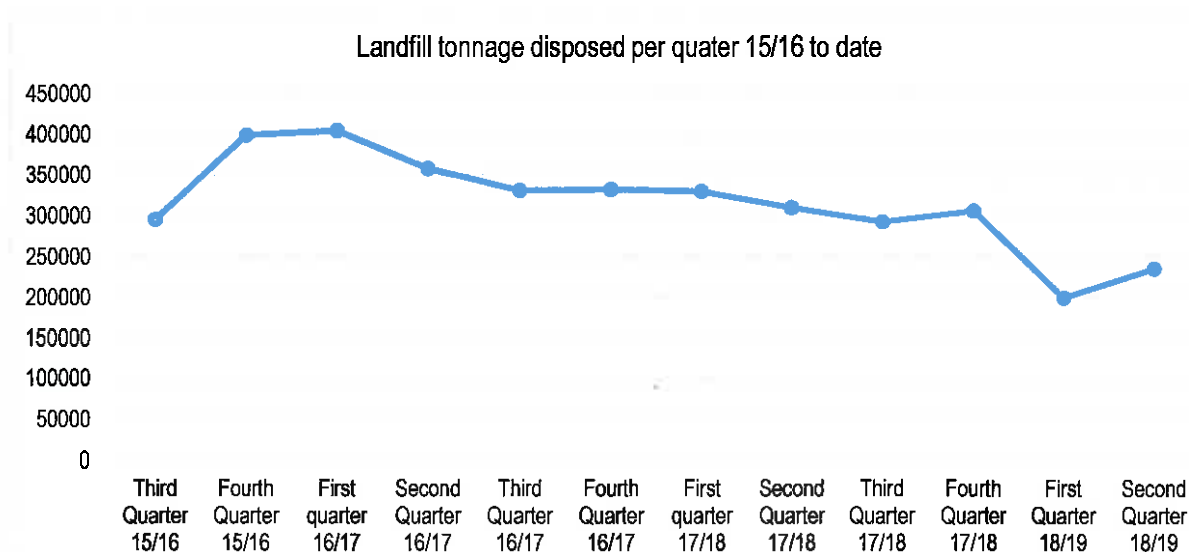
During the period under review, weighbridges were all operational.

The following figure below reflects waste tonnages received at each of the operating landfill sites for the period under review.

Table 5.2.3.3: Total waste disposed per landfill during the quarter and year to date									
Waste Disposed per Landfill Sites (Tons)	Total for 2014/15	Total for 2015/16	Total for 2016/17	Total for 2017/18	2018/19				YTD Total
					Quarter 1	Quarter 2	Quarter 3	Quarter 4	
Robinson Deep	651 930	667 143	572 800	450 353	83 102	15 066	Pending	Pending	98 168
Marie Louise	268 246	373 051	407 576	363 216	55 414	84 902			140 316
Goudkoppies	308 562	266 034	341 285	341 145	42 271	115 482			157 753
Ennerdale	88 689	101 168	104 102	83 760	18 829	20 033			38 862
Total	1 317 427	1 407 396	1 425 763	1 238 474	199 616	235 483			435 099

A total of 235 483 tons of waste were disposed at the Pikitup operated landfill sites during the period under review (October – December 2018) as compared 199 616 tons of waste disposed of in the first quarter (July – September 2018). This depicts an increase of 35 867 tons from the previous quarter of waste disposed. In October to December the landfills weighbridges were operational except for the Robinson Deep landfill. A problem was experienced in October and November regarding a faulty power cable supplying power to the Robinson Deep weighbridges. The power cable was replaced and the bridges were operational towards the end of November 2018. The outstanding tonnages will be include in the next quarter report.

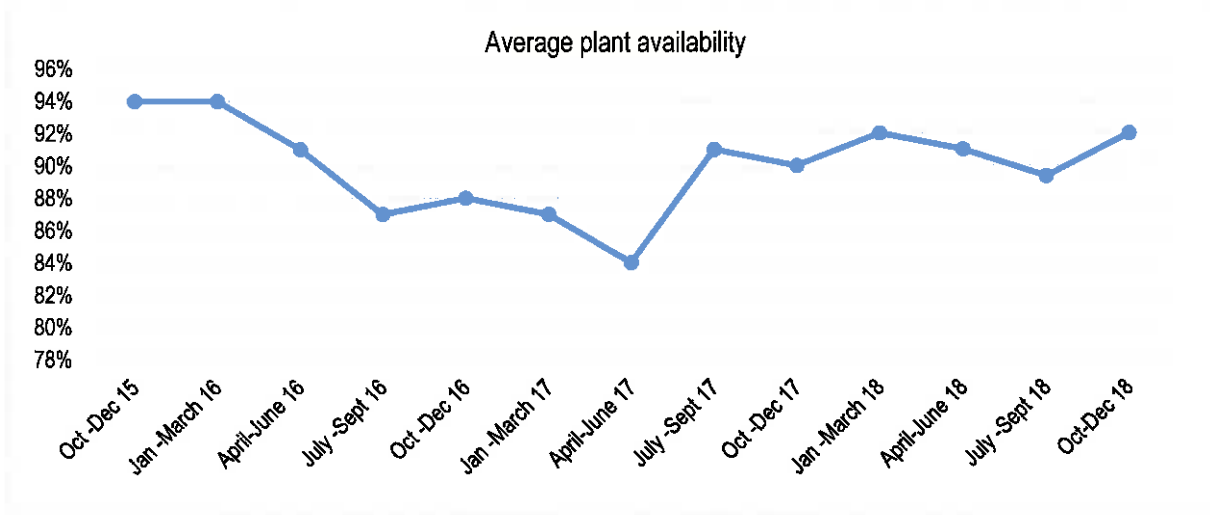
Figure 5.2.3.3: Waste disposed at the operational landfills per quarter from 2015/16 to date



5.2.3.4 Landfill plant and equipment availability

For the second quarter from October to December 2018 the availability of plant was a satisfactory with occasional breakdowns to the landfill compactors, grader and Back actor and normal maintenance. The average availability recorded for the four operating landfills was at 92%. The Figure below illustrates landfill yellow plant availability during the period under review.

Figure 5.2.3.4: Remaining Landfill Airspace

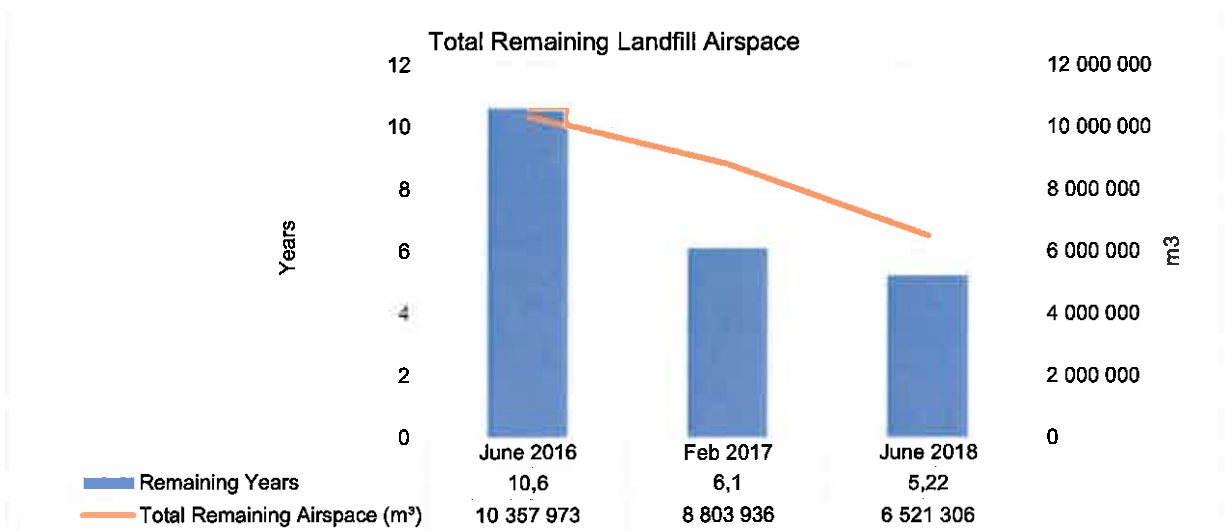


5.2.3.5 Remaining landfill airspace

The methodology used to determine the remaining airspace / lifespan entails the undertaking of physical topographical surveys of all the landfill sites on an annual basis. The outcome of the topographical surveys were compared with the weighbridge data and computed to determine the difference from the final footprint size of each site.

The data of the June 2018 survey was compared with the February 2017 data as shown in figure 5.2.3.5 below. The total remaining landfill airspace is further depicted by figure hereunder, indicating 5.22 years overall remaining as at the end of June 2018. The figure below will be updated with the results during the next landfill survey cycle in June 2019.

Figure 5.2.3.5: Remaining Landfill Airspace



5.2.4 Refuse collection fleet availability

5.2.4.1 Refuse collection fleet management

For Category C - Specialised Waste Management Fleet that comprises of Refuse Collection Round Compactors, Front End Loader Compactors, Roll on Roll off Truck and Skip Bin Lift-on's a Regulation 36 was approved for the month of September 2018 with Avis. Recently CoJ approved an extension of Avis contract till end March 2019. The BSC for the procurement of specialised waste management fleet through CoJ is in progress with five (5) scheduled meetings completed. The chairperson of the BSC committee resigned which will require reconstitution of the committee in this regard.

The A400 contract (Category A - Full Maintenance Lease – non-specialised fleet that comprises of Caged Trucks, 7 Seater panel vans, Half ton Bakkies, Wheelie Bin Transport Truck) on a 5 year contract ended 31 October 2017 and was extended to 31 March 2018; it was then again extended to 31 October 2018 on a month to month basis. The final BSC meeting was held on 26 September 2018 however the tender was placed on hold and a further Regulation 36 extension was awarded to Afrirent for a duration of 30 months.

Pikitup is currently exposed to excessive Repair and Maintenance (R&M) costs on all the old models, the extent to which R&M costs exceed what could be achieved with a new fleet. The state of Pikitup fleet is also increasing the hiring of ad-hoc vehicles contributing to the high fleet cost. Considerable savings can be achieved and contribute to the financial management plan of Pikitup, this does however require aggressive re-fleeting and a commitment to this effect. This supports the view that if Pikitup can afford to operate an old fleet it can definitely afford to operate a new fleet.

5.2.4.2 Unplanned fleet breakdowns

Due to the current fleet compliment of 124 vehicles, high volume of breakdowns and unreliability of Pikitup owned fleet, the fleet compliment is supplemented with an average of 53 ad-hoc RCR compactors on a daily basis. Major repairs on hydraulic components and transmission repairs is also replaced as and when required depended on operational requirement. Breakdowns include insurance related repairs, planned maintenance and minor repairs that occur during the day.

Table 5.2.5.2: Average breakdowns by depot per month in the second quarter

The average RCR fleet breakdowns is directly linked to the unplanned RCR overtime cost experienced at the depots as per the table below.

Depot	Activity Type	Average RCR Fleet Availability Report for the Second Quarter of 2018/19																	Total Average Downtime Hours on Col Owned RCR Compactors in the 2nd Quarter 2018/19
		Daily Planned RCR Rounds	Col Owned RCR Compactors (Active)	Un-Planned RCR Rental Compactors (Replacement)	Total Combined RCR Compactors	Planned Pickup Units Available	Average Number of Major Breakdowns & Insurance Reairs per day on Owned Compactors (in excess of 12hrs)	Daily Average Time on Major Breakdowns (Average hours = 6)	Average Minor Breakdowns per day Owned Compactors (Min of 2hrs)	Average Minor Breakdown per day (in hours)	Average Combined RCR Compactor Available per Day	Average Daily Excess / Short of RCR Compactors	Average Col Owned RCR Compactors Available per Day	Average Combined RCR Compactors Availability Achieved per Day	Total Time Spend on Minor Breakdowns in 2nd Quarter 2018/19	Total Major Breakdown Time in 2nd Quarter 2018/19			
Avalon	RCR	13	13	2	15	10	3	6:00:00	1	3:18:17	13	0	80%	94%	103:15:32	44:00:00	1:47:16:32		
Central Camp	RCR	9	10	2	12	6	5	4:00:00	1	2:59:41	8	-1	69%	90%	53:42:49	30:00:00	53:42:49		
Marlboro	RCR	13	12	3	15	9	3	10:00:00	2	3:14:41	12	-1	69%	91%	127:32:36	74:00:00	201:32:36		
Midrand	RCR	16	8	10	18	6	1	4:00:00	1	3:00:02	16	0	39%	96%	77:42:27	28:00:00	105:42:27		
Norwood	RCR	12	8	7	15	5	3	0:00:00	2	3:17:27	12	0	45%	96%	137:16:36	0:00:00	137:16:36		
Randburg	RCR	20	11	14	25	5	7	8:00:00	1	3:42:08	19	-1	24%	92%	116:36:01	55:20:00	171:56:01		
Roodepoot	RCR	19	20	5	25	15	5	0:00:00	1	2:42:50	20	1	80%	96%	68:47:07	0:00:00	68:47:07		
Selby	RCR	7	8	1	9	6	3	2:00:00	2	3:05:43	7	0	83%	94%	143:46:49	15:20:00	159:06:49		
Southdale	RCR	11	11	3	14	9	3	0:00:00	2	2:59:20	12	1	78%	98%	111:24:16	0:00:00	111:24:16		
Waterval	RCR	8	10	2	12	8	3	0:00:00	2	2:59:31	10	2	93%	99%	130:28:40	0:00:00	130:28:40		
Zondi	RCR	14	13	4	17	10	3	2:00:00	1	5:13:58	14	0	70%	97%	62:36:19	13:20:00	75:56:19		
		142	124	53	177	89	38	36:00:00	16	34:28:18	141	-1	66%	95%	1133:10:12	260:00:00	1399:10:12		

Total of 4135:22:52 hours relating to unplanned fleet breakdowns occurred in the second quarter of 2018/19

It must be noted that unplanned Round Collection Refuse (RCR) overtime is also depended on driver and loader availability. The above RCR fleet availability as well as the unplanned overtime cost will be addressed through the award of a new fleet contract. It is therefore critical that the procurement of a new specialised fleet procurement contract is expedited.

5.3 Depot and Facilities Maintenance

5.3.1 Depot maintenance and repairs projects

The maintenance and repairs projects are mainly focusing on the maintenance to access control, boundary walls, repairs to offices and security lighting at various Pikitup Sites in order to comply with the OHS Act requirement.

The Facilities Department is allocated R9 million for Repairs and Maintenance of all Pikitup sites for the 2018/19 financial year. MFMA stipulates that 8% of the Total Asset Value must be allocated for Repairs and Maintenance in the Municipality Environment. Pikitup's 8% of Asset Value is sitting at about R16 million for 2018/19 Financial Year. Therefore Facilities Department needs an additional R7 million in order to completely execute the overdue maintenance and repairs projects at the Depots, Landfill Sites and Garden Sites and to also comply with the OHS Act, Building Regulations and MFMA requirements.

5.3.2 Unscheduled facilities maintenance

The table below provides the analysis of unscheduled maintenance undertaken at various Pikitup facilities.

Work Description	Jul 2018 – Sep 2018	Oct 2018 – Dec 2018	Jan 2019 – Mar 2019	April 2019 – June 2019
Total number of faults reported	182	168		
Completed on Time	159 (87%)	143 (85%)	Pending	Pending
Not completed	23 (13%)	25 (15%)		

The uncompleted maintenance (15%) was due to the fact that most of the reported work listed on the planned maintenance projects that will be executed through the Capex service providers. Facilities department is in the acquisition stage to request the utilisation of the panel of maintenance service providers at Johannesburg Property Company (JPC) through Regulation 32 process.

5.3.3 Yard Keep

The yard upkeep budget has been transferred to Joburg City Parks for financial year 2018/19 for all Pikitup Sites. Joburg City Parks commenced with work and will continuously do grass cutting monthly through Facilities department monitoring and inspections during the 2018/19 operational period.

5.3.4 Security services

5.3.4.1 Security Surveys and Risk Assessments

During the period under review, Security Risk Department conducted a total number of thirteen (10) security surveys in various Pikitup sites. The security surveys were at Head Office and once in the following depots, namely; Avalon, Norwood, Marlboro, Diepsloot, Randburg, Roodepoort, Orange Farm, Southdale and Waterval. No Security Risk Assessments were conducted during the period as service providers forwarded their festive season Security Contingency Plan for December 2018.

5.3.4.2 Security Investigations

A total of seventeen (17) security cases were reported. Four (15) Misconducts emanated from the on-going illegal work stoppages, (01) Misuse of company vehicle and one (01) Suspected Corruption. A total of

fifteen (15) employees were suspended with pay in various depots. Thirteen employees (13) employee's suspensions were directly linked and involved with the illegal strikes/ work stoppages involving unpaid overtime as indicated below.

Table 5.3.4.2: below indicates the breakdown of cases reported and arrests effected

Year	Month	Theft	Burglary	Assault	Attempt/ Murder	Malicious Damage to property/	Arson	Bribery	Misconduct	Robbery	Arrest/s
2018	Oct	1	0	0	0	0	0	0	9	0	0
2018	Nov	0	0	0	0	0	0	0	6	0	0
2018	Dec	1	0	0	0	0	0	0	0	0	0
TOTAL		2	0	0	0	0	0	0	15	0	0

5.3.4.3 Close protection

During the quarter under review, SRM conducted four (04) close protection services

- On the 19th November 2018, SRM accompanied Operations Management Team at Waterval and Zondi management during the Ops road shows and meet and greet of the new absorbed employees, i.e. former Jozi @ Work and 2010 Absorption.
- On the 20th November 2018, SRM accompanied Operations Management Team at Waterval and Zondi management during the Ops road shows and meet and greet of the new absorbed employees, i.e. former Jozi @ Work and 2010 Absorption..
- On the 22nd November 2018, SRM accompanied Operations Management Team at Waterval and Zondi management during the Ops road shows and meet and greet of the new absorbed employees, i.e. former Jozi @ Work and 2010 Absorption.
- On the 22nd November 2018, SRM accompanied Pikitup Board Of Directors, Managing Director and MMC for the grand opening of Ash burton and Victory Park Garden Sites

5.4 Capital expenditure

The capital expenditure performance for the second quarter of the operational period being reviewed is R 27,848 million which is 29% of the total capital budget of R 96,217 million, and is 1% less than the planned second quarter target of 30%.

Refer to table 5.4 on the next page which provides a detailed capital budget performance by each project and or programme.

Item No	Contract Number	Project description	Total Project Budget	Total Expenditure at 30 June 2018	Committed Project Budget 30/06/18	Accumulative Expenditure for Q1 & Q2 - (Dec 2018)	Project Start Date	Project End Date	Months since (years)		Comply & Explain (30 December 2018)
									Yes	No	
1	PK0712017	Construction of a new guard house, access ramp and storage compartment at Standoper drop off centre.	2 770 541,11	1 000 000,00	1 770 541,11	1 770 536,74	01/05/2018	30/09/2018	Yes	Yes	The project is completed and handed over to the end-user.
2	PK062017	Construction of a new guard house, access ramp and storage compartment at of Babulane Drop off centre	2 517 251,25	-	2 517 251,25	2 517 251,25	1/7/2018	14/12/2018	No	No	The project achieved practical completion and the contractor is finalising the snag list. The final project handover will be done on the 15 January 2019.
3	PK0702017	Construction of a new guard house, access ramp and storage compartment at Aluabund Drop off centre	2 608 995,68	699 099,81	1 609 009,87	1 609 009,87	01/05/2018	30/06/2018	Yes	Yes	The project is completed and handed over to the end-user.
4	PK0672017	Construction of a new guard house, access ramp and storage compartment at Babulane Drop off centre	2 901 524,33	699 999,00	1 901 525,33	1 873 200,91	01/05/2019	14/12/2019	Yes	Yes	The project achieved practical completion and the contractor is finalising the snag list. The final project handover will be done on the 17 January 2019.
5	PU 00202016	Replacement of underground bins (USB) in the city centres	4 188 040,01	-	1 000 000,00	-	1/6/2019	30/04/2021	Yes	Yes	The consulting engineers completed the designs and tender document. The tender was advertised and is closing on the 30 June 2019. The appointment of a contractor is expected by end of March 2019.
6	TBC	Supply, delivery/offloading and installing recycling bins	1 500 000,00	-	1 500 000,00	-	1/5/2019	30/06/2019	No	No	The request to initiate tender for the appointment of service provider is expected to serve in demand management committee (DMC) during February 2019.
7	PU 0352017	Supply, delivery and offloading of bulk bins to various Pk10p depot and facilities	12 959 565,16	4 997 163,95	4 999 259,50	4 999 259,50	22/09/2018	31/03/2020	Yes	Yes	The service provider is appointed on an as and when required basis for a period of 24 months, the purchase order to the value of R 4 999 259,50 was issued to the service provider and all bins were delivered on the 29 November 2018 as per the purchase order.
8	PU 4362014-14	Construction of new offices, male and female ablution facility, heavy duty parking area and a hall at new Midrand depot.	101 811 397,10	-	2 154 341,91	1 829 910,59	1/5/2019	30/06/2022	Yes	Yes	The consulting engineers completed the designs and tender document. The procurement process for the appointment of a contractor has commenced and is at demand management committee (DMC).
9	PU 4362014-01	Consulting services for stormwater management - Robinson deep	2 829 623,78	1 988 339,13	838 464,65	563 372,42	10/03/2016	30/04/2019	Yes	Yes	The consulting engineers are busy with the construction supervision of Robinson stormwater management system and the project is expected to be completed on the 30 April 2019.
10	TBC	Supply and installation of generators for power supply back-up at four operating landfill sites and head office	1 000 000,00	-	1 000 000,00	-	1/5/2019	30/06/2019	No	No	Facility division is busy with the project specification. The request to initiate tender for the appointment of service provider is expected to serve in demand management committee (DMC) during January 2019.
11	PU4362014-012	Construction of a new hall and renovations of offices, male and female ablution block Marlboro Depot.	20 445 426,00	-	2 180 089,34	-	1/4/2019	30/06/2021	Yes	Yes	The consulting engineers completed the designs and tender document. The procurement process for the appointment of a contractor has been approved by Bid Specification Committee (BSC) and it will be advertised by mid-January 2019.
12	PU 0362017	Construction of stormwater management system in Robinson deep landfill site	8 473 843,78	2 699 890,75	5 773 849,55	3 602 475,81	15/03/2018	30/04/2019	Yes	Yes	The project is on schedule and physical progress on site is at 70% towards completion. The project is expected to be completed by 30 April 2019.
13	PU 0202016	IT hardware and software	4 000 000,00	2 000 000,00	2 000 000,00	-	1/7/2018	30/06/2019	Yes	Yes	The service provider is appointed on an as and when required basis. The procurement process to acquire hardware and server upgrades has commenced.
14	PU 0372017	Construction, upgrading and refurbishment of Southdale depot	25 127 656,29	2 500 000,00	19 627 693,29	3 750 062,40	25/04/2018	30/06/2019	Yes	Yes	The project is on schedule and physical progress on site is at 30% towards completion. The project is expected to be completed by 30 June 2019.
15	PU4372014	Consulting services for the construction, upgrading and refurbishment of Southdale depot	5 061 079,65	3 510 081,48	1 580 969,47	818 634,60	05/07/2015	30/06/2019	Yes	Yes	The consultant is busy with the construction supervision of Southdale Depot upgrade and the project is expected to be completed on the 30 June 2019.
16	PU4362014-08	Consulting services for the upgrading and facilities/backup centres at ten(10) Pk10p drop off centres	7 019 796,76	4 788 096,73	2 231 732,09	1 363 719,55	03/09/2017	30/06/2020	Yes	Yes	The consulting engineers has completed the designs and tender document. The procurement process for the appointment of a contractor has been approved by Bid
17	PU4362014-05	Construction, upgrading and refurbishment of Central Camp depot	69 003 399,00	-	2 012 763,65	1 598 840,59	1/5/2019	30/06/2022	Yes	Yes	The consulting engineers completed the designs and tender document. The procurement process for the appointment of a contractor has been approved by Bid

18	TBC	Refurbishment and additions at Springfield Drivers Academy	1 700 000,00	-	1 700 000,00	-	1/4/2019	30/06/2019	No	The consultant is busy with the designs. The procurement process for the appointment of contractor will commence in February 2019.
19	TBC	Upgrading of Avellan Depot	24 348 800,00	-	2 458 734,40	-	1/4/2019	30/06/2021	Yes	The consulting engineers completed the designs and tender document. The procurement process for the appointment of a contractor has been approved by Bid Specification Committee (BSC) and it will be advertised by mid-January 2019.
20	P14652014/18	Upgrading, construction of a new hall and wash bay at Waterfall Depot	35 000 000,00	-	2 000 000,00	1 654 773,25	1/5/2019	30/05/2021	Yes	The consulting engineers completed the designs and tender document. The procurement process for the appointment of a contractor has commenced and is expected to serve at the demand management committee (DMC) before end of February 2019.
21	P14652014/18	Rehabilitation of bascule dam, re-align of stormwater system and upgrading of boundary wall at Maria Louise	27 094 696,86	-	1 600 000,00	279 617,81	1/7/2018	30/06/2020	Yes	The consulting engineers are busy with the designs and tender document. The procurement process for the appointment of contractor will commence in March 2019.
22	TBC	Construction of Naledi boundary wall	5 000 000,00	-	3 500 000,00	-	1/4/2019	30/08/2019	Yes	The consulting engineers completed the designs and tender document. The procurement process for the appointment of a contractor has been approved by Bid Specification Committee (BSC) and it will be advertised by mid-January 2019.
23	TBC	Construction of guard house, access ramp, storage compartment and boundary wall at Protea North Drop off centre	3 238 256,16	-	3 238 256,16	-			No	The tender was advertised on the 12 December 2018 and is closing on the 21 January 2019, the contractor is expected to be appointed in March 2019.
24	TBC	Construction of guard house, access ramp, sorting facility, storage compartment and boundary wall at Phillippi Drop off centre	4 861 510,69	-	4 861 510,69	-			No	The tender was advertised on the 12 December 2018 and is closing on the 21 January 2019, the contractor is expected to be appointed in March 2019.
25	TBC	Construction of guard house, storage compartment, boundary wall and alteration of existing access ramp at Masela Drop off centre	3 257 073,82	-	3 257 073,82	-			No	The tender was advertised on the 12 December 2018 and is closing on the 21 January 2019, the contractor is expected to be appointed in March 2019.
26	TBC	Construction of new sorting facility, guard house, access ramp, storage compartment and boundary wall at Robersheim Drop off centre	4 818 848,93	-	4 818 848,93	-			No	The tender was advertised on the 12 December 2018 and is closing on the 21 January 2019, the contractor is expected to be appointed in March 2019.
27	TBC	Construction of guard house, access ramp, storage compartment and boundary wall at Hoepflei Hill Drop off centre	4 200 848,93	-	4 200 848,93	-			No	The tender was advertised on the 12 December 2018 and is closing on the 21 January 2019, the contractor is expected to be appointed in March 2019.
28	TBC	Construction of guard house, access ramp, storage compartment and boundary wall at Penny Road Drop off centre	4 800 779,01	-	4 800 779,01	-			No	The tender was advertised on the 12 December 2018 and is closing on the 21 January 2019, the contractor is expected to be appointed in March 2019.
29	TBC	Construction of guard house, access ramp, sorting facility, storage compartment and boundary wall at Cicile Road Drop off centre	7 227 178,14	-	4 985 466,11	-			Yes	The tender was advertised on the 12 December 2018 and is closing on the 21 January 2019, the contractor is expected to be appointed in March 2019.
Totals			398 891 034,74	-	96 217 000,00	27 848 466,09				

5.5 Communication and Stakeholder Management

The Communication & Stakeholder Management report covers nine topics which highlight the initiatives and activities undertaken by the department in support of the organizational objectives. These are:

1. Integrated Campaign (Mandatory Separation @ Source)
2. Media Coverage (External Communication)
3. Internal Communication
4. Stakeholder Engagement
5. Pikitup Petitions
6. Annual Customer Satisfaction Survey
7. Events Management
8. Performance of Pikitup's Online Platforms
9. Education and Awareness

During this quarter, the Communication and Stakeholder Management department executed the following activities in support of the business imperatives:

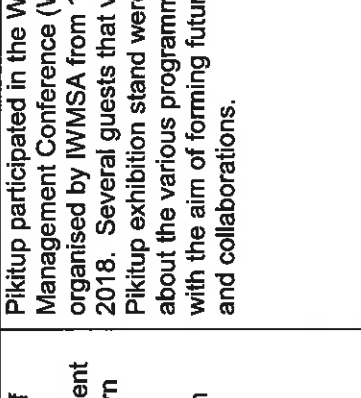
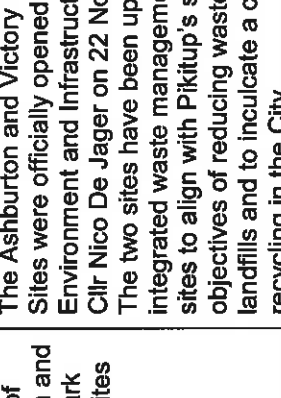
5.5.1 Ongoing communication in support of the mandatory separation at source programme


The department has been providing ongoing communication to support the mandatory Separation at Source programme launched by the City of Johannesburg and Pikitup in July 2018. During the first phase, a series of print advertisements were strategically placed in major community newspapers to create awareness and to encourage participation in the programme.

During the period under review, the department developed radio advertisements and outdoor communication to entrench the separation at source messaging further. The messaging will be published in quarter three, after the festive season clutter has subsided. In addition, 100 000 copies of the Z-Folder pamphlet containing key information about the programme have been printed and will be distributed to various stakeholders.

5.5.2 Events Management

During the period under review, the department managed and coordinated the following corporate and staff events:

Name of event	Activities/Input	Output	Evidence in pictures
1. Women's Day Function 2018	At the end of October 2018, the female employees of Pikitup were recognised and appreciated through the processing of R250 for each female employee via payroll, to mark Women's Month . These amounts were paid with the October salaries.	Recognition of the role women are making in the workplace and showing appreciation.	-
2. Institute of Waste Management of Southern Africa (IWMSA) WasteCon 2018	Pikitup participated in the Waste Management Conference (WasteCon) organised by IWMSA from 15-19 October 2018. Several guests that visited the Pikitup exhibition stand were informed about the various programmes Pikitup has, with the aim of forming future partnerships and collaborations.	Possible partnerships and collaborations	
3. Opening of Ashburton and Victory Park Garden Sites	The Ashburton and Victory Park Garden Sites were officially opened by the MMC for Environment and Infrastructure Services Cllr Nico De Jager on 22 November 2018. The two sites have been upgraded to be integrated waste management drop-off sites to align with Pikitup's strategic objectives of reducing waste going to landfills and to inculcate a culture of recycling in the City.	Inculcation of recycling culture in the city to reduce the amount of waste going to the landfills.	

<p>4. Pikitup Year End Function – 7 Dec 2018</p>	<p>A decision was taken to procure redeemable vouchers from Shoprite to mark the end of the year for the Pikitup staff. The respective year-end functions were held on 7 December 2018 at the various depots and the head office had theirs at the JHB Zoo Lake.</p>	<p>Recognition and appreciation of employees.</p>	
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5.5.3 Media coverage (external communication)

The earned media which is publicity gained through a combination of media statements and responding to media inquiries showed a significant decline during the period under review. The decline in media coverage is reflective of the relative stability in operations that Pikitup experienced during this period.

It should be noted that in the previous reporting period the huge spike in media coverage was due to the tumultuous insourcing project undertaken in the last reporting period. In the period under review, Pikitup registered 484 media mentions compared to the 1 115 media coverage experienced during the first quarter of the financial year. The total combined media coverage was comprised of the following media platforms online, print and broadcast. The total media coverage is reflected in the chart below where the yellow quadrant represents online media, the red quadrant represent print media and the green quadrant represents broadcast media.

The 27% red block represent the print coverage received during the reporting period representing 130 articles that were covered by the print media. The green block indicating an 18% coverage represent the broadcast coverage that the waste management entity of the City of Johannesburg obtained during the reporting period which represents 89 clips while the last yellow block at 55% represents online coverage which recorded 265 mentions.

The earned media share decreased in terms of the Average Value Equivalent (AVE) which denotes the amount of money that the entity would have paid had it bought media space to market and create awareness around its services. The decrease in AVE during the reporting period is in line with the decrease media exposure achieved during the reporting period. The table below quantifies the amount that Pikitup would have paid for the earned media coverage:

Medium	Clip count	Average value equivalent
Print	130	R4 665 554
Broadcast	89	R4 422 008
Online	265	R4 447 766
Total	484	R13 535 328

Community newspapers including community online channels continue to be the main carrier of Pikitup related news.

5.5.4 Internal communication

The internal communication was a mixture of good and sad news for the internal audience during the reporting period. The resignation of Pikitup's Managing Director was received with shock and sadness by the majority of internal stakeholders. However, a number of issues communicated to staff were also received positively such as the communication relating to management's approval of Pikitup's Christmas Party or end of the year function and the belated celebration of Women's Day.

The biographical information of new senior management officials who joined Pikitup during the reporting period was shared with staff members as well. The A re sebetseeng mayoral voluntary campaign continued to be communicated to internal audience with the intention to increase staff participation rates in both the staff clean-up campaign as well as the citywide clean-up campaign.

5.5.5 Stakeholder engagement

Pikitup stakeholder were engaged in order to:

- Establish new relationships;
- Enhance and strengthen existing relationships;
- Garner the support of stakeholders for Pikitup's initiatives and programmes;
- Formulate partnerships aimed at assisting Pikitup to achieve its business imperatives and mandate; and
- Implement and drive CSI programmes to enhance the image and reputation of the organisation.

The table below illustrates stakeholders that were engaged in the second quarter of the 2018/19 financial year and the outcomes of engagements:

Name of Stakeholder	Date of engagement	Purpose of engagement	Stakeholder material issues/interest	Outcome
Region G RVSD Meeting	01 Oct 2018	The purpose of the meeting was to discuss collaboration between the Transport department and the City's Entities during the Transport Month.	Pikitup's role was to engage with motorists, educate them about the dangers of littering and the role they need to play to address the challenge.	A successful awareness campaign in support of the Provincial Transport week was held. Motorists were educated on the best waste management practices.
CRUM (Region A)	04 Oct 2018	To discuss collaboration on A re sebetseng of 20 October 2018.	The Regional Director identified a clean-up spot and notified that the area is used by the waste pickers to sort their recyclables. A request was made to Pikitup to implement an education drive and educate the waste pickers about the best waste management practices.	A successful A re sebetseng campaign was effected on 20 October 2018. Pikitup partners, the Green Development Foundation and Mix FM participated in the clean-up.
Phambili Recycling Company	04 Oct 2018	To explore possible partnership on recycling.	The Stakeholder required a letter to be written to the Independent Development Corporation confirming that they have previously done business with Pikitup	Pikitup declined to write the letter of confirmation on behalf of Phambili Recycling Company as the organisation has never done business with them before.
Regional Visible Service Delivery	01/10/2018 09/10/2018	To provide feedback on Pikitup's service delivery issues	The Regional Director requested that communication with the residents on the status of the	The meeting accepted Pikitup's input on service delivery issues. Concerns raised by stakeholders were noted and referred to the

Regions A, B, C, E	25/10/2018		Ballyclaire garden site be consistent and regular.	relevant Regional Managers for their attendance.
Sports Trust	30 Oct 2018	To establish a relationship and explore the possibility of formulating a partnership between Sports Trust and Pikitup that will see the two organisations working together on eradication and refurbishment of illegal dumping sites.	Funding for the refurbishment of the illegal dumping sites.	The Sports Trust indicated that they cannot fund the refurbishment of illegal dumping as they do not have the funding. Pikitup to seek funding and Sports Trust will collaborate on the permanent eradication of the illegal dumping sites.
Somelulwazi Primary School	07 Nov 2018	To make a request to implement Pikitup's 1st CSI Day at the school	The school proposed that Pikitup builds them an assembly point i.e. shelter	The Head Master gave permission to Pikitup's to host its 1st CSI Day at the school. The event took place at the school on 16 November 2018.
Engen Petroleum	12 Nov 2018	To discuss Engen Petroleum's 25 years anniversary and the clean-up campaign they wanted to undertake.	Contaminated river due to sewer flowing into the river. The Stakeholder raised concerns about the lack of a permanent solution to address the Jukskei river. They highlighted their willingness to collaborate with the City of Johannesburg to come up with lasting solutions.	Engen Petroleum proposed to celebrate their 25 years anniversary by giving back to the community. Cleaning of the Jukskei river was identified as a project that Engen can undertake. The date of the clean-up was set to 06 December 2018.
Polystyrene Association of South Africa	13 Nov 2018	To discuss the possibility of a joint venture on CSI initiatives.	Pikitup and Polystyrene SA will explore other areas of collaboration,	Pikitup was referred to the Sweetheart Foundation to discuss a partnership on CSI

				i.e. empowerment of women in recycling	<p>initiatives. Pikitup will supply seventy thousand plastic bottle caps in exchange for wheelchairs which will be donated to needy communities in January 2019.</p> <p>The 1st CSI Day was held successfully at Somelulwazi Primary School in Freedom Park.</p> <p>The learners were educated on environment and waste management best practices.</p> <p>City Parks donated 20 trees which were planted at the school.</p> <p>Qhubeka donated five bicycles for the school. These bicycles will be used by the school's eco-rangers to monitor littering and illegal dumping in and around the school.</p>
Somelulwazi Primary School City Parks Qhubeka	16 Nov 2018	Pikitup CSI Day		<p>The school requested Pikitup to build a shelter that will be used as an assembly for the learners.</p> <p>Engen requested that the sewer spillage that flows into the river be fixed so that on the day of the clean-up the river is cleared of the inputs from the sewer.</p>	<p>A plan of action was developed</p>
Engen Petroleum	19 Nov 2018	To finalise plans for the Jukskei River Clean-up		<p>CCBSA is interested in intensifying the mandatory separation @ source programme.</p>	<p>An agreement was reached that CCBSA and Pikitup will partner through merging of the two programmes i.e. war on waste and the mandatory separation @ source. Discussions</p>
CCBSA	19 Oct 2018	To discuss a partnership on the mandatory separation @ source. CCBSA is running a war on waste campaign. Therefore the two initiatives have similarities and require joint effort			

			to drive them. A partnership will ensure greater impact on Pikitup's programme i.e mandatory S@S.		will continue in January 2019. A plan of action will be developed and implemented.
Waste Pickers Team	21 Nov 2018	To discuss the registration of Waste Pickers.	The Waste Pickers raised concerns about the slow pace at which the registration process is moving.		It was agreed that the Waste Pickers' registration will commence in February 2018 at the Goudkoppies landfill site.
Road Accident Fund (RAF)	27 Nov 2018	To discuss areas of collaboration pertaining the waste pickers.	Inability to identify next of kin of the Waste Pickers as they do not carry identity documents. RAF has difficulty in identifying them or finding their next of kin.		The RAF will issue reflective jackets to the Waste Pickers on the registration day. An agreement was reached that a Memorandum of Understanding will be entered into between Pikitup and the RAF. The areas of collaboration will include: (i) Waste Pickers' registration (RAF will provide reflective jackets and bag tapes). (ii) Advanced defensive driving for Pikitup's Truck Drivers. (RAF has offered to train Pikitup's Truck Drivers on defensive driving)
Green Development Foundation (GDF)	03 Dec 2018	To discuss and plan programmes for 2019.	GDF would like to formalise its relationship with Pikitup		An agreement was reached that a Memorandum of Understanding between GDF

					and Pikitup be entered into with clear areas of collaboration and timelines.
Ergen Petroleum Shomang Women's Development Initiative Alex News	06 Dec 2018	Clean up of the Jukskei river	Jukskei river requires a sustainable plan that will result in a permanent solution	Ergen assigned 60 employees who participated in the clean-up. The clean-up was done in collaboration with 75 women from Shomang Women's Development Initiative as well as Pikitup employees which included the Marlboro Depot staff members.	
Inkateko Project Centre	10 Dec 2018	To conduct a due diligence for the 2 nd CSI Day.	The centre requires land to build a much bigger home for the children.	The CSI Desk was not satisfied with the manner in which the home is run.	
Leratzong Joy for one Foundation	10 Dec 2018	To conduct a due diligence for the 2 nd CSI Day.	The Foundation would like to collaborate with Pikitup on coaching and mentorship programmes.	The owner of the centre requested that we find an alternative home to donate to as they have enough foodstuff.	
Amazing Grace Children's Home	11 Dec 2018	To conduct a due diligence for the 2 nd CSI Day.	The Children's Home requires more funding in order to be sustainable	The 2 nd CSI Day was held at the children's home. The food items that were collected from Pikitup's employees were donated to the home.	
Amazing Grace Children's Home	13 Dec 2018	To hand-over the donated food items to the children's home.	The Children's Home requires more funding in order to be sustainable	The hand-over event was successfully held. Children were also educated about the environment and waste management	

5.6. Performance of Pikitup's online platforms

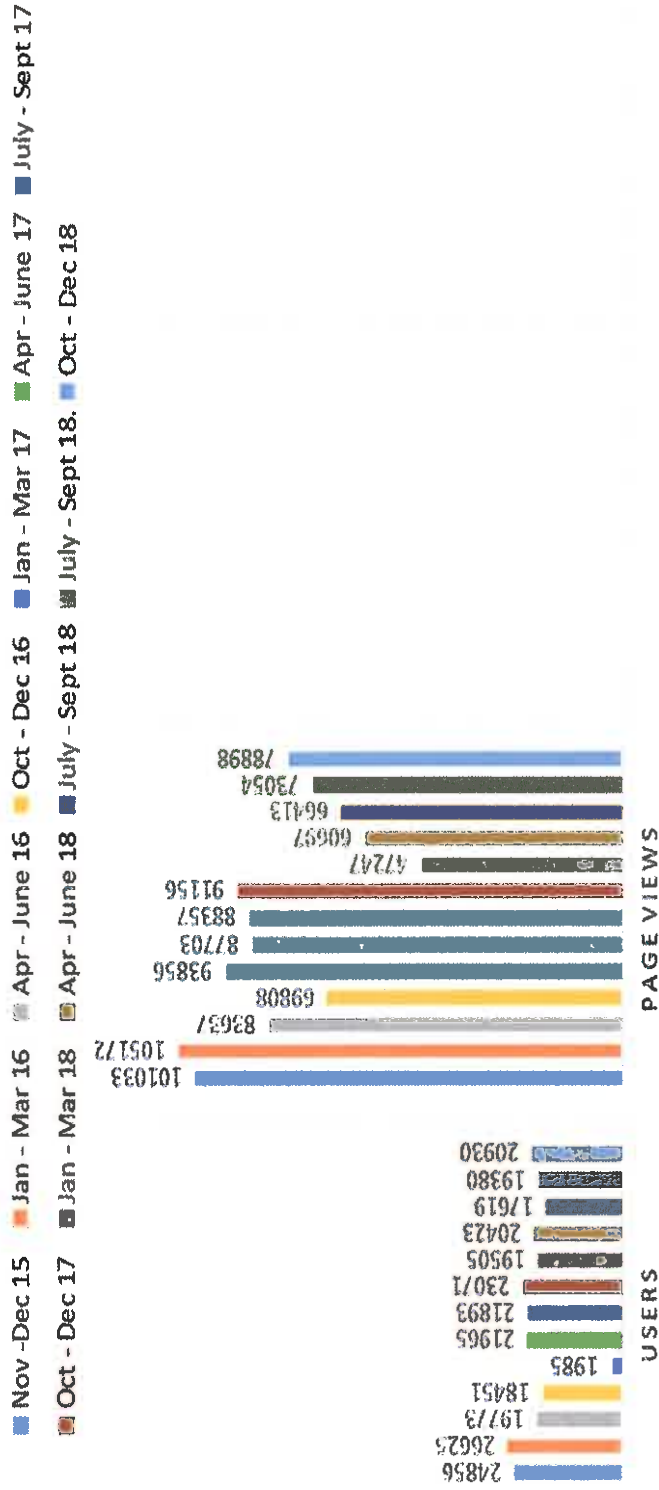
5.6.1. Website statistics (www.pikitup.co.za)

During the period under review, the site recorded 20 930 visitors compared to 19 380 recorded in the last quarter and 78 898 page impressions compared to 73 054 recorded in the previous quarter. The main activities that happened in the website over the period were the uploading of tenders, requests for quotations and community notices and adverts.

The average user spends an average of 2 minutes on the website. This is an indication that the site is easy to navigate and users get the information they require.

Chart 5.6.1: Website statistics from the website re-launch (November 2015) until December 2018

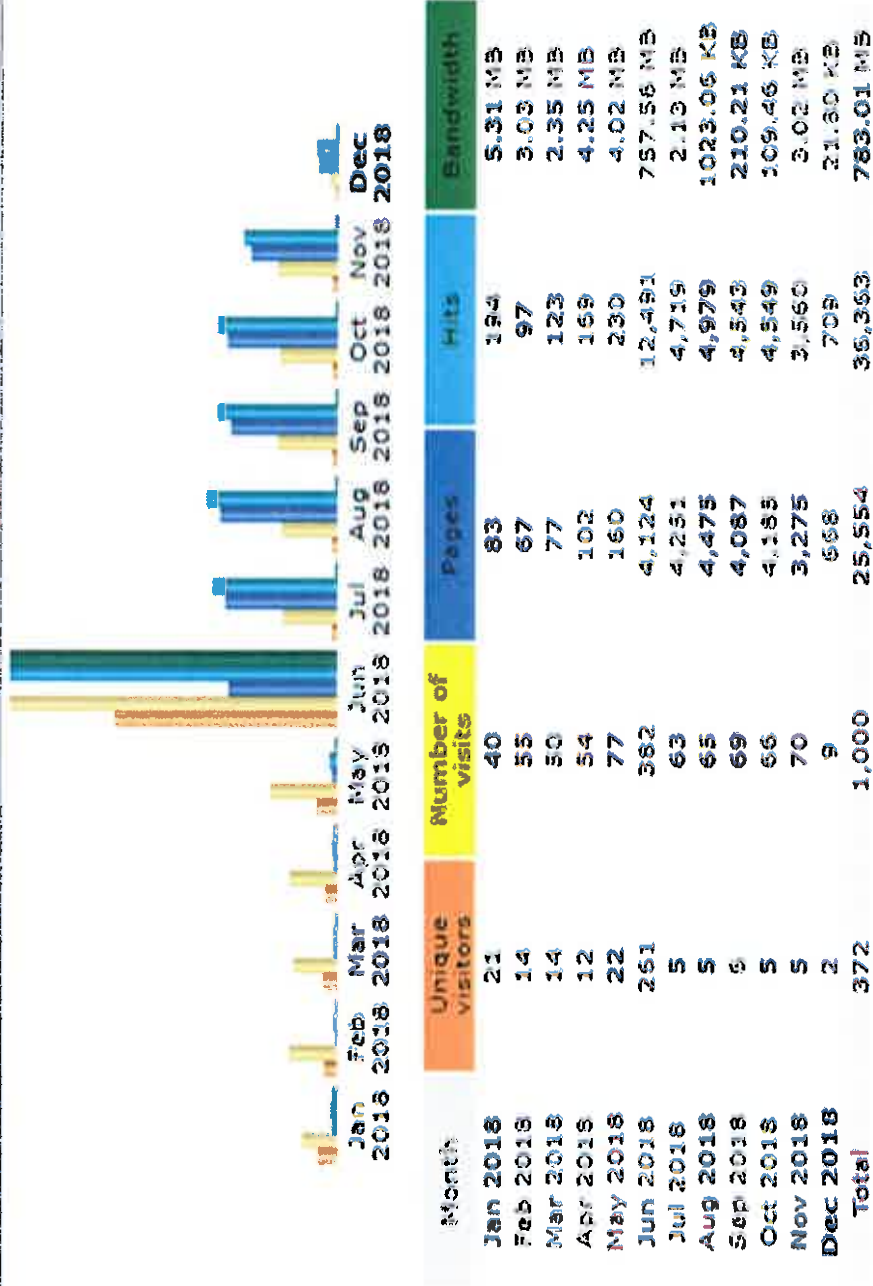
USERS COMPARISON: NOV 2015 - DEC 2018



5.6.2. A re sebetseeng website statistics (www.aresebetseeng.co.za)

During this quarter, Pikitup finally took full ownership of the A re sebetseeng website from the service provider. Both the website and the content for A re sebetseeng are now managed internally. Key activities that happened in the A re sebetseeng website this quarter were the promotion and loading of important information for the monthly A re sebetseeng clean-up campaigns. The A re sebetseeng monthly statistics from January 2018 to December 2018 are indicated graphically below:

Monthly history

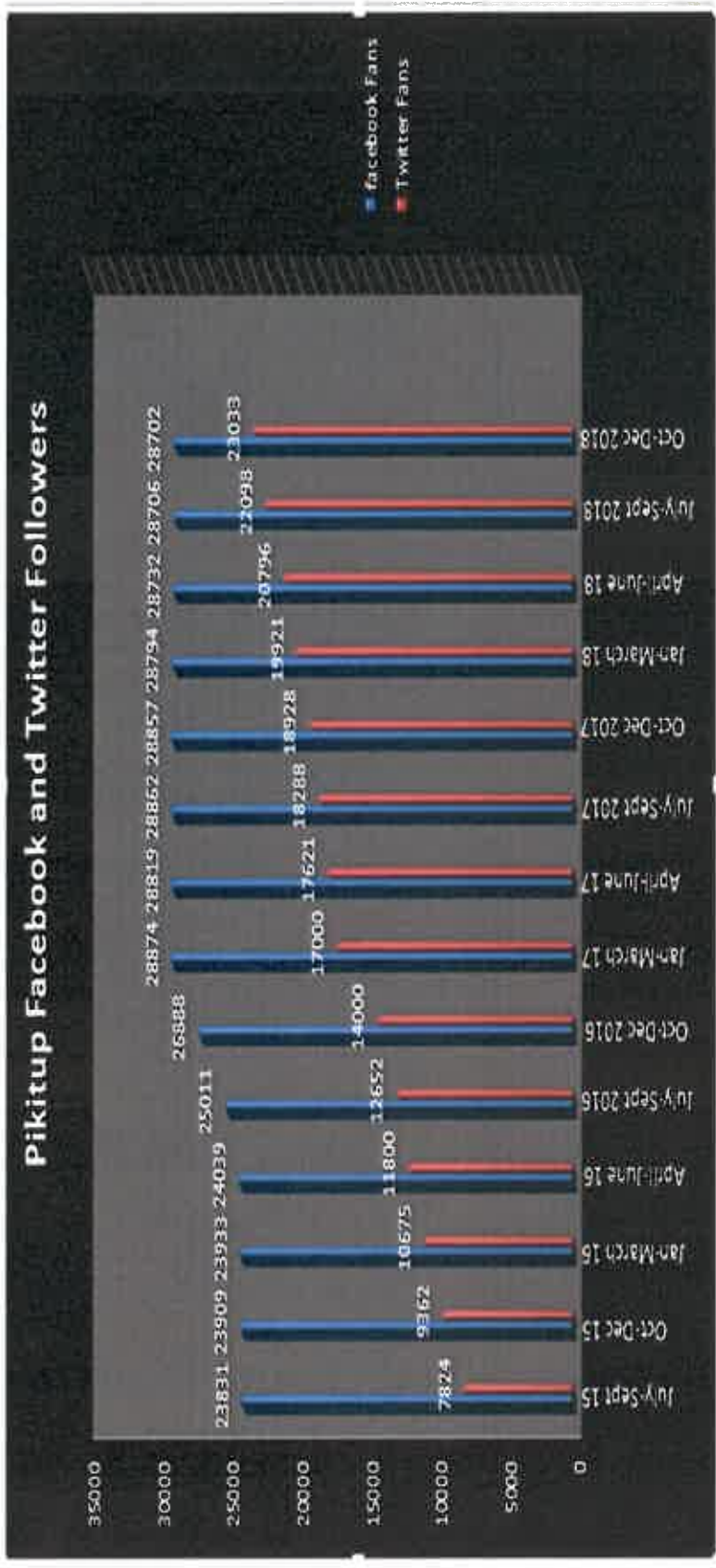


5.6.3. Social media statistics

Facebook fans are currently sitting at 28 702, indicating a drop of 4 followers from the previous quarter. The global trend is that Facebook is slowly declining and is being overtaken by Twitter. Our Twitter followers are 23 033, an increase of 935 followers from the last quarter.

Most of Pikitup's social media traffic originates from Twitter. Some of the activities/posts that happened during this quarter include Pikitup advertorials for the A re sebtseeng monthly clean-ups in partnership with Global Citizen, WasteCon 2018, the re-opening of refurbished garden sites and updates on refuse collection. When it comes to complaints received via social media platforms, CSM continuously work with the Operations and Customer Services department to resolve the complaints and to communicate back to the audience. Social media statistics from July 2015 to December 2018 are depicted below:

Figure 5.6.2: Pikitup social media statistics (July 2015 – December 2018)



5.6.4. Corporate social investment (CSI)

Inception of the CSI Desk

The Board Sub-Committee for Social & Ethics (SEC) requested the Communication and Stakeholder Management Department (CSM) to investigate and propose how CSI can be undertaken by the organisation. A desktop research to ascertain the relevance or the practicability of the concept CSI within the local government sphere, in particular Pikitup, was undertaken. The proposal was tabled at Board and approval was granted that a CSI Desk be established. The SEC requested that three CSI projects be undertaken per quarter. Below is a review of the quarter that was:

CSI DAY- Somelulwazi Primary School, Freedom Park

On Friday, 16 November 2018, Pikitup in collaboration with its partners, held its first CSI Day at Somelulwazi Primary School in Freedom Park. Led by the SEC Chairperson, Ms Bogatsu, Pikitup employees together with the Life Changers women's co-operative planted 20 fruit trees which were donated by our sister entity City Parks. Food and Trees for Africa contributed herbal plants and gardening tools such as hose pipes and shovels to the school. Qhubeka, an NGO involved with environmental management among other things, provided 5 bicycles which will be utilised by the school's Eco-Rangers to patrol and guard against pupils who litter inside and outside the school premises. Our Education and Awareness Officers were also in attendance, educating the learners about the importance of recycling and waste management best practices.



Pic 1: (Pikitup Board Member, Ms.Bogatsu with Shahad from Qhubeka and Principal Nishangase from Somelulwazi Primary School)



Pic 2: (Mam Mary from the Life Changers Women's Co-operative with a learner)



Pic 3: (Principal Nshangase together with Ms. Bogatsu, planting trees)



Pic 4: The Pikitup Team with learners from Somelutwazi Primary School

Festive Season Charity drive- Amazing Grace Children's Home

The CSI Desk had its Festive Season Charity Drive Handover event on Thursday, 13 December 2018 at the Amazing Grace Children's Home in region G, South of Johannesburg. Pikitup (Head Office) employees donated non-perishable food items such as tinned food, maize meal, flour and rice. We were able to collect a substantial amount of groceries for this worthy cause and donated them during a hand-over ceremony at the children's home. Over and above the hand-over of groceries, the CSM Team together with Ms. Bogatsu interacted with the children and planted 20 fruit trees which were donated by one of our partners, The Green Development Foundation. The Charity Drive was a huge success.

Report in pictures:



Pic 5: Groceries collected by Pikitup Head Office Staff for the charity drive



Pic 6: More Groceries collected by employees



Fig 7: Pikitup employee, planting a fruit tree

Partnership with the Sweethearts Foundation

The Sweethearts Foundation allows passionate South Africans to uplift the lives of less fortunate people in our communities. Together with the support of corporates, schools and volunteers, the Sweethearts Foundation provide wheelchairs to those in need through the Tops & Tags initiative where plastic bottle tops and bread tags are recycled in exchange for wheelchairs. Pikitup staff at Central Camp and Waterval Depots have generously given approximately 70 000 plastic bottle caps to the CSI Desk. These plastic bottle caps will be donated to the foundation early in 2019 in exchange for wheelchairs. The wheelchairs will be donated to various old age homes within our regions.

Report in pictures:



Fig 9: Hessian bags filled with plastic Bottle Caps for the Wheelchair Drive




Fig 8: CSM team with children from Amazing Grace Children's Home

5.6.5. Education and awareness

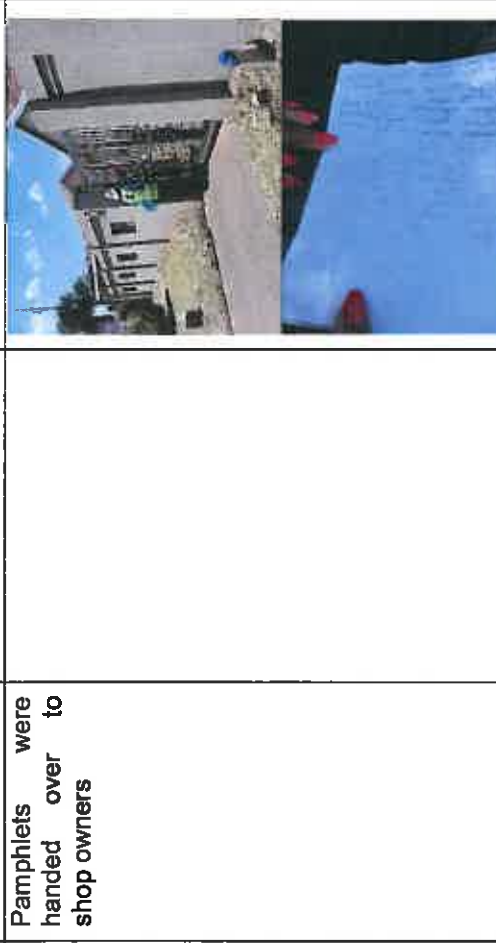
A number of activations in support of the Mandatory Separation at Source and cleanliness took place in this quarter and they include: Environmental Education and Awareness in schools, Environmental education awareness training for Community members, Cooperatives, Managers of Jozi Housing Network, Domestic workers, training of insourced employees, and A Re Sebetseng:

Name of event	Activities/Input	Output	Evidence in pictures	Impact/Commitment
<p>1. Presentations on Environmental Education and Awareness on Mandatory Separation@Source</p> <p>were done to the following schools with about 6544 learners and over 100 teachers benefitting: Somelulwazi Primary (1685`), Welimazibuko Primary School (500), Elridge Primary School (1200), Orange Grove Primary(730), Motheo Primary School and Rose Neath Primary (860) and Amazing Graze (26 Children)</p>	<p>Pikitup embarked on individual schools visits in assemblies and classrooms presentations in the quest to help raise the necessary level of environmental consciousness in order to reduce the amount of waste that normally ends up in the landfill sites and streets</p>	<p>Due to exams, only a total of 7 Schools benefitted from open and structured class room presentations on proper waste management and recycling as well as its benefits. About 6518 learners and over 100 teachers benefitted from Pikitup's class and public addresses while over 6518 leaflets promoting recycling and red cards discouraging people from illegal dumping were distributed.</p>		<p>Both learners and Teachers from all the schools committed to help reduce the amount of waste that go to landfill sites by recycling.</p>

			 	
<p>2. Community and Employee Awareness training on proper waste Management and Mandatory Separation@Source sessions were held for the following: 4 garden sites attendants at the following Garden sites: Circle Crescent in Eldorado Park Extension 5, Philipi in Eldorado Park Extension 4, Leo in Ennerdale Extension 1 and Zakariya in Zakariya Park, the purpose of visit are as follows: To promote good housekeeping, check if the recyclables are not kept in premises for more</p>	<p>All training sessions took the form of classroom presentations and public addresses</p>	<p>All people benefitted from the presentations on waste and mandatory Separation@Source.</p>		<p>All the beneficiaries committed to help Pikitup to minimize waste that is supposed to go to the landfill sites. Furthermore, communities committed to get involved in recycling.</p>

than two weeks, to encourage the garden site attendants to report the overflowing of skip bins, to check if the employees are not exposed to hazards on sites, to encourage employees to wear their PPE at all the times, to encourage garden sites attendants, security officers and the co-op to work as a team and report any danger that they might be exposed to. Furthermore more training sessions were done to the following Coops: Siyaphumelela Projects, Itsoseng Women's Project, P.J.Metal, K.Roopa, Eco-Generation Collective DADS, Training of hawkers at Kerk, Noord and Twist streets, Training of the members of the Reclaimers Association, Training of Ward 104 Committee members, Training of CID Forum managers on Separation@Source, Training of 200 Dunkeld West and 30 Houghton Domestic workers as well as **Training of EPWP Casuals**



	Pamphlets were handed over to shop owners			All the people spoken to, pledged to be responsible in managing their waste.
<p>3. Door to Door campaigns in promotion of Mandatory Separation@Source were conducted in the following areas: Vorna Valley, Betrams, Yeoville, Melrose, Zakariya Park; Lenasia South Extension 1, 2, 4 and 7; Lenasia Extension 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11A, 11B and 13. Registers were used for each and every household to sign as a proof of visit. Blue recycling bags from Dikala and pamphlets were also given to residents. Other door to door campaigns took place in Santa where 70 houses were targeted, Diepkloof Zone 2 - 8 Spaza shops and 50 Houses were visited and Mandatory separation at source were introduced with more than 50 pamphlets distributed (CRUM and Pikitup worked in collaboration</p>				

					
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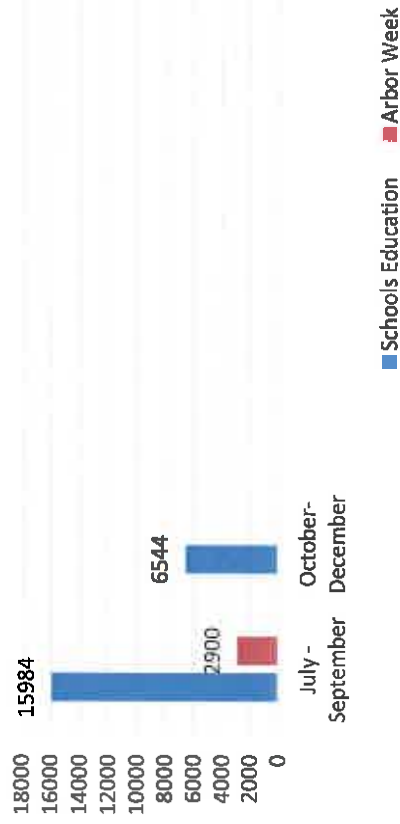
<ul style="list-style-type: none"> • Education in support of A RE SEBETSENG took place at Norwood and CBD. The Education and awareness campaign targeted shops, Flats and buildings in the Inner City. Over 400 leaflets promoting recycling and over 400 red cards discouraging people from illegal dumping were distributed to over 500 people. 	<p>In support of keeping up with required level 1 standard of cleaning in the City, the Education section raised awareness on the dangers of illegal dumping in Norwood, Avalon and Orlando West.</p>	<p>Over 1200 people and school children benefited from the education and awareness raising of Pikitup on the dangers of illegal dumping</p>		<p>Communities realized the importance of keeping the environment clean and have committed to help Pikitup reduce illegal dumping spots in their areas.</p>
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In total, Pikitup managed to reach out to **6544** learners in the 2nd quarter, October – December 2018 raising awareness on proper waste management and the Mandatory Separation@Source. This was done through individual schools visits. Most of the schools were busy with exams.

Figure 5.6.3: Number of schools visited during the period under review

Schools Education & Awareness Campaign



5.7. Service Standards

The table below presents the progress made against service level standards as at end of the second quarter 2018/19. The performance for the period under review provides the report on the turn-around times of complaint lodged during the quarter as agreed with the shareholder in terms of Service Level Agreement.

Table 5.7: Performance against service level standards 2018/19 Second Quarter

Service Level Indicators (KPI)	Alignment to Pikitup KPIs	Service Level Standards (Turnaround time)	Quarter	Target	Achievement	Variance Comments	Timeline Commitment to ensure 100% Resolution
1. Collecting domestic waste	Refer to programme 3, KPI 1 in the SDBIP	7 days 100%	1	100%	Achieved 99%	Due to a number of breakdowns, depot blockade, and depots had to complete RCR over week-ends.	We hoping to achieve 100% in the second quarter now that legacy issues in relation to absorption and insourcing have been addressed.
			2	100%	75%	There was no collection on Christmas Day	All backlogs of bin collection will resolved by mid-January 2019.
			3	100%			
			4	100%			

Table 5.7: Performance against service level standards 2018/19 Second Quarter

Service Level Indicators (KPI)	Alignment to Pikitup KPIs	Service Level Standards (Turnaround time)	Quarter	Target	Achievement	Variance Comments	Timeline Commitment to ensure 100% Resolution
2. Collecting of general business waste	Refer to programme 3, KPI 1 in the SDBIP	7 days 100%	1	100%	Achieved 99%	Due to a number of breakdowns, depot blockades, and depots had to complete RCR over week-ends.	We hoping to achieve 100% in the second quarter now that legacy issues in relation to absorption and insourcing have been addressed.
			2	100%	100%		
			3	100%			
			4	100%			
3. Collecting putrescible waste (wet waste)	The process for creating a specific KPI for this standard is underway with the relevant programme owners, however in the interim a monitoring process to manage this standard will be incorporated within the CRM SAP based process	Daily and 6 times per week 100%	1	100%	96.5%	The variance was due to non-availability of vehicles during the 1 st quarter.	We hoping to achieve 100% in the second quarter.
			2	100%	97%		
			3	100%			
			4	100%			
4. Cleaning of illegal dumping spot	Refer to programme 3, KPI 4 in the SDBIP	Within 7 days of logged call	1	7 days of logged call	De-crease of tonnages at variant increase month by month	We hoping to improve in the next quarter	We hoping to improve in the next quarter
			2	7 days of logged call	De-crease of tonnages at variant increase month by month		
			3	7 days of logged call			
			4	7 days of logged call			
5. Removal of animal carcasses	Refer to programme 5, KPI 7 in the SDBIP	Within 48 hours of logged call	1	48 hrs of logged call	100%	The target was met.	
			2	48 hrs of logged call	100%	Target met.	
			3	48 hrs of logged call			

Table 5.7: Performance against service level standards 2018/19 Second Quarter

Service Level Indicators (KPI)	Alignment to Pickup KPIs	Service Level Standards (Turnaround time)	Quarter	Target	Achievement	Variance Comments	Timeline Commitment to ensure 100% Resolution
6. Delivery of an ordered Skip bin by customer	Refer to programme 5, KPI 7 in the SDBIP	Within 24 hours of logged calls	4	48 hrs of logged call			
			1	24 hrs of logged call	22%	We have not achieved this target due to shortages of stock.	We expecting bin delivery within the second quarter.
			2	24 hrs of logged call	100%	Target met.	
			3	24 hrs of logged call			
			4	24 hrs of logged call			
7. Delivery of new or replacement wheele bins (240) ordered by customer	Refer to programme 5, KPI 7 in the SDBIP	Within 7 days	1	7 days	44%	We have not achieved this target due to lack of vehicle availability as result of breakdowns and not able to timeously source replacements	December 2018
			2	7 days	9%	Shortage of bin stock	In January the bin management contract will be reviewed.
			3	7 days			
			4	7 days			
8. Collecting of refuse bags on the curbside	Refer to programme 3, KPI 1 in the SDBIP	48 hrs, 100%	1	100%	98% - street cleaning as per schedule	Steady increase of street cleaning tonnages	We hoping to improve in the next quarter
			2	100%	90%	Non collection on Christmas day, as residents placed bags on the pavements.	All backlogs of bag collection will resolved by mid-January 2019.
			3	100%			
			4	100%			
9. Households in informal settlements including backyard shacks	Refer to programme 3, KPI 2 in the SDBIP	Within 7 days of logged call, and collection immediately	1	7 days	Cleaning as per schedule and		Continue to clean as per schedule and meet the turnaround time.

Table 5.7: Performance against service level standards 2018/19 Second Quarter

Service Level Indicators (KPI)	Alignment to Pikitup KPIs	Service Level Standards (Turnaround time)	Quarter	Target	Achievement	Variance Comments	Timeline Commitment to ensure 100% Resolution	
(bag/bin/skip) /hostels (skips) receiving refuse removal services			2	7 days	Cleaning as per schedule and have met the turnaround time		Continue to clean as per schedule and meet the turnaround time.	
			3	7 days				
			4	7 days				
			1	monthly	100%	We have met the target		
10. Bulky waste collection (on call)	The process of developing a KPI and measurement methods for this standard is underway with the relevant programme owners, Pikitup will continue to provide the services and collect information on a monthly basis.	Once a month	2	monthly	100%	Target met.		
			3	monthly				
			4	monthly				
			1	72 Hours of complaint being logged	89%	We have not met the target due to no stock availability of bins.	We expecting bin delivery within the second quarter.	
11. Resolution of complaints	Refer to programme 5, KPI 7 in the SDBIP	Acknowledge and respond within 72 hours of complaint being logged	2	72 Hours of complaint being logged	9%	Unavailability of bins resulted in the target not being met.	Orders for new bins will be addressed in the beginning of the 3 rd Quarter.	
			3	72 Hours of complaint being logged				
			4	72 Hours of complaint				

Table 5.7: Performance against service level standards 2018/19 Second Quarter

Service Level Indicators (KPI)	Alignment to Pikitup KPIs	Service Level Standards (Turnaround time)	Quarter	Target	Achievement	Variance Comments	Timeline Commitment to ensure 100% Resolution
		Resolution within 5 working days of logged call	1	5 working days	89%	We have not met the target due to no stock availability of bins.	We expecting bin delivery within the second quarter.
			2	5 working days	9%	Unavailability of bins resulted in the target not being met.	Orders for new bins will be addressed in the beginning of the 3 rd Quarter.
			3	5 working days			
			4	5 working days			

5.8. Service Delivery and Budget Implementation Plan (SDBIP)

The following table depicts the key performance indicators (KPIs) for the 2018/19 operational period as approved during the business planning process. Comments are made on areas where there is a variance between the target set and the actual performance as well as proposed action plans to address the gaps and ensure that the targets are met in following review period.

Of the twenty one (21) KPIs measured in 2018/19, it is however reported that eighteen (18) of the KPIs are being measured in the operational period under review, 9 (50%) were achieved, 9 (50%) were not achieved. The three (3) remaining, i.e. Clean Audit assessment, awaits the Auditor General of South Africa (AGSA) external audit to be concluded in November 2019 and the results of the independent Annual Satisfaction Survey of the Pikitup service offering awaits the results of an Independent Assessor's survey as well as the results of the Independent Environmental Audits of the landfill sites will be available at the end of June 2019.

Table 5.8.: Performance against Institutional SDBIP

6. Human Resource Management

6.1 Introduction

The Department of Human Resources at Pikitup intends repositioning itself over the next few years towards a culture of excellence in the full spectrum of its activities from routine transactions through to strategic and compliance partnering and consultancy.

In late 2018 the department started the process of self-reflection analysis, diagnosis, research and design to address a multitude of structural and competency issues. In this regard the leadership of the Department is committed to providing state-of-the-art, leading human resources services, approaches and practices through structured and systematic planning with an emphasis on meeting stakeholder expectations.

During the build-up to Quarter 2 the department has undergone major turbulence with leadership characterised by protracted acting appointments. To exacerbate this situation, the HR department played a central role in leading major change projects including absorption, insourcing, transfers, development of a new establishment and dealing with labour unrest. Quarter 2 was accordingly a period of consolidation to tie up these processes.

Going forward, structural, quality and competency matters are a key concern, equally important is the operating context with non-compliant, outdated policies, cumbersome and bureaucratic processes and systems, multiple layers of decision-making and resistance to change, being major obstacles. Another serious concern relates to the hostile operating environment for HR leading to ongoing demotivation within HR teams.

The department looks forward to COJ driven transformation projects which include electronic enhancements for leave and performance management. The policy review process will also commence in earnest in 2019.

In addition it is hoped that the GMs will be appointed early in 2019 to help stabilise the department and that the Talent Acquisition Department will be operational to ease the financial burden of outsourcing recruitment and selection.

6.2 Overall staff demographics

Table 6.2: Employment demographic profile during the operational period under review

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top management	2	0	0	0	1	0	1	1	5
Senior management	5	1	1	2	3	1	0	0	13
Professionally qualified	32	4	2	8	33	3	1	1	84
Skilled technical	85	8	0	7	90	4	2	1	197
Semi-skilled	345	11	0	0	111	0	0	1	468
Unskilled	2 138	13	1	0	2 590	14	0	0	4 756
Permanent employees	2 602	36	3	17	2 826	21	3	3	5 511
FTC employees	5	1	1	0	2	1	1	1	12
TOTAL EMPLOYEES	2 607	37	4	17	2 826	22	4	4	5 523

6.3 Staff movement

6.3.1 Recruitment, selection and appointments

The process of developing a new staff establishment commenced in 2017 and was finalised in July 2018. Based on budget availability, thirty seven positions on the new establishment were identified as critical vacancies and released for filling on 10 October 2018. In terms of paragraph 7 of the Pikitup Recruitment and Selection Policy only posts at D2 and above may be advertised concurrently, internally and externally. All other posts must be advertised internally first. Accordingly six positions at the level of D2 and above were advertised externally in the Sunday Times on 18 November 2018 and 28 posts were advertised internally. An additional three qualifying posts were submitted to the MD for approval for concurrent advertising.

In addition 219 posts were advertised to the 1 162 members of staff who acted in these posts. There were therefore 256 vacancies in Quarter 2, most of which have now been advertised.

Currently the HR department does not conduct in-house recruitment and selection and external service providers are utilised for all vacant posts. The cost of the latter is not justifiable in the long term and the request to appoint qualified HR staff to manage recruitment and selection internally is before the HRRC on even date. This will result in cost savings but will also allow for more rapid turnaround times.

The HR department is at an advanced stage in the process of securing a service provider through Supply Chain Management to finalise the recruitment processes but at this stage there are budget constraints and a solution must be found.

In Quarter 2 the processes for the appointment of the Executive Manager HR, Executive Manager Legal and Compliance, CFO and the General Manager Supply Chain Management were concluded and three appointees have commenced work. All three of these appointees are Black females (2 African and 1 Indian). The process for appointment of the CFO is at an advanced stage. The vacant Managing Director post will also be advertised in 2019.

In addition 702 EPWP appointments were made for festive season leave replacements and to cover the third shift. An additional 202 EPWP appointments were approved for Kya Sands for 2 January 2019 - 1 February 2019. In 2019 more permanent solutions must be found particularly for the 'third shift' and Kya Sands. This will have to be included in the review of the Staff Establishment for Operations.

6.3.2 Acting appointment regularisation process (1 162 Process)

The process of filling certain vacant positions through the database of "1 162" pre-identified employees who were previously appointed in acting positions has commenced with the advertisement of fifteen vacancies (219 posts). Some of the positions previously earmarked for filling using the 1 162 database have since been withdrawn as there is no operational need to justify filling these vacancies at this stage.

The adverts were circulated only to employees on the 1 162 database. The qualifying staff were advised of the HRRC and Board resolution wherein it was stipulated that whilst the minimum qualification requirements would be relaxed to allow them to compete for the position, if successful they would nevertheless be contractually bound to obtain the relevant qualification within a stipulated timeframe, failing which their services would be terminated. This was challenged by employee representatives pursuant to the circulation of the adverts, claiming that the stipulation was too onerous. It was nevertheless resolved through the intervention of the MD and all parties are in agreement that: the stipulation is per the Board resolution; is reasonable given the exceptional nature of the concession and further that affected employees would subject to budget availability, participate in the RPL process.

The process of appointing a service provider/s to facilitate the recruitment process is in progress using the Supply Chain Management process.

Table 6.3.2: Vacancies for 1 162 database of staff

Position Name	Number of vacancies	Grade
Garden Site Attendant	7	B2/T5
Switchboard Operator	4	B2/T5
Customer Support Clerk	6	B3/T6
Monitoring and evaluation officer (Team Leader)	46	B3/T6
Driver	85	B4/T7
Store Administrator	5	B4/T7
Time Keeper	2	B4/T7
Administration Support	7	C2/T10
Assistant Transport Controller	2	C2/T10
Environmental Education Officer	7	C3/T11
(SHE Officers) Officer Environmental	7	C3/T11
Officer Local Transport	1	C3/T11
Officer: Customer Support	3	C3/T11
Supervisor Operations	34	C3/T11
Supervisor: Administration	3	C3/T11
Total	219	

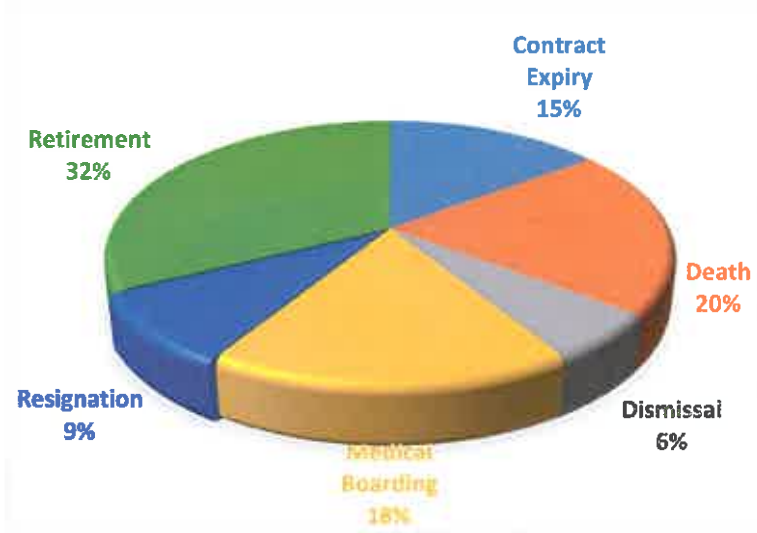
6.4 Attrition

During Q2 there were **34** employment terminations. The highest proportion of terminations was due to retirement, followed by death and contract expiry. There were only **3** voluntary resignations. Exit interviews indicate that the primary reason for voluntary exit is due to better prospects elsewhere. The staff complement for the period under review was **5523**. Therefore the overall staff turnover for this period (October to December 2018) is **0.62%** which is well within acceptable range.

Table 6.4: Detailed breakdown of attrition in Quarter 2

Termination Type	Number of Employees	% of total Terminations
Contract Expiry	5	15%
Death	7	20%
Dismissal	2	6%
Medical Boarding	6	18%
Resignation	3	9%
Retirement	11	32%
Overall Attrition Rate	34	100%

Chart 6.4: Proportional attrition during the period of October to December 2018



6.5 Vacancy rate

Table 6.5: Analysis of changes to staffing establishment

OLD STRUCTURE				NEW STRUCTURE						
JOB BANDS	NO. OF POSTS	FILLED POSTS	VACANT POSTS	NO. OF POSTS	NEW POSTS	DISESTABLISHED POSTS	FILLED POSTS	VACANT POSTS	% OF VACANT POSTS	POSITIONS (PERSONAL TO HOLDER)
F1	9	3	6	6	2	5	5	1	33%	0
E1	34	18	16	12	2	22	6	6	50%	6
D	183	84	99	97	20	84	49	48	49%	33
C	335	195	140	240	31	56	100	140	58%	45
B	709	474	235	554	12	87	327	227	41%	90
A	5 062	4 782	280	5 169	0	0	4 742	433	8%	0
Total	6 332	5 556	776	6 084	97	254	5 229	855	14.1%	174

There are **6 084** positions in the new organizational structure of Pikitup which represents a reduction by **248** posts from the old structure which had a total of **6 332** positions. There was an overall reduction of **111** management level posts (D-F Level). Furthermore, in accordance with one of the established principles of the restructure, **22** General Manager Posts were disestablished.

Currently **855** positions on the new structure are de facto vacant and **5 229** positions are filled. There are **174** positions which are personal to holder. Of these **174** posts, **168** posts are filled by permanent staff and **6** (E-Band) are filled by fixed-term contract appointees. The latter posts will be disestablished through attrition.

The vacancy rate excluding the personal to holder posts is **14.1%** but if the 174 posts are factored in then it is **11.2%**.

It must also be noted that the new structure is incomplete as the numbers for certain categories of staff were not included.

6.6 Acting appointments

There is a tendency for Pikitup managers to flout the Acting Appointment policy. In fact the historical lack of adequate monitoring and controls necessitated the '1 162 process' which was touted as a once-off regularisation process. However in order to mitigate further risk, HR will in future be monitoring the following:

- Does the appointee meet the minimum requirements for the post to which s/he is appointed to Act?
- Is the duration of the acting appointment in line with the policy? In this regard no person may act for longer than three months.

Disciplinary action will be instituted against managers who do not comply with the policy.

Table 6.6: Employees who acted in higher level positions in Q2

Post Description	Incumbent	Period
Company Secretary	Norman Kgopong Mametja	October
Chief Finance Officer	Litshani Sydney Matsila	October to November
GM: Employee Relations	Dumisani Micheal Langa	October
GM: Human Resources	Phumla Mokele	October
Team Leader	Dumisani Sibeko	October to November
Team Leader	Serui Noxolo Ndaba	October to November
Team Leader	Ximbambisi Return Mkhavele	October to November
Team Leader	Ondela Cleopadra Ntame	October to November
Team Leader	Molope Minkey Thokane	October to November
Team Leader	Babalwa Yuvonne Zweni	October to November
Team Leader	Phindiwe Mavis Cengimbo	October to November
Team Leader	Faith Motlagomang Mpote Sanyane	October to November
Team Leader	Vulani Julia Khosa	October to November
Team Leader	Asnath Mukhari	October to November
Team Leader	Lungelwa Mbewana	October to November
Team Leader	Lumka Mgeke	October to November
Team Leader	Nomajeyisi Siyotywa	October to November
Team Leader	Ntombi Alinah Dlamini	October to November
Team Leader	Meyahabo Elizabeth Matseke	October to November
Team Leader	Zukiswa Mary Mdudi	October to November
Team Leader	Azwidohwi Margret Negota	October to November
Team Leader	Tinyiko Christopher Ngobeni	October to November
Team Leader	Gloria Ncamisile Mthethwa	October to November
LTO Assistant	Sabatha Christian Tembela	October to November
Messenger	Themba Monaketsi	October to November
Admin Supervisor	Thabo Christopher Nhlapo	October to November
OPS Supervisor	Noko Solomon Nkgweng	October to November
Customer Support Clerk	Athalia Tholakele Dladla	October to November
Driver	Julio Galhene Mabota	October to November
Customer Support Officer	Thabo Lawrence Tshotetsi	October to November
Driver	Thilivhali Justice Manwadu	October to November
OPS Supervisor	Rembuluwani Sidweil Negondeni	October to November
Switchboard Operator	Khayaletu Lawrence Mplingane	October to November
Admin Support	Maphefo Maria Morupisi	October to November
OPS Supervisor	Chleketani Donald Mahlaule	October to November
Driver	Nkgadi Daniel Theledi	October to November

Operations Supervisor	Pontso Leonard Ramoyadi	October to November
Operations Supervisor	Mantwa Martha Nkala	October to November
Operations Supervisor	Mmusi Governer Mampheko	October to November
Operations Supervisor	Maselemela Margaret Mashinini	October to November
Driver	Siphelele Sitshetshe	October to November
Driver	Johane Thabang Mohali	October to November
LTO Assistant	Johannes Sepatle Mathole	October to November
Driver	Mamokoa Elija Kgopa	October to November

These appointments will be monitored to ensure they do not exceed three months.

6.7 Employment equity

The Employment Equity (EE) policy is being drafted and will be based on the COJ policy framework.

6.7.1 Barriers and remedial action

The annual Employment Equity report is due for submission online on the 15th of January 2019. In preparation thereof, the prescribed analysis was conducted and the following barriers and affirmative action measures were identified:

Table 6.7.1: Employment equity analysis

CATEGORIES	BARRIERS	AFFIRMATIVE ACTION MEASURES
Recruitment Procedure	Some panel members do not know the recruitment procedure and EE requirements .Policy is not applied fairly and consistently Recruitment is done haphazardly not in line with the EE plan. Committees are not fully functional	All HR policies must be reviewed including Recruitment and Selection policy. Recruitment and Selection policy must be applied consistently. There must be continuous training on EE and committees must be resuscitated and trained to develop departmental/depot EE plans. EE committees must ensure that recruitment is as per EE departmental plans.
Advertising Positions	Adverts are not specific in terms of addressing the various gaps in terms of underrepresentation of person from the designated group. Adverts are not accessible to all employees. Adverts do not specify EE targeted groups.	Adverts must specify targeted members from the designated group. Adverts must be EE compliant and be widely circulated. EE plans must be in place for all departments.
Remuneration and Benefits	Employees perceive that there is a lack of uniformity in terms of remunerations and benefits	Develop and implement a strategy to ensure equal pay for work of equal value.
Work environment and facilities	Some buildings are not conducive for people with disabilities, for example people on wheelchairs ,certain ablution access is only through stairs	Plan and implement changes to accommodate PWD's in accordance with the built environmental audit undertaken, in a manner that is affordable for the organisation
Training and Development	Not all employees are afforded an opportunity to attend training. Training and development must be done for impact.	All designated employees must be afforded the opportunity for skills development in order to address training and development needs. Employees must be given opportunities for RPL process.
Succession and experience training	There is no succession planning policy .No mentorship programme in place to assist	Succession policy must be developed and implemented.

	designated groups. The current workforce is aging.	Focus on transfer of skills must be emphasised. A formal mentorship programme to be implemented which focuses on the training of workplace mentors and mentees.
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6.8 Demographics analysis

Top Management – There is a fair representation in terms of race and gender from the designated group in top management. There is no representation of Coloured staff.

Table 6.8.1: Top Management by race and gender

Race	Male	Female
African	2	1
Coloured	0	0
Indian	0	1
White	0	1
Total	2	3

Senior Management – In this occupational level we have overrepresentation of males and under representation of females.

Table 6.8.2: Senior Management by race and gender

Race	Male	Female
African	5	3
Coloured	1	1
Indian	1	0
White	2	0
Total	9	4

Professionally Qualified – In this occupational level we have equitable representation of African staff. There is adequate representation of White males.

Table 6.8.3: Professionally qualified staff by race and gender

Race	Male	Female
African	32	33
Coloured	4	3
Indian	2	1
White	8	1
Total	46	38

Skilled Technical – There is over representation of both African males and females.

Table 6.8.4: Skilled technical staff by race and gender

Race	Male	Female
African	85	90
Coloured	8	4
Indian	0	2

White	7	1
Total	100	97

Semi-Skilled – There is over representation of African males and under representation of females as well as other race groups.

Table 6.8.5: Semi-Skilled staff by race and gender

Race	Male	Female
African	345	111
Coloured	11	0
Indian	0	0
White	0	1
Total	356	112

Unskilled – There is over representation of African Males and Females in this category and under representation of other racial groups.

Table 6.8.6: Unskilled staff by race and gender

Race	Male	Female
African	2138	2530
Coloured	13	14
Indian	1	0
White	0	0
Total	2152	2544

Table 6.8.7: The overall percentage of the workforce profile in terms of race and gender

Gender	Percentage
African Male	47.2%
African Female	51.2%
Coloured Male	0.67%
Coloured Female	0.40%
Indian Male	0.07%
Indian Female	0.07%
White Male	0.31%
White Female	0.07%

The above statistics in relation will be included in the EE plan and corrective measures and targets will be set to address inequity in all occupational levels.

6.9 People with disabilities (PWD's)

The target for People with Disabilities nationally, is 2% of total staff and currently we are at 0.07%. This may however be due to staff not declaring their disability status. Disability awareness sessions will be conducted in 2019. We will also be circulating Form EEA1 (Employment Equity Declaration) to all staff in 2019 to improve our data.

6.10 Skills development

In compliance with the Skills Development Act the Workplace Skills Plan was submitted to the Local Government SETA (LGSETA) and it was approved. The first tranche of mandatory grants amounting to R133 013.00 was received by Pikitup from the LGSETA aimed at ensuring that we have a skilled and capable workforce in the Local Government sector. Mandatory grants are designed to encourage employers to plan and implement training for employees and also to ensure that we have a skilled and capable workforce in the local government sector. We are awaiting second payment of mandatory and discretionary grants from the Local Government SETA.

6.11 Skills audit

The City of Johannesburg in partnership with PricewaterhouseCoopers (PwC) conducted a skills audit for City Group (City Core and Municipal Entities) employees on levels 3 and 4. The purpose of the skills audit was to determine the skills base for all level 3 and 4 employees, to establish whether the City has the capacity to deliver on its service delivery mandate.

Compulsory skills audit is rolling down to level 5 and 6 employees targeting all managers, specialists and operations managers' level D band, 100% participation is expected. The Enterprises department of the University of Pretoria has been appointed to be the service provider for the skills audit to be conducted for all level 5 and 6 employees in the Core City and Municipal Entities.

6.12 Performance management

In line with the Pikitup Integrated Performance Management policy it is expected that performance reviews are conducted and formally recorded bi-annually through the mid-year (December) and annual (June) performance review. Mid-year reviews are conducted at the end of December of each year to assess individual performance.

During the period under review, reminders were sent to the entire business to conduct mid-year reviews for the period between July and December 2018. The due date for the submission of mid-year reviews is 31 January 2019.

6.13 Training and Development

6.13.1 Adult Education and Training (AET)

Table 6.13.1: AET registration in Q2

Registration month	Total Number registered	Training level 1	Training level 2	Number of employees abandoned studies	Overall attendance per month
October	26	8	7	11	15
November	26	7	6	13	13
December	26	7	6	13	13

6.14 Subsidised /Further education

Pikitup employees are subsidised to further their Higher Education with Universities and Colleges on relevant courses including Operations Management, Financial Accounting, and Public Administration etc.

Table 6.14: Details of employees funded for further studies in Q2

Employee Salary Grade	No of employees	Qualification	Financial Implications	Percentage %
A Band	2	Higher certificate	R36,750.00	18.1%
B Band	3	Higher certificate and Diploma	R39,970.00	27.3%
C Band	4	Higher certificate and Diploma	R69,398.00	36.3%
D Band	2	Diploma	R 25,260.00	18.1%
Total	11		R 171,378.00	

6.15 Skills Development Programme

Table 6.15: Details of employees who attended Skills Programmes (less than 3 months)

Employee Salary Grade	Program	Number	Cost
Various levels D, E and F	Recruitment and selection workshop	32	No cost. Internal training facilitated by Executive Manager for HR
Various levels A,B and C	SAP training –Over view , Service entry ,creating order and purchase requisition	21	This training is invoiced by CoJ. Still awaiting invoice.
Total		53	

6.16 Grade 12

A total number of **150** employees are attending grade 12 programmes with Seoposengoe Training Consultancy.

Table 6.16: Breakdown of staff currently completing Grade 12

Employee Salary Grade	No of Employees	Percentage %	Qualification	Financial Implications
A Band	146	97.33%	Grade 12	R512, 136.40 paid to service provider during this quarter under review.
B Band	3	2%	Grade 12	
C Band	1	0.66	Grade 12	
Total	150	100%		

6.17 MFMA Training

Table 6.17: Details of employees attending Municipal Financial Management Act (MFMA) Training

Categories	Numbers	Cost
Finance and SCM	5	R 290 000.00
Senior Managers	2	R 116 000.00
Other officials (2x Operations Managers, 2xRegional Managers, 1 x HR , 1 stakeholder ,2x Customer services)	8	R 464000.00
Total	15	R 870 000.00

Cost per Employee is R 58 000 once off Pikitup is invoiced monthly for 9 months. R 870 000.00 is total cost for the 9 months.

6.18 Employee Relations

6.18.1 Disciplinary Warnings

HR has implemented an ER Tracking system to monitor all disciplinary action including warnings.

Table 6.18.1: Breakdown of warnings issued in Q2 in Operations

Name of Depot	Number of warning issued	Expiry date
Selby	1	April 2019
Avalon	1	May 2019
Central Camp	2	April 2019
Roodepoort	12	May 2019
Zondi	1	May 2019

6.19 Adoption of Disciplinary Policy & Main Collective Agreement

Pikitup has adopted the Disciplinary code and main collective agreement that is applicable to local government. This is in line with the anticipation of integration of municipal entities back to the City of Johannesburg. There is a plan to conduct workshops with line management and organized labour early in 2019. There is also a plan to conduct workshops on the strike management plan and to capacitate line management on how to deal with unprotected strikes at the level of depot.

6.20 Disciplinary cases

Table 6.20: All disciplinary cases which were active in Q2

No	Infringement/ Allegation	Type of Case	Forum	Date Initiated	Status/Outcome
1	Malicious damage to company's property Marlboro (Victor Metsileng)	Misconduct	Internal	29/11/2018	Disciplinary hearing is still underway
2	Instigation of work stoppages Randburg (Eric Mdeleke, James Muhale, Justice Mungomeni, Lucas Rithore & Olga Malebane)	Labour Unrest	Internal	15/11/2018	5 Implicated employees have been placed on precautionary suspension
3	Instigation of work stoppages Avalon (Simphele Maliwe, Siphwe Nhlapo, Lehlogonolo Zwane, Mandla Mjoli & Nkosazana Matu)	Labour Unrest	Internal	09/11/2018	5 Implicated employees have been placed on precautionary suspension
4	Negligence (GM: Operations Peter Hlubi)	Misconduct	Internal	09/11/2018	Employee is placed on precautionary suspension
5	Instigation of work stoppages Central Camp (Khanyisile Shabalala & Khulekani Mtungwa)	Labour Unrest	Internal	09/11/2018	2 Implicated employees have been placed on precautionary suspension
6	Misuse of Company Vehicle Southdale (Rams Mohale Modika)	Misconduct	Internal	06/12/2018	Disciplinary hearing scheduled for 14 December 2018

7	Paseka Ngubentombi & 6 others	Unfair Dismissal	Con/Arbitration		Matter remained unresolved
8	Former Tedcor 28 employees	Unfair Dismissal	Con/Arbitration		Matter remained unresolved
9	Neighbour Mutero	Unfair Dismissal	Arbitration		Award: Payment of remainder of the fixed term contract (4months)
10	Happy Sindane	Unfair Dismissal	Arbitration		Award: 4 months compensation
11	Dan Moodley	Unfair Dismissal	Conciliation		Matter remained unresolved
12	Former Wastegroup 951 Employees	Unfair Dismissal	Conciliation		Matter remained unresolved
13	Neighbour Mutero	Unfair dismissal	Labour appeal court		Appeal upheld on 1 count and dismissed on other. No costs order

6.21 Employee Wellness

6.21.1 2010 Absorbed Medical Surveillance Programme

The Occupational Health and Safety Act and Regulation 85 of 1993 defines Medical surveillance as a planned programme or examination which may include clinical examination, biological monitoring or medical tests of employees by an occupational health practitioner or in prescribed cases by an occupational medical practitioner.

The program was implemented on 2010 absorbed employees from September 2018 to November 2018. These employees had no baseline medical assessments. The program also served as a dashboard for the Organization in terms of the health status of these employees.

381 employees participated in the program. The gender ratio confirmed females: males as 71%:29%, confirming greater rate of appointment of females. The appointments of females were predominantly for Street-cleaner positions and males were dominant in RCR positions.

Fitness Summary:

The Overall Attendance for medical surveillance for all the depots was 381. 325 (85.3%) were found to be FIT, 29 (7.61%) were declared to be FIT with RESTRICTIONS, 22 (5.77%) were declared to be TEMPORARILY UNFIT, and only 5 (1.31%) were found to be UNFIT for RCR and alternative placement was recommended.

Table 6.21.1.1: Ratio of Female: Male Employees Fitness

Outcome	Total number	Female	Male
Fit	325 (85%)	233 (71.69%)	92(28.30%)
Fit with restrictions	29 (7.6%)	23(79.31%)	6(%)
Temporarily unfit	22 (5.8%)	15(68.18%)	8 (36.36%)
Permanently unfit RCR	5 (1.3%)	1(20%)	4 (80%)

Fit with restrictions (7.6%)

This category of employees has underlying treatable medical conditions which require medical management and stabilization, prior to being declared unconditionally fit, to ensure they do not pose a risk to themselves, co-workers and the organization, in terms of the OHS Act 1993. They are required to return

for regular monitoring to ensure the condition is well controlled. The temporary unfit employees: referred for uncontrollable but treatable medical conditions (5.8%). Permanently unfit: 1.3 % unfit for RCR and alternative placement has been recommended.

Table 6.21.1.2: Blood Sugar, ARV and BP Stats (Chronic Diseases)

Depot	Completed(Done)	ART (anti-retro-viral)	Abnormal BP	Abnormal blood sugar	Total Chronic Diseases
Randburg	31	5	5	6	16
Southdale	30	3	5	1	9
Marlboro	33	6	3	8	17
Norwood	38	11	4	5	20
Selby	29	5	3	4	12
Central Camp	32	7	2	3	12
Avalon	66	1	4	19	24
Waterval	29	6	8	3	17
Midrand	31	7	4	5	16
Roodepoort	29	7	6	10	23
Zondi	25	11	5	5	21
Central camp	6	2	0	0	2
Waterval/Midrand	1	0	0	0	0
TOTAL	381	71 (18.6%)	49 (12.9%)	69 (18.1%)	189 (49.60%)

Analysis of table above confirms that 50% of the absorbed employees have underlying chronic conditions which place them at a higher risk of incapacity and sickness absenteeism. This has potential financial impact and implications for Pikitup in terms of absenteeism, productivity, performance, medical costs and Pension Fund, in the medium to long-term. 18.6 % of employees are receiving anti-retroviral treatment and this excludes employees that do not know their status of not disclosed their status. 12.9% employees were hypertensive and 18.1 % were diabetics.

Table 6.21.1.3: BMI (Body Mass Index)

DEPOT	DONE	OVERWEIGHT	DEPOT	DONE	OVERWEIGHT
Randburg	31	7	16	2	6
Southdale	30	8	17	1	4
Marlboro	33	6	19	1	7
Norwood	38	22	16	0	
Selby	29	3	19	1	6
Central Camp	32	9	12	1	10
Avalon	66	21	27	1	17
Waterval	29	5	13	2	9
Midrand	31	9	12	2	8
Roodepoort	29	8	11	1	9
Zondi	25	10	7	1	7
Centralised	6	2	2	1	1
Waterval/Midrand	1	1	0	0	
TOTAL	381	111 (29.1%)	171(44.9%)	14 (3.7%)	84 (22%)

- 22% of employees have normal Body Mass Index (BMI)
- A large number of employees are overweight and obese, ranging from the Body Mass Index of 25 to 60. (74%)

- Drastic interventions are required to reduce the prevalence e.g. exercise programmes to be instituted or considered in the depot during working hours. Sports to be supported and encourage employees to participate. Healthy lifestyle programmes should be encouraged.
- There are also underweight employees (3.7%), which is below average weight required. This problem may be due to underlying chronic diseases which needs to be managed accordingly.

Table 6.21.1.4: Spirometry (Lung Function)

DEPOT	COMPLETED (DONE)	NORMAL SPIRO	ABNORMAL SPIRO
Randburg	31	29	2
Southdale	30	30	0
Marlboro	33	29	4
Norwood	38	37	1
Selby	29	29	0
Central Camp	32	29	3
Avalon	66	63	3
Waterval	29	26	3
Midrand	31	29	2
Roodepoort	29	27	2
Zondi	25	25	0
Centralised	6	6	0
Waterval/Midrand	1	1	0
TOTAL	381	361(94.8%)	20 (5.2%)

Percentage of abnormal lung function

Majority of employees (94.8%) had normal lung function with 5.2% abnormal lung function which may be attributable to underlying chronic diseases and will need further evaluation and management.

AUDIOMETRY (Hearing Test)

Table 6.21.1.5: Hearing test results per depot

DEPOT	COMPLETED	PLH (Percentage loss of hearing): Normal	PLH ABOVE 10 Abnormal
Randburg	31	29	2
Southdale	30	28	2
Marlboro	33	33	0
Norwood	38	37	1
Selby	29	29	0
Central Camp	32	29	3
Avalon	66	60	6
Waterval	29	26	3
Midrand	31	29	2
Roodepoort	29	26	3
Zondi	25	24	1
Centralised	6	5	1
Waterval/Midrand	1	1	0
TOTAL	381	357 (93.7%)	24 (6.3%)

Majority of employees (93.7 %) had normal hearing test function with 6.3 % abnormal hearing function which may be attributable to underlying chronic diseases and will need further evaluation and management.

Vision screening

Table 6.21.1.6: Results of Visual Screening per Depot

DEPOT	COMPLETED	NORMAL VISION	IMPAIRED VISION
Randburg	31	13	18
Southdale	30	13	17
Marlboro	33	11	22
Norwood	38	25	13
Selby	29	19	10
50.4%Central Camp	32	14	18
Avalon	66	32	34
Waternal	29	10	19
Midrand	31	14	17
Roodepoort	29	19	10
Zondi	25	16	9
Centralseed	6	5	1
Waternal/Midrand	1	1	0
TOTAL	381	192 (50.4%)	188 (49.3%)

Approximately 50 % of employees require further visual management such as refractory treatment (spectacles) or monitoring but they could still perform their function as street cleaners or RCR. The 1.8% referred require further intervention for their underlying conditions that required more urgent remediation.

Risk Assessment

Chronic diseases and ageing workforce remain a risk to the organization.

Majority of employees were fit (85%) for the proposed jobs of street-cleaning and RCR. However 7.6 % of employees had underlying conditions requiring further treatment hence fit with restriction, 5.8% are temporarily unfit and 1.3% are permanently unfit for RCR. Overall, about 50% of employees have chronic conditions.

18.6 % of employees are receiving anti-retroviral treatment and this excludes employees that do not know their status or not disclosed their status. 12.9% employees were hypertensive and 18.1 % were diabetics. This highlights the need for continual education and awareness on chronic diseases.

About 50% of the absorbed employees have chronic conditions that will need constant medical monitoring to ensure they are fit to be on duty. These employees will in all probability be absent from work once a month as they consult external medical practitioners for management of their medical conditions. This translates to 12 days lost yearly per individual as they seek medical intervention. Internally Pikitup has four Occupational Health Nurse Practitioners and three Employee Assistance Programme Practitioners to constantly manage and monitor all these employees. These numbers have been increased in the new establishment and the vacancies will be advertised shortly.

6.22 Health Promotion

Breast Cancer Awareness

A presentation was done to Head Office to the staff together with some of the Operation Supervisors on the 23 October 2018. The OHNP did the presentation on the subject and the visitor from Parklane Clinic was encouraging the staff to do booking for the screening. A lot of employees shown interest and they register their names for appointment for the screening. The same presentation was extended to the depots

World Diabetes day

World Diabetes Day was commemorated in November 2018 to raise awareness about this debilitating condition. A survey conducted by CoJ in partnership with a private pharmaceutical company confirmed the prevalence rate of Diabetes of 11% in Johannesburg among 2427 participants.

Employee Wellness Department undertook a separate Wellness day analysis and confirmed prevalence rate of 14% of abnormal blood sugar tests. RSA prevalence rate is 6% of the population (Centre for Diabetes Johannesburg). Comparatively with COJ and National stats, Pikitup has a higher prevalence rate of diabetes requiring more robust intervention.

6.23 Incapacity Management Programme

Incapacity Management program is a continuous Monitoring tool to assess the progress of all sick employee who are temporarily accommodated in alternative duty due their incapacity. Employee Wellness has added home and hospital visits to sick employees. Incapacity management meetings are continuing on a bi-monthly basis in all the depots. Some employees are declared permanently unfit for the normal duties due to their incapacity. Currently we have a total of **28 (0, 5%) employees** who are on permanent light duty due their incapacities. **48 (0, 9%) employees** are on temporary alternative placement due to ill health and they are regularly monitored internally and assessed for return to work.

Table 6.23.1: Active Incapacity cases currently on alternative placement

	Q1	Q2	Q3	Q4
Total Number of incapacity case	35	48		
Total Number of Pikitup employees	5556	5523		
Total Number of Females	17	20		
Total Number of Males	18	28		
Total Percentage of Active incapacity	0.6 %	0.9%		

Table 6.23.2: Permanent Incapacity case

	Q1	Q2	Q3	Q4
Total Permanent cases	29	28		
Total number of Pikitup Employees	5556	5523		
Total Number of Females	10	10		
Total Number of Males	19	18		
Total Percentage of Permanent cases	0.5 %	0.5%		

6.24 HIV, TB and STI Programme

HIV, TB and STI Programme

Condoms are still being distributed through Condo cans in toilets, more Condoms were procured during the month of September 2018 and they were distributed to all the depots.

Table 6.24: Free HIV In-house Testing

	Q1	Q2	Q3	Q4
Total Number of Males who Tested	10 (50%)	5 (35.7%)		
Total Number of Females who Tested	10 (50%)	9 (64.3%)		
Total Number of Males and Females who Tested Positive	1 (5%)	0		
Total number of employees Tested	20	14		
Total Number of Males who Tested	10 (50%)	5 (35.7%)		

In-house HIV testing is continuing. 14 employees were tested and there were no positive cases. Hypo-plus was distributed to 146 employees throughout depots and Head Office as part of the Immune support programme.

World Aids day Commemorations

World Aids day commemorations were held in all depots and Head Office. Participation by employees was good. All depots participated in drama competition where each depot created its own drama on HIV and Aids. Winning depots will receive prizes at the end of World Aids Day events.

6.25 Top four Medical conditions in Quarter 2

Table 6.25: Top medical conditions

Medical Condition	Top four Medical Conditions	Total Number of employees	%
ENT (ear, nose, throat symptoms)	111	5 523	2
Respiratory Problems	129	5 523	2.3
Muscular-skeletal	195	5 523	3.5
Hypertension	77	5 523	1.4

6.26 Substance Abuse Programme

Induction Programme for "2010" and Jozi@work former employees

Employee Wellness conducted Induction programmes throughout Pikitup depots. The programme focused on awareness on the following Employee Assistance Programme (EAP) i.e. Substance abuse, Mental Health and Debt management. Similarly Occupational Health Nurse Programme covered referrals as well as the following programmes i.e. Medical Surveillance, Primary health care, Health promotion, Chronic disease management e.g. HIV/AIDS, Incapacity management.

Counselling and Rehabilitation

Individual counselling and Rehabilitation which forms part of the Substance abuse program is continuing. During this quarter, a total of 66 Substance related cases were dealt with by three EAPs and have been tabulated below as follows.

Table 6.26: Substance Abuse Data

	Q1	Q2	Q3	Q4
Alcohol	29	59		
Cannabis	2	5		
Nyaope	0	2		
CAT (Amphetamine)	1	0		
Total Number of employees referred	32 (0.6%)	66 (1.2%)		
Total Number of Employees	5 556	5 523		
Admission to Rehab	0	2		

The number of referrals of Substance Abuse cases has doubled (from 0.6% to 1.2%) within this quarter. This highlights the need for continual engagement of employees towards risk mitigation and control of this potentially debilitating problem.

6.27 Mental Health Awareness Campaigns

A total of 777 newly appointed 2010 and Jozi@work employees attended the mental health education sessions scheduled in the depots in Quarter 2. The education session focused on adjusting to a new environment and the stress impact. The aim was to raise awareness on the stress factor associated with starting in a new work environment; anxiety and feeling overwhelmed. Furthermore the employees were empowered with practical knowledge and skills to ensure proper transition into their new role that will enable them to adjust positively.

Mental Health Awareness Campaign

October was a mental health awareness month and Employee wellness Department took an initiative to embark on raising awareness of mental health at Head office in November 2018. The EAP Practitioner responsible for Head Office handed out different pamphlets on Depression; Anxiety Disorder; Post Traumatic Disorder and Suicide amongst teens to all Head Office personnel. The aim of this campaign was to raise awareness on the prevalence of mental health related issues as well as encourage employees to utilise the available services rendered by the EAP in Employee Wellness department.

6.28 Top Four EAP conditions in Quarter 2

Table 6.28: EAP Conditions

EAP Conditions	Top four Conditions	Total Number of employees	%
Debt Problems	118	5523	2.1%
Child and Family Issues	85	5523	1.5%
Absenteeism	45	5523	0.8%
Substance Abuse	57	5523	1.0%

Debt problems are topmost challenge within the Organization. New data shows that the age group with the largest amount of debt in South Africa is between 31 and 45 who collectively owe 53% of all outstanding debt and also showed that South African men and women have now become almost equal in the R1.64-trillion debt they collectively owed to creditors. (Debt management firm, Debt Rescue's data). The National Credit Act protects consumers who are over-indebted by allowing them a see a debt counsellor and apply for debt review, hence robust consumer education is one of the cornerstones of a debt risk mitigation programme.

7. Environmental compliance and safety

7.1 Compliance auditing

Pikitup is licensed and permitted to operate its landfill sites in terms of the National Environmental Management Waste Act, No. 59 of 2008 and Environment Conservation Act, No. 73 of 1989. It is a requirement of these licenses and permits that Pikitup's landfill operations are audited for environmental compliance under the authority of the Gauteng Department of Agriculture and Rural Development (GDARD) for compliance.

Pikitup monitors compliance on an ongoing basis by conducting quarterly audits as a requirement of the ISO 14001 and OHSAS 18001 systems. The other two types of audits as required in the licenses and permits are carried out during the course of a year. The annual external audits for all landfill sites that were conducted in June 2018 by an independent auditor showed an average compliance of 94.16% for operating landfills. Quarterly, compliance to license and permit conditions is audited by the City of Johannesburg's Environment & Infrastructure Services Department (EISD).

GDARD has conducted audits at Ennerdale, Marie Louise and Robinson Deep Landfill sites this quarter, reports for the conducted audits have not yet been received.

7.2 Occupational health and safety audits

Reports for the Occupational Health and Safety Act (OHSA) internal audits that were conducted at two depots have not yet been received.

7.3 Integrated safety, health and environment management system (ISO 14001 and OHSAS 18001)

The recertification process is ongoing where Pikitup is transitioning from the old standards to ISO 14001: 2015 and ISO 45001: 2018. The process has commenced where audits for the transition were conducted at Head Office, Zondi depot & Marie Louise landfill site to ensure that the organization meets the requirements of the new standards. Findings that were raised from these are being addressed with the relevant departments.

7.4 Occupational hygiene surveys

The specification for the Occupational Hygiene Surveys was finalised and the tender process has commenced. An Approved Inspection Authority (AIA) for occupational hygiene will be appointed as required by the Occupational Health and Safety Act, 1993 (OHSA) to conduct the hygiene surveys for Pikitup sites and evaluate employees' exposure to hazardous chemical substances and physical agents in their workplace environments. Occupational hygiene focuses on the anticipation, recognition, evaluation and control of workplace conditions that may cause illness or adverse health. The appointed AIA will then recommend corrective and/ or control measures that Pikitup must take to ensure the health and safety of employees.

7.5 SHE training

- Training planned for the new financial year include ISO Auditing and Implementation of ISO 14001 & ISO 45001, Incident Investigation, Fire/ Evacuation Marshal, SHE Representatives, First Aid and SHE Skills for Managers. Line managers have been trained on the ISO 14001: 2015 & ISO 45001: 2018 introductory course.
- City of Johannesburg Emergency Management Services (EMS) has started with training of Fire/ Evacuation marshals. Forty five of the 100 trainees have already been trained.
- The OHASA stipulates requirements that must be in place to ensure preparedness for emergencies. Pikitup is in compliance with these requirements, all employees are trained on emergency preparedness and all emergency preparedness equipment is available and fully maintained at all sites. Mock drills have been conducted at all sites except Head Office. The Head Office drill is planned for the third quarter. An ASIB approved service provider has conducted a full assessment of the fire response system (sprinkler system) at Head Office.
- Training is continuing through weekly toolbox talks, daily risks assessments and quarterly Safe Operating Procedures (SOPs). In December, a total of 475 Extended Public Works Programme (EPWP) employees were trained on Safe Operating Procedures.

7.6 Quarterly SHE audits conducted

Safety, Health and Environment system audits continue on a quarterly basis for compliance and monitoring the requirements of the standards. Although progress has been made with remedying aspects highlighted

during the audits, some facilities related hazards still remain a challenge to ensure full compliance to the requirements of ISO 14001 and OHSAS 18001.

7.7 Other projects

The filming of the Safety training video was finalised in December 2018, the footage has been reviewed and the edited footage will be submitted to Pikitup by 11 January 2019. After the video has been finalised, the complete video will be immediately used to train all employees.

We continue to monitor Occupational Health and Safety compliance as per the Occupational Health and Safety Act 85 of 1993 and the Construction Regulations.

7.8 Disabling Injury Frequency Rate (DIFR) / Incident rate

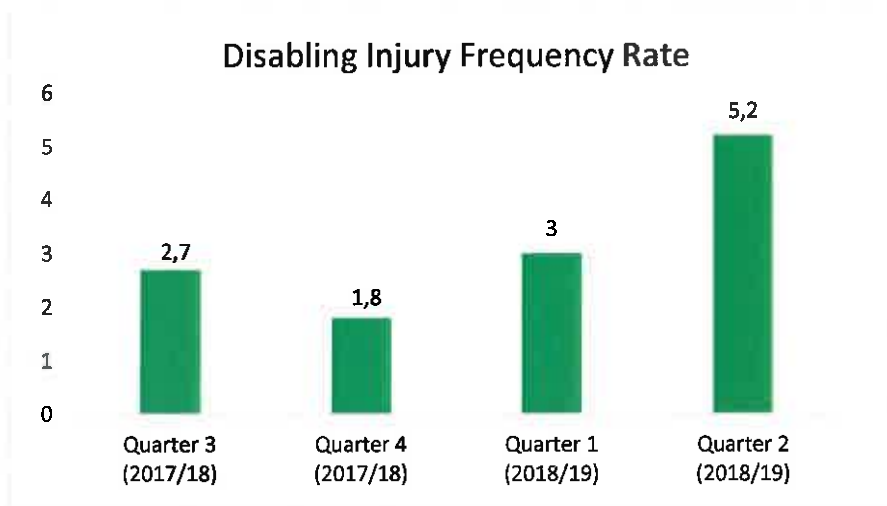
A work-related injury is an injury that results in death, permanent disability, permanent partial disability or temporary disability. Disabling injuries include lost workday cases, restricted workday cases and noise induced hearing loss. These injuries are used in calculating the disabling injury frequency rate (DIFR). The DIFR is defined as the number of deaths and disabling injuries per 200 000 employee hours of exposure.

The DIFR is calculated as follows:

Number of incidents X 200 000 / 160 X Staff Compliment (200 000 = Average man hours per month).

All these incidents mostly medical treatment incidents lead to lost time contributing towards the calculation of the DIFR. Education and training continue to be part of the measures put in place to ensure that our employees are made aware of the hazards in their areas of work. In this quarter the DIFR has increased from 3.0 in quarter 1 to 5.1 in the current quarter. Most of the incidents in this quarter are vehicle related. Thirty (30) employees were injured in 4 vehicle incidents that occurred between October and November. Two of the incidents involved contractor busses that transport employees and third party vehicles; one involved a Pikitup vehicle and a third party vehicle; and another involved a Pikitup truck. Other incidents were due to unsafe acts/ negligence and unsafe conditions that the employees work under.

Driver training is another initiative that must be fully implemented to curb vehicle related incidents. Currently, drivers undergo training and assessment prior to commencement of the driving job. The Fleet department is working on a process of ensuring that drivers undergo training at predetermined intervals including after being involved in an accident, after being on leave and on a 6 month cycle for refresher training. New technology will be introduced in all future Pikitup fleet that will consist of rear view camera's and rear distance sensors. This will reduce the risk of reversing into objects or pedestrians.



7.9 Number of Incidents recorded

There is a vast increase in the number of reported incidents this quarter compared to the last quarter.

Quarter (2017/18)	3	Quarter (2017/18)	4	Quarter (2018/19)	1	Quarter (2018/19)	2
	27		18		34		68

Injuries are reported per employee and not per incident. The total number of injuries for the quarter is 68 compared to 34 in the previous quarter. A noticeable reduction in the number of incidents can be observed if employees with minor injuries can be referred to the Pikitup Occupational Health Nurses instead of being taken to the hospitals.

7.10 Environmental incidents

There were no environmental incidents reported for the quarter.

8. Supply Chain Management (SCM) and Finance

8.1 Black Economic Empowerment (BEE)

Supply Chain Management Department in conjunction with Line Departments, is responsible for the procurement of goods and services for both CAPEX and OPEX goods, services and works. The Municipal Finance Management Act, (No. 56 of 2003) and the Local Government Supply Chain Management regulations, prescribes how procurement must be done within the local sphere of Government.

Within this framework, the Preferential Procurement Policy Framework Act, (No. 5 of 2000) and its associated regulations provide a mechanism for addressing the socio-economic imbalances of the past, that is, it introduces preferences in the procurement of good and services. This is done through the 90/10 or 80/20 preference points system where points are allocated based on the BBBEE Scorecard level as per the Department of Trade and Industry's Codes of Good Practice.

As previously communicated that one of the challenges within the Preferential Procurement Policy Framework Act of 2011 points system is that it did not allow for direct allocation of work to specific groups of people i.e. Designated Groups such as Women Owned, Youth Owned Entities etc., however the new PPPFA gazetted on the 20th January 2017, has some amendments which allow subcontracting which will assist in stimulating improved economic activities such as development of certain "targeted groups" including : = 51% owned by black people.

- SMMEs;
- Women Owned;
- Youth Owned;
- Black Owned businesses;
- Co-operatives (Community Based Groups);
- Township and Rural Enterprise;
- EME and SQE;
- Military Veterans.

The current BEE spend per Quarter as contained in Table 3 is measured as a percentage against total spend as per number of transactions for Companies having > 50% Black Ownership and >10% Women Ownership, aligned with the control principle i.e. Code 100 of the Code of Good Practice on BEE.

Pikitup has achieved its target to Black Owned companies and Women Owned business for the Quarter under review i.e. 97.74% and 98.27% respectively.

Category	2018/19 Actual Q1	2018/19 Actual Q2	Target per Quarter
Black Owned	99,52%	97,74%	75%
Women Owned	88,01%	98,27%	25%

The table above represents BEE spend for the first two Quarters of the year. The year to date total percentages for Black Owned and Women Owned companies are 97.74% and 98.27% respectively. The targeted percentage has been exceeded.

8.2 Supply Chain Management (SCM) Deviations

Table 8.2: Regulation 32

Regulation 32

Fol	Name of Service Provider	Description	Value (Rand) Excl VAT	VAT	Value (Rands)
1	Gemini T/A Nexus Travel	Catering Service for November Games	708 601,63	106 290,24	814 891,87
2	Pinpoint One Human Resources Pty Ltd	Senior Executive Head Hunting	782 838,00	117 425,70	900 263,70
3	Sungu Sungu Projects CC	Provision of landfill equipment and operations at Robinson Deep, Marie Louise, Ennerdale and Goudekoppies Landfill Sites	32 228 000,00	4 833 900,00	37 059 900,00
			33 717 439,63	5 057 615,94	38 775 055,57

A total amount in relation to Regulation 32 awards amounts to R38 775 055.57.10 for the 2nd Quarter.

8.3 Supply Chain Management (SCM) Variations

There were no variations effected in any of the contracts during the 2nd Quarter.

8.4 Implementation of Pikitup supply chain management policy

In an attempt to stabilize the Supply Chain Management Unit, the following key issues have been identified to address the immediate to short term needs of the Unit.

Table 8.4: SCM Activities / Interventions

ACTIVITIES / INTERVENTIONS	PROGRESS
Completion of and maintenance of Acquisition plan - Capex and Opex	Pikitup has successfully implemented open adjudication process for bids, this is done in the light of fair and equitable process to tenders issued to public.
Regular reporting on progress of acquisition of planned vs. Actual	The current BSC/BEC and BAC commitments will expire by end June 2018 and new committee members will be appointed for the financial year. We have also established Demand Management Committee to streamline process.
Evaluation and identification of transversal acquisition needs of user departments for financial year	<ol style="list-style-type: none"> 1. Security Services - The mayor issued a directive on in-sourcing of such a service. There has been delays in implementation. 2. Cleaning material -Tender has been awarded 3. Illegal dumping tender has been signed off by DMC and at specification committee for finalisation.
Monitoring of specifications and evaluations within legislative requirements	The SCM Policy, Procedure Manual has been approved and signed off by board chairpersons. Infrastructure and Delivery Management Policy is under review and will signed off in the second quarter of the 2018/2019.
Preparation of bids either through open tender or RFQ process within prescribed timelines	Ongoing review of RFQ and Bid documents is fundamental as National Treasury issues circulars and entities are immediately instructed to implement. Documents are standadised and reviewed regularly.
Evaluation of bids aligned to PPPFA	Training is ongoing on compliance relating to compilation of bid documents. Minimum BEE requirements are set at BIC stage in order to comply with PPPFA of 2017
Maintenance of a supplier Database	Pikitup ensure that all suppliers are compliant at the time of award. Suppliers contracted to Pikitup are monitored every time an order is placed. Circular No 90 is in force as per the NT instruction as well as use of CSD.
Supplier Development in terms of bidding requirements and conduct	Supplier Development is an ongoing exercise, supplier information sessions are held bi-monthly. Special sessions were held for co-operatives and other waste management groups intending to participate in the new source separation project.

8.5 Financial Performance and Exposure

Table 8.5.1: Statement of Financial Performance – Quarter 2 (October to December 2018) 2018/19

Pikitup Statement of Financial Performance	Commercial (Quarter 2 2018)				Core (Quarter 2 2018)				Total Pikitup (Quarter 2 2018)			
	Actual R'000	Budget R'000	Var R'000	Var %	Actual R'000	Budget R'000	Var R'000	Var %	Actual R'000	Budget R'000	Var R'000	Var %
Total Revenue	68 313	70 857	(2 544)	-3.6%	554 963	509 675	45 287	8.9%	623 276	580 532	42 743	7.4%
Commercial	61 344	67 000	(5 657)	-8.4%	-	-	-	0.0%	61 344	67 000	(5 657)	-8.4%
Domestic	-	-	-	0.0%	359 261	315 960	43 902	13.9%	359 261	315 960	43 902	13.9%
City Cleaning Levy	-	-	-	0.0%	33 896	34 262	(366)	-1.1%	33 896	34 262	(366)	-1.1%
Interest - Debtors	6 983	3 818	3 166	82.9%	417	490	(13)	-3.1%	7 400	4 248	3 152	74.2%
Grants	-	-	-	0.0%	-	-	-	0.0%	-	-	-	0.0%
Other Income	(14)	39	(53)	-135.9%	10	961	(951)	-99.0%	(4)	1 000	(1 004)	-100.4%
Sweeping Account Interest	-	-	-	0.0%	4 703	1 987	2 716	136.6%	4 703	1 987	2 716	136.6%
CoJ Service Fee	-	-	-	0.0%	156 675	156 675	-	0.0%	156 675	156 675	-	0.0%
Total Expenses	80 190	99 002	18 812	19.0%	481 880	481 012	(868)	-0.2%	562 070	580 013	17 944	3.1%
Staff Costs	22 579	25 793	3 214	12.5%	267 725	277 962	10 237	3.7%	290 303	303 754	13 451	4.4%
Provision for Bad Debt	5 761	3 654	(2 108)	-57.7%	30 979	19 646	(11 333)	-57.7%	36 740	23 900	(13 441)	-57.7%
Depreciation	10 675	14 476	3 801	26.3%	13 538	13 100	(438)	-3.3%	24 212	27 575	3 363	12.2%
Repairs and Maintenance	378	1 799	1 422	79.0%	206	1 704	1 498	87.9%	584	3 503	2 919	83.3%
Fleet	8 499	10 155	1 656	16.3%	81 629	75 593	(6 036)	-8.0%	90 128	85 748	(4 380)	-5.1%
Third Party Contractors	12 955	21 812	8 857	40.6%	25 870	26 807	937	3.5%	38 825	48 619	9 794	20.1%
Total Fleet & Third Party Contractors	21 454	31 967	10 513	32.9%	107 499	102 400	(5 099)	-5.0%	128 953	134 367	5 414	4.0%
Other Expenses	13 860	16 192	2 332	14.4%	44 650	46 927	2 277	4.9%	58 510	63 119	4 609	7.3%
Interest Paid	5 270	4 886	(384)	-7.9%	9 988	10 262	274	2.7%	15 258	15 148	(110)	-0.7%
Intercountry Costs	213	235	22	9.5%	7 296	9 012	1 716	19.0%	7 509	9 247	1 738	18.8%
Surplus/(Deficit)	(11 877)	(28 145)	16 268	57.8%	73 083	28 663	44 419	155.0%	61 206	519	60 687	11696.8%
Landfill Cost Reallocation	36 128	48 946	(12 817)	-26.2%	(36 128)	(48 946)	12 817	26.2%				
Surplus/(Deficit)	24 251	20 801	3 450	16.6%	36 955	(20 282)	57 237	282.2%				

During the current quarter a surplus of R 61.206m was realised, with both income and expenditure displaying positive variances compared to budget. Whilst this surplus shows a decrease when compared to the first quarter of the financial year (R 98.894m), it is an improvement over the surplus (R 44.189m) recorded in the comparable quarter in the prior financial year.

Revenue for the quarter being over budget is a result of the effect the adjustment to the CoJ property valuation role. The increase property values also effected the general Pikitup tariff increase as for domestic RCR the tariff is based on property price bands. Expenditure underspending is mainly as a result of the continued staff attrition and third party contractor costs being lower than anticipated.

For the quarter both commercial and core were profitable.

Table 8.5.2: Statement of Financial Performance – July to December 2018

Pikitung Statement of Financial Performance	Commercial (YTD - Quarter 2 2018)				Core (YTD - Quarter 2 2018)				Total Pikitung (YTD - Quarter 2 2018)			
	Actual R'000	Budget R'000	Var R'000	Var %	Actual R'000	Budget R'000	Var R'000	Var %	Actual R'000	Budget R'000	Var R'000	Var %
Total Revenue	138 599	146 383	(7 784)	-5.3%	1 112 138	1 019 350	92 788	9.1%	1 250 737	1 165 733	85 004	7.3%
Commercial	124 627	138 669	(14 043)	-10.1%	-	-	-	0.0%	124 627	138 669	(14 043)	-10.1%
Domestic	-	-	-	0.0%	714 925	630 719	84 206	13.4%	714 925	630 719	84 206	13.4%
City Cleaning Levy	-	-	-	0.0%	75 215	68 524	6 691	9.8%	75 215	68 524	6 691	9.8%
Interest - Debtors	13 998	7 635	6 363	83.3%	841	860	(19)	-2.3%	14 839	8 496	6 343	74.7%
Grants	-	-	-	0.0%	-	-	-	0.0%	-	-	-	0.0%
Other Income	(26)	78	(104)	-133.5%	193	1 921	(1 728)	-89.9%	167	1 999	(1 832)	-91.6%
Sweeping Account Interest	-	-	-	0.0%	7 613	3 975	3 638	91.5%	7 613	3 975	3 638	91.5%
CoJ Service Fee	-	-	-	0.0%	313 351	313 351	-	0.0%	313 351	313 351	-	0.0%
Total Expenses	162 426	200 409	37 983	19.0%	928 211	958 950	54 649	5.1%	1 090 637	1 159 359	68 722	5.9%
Staff Costs	45 496	52 007	6 511	12.5%	511 998	530 058	20 700	3.8%	557 494	582 065	24 571	4.2%
Provision for Bad Debt	8 197	7 307	(890)	-12.2%	44 075	39 292	(4 919)	-12.2%	52 272	46 599	(5 673)	-12.2%
Depreciation	21 302	28 951	7 649	26.4%	27 092	26 200	4 905	10.5%	48 394	55 151	6 757	12.3%
Repairs and Maintenance	596	2 816	2 220	78.8%	616	2 002	3 188	73.9%	1 212	4 819	3 606	74.8%
Fleet	16 862	23 095	6 233	27.0%	164 090	163 763	(327)	-0.2%	180 952	186 859	5 906	3.2%
Third Party Contractors	32 312	43 845	11 533	26.3%	66 159	65 818	(341)	-0.5%	98 471	109 663	11 192	10.2%
Total Fleet & Third Party Contractors	49 175	66 940	17 765	26.5%	230 249	229 582	9 623	3.6%	279 424	296 522	17 098	5.8%
Other Expenses	26 708	32 153	5 445	16.9%	83 116	93 273	14 773	12.2%	109 823	125 426	15 602	12.4%
Interest Paid	10 594	9 767	(827)	-8.5%	19 918	20 530	(58)	-0.2%	30 513	30 297	(216)	-0.7%
Intercompany Costs	358	467	109	23.4%	11 147	18 014	6 437	40.3%	11 505	18 481	6 976	37.7%
Surplus/(Deficit)	(23 827)	(54 026)	30 199	55.9%	183 927	60 400	123 527	204.5%	160 100	6 374	153 725	2411.6%
Landfill Cost Reallocation	77 196	97 306	(20 111)	-20.7%	(77 196)	(97 306)	20 111	20.7%				
Surplus/(Deficit)	53 369	43 281	10 088	23.3%	106 731	(36 906)	143 637	389.2%				

8.6 Revenue

Table 8.6.1: Total Income generated from commercial and business revenue

Description	Quarter 2 2017/18			Quarter 1 2018/19			Quarter 2 2018/19		
	Actual	Budget	Var	Actual	Budget	Var	Actual	Budget	Var
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Bulk Container Services	18 952	18 014	938	13 116	17 895	(4 779)	11 470	15 687	(4 216)
Landfill Fees	17 753	13 340	4 413	14 972	14 857	115	16 552	12 397	4 155
Business & Institutional RCR	28 797	29 220	(423)	29 439	33 110	(3 671)	29 591	33 110	(3 519)
Business Dailies	5 789	7 486	(1 697)	5 756	5 806	(50)	3 731	5 806	(2 075)
Safe Disposal	-	1	(1)	-	1	(1)	-	1	(1)
Total Commercial Services	71 291	68 061	3 230	63 283	71 669	(8 386)	61 344	67 000	(5 656)

Commercial services show a negative variance of R 5.656m for the quarter compared to budget, with a result lower than that for both the first quarter of the current financial year as well as the second quarter in the prior financial year. Part of the reason for the poor performance is the reputational damage related to the continued protests and service delivery disruptions as a result of the violent protests surrounding the staff absorption process in the first quarter as well as a shortage of bins for much of the financial year (as new customers cannot be signed on and damaged bins for existing customers cannot be replaced).

- Bulk container services billing shows a 39.5% decrease over the billing in the same period in the prior financial year, despite a marginal increase in tonnages when compared to the prior financial year.
- Landfill billing has decreased by 6.8% when compared to the result in the second quarter in the prior financial year, though this is due to the prior year result being inflated by the billing to third party contractors which was later reversed. Results for the quarter are over with budget.
- Business RCR results have increased by 2.8% when compared to the second quarter in the prior financial year, a result lower than the tariff increase. This is a result of both adjustments to correct billing and lost customers. The budget did include an amount for extra customers being signed on in expectation of investment into the commercial business as part of the ring fencing project, but as this has not occurred it is unlikely that the extra clients will be achieved in the short term.

- Business dailies billing has decreased by 35.6% when compared with the second quarter of the prior financial year as a result of a decrease in the number of clients as evidenced by the 17.2% decrease in average tonnages for the activity in the current financial year. As with business RCR the delay in the ring fencing project has had a negative impact on this activity.

Non Commercial Income

Table 8.6.2: Total income generated from non-commercial sources

Description	Quarter 2 2017/18			Quarter 1 2018/19			Quarter 2 2018/19		
	Actual	Budget	Var	Actual	Budget	Var	Actual	Budget	Var
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
City Cleaning Levy	24 816	28 619	(3 803)	41 319	34 262	7 057	33 896	34 262	(366)
Domestic RCR	301 923	300 608	1 315	355 664	315 360	40 304	359 261	315 360	43 902
CoJ Service Fee	194 302	194 302	-	156 675	156 675	-	156 675	156 675	-

Non-commercial income over budget for the quarter as a result of the positive result for Domestic RCR.

- The City Cleaning Levy has increased when compared to the second quarter in the prior financial year as a result the tariff increase and the adjustments to the CoJ Property Valuation Roll
- Domestic RCR shows a significant increase (19.0%) when compared to the first quarter of the prior financial year due to both the tariff increase and the adjustments to the CoJ Property Valuation Roll. The valuation roll adjustments were not quantifiable at the time of budget preparation and where not included in the budget, so this trend will continue to financial year end.
- The Service Fee allocated to Pikitup has decreased significantly from the amount received in the same quarter in the prior financial year due to the reduction in the budget enforced by the City.

8.7 Expenditure

Salaries and Related Costs

Table 8.7.1: People costs

Description	Quarter 2 2017/18			Quarter 1 2018/19			Quarter 2 2018/19		
	Actual	Budget	Var	Actual	Budget	Var	Actual	Budget	Var
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Basic Services	152 458	172 075	19 617	164 578	171 532	6 954	176 429	195 019	18 590
Staff Bonus	14 981	14 981	-	14 770	14 743	(27)	14 743	14 743	-
Overtime	19 308	19 518	210	18 709	19 562	853	22 787	20 636	(2 151)
Leave Provision	7 352	5 715	(1 637)	12 093	6 057	(6 036)	6 999	5 242	(1 757)
Pension Fund Contribution	24 411	26 841	2 430	26 738	27 937	1 199	29 202	27 937	(1 265)
Medical Aid	15 277	16 691	1 414	16 169	17 799	1 630	16 643	18 244	1 601
Other Staff Costs	10 130	19 242	9 112	14 134	20 681	6 547	23 500	21 934	(1 566)
Total Staff Costs	243 917	275 063	31 146	267 191	278 311	11 120	290 303	303 754	13 451

Staff costs are R 13.451m under budget for the quarter as a result the continued staff attrition.

- Basic salaries costs have increased compared to the first quarter of the prior financial year due to:
 - The SALGA mandated general salary increase,
 - The absorption of the 2010 contract workers and EPWP staff in the first quarter of the current financial year.

- Costs are expected to accelerate significantly as critical vacancies and positions where staff are currently acting are filled in the next quarters.
- The staff bonus provision relating to both the staff guaranteed a '13th cheque' and those on a performance based contract is in line with budget for the quarter and the result in the second quarter of the prior financial year.
- Overtime costs have increased with 18.0% when compared to the second quarter in the prior financial year due to:
 - The SALGA mandated general salary increase,
 - The 2010 contract workers employed being able to earn overtime,
 - A change in policy resulting in staff with a higher basic salary than before being eligible for overtime which has allowed the operations supervisors to earn overtime.
- The staff leave provision is in line with the result in the second quarter in the prior financial year and is based on the number of days leave due to employees and will fluctuate on a month to month basis in line with leave forms captured.
- Pension fund and medical aid contributions both increased when compared to the prior financial year as a result of the SALGA increase and staff absorption.
- Other minor staff costs show a significant increase when compared to the second quarter in the prior financial year as a result of large orders for uniforms and protective clothing for both existing and newly appointed staff.

Bad Debt Provision

Table 8.7.2: Bad debts split between core and commercial services

Description	Quarter 2 2017/18			Quarter 1 2018/19			Quarter 2 2018/19		
	Actual	Budget	Var	Actual	Budget	Var	Actual	Budget	Var
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Domestic	47 739	27 518	(20 221)	12 082	18 125	6 043	28 580	18 125	(10 455)
City Cleaning	5 091	4 477	(614)	1 014	1 521	507	2 399	1 521	(878)
Total Core	52 830	31 995	(20 835)	13 096	19 646	6 550	30 979	19 646	(11 333)
Commercial	8 314	6 999	(1 315)	2 436	3 654	1 218	5 761	3 654	(2 108)
Total Provision for Bad Debts	61 144	38 994	(22 150)	15 532	23 300	7 768	36 740	23 300	(13 441)

The bad debt provision relates to both commercial and core (Domestic and City Cleaning) accounts receivable and is over budget for the quarter as a result of decreasing payment levels, though shows a decrease when compared to the second quarter in the prior financial year.

Repairs and Maintenance

Table 8.7.3: Maintenance on Assets

Description	Quarter 2 2017/18			Quarter 1 2018/19			Quarter 2 2018/19		
	Actual	Budget	Var	Actual	Budget	Var	Actual	Budget	Var
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Buildings and Fencing	2 822	1 150	(1 672)	333	319	(14)	584	1 637	1 054
Containers	-	40	40	-	10	10	-	60	60
Garden Sites	61	224	163	84	162	78	-	923	923
Plant and Machinery	1 059	704	(355)	212	824	612	-	883	883
Total R&M (Excluding Fleet)	3 942	2 118	(1 824)	629	1 315	686	584	3 503	2 919
Fleet: R&M	23 998	20 895	(3 103)	24 601	12 509	(12 092)	15 558	12 509	(3 049)
Total R&M (Including Fleet)	27 940	23 013	(4 927)	25 230	13 824	(11 406)	16 142	16 012	(129)

Repair costs excluding fleet for the quarter are lower than in the prior financial year, though orders amounting to R 2.172m have been created for the maintenance of buildings (R 487k) and plant and machinery (R 1.685m) and it is expected that costs will increase in the future quarters.

The facilities department has been transferred to the operations department and thus it is expected that depot, garden site and landfill maintenance will have a higher priority for the remainder of the financial year.

Fleet maintenance is high as the current fleet needs to be replaced. Maintenance costs on fleet will reduced with the implementation of the new fleet contract. (Please see section - Third Party and Fleet costs below for a further analysis of the total fleet costs)

The comparison of the repairs and maintenance costs (including fleet maintenance) to the carrying costs of the assets is detailed below as part of the financial ratios as 7.8%, which is extremely positive when compared to the yearend requirement of the NT of 8.0% (or 2.0% per quarter).

Depreciation and Interest

Table 8.7.4: Depreciation and Finance Costs for Assets

Description	Quarter 2 2017/18			Quarter 1 2018/19			Quarter 2 2018/19		
	Actual	Budget	Var	Actual	Budget	Var	Actual	Budget	Var
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Depreciation	19 094	31 990	12 896	24 182	27 575	3 393	24 212	27 575	3 363
Interest	15 501	16 940	1 439	15 254	15 148	(106)	15 258	15 148	(110)

Depreciation costs are in line with the first quarter of the current financial year, though have increased when compared to the second quarter in the prior financial year due to the capitalisation of prior year assets.

Interest costs are in line with results in both the first quarter of the current financial year and the second quarter in the prior financial year.

Third Party and Fleet Costs

Table 8.7.5: Third Party and Fleet Costs (Including Fleet Maintenance)

Description	Quarter 2 2017/18			Quarter 1 2018/19			Quarter 2 2018/19		
	Actual	Budget	Var	Actual	Budget	Var	Actual	Budget	Var
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Fleet: Ad-hoc Lease	47 763	38 279	(9 484)	49 928	57 640	7 712	50 137	58 428	8 291
Fleet: Fuel	13 157	12 672	(485)	16 296	14 810	(1 486)	13 400	14 810	1 411
Fleet: R&M	23 998	20 895	(3 103)	24 601	12 509	(12 092)	15 558	12 509	(3 049)
Fleet: Insurance	-	-	-	-	16 151	16 151	11 033	-	(11 033)
Total Fleet	84 918	71 846	(13 072)	90 825	101 110	10 285	90 128	85 748	(4 380)
Contract Waste Cleaning	39 838	35 463	(4 375)	23 239	20 081	(3 158)	(2 264)	81	2 345
Casual Services	-	936	936	-	1 805	1 805	-	1 805	1 805
Mobile Plant Hire	32 807	35 171	2 364	36 083	36 446	363	32 320	36 224	3 904
Separation at Source	854	21 588	20 734	324	2 713	2 389	8 770	10 509	1 740
Total Thrd Party Costs	73 499	93 158	19 659	59 646	61 045	1 399	38 825	48 619	9 794
Total Fleet and Thrd Party Contractors	158 417	165 004	6 587	150 471	162 155	11 684	128 953	134 367	5 414

Third party and fleet costs in total are R 5.414m under budget, though this is entirely a result of lower than budgeted costs for third party contractors.

Fleet Costs:

- Ad-Hoc vehicles are leased when City owned vehicles are not available and costs have increased when compared with the same period in the prior financial year as the availability of the City owned vehicles has decreased year on year.
- Due to the consistent fuel price increases fuel costs have increased when compared to the prior financial year despite the increased reliance on ad-hoc vehicles which are hired at a wet rate (fuel included).
- Fleet maintenance costs are lower than the result in the same period in the prior financial year as a result of certain vehicles where repair has been deemed uneconomic. Of concern is the budget for the financial year having been decreased due to the significant reduction expected in maintenance costs with the now delayed implementation of the new fleet contract during the 2018/19 financial year.
- It was budgeted that the fleet insurance invoice would be paid in the first quarter (in line with the requirement in the prior financial year), however the invoice was only received and paid in the second quarter resulting in the negative variance compared to budget. The insurance costs for the year have increased from R 10.720m in the prior financial year to R 11.033m.

Third Party Costs:

- The costs for the contract waste cleaning programmes have decreased when compared to the prior financial year as the programmes have been curtailed in favour of the absorption of staff. The actual result for the second quarter shows a credit of R2.264m due to over accruals in the first quarter.
- No costs for casual staff have been incurred during the quarter.
- The yellow plant hired costs for the quarter are in line with costs in the prior financial year.
- Costs for separation at source have been sporadic during the first quarters and the project is currently being reviewed.

Table 8.7.6: Detailed fleet costs second quarter 2018/19

Pikitup Fleet Costs	Oct-18	Nov-18	Dec-18	Quarter 2
Ad-Hoc Rentals	1 150 975	4 909 881	6 952 991	13 013 847
Licences	1 286	-	82 521	83 807
Toll	4 816	6 986	6 006	17 807
Total Category A	1 157 076	4 916 867	7 041 518	13 115 461
Management Fee	254 110	254 110	254 112	762 333
Ad-Hoc Rentals	11 210 208	13 185 795	10 917 033	35 313 035
Licences	505 792	303 472	116 704	925 968
Toll	5 785	7 519	7 269	20 573
Total Category C	11 975 895	13 750 895	11 295 118	37 021 908
Total Lease Costs	13 132 971	18 667 762	18 336 636	50 137 370
Fuel Costs: Category A	632 983	758 077	812 212	2 203 272
Fuel Costs: Category C	3 064 313	3 514 600	4 617 391	11 196 304
Total Fuel Costs	3 697 296	4 272 677	5 429 603	13 399 576
Maintenance Costs: Category A	22 936	33 497	3 993	60 426
Maintenance Costs: Tyres Category C	-	-	-	-
Maintenance Costs: Category C	1 461 105	8 352 054	5 684 306	15 497 464
Total Maintenance Costs	1 484 041	8 385 551	5 688 299	15 557 891
Total Insurance Costs	16 151 000	-	-5 118 246	11 032 754
Total Fleet Costs	34 465 308	31 325 990	24 336 292	90 127 590
Total Costs Category A	1 812 996	5 708 441	7 857 722	15 379 159
Total Costs Category C	32 652 312	25 617 549	16 478 569	74 748 430

- Management fee relates to the cost paid to the service provider for the management of fleet.
- Licences is ad hoc and will fluctuate during the year.
- The fluctuation in the fleet costs over the last three months is mainly due to insurance costs.
- The increase in costs for category A and the decrease in costs for category C are due to the busses used to transport staff to their place of work being moved from category C to category A.

Other Expenses

Table 8.7.7: General expenses

Description	Quarter 2 2017/18			Quarter 1 2018/19			Quarter 2 2018/19		
	Actual	Budget	Var	Actual	Budget	Var	Actual	Budget	Var
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Landfill Rehabilitation	10 434	7 786	(2 648)	9 678	8 151	(1 527)	9 678	8 151	(1 527)
Guarding of Property	9 821	9 505	(316)	9 142	9 068	(74)	10 079	9 068	(1 011)
Disposal Fees	4 835	5 266	431	5 751	8 175	2 424	8 847	8 175	(672)
Bin Liners	8 121	8 474	353	5 492	2 012	(3 480)	6 946	4 829	(2 117)
Water Supply.	2 764	885	(1 879)	5 450	8 175	2 725	3 226	2 601	(625)
Electricity Supply	1 643	1 643	-	3 494	3 255	(239)	1 430	1 767	337
IT Costs	1 670	4 601	2 931	3 379	2 747	(632)	2 366	3 659	1 294
Rents	1 688	2 733	1 045	3 054	4 115	1 061	2 376	2 747	371
Audit Fees	3 604	1 270	(2 334)	2 620	4 310	1 690	3 103	1 531	(1 572)
Other	7 416	18 508	11 092	3 254	12 300	9 046	10 459	20 590	10 132
Total Other Expenses	51 996	60 671	8 675	51 314	62 308	10 994	58 510	63 119	4 609

Other expenses are R 4.609m under budget for the quarter though costs have increased when compared to the results in the prior quarters. Major variances are due to:

- Costs for the landfill rehabilitation are estimated during the financial year and only fully calculated as part of the year end process and thus variances during the financial year can be expected.
- Due to the delay in the City supplying the guarding function, budget was transferred to ensure the continuation of services by the external contractors.
- Disposal Fee costs at external landfill sites have increased when compared to the result in the prior financial year in line with the new contracts in place.
- Bin liner costs have decreased when compared to the second quarter of the prior financial year, though the result in the prior year is anomalous with the quarterly average for the full year being R4.050m.
- Water and electricity costs from the City have been increased in line with the tariff increase in July and an increase in budget will have to be processed as part of the budget revision process.
- IT costs fluctuate significantly during the year as a result of payment of 'big ticket' items such as Microsoft licenses and thus variations are expected.
- Rental costs for head office and Midrand depot buildings have increased in line with the contractual obligation.
- Audit fees are paid on presentation of invoices and thus variations both to budget and results in prior quarters are expected.
- Other, minor general expenses show a significant underspending for the quarter. The purchase of 240L Bins (R 6.465m), Environmental Education (R 1.964m) and Insurance costs (R915k) are the largest variances.

8.8 Financial Ratios

Table 8.8.1: Repairs and Maintenance as a Percentage of PPE

R&M as % of PPE	2014/15 Financial Year	2015/16 Financial Year	2016/17 Financial Year	2017/18 Financial Year	Quarter 2 2018/19	Quarter 2 (YTD) 2018/19
R&M	3 200 158	5 081 286	4 464 488	551 531	583 675	1 212 366
R&M Fleet	74 926 703	73 380 633	96 069 476	24 549 705	15 557 891	40 158 851
Carrying Cost	78 126 861	78 461 919	100 533 964	25 101 236	16 141 566	41 371 218
Percentage	10.6%	10.9%	18.0%	4.9%	3.1%	7.8%

NT guideline is 8.0% for the full financial year, thus the year to date result of 7.8% is extremely positive.

Table 8.8.2: Surplus Margin

Surplus Margin	2014/15 Financial Year	2015/16 Financial Year	2016/17 Financial Year	2017/18 Financial Year	Quarter 2 2018/19	Quarter 2 (YTD) 2018/19
Surplus/(Deficit)	(55 492 643)	293 414 472	96 291 078	(205 747 237)	61 206 060	160 099 942
Operating Revenue	1 918 700 672	2 124 894 846	2 177 166 166	2 278 696 809	623 275 611	1 250 736 960
Percentage	-2.9%	13.8%	4.4%	-9.0%	9.8%	12.8%

The operating surplus margin is positive at 9.8% for the quarter.

Table 8.8.3: Staff Costs as a Percentage of Total Costs

Staff costs as % of Total Operating Expenditure	2014/15 Financial Year	2015/16 Financial Year	2016/17 Financial Year	2017/18 Financial Year	Quarter 2 2018/19	Quarter 2 (YTD) 2018/19
Staff Cost	828 284 397	867 605 551	960 655 697	974 924 970	290 303 402	557 494 339
Total Costs	1 974 193 315	1 831 480 374	2 080 875 088	2 072 949 572	562 069 551	1 090 637 018
Percentage	42.0%	47.4%	46.2%	47.0%	51.6%	51.1%

Staff costs as a percentage of total costs show an increase when compared to the prior financial year as a result of the insourcing and absorption of staff during the year. The percentage remains higher than the NT target of between 25% and 40% due to the labour intensive nature of the Pikitup business model.

Table 8.8.4: Operating Expenditure compared to Budget

Operating Expenditure vs Budget	2014/15 Financial Year	2015/16 Financial Year	2016/17 Financial Year	2017/18 Financial Year	Quarter 2 2018/19	Quarter 2 (YTD) 2018/19
Actual	1 974 193 315	1 831 480 374	2 080 875 088	2 176 551 786	562 069 551	1 090 637 018
Budget	1 840 396 000	2 011 741 000	2 166 966 000	2 240 695 027	580 013 441	1 159 358 841
Percentage	107.3%	91.0%	96.0%	97.1%	96.9%	94.1%

The operating expenditure spend as a percentage of total budget is usually only calculated at financial year end. The NT target is between 95% and 100%.

Table 8.8.5: Liquidity Ratio

Liquidity	2017/18 Financial Year	Quarter 1 2018/19 (YTD)	Quarter 2 2018/19 (YTD)
Current Assets	2 472 693 631	2 495 242 760	2 228 428 976
Current Liabilities	1 374 715 435	1 281 902 046	1 345 559 528
	1.80	1.95	1.66

The current ratio is above the City target of 1:1.

Table 8.8.6: Solvency Ratio

Solvency	2017/18 Financial Year	Quarter 1 2018/19 (YTD)	Quarter 2 2018/19 (YTD)
Total Assets	3 172 565 555	3 181 394 559	2 907 409 263
Total Liabilities	2 618 520 385	2 528 455 510	2 590 716 365
	1.21	1.26	1.12

The solvency ratio is well below the City target of 2.00.

Table 8.8.7: Cost Coverage Ratio

Cost Coverage Ratio	2014/15 Financial Year	2016/17 Financial Year	2017/18 Financial Year	Quarter 2 (YTD) 2018/19
Cash & Equivalents	136 316 338	241 516 826	195 309 284	250 553 307
Monthly Operating Expenditure	135 995 106	161 821 099	181 379 316	181 772 836
	30.07	44.77	32.30	41.35

Whilst the cost coverage ratio had been increasing year on year, the results for 2017/18 show a decrease as a direct result of the material decrease in funding from the City as part of the budget revision process, a trend that has accelerated in the current financial year. The City target of 50 days is unlikely to be achieved during the current financial year.

8.9 Irregular, Fruitless and Wasteful Expenditure

No fruitless and wasteful expenditure was discovered during the current quarter.

Being reflected below is cumulative irregular, fruitless and wasteful expenditure as at 31 December 2018.

Table 8.9: Irregular, Fruitless and Wasteful Expenditure

Cumulative Balance	30-Jun-18	Quarter 1 2018/19	Quarter 2 2018/19	Quarter 2 (YTD) 2018/19
Irregular expenditure	646 497 315	-	-	646 497 315
Fruitless and wasteful expenditure	16 393 696	-	-	16 393 696
Total	662 891 011			662 891 011

The report to condone this balance is in the process to be presented to the City's governance structures for approval.

8.10 Compliance with rules and regulations

There were no instances of non-compliance with rules and regulations identified during the quarter, within finance and supply chain management functions.

8.11 Payment made within 30 days

Table 8.11: Payments within 30 Days

Payments			
	Payments Made	Percentage	Value of Payments
Over 30 Days	768	19.8%	679 544 297
Within 30 Days	3 871	80.2%	82 109 402
All Payments	4 639	100.0%	761 653 699

This payments report reflects only payment made through the SCM ordering process. Sundry payments are excluded. Payments not made within 30 days are supported by a memo explaining the reason for delaying the payment.

8.12 Costs for Free Basic Services

Table 8.12: Free Basic Services

Description	Quarter 2 2017/18			Quarter 1 2018/19			Quarter 2 2018/19		
	Actual	Budget	Var	Actual	Budget	Var	Actual	Budget	Var
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Informal Settlements	26 701	33 599	6 898	27 411	24 439	(2 972)	16 636	24 611	7 974
Formal Housing - under minimum value	30 588	29 947	(641)	27 344	29 779	2 435	31 366	30 528	(838)
Formal Housing - indigent	13 700	13 413	(287)	10 957	11 933	976	12 570	12 234	(336)
Total Free Basic Services (Direct Costs)	70 989	76 959	5 970	65 712	66 151	439	60 572	67 373	6 801

Costs for the cleaning of informal settlements are lower than budget for the quarter as a result of the lower than expected costs for informal settlements due to an overprovision in the first quarter for third party cleaning costs of R 5.280m that was reversed in the second quarter.

8.13 Cost per Ton

Table 8.13: Cost per Ton

Cost Per Activity & Tonne December 2018 Actual YTD	Business RCR	Business Dailies	Landfills	Bulk Services	Domestic RCR	Waste Min	Informal Settlement	Street Cleaning	Illegal Dumping	Garden Sites	Compost	Total	Depot Admin	Head Office Admin	Total
Income															
Income	65 640	10 548	35 075	27 336	714 925	-	41 570	290 096	25 426	31 474	-	1 242 089	14 839	-6 191	1 250 737
Expenditure															
Staff Costs	6 451	8 288	9 411	8 007	78 100	3 454	43 191	265 366	5 522	10 686	1 286	439 761	25 931	91 802	557 494
Provision for Bad Debt	4 591	359	1 479	1 768	40 663	-	-	3 413	-	-	-	52 273	-	-1	52 272
Depreciation	-	293	16 540	3 786	13 358	198	-	236	8	4 633	230	39 283	7 573	1 538	48 394
Repairs & Maintenance	-	-	573	-	-	-	-	-	-	108	-	680	530	2	1 212
Fleet	96	3 302	603	12 587	97 475	3 900	228	36 649	1 012	18 946	33	174 832	5 551	570	180 962
Third Party Contractors	-	-	32 241	58	5 751	10 394	-596	15 517	32 737	2 267	-	98 369	13	89	98 471
Other Expenses	208	20	20 426	464	13 368	2 095	1 145	7 600	2 833	2 555	104	51 017	31 460	27 346	109 823
Interest Paid	-	135	8 123	689	3 215	12	80	587	135	1 183	233	14 391	8 314	7 808	30 513
Intercompany Expenses	10	228	46	74	863	-	-	1 715	19	85	-	3 039	150	8 316	11 505
Total Direct Expenditure	11 356	12 624	89 443	27 433	252 793	20 053	44 047	331 282	42 267	40 462	1 886	873 646	79 521	137 468	1 090 636
Surplus/(Deficit) before Admin costs	54 284	-2 076	-54 368	-8	462 132	-20 053	-2 477	-41 186	-16 841	-8 989	-1 886	368 443	-64 681	-143 690	-
Depot Admin	1 239	795	-	316	27 352	2 065	4 679	34 136	4 616	4 323	-	79 519	-79 519	-	-
Head Office Admin	2 519	2 244	9 787	4 668	42 290	2 926	8 910	52 852	5 488	5 439	345	137 468	-	-137 468	-
Total Admin Allocation	3 758	3 039	9 787	4 984	69 642	4 991	13 589	86 988	10 104	9 762	345	218 985	-	-	-
Total Costs	15 114	15 663	99 230	32 418	322 434	25 043	57 637	418 270	52 371	50 224	2 231	1 090 631	14 837	-	1 090 631
Surplus/(Deficit) after Admin costs	50 526	-5 116	-64 155	-5 082	392 491	-25 043	-16 066	-126 174	-26 945	-18 751	-2 232	151 453	-	-	-
Landfill Cost Allocation	2 170	1 362	-86 330	5 602	55 588	293	1 462	8 209	1 335	10 308	-	-	-	-	-
Profitability	48 356	-6 478	22 175	-10 685	336 902	-25 337	-17 528	-136 383	-28 280	-29 059	-2 232	151 453	-	-	160 101
Tonnage (YTD Nov 2018, estimate for Dec 2018)	11 193	7 026	-	28 897	286 729	1 513	7 541	41 719	137 733	53 170	-	575 520	-	-	-
Cost per Tonne	1 544	2 423	-	1 316	1 318	16 749	7 837	10 223	390	1 138	∞	1 895	-	-	-

The cost per tonne average has increased from R 1 785 for 2017/18 to R 1 895 for the current quarter, though this is mainly as a result of total tonnages decreasing from the 613 807 in the prior financial year to 575 520 in the current.

Cost per ton varies significantly between activities. A brief overview of the reasons for this includes:

- Domestic and Business RCR – costs lower than average as a result of the planned nature of the activity and economies of scale.
- Informal Settlement – costs significantly higher than RCR as compactors are usually not used due to the nature of the cleaning and the geographical nature of the settlements which makes accessibility in most cases difficult.
- Street Cleaning – costs per ton are high as a result of the low density of waste (cleaners have to clean a large area to fill a plastic bag). In addition, transport costs are higher than average as the activity requires the delivery of the cleaners to each area and then retrieval of both the cleaners and the waste.
- Illegal Dumping – costs per tonne are low, as the landfill cost recharge is mostly waived as the builders rubble is used for landfill cover.
- Waste Minimisation – costs per tonne relate to the residual waste disposed of at the landfill and are thus inflated, no accurate data exists for the input weight of the waste before removal of the recyclables.
- Garden Site – costs reflect the cost requirement for upkeep of multiple garden sites as well as the fleet required to transfer waste.

- Dailies – costs are higher than the Pikitup average as the allocated fleet has to travel further between pickups than, for example, RCR. Opportunity for extra clients to decrease the cost per ton using the current fleet.
- Bulk Services – costs lower than for RCR as a result of the nature of the activity – whilst specialised fleet is required, tonnage per pickup point is the highest of all Pikitup activities.

8.14 Statement of Financial Position

Statement of Financial Position as at 31 December 2018					
June 2018 Actual	ASSETS	Note	Actual	Budget	Variance
	Current Assets				
1 059 584	Inventories	1	2 594 296	2 752 269	-157 993
1 255 375 319	Loans to shareholders	2.1	1 267 752 153	1 262 692 129	5 060 024
162 978 029	Receivables from non-exchange transactions	3	192 901 427	178 749 740	14 151 687
575 904 487	Receivables from exchange transactions	4	765 119 559	676 873 642	88 245 917
38 014	Cash and cash equivalents	5	61 541	59 000	2 541
<u>2 015 355 433</u>			<u>2 228 428 976</u>	<u>2 121 126 800</u>	<u>107 302 176</u>
	Non-Current Assets				
549 463 249	Property, plant and equipment	6	526 602 294	523 714 196	4 888 098
303 914	Intangible assets	6	273 232	273 232	-
16 240 072	Non current asset held for sale	7	16 240 072	16 240 072	-
<u>133 864 689</u>	Loans to shareholders	2.2	<u>133 864 689</u>	<u>133 864 689</u>	<u>-</u>
<u>699 871 924</u>			<u>678 980 287</u>	<u>674 092 189</u>	<u>4 888 098</u>
<u>2 715 227 357</u>	Total Assets		<u>2 907 409 263</u>	<u>2 795 218 989</u>	<u>112 190 274</u>
	LIABILITIES				
	Current Liabilities				
642 248 474	Loans from shareholders	2.3	700 166 971	710 057 059	-9 891 088
53 860 534	Finance lease obligation	8	53 860 534	53 860 534	-
607 727 418	Payables from exchange transactions	9	580 539 996	618 558 577	-38 018 581
<u>10 993 027</u>	Provisions	10	<u>10 993 027</u>	<u>10 993 027</u>	<u>-</u>
<u>1 314 829 453</u>			<u>1 345 559 528</u>	<u>1 393 469 197</u>	<u>-47 909 669</u>
	Non Current Liabilities				
524 359 659	Loans from shareholders	2.4	524 359 657	524 359 657	-
20 478 357	Finance lease obligation	8	2 474 571	2 474 571	-
79 753 933	Employee benefit obligation	11	79 753 932	79 753 932	-
619 213 001	Provisions- Landfill Rehabilitation	10	638 568 677	638 568 677	-
<u>1 243 804 950</u>			<u>1 245 156 837</u>	<u>1 245 156 837</u>	<u>-</u>
<u>2 558 634 403</u>	Total Liabilities		<u>2 590 716 365</u>	<u>2 638 626 034</u>	<u>-47 909 669</u>
<u>156 592 955</u>	Net Asset (liabilities)		<u>316 692 898</u>	<u>156 592 955</u>	<u>160 099 943</u>
	NET ASSETS/ LIABILITIES				
1 000	Share Capital		1 000	1 000	-
43 001 808	Owners Contribution		43 001 808	43 001 808	-
<u>113 590 147</u>	Accumulated surplus / (deficit)		<u>273 690 090</u>	<u>113 590 147</u>	<u>160 099 943</u>
<u>156 592 955</u>			<u>316 692 898</u>	<u>156 592 955</u>	<u>160 099 943</u>

Notes

- 1 Inventories**
Inventories represent stock including bin liners, consumables , protective clothing and 240L bins held as at end of the period.
- 2 Loans to/from shareholders**
- | | |
|--|----------------------|
| 2.1 COJ Intercompany relating to intercompany billing | 1 017 198 846 |
| Sweeping account balance | 250 553 307 |
| Total | 1 267 752 153 |
- 2.2** This amount relates to Notional loan on employee benefit obligation. This amount is linked to note 8.
- | | |
|---------------------|--------------------|
| 2.3 Salaries | 700 165 971 |
| Total | 700 165 971 |
- 2.4** The amount represents capex loans outstanding . Currently only the interest is being serviced and
- 3 Receivables from non-exchange transactions**
Receivable from non exchange transactions consists of city cleaning levy.
- 4 Receivables from exchange transactions**
Receivable from non exchange transactions consists of debtors net of provision for doubtful debts.
- 5 Cash and cash equivalents**
Petty cash is reflected as cash on hand.
The sweeping account balance of R250 553 307 is included in Loans to shareholders refer to note 2.1.
- 6 Property, plant and equipment**
The variance in Property, plant and equipment is attributable to the delay on capitalization of capital projects.
It should be noted that certain assets can only be capitalised at the completion of the project.
- 7 Non current asset held for sale**
Investment in associates represents 50% shareholding in Friedshelf
- 8 Finance lease obligation**
The amount relates to the leases of motor vehicles under a finance lease arrangement with The City of Johannesburg
- 9 Payables from exchange transactions**
The amount is attributable to trade creditors not yet paid at the end of the period, accrued leave pay, accrued 13th cheque and VAT control accounts.
- 10 Provisions**
This is provision for rehabilitation of landfill sites . The amount is adjusted for the interest unwinding on a monthly basis.
The provision further includes accrual for performance bonus.
- 11 Employee benefit obligation**
Employee benefit obligation relates to medical aid, gratuity and housing subsidy for qualifying employees. This amount is linked to note 2.2.

8.15 Cash Flow Statement

Table 8.15: Cash Flow Statement

Pikitup Cash Flow Statement - 2018/19 Financial Year	Quarter 1 Actual Rands	Quarter 2 Actual Rands	Quarter 2 (YTD) Actual Rands
Opening Bank Balance	195 309 284	127 496 100	195 309 284
Total Cash Receipts by Source including Internal Transfers	614 500 743	611 594 769	1 226 095 512
Cash Receipt by Source	429 478 046	428 017 809	857 495 855
Service Charges - Refuse Revenue	428 615 347	426 313 447	854 928 793
Other Revenue	862 700	1 704 362	2 567 062
Inter-departmental and MOE Receipts (Internal Transfers)	185 022 697	183 576 960	368 599 657
Interest Income	4 213 016	3 400 417	7 613 433
Operating Grants grants & Subsidies from CoJ	180 176 543	180 176 543	360 353 087
Borrowing long term/refinancing			
Total Expenditure including Internal Transfers	- 682 313 927 -	- 488 537 562 -	- 1 170 851 489
Cash Payments by Type	- 257 425 060 -	- 248 437 358 -	- 505 862 418
Contracted Services	- 174 035 692 -	- 219 578 756 -	- 393 614 449
General Expenses	- 83 389 368 -	- 28 858 602 -	- 112 247 970
Other Cash Flows/Payments by Type	- 70 836 309 -	- 58 405 502 -	- 129 241 811
Capital Assets	- 26 544 051 -	- 13 982 550 -	- 40 526 601
VAT Input	- 44 292 259 -	- 44 422 952 -	- 88 715 210
Inter-departmental and MOE Receipts (Internal Transfers)	- 354 052 558 -	- 181 694 702 -	- 535 747 260
Repayment of Borrowing	- 340 162 588 -	- 167 800 831 -	- 507 963 419
Interest on shareholders loans	- 13 889 970 -	- 13 893 871 -	- 27 783 841
Closing Bank Balance	127 496 100	250 553 307	250 553 307

8.16 Forecast

Table 8.16: Operating Forecast

Pikitung Forecast	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Total 2018/19		
	Actual R'000	Actual R'000	Actual R'000	Actual R'000	Actual R'000	Actual R'000	Forecast R'000	Forecast R'000	Forecast R'000	Forecast R'000	Forecast R'000	Forecast R'000	Forecast R'000	Forecast R'000	Budget R'000
Total Commercial	21 106	20 645	21 532	18 265	22 468	20 610	18 089	22 231	22 231	22 477	22 231	23 123	255 007	276 455	(23 448)
Total Domestic	116 617	118 445	118 606	117 205	120 216	121 840	121 916	121 916	121 916	121 916	121 916	121 916	1 446 421	1 261 439	184 982
Total City Cleaning Levy	11 156	16 600	11 465	11 138	11 300	11 452	11 421	11 421	11 421	11 421	11 421	11 992	144 310	137 619	6 691
Total Interest on Outstanding Debtors	3 097	1 977	2 365	2 378	2 422	2 600	2 000	2 000	2 000	2 000	2 000	2 000	26 839	16 482	9 357
Total Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Income	157	20	(5)	(9)	1	3	183	183	183	183	183	1 100	2 184	1 766	(2 582)
Total Interest Earned on Sweeping Account	1 200	326	1 382	2 285	990	1 424	962	962	962	962	962	962	13 388	7 950	5 438
Total Col Service Fee	52 425	52 225	52 225	52 225	52 225	52 225	52 225	52 225	52 225	52 225	52 225	52 225	626 701	626 701	-
Total Income	207 654	212 239	207 568	203 494	209 621	210 161	206 796	210 938	210 938	211 184	210 938	213 319	2 514 850	2 333 922	180 928
Total Staff Costs	85 782	80 702	100 707	100 401	101 706	88 197	96 791	97 754	102 754	104 254	108 754	116 407	1 184 207	1 224 157	39 950
Total Provision for Bad Debt	-	7 767	7 765	18 240	9 400	9 100	11 500	15 000	20 000	25 000	25 000	25 000	173 772	93 196	(80 576)
Total Depreciation	7 883	8 217	8 072	8 055	8 073	8 084	8 483	8 483	8 483	8 483	8 483	8 483	89 291	111 093	11 802
Total Repairs and Maintenance	212	341	76	133	149	301	1 487	1 487	1 487	1 487	1 487	1 561	10 206	13 814	3 606
Total Fleet	29 034	27 519	34 272	34 465	31 326	24 336	30 769	30 399	30 769	30 399	30 769	30 399	364 457	355 893	(8 564)
Total Third Party Contractors	19 022	21 509	19 115	9 828	9 675	19 328	16 469	16 206	16 508	16 508	16 042	13 171	195 375	184 567	(8 808)
Total Other Expenses	16 985	16 969	17 359	17 139	18 650	22 421	24 657	24 888	28 626	25 241	25 307	26 861	265 404	217 906	(47 498)
Total Interest Paid	4 637	4 682	5 936	5 095	4 986	5 177	5 737	5 737	5 737	5 737	5 737	5 736	64 932	60 594	(4 338)
Total Intercompany Costs	1 879	1 815	307	4 193	1 828	1 487	3 276	3 276	3 276	3 964	5 064	7 625	37 986	72 720	34 734
Total Overheads	165 443	169 520	193 604	197 850	185 793	178 427	199 168	203 230	217 639	221 073	226 643	235 243	2 393 632	2 333 922	(59 710)
Surplus/(Deficit)	42 211	42 719	13 964	5 643	23 828	31 734	7 628	7 708	(6 701)	(9 888)	(15 705)	(21 924)	121 218	-	121 218

Pikitung Forecast	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Total 2017/18		
	Actual R'000	Actual R'000	Actual R'000	Actual R'000	Actual R'000	Actual R'000	Forecast R'000	Forecast R'000	Forecast R'000	Forecast R'000	Forecast R'000	Forecast R'000	Forecast R'000	Budget R'000	Variance R'000
Bulk Container Services	4 483	4 645	3 988	4 116	5 576	3 779	3 757	5 315	5 315	5 315	5 315	6 013	55 616	67 461	(11 845)
Landfill Fees	4 933	5 048	4 991	3 521	8 434	4 620	2 369	4 952	4 952	5 199	4 952	4 998	58 971	54 677	4 294
Business RCR	9 765	9 499	10 176	10 058	9 056	10 475	10 028	10 028	10 028	10 028	10 028	10 079	119 247	137 993	(13 746)
Business Dailies	1 926	1 453	2 378	570	1 424	1 736	1 935	1 935	1 935	1 935	1 935	2 032	21 195	23 320	(2 125)
Safe Disposal	-	-	-	-	-	-	0	0	0	0	0	0	2	4	(2)
Total Commercial	21 106	20 645	21 532	18 265	22 492	20 610	18 089	22 231	22 231	22 477	22 231	23 123	255 031	278 455	(23 424)

9. Internal and External Audit Findings

The purpose of this report is to present progress on Internal Audit work against the approved 2018/19 Internal Audit Coverage Plan for quarter two of 2018/19 financial year. The report also presents progress made in resolving audit findings raised by Internal Audit and AGSA.

9.1 Progress on Resolving Internal Audit Findings

Table 9.1.1: Progress on resolving IA findings

Quarter	Audit Projects	Total Findings	Resolved (management assertions)	Verified & confirmed by IA	Unresolved	% Resolved
IA findings for 2016/17 financial year						
Quarter 1	Jozi@Work	6	6	6	0	100%
	Performance Information Audit	4	4	4	0	100%
	Enterprise Risk Management	9	9	9	0	100%
	IT Network Security	13	7	7	6	54%
	Sub-total	32	26	26	6	81%
Quarter 2	Separation at Source Audit	4	2	0	2	50%
	Communication & Stakeholder Management Audit	6	5	5	1	83%
	Health and Safety Audit	12	11	7	4	92%
	Sub-total	22	18	12	4	82%
Quarter 3	Internal Financial Controls Review	4	3	3	1	75%
	Revenue Management Audit	4	2	0	2	50%
	Weighbridge Management Audit	12	11	11	1	92%
	Audit of Predetermined Objectives	10	8	8	2	80%
	Payroll Management Audit	9	8	7	1	89%
	Sub-total	39	32	29	7	82%
Quarter 4	Contract Management Audit	7	4	4	3	57%
	Fixed Assets Management Audit	4	3	3	1	75%
	Supply Chain Management Audit	9	9	9	0	100%
	IT General Controls Review	6	4	4	2	67%
	IT Governance Review	16	15	15	1	94%
	IT Application Controls Review	3	2	2	1	67%
	Sub-total	45	37	37	8	82%
Total for 2016/17 financial year		138	113	103	25	82%
Previous quarter resolution rate		138	111	103	27	80%
IA findings for 2017/18 financial year						
Quarter 1	Separation at Source	3	1	1	2	33%

	Communication and Stakeholders Engagement	1	1	1	0	100%
	Quarterly Audit of Pre-determined Objectives	6	6	6		100%
	Region D: Depot Audit	29	26	0	3	90%
	Sub-total	39	34	6	5	87%
Quarter 2	Human Resource Management Full Audit including Follow up Audit (CE)	5	2	2	3	40%
	Weighbridge Management Full Audit including Follow up Audit (AE)	6	3	0	3	33%
	Quarterly Audit of Pre-determined Objectives Full Audit including Follow up Audit (CE)	6	6	6	0	100%
	Region E: Marlboro Depot (FA) (CE)	22	17	0	5	77%
	Region E: Norwood Depot (FA) (CE)	11	10	0	1	91%
	Business Continuity Plan, Disaster Recovery Plan and Back-up Review (Full Audit including Follow-up Audit (CE))	6	1	1	5	17%
	Sub-total	56	39	3	17	70%
Quarter 3	Revenue Management Full Audit including Follow up Audit (AE)	2	1	0	1	50%
	Fleet Management Full Audit including Follow up Audit (CE)	7	2	0	5	29%
	Quarterly Audit of Pre-determined Objectives Full Audit including Follow up Audit (CE)	8	8	0	0	100%
	Region G (FA) (CE) Audit Areas: Avalon Depot Orange Farm Depot	16	11	0	5	69%
	Sub-total	33	22	0	11	67%
Quarter 4	Contract Management Full Audit including Follow up Audit (CE)	0	0	0	0	0%
	Compliance Management Full Audit including Follow up Audit (CE)	0	0	0	0	0%
	Quarterly Audit of Pre-determined Objectives Full Audit including Follow up Audit (CE)	1	1	0	0	100%

Supply Chain Management (SCM) Full Audit including Follow up Audit (CE)	0	0	0	0	0%
IT General Controls Full Audit including Follow-up Audit (CE)	3	0	0	3	0%
IT Application Controls Full Audit including Follow-up Audit (CE)	6	0	0	6	0%
Sub-total	10	1	0	9	30%
Total for 2017/18 financial year	138	96	8	42	70%
Previous quarter resolution rate	138	94	7	44	68%
Total number of findings for 2016-2017 and 2017-2018 financial years as at 30 June 2018	276	209	11	67	76%

The analysis above indicates that the control environment within the entity remain constant for the past two financial years. For the past two financial years which is 2016/17 and 2017/18 financial years, we had 276 audit findings raised by Internal Audit

Table 9.1.1 indicates that the entity resolved 82% (80% in the previous quarter) and 70% (68% in the previous quarter) for 2016/17 and 2017/18 financial years respectively. On aggregate for the past two financial years the entity resolved 76% (76% in the previous quarter). These figures indicate some improvement in the resolution rate in comparison to the previous quarters.

To improve the adequacy and effectiveness of risk management, control and governance processes, we need to resolve 100% of audit findings as soon as possible. The implementation of corrective actions will assist in obtaining and sustaining a clean audit. Internal Audit will continuously engage management to ensure that 100% resolution rate is achieved for all audit findings.

We conducted the analysis of internal audit findings for the past two financial years in order to determine potential impact on service delivery and year-end audit opinion if remained unresolved for longer period. Table 9.1.2 below serves to indicate those audit findings that are significant to service delivery and/or audit opinion and those that are less significant but may become significant if they remain unresolved for longer period. The table also indicates resolution status.

Table 9.1.2: Analysis of internal audit findings and rating of potential impact on service delivery and year-end audit opinion

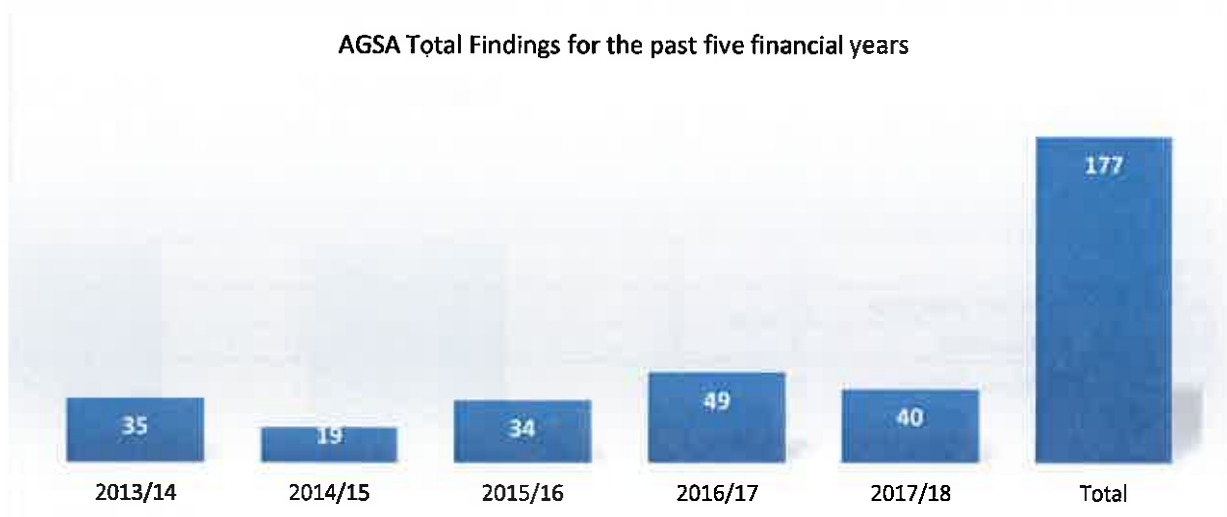
Financial year	Effects on audit opinion and/or service delivery			
	Matters that may affect audit opinion and/or service delivery (significant)	Other important matters that could escalate to significant if not addressed (less significant)	Administrative matters (less significant)	Total
2016/17 financial year				
Resolved	11	75	27	113
Not resolved	5	13	7	25
Sub-total	16	88	34	138
2017/18 financial year				

Resolved	13	79	4	96
Not resolved	24	14	4	42
Sub-total	37	93	8	138
TOTAL	53	181	42	276

9.2 Progress on Resolving AGSA Audit Findings

AGSA raised 177 audit findings for the past five financial years. Figure 9.2.1 below further illustrate trend on AGSA audit findings for the past five financial years:

Figure 9.2.1: Trend on AGSA audit findings



The trend analysis on Figure 9.2.1 above indicates significant improvement in the control environment within the entity in 2013/14 and 2014/15 financial years. The trend took a negative turn in 2015/16 and 2016/17 financial years with total number of AGSA audit findings increasing by 15 findings (79%) when compared to 2014/15 financial year. Again, the number of audit findings increased by additional 15 audit findings (44%) in 2016/17 financial year when comparing to 2015/16 financial year. In 2017/18 financial year, the number of audit finding raised by AGSA decreased by 9 audit findings (18%) when compared to 2016/17 financial year. However, these audit findings remain a concern because the nature of audit findings raised are qualitative and material and if not resolved during the financial year may have negative impact on the year-end audit outcome.

Table 9.2.1: Progress on resolving AGSA audit findings

Area reviewed	Total findings	Resolved (management assertions)	Verified & confirmed by IA	Unresolved	% Resolved
AG findings for 2016/17 financial year					
Revenue	8	5	5	3	63%
Audit of Predetermined Objectives	10	10	5	0	100%
Supply Chain Management	9	4	4	5	44%
Human Resource Management	3	2	2	1	67%
Finance	14	13	13	1	100%
Information Technology (IT)	3	3	3	0	100%
Operations	2	2	0	0	100%
Total resolution rate (current quarter)	49	39	32	10	80%
Total resolution rate (previous quarter)	49	38	20	11	78%
AG findings for 2017/18 financial year					
Revenue	4	0	0	4	0%
Audit of Predetermined Objectives	11	0	0	11	0%
Supply Chain Management	5	0	0	5	0%
Human Resource Management	3	1	0	2	33%
Finance	16	0	0	16	0%
Information Technology (IT)	0	0	0	0	0%
Operations	1	0	0	1	0%
Total resolution rate (current quarter)	40	1	0	39	3%
Total resolution rate (previous quarter)	-	-	-	-	-

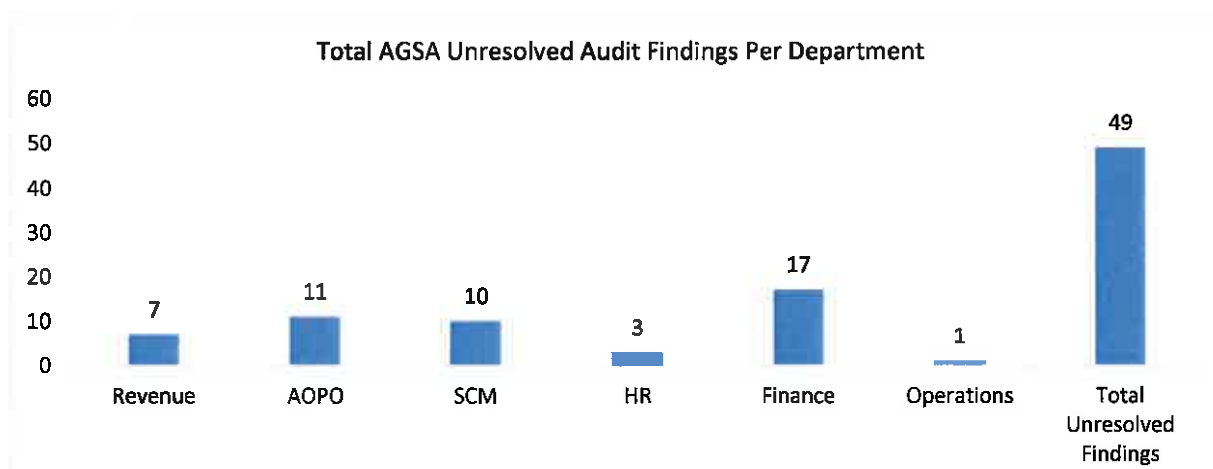
Table 9.2.1 and 9.2.2 indicate that on aggregate the entity resolved 80% and 3% of audit findings noted by AGSA for 2016/17 and 2017/18 financial years respectively. Note that for 2017/18 financial year, we are in the process of engaging management to ensure that these findings are resolved as soon as possible.

Table 9.2.2: Trend on audit findings issued by AGSA and resolution rate

Financial Year	2016/17	2017/18	Total
Total Findings	49	40	89
Reduction	15	(9)	(9)
% Reduction	44%	(18%)	18%
Resolutions	29	11	40
Resolution Rate	60%	28%	43%
Unresolved Findings	10	39	49
% Unresolved Findings	20%	97%	55%

We analysed unresolved audit findings and found that Finance, AOPO and SCM are the major contributors to unresolved audit findings raised by AGSA. These departments contributes 78% whilst Revenue, HR and Operations contributes 22%. The nature of these unresolved audit are significant and will negatively affects the audit outcome if remained unresolved by year-end. Note that we are currently in the process of engaging management on new audit findings raised by AGSA in the 2017/18 management report. Figure 9.2.2 below indicates departments that contribute to unresolved audit findings raised by AGSA.

Figure 9.2.2: Total AGSA unresolved audit findings per department



We conducted an analyses of AGSA audit findings for the past two financial years and potential impact on the year-end audit opinion for the year ending 30 June 2019. From our analysis we established that 56% of audit findings noted in the previous two financial years are significant and may have impact on the audit opinion whilst 37% are less significant but may become significant if remained unresolved for longer period. Of this 83 significant audit findings 43% were resolved whilst 57% remained unresolved as at 31 December

2018. Table 9.2.3 below serves to indicate the number of audit findings which affected the audit opinion in the previous two year-end audits, other important matters and administrative matters.

Table 9.2.3: Analysis of AGSA audit findings for four financial years and potential impact rating on the year-end audit opinion

Status of AGSA findings	Matters affecting audit opinion	Other important matters	Administrative matters	Total
2016/17 financial year				
Resolved	21	15	3	39
Not resolved	5	5	0	10
Sub-total	26	20	3	49
Percentage	53%	41%	6%	100%
2017/18 financial year				
Resolved	0	0	1	1
Not resolved	24	13	2	39
Sub-total	24	13	3	40
Percentage	60%	33%	7%	100%
Total for 2016/17, and 2017/18 financial years				
Resolved	21	15	4	40
Not resolved	29	18	2	49
TOTAL FINDINGS	50	33	6	89
Percentage	56%	37%	7%	100%