

CHAPTER 3 : HUMAN RESOURCE AND CORPORATE GOVERNANCE

The Board endorses the principle of good corporate governance. The Board believes that Johannesburg Water (Pty) Limited substantially complies with the recommendations of the Code of Corporate Practice contained in the King Report 2002. All meetings of the Board and its Standing Committees are governed by regulations approved by the Board. These regulations include, *inter alia*, the recusal and non-voting of a director should there be a pecuniary interest in any matter.

The Board is comfortable that it has exercised its fiduciary responsibilities and that all Company actions were in the best interests of the shareholder and the community.

Johannesburg Water is a legal entity established in terms of Section 17D of the Promotion of Local Government Affairs Act, 1983. The main object in its Memorandum of Agreement has been adhered to, namely, the provision of water services.

The Memorandum of Association has recently been amended by the Shareholder by way of a Special Resolution to align it to the Local Government: Municipal Finance Management Act, 2003.

The day to day operation of Johannesburg Water is still managed through a management contractor, namely JOWAM, a joint venture company procured through a tender process in February 2001. The contract will expire in June 2006.

REGULATORY FRAMEWORK

The Company is regulated by *inter alia* the following acts:

- Companies Act, 1973
- Income Tax Act, 1962
- Value Added Tax Act, 1991
- Municipal Structures Act, 1998
- Municipal Systems Act, 2000
- Labour Relations Act, 1995
- Employment Equity Act, 1998
- Water Services Act, 1997
- Promotion of Access to Information Act
- Municipal Finance Management Act, 2003

RELIANCE ON THE CITY OF JOHANNESBURG

During the year under review, as was the case in the previous financial year, Johannesburg Water was reliant on the City of Johannesburg (the City) for the following aspects of its business:

- Billing, cash collection and debtors' maintenance activities relating to 60% of all customers of Johannesburg Water.
- All treasury activities.

BOARD

The Board determined strategy and ensured that the requisite internal controls were in place to manage the business of water services provision.

Johannesburg Water has a unitary Board comprising essentially independent non-executive directors.

Mr Andries Tshabalala remains Chairman of the Board. Mr Tshabalala was appointed to the Board in September 2003.

During the period under review an Executive Director, Mr Anthony Still resigned on 1 August 2004.

Ms Heleen Kulyk acted in the Managing Director position until her untimely death on 1 August 2004. Mr Wallace Mayne acted as the Chief Executive Manager up to the appointment of Mr Gerald Themba Dumas, Managing Director, on 17 January 2005.

The Shareholder recruited replacements for non-executive directors for vacancies left by Mr Jacob Mashike, Dr Porteous (both having resigned at the end of June 2004), and Ms Rosalie Manning who resigned on 9 September 2004.

Three non-executive directors were appointed on 14 January 2005, namely, Dr Nomonde Mabuya, Mr Armstrong Ngcobo and Dr Eustina Musvoto. Dr Musvoto subsequently resigned on 1 February 2005.

Dr John Kilani, a non-executive director of the Board, resigned on 30 June 2005 due to business commitments abroad.

Of the eleven director positions provided for in the Articles of Association, eight are currently filled.

The Shareholder is currently sourcing replacements for the vacant non-executive director positions.

The table below is a summary of the appointment and resignation of directors during the year under review:

NAME	APPOINTMENT	RESIGNATION
Anthony Still		1 August 2004
Rosalie Manning		9 September 2004
Eustina Musvoto	14 January 2005	1 February 2005
Nomonde Mabuya	14 January 2005	
Armstrong Ngcobo	14 January 2005	
Gerald Themba Dumas	17 January 2005	
John Kilani		30 June 2005

TERM OF OFFICE OF NON-EXECUTIVE DIRECTORS

The Shareholder (City of Johannesburg Metropolitan Municipal Council) by way of a special resolution amended the Articles of Association in December 2002. The Shareholder, through its Shareholder Management Unit, will manage the rotation of non-executive directors in future.

CHAIRMAN AND MANAGING DIRECTOR

The roles of the Chairman of the Board and the Managing Director are separate.

COMPANY SECRETARY

Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures and applicable rules and regulations are observed.

In terms of the Articles of Association, the Board has the right to remove and appoint the Company Secretary.

BOARD MEETINGS

The composition of the Board of Directors at the date of this report was as follows:

Non-Executive Directors:

- Mr Andries Tshabalala, Chairman
- Ms Martie van Rensburg,
- Mr Neil Macleod,
- Ms Jocelyn Armstrong,
- Ms Vanida Lennon,
- Ms Rosalie Manning (resigned 9 September 2004)
- Dr John Kilani (resigned 30 June 2005),
- Dr Nomonde Mabuya (appointed 14 January 2005)
- Mr Armstrong Ngcobo (appointed 14 January 2005)
- Dr Eustina Musvoto (appointed 14 January 2005 and resigned 1 February 2005)

Executive Directors:

- Mr Anthony Still (resigned 1 August 2004)
- Mr Gerald Themba Dumas (appointed 17 January 2005)

During the period up to the end of June 2005 the Board convened 9 times.

BOARD STANDING COMMITTEES

During the period under review the Board Standing Committees were: Audit Committee, Human Resources and Remuneration Committee, Operations and Procurement Committee and the Risk Committee.

The committees are governed within their terms of references and delegated authorities.

The current membership of the committees as at 30 June 2005 is as follows:

AUDIT COMMITTEE

The Audit Committee was formally appointed by the City of Johannesburg in terms of Section 166 of the Municipal Finance Management Act.

- Ms Martie van Rensburg (Chairman)
- Ms Vanida Lennon
- Ms Jocelyn Armstrong
- Mr Neil Macleod

During the period up to 30 June 2005, the Audit Committee convened 5 times.

HUMAN RESOURCES AND REMUNERATION COMMITTEE

- Dr Nomonde Mabuya (Chairman)
- Mr Gerald Themba Dumas
(Managing Director)
- Mr Andries Tshabalala
- Mr Armstrong Ngcobo
- Ms Vanida Lennon
- Dr John Kilani (resigned 30 June 2005)
- Ms Rosalie Manning (resigned 9 September 2004)

During the period up to 30 June 2005, the Human Resources and Remuneration Committee convened 12 times.

OPERATIONS AND PROCUREMENT COMMITTEE

- Mr Neil Macleod (Chairman)
- Mr Gerald Themba Dumas (Managing Director)
- Dr Nomonde Mabuya
- Mr Armstrong Ngcobo
- Dr John Kilani (resigned 30 June 2005)

During the period up to 30 June 2005, the Operations and Procurement Committee convened 10 times.

RISK COMMITTEE

- Ms Jocelyn Armstrong (Chairman)
- Mr Gerald Themba Dumas (Managing Director)
- Ms Martie van Rensburg
- Mr Neil Macleod
- Dr John Kilani (resigned 30 June 2005)

During the period up to 30 June 2005 the Risk Committee convened 6 times.

MANAGEMENT

The management of the Company resided with the Executive Committee, under the Chairmanship of the late Ms Kulyk, Mr Wallace Mayne and since 17 January 2005, Mr Gerald Themba Dumas.

The Executive Committee comprises the Managing Director, Executive Managers and certain senior managers, as well as the executive component of JOWAM.

The Executive Committee convened 20 times during the year under review.

RECORD OF MEETINGS

Minutes of meetings of the Board, Standing Committees of the Board, Executive Committee, and the Employment Equity Committee have been confirmed and bound. The minutes are kept in a safe and copies are to be found in the library of the Secretariat.

RISK MANAGEMENT AND INTERNAL CONTROL

Internal controls have been designed to provide assurance that transactions are concluded in accordance with management's authority, and that assets are adequately protected against material loss of unauthorised acquisition, use or disposition, and that transactions are properly authorised and recorded.

Risk is managed by the Executive Committee under the guidance of the Managing Director.

The Executive Committee reports the Company's risk assessment to the Board on a quarterly basis.

All risk is managed and evaluated in terms of a Board approved policy and risk strategy.

Internal audit has designed its audit plan taking the risk overview into account to ensure that high-risk areas are adequately managed and controlled by management.

ENVIRONMENT, HEALTH AND SAFETY

Johannesburg Water (Pty) Ltd strives to conform to environmental, health and safety laws in its operations. The company's risk management activities continue to focus on compliance with key features of existing environmental, health and safety legislation and international standards.

REMUNERATION OF EXECUTIVE DIRECTORS AND NON-EXECUTIVE DIRECTORS

In compliance with Section 124 of the Municipal Finance Management Act No 56 of 2003, the emoluments for Directors are as follows:

Non-executive directors	Fees
Mr Andries Tshabalala	R174 250
Mr Neil Macleod	R156 000
Dr John Kilani	R172 250
Ms Jocelyn Armstrong	R118 250
Ms Vanida Lennon	R84 250
Ms Rosalie Manning (resigned 9 September 2004)	R26 000
Mr Armstrong Ngcobo (appointed on 14 January 2005)	R84 250
Dr Nomonde Mabuya (appointed on 14 January 2005)	R31 000
Dr Eustina Musvoto (appointed on 14 January 2005 and resigned 1 February 2005)	-
Ms v Rensburg <i>(An amount of R75 750 was paid to the Trans-Caledon Tunnel Authority for services rendered by Ms v Rensburg).</i>	-

Executive Directors	Salary	Allowance	Other
Mr Anthony Still (Executive Director) (resigned 1 August 2004)	R85 956	R4 171	R363 093
Mr Gerald Themba Dumas (Managing Director) (appointed 17 January 2005)	R355 099	R151 250	-

Executive Management	Salary	Allowance	Other
Mr M Padiaychee (Chief Financial Officer) (appointed 1 April 2005)	R141 900	R36 600	-
Mr A S Mahlangu (Executive Manager : Customer Services)	R418 600	R104 400	-
Ms V E Roos (Executive Manager Operations)	R512 000	R128 000	-
Mr B Trim (Executive Manager Capital Expenditure) (appointed 1 April 2005)	R127 919	R28 500	-
Mr WM Mayne (Executive Manager Corporate Affairs) (Resigned 31 January 2005)	R284 981	R65 136	R34 470
Ms H Kulyk (Acting Managing Director) (deceased 1 August, 2004)	R77 422	R10 078	-

Employment Equity

The 2004/05 financial year was the final year of the initial three year employment equity plan and numerical targets. A revised plan and three year numerical targets need to be developed for the next three years to address those areas that are critical. The major successes of the plan during the past three years was that barriers to Employment Equity were to a large extent addressed resulting in common conditions of service and the creation of physical access for the disabled in all administrative buildings. Numerical targets set have been achieved in most areas and the major drive in the future will be to increase gender representivity especially at the lower levels where females are under represented.

Skills Development

The company has over the past year successfully implemented its Skills Development Plan with most targets being exceeded. The fact that JW was transferred from the jurisdiction of the Local Government and Water Sectoral Training and Education Authority to the Energy Sectoral Training and Education Authority caused uncertainty. It is envisaged that the transfer will cause initial areas of constraint in view of the fact that the Energy SETA is orientated towards electricity and there are few if any unit standards available for the water industry. It is also of interest to note that municipal water services if not delivered by a municipal entity such as JW, remains at the Local Government SETA.

Staff Movement

During the year under review a total of 161 employees left the company for various reasons including retirement, resignation, dismissal, ill health or death.

A total of 263 new appointments were made mainly in the Customer Services environment as a result of the take over of customer accounts whilst 88 internal candidates were promoted into higher positions.

Performance Management

A performance management system for managers was rolled out during the year with all performance plans in place and targets agreed on. First assessments will follow the finalisation of year end results.