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**PIKITUP JOHANNESBURG SOC LIMITED  
MID-TERM PERFORMANCE 2017/18 REPORT  
DECEMBER 2017**

**PIKITUP JOHANNESBURG SOC LTD**

**Company Information**

**Registration number**  
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**2017**

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**Auditors:**

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**Standard Bank of South Africa Limited**  
**Auditor-General of South Africa**

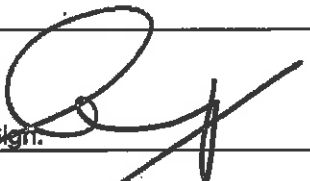


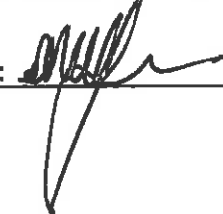
**Vision**

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.

**Approval**

<b>Mr. Suren Maharaj</b> <b>Chief Financial Officer</b>	Date: 18/01/18	Sign: 
<b>Mr. Lungile Dhlamini</b> <b>Managing Director</b>	Date: 20/01/18	Sign: 
<b>Mr. Bheki Shongwe</b> <b>Chairman of the Pikitup Board</b>	Date: 19.1.18	Sign: 
<b>Mr. Nico de Jager, MMC</b> <b>Environmental &amp; Infrastructure Services</b>	Date: 22.01.18	Sign: 

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## **Structure of the Report**

The purpose of the Quarterly Performance Report is to promote accountability to stakeholders and communities for decisions taken by Pikitup and to report on the performance of the company during the quarter. Quarterly Reports are used as management tools to periodically evaluate progress made against the set quarterly targets in the Business Plan. The reports show a direct link to planned quarterly targets.

The Quarterly Performance 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: Service Delivery Performance
- Chapter 4: Organisational development performance
- Chapter 5: Financial performance
- Chapter 6: Auditor General's findings

### **1. Leadership and Corporate Profile**

#### **1.1 Corporate Profile and Overview 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). In terms of the service delivery agreement with CoJ, Pikitup is mandated to provide sustainable integrated waste management services to all residential areas (formal and informal) and business in CoJ.

It services the entire 1 625km<sup>2</sup> that is CoJ, collecting and disposing of approximately 1.5 million tons of domestic waste managed through Pikitup operations. The mandate includes the provision of services to ensure the overall cleanliness of CoJ's streets (9 000 kilometres), open spaces, and certain public areas. It also offers commercial services to approximately 17 000 businesses in the city.

Pikitup continues to deliver on its mandate to provide sustainable integrated waste management services whilst advancing a shift 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 so its goals and objectives are aligned to achieve the same outcomes. The strategic goals of the company are:

- a) Shift towards 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**

Pikitup provides two categories of services: council services and commercial operations:

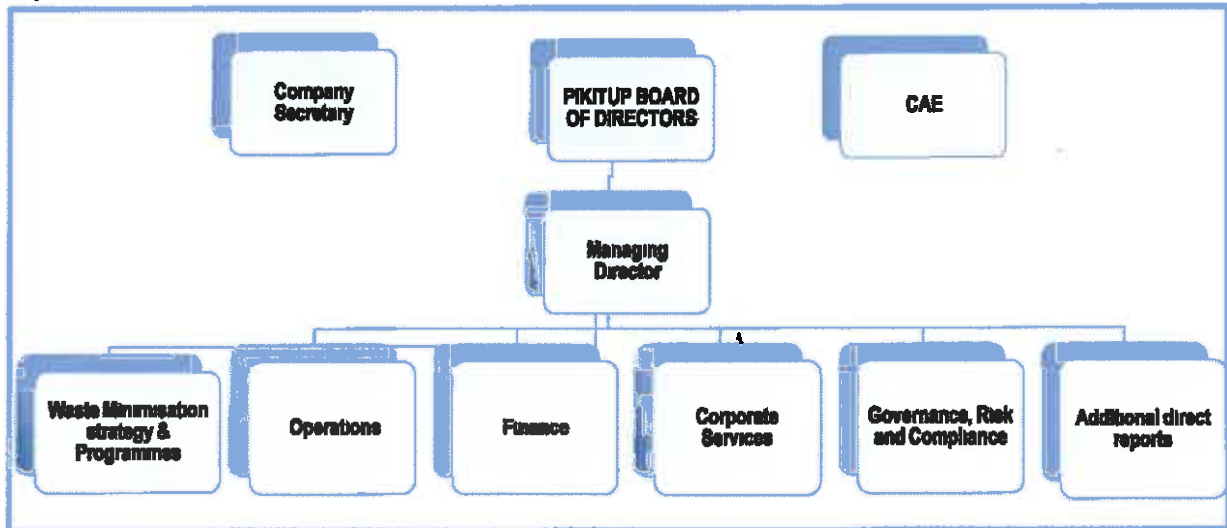
Council services	Commercial operations	Organisational values
<p>CoJ mandated services. In terms of Constitution municipality has sole mandate to collect domestic waste from residents and this is paid through tariffs. Residents cannot choose to use other service provider for domestic waste collection.</p>	<p>Where we service businesses (competing with other private companies) or where there are opportunities to collect revenue through other mechanisms.</p>	<p>The organisational values that guide and direct all Pikitup's interactions with external and internal stakeholders are hereby listed.</p>
<ul style="list-style-type: none"> <li>▪ Collection and disposal of domestic waste</li> <li>▪ Street cleaning, lane flushing, general area cleaning (street sweeping and litter picking)</li> <li>▪ Management of litter bins</li> <li>▪ Collection of (legally dumped) waste</li> <li>▪ Collection and disposal of animal carcasses found in a public places</li> <li>▪ Operation of garden sites</li> <li>▪ Operation and management of landfill sites</li> <li>▪ Cleaning of informal settlements</li> <li>▪ Recycling activities</li> <li>▪ Community Upliftment Programmes (CUP) formerly Jozi at Work (J@W)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Bulk collection services</li> <li>▪ Dailies - collection of putrescible food waste</li> <li>▪ Services for special events</li> <li>▪ Private operators pay disposal fees for waste disposal at Pikitup's landfill sites</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Exceptional Service Ethic</b> - Putting the customer first thereby achieving the highest customer satisfaction index</li> <li>▪ <b>Environmental Consciousness</b> - Being environmental activists and a sought-after group of people</li> <li>▪ <b>Respect for Human Dignity</b> - Trust, integrity and respect for each other's culture, religion and beliefs</li> <li>▪ <b>Good Corporate Citizenship</b> - Loyalty towards Pikitup, colleagues, community and the country at large</li> <li>▪ <b>Unity of Purpose</b> - Teamwork, perseverance, embracing change, determination, exceptional commitment and relationship building</li> <li>▪ <b>Results Driven</b> - Understanding Pikitup's strategy and its objectives and relating it to areas where efforts should be focussed</li> <li>▪ <b>Innovative</b> - Providing innovative waste solutions by providing systems and technologies that require the innovative thinking of specialists in the field of waste management</li> <li>▪ <b>Continuous Improvement</b> - Maintaining a competitive edge over our competitors by continuously improving business processes in waste management solutions and in the company</li> </ul>

Pikitup owns and operates 12 waste management depots strategically located across CoJ's seven regions. It manages 42 garden sites, four operational landfill sites, and two closed landfill sites in CoJ. In addition, some waste is disposed at two privately owned landfill sites (Mooiplaats and FG Landfill).

All landfill sites comply with permit requirements and are licensed by the national Department of Water Affairs and Forestry. The customer base consists of 1 016 919 domestic customers, 1 785 Business Round Collected Refuse (RCR) customers, 1 065 Bulk service customers, 705 dailies and 522 various institutions.

## 1.4 High-level organisational structure

The Pikitup organogram is aligned to the strategic focus and core mandate of the company and is represented as follows:



## 1.5 Chairperson's Foreword

This quarter under review ushers the new Integrated Development Plan as a next step to build upon and consolidate the existing waste management programmes, more especially in embedding the paradigm shift of integrated waste management. During the first quarter, the focus was on internal stakeholder management by conducting roadshows and visits to all operations depots and facilities and associated staff to go and listen to their issues and concerns which may be hampering operations and by extension service delivery. The intention of the engagements was also to harmonise relations amongst staff and entity management. These depot visits were concluded in the beginning of the period under review. The Managing Director in conjunction with the management team have been mandated by the BoD to come up with a mitigating action plan to respond and address the challenges which were raised and encountered during the stakeholder engagement process.

Amongst other aspects the service delivery fleet inadequacy remains one of the challenges the BoD is focusing on. The fleet replacement/capacitation plan has been developed and progressively being implemented, for instance specifications for the replacement of Category C fleet (core specialised for waste management) has been developed to replace the contract expiring in November 2018.

The BoD has put emphasis on improvement of staff administration, prompt attendance to employee issues to enhance the staff moral which will translate to enhanced service delivery. Acceleration of infrastructure maintenance and development to respond to service delivery imperatives.

In the first quarter of the current financial year a delegation from the CoJ visited Rwanda, Kigali to learn about their renowned Umuganda on how they keep Kigali clean and how they manage other environmental aspects relevant to municipal waste management.

Some of the lessons learnt were incorporated in the Mayoral A Re Sebetseng monthly clean up campaigns, an awareness programme involving communities at ward level on a voluntary basis.

Furthermore and in response to the Board's focus on the development and implementation of the of ward based business model and the associated staff establishment to operationalize the model – a Board workshop was held with non-executive directors, management and the consultants who are assisting with the organisational re-design. A progress presentation by consultants will be made at the forthcoming Board meeting. There challenges both strategic and operational remain including diversion of green waste and in dealing with illegal dumping and builder's rubble as well as the condition and availability and unit running cost of especially refuse collection.

These challenges ensue however, plans and programmes to mitigate the inherent risks are as reported in the rest of the body of this quarterly return under various sections. In conclusion, the Board remains committed to ensure that the strategic priorities be implemented and pre-determined objectives and targets are achieved.

Mr. Bheki Shongwe  
Chairperson: Pikitup Board



## 1.6 Managing Director's Report

### Executive Summary

#### 1.6.1 Final progress update on the 100 day plan

This section of the report is intended to give a progress update against the 100-day plan which in essence will continue to form part of the main objectives as had been approved by the board.

- a) Despite the Jozi@work protest by people who were employed under this program of which the associated contracts have come to an end, the entity's business has since been stabilized and operations normalized. The findings of the Roadshow initiated by the chairman of the board are now being addressed and form part of the shop-floor issues being resolved at the local labour forum (LLF).

Roadshows programme was completed on time end of September 2017 at all twelve (12) Depots and Landfill site staff and Bulk commercial services staff at Waterval Depot. A report on the findings and outcomes to be tabled at the Board meeting on 2018/01/18

- b) In mitigating the depletion of the landfill airspace, progress against a number of projects were as follows as at the end of the second quarter:
  - **Initiate an alternative waste treatment technology (e.g. mass burn technologies)** – a private public partnership procurement process has been initiated after a National Treasury Views and Recommendations (TVR-I) based on the Aurecon's AWTT feasibility study of 2015/08/14. A workshop between Pikitup and EISD is planned in the third quarter to deliberate and draft a TVR-II report for submission to Treasury approval leading up to the TVR-III, actual PPP procurement
  - **Landfill site selection report** – a service provider was appointed and a report on the various site options will be tabled in the third quarter reporting period.
  - **Secure partnership agreement with private landfill owners** – a waste by rail report will be tabled on 15<sup>th</sup> of January at the OPS Committee following a fact finding trip by OPS to learn what the Cape Town Metro's waste by rail experience
  - **Sign contract/SLA to reduce landfilling and fleet costs** - New lease with tenants at Robinson Deep, Envroserv has been concluded and plans are underway to start operations and development of the material recovery facility (MRF) by end of September 2017
  - **Repositioning and ring-fence of the bulk commercial unit** - a report for approval will be tabled in the second quarter board cycle for adoption
  - **Implement a full maintenance lease (FML) for Category C fleet** - Both the Board and Shareholder approvals have been granted and the procurement process will start in earnest in the third quarter and will include and involve the Provincial Treasury.
  - **Implement and improved and refined "Jozi@work" program, with the Community Upliftment Program (CUP)** - Community Upliftment Programme contractual framework was concluded by legal and SCM procurement process to commence in the third quarter targeting selected wards or regions
  - **Initiate and conduct a solid specific annual customer satisfaction survey** - Terms of reference completed and request for proposal (RFP) issued and the University of South Africa (UNISA) have been appointed to conduct the survey which has commenced.
  - **Improve the state of Pikitup ICT operating environment in the Interim re-integration period** - A menu of ICT security and governance policies were tabled on 2017/10/05 and approved by the Board on 2017/10/12. Additional items to the acquisition plan to be tabled to the Board once the organisational design process is finalised on the 18<sup>th</sup> of January 2018.



- **Improve the working conditions of staff and the state of facilities and depots** - All depots have been provided with busses and caddies to transport workers (largely street sweepers) and six (6) contractors were appointed and the maintenance work is currently in progress.
- **Resolve the legacy problem of acting in positions from Ops manager levels and lower grades** - HRRC and Board approved a conditional once-off concession for the 1162 staff affected to participate and compete for the available posts. The recruitment process to commence in the third quarter.
- **Increase source separation participation rate targeting middle to high income groups** - Two (2) service providers out of the initially plan to appoint four (4) commenced in earnest at the beginning of October 2017 following a delay owing to a protest by Waste-pickers. The initial planned tonnage for the diversion of recyclables will be revised and adjusted following instruction by Group Finance to rebase the current budget plan.

## **1.6.2 Quarterly operating environment**

The entity has been able to mitigate the cash flow with the CoJ collections ratio improved from 69% to 75% in the last two weeks of December which will show at the end of January 2018. The handover of the billing function to the three entities including Pikitup, under our cluster will take effect from the 27<sup>th</sup> of January when about twelve account managers will be transferred and be under the direction and management of Pikitup to improve the billing and collection of revenue.

### **1.6.2.1 Human resources and staff related costs**

The underspending on staff related costs of R31.14 million versus budget is attributable to a cumulative staff attrition of over 179 staff left Pikitup service pending the finalisation of the staff establishment and ward based business operating model. This potential risk is the negative impact that staff attrition could have on service delivery, however this risk will be mitigated after approval of the staff establishment on 18<sup>th</sup> January 2018

Furthermore, delays in the procurement of protective clothing and cleaning equipment contract not being finalised timeously owing to the reconstitution and streamlining of the supply chain bid committees which were ad hoc as opposed to standing committees and annual rotation of members. The protective clothing tender has since been awarded and complies with the safety standards and protective clothing is being issued.

This underspending is expected to improve in the third and fourth quarters were an accelerated recruitment of critical staff (e.g. drivers and loaders) will be implemented following approval of the staff establishment on the 18<sup>th</sup> January 2018.

### **1.6.2.2 Fleet management (Refer to detail under section 1.6.2.4 below)**

Fleet costs were significantly over budget, with costs being R 13.07 million over budget and R36.26 million over budget year to date. This is attributable to the following:

- a) The fleet insurance cost of R 10.72 million paid earlier during the financial year than budgeted.
- b) The ad-hoc hire of fleet for the quarter under the old contract currently on month on month until it is replaced by the five-year full maintenance lease (FML) were 10.83 8m compared to the result in the second quarter of the prior financial year. Repair costs have increased by R1.065m (4.6%) when compared to the same period in the prior financial year.
- c) The delay in awarding of separation at source service providers due to a strike by waste-pickers resulted in an underspending of R 20.73 million and R26.31 million year to date. The strike by waste pickers was resolved and the service providers are on the ground.

### 1.6.2.3 SDBIP – Targets not met and remedial actions

Performance has reduced by 10% compared to 55% attained in the first quarter due to the following performance areas:

- a) Zero number of new jobs created against a target of 1 260 through J@W and its replacement Community Upliftment Program (CUP) – the CUP contract framework was concluded in the quarter under review as it required National Treasury approval to deviate from the Municipal Finance Management Act regulations. An improvement is expected in the last two quarters of the year. The recent development to rebase the 2017/18 budget however, will necessitate the revision of the annual target
- b) Zero number of new co-operatives / SMMEs established against a target of five (5) Co-ops/SMMEs, again due to the delays in obtaining the National Treasury exemption. The target for this area of performance will also be affected by the budget rebasing
- c) Zero tons of builder's rubble diverted against a target of 7 000 tons due to the delay resulting from a non-responsive tender for the maintenance of crushers. The supplier of the crushers will now be approached to carry out or refer to their approved agents to carry out the maintenance. The cumulative tons diverted to date however exceed the cumulative target year to date the procurement process for the maintenance of crushers has been commenced
- d) Zero number of garden sites upgraded to include recycling activities against a quarterly target of three (3). The delay was due to procurement but the bid committees have since been re-constituted and operational and six (6) contractors have been appointed and construction work in progress. We forecast that six out the planned target of ten (10)
- e) Tons of green waste diverted 12 798 versus a target of 25 000 due to Green waste diversion programme to be reviewed and revised in the 3rd & 4th quarters in light of the limitations with the current off-take capacity.
- f) 8 827 tons of dry waste diverted against a target of 10 000 through S@S project (paper, plastic, glass, cans. The underperformance was due to the delay of work by the waste-pickers strike resulting in a late start by the service providers. The performance is expected to improve in the third and fourth as the contractors commence work in Midrand (October 2017) and Lenasia (December 2017) and Norwood (January 2018).
- g) Against an annual and quarterly targets of 93% and 88%, a collection rate from Pikitup's commercial customers of 55% was posted. Increased collection rate from Pikitup's commercial customers. An improved performance is expected in the third and fourth quarters following an agreement with the City's Group Revenue who are providing this function on behalf of the entity to transfer twelve account managers to be under the direct control of Pikitup to improve billing and customer queries.
- h) Against an annual and quarterly targets of 95% and 30%, capital expenditure of 25% was posted. The underperformance was due to the reconstitution of ad hoc bid committees to standing bid committees.

Six (6) contractors have been appointed and work to upgrade ten (10) garden site into integrated waste management facilities is in progress. The upgrading of garden sites represents a large portion of the capital expenditure budget and we forecast to spend 90% of our annual budget compared to 55% in the prior year.

- i) Reduction In Disabling Injury Frequency Rate Ratio (DIFR) performance was a factor of 1.2 against a target of 0.3. The entity's calculation of the DIFR will be reviewed and revised to be in line with the other City's entities during the mid-year budget review process and the target benchmark changed from 0.3 to 2.5.

### 1.6.2.4 Performance against key objectives for the quarter under review

The quarter on quarter fleet management costs increase per ton worsened and the service provider, Avis who does the monitoring on behalf will be asked explain this variance. There seems to be serious

discrepancies in the figures reported for the first quarter against both fleet maintenance and Adhoc rentals costs as depicted in the tables below.

First Quarter	1 <sup>st</sup> Quarter (Total)	2 <sup>nd</sup> Quarter (Total)	3 <sup>rd</sup> Quarter (Total)	4 <sup>th</sup> Quarter (Total)	July 2017	August 2017	September 2017
Maintenance	R19 810 84.35	R 0	R 0	R 0	R 6 011 204.24	R 7 719 122.01	R 6 080 658.10
Tyres	R 5 762 076.00	R 0	R 0	R 0	R 1 872 918.00	R 2 240 054.00	R 1 649 104.00
Fuel	R10 801 02.07	R 0	R 0	R 0	R 3 521 574.05	R 3 679 494.02	R 3 600 534.00
Ad-Hoc Rental	R24 521 17.59	R 0	R 0	R 0	R 11 485 32.97	R 13 337 513.95	R 11 183 803.84
Total	R72 361 12.96	R 0	R 0	R 0	R 22 871 28.26	R 26 976 183.98	R 22 514 088.74

Second Quarter	1 <sup>st</sup> Quarter (Total)	2 <sup>nd</sup> Quarter (Total)	3 <sup>rd</sup> Quarter Total	4 <sup>th</sup> Quarter Total	October 2017	November 2017	December 2017
Maintenance	R23 824 32.30	R18 848 560.99	R 0	R 0	R6 388 782.45	R 6 079 473.77	R 8 182 304.77
Tyres	R 5 762 076.00	R5 834 145.73	R 0	R 0	R 1 835 808.30	R2 120 025.00	R 1 868 312.43
Fuel	R10 801 02.07	R11 684 383.80	R 0	R 0	R 3 975 146.80	R 3 937 153.47	R3772093.53
Ad-Hoc Rental	R34 947 92.42	R50 521 267.58	R 0	R 0	R 19 345 525.99	R 16 009 13.32	R15186328.27
Total	R75 35 602.79	R86 678 367.91	R 0	R 0	R 31 543 263.34	R 28 146 65.58	R 26 989 039.01

Operations management have been instructed to be followed up these discrepancies with the service provider.

- a) Exhibit-1 below shows that the fleet management unit cost increased significantly from 225 to 293 R/ton from the first quarter.

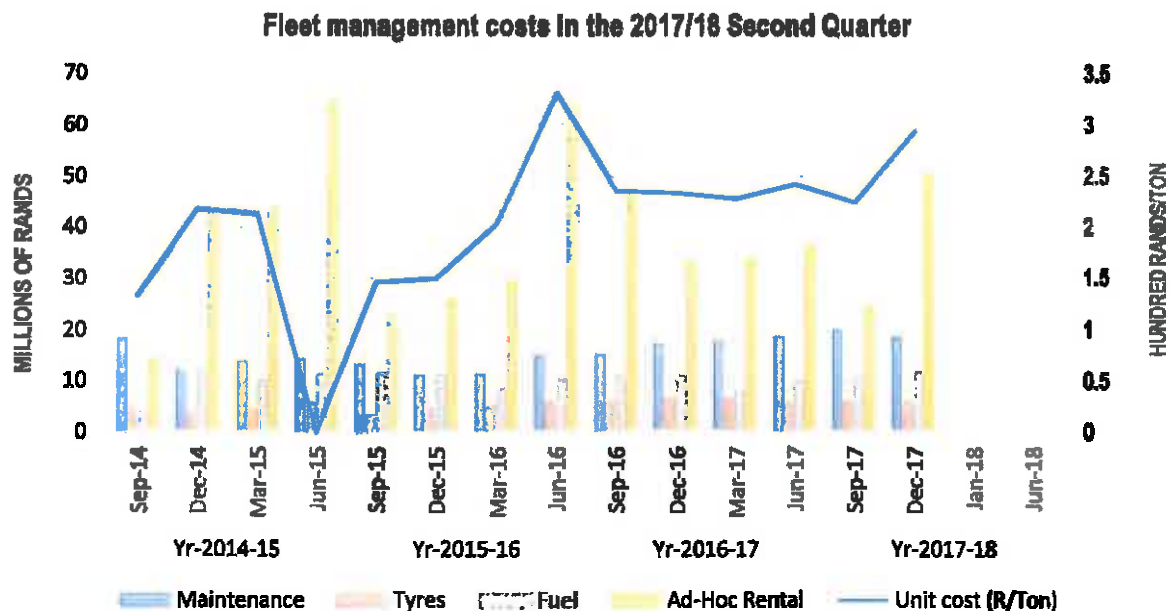
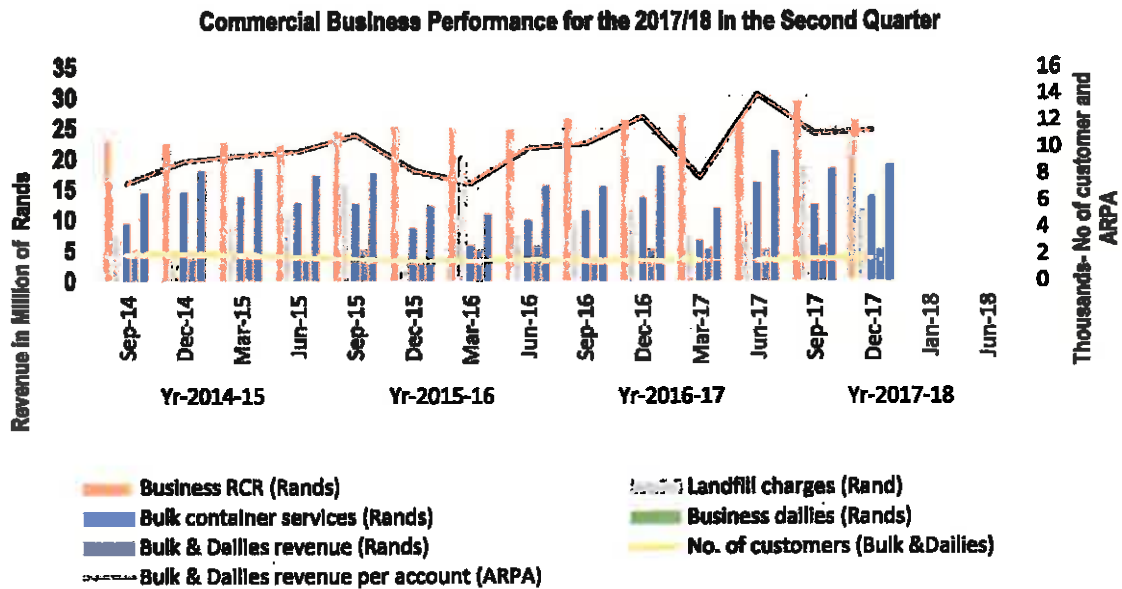
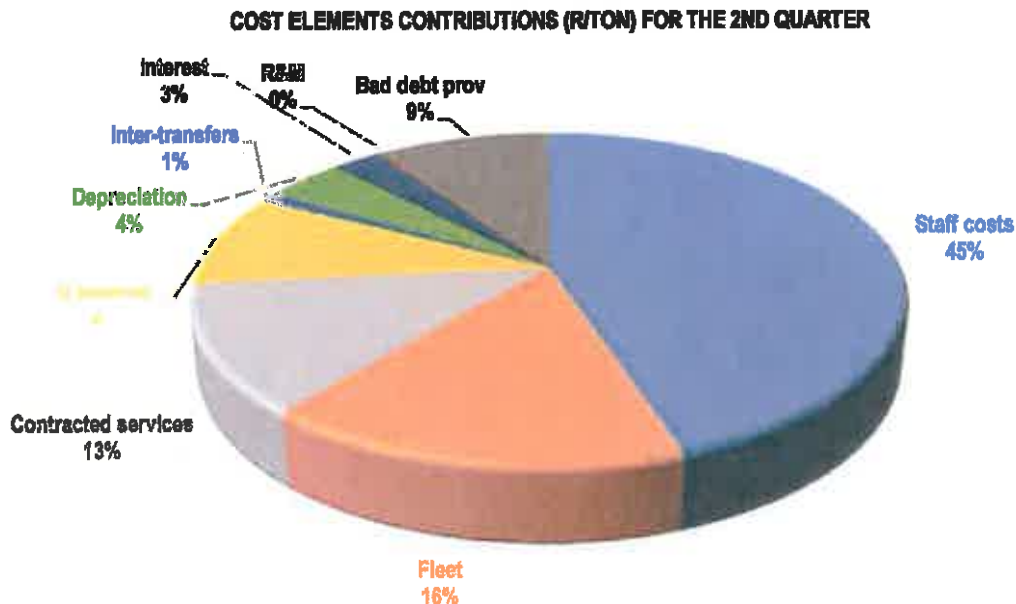


Exhibit-2 shows that the average revenue per account (ARPA) as at the end of the second quarter. The trend of this exhibit is of particular interest and has been taken into account in the repositioning strategy of the commercial business unit.



The total income for the quarter was R206 million compared to R190 million in the previous quarter. The total actual cost contribution for quarter was R1 796/ton compared to R2 003/ton. The various cost contribution elements for the quarter are as per Exhibit-3 below:



The positions of Section 56 Managers for the posts of Corporate Services and Legal & Compliance became vacant prior to the fixed term contract lapse in January 2018.

A report for the recruitment and replacement for these positions will be tabled at both the HRRC (2018/0117) and the Board (20180118) to authorise the Accounting Officer to fill the vacancies.

  
Mr Lungile Dhlamini  
Managing Director

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### 1.7 Chief Financial Officer's Report

The results for the second quarter (October to December 2017) amount to a surplus of R 44.189m which compares negatively with both the surplus for the first quarter R 73.304m of the current financial year and the second quarter in the prior financial year (R 47.419m).

From a financial perspective:

- Revenue for the second quarter was R 3.932m over budget (R 602.932m compared to R599.000m) due to the positive results for the commercial revenue and interest received on the sweeping account. Revenue items can be found in the detail financial report.
- Expenditure for the first quarter was R 41.138m under budget with the majority of underspending related to:
  - Staff costs discussed below,
  - Depreciation and Interest – costs under budget by R 12.896m and R 1.439m due to lower than budgeted capital expenditure in the prior financial year.
  - General expenses - largest underspending relating to IT costs (R 2.931m) and environmental education (R 2.123m).
  - Intercompany costs were invoicing (and services) have yet to commence for legal and marketing support from the City as well as grass cutting at Pikitup facilities.
- The financial position has improved, with the current ratio moving from 1.83 at the end of the prior financial year to 1.90 at the end of the second quarter and net assets improving by R44.190m during the quarter.

Financial results are generally positive, however, certain items need to be noted:

- For the 2017/18 financial year the City requirement that the three major income creating entities generate an extra R 1 billion in income has resulted in Pikitup being set an aggressive target of R 46.968m income from new customers. The additional revenue for the quarter amounts to R 11.742m. In spite of the above, commercial income still managed to be more than budget for the quarter by R 3.230m. The short staffing of operations and the vehicle downtime will have a negative impact on revenue generation during the latter part of the financial year.
- The staff cost underspending of R 31.144m compared to budget it a direct result of:

- Staff attrition - over 179 staff left Pikitup service during the prior financial year and were not replaced. During the first 2 quarters of the current financial year the staff number decreased by a further 79. Staff have not been replaced during the staff establishment process.
- Change in the third shift model, with CUP staff being utilised in certain areas rather than the expected and budgeted use of EPWP staff.
- The protective clothing and cleaning equipment contract not being finalised timeously resulted in underspending, however to ensure the safety of our staff costs will accelerate later in the financial year. Underspending of R 4.154m exists for the quarter.

Whilst the change in business model to reflect the ward by ward methodology and the business mapping process will occur later during the financial year it is not expected to have an immediate effect on staff costs as even once finalised recruitment process for large volumes of staff will take time and thus underspending will continue to the end of the financial year unless the approximately 600 staff previously employed by third party contractors who were previously not offered employment by Pikitup are absorbed.

- Fleet costs are significantly over budget, with costs being R 13.071m over budget (R36.264m over budget for the financial year to date). This can be broken down into:
  - The fleet insurance cost of R 10.720m being paid earlier during the financial year than budgeted. This has no effect on service delivery and is purely a timing issue, sufficient budget (R 10.847m) exists for the full year.
  - Due to the City owned fleet being beyond its economic lifespan extra cost were incurred for:
    - The ad-hoc hire of fleet to ensure that the negative impact on service delivery is minimised. Costs have increased by R 10.838m compared to the result in the second quarter of the prior financial year.
    - Repair costs have increased by R 1.065m (4.6%) when compared to the same period in the prior financial year.
- The delay of the separation at source project, from a financial perspective, resulted in an underspending of R 20.734m for the quarter and R 26.306m for the financial year to date.
- Repairs and maintenance are over budget for the quarter due to increased expenditure on depot facilities

  
Mr Suren Mahara

Chief Financial Officer

## 2 Governance

During the second quarter, the annual financial statements and the performance information audit were finalised by the AGSA. The Company obtained an unqualified audit opinion on financial statements. Two of the three goals (performance information) selected for audit were qualified in the AGSA management report.

### 2.1 Board Composition

Pikitup's board comprises of the following 13 directors: B Shongwe, L Dhlamini (Accounting Officer), S Maharaj (Chief Financial Officer), Dr W Nyabeze, V Mathebula, D Rampai, F Netswera, C Mayne, L Brenner, N Kano, J Snyman, Dr T Hanekom and S Bogatsu.

F Dekker resigned as the Company Secretary as of the 22 December 2017.

#### 2.1.1 Meeting Attendance

The meetings' attendance by the directors during the 2<sup>nd</sup> quarter were as tabulated below.

Description	BOD	AC	SEC	HRR	OSD	RICT
Number of meetings	4	3	1	1	2	1
Bogatsu S	4		1	1		
Brenner, L	4	3				1
Buys, R		3				
Dhlamini, L	4	3	1	1	2	
Hanekom T	4	3		1		
Hattingh, W		2				
Kana, N	4				2	1
Maharaj, S	2					
Mathebula, V	4					
Mayne C	4	3				1
Mufana, G		3				
Netswera, F	3			1	2	
Nyabeze, W	3		1		2	
Rampai, D			1	1		
Shongwe, B	4		3		2	
Snyman, J	3				1	1

### 2.2 Board Committees and Members

#### 2.2.1 Audit Committee (AC)

L Brenner (Chairperson), T Hanekom, R Buys, W Hattingh, C Mayne and G Mufana.

The AC met 3 times during the year under review. The role of the committee is to assist the Board by performing an objective and independent review of the functioning of the organisation's finance and accounting and internal control mechanisms. The Committee has a documented charter and work plan. The Board confirms that the Committee discharged its mandate during the period under review.

### **2.2.2 Social and Ethics (SEC)**

D Rampai (Chairperson), V Mathebula, S Bogatsu, W Nyabeze.

The SEC met once during the year under review. The Social and Ethics Committee monitors Pikitup's activities having regard to relevant legislation, codes of best practice, matters relating to social and economic development. The Committee has a Board approved charter and work plan. The Board confirms that the Committee discharged its mandate during the period under review.

### **2.2.3 Operation and Service Delivery Committee (OSD)**

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

The OSD met 2 times during the year under review. The objectives of the Committee are to oversee strategy formulation and implementation at operational level. The Board confirms that the Committee discharged its mandate during the period under review.

### **2.2.4 Human Resources and Remuneration Committee (HRRC)**

T Hanekom (Chairperson), F Netswera, D Rampai, S Bogatsu

The HRRC met once during the year under review. The Committee advises the Board on remuneration policies, remuneration packages and other terms of employment for all senior executives and employees and people issues. The Committee has a Board approved charter and work plan. The Board confirms that the Committee discharged its mandate during the period under review.

### **2.2.5 Risk and ICT Committee**

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

The Committee met once during the year under review to oversee the quality, integrity and reliability of Pikitup's risk management function and oversees the ICT environment. The Committee has a Board approved charter and work plan. The Board confirms that the Committee discharged its mandate during the period under review.

## **3 Company Secretarial Function**

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

The Company Secretary has certified in terms of section 268(d) of the Companies Act that all statutory returns have been submitted to the Companies and Intellectual Property Commission.

## **4 Risk and ICT Performance Management**

Pikitup 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 III 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.

The Audit and Risk Committee meets quarterly to provide an oversight on risk management.



#### 4.1 Risk Management Performance

##### 4.1.1 Enterprise Risk Management Plan (ERM)

As at the end of the 2<sup>nd</sup> Quarter, the progress against the ERM objectives were as tabulated below.

**Table 4.1: Quarter-2 performance against planned objectives and activities**

Objectives	Activities plan for Quarter-2	Progress
Quarterly Risk Champion Forums	1X Quarter Risk Champion Forum	First quarter Risk and Compliance Champion forum meeting held on 18 <sup>th</sup> of October 2017. Attended by 16 risk and compliance champions.
Incident reporting and analysis	Incident reporting and analysis	No incident register developed in the quarter
Annual Review of Risks Profiles and Risks Assessments	Ethics Risk Profile	Project plan has been developed
	Fraud Risk Profile	Project is at the planning phase mostly involving consultation with stakeholders
	Contract Risk Profile	Contracts risks profile review have commence with the following activities that are in progress: <ul style="list-style-type: none"> <li>• Integration of risk management in the contract management life cycle;</li> <li>• Contract management reviews for high value and strategic contracts;</li> <li>• High level risk assessment</li> </ul>
	Physical, Security & operational Risks Assessment: Depot	2 Depots and 12 gardens sites assessed and risk register developed. Norwood Depot. 13 October 2017. Avalon Depot. 28 October 2017
Reporting to Risk Governance Structures	Physical and Security Risks Assessment: Landfill	One landfill assessed and risk register developed. Robinson Deep Landfill. 2 November 2017.
	Operational Risk Assessments: Business Units	Five(5) business units risks registers have been reviewed during the quarter: Wellness, Security, ERM, SHE and cost management accounting
	EXCO	Strategic risk assessments workshop was held during the quarter with EXCO, 18 October 2017
	Risk and ICT Committee	Report completed
	Group Risk Governance Committee	Meeting was attended 17 November 2017 and a Chairperson report presented
	Two (2) of the City-wide Top Risks	Report completed

**Table 4.1: Quarter-2 performance against planned objectives and activities**

Objectives	Activities plan for Quarter-2	Progress
Quarterly Risk Action Plans Register Monitoring, update and providing risk management advisory services	City Wide Top Risks (2 risks)	First quarter progress report on risks mitigation action plans was submitted
	Strategic Risk Action Plan Register	Current strategic risks mitigating action plans have been reviewed and new action plans identified by management
	Business Unit Risk Action Plan Register	Five(5) business units risks registers and action plans have been reviewed during the quarter: Wellness, Security, ERM, SHE and cost management accounting
	Projects and Contract Risk Action Plan Register	Separation at Source project risks mitigating action plans monitored by reviewing, updating and implementation progress reported on.

**4.1.2 Progress on Management of Risks**

The EXCO risk meeting held on the 18th October 2017 to review the strategic risks and identify emerging risks resulted in the identification of nine (9) strategic risks that will be managed and reported on during 2017/18. The current risks mitigation action plans to reduce the risks exposure levels of the 9 strategic risk have been reviewed during this reporting quarter.

The table below set out the 9 strategic risks for Pikitup business along with strategic goals and objectives, ranked by residual risk level:

Risk Ranking	SDBIP 2017 - 2018				Risk	
	Goals	Objectives	KPI's	Risk Title	Q1 RR	Q2 RR
1	Partnerships and Stakeholder Involvement	Mobilisation of public at large to change behaviour.	Number of campaigns implemented	Failure to change public behaviour towards treatment of waste.	8	20
2	Integrated Waste Management, Waste Prevention and Waste minimisation.	To ensure waste to landfills are minimised.	Tons of green/builders/dry waste diverted	Rapid depletion in the available landfill airspace, average remaining landfill airspace of 6.8 years.	20	20
3	Building an Efficient, Effective and viable waste management company.	To become a leading Organisation in Waste Management	Note1	Inadequate business intelligence and data (strategic and operational) to inform business decisions.	10	16
4	Effective, efficient waste services.	To ensure effective and efficient waste services.	% RCR Rounds Collected	Ineffective fleet management.	12	15

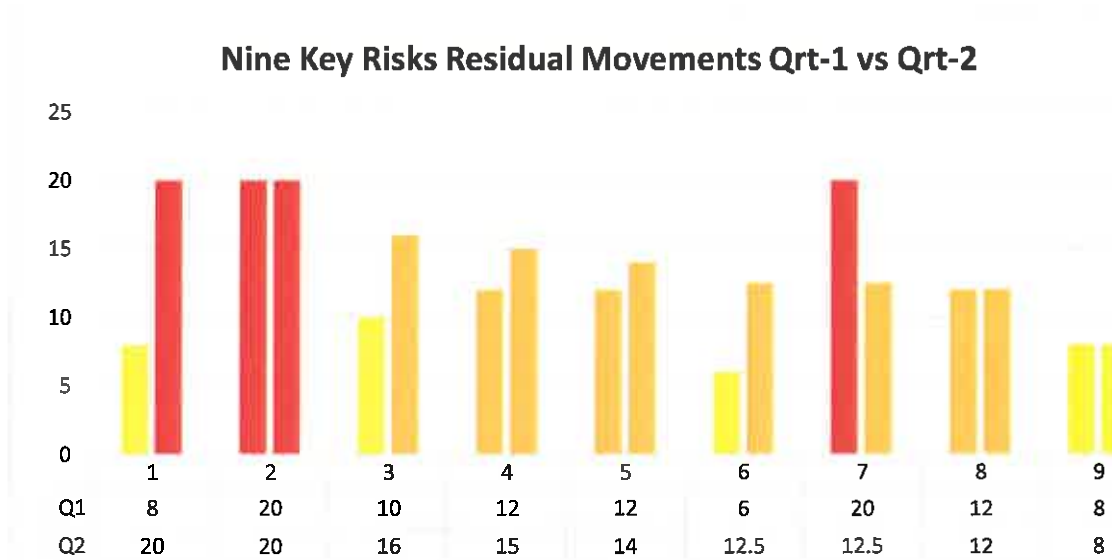
5	Building an Efficient, Effective and viable waste management company.	To become a leading Organisation in Waste Management.	Note1	Inadequate ICT service in support of business strategy.	12	14
6	Integrated Waste Management, Waste Prevention and Waste minimisation.	To ensure waste to landfills are minimised.	Tons of green/builders/dry waste diverted	Failure to mainstream waste minimisation into operations.	6	12.5
7	Building an Efficient, Effective and viable waste management company.	To become a leading Organisation in Waste Management.	Note1	Ineffective employer and employee relationship.	20	12.5
8	Build an efficient and effective waste and viable management company	To become a leading Organisation in Waste Management	Note1	Skills misalignment with the desired integrated waste management.	12	12
9	Building an Efficient, Effective and viable waste management company.	To become a leading Organisation in Waste Management	Note1	Absenteeism in the workplace.	8	8

**Risk Legend**

DESCRIPTION	RISK RATING SCORE	
	Risks above tolerance levels	20 - 25
Risks above appetite but at maximum tolerance levels	12 - 19	High Residual Risks
Risks above appetite but approaching tolerance levels	6 - 11	Moderate Residual Risks
Risks within acceptable level of risk	0 - 5	Low Residual Risks

### 4.1.3 Risk Ratings Movement Analysis

The movement of residual risks levels against the nine (9) key risks are depicted in the chart below comparing the quarter under review with Quarter-1 of the 2017/18 financial year.



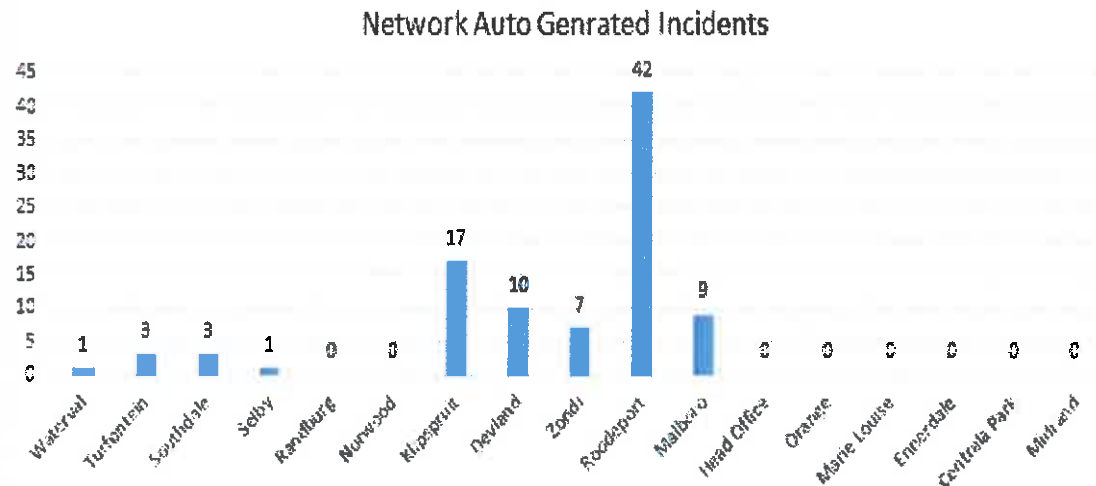
## 4.2 ICT Performance

The IT Quarterly Report outlines ICT's current state in Pikitup as outlined by the GM: Business Information Systems. The report is intended to provide information to the committee to help them make informed decisions about significant investments in technology.

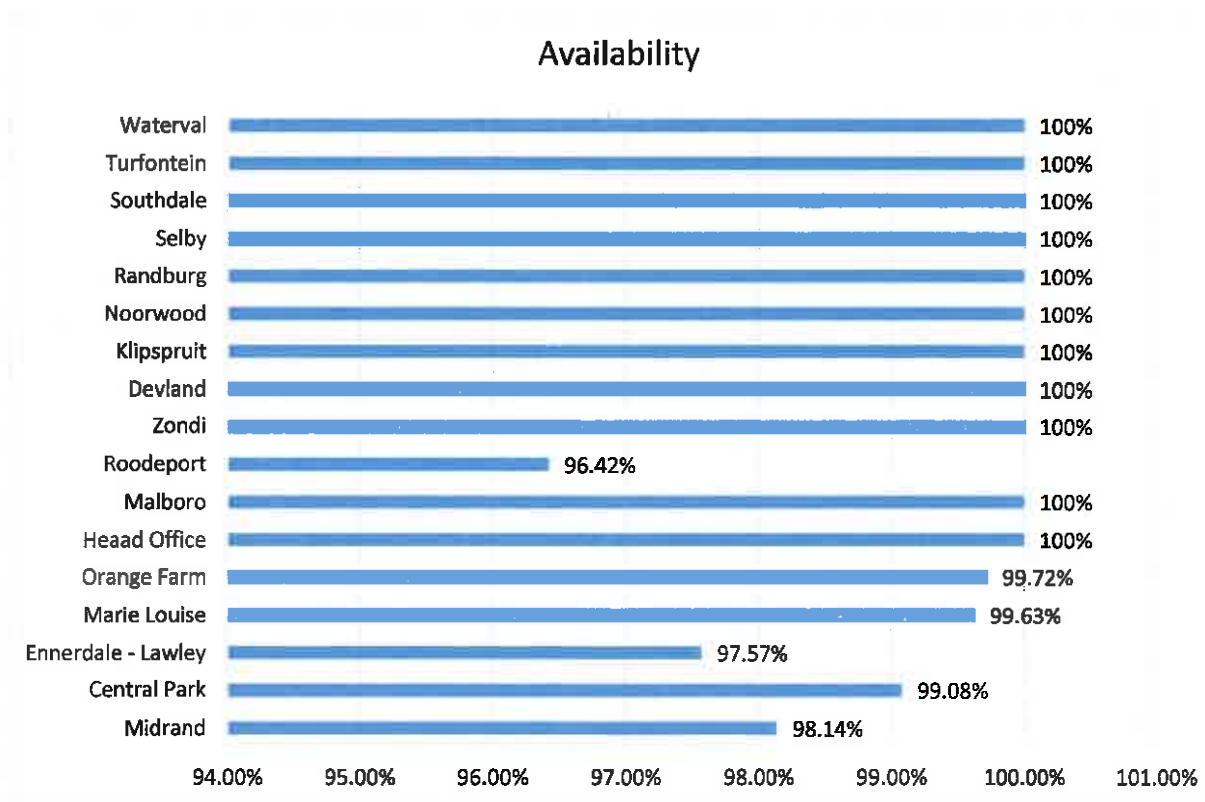
This report provides information on the status of the strategic projects. To further illustrate the importance of accountability, the report provides background on the different ways the ICT department is currently improving how technology is being planned, managed, and implemented today.

### 4.2.1 Service Operations / Service Design and Availability

Total of 121 incidents were reported during this period, of this number, 93 (77%) were auto generated by the monitoring system and automatically captured. The rest, 28 were normal operational requests, for example, request for email service password, access to exchange and phone password resets. The depots that reported high volumes of incidents include, Zondi (7), Malboro (9), Devland (10), Roodeport (42) and Klipspruit (17), the rest of the depots reported calls less than 8.



#### 4.2.2 Network Availability per site



#### 4.2.3 ICT Security

No changes to the firewall setup and configuration, a significant milestone indicating the integrity and stability of the Internet security and inter-branch connectivity posture. There are high-level view of the

multiple virtual local area networks created within the PIKITUP environment. These are to ensure that all PIKITUP branches communicate as if they are on the same network.

The configuration confirm the current logical network deployed at PIKITUP, this meaning any IP range outside this will be flanked as potential risk and will be dealt with accordingly by the security engineers. Virtual IP address list depicting the PIKITUP virtual network (depots) and present these networks as a single, community network.

#### **4.2.3.1 ICT Challenges**

- a) Projects which impacts ICT initiated without the knowledge of the ICT department
- b) Critical roles of Security, Network and Server administrator still vacant.

#### **4.2.3.2 ICT Successes**

- a) Additional network points and fibre roll-out process is ongoing
- b) Hardware refresh process ongoing
- c) Bandwidth upgrade project is in progress
- d) Intrusion detection tool is operationalised

### **4.3 Internal Audit Function**

Internal audit function has a specific mandate from the Audit Committee to independently appraise the adequacy and effectiveness of the entity's risk-management process, internal controls, and governance processes - reporting its findings to the Divisional Management, Executive Committee, External Auditors, the Audit and Risk Committee and Board of Directors. The Chief Audit Executive reports administratively to the Managing Director and to the Audit Committee on a functional basis.

The mandate of the internal audit function is documented in the approved internal audit charter. The internal-audit coverage plan is based on results of both the entity's wide risk assessment performed by the entity's Executive Committee, and the approved business plan. The coverage plan is updated annually, based on the risk-assessment, internal and external emerging strategic issues and results of audits performed in the previous financial year. This ensures that the audit coverage focuses on identified internal and external emerging risk.

In addition, the internal audit function is responsible for investigating all incidences of fraud, corruption and other acts of unethical behaviour. These incidences are reported internally and externally via the Group anonymous tip-off hotline.

The internal audit function reports on a quarterly basis to the Audit and Risk Committee, and the Executive Committee, on the activities undertaken with regards to fraud investigation, prevention and detection activities.

Internal audit also reports on identified trends regarding fraudulent acts and other acts of unethical behaviour and their impact on the overall entity's risk profile.

### **4.4 Corporate Ethics and Organisational Integrity**

The Board and management recognise 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 minimisation 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 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.

#### **4.5 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.

##### **4.5.1 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, illegal dumping 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.

Contributing to the sustainable development goals and limiting negative environmental impacts by changing our business model to ensure waste minimisation (reduce waste to landfills). This is achieved through, encouragement of recycling activities, implementation of new technologies (e.g. bio-digesters, landfill gas extraction, health care risk waste facilities, waste to energy, etc.). The new business model also ensures that value is extracted from waste (i.e. viewing waste as commodity and a useful resource).

As such, recycled waste provides an alternative revenue source for the company, which also reduces reliance on grant funding from the shareholder.

The methodologies used in the implementation of waste management activities, such as Separation at Source (S@S), Community Upliftment Programmes (CUP) formerly Jozi at Work (J@W), ensure that opportunities are extracted from the waste value chain. Through the establishment of cooperatives and entrepreneurial development initiatives, sustainable jobs are created and new business established.

This is a direct contribution to the National Development Plan to reduce inequality, reduce poverty and reduce unemployment. These programmes include the establishment of cooperatives, training as well as ongoing support of the cooperatives. Training includes waste related matters as well as entrepreneur training and development.

- a) Pikitup provides a waste collection service to 855 324 formal households on a weekly basis, there has been an increase in the number from previous years.
- b) Pikitup is providing a waste refuse management service to 164 informal settlements consisting of 183 895 structures.

- c) There are 22 hostels within the CoJ where cleaning activities such as litter picking, illegal dumping and domestic waste collection are performed by Pikitup.

#### **4.6 Anticorruption and Fraud**

Pikitup adopted a comprehensive approach to the management of fraud risk and this policy confirms that Pikitup supports and fosters a culture of Zero Tolerance to fraud in all its forms. 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 is adopted, in putting mechanisms in place, to manage Pikitup's vulnerability to fraud. Such mechanisms are designed to prevent, deter and detect fraud. The Board has approved an updated and revised Fraud Prevention Policy and Response Plan.

The Pikitup Communications Department developed a fraud prevention policy statement and poster, which was translated into 3 languages, distributed to all employees and posted at depots, garden sites, landfill sites and head office.

The anti-fraud hotline (080 000 2587) remains in operation and all reports made thereon, is reported directly to the Internal Audit Department and the ARC for consideration.

#### **4.7 ICT Governance**

Pikitup has adopted an Information Communications and Technology (ICT) governance framework in accordance with the guidelines contained in King III which recognises that ICT has become an integral part of doing business today, 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.

The entity's ICT governance framework aims to combine the consensus of experts into a best practice document to be used as a step-by-step approach to develop and implement ICT governance (or aspects thereof).

The benefits of the ICT governance framework include shorter implementation periods, diminished costs, a structured development process as well as an improved end-product.

Going forward, Pikitup intends to build on the COBIT framework and Pikitup's ICT Governance Framework will look into the application of COBIT (as a comprehensive ICT governance framework) to develop, implement and maintain an ICT governance system would cause Pikitup to comply with the ICT governance requirements of King III. It will also expand on the use of ITIL to support COBIT4.

#### **4.8 Compliance with Laws & Regulations**

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

There are, however, legislation that is specific to waste management that has to be complied with as well. Compliance to legislation is monitored and included in the operations and risk management processes of the company. All laws and regulations have been complied with during the quarter.



## 5 Service Delivery Performance

### 5.1 Waste services

This section shows on Table 5.1 below the consolidated waste tonnages handled and collected from the financial year 2013/14 to 2016/17, as well as year-on-year first to second quarter comparison between the financial period under review, 2017/18 and the previous financial period 2016/17. Pikitup also dispose waste at two private landfills (FG and Mooiplaats) and the tonnages are included herein.

It can be deduced that waste handled by the entity remains steady which could be attributable to a continued subdued economic environment, improved penetration from the waste diversion interventions despite increasing population and demand for waste management.

Waste Disposed Per Activity	2013/14	2014/15	2015/16	2016/17	2016/17 Qtr-1	2017/18 Qtr-1	2016/17 Qtr-2	2017/18 Qtr-2
RCR	646019	741967	665923	673845	155730	161973	171 764	172513
Street Cleaning	87135	111820	115077	89713	22319	21211	21 693	22403
Illegal Dumping	229709	276806	312503	303006	121766	62469	62 219	65043
Hostels	825	2852	3288	3395	958	679	993	742
Informal Settlements	29629	40367	31655	21788	5151	7931	5588	5852
Garden Sites	132110	145429	123384	107988	24420	16818	28425	28851
<b>Total</b>	<b>1 125 427</b>	<b>1 319 241</b>	<b>1 251 830</b>	<b>1 199 735</b>	<b>330 344</b>	<b>271 081</b>	<b>290 682</b>	<b>295 404</b>

#### 5.1.1 Refuse Collection Rounds Completion Rate

A consistent average of 98% completion rate was achieved across the depots which is the minimum expected. Roodepoort, Randburg, Southdale and Zondi achieved less than 98% due to vehicle availability challenges. Finishing times were after 17h00 in order to complete collection, those depots had to work overtime.

##### 5.1.1.1 Inner City

Pikitup has been able to achieve cleanliness level of 1 during the quarter in most of the Inner City suburbs. Some challenges were experienced with protests, people not paying for services, areas with no bins due to businesses selling bins, illegal occupation of buildings, illegal trading and people sleeping on pavements.

##### Operations during the Festive Period

Traditionally the staff in the Inner City do not work on Christmas Day and therefore it was decided that the City could not remain in a un-cleaned state for Christmas Day and that the depot was to harness any possible support to eradicate the high levels of waste on Christmas Day.



In this regard, the depot deployed the services of JMPD to block the streets off and a FEL (Front End Loader) vehicle along with 2 ten ton tipper trucks were used to remove the waste from the City. 11 General workers were deployed to assist the task. The focus of the cleaning area was centred at De Villiers and Hoek streets and a total of 60 tons of waste was removed during that day.

The illustration below depicts the levels of waste on one of the street corners in Hillbrow within the priority zone on New Year's Day.

**Hillbrow Before**



During New Year's Eve, there were no staff allocated to this area due to safety concerns, the shift for New Year's Day started at 07h00 and completed working by 15h00.

**Hillbrow After**



### 5.1.1.2 Operations improvements

#### Progress against formerly Jozi@work programme

Pikitup had three service providers still working including Waste Group Projects, Tedcor and Boitumelong). During the quarter under review, thirty six (36) cooperatives were supported.

<b>Table 5.1.1.2 Number of jobs created through the programme Year-To-Date</b>			
<b>REGION</b>	<b>DEPOT</b>	<b>COOPERATIVES</b>	<b>Number of people employed as at the end of Qtr-2</b>
C	Zandspruit	3	99
C	Roodepoort	3	99
D	Zondi	11	362
E	Marlboro (Alexandra)	9	384
F	Selby (Inner City)	2	291
G	Avalon	6	212
<b>TOTAL</b>		<b>36</b>	<b>1 447</b>

### **Street Cleaning: Region B (Waterval)**

Jozi@work programme has been phased out in the area and EPWP beneficiaries are servicing all the areas.

### **Street Cleaning & Illegal dumping: Region C (Roodepoort) and Region G (Avalon)**

Contract under Jozi@work will be coming to an end on 31<sup>st</sup> December 2017 in region C and G, official handover has been made by the Service provider to Pikitup to give highlights on issues that were a challenge in the region and mitigations that were put in place to ensure that the project is sustainable. Recommendations were made and noted by Pikitup for the upcoming projects. In the previous two site visits that were conducted in the region performance of co-operatives had improved. There are a number of illegal dumping spots that have been rehabilitated.

### **Street cleaning, Eradication & rehabilitation of dumping spots: Region D**

Contract under formerly Jozi@work will continue in region D for the next three months and will be on month to month basis due to their service which has been outstanding especially with regards to rehabilitation of illegal dumping spots, separation at source. In the previous site visit litter picking was done but needs improvement. Insufficient equipment is still a challenge in the region and result to some of the areas not serviced on time due to critical complaints which need urgent attention (e.g. from Councillors, RD office etc.). Co-operatives are still encouraged to rehabilitate dumping spots every month into food gardens, chilling areas, parks etc. GDARD has been assisting co-operatives but for the past few months the material has been out of stock and Co-operatives have been using their own material while waiting for GDARD resources. S@S participation rate is doing well and there is a positive response from the communities on public awareness education.

### **Street cleaning, Education and Awareness: Region F**

Contract under formerly Jozi@work will be coming to an end on 31<sup>st</sup> December 2017 in region F, official handover has been made by the Service provider to Pikitup to give highlights on issues that were of challenge in the region and mitigations that were put in place to ensure that the project is sustainable. Recommendations were made and noted by Pikitup for the upcoming projects.

### **Youth Desk initiatives**

The EPWP (Expanded Public Works Programme) is one of the governments short to medium term programmes aimed at reducing unemployment and thereby alleviating poverty. At the end of Quarter 2, 1280 job opportunities were created.

### **A Re Sebetseng**

The A Re Sebetseng campaign was launched in Yeoville, Johannesburg on 14 August 2017.

Since its launch in August, the first city-wide clean-up day was held on 29 September and subsequently on 28 October 2017, 25 November 2017 and 30 December 2017.

The A Re Sebetseng campaigns were supported by Councillors, Ward Committees as well as businesses across the City. Plastic bags and gloves were distributed at walk-in centres, clinics and libraries. Filled bags were then collected on the same day by Pikitup.

The campaigns took place every last Saturday of the month for 2017 and going forward in 2018 it will be on the 3<sup>rd</sup> Saturday of the month. The purpose of A Re Sebetseng is to raise awareness whilst educating and encouraging residents to manage waste effectively and to take care of their environment. The campaign addresses waste, greening, water, roads, and all health related issues.

The campaign is gaining a lot of traction from residents and the business community in the City. The business community continues to pledge their support for the campaign not only with the clean-up but by also availing their resources to ensure that the campaign yields the desired results of a cleaner Joburg. To date more than 20 organisations/companies has pledged their support.

Below is photos from A Re Sebetseng of 30 December 2017 and the participation by MacDonalids.



#### **5.1.1.3 Bins issued**

In Quarter 2 of 2017/18, a total of 7 964 bins were delivered as to the 11 190 delivered in Quarter 1. The largest number issued was 3 176 bins that were damaged followed by 2 075 stolen and 1 698 new services. The damaged bins are in areas where bins are older than 10 years. Stolen bins are mostly in the South of Joburg. Table 5.1.1.3 provides information on bins issued during the quarter under review.

**Table 5.1.1.3 below presents the monthly bins issued and distributed during the quarter under review**

Depot	Oct-17				Nov-17				Dec-17				Total
	New	Extras	Ruined	Stolen	New	Extras	Ruined	Stolen	New	Extras	Ruined	Stolen	
Avalon	54	0	108	190	34	6	148	154	55	4	70	120	943
Central Camp	8	0	123	130	0	0	69	96	14	10	88	92	630
Marlboro	114	3	9	7	67	13	35	11	27	32	7	2	327
Midrand	206	21	8	11	70	0	50	8	108	1	25	8	516
Norwood	30	14	57	71	27	73	92	80	30	29	52	47	602
Randburg	156	8	83	35	70	26	84	27	72	4	42	11	618
Roodepoort	67	1	355	161	21	16	352	108	53	4	259	143	1540
Selby	12	18	94	56	10	0	43	30	10	11	23	24	331
Southdale	10	3	60	65	20	8	64	67	15	1	61	36	410
Waterval	26	9	89	136	18	49	59	117	24	4	62	78	671
Zondi	106	3	179	217	43	2	193	222	121	2	133	155	1376
<b>Total</b>	<b>789</b>	<b>80</b>	<b>1165</b>	<b>1079</b>	<b>380</b>	<b>193</b>	<b>1189</b>	<b>920</b>	<b>529</b>	<b>102</b>	<b>822</b>	<b>716</b>	<b>7964</b>

The number of service points has increased from 863 226 in Quarter 1 to 864 309 in Quarter 2.

#### 5.1.1.4 Cleaning of informal settlements

The City's informal settlements are characterized by a number of socio-economic challenges one of which is illegal dumping, poverty and unemployment. The persistent illegal dumping in informal settlements has led to environmental degradation and rodent infestation which left the feelings of the residents with hopelessness. The cleaning program packaged for informal settlements has been configured as an all-inclusive refuse removal package that consists of the following activities:

- Round Collection Refuse (RCR);
- Street Cleaning which includes Litter Picking; and
- Removal and Clearing of Illegally Dumped Waste
- Education and awareness
- Separation at Source

The above indicated activities are conducted on a daily basis, six days in a week, from Monday to Saturday and in Alexandra a seven day service is provided. The cleaning of these informal areas is mostly undertaken through output based third party contractors or community upliftment programmes. At the beginning the cleaning level was pretty poor but as program matured, the cleaning improved considerably.

Pikitup's community upliftment programme (CUP) was started in Kya Sand during this quarter. Kya Sand level of cleanliness improved from a level 5 to a level 1. The photos below shows the improvement since introducing CUP.

## Kya Sands

Before



After



Pikitup covers **164** informal settlements consisting of an estimated **183 895** units with some elements of backyard dwellings. This represents all the informal settlements in the City, with some upgraded to formal residential areas (RDP housing) and some located at private properties, serviced privately. In Quarter 2, the cleanliness Level 2 which was achieved in Quarter 1 of the 2017/18 financial year was maintained. There has been a reduction of tonnages in Quarter 2 where 5 852 were removed as to the 7 931 removed in Quarter 1. Some of this can be attributed to improvement of cleanliness levels.

The previous J@W programme is being phased out in most informal areas as well as in Hillbrow and Joubert Park. The phasing out has come with a lot of resistance from the people benefitting from the programme. In areas such as Alexandra; Thembelihle; Kliptown; Fine town and other informal areas, tyres were burnt by those who were protesting in this regard, and all cleaning services were interrupted.

### 5.1.1.5 Eradication of Illegal Dumping Spots

There were 62 469 tonnes of illegal dumping waste removed in Quarter 1 of 2017/18 financial year and 65 043 tonnes were removed in Quarter 2. This is a nominal increase, however there were concerted protests actions by communities at various areas, which was central to the increased tonnages of illegally dumped waste.

A total of 60 illegal dumping spots were eradicated in Quarter 2 of the 2017/18 financial year against the 49 eradicated in Quarter 1. There should have been 102 sites eradicated but 109 have been eradicated, so if this trend continues the annual target should be met and even exceeded slightly.

### 5.1.1.6 Hostel Cleaning

There are 22 Hostels to which Pikitup renders a service as per the need of the hostels concerned. This comprises of litter picking, illegal dumping, bulk container removal or domestic waste collection. The City of Johannesburg, Housing Department is billed in accordance to the service provided. In Quarter 1 of 2017/18, 679 tonnes were removed and in Quarter 2 742 tonnes were removed. The increase of the tonnages during this quarter is attributed to the festive season where hostel dwellers clean their rooms and dispose of all unwanted material in Pikitup bins or hostel yards. It is proposed to also implement CUP at the hostels.

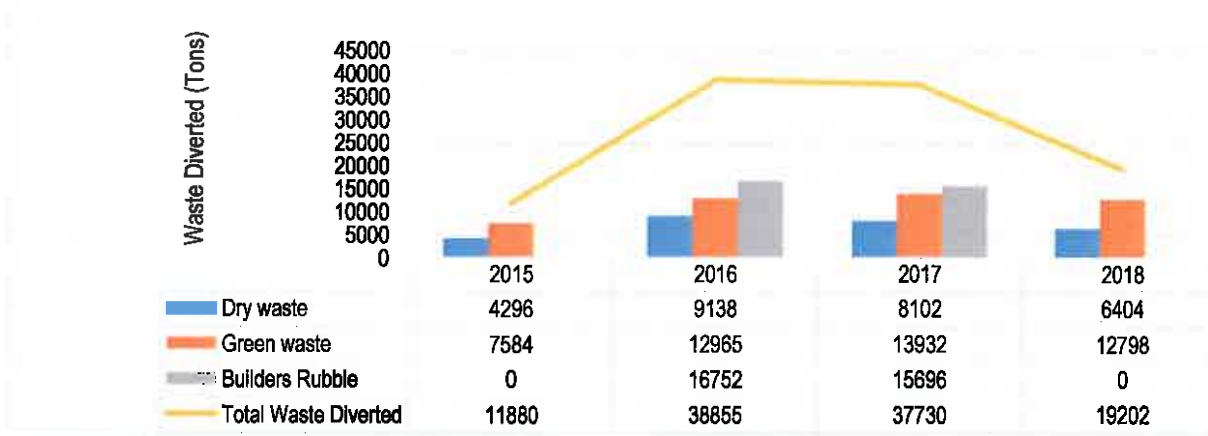


## 5.2 Waste Avoidance, Prevention and Minimisation

### 5.2.1 Waste Diversion

During the 2<sup>nd</sup> quarter under review, a total of 19 202 tons of waste was diverted against a target of 42 000 tons as depicted in the Chart 5.2.1 by each waste stream. Total waste diverted was lower than the diversions achieved in the previous quarter, largely as a result of the reduced builders' rubble diversion in this quarter.

Chart 5.2.1 Year-on-year quarterly waste diversion performance comparison



### 5.2.2 Separation @ Source (S@S)

Performance against the Separation at Source quarterly target was 6 404 tons (64%) of dry waste diverted against a target of 10 000 tons.

The underperformance was due to an earlier than usual month-end cut-off in December to allow for the Coops to downscale their operations during the December break, as well as due to delays in the appointment of private sector service providers for the further rollout in selected middle to high income areas as a result of the protest action by waste pickers. This hampered further roll out to the targeted middle to high income areas including Norwood, Midrand, Lenasia, Roodepoort and Randburg.

One of the two appointed service providers commenced work in the beginning of October 2017, while the second service provider started in December 2017 in Avalon (Lenasia). Further roll out in Norwood will start in January 2018. The performance is expected to improve in the third quarter.

### 5.2.3 Landfill management

This section provides the performance at the four operational landfill sites, namely Robinson Deep, Goudkoppies, Marie Louise and Ennerdale and monitoring at the two closed landfills, Linbro Park and Kya Sands.

### 5.2.3.1 Weighbridge availability, plant and equipment availability

The Ops and ICT department have been asked to jointly conduct the availability of weighbridges in terms of calibration errors, recording of weights accurately to ensure the automatic information collation system capability of delivering information direct to the site's waste database from trucks/carriers.

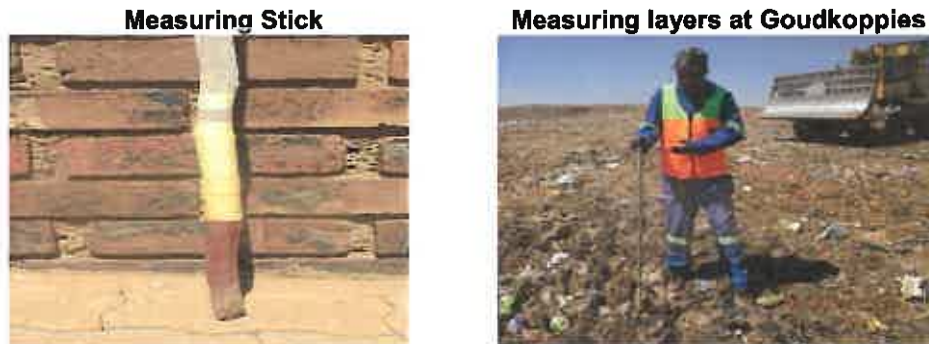
Concerns have been raised during the roadshows by the weighbridges staff pertaining to the condition of the offices, printers being out of order and the reintroduction of a customer account system for billing purposes. The COO has been asked to implement a manual back up system in the event of weighbridge(s) unavailability.

During the period under review, a burglary occurred at the Robinson Deep landfill weighbridges, which took place the 25 October 2017 by unknown persons. All three weighbridge computers were stolen. During the quarter the computers have been replaced. No data during the period was lost as the transactions were undertaken on a manual basis.

#### 5.2.3.1.1 Landfill daily cover and plant & equipment availability

The essential control to achieve good landfill performance is to regularly and completely cover the waste and to ensure it remains covered in all areas other than the active face, which is kept as small as practicable.

At all the operational landfills the landfill cover has been reduced to 150mm. This practice will ensure that valuable air space is not consumed by landfill cover. The photos below illustrate the measuring stick used at the Goudkoppies landfill site and the stick being used to measure the 150mm cover layer.



A landfill daily coverage of 96% (using a combination of virgin soil and crushed builders' rubble) was achieved to prevent bird infestation, odour, vermin, and litter and surface water quality problems. A total of 310 033 tons of waste were disposed at the Pikitup operated landfill sites during the period under review as compared 329 863 tons of waste disposed of in the first quarter (July - September 2017). This depicts a decrease of 19 830 tons from the previous quarter of waste disposed.

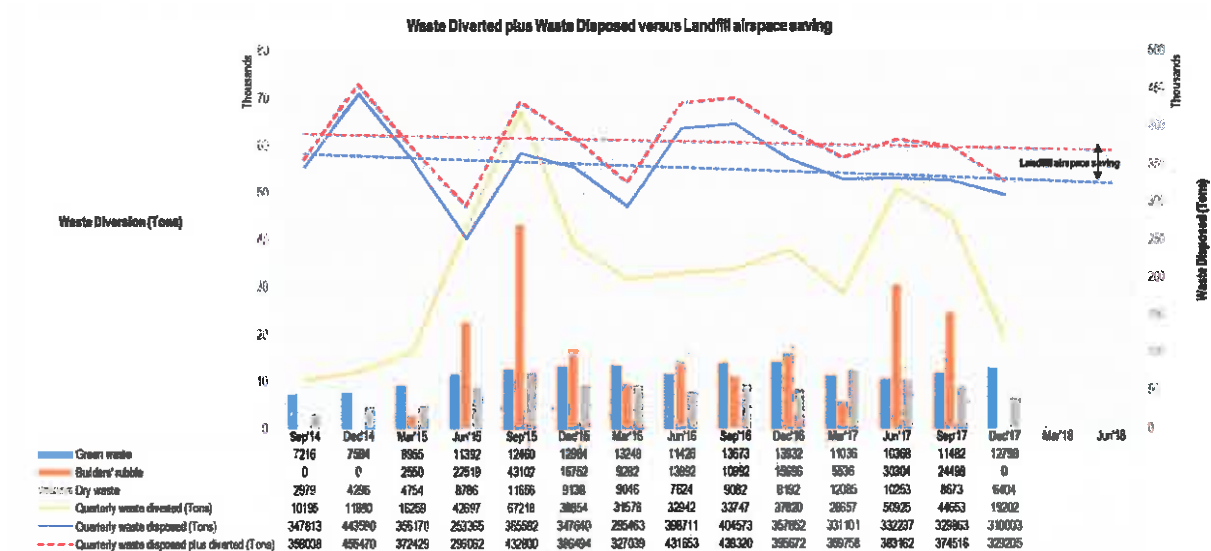
#### 5.2.3.1.2 Waste disposed at landfills and waste diverted

In effort to account for various waste streams management a mass balance account including dry waste recycled, green waste diverted, builders' rubble diverted and waste disposed at operating sites per each quarter from the 2014/15 to the current first quarter of 2017/18 is presented below in Chart 5.2.3.1.2. Notwithstanding inherent errors in the data and using the current quarterly figures, about 6-12% of the total waste handled, collected and disposed by the entity in the 2017/18 financial year is diverted.

Waste diversion programmes currently underway are being accelerated including as well as alternative disposal measures including initiation to implement alternative waste treatment technologies (e.g. mass



burn technology), beneficiation of green waste and finding alternative uses and applications for crushed builders' rubble.



The waste disposed and received per operating landfill site over the last three financial years including a comparison of the quarter under review to the same period last year, is as tabulated below.

Waste disposed per landfill site (Tons)	Total for 2014/15	Total for 2015/16	Total for 2016/17	2016/17 Qtr-1	2017/18 Qtr-1	2016/17 Qtr-2	2017/18 Qtr-2
Robinson Deep	651 930	667 143	572 800	166 063	111 674	151 538	120 511
Marie Louise	268 246	373 051	407 576	125 741	101 358	92 257	64 096
Goudkoppies	308 562	266 034	341 285	76 119	98 166	89 856	103 329
Ennerdale	88 689	101 168	104 102	36 650	18 665	24 201	22 097
<b>Total</b>	<b>1 317 427</b>	<b>1 407 396</b>	<b>1 425 763</b>	<b>404 573</b>	<b>329 863</b>	<b>357 852</b>	<b>310 033</b>

## 5.2.4 Refuse collection fleet and landfill plant availability

### 5.2.4.1 Landfill plant availability

For the quarter under review (October to December 2017) the availability of plant was a satisfactory with occasional breakdowns to the landfill compactors and dozers. Routine maintenance of this equipment was undertaken. The average availability recorded for the four operating landfills was at 90%.

### 5.2.4.2 Refuse collection fleet management

Table 5.2.4.1 below presents the current refuse collection fleet complement, new fleet and/or scrapped units during the quarter.

It is evident that the ad-hoc rental fleet used as back-up (for categories A and C) during compactor trucks breakdowns - should be replaced as a matter of priority.

Not only significant maintenance and running costs savings will be derived but improved service delivery realized from vehicle availability and reliability.

Out of a total of 150 units, approx. 84 vehicles operating under the Category C contract that are overdue for replacement.

Thirty (30) caddies and buses have been included as part of the leasing contract to transport staff members who are predominantly elderly women whom were previously transported using refuse trucks between depots and areas of work.

A new plant, equipment and fleet proposal was tabled at the board operations committee (OpsCo) for consideration by the Board given the pending end of the current Group--Fleet contract at the end of November 2017. This re-fleeting plan was in principle approved with recommendations by the Board of Directors in December 2017.

**Table 5.2.4.1 Fleet complement and condition as at the end of the second quarter**

Category	First Quarter	Second Quarter	Replacements/New/Scrapped
A – Full Maintenance ease	101	101	No changes
C – Managed maintenance	296	298	MM fleet increased by 2 vehicles from the previous quarter
Ad-Hoc Rental	150	150	No changes
<b>Total</b>	<b>547</b>	<b>549</b>	<b>Increased from previous 547 units</b>

#### 5.2.4.3 Refuse collection fleet complement, status and availability

The compactor trucks complement, status, availability and the refuse collection rounds (RCR) or “beats” service delivery performance in areas served by each depot during the quarter under review were as tabulated below.

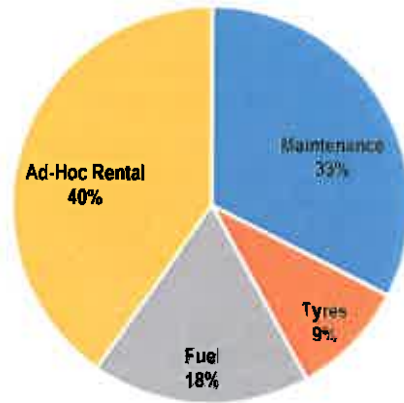
**Table 5.2.4.3 Refuse collection fleet complement, status and availability**

Depot	Fleet Availability	Activity Type	RCR Completed	No. of Units	Scrapped Units	Total Active Units	Excess/ Shortfall
Avalon	100%	RCR	13	17	2	17	4
Central Camp	100%	RCR	9	11	2	9	0
Marlboro	97%	RCR	13	15	2	13	0
Midrand	99%	RCR	13	7	2	5	-8
Norwood	100%	RCR	12	10	2	8	-4
Randburg	100%	RCR	19	15	1	14	-5
Roodepoort	97%	RCR	19	22	4	18	-1
Selby	98%	RCR	7	8	0	8	1
Southdale	99%	RCR	10	11	2	9	-1
Waternal	94%	RCR	8	11	3	8	0
Zondi	100%	RCR	14	16	3	13	-1
<b>Totals or Mean</b>	<b>99%</b>		<b>137</b>	<b>143</b>	<b>23</b>	<b>122</b>	<b>-15</b>

#### 5.2.4.4 Fleet management costs and expenses

The chart below depicts the fleet management expenses contribution with maintenance and ad-hoc rentals making up 73%. The corresponding unit costs were R224.64/Ton compared to R235/Ton and R242/Ton

Chart 5.2.4.3 Fleet management expenses



when compared to both the first and last quarter of the previous financial year. A revised fleet proposal has been tabled for board consideration when the current contract terminates in November 2017 to drastically optimise the Category-C fleet management. The corresponding running costs for the quarter were R29.29/km. Fuel consumption management is improving and starting to note the results.

#### 5.2.4.5 Resource recovery and logistics plan (RRLP)

Table 5.2.4.5 Resource recovery and logistics plan (RRLP)

Programme	Intervention	Progress
1. Communities & behaviour change	1.1 Support S@S through possible new S@S receptacle sizes and types, and Incentives / Disincentives	a) As a follow up to the two studies that were concluded in the previous quarter (i.e. the Bin pilot study and Regulatory and Economic Instruments projects) – the following workshops incorporating some of the recommendations from both studies were held with extended EXCO on the 17 <sup>th</sup> November and 4 <sup>th</sup> December 2017 and subsequently with Board on the 15 <sup>th</sup> December 2017 in preparation of the Readiness Plan for Mandatory Separation at Source implementation. It is envisaged that the readiness plan will be concluded by the end of June 2018 in time for implementation by the 1 <sup>st</sup> of July 2018.

2. Partnerships	2.1 Forge partnerships with various stakeholders to drive the S@S paradigm shift	<p>a) In the previous quarter, management and waste pickers held a first of its kind bilateral workshop facilitated by the Accounting Officer on the 10<sup>th</sup> August 2017 - where waste pickers raised concerns pickers on the further rollout of the separation at source programme through a private sector model. Since then, a Task Team was formed comprising of waste pickers, management and EISD to develop a Framework document for the integration reclaimers into the city's waste value chain.</p> <p>b) Several meetings have been held and the Draft Framework Document was concluded on the 26<sup>th</sup> October 2017 despite challenges with agreeing on some of the expectations of the waste pickers. Further engagements are planned for the third quarter in order to interrogate outstanding issues and to finalize the framework document.</p>
	3.1 Buyback Centre / Drop-off facility per ward and additional landfill airspace	<p>erdale Corobrick land – the Offer to purchase has been signed by JPC and Corobrick. Invoice submitted to Pikitup for payment on the 13<sup>th</sup> Sep 2017.</p> <p>a) Service Provider for site selection for additional landfill airspace citywide has been appointed and a draft report was received in his quarter for comments and input. The report will be finalized in the third quarter of this financial year.</p> <p>b) City-owned land has been identified to increase footprint of Buy-back centres / drop-off facilities. JPC has indicated that the land parcels have been circulated for comments from CoJ entities and departments.</p>
3. Infrastructure	3.2 Integrated Waste Management Facilities (IWMFs)	<ul style="list-style-type: none"> <li>▪ Preliminary designs for Marie Louise, Limbo and Kya Sands Landfills (MRF &amp; Transfer Stations) have been developed for internal stakeholder engagement through a committee made up of Operations, Fleet, Disposal, WMSP, SHE, Facilities, Security. Final designs are in progress, to be concluded by end June 2018.</li> <li>▪ Process to amend Licenses for closed and operational landfills through GDARD in order to incorporate IWMFs has commenced.</li> </ul>
	3.3 Anaerobic digester (AD), Crushing Plants & Alternative waste treatment technologies (AWT) Plants	<p>a) AD and AWT feasibility studies were completed in 2015/16 in collaboration with EISD, University of Johannesburg and Aurecon. Both reports were tabled and adopted by Council for implementation. Funding for the procurement of the AD facility as well as the EIAs for the AWT has been secured by EISD through UNEP/DBSA partnership.</p> <p>b) A draft RFQ and RFP have been compiled by UJ with inputs from the PSC and Technical Committee. The appointment of the EPC contractor to design, supply, operate and maintain a biogas production pilot unit is planned for completion by the end of the 4<sup>th</sup> quarter of this financial year. Meeting between MMC, EISD, and Pikitup (Board Chair, MD and ED: WMSP) was held and agreed that role clarification between EISD and Pikitup be expedited.</p>

### 5.3 Depot and facilities maintenance

#### 5.3.1 Depot maintenance and repairs backlog

The state of maintenance and repairs of depot immovable infrastructure assets as well as the upgrading and refurbishment of the entity's facilities will be accelerated during the course of this financial year. During the roadshows undertaken in the last three months show that the working conditions of particularly depot staff members requires investment.

During the quarter under review the number out of 151 minor maintenance faults, 127 (84%) were attended and completed.

The balance including upgrading and refurbishment backlogs constitute capital maintenance works some of which is scheduled and committed under the capital expenditure programme.

The initial scope and type of trouble-shooting is anticipated to reach completion by end November 2017. The 2017/18 minor maintenance budget allocation is inadequate to cover most of the maintenance backlog and an adjustment will be required at mid-year.

### **5.3.2 Garden sites refurbishments**

Most of the forty-two (42) of the garden sites are earmarked for upgrading and refurbishments into integrated waste management facilities in the current medium term expenditure framework (MTEF) to support the waste minimisation strategy.

During the quarter under review however, the provision of water and electricity service connections had to be expedited as a significant number of the operating garden sites historically had no utility services.

Applications for water and electricity connections have been made through the sister Johannesburg Property Company (JPC) for the first batch of thirteen (13) garden sites.

The application process for service connections is estimated to take about eight (8) weeks from the date of submission to City's entities, City Power and Johannesburg Water.

### **5.3.3 Yard Upkeep and security services**

Owing to a general poor state of depots and facilities grounds and cutting yard upkeep, the Mayoral Committee in the fourth quarter of 2016/17 instructed that the entities budgets for yard upkeep be transferred and centralized with the sister entity, the Johannesburg City Parks and the Zoo from the 2017/18 and an SLA system used to provide grass cutting services.

Furthermore, entities were notified through the City Manager's office that physical security services for the entire city depots, facilities, offices, etc. will cease to be outsourced with effect from February 2018.

The Sidas security contract which was on a month-to-month basis was terminated and a Section 32 process secured from other City entities in the interim period leading up to bringing security services in-house to ensure the safeguarding of Pikitup's sites and buildings.

Other physical and equipment security measures initiated during the period under review include:

- a) In consultation with the landlord at head office, an access control card reader has been installed and as a tenant have to install our own software to activate the access control readers.

An SCM process is in progress to ensure controlled access for especially our server rooms and corporate services sections to avoid unauthorized access to personnel information.

- b) CCTV systems have been installed at the Goudkoppies, Ennerdale, Robinson Deep and Marie Louise landfill sites as well as at the Midrand depot and Roodepoort stores. The control room camera linkages will be activated before the end of October 2017.
- c) During the first quarter under review, a total nine (5) security breaches were reported including theft of property (2), robbery (1), malicious damage to property (1) and trespassing (1). Security department is investigating.

#### **5.4 Capital expenditure**

The capital expenditure performance for the second quarter is R18.47 million which is 25% of the total capital budget of R73.78 million, and thus lower than planned target of 30%, due to the delay in the procurement of contractors. The contractors have since been appointed and the expenditure performance is expected to increase in the third and fourth quarters.

Refer to Table 5.4 on the next page for a detailed capital budget performance by each project and /or programme.

Table 5.4 Capital expenditure performance										
Item No	Contract Number	Project description	Capex underspend 2016/17	Rollover 2016/17	Approved Budget 2017/18	Committed Amount	2017/18 Capex Qtr-2	Balance available	Multi-year	Comply & Explain
1	PIK 241/2016	Construction of sorting facility and storage compartments at Panorama drop off center	R 2,923,300.00	R 2,923,300.00	R 2,923,300.00	R 2,620,860.52	R -	R 2,620,860.52	N	The Contractor is appointed and the site handover will be on the 22 January 2018
2	PIK 242/2016	Construction of sorting facility and storage compartments at Cedar road drop off center	R 2,771,000.00	R 2,771,000.00	R 2,771,007.80	R 2,771,007.80	R 1,148,550.00	R 1,622,457.80	N	The contractor is at 42% progress and the project is expected to be completed by end of March 2018
3	PIK 243/2016	Construction of sorting facility, paving and fencing at Orlando drop off center	R 3,068,600.00	R 3,068,600.00	R 3,068,600.00	R 2,522,726.80	R -	R 2,522,726.80	N	The Contractor is appointed and the site handover will be on the 22 January 2018
4	PIK 244/2016	Construction of a new guard house and storage compartments at Victory park drop off center	R 1,422,100.00	R 1,422,100.00	R 1,422,192.20	R 1,422,192.20	R 112,000.00	R 1,310,192.20	N	The contractor is at 12% progress and the project is expected to be completed by end of March 2018
5	PIK 245/2016	Construction of a guard house, storage compartments and a fence at Mayfield drop off center	R -	R -	R 1,729,481.39	R 1,729,481.39	R 107,950.00	R 1,621,531.39	N	The contractor is at 15% progress and the project is expected to be completed by end of March 2018
6	PIK 246/2016	Construction of a new guard house and storage compartments at Leo drop off center	R 1,513,300.00	R 1,513,300.00	R 1,513,360.20	R 1,513,360.20	R 319,187.61	R 1,194,172.59	N	The contractor is at 31% progress and the project is expected to be completed by end of March 2018
7	PIK072/2017	Construction of sorting facility and storage compartments at Robertsham drop off center	R -	R -	R 3,026,200.00	R -	R -	R -	N	The project is at procurement stage and the contractor is expected to be appointed before the end of February 2018

Table 5.4 Capital expenditure performance										
Item No	Contract Number	Project description	Capex underspend 2016/17	Rollover 2016/17	Approved Budget 2017/18	Committed Amount	2017/18 Capex Qtr-2	Balance available	Multi-year	Comply & Explain
8	PIK071/2 017	Upgrading of Strandloper drop off center	R 1,380,000.00	R 1,380,000.00	R 1,380,000.00	R -	R -	R -	N	The project is at procurement stage and the contractor is expected to be appointed before the end of February 2018
9	PIK069/2 017	Upgrading of Hospital Hill drop off center	R 800,000.00	R 800,000.00	R 800,000.00	R -	R -	R -	N	The project is at procurement stage and the contractor is expected to be appointed before the end of February 2018
10	PIK068/2 017	Upgrading of Ballyclare drop off center	R -	R -	R 1,640,000.00	R -	R -	R -	N	The project is at procurement stage and the contractor is expected to be appointed before the end of February 2018
11	PIK070/2 017	Upgrading of Ashburton drop off center	R -	R -	R 1,380,000.00	R -	R -	R -	N	The project is at procurement stage and the contractor is expected to be appointed before the end of February 2018
12	PIK067/2 017	Upgrading of Babiana drop off center	R -	R -	R 1,380,000.00	R -	R -	R -	N	The project is at procurement stage and the contractor is expected to be appointed before the end of February 2018
13	PU 436/201 4-08	Consulting services for Design, construction supervision and commissioning of sorting facilities, upgrading of various drop off centers	R 1,025,200.00	R 1,025,200.00	R 1,394,508.40	R 1,394,508.40	R 1,200,000.00	R 194,508.40	N	The consultant is busy with construction supervision of the six appointed contractors for the drop off centers. The project is expected to be



Table 5.4 Capital expenditure performance

Item No	Contract Number	Project description	Capex underspend 2016/17	Rollover 2016/17	Approved Budget 2017/18	Committed Amount	2017/18 Capex Qtr-2	Balance available	Multi-year	Comply & Explain
										completed by 31 March 2018.
14	JPC	Land purchase for Ennerdale Landfill site "Portion of the Portion RE of Portion 47 of the Farm Roodepoort 302 IQ"	R 3,190,000.00	R 3,190,000.00	R 3,190,000.00	R 3,190,000.00	R 3,190,000.00	R -	N	The project is complete.
15	PU 436/2014-16	Refurbishment and repairs of (UGB) underground bins in the City centre	R 1,890,500.00	R 1,890,500.00	R 1,890,500.00	R 1,890,500.00	R 688,037.98	R 1,202,462.02	N	The consultant is busy complete with the designs and is expected to be 100% complete by end of April 2018.
16	PU 002/2016	Supply, delivery and offloading of 240 litre bins to various Pikitup Depot	R -	R -	R 18,109,500.00	R 4,773,000.00	R 4,773,000.00	R -	Y	The total order to the amount of R4,773m has been delivered. The balance of R13,3m will be reduced during the midterm budget adjustment, as per the Rebasing instructions from COJ.
17	PU 035/2017	Supply, delivery and offloading of bulk bins to various Pikitup depot and facilities	R -	R -	R 5,000,000.00	R -	R -	R -	Y	The tender closed on the 15 November 2017 and is at evaluation stage.
18	PU 436/2014-14	Design, construction, supervision and commissioning of new offices, male and female ablution facility, heavy duty parking area and a hall at new Midrand depot.	R 1,470,772.00	R 1,470,772.00	R 1,470,772.00	R 1,187,742.25	R -	R 1,187,742.25	Y	The consultant is 85% complete with the designs and is expected to be 100% complete by end of January 2018.
19	PU 436/2014-13	Study, investigation and development of as built floor layout and emergency plan for all facility at Pikitup.	R -	R -	R 1,893,223.16	R 1,893,223.00	R 1,893,223.00	R -	N	The project is completed. The consultant completed all the layouts and emergency evacuation plans..
20	PU 436/2014-01	Consulting services for construction stormwater management - Robinson deep	R 776,990.00	R 776,990.00	R 776,990.00	R 415,032.51	R 415,032.51	R -	Y	The consultant completed the designs and tender

Table 5.4 Capital expenditure performance										
Item No	Contract Number	Project description	Capex underspend 2016/17	Rollover 2016/17	Approved Budget 2017/18	Committed Amount	2017/18 Capex Qtr-2	Balance available	Multi-year	Comply & Explain
21	PIK 266/2016	Desktop study, review of an existing report, site selection of additional candidate landfill sites	R -	R -	R 175,000.00	R 170,000.00	R 141,115.09	R 28,884.91	N	The first draft report has been submitted to Pikitup for comments and the final report with the comments is expected to be submitted by end February 2018.
22	PU 037/2017	Construction, upgrading and refurbishment of Southdale depot	R 9,000,000.00	R 9,000,000.00	R 2,000,000.00	R -	R -	R -	Y	The tender was closed on the 20 November 2017 and is at evaluation stage
23	PU436/2014-011	Consulting services for the upgrading and construction of sorting facilities at ten(10) Pikitup intergraded waste management drop off centres for 2018/19 financial year)	R -	R -	R 2,530,618.00	R 2,530,618.00	R 1,455,707.61	R 1,074,910.39	Y	The consultant is finalising the detail designs for ten drop off centres. The designs are expected to be completed by end of February 2018. With the construction phase planned for 2018/19 financial year.
24	PU436/2014-012	Consulting services for the construction of a new hall and renovations of offices, male and female ablution block Marlboro Depot			R 3,419,930.79	R 3,419,930.79	R 1,805,300.53	R 1,614,630.26	Y	The consultant busy with the design, which are expected to be completed by end of February 2018
25	PR 123/2012	EIA on various sites			R 526,628.37	R 526,628.37	R 150,179.20	R 376,449.17	Y	The EIA process is currently 73% completed and is envisaged to be 100% completed on 30 March 2018
26	PU 036/2017	Construction, upgrading and refurbishment of Avalon depot	R 10,000,000.00	R 10,000,000.00	R 2,694,522.69	R -	R -	R -	Y	The tender closed on the 20 November 2017 and is at evaluation stage

Table 5.4 Capital expenditure performance

Item No	Contract Number	Project description	Capex underspend 2016/17	Rollover 2016/17	Approved Budget 2017/18	Committed Amount	2017/18 Capex Qtr-2	Balance available	Multi-year	Comply & Explain
27	PU 034/2017	Construction of stormwater management system in Robinson deep landfill site	-	-	R 2,000,000.00	R -	R -	R -	Y	The tender closed on the 23 October 2017 and is at evaluation stage
28	PU 020/2016	IT hardware and software	R 4,600,000.00	R 4,600,000.00	R 2,500,000.00	R 1,769,523.29	R 974,153.93	R 795,369.36	N	The service provider is appointed on an as and when required basis
29	PU 436/2014-15	Design, construction, supervision and commissioning of paved roads, stormwater and guardhouse at Ennerdale landfill site.	R 773,665.00	R 773,665.00	R 773,665.00	R 773,665.00	R 100,423.00	R 673,242.00	N	The design is 80% completed and is expected to be 100% completed by end of February 2018.
30	PU 436/2014-03	Consulting services for construction of new male and female ablution facility, sewer and water reticulation at Central Camp depot (Phase 1)	R 400,000.00	R 400,000.00	R 400,000.00	R 400,000.00		R 400,000.00	N	The design is 100% completed. The procurement process for construction is in progress.
<b>Totals</b>			<b>R 47,005,427.00</b>	<b>R 47,005,427.00</b>	<b>R 73,780,000.00</b>	<b>R 36,914,000.52</b>	<b>R 18,473,860.46</b>	<b>R 18,440,140.06</b>		

## **5.5 Research & Development and strategic partnerships**

- a) As a follow up to the two studies that were concluded in the previous quarter (i.e. the Bin pilot study and Regulatory and Economic Instruments projects) – the following workshops incorporating some of the recommendations from both studies were held with extended EXCO on the 17<sup>th</sup> November and 4<sup>th</sup> December 2017 and subsequently with Board on the 15<sup>th</sup> December 2017 in preparation of the Readiness Plan for Mandatory Separation at Source implementation. It is envisaged that the readiness plan will be concluded by the end of June 2018 in time for implementation by the 1<sup>st</sup> of July 2018.
- b) The entity has partnered with the University of the Witwatersrand (WITS) to strengthen its capacity on evidence-based strategies for the integration of reclaimers into the waste value chain.
- c) This research, which is augmented by various supervised research undertaken by Honours and Masters Students from WITS, is part of a Wits-led three year research project on reclaimer integration funded by DST, DEA and CSIR, and will feed into the national stakeholder process through the SA Cities' Network (SACN) that will inform the National Guidelines for Waste Picker Integration.
- d) Annual Steering Committee meetings are held where some of the findings from the supervised research are disseminated. The second annual Steering Committee meeting was held on the 7<sup>th</sup> November 2017.
- e) One of the key themes from the research is that municipalities cannot ignore the existence of waste pickers anymore and thus need to proactively develop inclusive waste management systems that incorporate the waste pickers in the waste value chain. Another emerging theme is that the National Guidelines once developed, would need to be able to be adaptable (within reason) to the unique peculiarities that may exist at different municipalities.
- f) In the previous quarter, management and waste pickers held a first of its kind bilateral workshop facilitated by the Accounting Officer on the 10<sup>th</sup> August 2017 - where waste pickers raised concerns pickers on the further rollout of the separation at source programme through a private sector model. Since then, a Task Team was formed comprising of waste pickers, management and EISD to develop a Framework document for the integration reclaimers into the city's waste value chain.
- g) Several meetings have been held and the Draft Framework Document was concluded on the 26<sup>th</sup> October 2017 despite challenges with agreeing on some of the expectations of the waste pickers. Further engagements are planned for the third quarter in order interrogate outstanding issues and to finalize the framework document.

## **5.6 Communication and Stakeholder Management**

The CSM report is divided into eight sections which addresses the following topics and campaigns that were undertaken to support and gear the organisation towards realizing its business imperatives.

- a) Integrated campaign on illegal dumping
- b) Stakeholder Engagements
- c) Media Coverage
- d) Internal Communication
- e) A re sebetseng
- f) Events Management
- g) Performance of Pikitup's Online Platforms
- h) Education and Awareness

### **5.6.1 Integrated campaign on illegal dumping**

As stipulated in the Service Delivery Budget Implementation Plan (SDBIP), the Communication and Stakeholder Management (CSM) department is required to conduct one major waste campaign delivered

with a programme in each quarter. To address this imperative, an illegal dumping campaign was executed under the auspices of A re sebetseng, the Mayoral Clean-up campaign which its purpose is to mobilise the citizens of Joburg to adopt a culture of cleaning their work, play and stay areas every last Saturday of the month. The A re sebetseng campaign continues to gain a lot of traction from residents and the business fraternity alike.

Parallel to mobilising stakeholder support for A re sebetseng campaign, CSM mobilised and lobbied stakeholders to partner with the organisation on various programmes and projects, some geared towards eradicating illegal dumping spots. This exercise, impelled some business stakeholders to adopt some hot spots and committed their organisational resources both human and mechanical to clean and clear them on a monthly basis. The end state for Pikitup is to ultimately have these illegal dumping spots turned into recreational facilities.

Pikitup and Avis Fleet conducted a clean-up on an illegal dumping site in Kya Sand on 25 November 2017. The stakeholder availed front-end loaders, trucks and other equipment to the clean-up.

The pictures below displays the area before and after the clean-up.



***Before clean-up***



***Stakeholders availing their resources for the clean-up (human & mechanical)***



**After the clean-up**

### 5.6.2 Stakeholder Engagement

A number of stakeholders were engaged to establish relationships and foster partnerships on Pikitup's programmes and initiatives including garnering support and participation of stakeholders in the A re sebetseng Mayoral Clean-up project.

Table 5.6.2 Illustrates stakeholders that were engaged in quarter two			
Stakeholder	Date of engagement	Objective	Impact/Commitment
JOC Meetings	09,12,17,19 26 October 2017  02,09 November 2017	To discuss service delivery issues and to devise plans to mitigate back locks.	CRUM will conduct quarterly reviews in all the service delivery projects
Gauteng Council of Churches	11 October 2017	To formulate a partnership with the GCC.  Lobby for support and participating in A re sebetseng.	Pikitup is afforded opportunities to address churches on A re sebetseng.
CRUM Environmental Health City Parks and Zoo JRA CoJ Staff Ward Governance Ward Councillors Ward Committees	12 October 2017	To mobilise the community for A re sebetseng	Soweto residents were pleased by this initiative and committed to be part of the clean-up campaigns.

Regional Visible Service Delivery	12,13, October 2017 14 November 2017 07,12 December 2017	To address service delivery issues	Pikitup is
Council Forum	24 October 2017 03,20,22,30 November 2017	To address service delivery issues	
McDonald's SA	13 October 2017	To establish a relationship and formulate a partnership.	McDonald's SA and Pikitup signed a Memorandum of Understanding which will last for four months. Six McDonald's outlets in the inner city are being cleaned on a daily basis.
Security Association of South Africa	17 October 2017	To establish a relationship and explore areas of collaboration.	SASA will assign its security personnel to safeguard illegal dumping areas in Roodepoort
Rosebank College	03 November 2017	To strengthen the relationship and partner with Pikitup on clean-up projects	Rosebank College committed to clean the Braamfontein for a year starting in 2018
Avis	03 November 2017	To identify areas of collaboration and explore the possibility of entering into a memorandum of understanding on areas of common interest such as incubation programme which involves learnerships for the youth, eradicating illegal dumping.	AVIS adopted a crèche in Soweto which they fenced and painted. The refurbished crèche was handed over by the Executive Mayor on 07 December 2017. to A re Sebetseng  AVIS Fleet Services adopted an illegal dumping spot in Kya Sands.
Total SA	03 November 2017	To explore the areas of collaboration.	Total will consider a partnership with Pikitup on the Eco-Rangers project.
Vodacom	07 November 2017	To establish a relationship  To identify areas of collaboration and explore the possibilities of entering into an MoU.	Vodacom would like to partner with Pikitup on projects that are sustainable. They are keen on collaborating on the Waste Pickers initiatives in the Midrand area as well as e-waste.
Meeting with Ward 17 Councillor	08 November 2017	To plan and identify clean-up area for Pikitup's A re sebetseng of 25 November 2017	The clean-up was successfully executed. A total of 110 people participated in the clean-up campaign.

Franchise Association of South Africa	08 November 2017	To request FASA to coordinate a seminar/roundtable discussion with franchisors and franchisee to address the issue of illegal dumping.	Seminar/round table discussion planned for end January 2017.
CCBSA (Coke)	10 November 2017	To discuss a partnership and identify areas of collaboration on schools recycling programmes.	CCBSA committed their support for A re sebetseng. Will explore collaborative programmes for 2018.
TFM Industries Avis Fleet Plastics SA Interwaste M&P Recycling Phambili Services Miss Earth Enviroserv Carrus Mpact recycling Delta BEC Petco Tedcor Polyco	13 November 2017	To educate stakeholders about A re sebetseng and encouraged them to pledge their respective organisational support	The stakeholders participated in the pledge ceremony and made commitments to A re sebetseng
WAO Host	21 November 2017	To partner with Pikitup on A re sebetseng.	A re sebetseng website will receive a one year free hosting, domain registration, custom design, upgrade, search engine, responsive mobile version, linked to social networking websites i.e. twitter, facebook and linked in and a home page with brilliant slider feature.
Region D A re sebetseng Stakeholder meeting	21 November 2017	To discuss logistics around the clean-up areas, collection points and Pikitup's support for Region D's clean- cup campaigns.	Commitment to allow Pikitup to run education and awareness
Chep South Africa	20 December 2017	To explore areas of collaboration in waste management  Participation in A re sebetseng	A partnership will be entered into in 2018

### 5.6.3 Media Coverage (External Communication)

The earned media which is publicity gained through promotional efforts other than paid media was achieved through a combination of pro-active media engagement as well as reactive media engagement. The proactive media engagement involved issuing out media statements while reactive relates to answering media inquiries directed at the entity.

The drives to media coverage during this reporting period were as a result of the A re sebetseng Mayoral clean-up campaign, the reported investigations surrounding the entity's procurement of crusher machines,



media reports questioning the appointment of Pikitup's Managing Director and the entity's festive season refuse collection schedule.

In total the entity managed to amass 61 media mentions with print registering 40 mentions, broadcast 5 and online 16 mentions.

Media type	Circulation	Ave
Broadcast	345 000	R 177 462. 87
Online	14 628 006	R 268 520. 68
Print	1 906 587	R 1 577 325.11
Total	16 879 593	R 2 023 308. 66

#### 5.6.4 Internal Communication

A major part of internal messages also related to communicating the Mayor's activities to internal staff chief most amongst them was the issue of the integrations of the entity to the overall structure of the City of Johannesburg. Specific internal messages from Pikitup that were sent to staff during the period under review included the long service awards, the entities achievement of the ISO safety and environmental standards accreditation and contributions to the city's internal newsletter.

#### 5.6.5 A Re Sebetseng (Mayoral Monthly Clean-Up Campaign)

A re sebetseng campaign gained a lot of traction from residents and the business community in the City. The October and November clean-ups were preceded by pledge ceremonies which the CSM conceptualised and implemented.

The business fraternity pledged support for the campaign not only for the clean-up but by also donating their various expertise and resources to ensure that the City yields the desired results of a cleaner Joburg. The pledge ceremonies were hosted on 25 October and 23 November 2017 at Pikitup Head office and Johannesburg Zoo respectively. On behalf of the Executive Mayor, Pikitup's CSM planned and hosted these events.

##### 5.6.5.1 Pledge Ceremony on 25 October 2017

Stakeholders such as Rosebank College, McDonald's, Rietvlei Farm and Zoo, University of Johannesburg, Miss Earth South Africa, Voice it in action, Okuhle Waste Management, Siyaphumelela Community Project, Securitas SA, Rotaract Club of Johannesburg North Central and Greater Johannesburg Environmental Forum attended the pledge ceremony and committed their support to A resebetseng.

On the day of the pledge ceremony on 25 October 2017 Pikitup and McDonald's signed a Memorandum of Understanding that saw the two parties establishing a relationship around creating sustainable clean spaces and conducting educational campaigns. The parties agreed to collaborate on clean-up campaigns for the duration of four months that will result in the cleaning of identified areas where McDonald's outlets are situated in the inner city, namely: Pritchard, Small, Ghandi Square, Doornfontein, Yeoville and Hillbrow.

### 5.6.5.2 Pledge Ceremony on 23 November 2017

The following stakeholders pledged their support on 23 November 2017 at a pledge ceremony event held at the Johannesburg Zoo's Gold Ashanti boardroom.

#	Company	Commitment/Pledge
1.	PETCO	Trolleys and Reflective vests to the value of R150 000 plus training for the Waste Pickers.
2.	Plastics SA + NRF (National Recycling Forum)	To spread the word to the plastics industry and encourage them to participate and also promote the campaign to members of the NRF. Provide plastic bags and training to cooperatives.
3.	Phambili Waste Services	Clean-up campaigns with reclaimers' in Midrand area, clean-up Midrand CBD around the taxi rank. Agriculture project with co-ops in Linbro Park Landfill site.
4.	The Market Theatre Foundation	Staff and students will take part in cleaning the streets of Newtown.
5.	MPACT Recycling	Education and Awareness in schools and communities, ensuring sustainable markets for recyclable goods.
6.	Enviro-serv Waste Management	Cleaning and maintaining a 1km radius off the Mariboro Gautrain station and off-ramp. Employ 2 people to keep that area clean - educating school children within the COJ on the benefits of recycling.
7.	Avis Fleet	Cleaning area of the Thari Imbeleko Crèche and putting up a fence. Clean Kya Sand informal settlement. Get rid of dumping sites and turn them into a vegetable/food gardens/play areas. Provide skills development and income generation strategies to local residents.
8.	Adcock Ingram Critical Care	Support through Adopt-a-Park; the Ash Project, the School Shoe Project; and cleaning of school grounds
9.	WAO Host	Design a website, free domain registration, hosting, training on how to run the website and do updates and online marketing for A Re Sebetseng.
10.	Interwaste	Actively participate through the cleaning of local communities in area; engage and encourage clients to participate as well as donate 10 squeeza's.
11.	Coca-Cola SA GP Region	Provide a mobile theatre for A Re Sebetseng clean-ups
12.	Averda SA	Provide educational programmes for businesses in Joburg with the focus on hazardous waste to counter illegal dumping; provide specialised equipment to assess and maintain water infrastructure up to 100 hours.
13.	Tedcor	Raise awareness through vehicle with stage and sound for schools. Pledge R5000 for a young entrepreneur, set up a buy back centre in Zandspruit with equipment and a generator, providing gloves for A Re Sebetseng.
14.	The Waste Group Projects	On-going training to cooperatives and support the programme with 5 000 T Shirts
15.	Polyco	To launch a mobile buy back centre in Kya Sands in February 2018
16.	Mojo	Revamp of The Wilds
17.	Delta BEC	Proposed an incentivized recycling campaign, Trash in Cash (TiCi), focused on encouraging school children to recycle, to roll TiCi out at five schools in the Lanseria and Cosmo City areas in 2018.
18.	TFM	Provide 20 trolleys for waste pickers and an A Re Sebetseng decal on one of Pikitup vehicles

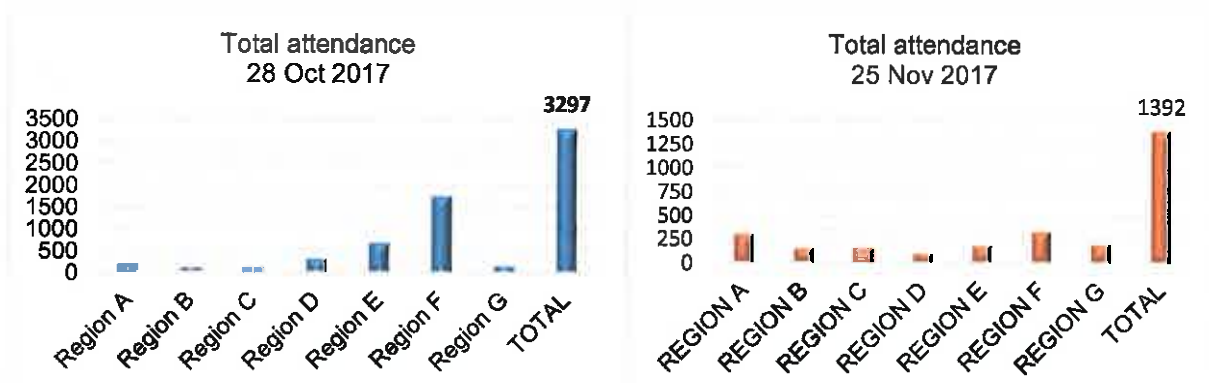
### 5.6.5.3 Internal A re sebetseng participation

A re sebetseng campaign formed part of the internal communication activities to encourage staff to participate in the Mayoral clean-up campaign. The main activities during the reporting period were internal messages emailed to staff members about A re sebetseng. The messages circulated to staff related to A re sebetseng activities for the month of October and November 2017. Although internal staff messages

inclusive of direct engagements by the Managing Director of Pikitup, posters and calendar reminders, the attendance of staff members to the entities' specific A re sebetseng events remains negligible.

#### 5.6.5.4 Clean-up campaign on 28 October and 25 November 2017

On 28 October 2017, 41 wards within the City of Johannesburg were cleaned. A total of 3297 people attended. Whereas on the 25<sup>th</sup> November clean-up, 57 wards participated with 1392 participants. This low attendance is attributed to unfavourable weather condition on the day of the clean-up. The graphs below depicts the participation rate in the October/November A re sebetseng clean-up campaigns.



#### 5.6.5.5 Advertising of the A re sebetseng Clean-up Campaign

In November 2017, Pikitup's Communication and Stakeholder Management department was requested to take over the marketing and advertising of the A re sebetseng campaign to continue ensuring maximum awareness as well as community and stakeholder buy-in.

A mixture of community and relevant mainstream radio and print media have been selected to market A re sebetseng monthly clean-up campaigns. For the month of November, the following media was used:

Radio	Print
11 Community Radio Stations	23 Community Newspapers
Power FM	The Star
Kaya FM	Daily Sun
Radio 702	
94.7 Highveld Stereo	

Furthermore, live cross over interviews with the Executive Mayor, MMC for Environment and Infrastructure Services department and the Pikitup Managing Director were conducted on Jozi FM, Rainbow FM and Koffi FM and the A re sebetseng feature was done on Power FM where the MMC was interviewed. This was done to activate the A re sebetseng clean-up campaign held on 25 November 2017.

**Example of A re sebetseng print advert and editorial ran in Nov 2017**

**ADVERTORIAL**



**BY MKHOSI NDLOVU**

**A**RE SEBETSENG - A monthly city-wide clean-up campaign of the City of Johannesburg continues to make major strides in efforts to keep the streets, communities and environment clean.

The City-wide volunteer cleanup campaign was launched by Executive Mayor Mkhosi Ndlovu on 14 August 2017, and takes place on the 1st Saturday of every month. The first clean-up was held at the Johannesburg Stadium, 8 November 2017.

This ground-breaking initiative seeks to introduce a paradigm shift in the manner people relate to waste by encouraging them to take responsibility and initiative to clean up their communities.

During the City of Johannesburg's 2017-2018 Strategic Plan, it is clearly stated that the City is fully obliged to A re Sebetseng campaign and provide active leadership and support to encourage all participants at city and local level to clean up the streets and take the needed to have clean cities. The City has existing many programmes, through the health of residents and making communities more places to live, the next step.

The better world that also takes up the campaign, it can up the City by providing environmental awareness support to the citizens.

So citizens are please read...

**ADVERTORIAL**

# A RE SEBETSENG

## grows in leaps and bounds

As the number of people participating in the City-wide A re Sebetseng campaign grows, the City of Johannesburg is pleased to announce that the number of people participating in the City-wide A re Sebetseng campaign has grown significantly since its launch in August 2017.

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**ADVERTORIAL**

The number of people participating in the City-wide A re Sebetseng campaign has grown significantly since its launch in August 2017.

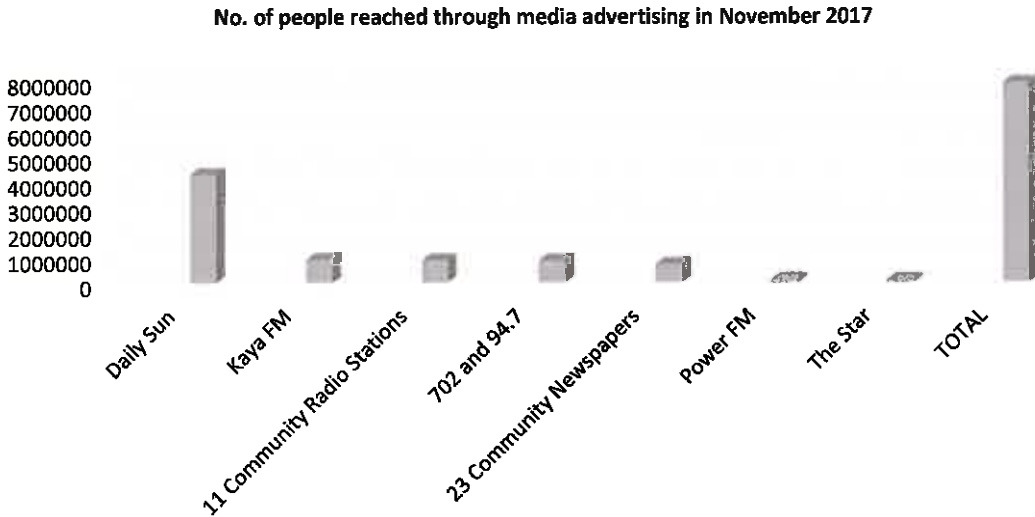
The City of Johannesburg is pleased to announce that the number of people participating in the City-wide A re Sebetseng campaign has grown significantly since its launch in August 2017.

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**5.6.5.1 Reach per medium**

The following graph illustrates the total number of people reached for the activation of the November 2017 A re sebetseng monthly clean-up. In total, more than 7 million people were reached through various mediums employed.



**5.6.6 Events Management**

Below are some of the key corporate and staff events co-ordinated and facilitated by the department during the period under review:

Name of event	Activities/Input	Output	Evidence in pictures
1. Pikitup Long Service Awards - 22 November 2017	Successful hosting of the Pikitup annual Long Service Awards on 22 November at the Klipriviersberg Recreation Centre.	A total of 297 staff members were awarded for their loyalty to the organisation.	
2. Dobsonville Visit – 7 December 2017	Pikitup and the City of Johannesburg partnered with TOTAL to donate ventilation fans to Tari Imbeleko crèche in Dobsonville Soweto under the banner of A re sebetse.	Pikitup values that talk to good corporate citizenship and unity of purpose were truly demonstrated and came to life through this partnership with TOTAL.	

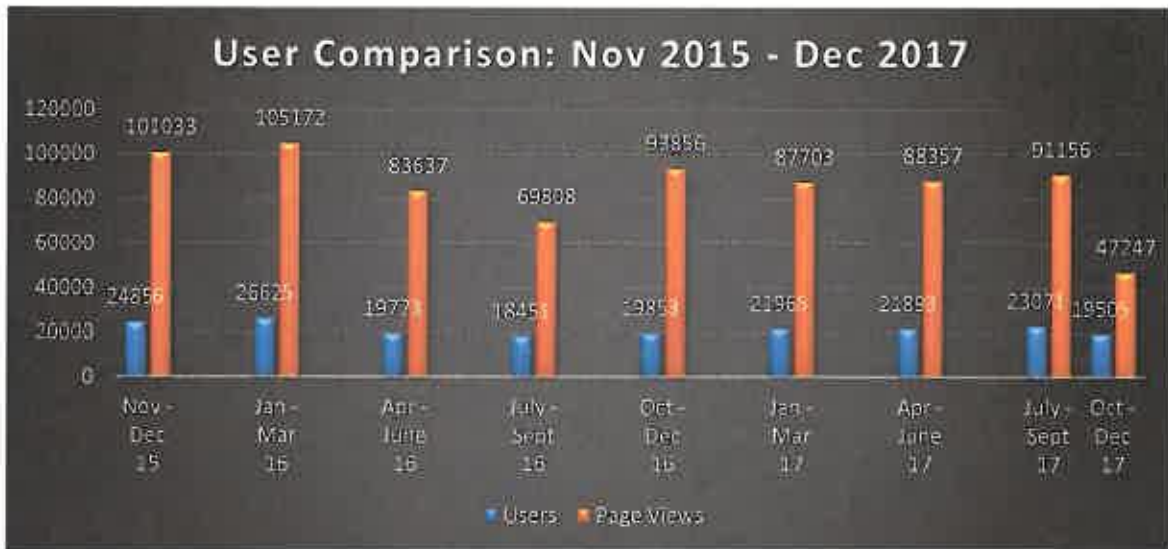
## 5.6.7 Performance of Pikitup's Online Media Platforms

### 5.6.7.1 Website Statistics

For the period under review, the Pikitup website has seen a decrease in the number of users/visitors. The site has recorded 19505 users compared to 23 071 recorded in the last quarter. The decline can be attributed to the period under review being the festive season and most people take leave. This quarter, 'Pikitup Campaigns Section' received the most clicks.

The average user spends at most 2 minutes 25 seconds on the website. This is an indication that the site is easy to navigate and users get the information they require in an instant.

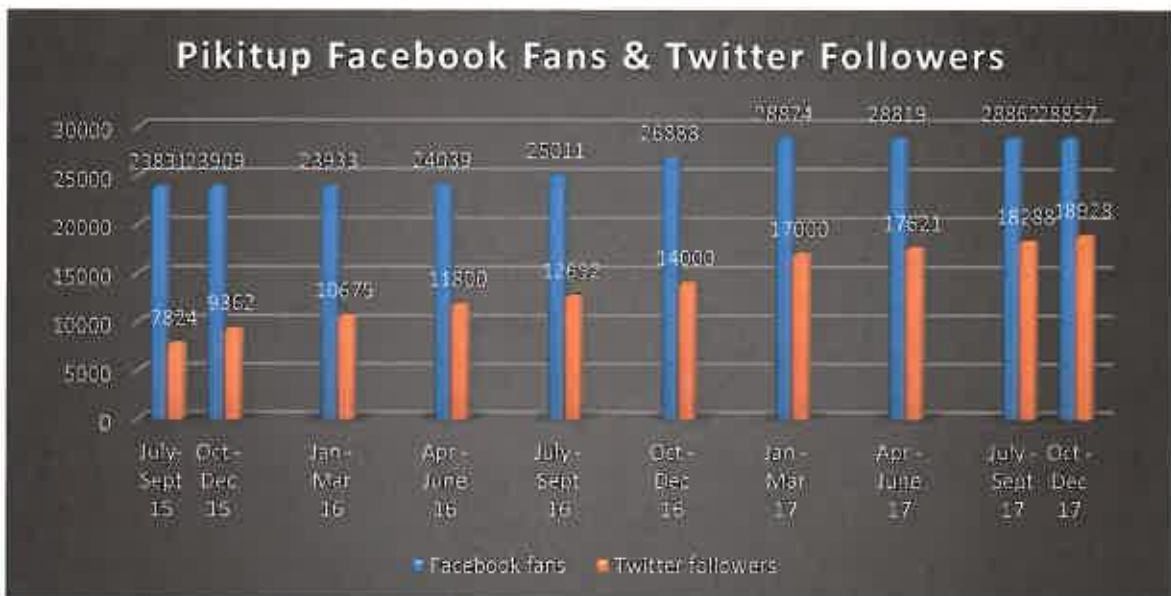
**Figure 5.6.7.1 Website statistics from November 2015 until December 2017**



**5.6.7.2 Social Media Statistics**

Pikitup Facebook fans are currently sitting at 28 857 compared to 28 871 recorded in the last quarter. There has been a drop of 14 followers which could be attributed to the current period being the festive season. In addition, the global trend is that Facebook is slowly declining and is being taken over by Twitter. Pikitup Twitter followers for the quarter are 18 928, an increase of 226 followers from the last quarter. Some of the activities/posts that happened during this quarter include Pikitup advertorials for the A Re Sebetseng and information on the pledge ceremonies.

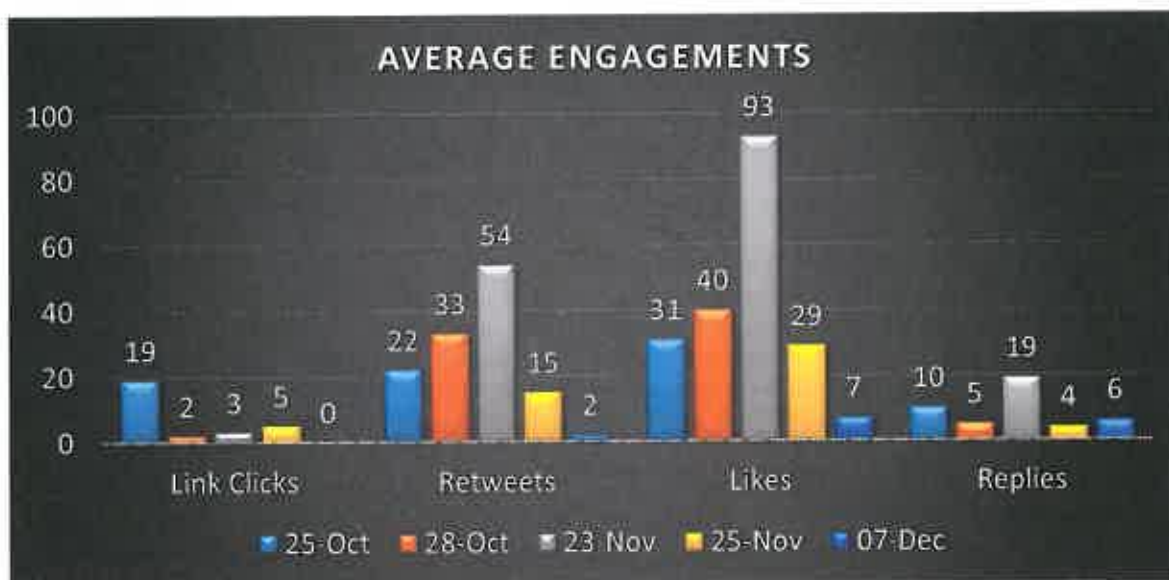
**Figure 5.6.7.2 Pikitup social media statistics: July 2015 – December 2017**







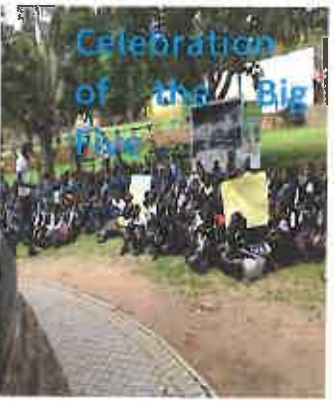
In addition, a number of social media activities and engagements occurred during the A re sebetseng monthly clean-up campaigns and pledge ceremonies. Information communicated pertained to the invites and media releases to the A re sebetseng clean-ups, pictures and videos. The following graph illustrates some of the engagements that took place on Twitter with regards to A re sebetseng during this quarter.

**Figure 5.6.7.3 Average engagements on Twitter during the quarterly A re sebetseng monthly clean-ups and pledge ceremonies**



### 5.6.8 Education and Awareness

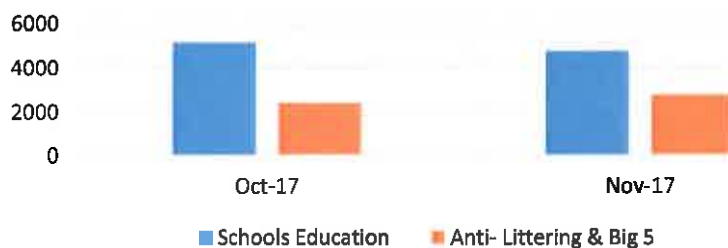
Various activations focusing on environmental education and awareness took place during this quarter. These included environmental education and awareness in schools, environmental education awareness training for Cooperatives, anti-littering day and celebration of the Big Five Day.

Name of event	Activities	Output	Impact/Commitment	Evidence in pictures
Environmental Education and Awareness in Schools	Pikitup embarked on individual schools visits in the quest to help raise the necessary level of environmental consciousness in order reduce the amount of waste that normally ends up in the landfill sites and streets	7 schools in Regions D, F and G benefitted from structured class presentations on proper waste management and recycling as well as its benefits. Over 5000 leaflets promoting recycling and over 5000 red cards discouraging people from illegal dumping were distributed to over 9000 learners from 7 schools.	Both learners and teachers from Nandi Primary, Hilcrest, Macbain Charles, Lesedi, Yeoville, Norwood and Boekenhout committed to help reduce the amount of waste that goto landfill sites by recycling	
Environmental education and awareness training	Training on waste management and recycling was offered to 20 community educators from Dikala in Avalon for the door-to-door, Bahlali Bamabanani Co-op, Tripple C (10), Koffi (10), and Okuhle Waste (10), Tafelani, Mveledzo, Keep it Clean, Shoman, Remarkable and Twanani	All the 120 members from different co-operatives pledged commitment to support the separation at source programme.	Six co-operatives from Region E (Marlboro depot) have come up with an action plan to intensify participation in the Separation at Source programme through a six month door-to-door education and awareness drive. Plan available.	
Anti- Littering Day	Pikitup, in partnership with Johannesburg City Parks and Zoo offered education and awareness to 2400 children from 5 different primary schools gathered at the Joburg Zoo.	A total of 2400 learners were exposed to Pikitup's Separation at Source programme and good waste management practices.	Schools committed to launch clean-up campaigns in order to curb illegal dumping as well as to help increase participation in the Separation at Source programme.	
Celebration of the Big Five	<ul style="list-style-type: none"> <li>Once again, in celebration of the big five Day 2017, Pikitup partnered with JHB City Parks and Zoo to educate learners about the importance of all lives. About 2768 learners from different schools around Johannesburg gathered at the Joburg Zoo and were taught about the history and the importance of the big five as part of environment as well as the importance of keeping the environment clean. Furthermore, the schools were taught recycling and its importance.</li> </ul>	Over 4000 red cards were issued to the learners as a sign of discouraging anyone from dumping. The learners pledged to red card anyone who dumps illegally as they believed that this will affect the lives of both plant, animal and human lives.	Schools committed to keep the environment clean in order to improve the quality of life for the environment and people.	



The graph below illustrates the total number of learners (14 168) reached by Pikitup in the 2<sup>nd</sup> quarter on education and awareness through individual schools visits on the Separation at Source as well as through the anti-littering and celebration of the Big Five.

### Schools Education & Awareness Campaign




### 5.7 Service Standards and SDBIP

Progress against service level standards and performance against the institutional service delivery budget implementation plan (SDBIP) as at the end first quarter are as tabulated under Sections 5.71 and 5.72.



The performance for the period under review provides the report on the turn-around times of complaint lodged during the quarter whereas the service delivery budget implementation plan measures progress against pre-determined objectives. These are prescribed by the shareholder and underpin and support the City's Integrated Development Plan (IDP).

Table 5.7.1 Performance against service level standards 2017/18 Second Quarter				
Service Level Indicators (KPI)	Service Level Standards (turnaround time)	Achievement	Variance Comments	Timeline Commitment to ensure 100% Resolution
Collecting domestic waste	7 days / 100%	100%	No variance	No remedial action required
Collecting general business waste	7 days / 100%	100%	No variance	No remedial action required
Collecting putrescible waste (wet waste)	Daily, up to 6 X a week / 100%	100%	No variance	No remedial action required
Cleaning of illegal dumping spot	7 days / 100%	100%	No variance	No remedial action required
Removal of animal carcasses	24hrs / 100%	100%	No variance	No remedial action required
Delivery of an ordered Skip bin	7 days / 100%	100%	No variance	No remedial action required
Collecting of refuse bags on the curbside	48 hrs /100%	100%	No variance	No remedial action required

Table 5.7.1 Performance against Institutional SDBIP													
Goals	Objectives	Projects	Indicator	Actual 2015/16	Actual 2016/17	Annual Target 2017/18	2017/18 FY			Recovery Action Plan	Responsible Department		
							Q1 Target	Q1 Actual	Q2 Target			Q2 Actual	Status
Integrated Waste Management, Waste Prevention and Waste Minimisation	To ensure that waste to landfills are minimised in order to achieve land use resource resilience	Waste diverted from landfills Reduce, reuse, recycle and recovery <sup>1</sup>	1.1.1. Tons of green waste diverted	50 098 Tons of green waste diverted	49 008.5 Tons of green waste diverted	70 000 Tons of green waste diverted	10 000	11 482	25 000 Tons of green waste diverted	12 798		Green waste diversion programme to be reviewed and revised in the 3rd & 4th quarters in light of the limitations with the current off-take capacity.	WMS&P / Operations

<sup>1</sup> Waste tonnages aggregated per waste stream.

Table 5.7.1 Performance against Institutional SDBIP

Goals	Objectives	Projects	Indicator	Actual 2015/16	Actual 2016/17	Annual Target 2017/18	2017/18 FY				Status	Reason for Variation	Recovery Action Plan	Responsible Department
							Q1 Target	Q1 Actual	Q2 Target	Q2 Actual				
			1.1.2. Tons of builder's rubble diverted	83 029 Tons of builder's rubble diverted	62 528 Tons of builder's rubble diverted	50 000 Tons of builder's rubble diverted	5 000	24 498	7 000 Tons of builder's rubble diverted	0		Unavailability of builders rubble crushers	Although the cumulative tons diverted to date exceed the cumulative target, the procurement process for the maintenance of crushers has been commenced	
			1.1.3. Tons of dry waste diverted through Pikitup interventions <sup>2</sup> (paper, plastic, glass, cans)	37 374 Tons of dry waste diverted through Pikitup interventions	39 523 Tons of dry waste diverted through Pikitup interventions	60 000 Tons of dry waste diverted through Pikitup interventions	10 000	8673	10 000 Tons of dry waste diverted through Pikitup intervention	6 404 Tons of dry waste diverted through Pikitup intervention		Target not achieved due to early month-end cutoff, and the delayed roll out in Norwood, Midrand and Avalon depots due to protest action by Waste-pickers.	Collections commenced in Midrand in October and Lenasia in December 2017. Collection in Norwood will start in January 2018.	

<sup>2</sup> These interventions could include dry waste diverted through Separation@Source or CUP initiatives or any other initiatives where Pikitup enables dry waste to be recycled. It should be noted that there are various private initiatives taking place in the city, but these tonnages are reported through the Waste Information System to EISD.

Table 5.7.1 Performance against Institutional SDBIP




Goals	Objectives	Project/s	Indicator	Actual 2015/16	Actual 2016/17	Annual Target 2017/18	2017/18 FY				Reason for Variation	Recovery Action Plan	Responsible Department	
							Q1 Target	Q1 Actual	Q2 Target	Q2 Actual				Status
							Annual Target	Annual Target	Annual Target	Annual Target				Annual Target
		1.2. Separation at source extended to additional areas	1.2.1 % household participation rate in targeted areas where S@S project is implemented	18.38% participation rate in targeted areas where Separation at Source project is implemented	18% participation rate in targeted areas where Separation at Source project is implemented	20% (Re-examination of participation rate in targeted areas where Separation at Source project is implemented)	Annual Target	Annual Target	Annual Target	Annual Target	Annual Target	Please note that there is no quarterly target for this KPI, only annual target which will be reported at the end of the financial year	WMS&P	
		1.3. Construction of new buy-back centres, and upgrade of garden sites	1.3.1. Number garden sites upgraded	4 facilities upgraded	0 garden sites upgraded	10 garden sites upgraded	0	0	3 garden sites upgraded	0		Delays in the procurement of Contractors	Contractors have been appointed and are currently busy with the upgrades	WMS&P
			1.3.2. Number of sorting buy back centres established	New indicator	2 new sorting buy back centre established	1 new sorting buy back centre established	Annual Target	Annual Target	Annual Target	Annual Target	Annual Target	No variation	Please note that there is no quarterly target for this KPI, only annual target which will be reported at the end of the financial year	WMS&P

Table 5.7.1 Performance against Institutional SDBIP														
Goals	Objectives	Projects	Indicator	Actual 2015/16	Actual 2016/17	Annual Target 2017/18	2017/18 FY				Reason for Variation	Recovery Action Plan	Responsible Department	
							Q1 Target	Q1 Actual	Q2 Target	Q2 Actual				Status
		1.4. Upgrade landfill sites to comply and to extend landfill airspace	1.4.1. % landfill compliance to GDARD regulations and permit conditions as issued by DEA and DWAF, related to: Robinson Deep Landfill Site Ennerdale Landfill Site Goudkoppies Landfill Site Marie Louise Landfill Site	92. % landfill compliance to GDARD regulations and permit conditions as issued by DEA and DWAF	94.84% landfill compliance to GDARD regulations and permit conditions as issued by DEA and DWAF	95% landfill compliance to GDARD regulations and permit conditions as issued by DEA and DWAF	Annual Target	Annual Target	Annual Target	Annual Target	Annual target			Operations
		1.5. Climate Change	1.5.1. Tons of carbon gas offset in GHG emissions (from waste diverted)	New Target	15 977 tons CO23	3 702 tons CO2	Annual Target	Annual Target	Annual Target	Annual Target	Annual Target	No variation	Please note that there is no quarterly target for this KPI, only annual target which will be reported at the end of the financial year	Operations
Realisation of Value throughout the Waste Value Chain		2.1. Separation at Source and CUP	2.1.1. No of jobs created through co-operatives	450 jobs created through co-operatives	1 362 jobs created through co-operatives	1 736 jobs created through co-operatives	1090	162	1260	0				WMS&P & CUP
			2.1.2. No of Co-operatives / SMMEs established or supported	37 Co-operatives / SMMEs established or supported	374 Co-operatives / SMMEs established or supported	47 Co-operatives / SMMEs established or supported	30	2	5	0				WMS&P / Operations

<sup>3</sup> This is an annual target to be calculated on an annual basis, and therefore quarterly targets are not required. Calculation is based on the volumes of green waste diverted from landfill.

<sup>4</sup> Cumulative target – total including 37 established in 2016/17.

Table 5.7.1 Performance against Institutional SDBIP

Goals	Objectives	Projects	Indicator	Actual 2015/16	Actual 2016/17	Annual Target 2017/18	2017/18 FY				Reason for Variation	Recovery Action Plan	Responsible Department	
							Q1 Target	Q1 Actual	Q2 Target	Q2 Actual				Status
Effective and Efficient Waste Services	3. To ensure effective and efficient waste services	2.3. Community Cleaning Programme (EPWP & CWP)	2.3.1. Number of community members employed 5	1474 community members employed to clean areas	5 448 community members employed to clean areas	300 community members employed to clean areas	200	438	400	1280			Operations	
		3.1. Regular domestic waste collection	3.1.1. % RCR rounds completed	98% RCR rounds completed	98% RCR rounds completed by 17h00	100% RCR rounds completed by 17h00	100%	98%	100% RCR rounds completed by 17h00	98%		Fleet availability as a result of breakdowns was a problem during the course of the period under review	Improve fleet availability to ensure performance	Operations
		3.2. Improve city cleanliness levels of targeted areas city-wide - (block cleaning and waste minimisation - education and awareness,	3.2.1. Cleanliness level of inner city as determined by GDARD Gauteng Waste Management Standards 6	Level 2 Cleanliness of inner city as determined by GDARD Gauteng Waste Management Standards	Level 2 Cleanliness of inner city as determined by GDARD Gauteng Waste Management Standards	Level 1 Cleanliness of inner city as determined by GDARD Gauteng Waste Management Standards	Level 1 Cleanliness of inner city as determined by GDARD Gauteng Waste Management Standards	Level 1	Level 2	Level 1 Cleanliness of inner city as determined by GDARD Gauteng Waste Management Standards	Level 1			Operations

<sup>5</sup> Individuals participating to be registered on EPWP database and attendance registers to be kept. This also includes all other forms of casual labour such as CWP.  
<sup>6</sup> Cleanliness levels as defined in Section 8.6 of the business plan

Table 57.1 Performance against Institutional SDBIP





Goals	Objectives	Projects	Indicator	Actual 2015/16	Actual 2016/17	Annual Target 2017/18	2017/18 FY				Status	Reason for Variation	Recovery Action Plan	Responsible Department
							Q1 Target	Q1 Actual	Q2 Target	Q2 Actual				
		street furniture)	3.2.2.Cleanliness level in outer city based on street cleaning as determined by GDARD Gauteng Waste Management Standards	Level 2 Cleanliness in outer city based on street cleaning as determined by GDARD Gauteng Waste Management Standards	Level 2 Cleanliness in outer city based on street cleaning as determined by GDARD Gauteng Waste Management Standards	Level 1 Cleanliness based on street cleaning as determined by GDARD Gauteng Waste Management Standards	Level 1	Level 1	Level 1	Actual level 1		Based on the photometric evidence sample assessed, level 1 cleanliness was achieved		Operations
		3.3. Cleaning of Hostels	3.3.1.Cleanliness levels of hostels as determined by GDARD Gauteng Waste Management Standards	Level 3 Cleanliness of hostels as determined by GDARD Gauteng Waste Management Standards	Level 2 Cleanliness of hostels as determined by GDARD Gauteng Waste Management Standards	Level 2 Cleanliness of hostels as determined by GDARD Gauteng Waste Management Standards	level 2	Level 2	Level 2	level 2		Based on the photometric evidence sample assessed, level 2 cleanliness was achieved	Ensure performance is maintained	Operations

Table 5.7.1 Performance against Institutional SDBIP

Goals	Objectives	Project/s	Indicator	Actual 2015/16	Actual 2016/17	Annual Target 2017/18	2017/18 FY				Recovery Action Plan	Responsible Department	
							Q1 Target	Q1 Actual	Q2 Target	Q2 Actual			
							Status						
		3.4. Eradication of Illegal Dumping Spots	3.4.1. Number of illegal dumping spots eradicated <sup>7</sup>	12 illegal dumping spots eradicate	20688 known & recorded illegal dumping spots confirmed. However 3 916 (average visits carried out to clear/clean the spots) *Note: Q1 – Q4 average	207 illegal dumping spots to be eradicated (Equivalent to 10%).	51	49	52	60			Operations
		3.5. Eradication of illegal dumping spots	3.4.2. Reduction of illegal dumping tonnages	New indicator	New indicator	10% Reduction of illegal dumping tonnages	2.5%	48.7%	2.5%	65043 tonnes collected, a 4% increase on quarter 1		Due to many community service delivery protests resulting in more waste being dumped.	Operations

<sup>7</sup> Eradication of illegal dumping spots to be accompanied by strategy and one intervention may include establishment of drop off areas where illegal dumping spots have occurred. The indicator refers to number of illegal dumping spots cleared per quarter and not the conversion of land for any other purpose, as such conversion is not within the control of Pikitup only.

<sup>8</sup> Cumulative target for the year



Table 5.7.1 Performance against Institutional SDBIP

Goals	Objectives	Projects	Indicator	Actual 2015/16	Actual 2016/17	Annual Target 2017/18	2017/18 FY					Recovery Action Plan	Reason for Variation	Responsible Department
							Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Status			
							Annual Survey	Annual Target	Annual Target	Annual target				
Partnerships and Stakeholder Involvement	4. Mobilisation of public at large to change behavior	4.1. Consumer behavior Change	4.1.1. Annual Survey conducted to measure the impact of the waste minimisation initiatives campaigns.	4 campaigns to be implemented	4 Major Waste Campaigns were delivered (with programmes in each quarter).	1 Annual Survey conducted	Annual Survey	Annual Target	Annual Target	Annual target			The Annual Customer Satisfaction Survey project is on track, to be completed by end June 2018. The BAC process for the appointment of the University of South Africa has commenced. Survey is envisaged to commence in February 2018.	Communication & Stakeholder Management

Table 5.7.1 Performance against Institutional SDBBP








Goals	Objectives	Projects	Indicator	Actual 2015/16	Actual 2016/17	Annual Target 2017/18	2017/18 FY				Status	Reason for Variation	Recovery Action Plan	Responsible Department
							Q1 Target	Q1 Actual	Q2 Target	Q2 Actual				
Building an Efficient, Effective and viable waste management company	5. To optimise financial management and sustainability	5.1. Commercial Revenue Collection	5.1.1.1. % collection from Pikitup's commercial customers	79% collection rate from Pikitup's commercial customer	87% collection rate from Pikitup's commercial customer	93% collection rate from Pikitup's commercial customers	85%	57%	88% collection rate from Pikitup commercial customers	55%		Low levels of collection are being encountered across all entities in the City of Johannesburg. The collection function is performed by the Revenue Shared Service Centre of CoJ	Pikitup is party to the City Manager's revenue collection intervention plan, which is aimed at improving collections across all entities. Furthermore CoJ will be embarking on a revenue enhancement project which will include emphasis being placed on the collection function.	CCS
				92% Capital Budget spent	55% Capital Budget spent	95% Capital Budget spent	10%	11% Capital Budget spent	30% Capital Budget spent	25%				

Table 57.1 Performance against Institutional SDBIP

Goals	Objectives	Projects	Indicator	Actual 2015/16	Actual 2016/17	Annual Target 2017/18	2017/18 FY				Status	Reason for Variation	Recovery Action Plan	Responsible Department
							Q1 Target	Q1 Actual	Q2 Target	Q2 Actual				
		5.3. Procurement spent on BEE and Women owned companies as a % of total procurement	5.3.1. % BEE spend	75% BEE spend	98% BEE spend	75% BEE spend	75%	93.45%	75%	74.65%		Maintain performance in the next quarter	Finance: SCM	
		% women owned companies	% women owned companies	25% Women owned companies	67% Women owned companies	25% Women owned companies	25%	34.37	25%	58.21%		Target met BEE is a key criterion in relation to procurement processes	Finance: SCM	
		5.4. Ensure sound financial state of company related to all aspects	5.4.1. Audit opinion obtained from Auditor General (AG)	Clean Audit opinion obtained from Auditor General (AG)	Unqualified Audit obtained from the (AG) (Nov 2017)	Clean Audit opinion obtained from Auditor General (AG)	Annual Target	Annual Target	Annual Target	Annual target		Please note that there is no quarterly target for this KPI, only annual target which will be reported at the end of the financial year	Finance	
6. To improve customer satisfaction and change behaviour	6.1. Query Resolution	% Queries Resolved in 7 days	6.1.1. % Queries Resolved in 7 days	79% queries resolved in 7 days	62.16% queries resolved in 7 days	95% queries resolved in 5 days	80%	60%	88% queries resolved within 7 days	71%		The resolution reflects an improvement on the 1st Quarter percentage of 60%, however still down on target. The majority of queries not resolved relate to bin requests. Bin related queries are being hampered by customers not being available when bins are delivered and requesting replacement of damaged bins.	Operations staff together with councillors is in the process of working together whereby bins will be taken to central location and customers who were not available, will be notified of collection date to collect bin.	CS

<sup>9</sup> The actual spending can only be determined after awards have been made as open procurement processes are used. The detailed allocation of spending is reported to ARC on quarterly basis.

Table 5.7.1 Performance against Institutional SDBIP

Goals	Objectives	Projects	Indicator	Actual 2015/16	Actual 2016/17	Annual Target 2017/18	2017/18 FY				Reason for Variation	Recovery Action Plan	Responsible Department
							Q1 Target	Q1 Actual	Q2 Target	Q2 Actual			
7. To become leading organization in waste management	7.1. Compliance to the Integrated SHE System (ISO 14001 and OHSAS 18001)  7.2.Reduced number of accidents	7.1.1. Quarterly SHE Audits  7.2.1.Reduction in Disabling Injury Frequency Rate Ratio (DIFR)	7.1.1. Quarterly SHE Audits  7.2.1.Reduction in Disabling Injury Frequency Rate Ratio (DIFR)	4 quarterly audits completed	137 quarterly SHE audits completed	4 quarterly SHE audits	1 SHE audits completed per (16 sites )	1 quarterly SHE audit completed per site (16 sites)	1 quarterly SHE audit completed per site (16 sites)	1 quarterly SHE audit completed per site (16 sites)			Legal & Compliance
				0.4 Disabling Injury Frequency Rate Ratio (DIFR)	0.3 Disabling Injury Frequency Rate Ratio (DIFR)	0.3 Disabling Injury Frequency Rate Ratio (DIFR)	0.3 Disabling Injury Frequency Rate Ratio (DIFR)	0.3 Disabling Injury Frequency Rate Ratio (DIFR)	0.3 Disabling Injury Frequency Rate Ratio (DIFR)	12		A DIFR of 0.3 translates to one (1) disabling injury reported per month for all Pikitup employees. It is ideal not to record any disabling injuries however the target will be difficult to achieve due to the nature of our Operations. The Group SHE Department considers a DIFR below 5 as acceptable.	

**CORPORATE SERVICES AND HUMAN RESOURCES MANAGEMENT**

## 6. Corporate Services and Human Resource Management

### 6.1 SCM and Black Economic Empowerment

The current BEE spend per quarter as contained in Table below is measured as a percentage against total spend as per number of transactions for companies having an ownership of > 50% for black owned and >10% for women owned aligned to the control principle ie Code 100 of the Code of Good Practice on BEE. The table presents the total black economic empowerment (BEE) spend and achievements for the quarter under review. The percentage procurement spend of seventy four and sixty five percent (74.65) Black owned entities (>50% ownership) and fifty eight and twenty one percentage (58.21).

Category	2017/18	2017/18	2017/18	2017/18	Target per Quarter
	Actual Q1	Actual Q2	Target Q3	Target Q4	
<b>Black Owned</b>	93.45%	74.65%			75%
<b>Women Owned</b>	34.37%	58.21%			25%

In addition for the quarter under review Pikitup procured from 48 entities that are >50% Black Owned entities which amounted to 74.65% procurement from this designated grouping, while the procurement from 19 entities that are >30% Women owned entities amounted to 58.21% procurement to this designated group.

### 6.2 Supply Chain Management (SCM) Deviations

During this quarter, eight (8) Regulation 36 deviations from the procurement process were deemed necessary and implemented primarily due to procurement process being impractical to follow.

### 6.3 SCM progress and achievements

The key achievements for the quarter under review was the reconstitution of the Bid Committees to streamline the progress of tender process against the acquisition plans. In addition 2 open bid adjudication sessions have taken place for quarter 2

### 6.4 Human Resource Management

Table 6.4 below presents the employment demographic profile during this quarter

Occupational levels	Males				Females				Total
	A	C	I	W	A	C	I	W	
▪ Top management	3	0	1	0	0	0	0	1	5
▪ Senior management	11	2	2	2	3	1	1	0	22
▪ Professionally qualified and experienced specialists and mid-management	30	5	2	9	34	4	1	1	86
▪ Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	87	8	0	7	88	4	2	1	197

▪ Semi-skilled and discretionary decision making	370	10	0	0	121	0	0	1	502
▪ Unskilled and defined decision making	1 676	13	1	0	1 657	11	0	0	3 358
▪ Permanent staff	2 177	38	6	18	1 903	20	4	4	4 170
▪ Temporary employees	2	2	0	1	3	0	0	0	8
<b>Total</b>	<b>2 179</b>	<b>40</b>	<b>6</b>	<b>19</b>	<b>1 906</b>	<b>20</b>	<b>4</b>	<b>4</b>	<b>4 178</b>

## 6.5 Employee relations management

### 6.5.1 Recruitment

In the period under review (October to December 2017) the focus was on the finalization and approval of staff establishment. As a results of this recruitment was put on hold until approval of the staff establishment by Pikitup Board of Directors. As soon as the staff establishment is approved priority will be given to critical positions in Operations Department, as indicated by the table below.

Designation - Permanent	Grade	No of appointees
Operations Supervisors	C3	14
Admin Support	C2	2
Environmental Education Officers	C3	4
<b>Total Permanent appointed employees</b>		<b>20</b>

### 6.5.2 Attrition

Pikitup's overall staff turnover is 1.01% for the period under review (October to December 2017). Below is a table showing reasons for terminations.

Type of Termination	Number of Employees	% against Staff Complement
Contract Expiry	1	0.02%
Death	12	0.29%
Retirement	22	0.53%
Medical Boarding	1	0.02%
Resignation	6	0.14%
<b>Total Number</b>	<b>42</b>	<b>1.01%</b>

### 6.5.3 Vacancy Rate

During the period under review, there was a total of 5 242 positions and 1 072 vacancies. Measures are in place to fill positions at levels A and B (Ward Based Plan). Senior positions are subject to the finalisation of the staff establishment. The table below indicates the number of positions and vacancies per level:

Job Level	No. of Positions	No. of Filled Positions	No. of Vacant Positions	Vacant positions as % of total positions
F2	1	1	0	0%
F1	9	4	5	56%
E1	34	22	12	35%
D	183	86	97	53%
C	335	197	138	41%
B	709	502	207	29%
A	3 971	3 358	613	15%
<b>Total</b>	<b>5 242</b>	<b>4 170</b>	<b>1 072</b>	<b>20%</b>

The determination of the new staff establishment is still on course.

#### a) Salary Parity Benchmarking Process

The implementation of C & D levels is in progress. The Parity Steering Committee sits on a weekly basis to expedite the implementation for Levels C & D.

### 6.6 Employment Equity

Equal employment opportunities are offered to all employees, and the company firmly endorses the four key areas of employment equity as identified in the Employment Equity Act:

- a) Elimination of discrimination in decision-making;
- b) Promotion of employee diversity;
- c) Reduction of barriers to advancement of the disadvantaged; and
- d) Introduction of measures and procedures for transformation.

#### 6.6.1 Skills Development and Training

##### 6.6.1.1 Adult Education and Training

A Service Provider has been appointed to enroll 50 employees and to start preparing for November Examination on level 3-4 for the remaining 5 subjects. The service provider is appointed for 3 months to assist employees with facilitation and examination revisions. Employees will commence with classes on 27 September 2017 after a short break they had following June Examinations. However employees didn't commence with classes as envisaged because the appointment of the service provider was kept on hold. Subsequently, LG Seta agreed to provide Pikitup with the new service provider for and the enrolment of 273 employees will commence at the end of January 2018.

Regional Managers (RM) went through a psychometric to determine the existing gaps on their skills in order for GIBBS to provide them with appropriate training. GM: Centre of Expertise will deliver the outcomes following an engagement with GIBBS in January 2018.

The following training programmes were scheduled for the period under review:

- a) Environmental practice level 3 and 4 for 500 employees
- b) Project management level 4 for 20 employees



Employees continue to register with different Higher Education institutions to further their studies. Some of the courses they registered for are:

- a) Higher Certificate in Operations management
- b) Higher certificate in Project Management
- c) Office Assistance

### 6.6.1.2 Recognition of prior learning (RPL)

The company has embarked on the RPL process bearing in mind the qualifications challenges that confront employees. Currently a total number of 122 employees are going through the RPL assessment process and still waiting for results. More numbers are still being received for RPL second intake. A service provider has been appointed for Grade 12 and classes will resume on 22 January 2018.

## 6.7 Employee Relations

Pikitup manages discipline in terms of the Bargaining Chamber disciplinary code and the Disciplinary Code for Senior Managers.

The relationship between organised labour and management has improved significantly. However, work still needs to be done to sustain this positive trend. All disciplinary hearings that were pending from the last quarter with the exception of a case of one employee based at Head Office have been finalised. Sanctions imposed range from written warning, final written warning and dismissal.

The following cases are currently in progress:

Dispute resolution forum	Number of cases
Bargaining Council	3
CCMA	2
Labour Court and Labour Appeal Court	4
Internal Matters	0

## 6.8 Employee Wellness

### 6.8.1 Top Four Medical Conditions

The table below provides the top four medical conditions experienced by employees:

Medical Condition	Top Three Medical Conditions	Total Number of employees	%
Respiratory Problems	194	4 170	4.65
Muscular - Skeletal	226		5.42
Hypertension	228		5.47
ENT(allergy problems)	104		2.49

Management of these conditions include:

- Education and training on compliance with PPE;
- Medical support to workforce;
- Investigation and exclusion of occupational diseases in conjunction with S.H.E. department including review of industrial hygiene surveys to assess exposure levels to various trigger factors (e.g. dust, chemicals).

## 6.8.2 Mental Health Program

### Resilience Building in Leadership Workshop

Stress Resilience workshop was conducted on 20<sup>th</sup> November for senior managers (EXCO; GM's and Regional Managers) and attended by 31 participants. The workshop equipped Managers with psycho-social knowledge and skills on how to identify and manage stress in the workplace and also to cope with work related stress by developing resilience and embrace organisational change in a positive way. Stress can cause depression, anxiety, chronic illnesses and also impact negatively on productivity and morale with absenteeism and incapacity. Work-related stress and major depression are costing SA's economy an estimated R40.6 billion a year - equivalent to 2.2 percent of GDP (Renata Schoeman, Psychiatry Management Group). EWD is endeavouring to foster pro-active mental health awareness programmes, stress management training through access to EAP and the program is being cascaded to the depots and has already been incorporated as part of the World Aids Day program on association between chronic illnesses and mental health.

### 6.8.3 Incapacity Management Programme

Incapacity management is a programme developed by Employee Wellness department to assess, monitor and manage employee's capacities to perform their day to day duties. The chronic, very sick and the injured are often not able to perform their day to day duties due to ill health.

Table 6.8.3.1 Active Incapacity cases currently on alternative placements during first & second quarter		
	Qtr-1	Qtr-2
Total Number of Incapacity cases	41	48
Total Number of Pikitup employees	4214	4170
Total Number of Females	16	22
Total Number of Males	25	26
<b>Total Percentage of Active incapacity</b>	<b>0.97%</b>	<b>1.15%</b>

These employees have medical conditions under review and the prognosis for recovery is good with redeployment to normal duties after treatment and recovery. Aetiology of cases due to ageing workforce with chronic conditions on active treatment and also injury on duty cases, hence temporarily re-deployed to alternative duties.

Table 6.8.3.2 Permanently redeployed to work in the yard during first & second quarter		
	Qtr-1	Qtr-2
Total Number of Incapacity cases	37	32
Total Number of Pikitup employees	4214	4170
Total Number of Females	16	12
Total Number of Males	21	20
<b>Total Percentage of Employees permanently in the Yard</b>	<b>0.87%</b>	<b>0.76%</b>

These employees have chronic, longstanding medical conditions with poor prognosis for full recovery hence they are permanently re-deployed. These cases are investigated with pension Fund for medical boarding where applicable.

#### **6.8.4 Incapacity and Absenteeism Management Education**

A three day Incapacity and Absenteeism workshop was held for all Pikitup Operations Supervisors including Acting Supervisors. The main aim of the workshop was to empower the Supervisors with information that will assist them in managing this problem. Education and awareness has already been done for all employees. Monthly Incapacity depot committee meeting are continuing.

Quarterly Cluster Incapacity meeting were introduced during this quarter. Central Cluster (Selby, Southdale, Waterval and Norwood depots) had their successful meetings which managed to deal with all Incapacity and Absenteeism cases that were identified.

#### **6.8.5 Corporate Wellness Days**

Employee Wellness Programme embarked on Corporate Wellness day events. This event was completed at end Q1 and data analysis was done in Q2. The following screenings were performed i.e. HIV Counselling and Testing, monitoring of Blood Pressure, Blood Sugar, Cholesterol, Body Mass Index, Cervical and Prostate Cancer screening, Vision tests , Dental screening and Audiology Screening. All of these activities were free for the employees except in a cases where therapeutic intervention was required through medical aid.

##### **Body Mass Index (BMI): weight and risk associated with obesity**

47% of employees were overweight and potentially at risk.

1, 53% of employees are underweight and may be due to HIV/ TB or constitutional makeup.

Interventions include exercise programmes and sports activity and more education on nutrition.

##### **Blood pressure:**

21% of employees have hypertension. A recent study of hypertension in RSA (M.Ramsay, O. Sankoh) confirms that RSA has the highest prevalence rate (PR) of Hypertension in sub - Saharan Africa, of 42-54% (15 June 2017).

##### **Blood Glucose Profile:**

14% of employees have abnormal blood sugar. RSA prevalence rate is 6% of the population (Centre for Diabetes Johannesburg). Research shows a link between HIV, Diabetes and TB due to immune deficiency. Interventions include healthy lifestyle and nutritional advice.

##### **Cholesterol levels:**

30% of employees who tested had abnormal cholesterol which is linked to cardiac disease.

**Cancer screening (cervical PAP smears and prostate PSA)**

PAP smears	PSA	Total	Abn. PAPs	Abn. PSA
465	516	981	7.53 % (35)	2.71 % (14)

Employees' with abnormal results (7.53 % Pap smear and 2.71 % PSA) referred to GPs/clinics for further evaluation and management.

**Vision screening**

22% of employees participated in the Vision screening. 26% (almost a third) referred for visual correction. This is an important requirement in terms of the Road Traffic Act for Pikitup drivers and is a risk for driving especially in ageing drivers.

**Dental Screening**

Most employees had dental caries due to problems of oral hygiene and .studies link poor dental health with cardiac disease. Referrals for specialized treatment to hospitals was done.

**HIV /AIDS statistics: Pikitup stats 2017/18**

	PIKITUP	RSA
HIV STATS Prevalence Rate	20%	7.1 M (11.2%)
Testing rate	58%	76.3% (Johnson LF et al:07/ 15)

HIV counselling and testing (HCT) participation rate for 2017/18 was 58% as compared to previous rate of 34%. The current prevalence rate (PR) of HIV within Pikitup is 20% in comparison with the RSA population HIV PR of 11.2%.

**HIV in-house Testing**

	Total	Males	Females	Positive	% Positive
Quarter 1	10	5	5	3	30%
Quarter 2	15	6	9	3	20%

In-house HIV testing is on-going. The total uptake this quarter has slightly improved by 5 from the previous quarter, and incentives are given to those who test. HIV positive cases are referred to the local clinic or General Practitioners for Anti-retroviral therapy (ARVs) and are monitored to check if they have started with their ARVs and also given immune-boosters and counselling support.

### 6.8.6 Substance Abuse

Education and awareness programs are the cornerstone of managing this problem and referrals to rehabilitation centres are done continually including individual counselling. During quarter 2, a total of 44 substance – abuse cases were dealt with by three EAPs as follows:

Alcohol	Other drugs	
40	Cannabis: 3	Cocaine 1

#### Total number admitted for In-house treatment

Alcohol	3
Cannabis, Cocaine, CAT	1

#### Top four EAP conditions in Quarter 2 (2017/2018):

EAP Conditions	Top four conditions	Total Number of Employees	%
Debt Problems	121	4 170	2.9
Child and Family Issues	86		2.06
Absenteeism	56		1.34
Substance Abuse	37		0.88

Management of these problems include counselling and education and awareness.

## 6.9 Occupational Health and Safety Programmes

### 6.9.1 Compliance auditing

Pikitup is licenced 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 licence 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). Pikitup monitors compliance on an ongoing basis by conducting the required two types of audits during the course of each year.

Quarterly, compliance to license and permit conditions are audited by the City of Johannesburg's Environment & Infrastructure Services Department (EISD). The second quarter results have not yet been received. The external audits are conducted by an independent service provider annually as per license and permit requirements.

GDARD conducts audits randomly and has conducted an audit in Marie Louise landfill site in October. Marie Louise has shown improvement from 93.7% compliance in July to 95%. Robinson Deep landfill site was audited on 24 November and the results have not yet been received.

### **6.9.2 Achievements for the Quarter**

The process of obtaining an Integrated Safety, Health and Environment Management System (ISO 14001 and OHSAS 18001) that Pikitup has embarked on is ongoing. The Stage 2 audit process has been completed for ten (10) sites that were audited in December 2017. Three (3) of the ten (10) sites have findings that must still be addressed. Head Office, Zondi Depot & Marie Louise Landfill site were certified in July 2017.

The three remaining sites namely, Robinson Deep, Ennerdale and Norwood were not audited during the Stage 2 and will be audited in 2018 during the transition to the new standard.

### **6.9.3 Occupational Health and Safety Audits**

An Occupational Health and Safety Act (OHSA) internal audit was conducted at Marlboro and Norwood depots and the results of the audit have not yet been received.

### **6.9.4 Other Projects**

#### **SHE Training**

The SHE training matrix for the financial year 2017/18 has been updated and the SHE training done within the quarter include first aid and SHE Representative training. The rest of the SHE planned training for this financial year is in progress.

#### **Quarterly SHE Audits Conducted**

Safety, Health and Environment system audits are being conducted 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 major SHE related hazards still remain a challenge to ensure full compliance to the requirement of ISO 14001 and OHSAS 18001. The primary areas of concern are facilities related.

### **6.9.5 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:  $\text{Number of incidents} \times 200\,000 / 160 \times \text{Staff Compliment}$  (200 000 = Average man hours per month). As Pikitup we are striving for Zero Incidents, however it is not easy to achieve the DIFR target of 0.3. This target simply translates to an average of one (1) incident reported in a month. Due to the nature of the business and approximately five thousand (5000) employees it becomes difficult for Pikitup not to record disabling injuries. Our activities are conducted throughout the City of Johannesburg where there is constant interaction with the public.

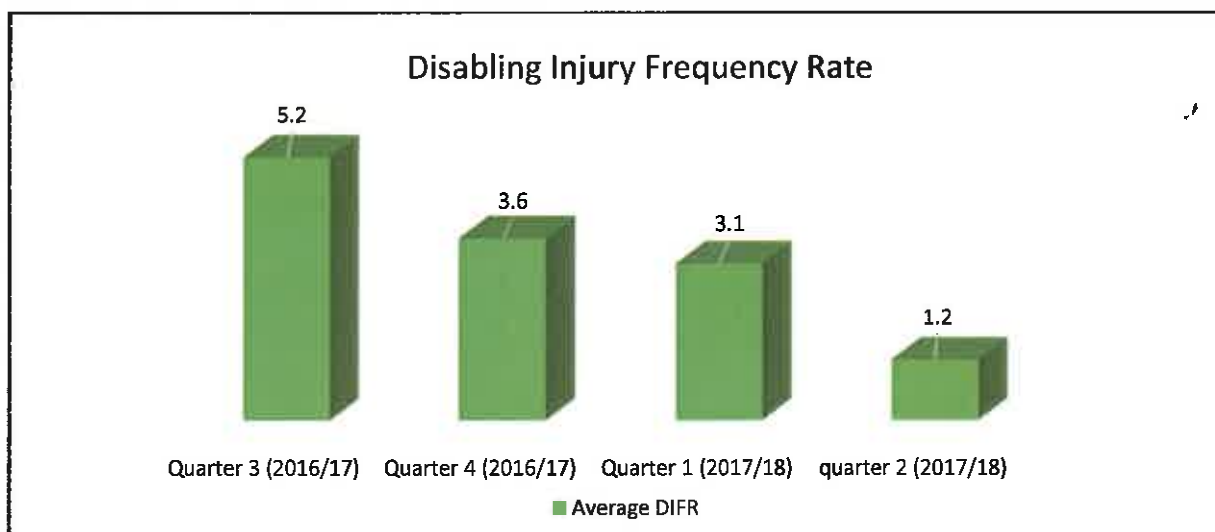
All these incidents mostly medical treatment incidents lead to lost time contributing towards the calculation of the DIFR. It must also be noted that in over five (5) years Pikitup has not recorded a work related fatality. Education and training continue to be part of the measures put in place to ensure that our employees are made aware of the hazards in their areas of work. The induction video being produced in the current

financial year will assist in ensuring that employees understand exactly how the activities must be undertaken in a safe manner i.e. the dos and don'ts.

Transportation of employees in street trucks has been a major issue that has contributed in high number of disabling injuries. In any one accident involving a Pikitup vehicle, a large number of employees would be injured. There has been a decline in the number of vehicle related incidents since the introduction of buses from the fourth quarter to transport the employees from the depots to working areas and back. The vehicle related incidents have decreased from 5 in the last quarter to 2 so far reported in this quarter.

The number of incidents has decreased from 32 in the last quarter to 13 in this quarter. This has resulted in the DIFR decreasing to 1.28 in the current quarter from 3.1 recorded in the first quarter.

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.



### 6.9.6 Number of Incidents Recorded

There is a vast decrease in the number of incidents reported in this quarter compared to the past quarters.

Quarter-2 (2016/17)	Quarter-3 (2016/17)	Quarter-4 (2016/17)	Quarter-1 (2017/18)	Quarter-2 (2017/18)
43	62	49	32	13

Injuries are reported per employee and not per incident. The total number of injuries for the quarter is 13 compared to 32 in the previous quarter. Landfill sites and Head Office remain injury free in this quarter.

### **Action plan to reduce the number of incidents**

The SHE Department's collaboration with the Fleet Department will assist us in ensuring that the number of incidents is reduced.

### **Environmental Incidents**

There were no environmental incidents reported for the quarter.



## 7. Financial Performance and Exposure

Pikitup Statement of Financial Performance	Commercial (Quarter 2)			Core (Quarter 2)			Total Pikitup (Quarter 2)			
	Actual R'000	Budget R'000	Var R'000 %	Actual R'000	Budget R'000	Var R'000 %	Actual R'000	Budget R'000	Var R'000 %	
<b>Total Revenue</b>	<b>76 383</b>	<b>71 492</b>	<b>6.8%</b>	<b>526 548</b>	<b>527 508</b>	<b>(960)</b>	<b>602 932</b>	<b>599 000</b>	<b>3 932</b>	<b>0.7%</b>
Commercial	71 291	68 061	3 230 4.7%	-	-	-	71 291	68 061	3 230	4.7%
Domestic	-	-	-	301 923	300 607	1 316	301 923	300 607	1 316	0.4%
City Cleaning Levy	-	-	-	24 816	28 619	(3 803)	24 816	28 619	(3 803)	-13.3%
Interest - Debtors	5 158	3 375	1 783 52.8%	549	491	58	5 707	3 866	1 841	47.6%
Grants	-	-	-	-	600	(600)	-	600	(600)	-100.0%
Other Income	(65)	57	(121) -214.3%	132	1 431	(1 300)	67	1 488	(1 421)	-95.5%
Sweeping Account Interest	-	-	-	4 827	1 458	3 369	4 827	1 458	3 369	231.0%
CoJ Service Fee	-	-	-	194 302	194 302	-	194 302	194 302	-	0.0%
<b>Total Expenses</b>	<b>43 636</b>	<b>49 716</b>	<b>7 018</b> <b>14.1%</b>	<b>515 106</b>	<b>550 165</b>	<b>34 120</b>	<b>558 743</b>	<b>599 881</b>	<b>41 138</b>	<b>6.9%</b>
Staff Costs	12 440	13 057	617 4.7%	231 477	262 004	30 526	243 918	275 061	31 144	11.3%
Provision for Bad Debt	8 314	7 000	(1 313) -18.8%	52 831	31 995	(20 836)	61 144	38 995	(22 149)	-56.8%
Depreciation	3 594	6 330	2 736 43.2%	15 500	25 660	10 160	19 094	31 990	12 896	40.3%
Repairs and Maintenance	227	248	22 8.7%	3 716	1 872	(1 844)	3 943	2 121	(1 822)	-85.9%
Fleet	11 816	15 692	3 876 24.7%	73 102	56 156	(16 946)	84 918	71 847	(13 071)	-18.2%
Third Party Contractors	3 506	3 948	442 11.2%	69 993	89 210	19 217	73 499	93 158	19 659	21.1%
<b>Total Fleet &amp; Third Party Contractors</b>	<b>15 322</b>	<b>19 639</b>	<b>4 317</b> <b>22.0%</b>	<b>143 095</b>	<b>145 366</b>	<b>2 271</b>	<b>158 417</b>	<b>165 005</b>	<b>6 588</b>	<b>4.0%</b>
Other Expenses	2 878	2 633	(245) -9.3%	49 118	58 038	8 920	51 996	60 671	8 675	14.3%
Interest Paid	1 479	1 894	416 21.9%	14 022	15 046	1 023	15 501	16 940	1 439	8.5%
Intercompany Costs	(617)	(1 087)	470 43.2%	5 348	10 185	3 899	4 730	9 098	4 368	48.0%
<b>Surplus/(Deficit)</b>	<b>32 747</b>	<b>21 776</b>	<b>(2 127)</b> <b>-9.8%</b>	<b>11 442</b>	<b>(22 657)</b>	<b>47 197</b>	<b>44 189</b>	<b>(881)</b>	<b>45 070</b>	<b>5117.3%</b>

Results for the quarter were positive, with a surplus of R 44. 189m created and positive variances compared to budget for both total revenue and expenditure. Of concern is the accelerating provision required for bad debt and the continued overspend compared to budget for fleet.

Pikitup Statement of Financial Performance	Commercial (YTD - December 2017)			Core (YTD - December 2017)			Total Pikitup (YTD - December 2017)		
	Actual R'000	Budget R'000	Var R'000 %	Actual R'000	Budget R'000	Var R'000 %	Actual R'000	Budget R'000	Var R'000 %
<b>Total Revenue</b>	<b>147 369</b>	<b>145 281</b>	<b>2 088 1.4%</b>	<b>1 071 782</b>	<b>1 055 018</b>	<b>16 764 1.6%</b>	<b>1 219 152</b>	<b>1 200 299</b>	<b>18 853 1.6%</b>
Commercial	137 491	138 419	(928) -0.7%	-	-	-	137 491	138 419	(928) -0.7%
Domestic	-	-	-	602 595	601 215	1 380 0.2%	602 596	601 215	1 381 0.2%
City Cleaning Levy	-	-	-	70 203	57 238	12 965 22.7%	70 203	57 238	12 965 22.7%
Interest - Debtors	9 966	6 749	3 217 47.7%	1 117	983	134 13.7%	11 083	7 732	3 351 43.3%
Grants	-	-	-	-	1 200	(1 200) -100.0%	-	1 200	(1 200) -100.0%
Other Income	(87)	114	(200) -176.3%	289	2 862	(2 574) -89.9%	202	2 976	(2 774) -93.2%
Sweeping Account Interest	-	-	-	8 974	2 916	6 058 207.7%	8 974	2 916	6 058 207.7%
Col Service Fee	-	-	-	388 604	388 604	-	388 604	388 604	-
<b>Total Expenses</b>	<b>87 918</b>	<b>92 696</b>	<b>4 777 5.2%</b>	<b>1 013 740</b>	<b>1 079 416</b>	<b>67 061 6.2%</b>	<b>1 101 659</b>	<b>1 172 112</b>	<b>70 453 6.0%</b>
Staff Costs	28 711	29 581	870 2.9%	465 375	519 962	53 924 10.4%	494 087	549 543	55 457 10.1%
Provision for Bad Debt	12 798	11 484	1 313 -11.4%	87 326	66 505	20 935 -30.3%	100 123	77 989	22 134 -28.4%
Depreciation	8 403	9 835	1 432 14.6%	38 869	46 148	7 874 16.5%	47 272	55 983	8 711 15.6%
Repairs and Maintenance	202	431	230 53.2%	3 572	3 804	279 7.2%	3 774	4 236	462 10.9%
Fleet	22 237	25 789	3 552 13.8%	157 720	117 905	39 815 -33.8%	179 957	143 693	36 264 -25.2%
Third Party Contractors	6 199	7 043	844 12.0%	130 857	163 258	32 401 19.8%	137 056	170 301	33 245 19.5%
Total Fleet & Third Party Contractors	28 436	32 831	4 395 13.4%	288 577	281 163	7 524 2.7%	317 013	313 994	3 019 1.0%
Other Expenses	6 476	4 942	1 534 -31.0%	92 566	113 362	20 608 18.1%	99 042	118 304	19 262 16.3%
Interest Paid	2 638	3 278	641 19.5%	27 544	30 601	3 276 10.5%	30 182	33 879	3 697 10.9%
Intercompany Costs	255	312	57 18.4%	9 912	17 872	7 299 47.4%	10 166	18 184	8 018 44.1%
<b>Surplus/(Deficit)</b>	<b>59 451</b>	<b>52 585</b>	<b>6 866 13.1%</b>	<b>58 041</b>	<b>(24 398)</b>	<b>82 440 338%</b>	<b>117 493</b>	<b>28 187</b>	<b>89 306 316.8%</b>

The results for the year to date were also positive, with a surplus of R 117.493m being created, with positive results compared to budget for both revenue and expenditure.

Revenue for the year to date is R 18.853m (1.6%) higher than budget, this is as a result of the positive results for the City Cleaning Levy due to billing for additional properties identified. Commercial revenue is under budget due to Pikitup being set an aggressive target of R 46.968m income from new customers for the financial year by the City. Most expenditure categories are under budget for the quarter, with the exception of the bad debt provision and fleet/third party contractor costs (fleet costs being over budget).

## 7.1 Revenue

**Table 7.1.1 Total Income Generated from Commercial and Business Revenue**

Description	Quarter 2 2016/17			Quarter 1 2017/18			Quarter 2 2017/18		
	Actual R'000	Budget R'000	Var R'000	Actual R'000	Budget R'000	Var R'000	Actual R'000	Budget R'000	Var R'000
Bulk Container Services	13 688	10 252	3 436	12 397	20 550	(8 153)	18 952	18 014	938
Landfill Fees	11 593	10 096	1 497	18 591	13 100	5 491	17 753	13 340	4 413
Business & Institutional RCR	26 127	28 450	(2 323)	29 348	29 220	128	28 797	29 220	(423)
Business Dailies	5 043	4 959	84	5 865	7 486	(1 621)	5 789	7 486	(1 698)
Safe Disposal	1	2	(1)	-	1	(1)	-	1	(1)
<b>Total Commercial Services</b>	<b>56 452</b>	<b>53 759</b>	<b>2 693</b>	<b>66 200</b>	<b>70 358</b>	<b>(4 157)</b>	<b>71 291</b>	<b>68 061</b>	<b>3 230</b>

Commercial services show a positive variance of R 3.230m for the quarter compared to budget, despite the budget increase of R 11.742m as part of a mandatory City wide aggressive drive to identify new customers.

- Bulk container services billing is in line with budget for the quarter, though remains under budget for the year to date due to the increase required by the City. Billing is higher than in the second quarter of the prior financial year and the first quarter of the current financial year.
- Landfill billing was over budget for the quarter and year to date due to the migration of customers from the Venus billing system to the current SAP billing system, a trend that is expected to continue.
- Business RCR is the largest of the commercial activities accounting for 40.4% of the commercial revenue for the quarter. Results are lower than budget due to the increase required by the City, though show an increase when compared to the prior year.
- Business dailies billing is under budget due to the increase required by the City, with results showing a positive growth trend in comparison to the prior financial year.

The total number of Bulk, Business RCR and Dailies customers as at 31 December 2017 is 9 706 (Bulk: 1 125, Business RCR: 8 034 and Dailies: 547) compared to 9 597 customers (Bulk: 1 116, Business RCR: 7 986 and Dailies: 546) as at 30 September 2017. The total number of customers signed for the quarter is 58 customers.

Customers will be targeted to expand on the services offered in line with Revenue, Commercial and Customer Services (RCCS) strategy. Notwithstanding aggressive competition by competitors we have opportunity to increase market share in various segments such as business and education. We are adopting a phased approach to gain expansion into these segments by approaching head offices of these entities to expand and accelerate growth in these areas.

The table below illustrates the total customers for the 2nd<sup>d</sup> Quarter 2017/18:

Category	2016/17	Qtr-1 2017/18	Qtr-2 2017/18
Business RCR	7 945	7 986	8 034
Bulk	1 110	1 116	1 125
Dailies	542	546	547
<b>Total</b>	<b>9 597</b>	<b>9 648</b>	<b>9 706</b>

Non-commercial income is under budget for the quarter as a result of a poor result for the City Cleaning Levy.

- The City Cleaning Levy is under budget for the quarter, though remains significantly over budget for the year to date due to the identification of properties previously not billed by the City during the first quarter. It is expected that this line item will be over budget at the end of the financial year.
- Domestic RCR is aligned with budget for the quarter, with the results being consistent with those in the first quarter and the result in the second quarter of the prior financial year if the tariff adjustment is discounted.
- The Service Fee allocated to Pikitup is in line with budget.

Table 7.1.3 below shows the first quarter non-commercial income.

Description	Quarter 2 2016/17			Quarter 1 2017/18			Quarter 2 2017/18		
	Actual R'000	Budget R'000	Var R'000	Actual R'000	Budget R'000	Var R'000	Actual R'000	Budget R'000	Var R'000
City Cleaning Levy	40 481	19 982	20 499	45 387	28 619	16 768	24 816	28 619	(3 803)
Domestic RCR	278 737	286 291	(7 554)	300 673	300 608	65	301 923	300 608	1 316
CoJ Service Fee	161 182	161 182	-	194 302	194 302	-	194 302	194 302	-

## 7.2 Commercial business quarterly expenditure

### 7.2.1 Salaries and Related Costs

Table 7.2.1 below shows salaries and other staff related costs for the commercial business.

Description	Quarter 2 2016/17			Quarter 1 2017/18			Quarter 2 2017/18		
	Actual R'000	Budget R'000	Var R'000	Actual R'000	Budget R'000	Var R'000	Actual R'000	Budget R'000	Var R'000
Basic Salaries	146 289	146 535	246	153 438	166 795	13 357	152 458	172 075	19 617
Staff Bonus	13 032	13 253	221	14 981	14 981	-	14 981	14 981	-
Overtime	18 003	15 431	(2 572)	18 730	20 038	1 308	19 308	19 518	210
Leave Provision	3 832	3 641	(191)	4 569	4 953	384	7 352	5 715	(1 638)
Pension Fund Contributions	23 533	22 760	(773)	25 298	26 841	1 543	24 411	26 841	2 430
Medical Aid	13 940	13 479	(461)	15 410	16 426	1 016	15 277	16 691	1 413
Other Staff Costs	20 088	24 334	4 246	17 743	24 448	6 705	10 130	19 242	9 112
<b>Total Staff Costs</b>	<b>238 717</b>	<b>239 433</b>	<b>716</b>	<b>250 169</b>	<b>274 482</b>	<b>24 313</b>	<b>243 918</b>	<b>275 062</b>	<b>31 144</b>

Staff costs are R 31.144m under budget for the quarter due to staff attrition during both the prior financial year (staff members paid via the payroll have decreased by 179) and the current financial year, where the trend has continued with staff numbers decreasing by 79 staff members over the first two quarters (4 250 to 4 171).

- Basic salaries are under budget for the quarter due to staff attrition with most of the aforementioned vacancies not being filled. Costs have only marginally increased (4.2%) compared to the second quarter in the prior financial year, despite the SALGA salary increase.
- The staff bonus relating to both the staff guaranteed a '13<sup>th</sup> cheque' and those on a performance based contract is in line with budget.
- Overtime costs are under budget for the quarter and are in line with the results in the second quarter of the prior financial year once the effect of the SALGA increase is factored in.
- The staff leave provision requirement is over budget for the quarter, though this is a result of leave forms not captured in time for the early closure of the payroll in December 2017.
- Pension fund and medical aid contributions are both under budget for the quarter due to staff attrition and the non-filling of vacancies.

- Other minor staff costs are under budget for the quarter mainly as a result of the delay in uniform and protective clothing procurement (R 4.154m underspending) and no WCA payments being processed (R 1.699m underspending).

## 7.2.2 Third Party Contractors and Fleet Costs

Third party and fleet costs are in total are R 6.588m under budget though this is a result of underspending for third party contractors (R 19.659m) being greater than the overspending for fleet of R 13.071m. Table 7.2.1 shows the third party contractors and fleet costs.

Description	Quarter 2 2016/17			Quarter 1 2017/18			Quarter 2 2017/18		
	Actual R'000	Budget R'000	Var R'000	Actual R'000	Budget R'000	Var R'000	Actual R'000	Budget R'000	Var R'000
Fleet: Lease	36 925	29 403	(7 522)	46 748	38 279	(8 469)	47 763	38 279	(9 484)
Fleet: Fuel	12 253	14 069	1 816	12 661	12 672	12	13 157	12 672	(484)
Fleet: R&M	22 933	20 229	(2 704)	24 910	20 895	(4 016)	23 998	20 895	(3 103)
Fleet: Insurance	-	-	-	10 720	-	(10 720)	-	-	-
<b>Total Fleet</b>	<b>72 111</b>	<b>63 701</b>	<b>(8 410)</b>	<b>95 039</b>	<b>71 847</b>	<b>(23 192)</b>	<b>84 918</b>	<b>71 847</b>	<b>(13 071)</b>
Contract Waste Cleaning	25 146	31 385	6 239	32 318	35 463	3 145	39 838	35 463	(4 375)
Casual Service	-	884	884	-	936	936	-	936	936
Mobile Plant Hire	28 110	33 925	5 815	31 238	35 171	3 932	32 807	35 171	2 364
Separation at Source	-	5 709	5 709	-	5 572	5 572	854	21 588	20 734
<b>Total Third Party Costs</b>	<b>53 256</b>	<b>71 903</b>	<b>18 647</b>	<b>63 557</b>	<b>77 142</b>	<b>13 586</b>	<b>73 499</b>	<b>93 158</b>	<b>19 659</b>
<b>Total Fleet and Third Party Costs</b>	<b>125 367</b>	<b>135 604</b>	<b>10 237</b>	<b>158 596</b>	<b>148 989</b>	<b>(9 607)</b>	<b>158 417</b>	<b>165 005</b>	<b>6 588</b>

- Ad-Hoc vehicles are leased when City owned vehicles are not available and costs are over budget for the quarter due to the City owned vehicles being significantly beyond their economic lifespan, which resulted in higher than expected downtime for major repairs.
- Fleet fuel costs are marginally over budget for the quarter and year to date due to the increase in fuel price.
- The fleet insurance cost for the year was paid earlier than budgeted during the financial year though are in line with the budget for the year (R 10.720m compared to a full year budget of R 10.847m).
- The costs for the Community Upliftment Programme are over budget for the quarter as a result of cleaning in Kya Sands and surrounding informal areas, though are in line with budget for the year to date.
- No costs for casual staff have been incurred for the quarter.
- The yellow plant hired costs for the quarter are lower than budgeted due to equipment breakdowns and the resultant downtime.
- The tender process for separation at source has not yet been fully awarded and thus no significant costs for external contractors were paid for the quarter.

## 7.2.3 Bad Debt Provision

The bad debt provision relates to both commercial and core (Domestic and City Cleaning) debtors and is significantly over budget for the quarter due to lower than anticipated collection rates by the City.

## Repairs and Maintenance

Repair costs for the quarter are R 1.822m over budget, but remain marginally under budget for the financial year to date. The over spend for the quarter relates to maintenance of the depot buildings.

## Depreciation and Interest

Costs for both depreciation and interest are lower than budget for the quarter and year to date as a result of the lower than anticipated capital expenditure in the prior financial year as well as the delay in replacing the aging CoJ owned fleet. Table 7.2.3.1 below shows the bad debts split between core and commercial.

Description	Quarter 2 2016/17			Quarter 1 2017/18			Quarter 2 2017/18		
	Actual R'000	Budget R'000	Var R'000	Actual R'000	Budget R'000	Var R'000	Actual R'000	Budget R'000	Var R'000
Domestic	43 042	13 637	(29 405)	31 447	31 447	-	47 739	27 518	(20 221)
City Cleaning	(3 078)	7 129	10 207	5 294	5 309	15	5 091	4 477	(614)
<b>Total Core</b>	<b>39 964</b>	<b>20 766</b>	<b>(19 198)</b>	<b>36 741</b>	<b>36 756</b>	<b>15</b>	<b>52 830</b>	<b>31 995</b>	<b>(20 834)</b>
Commercial	(7 824)	18 122	25 946	2 238	2 238	-	8 314	6 999	(1 315)
<b>Total Provision for Bad Debt</b>	<b>32 140</b>	<b>38 888</b>	<b>6 748</b>	<b>38 979</b>	<b>38 994</b>	<b>15</b>	<b>61 144</b>	<b>38 994</b>	<b>(22 149)</b>

## 7.2.4 Other Expenses

Description	Quarter 2 2016/17			Quarter 1 2017/18			Quarter 2 2017/18		
	Actual R'000	Budget R'000	Var R'000	Actual R'000	Budget R'000	Var R'000	Actual R'000	Budget R'000	Var R'000
Landfill Rehabilitation	9 276	7 077	(2 199)	10 434	7 786	(2 648)	10 434	7 786	(2 648)
Guarding of Property	7 563	8 820	1 257	9 016	9 505	488	9 821	9 505	(316)
Disposal Fees	8 261	6 490	(1 771)	7 254	8 876	1 622	8 121	8 474	354
IT Costs	3 612	3 821	9	3 667	4 601	934	1 670	4 601	2 931
Bin Liner Costs	2 951	4 468	1 517	3 122	5 384	2 262	4 835	5 266	431
Rental	2 173	2 468	295	3 054	2 733	(321)	1 688	2 733	1 045
Water Supply	231	719	488	2 420	885	(1 535)	2 764	885	(1 879)
Electricity	1 401	1 125	(276)	2 267	1 611	(656)	1 643	1 415	(228)
Cost-Price Differences	-	-	-	1 164	-	(1 164)	-	-	-
Cell Phone Costs	984	935	(49)	1 028	1 052	24	988	1 052	64
Motivational Events	971	1 789	818	807	731	(76)	962	907	(55)
Consultants Fees	372	688	316	495	901	406	470	1 331	861
Hire and Maintenance of Equipment	731	587	(144)	387	620	234	409	620	211
Sanitary Fees	222	419	197	309	300	(10)	326	300	(26)
Environmental Education	13	3 081	3 068	209	2 493	2 284	869	2 992	2 123
Other	12 661	11 654	(1 007)	1 412	10 154	8 742	6 996	12 804	5 808
<b>Total Other Expenses</b>	<b>51 422</b>	<b>53 941</b>	<b>2 519</b>	<b>47 046</b>	<b>57 633</b>	<b>10 587</b>	<b>51 996</b>	<b>60 671</b>	<b>8 676</b>

Other expenses are R 8.676m under budget for the quarter and are in line with the result in the second quarter of the prior financial year. Major variances are due to:

- The landfill rehabilitation costs 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.
- Guarding of property costs are over budget for the quarter though remain in line with budget for the year to date.
- Disposal costs are under budget for the quarter and are lower than the second quarter in the prior financial year due to lower than anticipated tonnages being disposed of at external landfill sites.
- 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.
- Costs for bin liners for the quarter were below budget.
- Rental costs are marginally under budget for the quarter due to the freeze on payments by the City in December 2017 which has resulted in the expected payment for the head office not having been processed.

- g) Both electricity and water costs from the City are over budget for the quarter and the anomalous billing for the year to date is under investigation.
- h) Cost price variances are not budgeted for and relate to composting stock being written off in the first quarter.
- i) Cell phone costs are in line with budget for the quarter.
- j) Motivational events and environmental education are project based and variances are expected during the financial year.
- k) Consultant's fees are under budget for the quarter due to cost savings in line with the NT cost containment requirements.
- l) Hire of equipment costs are lower than budgeted for the quarter as a result of cost savings inherent in the new contract for photocopiers and printers.
- m) Sanitary fees are in line with budget for the quarter.
- n) Other, minor general expenses show a significant saving for the second quarter of the financial year. Purchase of 240L bins (R 2.700m) for which costs must still be expensed, public relations (R 744k), stores and materials (R 732k) and training costs (R 944k) are the largest of the savings.

### 7.3 Financial Ratios

Current Ratio	Financial Year 2017/18	Financial year 2016/17
Current Asset	2 627 097 146	2 543 613 401
Current liabilities	1 384 493 674	1 461 768 548
Percentage	1.90	1.74

NT guideline = norm range is between 1.5:1 and 2:1 and CoJ target = above 1:1 – Pikitup is therefore above the City target.

R&M as % of PPE	2014/15 Financial Year	2015/16 Financial Year	2016/17 Financial Year	2016/17 Financial Year Q2	2017/18 Financial Year Q2 (Actual)	2017/18 Financial Year Q2 (Budget)
R&M	3 200 158	5 081 286	4 464 488	1 183 623	3 942 599	2 120 561
R&M Fleet	74 926 703	73 380 633	96 069 476	22 933 373	23 998 226	20 894 742
Carrying Cost	78 126 861	78 461 919	100 533 964	24 116 996	27 940 825	23 015 303
Percentage	10.6%	10.9%	18.0%	3.5%	5.3%	4.3%

This ratio can only be fully evaluated at financial year end as it is cumulative, though with 4.6% spent in the first quarter and 5.3% spent in the second quarter, the NT target of 8.0% has already been attained.

Current Ratio	Financial Year 2017/18	Financial year 2016/17
Current Asset	2 359 305 343	2 413 510 966
Current liabilities	1 145 731 156	1 316 274 572
Ratio	2.06	1.83



Surplus Margin	2014/15 Financial Year	2015/16 Financial Year	2016/17 Financial Year	2016/17 Financial Year Q2	2017/18 Financial Year Q2 (Actual)	2017/18 Financial Year Q2 (Budget)
Surplus/(Deficit)	(55 492 643)	293 414 472	221 714 788	47 419 442	44 189 368	(880 737)
Operating Revenue	1 918 700 672	2 124 894 846	2 228 423 110	549 894 333	602 931 923	599 000 218
Percentage	-2.9%	13.8%	9.9%	8.6%	7.3%	-0.1%

The operating surplus margin is positive at 7.3% for the second quarter and 9.6% for the year to date.

Remuneration as % of Total Operating Expenditure	2014/15 Financial Year	2015/16 Financial Year	2016/17 Financial Year	2016/17 Financial Year Q2	2017/18 Financial Year Q2 (Actual)	2017/18 Financial Year Q2 (Budget)
Staff Cost	828 284 397	867 605 551	946 815 051	238 717 336	243 917 726	275 061 326
Total Costs	1 974 193 315	1 831 480 374	2 006 708 322	502 474 892	558 742 555	599 880 955
Percentage	42.0%	47.4%	47.2%	47.5%	43.7%	45.9%

Staff costs as a percentage of total costs are lower than budget and also show a significant decrease when compared to the results in the prior financial year as a result of decreased staff numbers. The percentage remains higher than the NT target of between 25% and 40% due to the labour intensive nature of the Pikitup business model.

Operating Expenditure vs Budget	2014/15 Financial Year	2015/16 Financial Year	2016/17 Financial Year	2016/17 Financial Year Q2	2017/18 Financial Year Q2
Actual	1 974 193 315	1 831 480 374	2 006 708 322	502 474 892	558 742 555
Budget	1 840 396 000	2 011 741 000	2 166 966 000	532 741 246	599 880 955
Percentage	107.3%	91.0%	92.6%	94.3%	93.1%

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%.

#### 7.4 Fruitless and Wasteful Expenditure

There is no known fruitless and wasteful expenditure for the quarter or financial year to date.

Costs for the cleaning of informal settlements are lower than budget for the quarter as a result of cost savings for third party contractors. Cleaning costs for formal housing areas is closely aligned with budget.

Description	Quarter 2 2016/17			Quarter 1 2017/18			Quarter 2 2017/18		
	Actual R'000	Budget R'000	Var R'000	Actual R'000	Budget R'000	Var R'000	Actual R'000	Budget R'000	Var R'000
Informal Settlements	25 448	26 291	843	28 045	33 534	5 489	26 701	33 599	6 898
Formal Housing - under minimum value	31 809	38 989	7 180	33 968	28 853	(5 115)	30 588	29 947	(641)
Formal Housing - indigent	14 400	17 650	3 251	15 214	12 923	(2 291)	13 700	13 413	(287)
<b>Total Free Basic Services (direct costs)</b>	<b>71 656</b>	<b>82 931</b>	<b>11 274</b>	<b>77 227</b>	<b>75 310</b>	<b>(1 917)</b>	<b>70 988</b>	<b>76 959</b>	<b>5 970</b>



## 7.5 Financial Forecast for the 2017/18 Financial Year End

Pikitup Forecast	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	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
<b>Total Commercial</b>	18 354	22 907	24 999	28 121	20 996	22 773	23 429	26 281	26 281	26 081	26 181	26 281	292 023	277 077	14 946
Total Domestic	98 310	102 261	100 102	99 721	102 593	99 721	99 101	99 101	99 101	99 101	99 101	99 101	1 197 204	1 202 480	(5 276)
Total City Cleaning Levy	15 328	10 582	15 178	12 171	3 679	8 965	7 982	9 382	9 382	10 720	10 720	10 720	129 109	114 876	14 693
Total Interest on Outstanding Debtors	1 983	1 387	2 006	815	837	4 054	1 080	1 080	1 080	1 080	1 080	1 080	17 564	15 463	2 101
Total Grants	-	-	-	-	-	-	1 080	1 080	1 080	1 080	1 080	1 080	-	2 400	-
Total Other Income	106	(5)	34	46	36	(15)	603	1 523	1 523	1 523	1 523	1 523	3 400	5 952	2 467
Total Interest Earned on Sweeping Account	-	2 747	1 400	710	1 217	2 900	1 100	1 100	1 100	1 100	1 100	1 100	15 574	5 832	9 742
Total Col Service Fee	64 767	64 767	64 767	64 767	64 767	64 767	64 767	64 767	64 767	64 767	64 767	64 767	20 470	600 020	(177 188)
<b>Total Income</b>	<b>199 149</b>	<b>204 645</b>	<b>212 426</b>	<b>206 240</b>	<b>190 654</b>	<b>206 038</b>	<b>198 063</b>	<b>203 235</b>	<b>161 338</b>	<b>160 075</b>	<b>160 175</b>	<b>160 275</b>	<b>2 262 312</b>	<b>2 400 838</b>	<b>(138 526)</b>
<b>Total Staff Costs</b>	87 795	80 232	82 142	82 018	83 024	78 975	83 897	91 426	83 954	86 415	85 451	85 008	1 009 637	1 100 248	90 611
Total Provision for Bad Debt	12 998	12 998	12 983	17 453	14 667	29 024	9 960	9 960	9 960	9 960	9 960	9 960	159 885	155 978	(3 907)
Total Depreciation	9 771	9 776	8 632	9 401	1 819	7 874	8 678	8 677	8 677	8 677	8 677	8 677	99 336	127 960	28 624
Total Repairs and Maintenance	(171)	1	1	635	924	2 383	1 066	1 066	1 066	1 082	1 450	1 290	10 792	7 638	(3 154)
Total Fleet	25 455	27 102	42 482	22 408	32 247	30 268	27 787	27 787	27 787	27 787	27 787	27 787	346 676	298 234	(48 442)
Total Third Party Contractors	21 251	19 997	22 309	23 032	25 526	24 940	23 923	25 225	26 113	26 416	26 819	26 822	292 374	360 579	68 205
Total Other Expenses	9 724	16 790	20 532	14 939	17 437	19 620	24 947	21 320	24 018	23 696	24 300	25 661	242 984	245 997	2 913
Total Interest Paid	-	9 038	5 643	4 102	5 615	5 784	5 644	5 644	5 644	5 644	5 644	5 644	64 046	67 758	3 712
Total Intercompany Costs	798	54	4 574	1 996	1 816	918	4 446	4 352	4 397	4 352	4 352	7 236	39 301	36 546	(2 755)
Total Overheads	167 621	175 997	199 289	175 980	183 074	199 688	190 347	195 457	191 016	194 028	194 441	198 085	2 265 033	2 400 838	135 805
<b>Surplus/(Deficit)</b>	<b>31 528</b>	<b>28 648</b>	<b>13 127</b>	<b>30 261</b>	<b>7 581</b>	<b>6 350</b>	<b>7 715</b>	<b>7 778</b>	<b>(29 679)</b>	<b>(39 953)</b>	<b>(34 266)</b>	<b>(37 810)</b>	<b>(2 721)</b>	<b>-</b>	<b>(2 721)</b>

Pikitup Forecast	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	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	3 070	5 374	3 952	8 845	5 269	4 838	5 148	5 400	5 400	5 200	5 300	5 400	63 197	77 129	(13 932)
Landfill Fees	3 361	5 889	9 341	7 678	9 885	6 190	5 900	5 900	5 900	5 900	5 900	5 900	71 660	53 719	18 541
Business RCR	9 925	9 714	9 709	9 774	9 295	9 794	10 421	10 421	10 421	10 421	10 421	10 421	120 761	116 880	3 881
Business Drilles	1 998	1 930	1 936	1 824	1 954	2 011	1 959	1 959	1 959	1 959	1 959	1 959	29 410	29 945	(6 535)
Site Disposal	-	-	-	-	-	-	0	0	0	0	0	0	3	4	(1)

On the 07<sup>th</sup> December 2017, the Technical Budget Steering Committee requested all entities and Council Departments to reduce their 2017/18 adjustment and medium term budgets. Pikitup was requested to reduce the 2017/18 adjusted budget by R 177.2 million which has been factored into the forecast. The comments below relate to the 2017/18 forecast versus original 2017/18 budget.

### Commercial revenue – increase R14.9 million

- The City requirement that the three major income creating entities generate an additional R 1 billion in income during the 2017/18 financial year has resulted in Pikitup being set an aggressive target of R 46.968m income from new customers. This requirement has been factored in both Commercial and Domestic revenue.

- The increase in landfill fees is a result of the continued migration of customers from the previous Venus billing system to the current SAP billing system.

**Domestic revenue – decrease of R5.2 million**

- The decrease relates to balancing of the rebased budget.

**City Cleaning Levy – Increase of R14.6 million**

- The positive variance primarily relates to corrections made for incorrect bills issued to consumers.

**COJ Service fees – decrease of R177.2 million**

- The service fee relates to payment of non-billable services such as illegal dumping, street cleaning, informal areas and garden sites. The decrease is in line with the City's requirement to rebase the 2017/18 budget.

**Expenditure**

- **Staff costs**

The savings of R90.6 million can mainly be attributable to staff attrition and the non-filling of critical vacancies.

- **Bad Debt Provision**

The negative variance of R3.9m has been increased in line with the current trend and information received from the City.

- **Depreciation and interest charges**

Lack of capital funding for the purchase of new vehicles, as well as construction projects that have been phased into outer years has resulted in the reduction of R28.6 million. Furthermore, a number of assets have been fully depreciated.

- **Repairs and maintenance**

The increase of R3.2 million relates to the much needed planned maintenance for depots, landfills and garden sites.

- **Fleet**

The negative variance of R48.4 million mainly relates to the ad hoc hire of vehicles where Council vehicles are not available and repairs to the aged Council owned vehicles to ensure continued service delivery.

- **Third Party Contractors**

The positive variance of R68.2 million mainly relates to the Separation@Source project which is being implemented later than expected at a reduced scope.

- **General Expenses**

Shows an overall positive variance R2.9m and the main items contributing to the reduction are:

Disposal fees – reduction in tonnages disposed at the private landfill sites.

Bin liners – the reduction is based on the monthly usage for Operations and Separation@Source.

Environmental education – there has not been a service provider appointed as anticipated, the process is still at Bid Initiation committee and work is expected to commence in Feb 2018.

- **Intercompany charges:**

The increase of R2.7 million is mainly attributed to the Are sebetse campaign.

The BoD were not privy to the budget adjustment process undertaken, they will only interrogate the same during the BoD strategic session planned for February 2018.

## 7.6 Cost Per Tonne

	Staff Costs	Fleet	Contracted Services	General Expenses	Intercompany Expenses	R&M	Depreciation	Interest	Bad Debt Provision	Total	Head Office Admin	Depot Admin	Total	Landfill Charge	Total	Tonnage	Cost per Tonne
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	Tons	Rands
Domestic RCR	73 082	96 492	10 894	6 669	745	0	13 357	3 417	71 306	277 962	39 626	37 399	354 988	64 043	419 030	318 144	1 317
Informal Settlements	40 222	745	10 394	3 305	0	0	0	80	0	54 746	7 770	8 112	70 628	2 180	72 788	10 892	6 683
Street Cleaning	214 891	26 060	36 373	7 751	1 507	0	422	537	5 076	292 816	39 023	32 656	364 295	8 956	373 251	43 868	8 508
Illegal Dumping	5 326	1 802	21 557	2 423	11	0	8	54	0	30 960	3 834	3 515	38 330	1 264	39 594	127 485	311
Waste Minimisation	3 655	4 874	13 865	2 810	0	0	169	2	0	25 378	3 151	2 745	31 272	489	31 760	2 464	12 891
Garden Sites	11 838	15 236	6 532	8 121	74	81	4 175	1 012	0	47 049	5 288	6 515	58 852	11 019	69 871	55 566	1 257
Business RCR	6 030	2 586	0	33	14	0	0	0	6 170	14 842	2 626	2 037	19 504	2 413	21 918	16 988	1 290
Business Dailies	6 850	7 179	0	40	135	0	195	135	1 039	15 572	2 257	943	18 773	1 626	20 398	8 196	2 488
Landfill Management	9 883	322	37 112	24 988	81	1 230	19 130	7 638	2 200	102 583	9 624	0	112 207	(97 620)	14 587	0	0
Bulk Services	8 252	8 656	0	401	51	0	3 743	905	2 629	24 638	3 806	365	28 828	5 651	34 480	28 499	1 210
Composting	1 136	3	101	1 661	0	0	565	149	0	3 644	338	0	3 982	0	3 982	0	0
<b>Total Costs</b>	<b>381 173</b>	<b>163 755</b>	<b>136 827</b>	<b>60 202</b>	<b>2 618</b>	<b>1 291</b>	<b>41 794</b>	<b>13 930</b>	<b>88 420</b>	<b>890 009</b>	<b>117 343</b>	<b>94 306</b>	<b>1 101 658</b>	<b>0</b>	<b>1 101 658</b>		
Depot Admin	25 689	15 370	103	36 376	130	2 481	3 882	10 275	0	94 306	0	(94 306)	0	0	0	0	0
Head Office Admin	87 224	832	126	2 464	7 418	1	1 597	5 978	11 704	117 343	(117 343)	0	0	0	0	0	0
<b>Total Costs</b>	<b>484 087</b>	<b>179 857</b>	<b>137 056</b>	<b>99 042</b>	<b>10 166</b>	<b>3 774</b>	<b>47 272</b>	<b>30 182</b>	<b>100 123</b>	<b>1 101 658</b>	<b>0</b>	<b>0</b>	<b>1 101 658</b>	<b>0</b>	<b>1 101 658</b>		
<b>% Of Total Costs</b>	<b>44.8%</b>	<b>16.3%</b>	<b>12.4%</b>	<b>9.0%</b>	<b>0.9%</b>	<b>0.3%</b>	<b>4.3%</b>	<b>2.7%</b>	<b>9.1%</b>	<b>100.0%</b>							
Randomton - ex overheads	621	267	223	96	4	2	68	23	144	1 451							
Randomton - inc overheads	805	293	223	161	17	6	77	49	163	1 796							

The year to date cost per tonne (R 1 796) has decreased marginally from the result in the first quarter of the financial year (R 1 826).

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 (increased distances to travel).
- 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.

## 7.7 Statement of Financial Position

Statement of Financial Position as at 31 December 2017					
June 2017		Note	Actual	Budget	Variance
Actual					
<b>ASSETS</b>					
<b>Current Assets</b>					
5 356 911	Inventories	1	10 505 957	8 797 136	1 708 821
1 328 434 219	Loans to shareholders	2.1	1 310 586 822	1 260 654 433	49 932 389
246 261 701	Receivables from non-exchange transactions	4	70 485 302	128 082 445	-57 597 143
963 536 861	Receivables from exchange transactions	5	1 235 461 773	1 116 769 356	118 692 417
23 709	Cash and cash equivalents	6	57 292	59 000	-1 708
<b>2 543 613 401</b>			<b>2 627 087 146</b>	<b>2 514 362 370</b>	<b>112 734 776</b>
<b>Non-Current Assets</b>					
559 833 387	Property, plant and equipment	7	526 292 920	530 897 964	-4 605 044
365 277	Intangible assets	7	334 595	334 709	-114
15 601 910	Investment in associates	8	15 601 910	15 601 910	-
125 844 871	Loans to shareholders	2.2	125 844 871	125 844 871	-
1 777 917	Amount owed by SARS	3	1 777 917	1 777 917	-
<b>703 423 362</b>			<b>669 852 213</b>	<b>672 679 454</b>	<b>-4 605 158</b>
<b>3 247 036 763</b>	<b>Total Assets</b>		<b>3 296 949 359</b>	<b>3 187 041 824</b>	<b>108 129 618</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
641 011 560	Loans from shareholders	2.3	580 790 006	598 759 688	-17 969 682
53 860 534	Finance lease obligation	9	53 860 534	55 476 350	-1 615 816
755 077 951	Payables from exchange transactions	10	738 024 631	725 800 876	12 223 755
11 818 503	Provisions	11	11 818 503	12 042 586	-224 083
<b>1 481 788 548</b>			<b>1 384 493 674</b>	<b>1 392 079 500</b>	<b>-7 585 826</b>
<b>Non Current Liabilities</b>					
464 294 819	Loans from shareholders	2.4	464 294 818	464 294 818	-
62 252 950	Finance lease obligation	9	51 079 179	51 079 179	-
82 273 755	Employee benefit obligation	12	82 273 755	82 273 755	-
550 552 018	Provisions- Landfill Rehabilitation	11	571 419 894	571 419 894	-
<b>1 159 373 542</b>			<b>1 169 067 646</b>	<b>1 169 067 646</b>	<b>-</b>
<b>2 621 142 090</b>	<b>Total Liabilities</b>		<b>2 553 561 320</b>	<b>2 561 147 147</b>	<b>-7 585 826</b>
<b>625 894 678</b>	<b>Net Asset (liabilities)</b>		<b>743 388 039</b>	<b>625 894 678</b>	<b>117 493 361</b>
<b>NET ASSETS/ LIABILITIES</b>					
1 000	Share Capital		1 000	1 000	-
43 001 808	Owners Contribution		43 001 808	43 001 808	-
582 891 870	Accumulated surplus / (deficit)		700 385 231	582 891 870	117 493 361
<b>625 894 678</b>			<b>743 388 039</b>	<b>625 894 678</b>	<b>117 493 361</b>

## 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 | 1 059 785 322               |
| Sweeping account balance                          | <u>250 801 500</u>          |
| <b>Total</b>                                      | <b><u>1 310 586 822</u></b> |
- 2.2** This amount relates to Notional loan on employee benefit obligation. This amount is linked to note 8.
- 2.3 Salaries**
- |              |                           |
|--------------|---------------------------|
|              | <u>580 790 006</u>        |
| <b>Total</b> | <b><u>580 790 006</u></b> |
- 2.4** The amount represents capex loans outstanding . Currently only the interest is being serviced and no capital repayments are being made. The interest is paid on a quarterly basis.
- 3 Amount owed by SARS**  
The amount is owed to Pikitup for Provisional tax for 2010 financial period. An objection has since been submitted to SARS.
- 4 Receivables from non-exchange transactions**  
Receivable from non exchange transactions consists of city cleaning levy.
- 5 Receivables from exchange transactions**  
Receivable from non exchange transactions consists of debtors net of provision for doubtful debts.
- 6 Cash and cash equivalents**  
Petty cash is reflected as cash on hand.  
The sweeping account balance of R250 801 500 is included in Loans to shareholders refer to note 2.1.
- 7 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.
- 8 Investment in associates**  
Investment in associates represents 50% shareholding in Friedshelf
- 9 Finance lease obligation**  
The amount relates to the leases of motor vehicles under a finance lease arrangement with The City of Johannesburg
- 10 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.
- 11 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.
- 12 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.

## 7.8 Cash Flow Statement

### Pikitup Johannesburg (SOC) Ltd STATEMENT OF CASH FLOW

<i>R '000's</i>	<u>Actual</u>	<u>Revised Budget</u>	<u>Variance</u>
Profit Before Interest and Taxes	1 (215 815 380)	-120 430 237	-95 385 143
Add: Depreciation and amortisations	47 272 006	55 982 520	-8 710 514
Less: Taxation	-	-	-
Less/Add: Interest received /(paid)	51 050 013	36 260 454	14 789 559
Less: Profit / (Add:Loss) on sales of assets	-	-	-
Less(profit)/Add Loss: prior year adjustments	-	-	-
Transfers to NDR	-	-	-
<b>Cash generated from operations</b>	<b>-117 493 361</b>	<b>-28 187 263</b>	<b>-89 306 098</b>
Change in Net Working Capital	162 210 501	57 620 162	104 590 339
(Increase)/Decrease in stock	-5 149 046	-5 866 267	717 221
(Increase)/Decrease in debtors	175 776 399	93 562 046	82 214 353
(Increase)/Decrease in intercompany debtors	1 30 142 749	42 598 407	-12 455 658
(Increase)/Decrease in other current assets	-	-	-
Increase/(Decrease) in creditors	-17 053 320	-23 564 157	6 510 837
Increase/(Decrease) in accruals and provisions	20 867 876	10 587 285	10 280 591
Increase/(Decrease) in short term portion of LTL	2 -42 374 157	-59 697 152	17 322 995
Increase/(Decrease) in intercompany creditors	-	-	-
Increase/(Decrease) in other current liabilities	-	-	-
<b>Net cash generated from / (absorbed by) operations</b>	<b>44 717 140</b>	<b>29 432 899</b>	<b>15 284 241</b>
<b>Cash impact from investing activities</b>	<b>-33 509 785</b>	<b>-36 497 398</b>	<b>2 987 613</b>
(Increase)/decrease in intangible assets	30 682	31 577	-895
(Increase)/decrease in fixed assets	-33 540 467	-36 528 975	2 988 508
<b>Cash impact from financing activities</b>	<b>-11 173 772</b>	<b>6 981 790</b>	<b>-18 155 562</b>
(Increase)/decrease in shareholder loans	-1	8 106 949	-8 106 950
(Increase)/decrease in long term liabilities	-11 173 771	-1 125 159	-10 048 612
Net movement in cash position	33 583	-82 709	116 292
Add: Opening favourable cash position	23 709	23 709	-
<b>Closing net cash position</b>	<b>57 292</b>	<b>-59 000</b>	<b>116 292</b>

## 8. Internal and External Audit Findings

The purpose of this report is to present progress on Internal Audit work against the approved 2017/18 Internal Audit Coverage Plan for quarter one of 2017/18 financial year. The report also presents progress made in resolving audit findings raised by Internal Audit and AGSA. High level overview of progress Audit Coverage Plan.

The chart below serves to indicate an overview of the progress made to date against the Internal Audit Plan for the 2017/18 financial year.

### 8.1 Yearly progress

As at 31 December 2017, 7 audit projects planned for quarter two have been completed. Year to date, we have achieved 100% of planned projects. The achievement of 100% on planned projects excludes tender reviews conducted during the quarter.

**Figure 8.1: Yearly progress to date**

The chart below indicates yearly achievements:

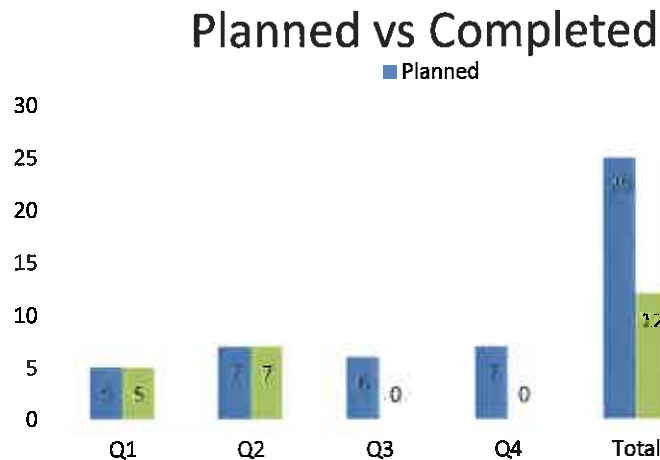


Figure 8.1 above, further indicates that as at 31 December 2017 we completed 12 of 25 projects planned for the year. The completed projects represent 48% of projects planned for the year.

### 8.2 Control Environment Assessment for 2017/18 financial year

**Table 8.2.1 and 8.2.2** below indicate audit projects planned for the year. These audits are categorised as (i) operational, finance, compliance and performance audits, and (ii) IT audits. These tables further indicate the (i) residual risk per the top 13 risks as at 31 December 2017, (ii) IA control rating after the audit, (iii) nature of the audit and (iv) progress status.



Table 8.2.1 Operational, finance, compliance and performance audits plan for 2017/18 financial year						
Quarter	Audit Ref #	Quarter 1	Residual Risk Rating	IA control Rating	Nature of Audit	Progress Status
Quarter 1	1	Separation at Source Full Audit including Follow up Audit (CE)			FA/FUA	Completed
	2	Communication & Stakeholder Management Full Audit including Follow up Audit (CE)			FA/FUA	Completed
	3	Quarterly Audit of Pre-determined Objectives Full Audit including Follow up Audit (CE)			FA/FUA	Completed
	4	Follow up on AG and IA Audit Findings			FUA	Completed
	5	Region D (FA) (CE) Audit Areas: Central Camp Depot Zondi Depot			FA	Completed
Quarter 2	6	Human Resource Management Full Audit including Follow up Audit (CE)			FA/FUA	Completed
	7	Weighbridge Management Full Audit including Follow up Audit (AE)			FA/FUA	Completed
	8	Quarterly Audit of Pre-determined Objectives Full Audit including Follow up Audit (CE)			FA/FUA	Completed
	9	Follow up on AG and IA Audit Findings			FA/FUA	Completed
	10	Region E (FA) (CE) Audit Areas: Marlboro Depot Norwood Depot			FA	Completed
Quarter 3	11	Revenue Management Full Audit including Follow up Audit (AE)			FA/FUA	Not started
	12	Fleet Management Full Audit including Follow up Audit (CE)			FA/FUA	Not started
	13	Quarterly Audit of Pre-determined Objectives Full Audit including Follow up Audit (CE)			FA/FUA	Not started
	14	Follow up on AG and IA Audit Findings			FUA	Not started
	15	Region G (FA) (CE) Audit Areas: Avalon Depot Orange Farm Depot			FA	Not started
Quarter 4	16	Contract Management Full Audit including Follow up Audit (CE)			FA/FUA	Not started
	17	Compliance Management Full Audit including Follow up Audit (CE)			FA/FUA	Not started
	18	Quarterly Audit of Pre-determined Objectives Full Audit including Follow up Audit (CE)			FA/FUA	Not started
	19	Follow up on AG and IA Audit Findings			FUA	Not started
	20	Supply Chain Management (SCM) Full Audit including Follow up Audit (CE)			FA/FUA	Not started
Controls are partially adequate.			Controls are partially effective.			

Table 8.2.2 ICT audit plan for 2017/18 financial year						
Quarter	Audit Ref #	Audit Project Name	Residual Risk Rating	IA control Rating	Nature of Audit	Progress Status
Quarter 2	21	Network Security Review (vulnerability assessment) (CE)			FA/FUA	Completed
	22	Business Continuity Plan, Disaster Recovery Plan and Back-up Review (Full Audit including Follow-up Audit (CE))			FA/FUA	Completed

<b>Quarter 3</b>	23	Protection of Private Information (POPI) Compliance review (Full Audit including Follow-up Audit (CE))			FA/FUA	Not started
<b>Quarter 4</b>	24	IT General Controls Full Audit including Follow-up Audit (CE)			FA/FUA	Not started
	25	IT Application Controls Full Audit including Follow-up Audit (CE)			FA/FUA	Not started

Note: FA: Full Audit; FUA: Follow up Audit

### 8.3 Control Assessment Ratings

#### 8.3.1 Overview of internal audit ratings per scope areas

Table 8.3.1 gives an overview of internal audit ratings per scope area							
Audit Ref #	Audit area	Analysis of findings by category				Total	Overall audit risk ratings
		Number of Findings					
6	Human Resource Management Full Audit including Follow up Audit (CE)	0	5	0	0	5	
7	Weighbridge Management Full Audit including Follow up Audit (AE)	0	6	2	0	8	
8	Quarterly Audit of Pre-determined Objectives Full Audit including Follow up Audit (CE)	0	5	0	0	5	
9	Follow up on AG and IA Audit Findings (refer to section 5 & 6 of this report)	-	-	-	-	-	
10	Region D: Marlboro Depot (FA) (CE)	0	21	1	0	22	
	Region D: Norwood Depot (FA) (CE)	0	10	1	0	11	
21	Network Security Review (vulnerability assessment) (CE)	0	1	1	0	2	
22	Business Continuity Plan, Disaster Recovery Plan and Back-up Review (Full Audit including Follow-up Audit (CE))	0	4	4	0	9	
	<b>Total findings per audit</b>	<b>0</b>	<b>52</b>	<b>9</b>	<b>0</b>	<b>61</b>	
	<b>Percentage distribution</b>	<b>0%</b>	<b>85%</b>	<b>15%</b>	<b>0%</b>	<b>100%</b>	
	<b>Overall control assessment based on Q1 projects</b>	<b>Controls are partially adequate and partially effective</b>					
	<b>Overall audit findings rating for Q1 projects.</b>	<b>Significant weaknesses in the system of internal controls noted.</b>					

#### 8.3.2 Follow-Up Audits

Table 8.3.2 provides Follow Up Audits						
Audit Ref #	Audited Area	Status			Number of Findings	Overall audit risk ratings
		Not Resolved	Partially Resolved	Resolved		
6	Human Resource Management Full Audit including Follow up Audit (CE)	3	0	7	10	
7	Weighbridge Management Full Audit including Follow up Audit (AE)	2	9	3	14	
8	Quarterly Audit of Pre-determined Objectives Full Audit including Follow up Audit (CE)	3	5	3	11	
9	Follow up on AG and IA Audit Findings (refer to section 5 & 6 of this report)	-	-	-	-	
10	Region D (FA) (CE) (new audit) Audit Areas: Marlboro Depot	-	-	-	-	

	Norwood Depot					
21	Network Security Review (vulnerability assessment) (CE)	9	4	1	14	
22	Business Continuity Plan, Disaster Recovery Plan and Back-up Review (Full Audit including Follow-up Audit (CE)) ( <i>new audit</i> )	-	-	-	-	
	<b>Total findings per audit</b>	<b>17</b>	<b>18</b>	<b>14</b>	<b>49</b>	
	<b>Percentage distribution</b>	<b>35%</b>	<b>37%</b>	<b>28%</b>	<b>100%</b>	
	<b>Overall control assessment based on Q1 projects.</b>	Controls are partially adequate and partially effective.				
	<b>Overall audit findings rating for Q1 projects.</b>	Significant weaknesses in the system of internal controls noted.				

#### 8.4 Progress on Resolving Internal Audit Findings

Table 8.4.1 Internal Audit Findings for 2015/16 financial year						
Quarter	Audit Projects	Total Findings	Resolved (management assertions)	Verified & confirmed by IA	Unresolved	% Resolved
Quarter 1	Separation @ Source	9	2	2	7	22%
	Communication & Stakeholder Management Audit	5	5	4	0	100%
	Jozi @ Work Audit	8	8	8	0	100%
	Audit of Pre-determined Objectives	1	0	0	1	0%
	<b>Sub-total</b>	<b>23</b>	<b>15</b>	<b>14</b>	<b>8</b>	<b>55%</b>
Quarter 2	Compliance Audit	4	0	0	4	0%
	Health and Safety Audit	33	25	0	8	76%
	Human Resource Management Audit	9	7	7	2	78%
	Payroll Management Audit	16	14	4	2	88%
	<b>Sub-total</b>	<b>62</b>	<b>46</b>	<b>11</b>	<b>16</b>	<b>74%</b>
Quarter 3	Fleet Management Audit	10	7	5	3	70%
	Revenue Management Audit	7	6	0	1	86%
	Contract Management Audit	7	7	7	0	100%
	Fixed Assets Management Audit	6	6	6	0	100%
	Audit of Pre-determined Objectives	3	2	2	1	67%
<b>Sub-total</b>	<b>33</b>	<b>28</b>	<b>14</b>	<b>5</b>	<b>45%</b>	
Quarter 4	IT Governance Review	6	4	0	2	67%
	IT General Controls Audit	5	4	1	1	80%
	IT Application Controls Audit	12	0	0	12	0%
	Supply Chain Management Audit	2	2	2	0	100%
	<b>Sub-total</b>	<b>25</b>	<b>10</b>	<b>3</b>	<b>15</b>	<b>40%</b>
<b>Total for 2015/16 financial year</b>		<b>143</b>	<b>99</b>	<b>39</b>	<b>44</b>	<b>69%</b>
<b>Previous quarter resolution rate</b>		<b>143</b>	<b>71</b>	<b>45</b>	<b>72</b>	<b>50%</b>
Table 8.4.2 Internal Audit Findings for 2016/17 financial year						
Quarter 1	Jozi@Work	6	6	0	0	100%
	Performance Information Audit	4	0	0	4	0%
	Enterprise Risk Management	9	8	1	1	89%
	IT Network Security	14	1	1	13	0%
	<b>Sub-total</b>	<b>33</b>	<b>15</b>	<b>1</b>	<b>18</b>	<b>45%</b>
Quarter 2	Separation at Source Audit	4	1	0	3	25%
	Communication & Stakeholder Management Audit	6	2	1	4	33%
	Health and Safety Audit	12	3	0	9	25%



	<b>Sub-total</b>	<b>22</b>	<b>6</b>	<b>1</b>	<b>16</b>	<b>27%</b>
Quarter 3	Internal Financial Controls Review	12	0	0	12	0%
	Revenue Management Audit	6	0	0	6	0%
	Weighbridge Management Audit	12	3	3	9	0%
	Audit of Predetermined Objectives	10	0	0	10	0%
	Payroll Management Audit	9	6	0	3	67%
	Protection of Private Information Audit	8	0	0	8	0%
	<b>Sub-total</b>	<b>57</b>	<b>9</b>	<b>3</b>	<b>42</b>	<b>10%</b>
Quarter 4	Contract Management Audit	7	2	0	5	29%
	Fixed Assets Management Audit	4	3	0	1	75%
	Supply Chain Management Audit	9	7	0	2	78%
	IT General Controls Review	6	2	0	4	33%
	IT Governance Review	17	12	0	5	71%
	IT Application Controls Review	4	1	0	3	0%
	<b>Sub-total</b>	<b>47</b>	<b>27</b>	<b>0</b>	<b>20</b>	<b>57%</b>
<b>Total for 2016/17 financial year</b>		<b>159</b>	<b>57</b>	<b>5</b>	<b>102</b>	<b>36%</b>
<b>Previous quarter resolution rate</b>		<b>159</b>	<b>19</b>	<b>2</b>	<b>140</b>	<b>12%</b>
<b>Total number of findings for 2015-2016 and 2016-2017 financial years as at 31 December 2017 (excluding quarter1 &amp; 2 of 2017/18 financial year)</b>		<b>302</b>	<b>156</b>	<b>47</b>	<b>146</b>	<b>52%</b>
<b>Previous quarter total number of findings for 2015-2016 and 2016-2017 financial years as at 31 December 2017 (excluding quarter1 &amp; 2 of 2017/18 financial year)</b>		<b>302</b>	<b>90</b>	<b>47</b>	<b>212</b>	<b>30%</b>
<b>Table 8.4.3 Internal Audit Findings for 2017/18 financial year</b>						
Quarter 1	Separation at Source	4	0	0	4	0%
	Communication and Stakeholders Engagement	1	0	0	1	0%
	Quarterly Audit of Pre-determined Objectives	6	0	0	6	0%
	Region E: Depot Audit	30	0	0	30	0%
	<b>Sub-total</b>	<b>41</b>	<b>0</b>	<b>0</b>	<b>41</b>	<b>0%</b>
<b>Total for 2017/18 financial year</b>		<b>41</b>	<b>0</b>	<b>0</b>	<b>41</b>	<b>0%</b>
<b>Total number of findings for 2015-2016, 2016-2017 and 2017-18 financial years as at 31 December 2017 (including quarter 1 of 2017/18 financial year) &amp; average resolution rate</b>		<b>343</b>	<b>156</b>	<b>47</b>	<b>187</b>	<b>46%</b>
Quarter 2	Human Resource Management Full Audit including Follow up Audit (CE)	5	0	0	5	0%
	Weighbridge Management Full Audit including Follow up Audit (AE)	8	0	0	8	0%
	Quarterly Audit of Pre-determined Objectives Full Audit including Follow up Audit (CE)	5	0	0	5	0%
	Region D: Marlboro Depot (FA) (CE)	22	0	0	22	0%
	Region D: Norwood Depot (FA) (CE)	11	0	0	11	0%
	Network Security Review (vulnerability assessment) (CE)	2	0	0	2	0%
	Business Continuity Plan, Disaster Recovery Plan and	8	0	0	8	0%

	Back-up Review (Full Audit including Follow-up Audit (CE))					
	<b>Sub-total</b>	<b>61</b>	<b>0</b>	<b>0</b>	<b>61</b>	<b>0%</b>
	<b>Year to date number of audit findings for 2017/16 financial year</b>	<b>102</b>	<b>0</b>	<b>0</b>	<b>102</b>	<b>0%</b>
	<b>Total number of findings for 2015-2016, 2016-2017 and 2017-18 financial years as at 31 December 2017 (including quarter 1 &amp; 2 of 2017/18 financial year) &amp; average resolution rate</b>	<b>404</b>	<b>90</b>	<b>47</b>	<b>314</b>	<b>22%</b>

Year on year increase in the number of audit findings noted by Internal Audit for the past two financial years and percentage resolution rate:

Financial Year	2015/16	2016/17	2017/18
Total Findings	143	159	103
Increase/ (Decrease)		16	(56) (half yearly)
% Reduction		11%	(35%)
Resolution	25	21	5
Resolution Rate	50%	30%	5%
Unresolved Findings	44	102	103
% Unresolved Findings	31%	64%	100%

The analysis above indicates significant deterioration in the control environment within the entity for the past three financial years. For 2016/17 financial year, number of audit findings noted by Internal Audit increased by 11% in comparison to the previous financial year (2015/16). For 2017/18 financial year, we added 102 audit findings to the audit findings tracking register for quarter one and two. Current indications is that these findings for the current financial year will exceed previous financial year audit findings because we planned to conduct 25 audit projects compared to 20 audit projects completed in the previous financial year. In addition, the current financial year audit plan includes specific depot audits which were not conducted in the previous financial year. From the analysis of audit findings for 2017/18 financial year (quarter one & two as indicated in Table 8.4.4 above), number of audit findings noted for depot audits contribute 67% (63 depot audit findings/94 total audit findings for q1+2) to the total findings. This implies that specific depots require special attention in order to improve the control environment. Consequently, inadequate and ineffective controls at depots contribute negatively to the overall control environment within the entity.

Table 8.4.4 further indicates that on aggregate the entity resolved 69% (50% - previous quarter) and 36% (12% - previous quarter) of audit findings noted by Internal Audit for 2015/16 and 2016/17 financial years respectively. On aggregate for these two financial years, the entity resolved 52% (30% - previous quarter). These figures indicate significant improvement in the resolution rate in comparison to the previous quarter.

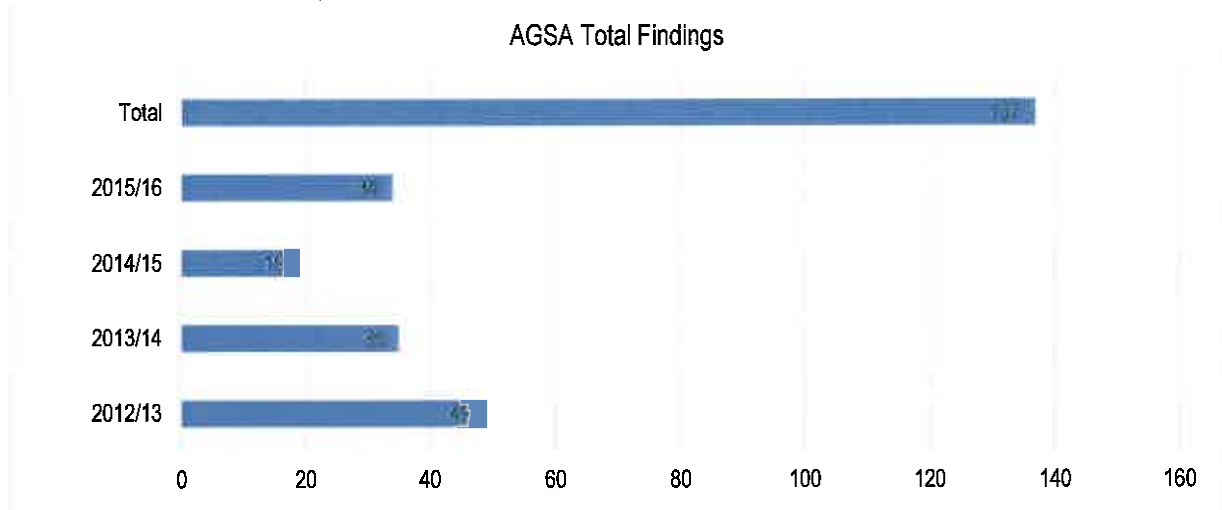
However, the picture become bleak when you include 102 audit findings noted for quarter one and two of 2017/18 financial year. On aggregate, the percentage unresolved audit findings worsened to 22%. Further note that we normally provide three months after the finalisation of the audit for management to resolve audit findings. But to provide a more informed picture about the status of the control environment within the entity we included both quarter one and two of the current financial year in the dashboard.

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

### 8.5 Progress on Resolving AGSA Audit Findings

AGSA raised 137 audit findings for the past four financial years. **Figure 8.5** below further illustrate trend on AGSA audit findings for the past four years:

**Figure 8.5 Trend on AGSA audit findings**



The trend analysis on **Figure 8.5** above indicates significant improvement in the control environment within the entity for 2012/13, 2013/14 and 2014/15 financial years. The trend took a negative turn in 2015/16 financial year with total number of AGSA audit findings increasing by 15 findings (79%) when compared to 2014/15 financial year.

On aggregate the entity resolved 74% of audit findings noted by AGSA with 26% remained unresolved. The resolution percentage achieved to date is negatively affected by resolution rate of 74% and 59% achieved for 2014/15 and 2015/16 financial years respectively. The entity achieved 89% resolution rate for 2013/14 financial year. **Table 8.5** below indicates trend on audit findings issued by AGSA and the summary of the resolution rate for the past 3 financial years. Note that we did not include AGSA audit findings for 2016/17 financial year. We made a request to AGSA on 19 December 2017 to provide detailed management report so we can start engaging relevant managers on audit findings and corrective actions, and for inclusion in the audit findings tracking register. By the time this report was written AGSA has not provided final management report to Internal Audit. The audit findings tracking register will be updated as soon as AGSA provide final management report to Internal Audit. Based on the draft management report for the year ended 30 June 2017, we expect 48 audit findings to be added in the audit findings tracking register. This is the highest number of audit findings noted by AGSA for the past four financial years. Refer to **Table 8.5** below for total number of audit findings per financial year. This is a reflection of an inadequate and ineffective control environment within the entity. Lower resolution rate of audit findings by management contributes negatively to systems of internal controls within the entity.

Financial Year	2013/14	2014/15	2015/16	Total
Total Findings	35	19	34	88
Reduction	14	16	(15)	15
% Reduction	29%	48%	(79%)	
Resolved	21	3	21	45
Resolution Rate	60%	16%	62%	51%
Unresolved Findings	3	4	7	14
% Unresolved Findings	9%	21%	21%	16%

## 8.6 Progress on Resolving AGSA Audit Findings

As indicated in Table 8.5 above, on aggregate the entity resolved 84% (74% in the previous quarter) of audit findings raised by AGSA for the past three financial years with 16% (26% in the previous quarter) remained unresolved. Table 10 below indicates that quarter on quarter, there were significant improvements in the resolution rate.

Information technology contributes 36% (5 audit findings (57% - 13 - previous quarter)) to unresolved audit findings with others contributing 64% (9 audit findings).

Resolving revenue related audit findings will also have significant positive impact on the year-end audit outcome. Revenue related audit findings and disclosure thereof are usually considered qualitatively material. Pikitup depends largely on the City to proactively resolve these audit findings to prevent recurrence. Currently we have 6 revenue related audit findings which remained unresolved which contributes 43% to unresolved audit findings. By implication if we resolve 50% unresolved revenue related findings (3 revenue related audit findings) and all IT related audit findings, we will increase resolution rate to 93% implying an increase of 9% overall. This will have significant impact towards attaining a clean administration which may translate to clean audit.

HR contributes 21% (3 audit findings) to unresolved audit findings. HR audit findings relates to the vacant EXCO positions and accounting for leave. With the review of the staff establishment and appropriate adjustments to, and reconciliation of leave records and balance thereof we expect that these findings will be resolved.

**Table 8.6** below serves to indicate the nature of the audit findings raised by AGSA for the past 3 financial years, related resolution rate and quarter on quarter comparison.

Table 8.6 Progress in resolving AGSA audit findings					
Area reviewed	Total findings	Resolved (management assertions)	Verified & confirmed by IA	Unresolved	% Resolved
<b>AG findings for 2013/14 financial year</b>					
Revenue	12	10	10	2	83%
Audit of Predetermined Objectives	1	1	1	0	100%
Supply Chain Management	5	5	5	0	100%
Human Resource Management	2	1	1	1	50%
Finance	9	9	9	0	100%
Information Technology (IT)	6	6	5	0	100%
<b>Total resolution rate (current quarter)</b>	<b>35</b>	<b>32</b>	<b>31</b>	<b>3</b>	<b>91%</b>
<b>Total resolution rate (previous quarter)</b>	<b>35</b>	<b>31</b>	<b>31</b>	<b>4</b>	<b>89%</b>
<b>AG findings for 2014/15 financial year</b>					
Audit of Predetermined Objectives	1	1	1	0	100%
Supply Chain Management	1	1	1	0	100%
Human Resource Management	2	1	1	1	50%
Finance	5	5	5	0	100%
Information Technology (IT)	10	7	3	3	70%
<b>Total resolution rate (current quarter)</b>	<b>19</b>	<b>15</b>	<b>11</b>	<b>4</b>	<b>79%</b>
<b>Total resolution rate (previous quarter)</b>	<b>19</b>	<b>14</b>	<b>11</b>	<b>5</b>	<b>74%</b>



AG findings for 2015/16 financial year					
Revenue	7	3	6	4	43%
Audit of Predetermined Objectives	3	3	0	0	100%
Supply Chain Management	3	3	3	0	100%
Human Resource Management	2	1	1	1	50%
Finance	9	9	0	0	100%
Information Technology (IT)	10	8	0	2	80%
<b>Total resolution rate (current quarter)</b>	<b>34</b>	<b>27</b>	<b>4</b>	<b>7</b>	<b>79%</b>
<b>Total resolution rate (previous quarter)</b>	<b>34</b>	<b>20</b>	<b>3</b>	<b>14</b>	<b>59%</b>
<b>Total number of AGSA Findings for 2013/2014, 2014/2015 and 2015/16 financial years</b>	<b>88</b>	<b>74</b>	<b>44</b>	<b>14</b>	<b>84%</b>
<b>Percentage</b>	<b>100%</b>	<b>84%</b>	<b>60%</b>	<b>16%</b>	<b>84%</b>
Previous quarter resolution rate					
<b>Previous quarter total number of AGSA Findings for 2013/2014, 2014/2015 and 2015/16 financial years</b>	<b>88</b>	<b>65</b>	<b>43</b>	<b>23</b>	<b>74%</b>
<b>Previous quarter percentage</b>	<b>100%</b>	<b>68%</b>	<b>49%</b>	<b>32%</b>	<b>74%</b>

## 9 Forensic Audits

Group Forensic Investigation Services (GFIS) is responsible for investigations of all reported incidences of fraud, corruption and other unethical behavior.