

# **REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE AND THE COUNCIL ON JOHANNESBURG ROAD AGENCY SOC LTD**

## **Report on the financial statements**

### **Introduction**

1. I have audited the financial statements of Johannesburg Road Agency Soc Ltd set out on pages ... to ..., which comprise the appropriation statement, the statement of financial position as at 30 June 2014, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

### **Accounting officer's responsibility for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor-general's responsibility**

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my unqualified audit opinion.

## Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Johannesburg Road Agency Soc Ltd as at 30 June 2014 and its financial performance and cash flows for the year then ended, in accordance with SA standards of GRAP and the requirements of the MFMA and Companies Act.

## Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

### Significant uncertainties

8. The municipal entity is a defendant in various legal claims. A provision for any liability has been made in note 15 to the annual financial statements as there is a probability of an outflow of economic resources.
9. With reference to note 29 to the financial statements, the municipality is the defendant in various court cases. The ultimate outcome of these matters cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.

### Material impairment

10. As disclosed in note 5 to the financial statements, the receivables balance has been significantly impaired. The impairment of this balance amounted to R 56 484 282 (2012-13: R56 484 282 ), which represents 10.28% (2012-13: 20;11%) of the total trade and other receivables. The contribution to the provision for debt impairment for the current year under review was Rnil (2012-13: Rnil).

## Additional matters

11. I draw attention to the matters below. My opinion is not modified in respect of these matters :

### Unaudited disclosure notes

12. In terms of section 125(2)(e) of the MFMA the municipality entity is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

### Unaudited supplementary schedules

13. The supplementary information set out on pages xx to xx do not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

## Other reports required by the Companies Act

14. As part of our audit of the financial statements for the year ended 30 June 2014, I have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports I have not identified material inconsistencies between the reports and the audited financial statements in respect of which I have expressed a unqualified opinion. I have not audited the reports and accordingly do not express an opinion on them.

## Report on other legal and regulatory requirements

15. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings relevant to the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

## Predetermined objectives

16. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected development priorities presented in the annual performance report of the municipality for the year ended 30 June 2014:
  - Programme 1 – Road Management Programme pp. x - x
  - Programme 3 – Traffic and Mobility Programme pp. x - x
17. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
18. I evaluated the usefulness of the reported performance information to determine whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned development priorities. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information*).
19. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
20. I did not raise any material findings relating to the usefulness and reliability of the reported performance information for the selected programmes.

## **Additional matters**

21. Although I raised no material findings on the usefulness and reliability of the reported performance information for the selected programmes, I draw attention to the following matters:

### **Achievement of planned targets**

22. Refer to the annual performance report on pages xx to x to xx; for information on the achievement of planned targets for the year.

### **Adjustment of material misstatements**

23. I identified material misstatements in the annual performance report submitted for auditing of the reported performance information for Programme 2: Road Management Programme. As management subsequently corrected the misstatements, I did not raise material findings on the usefulness and reliability of the reported performance information.

### **Compliance with legislation**

24. I performed procedures to obtain evidence that the municipal entity had complied with applicable legislation regarding financial matters, financial management and other related matters.
25. I did not identify any instances of material non-compliance with specific matters in key applicable legislations as set out in the general notice issued in terms of the PAA.

### **Internal control**

26. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies resulted in the findings on the annual performance report included in this report.

### **Financial and performance management**

27. Management did not prepare regular, accurate and complete performance reports that are supported and evidenced by reliable and accurate information.

## **Other reports**

### **Investigations**

28. The entity has three internal investigations in progress and three investigation completed for the financial year under review. The nature of the cases relate to minor theft of inventory and assets.

Auditor General

Johannesburg

30 November 2014



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*