

REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE  
AND THE COUNCIL OF THE CITY OF JOHANNESBURG METROPOLITAN  
MUNICIPALITY ON JOHANNESBURG SOCIAL HOUSING COMPANY SOC LTD

REPORT ON THE FINANCIAL STATEMENTS

**Introduction**

1. I have audited the financial statements of the Johannesburg Social Housing Company SOC Ltd set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and 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) 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 audit opinion.

**Opinion**

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Johannesburg Social Housing Company SOC Ltd as at 30 June 2012, 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.

**Emphasis of matters**

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

#### **Leasing of rental stock**

8. As disclosed in note 21 to the financial statements, the entity had an operating lease resulting from the service delivery agreement entered with the City of Johannesburg Metropolitan Municipality. In terms of the service delivery agreement the City of Johannesburg Metropolitan Municipality leased out the rental stock at zero value for an unidentifiable period and the rental income received was not shared between the parties as it was part of the Johannesburg Social Housing Company SOC Ltd's operational budget.

#### **Material impairment**

9. As disclosed in note 6 to the financial statements, receivables totalling R81 627 943 (2011: R64 532 167) have a provision for debt impairment of R25 803 393 (2011: R18 817 971), this represents 32% (2011: 29%) of the balance. The contribution to the provision for debt impairment during the year under review was R7 972 083 (2011: R8 362 771).

#### **Additional matters**

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

#### **Unaudited supplementary schedules**

11. 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.

#### **Other reports required by the Companies Act**

12. As part of my audit of the financial statements for the year ended 30 June 2012, 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. I have not audited the reports and accordingly do not express an opinion on them.

#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

13. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

#### **Predetermined objectives**

14. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages xx to xx of the annual report.
15. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

16. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

#### **Compliance with laws and regulations**

17. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters.
18. I did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA.

#### **Internal control**

19. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations.
20. I did not identify any deficiencies in internal control which we considered sufficiently significant for inclusion in this report.

Auditor-General

Johannesburg

29 November 2012



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*