REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE AND THE COUNCIL OF THE CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY ON THE CITY OF JOHANNESBURG PROPERTY COMPANY (SOC) LIMITED

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the City of Johannesburg Property Company (SOC) Limited, which comprise the statement of financial position as at 30 June 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information, and the directors' report as set out on pages xx to xx.

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), 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 management determines 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. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), section 126(3) of the Municipal Finance Management Act of South Africa, 2003 (Act No.56 of 2003) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with International Standards on Auditing and General Notice *1111 of 2010* issued in Government Gazette *33872 of 15 December 2010*. 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.

5. 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.

6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the City of Johannesburg Property Company (SOC) Limited as at 30 June 2011, 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 the Companies Act.

Emphasis of matters

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

Restatement of corresponding figures

9. As disclosed in note 30 to the financial statements, the corresponding figures for 30 June 2010 have been re-stated as a result of errors discovered during the current financial year relating to the prior year.

Impairments

10. As disclosed in note 9 to the financial statements, material losses to the amount of R713 244 were incurred as a result of write-down of furniture and fittings.

Additional matter

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

Unaudited supplementary schedules

12. The supplementary information set out on pages xx to xx does 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

13. In accordance with the PAA and in terms of *General Notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010,* I include below my findings on the annual performance report as set out on pages xx to xx and material non-compliance with laws and regulations.

Report on predetermined objectives

Reliability of information

14. The following criteria is relevant to the finding below:

    - Accuracy: The amounts, numbers and other data relating to reported actual performance have not been recorded and reported appropriately

15. The following audit finding relates to the above criteria:

The validity, accuracy and completeness of reported performance against targets could not be confirmed as inadequate supporting source information was provided

- For the selected objectives the accuracy of 25% of the reported targets could not be established as sufficient appropriate audit evidence could not be provided.

Compliance with laws and regulations

Annual financial statements, performance and annual reports

16. The financial statements submitted by the municipality and its entities for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of property, plant and equipment and expenditure items identified by the auditors were subsequently corrected resulting in the financial statements receiving an unqualified audit opinion.

INTERNAL CONTROL

17. In accordance with the PAA and in terms of *General Notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Financial and performance management

18. No proper implementation of controls over daily and monthly processing of transactions and reconciling of transactions.

19. Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information are not prepared.

Auditor General

Johannesburg

30 November 2011

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence