Section 4: Review of the Chief Financial Officer

The financial year from 1 July 2016 to 30 June 2017 has been a very challenging one, and has had the JPC finance team see the budget grow from R497 million to almost R1 billion in the 2017/18 financial year. Limited resources and the increased pressure placed on supply chain and debtors' management – through the takeover of the CoJ's 494 panel in the current year – has placed strain on the JPC's cash flow and has tested the finance team's ability to deliver on the CoJ's mandate.

In preparation for the financial year-end, Nexia SAB&T was utilised to determine the effectiveness of the internal control environment, leading up to the external audit by the Auditor-General in August 2017. Nexia SAB&T concluded that there were no findings across Finance, Supply Chain Management, Contract Management, Asset Management, Information Technology Management and Human Resources Management. This indicates that the control environment remains effective and that the entity is still on a road to obtaining a clean audit.

Expenditure has rapidly increased for repairs and maintenance during Quarter 4, as CoJ Departments sought to conclude their existing projects. Revenue generated for the year-to-date (YTD) is R432 million, which is 13% below the allocated budget of R497 million. JPC achieved full recovery of subsidy and grant income. Looking forward, the renewal of leases and the implementation of the Outdoor Advertising Strategy would see the income increasing by more than 50%.

JPC is currently owed R646 million from trade and intercompany debtors. This has hampered the cash position of the entity. As a result, the current ratio is 0.94:1, compared to the norm of 1:1. The sweeping account currently reflects as negative R166 million. The collection of outstanding intercompany money places JPC in a cash flow position of positive R479 million. JPC would have attained a target of approximately R10 million by the end of the financial year, but due to cash constraints in the City, City Departments could not honour their commitments.

The solvency ratio is 0.99:1 and debt collection stands at 74 days for external collections and 345 days for intercompany debtors. Remedial action and collaboration between the CoJ, JPC's Facilities Management and JPC's Finance is underway, with the intention of breaking even within the next financial year and having all outstanding internal debt collected by the end of the first quarter.

CAPEX is currently 100% spent, and plans to spend next year's budget for both CAPEX and 494 are underway, with the completion date set for the end of March 2018. This allows JPC to plan at least six months before the 2017/18 financial year-end.

No new deviations have been incurred and all those reported are a continuation of contracts that have been concluded by CoJ and which were handed over to JPC on integration. Reporting of deviations must take place in terms of the law, even if reporting of the same previously took place. The B-BBEE spent on is currently on a level of 100%.

Preparation for the 2016/17 financial year-end audit began at the conclusion of Quarter 2. Management intends on utilising and leveraging existing strengths in financial reporting and compliance to achieve another positive audit outcome. Metrics that were successfully employed in previous financial years to gauge the level of audit readiness, and to determine and mitigate risk areas for the audit, are in place.

Going forward, the emphasis will be placed on reducing the impact of unauthorised expenditure, significantly improving the financial position of the entity and maintaining high levels of internal controls to continuously achieve clean audits for the years to come.

IMRAAN BHAMJEE | Chief Financial Officer