Auditor’s report
Johannesburg City Parks
30 June 2015
Report of the auditor-general to the Gauteng provincial legislature and the council of the city of Johannesburg Metropolitan Municipality on the Johannesburg City Parks NPC

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Johannesburg City parks NPC set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2015, the statement of financial performance, statement of changes in net assets, cash flow statement and the appropriation statement 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 Financial Management Act of South Africa 2003 (Act No. 56 of 2003)(MFMA) and 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 audit opinion.
Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Johannesburg City Parks NPC as at 30 June 2015 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.

Restatement of corresponding figures

8. As disclosed in note 31 to the financial statements, the corresponding figures for the financial year ended 30 June 2014 have been restated as a result of an error discovered during 2015 financial year in the financial statements of the entity for the year ended 30 June 2015.

Significant uncertainties

9. With reference to note 28 to the financial statements, the municipal entity is the defendant and a claimant in a number of claims. The ultimate outcome of the matters cannot presently be determined and no provision for any liability or asset that may result has been made in the financial statements.

Material impairments

10. As disclosed in note 21 to the financial statements, material losses to the amount of R14 513 000 were incurred resulting in an increase in the provision for bad debts in the current year from an amount of R3 344 000 in the prior year, due to certain debtors defaulting on their accounts, as disclosed in note 5 to the financial statements.

Additional matters

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

Unaudited supplementary information

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. We have not audited this schedule and, accordingly, we do not express an opinion thereon.
Other reports required by the Companies Act

13. As part of our audit of the financial statements for the year ended 30 June 2015, 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.

Unaudited disclosure notes

14. In terms of section 125(2) (e) of the MFMA the municipal 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.

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 on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, non-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 objectives presented in the annual performance report of the Johannesburg City Parks NPC for the year ended 30 June 2015:

- Sustainable human settlement management
- Greening
- Conservation area maintenance
- Parks maintenance
- Cemetery maintenance
- Zoo maintenance

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 was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. 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 on the usefulness and reliability of the reported performance information for the selected objectives.

Additional matters

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

Achievement of planned targets

22. Refer to the annual performance report on pages ... to ..., for information on the achievements 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 selected objective: Sustainable human settlements. As management subsequently corrected the misstatements, I did not raise material findings on the usefulness and reliability of the reported performance information.

Material inconsistencies in other information included in the annual report

24. The draft annual report as well as the final printer's proof of the annual report will be reviewed and any material inconsistencies then identified will be communicated to management. Should the inconsistencies not be corrected, it may result in the matter being included in the audit report.

Compliance with legislation

25. I performed procedures to obtain evidence that the municipal entity had complied with applicable legislation regarding financial matters, financial management and other related matters.

26. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:
Annual financial statements

27. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements on employee costs, commitments and payables were identified by the auditors in the submitted financial statement were subsequently corrected and resulting in the financial statements receiving an unqualified audit opinion.

Internal control

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 that resulted in the findings on the annual performance report and the findings on non-compliance with legislation included in this report.

Leadership

28. The accounting officer did not adequately perform oversight responsibility over financial and performance reporting resulting in material adjustments required on the annual financial statements, annual performance report and findings on non-compliance with MFMA.

Financial and performance management

29. The annual financial statements were subject to misstatements as identified during the audit due to inadequate review. Misstatements in the annual report were mainly as a result of a lack of adequate segregation of duties.
OTHER REPORTS

Investigations

30. An investigation into alleged fraudulent activities and possible non-compliance with the supply chain management practices for the 2013/14 financial year was conducted internally by entity. The reports of the completed investigation were presented to management and certain of the recommendations from the investigations were implemented by management.

31. The entity is currently investigating certain allegations of possible financial irregularities and possible fraudulent activities within the entity.

Auditor-General

Johannesburg
30 November 2015

Audit to build public confidence