

REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE GROUP FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2008

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying group financial statements of the City of Johannesburg Metropolitan Municipality which comprise the consolidated and separate statement of financial position as at 30 June 2008, consolidated and separate statement of financial performance, consolidated and separate statement of changes in net assets and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the accounting officer's report, as set out on pages [xx] to [xx].

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 to the financial statements, and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004). My responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on 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 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.
6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
7. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the City of Johannesburg Metropolitan Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

9. The municipality's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 to the financial statements.

Opinion

10. In my opinion the financial statements present fairly, in all material respects, the financial position of the City of Johannesburg Metropolitan Municipality and group as at 30 June 2008 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by National Treasury, as set out in accounting policy note 1 to the financial statements and in the manner required by the MFMA.

Emphasis of matters

Without qualifying my audit opinion, I draw attention to the following matters:

Significant uncertainties

11. With reference to note 46 to the financial statements, the municipality is a defendant in various litigation claims. The ultimate outcome of the matters could not be determined, and no provision for any liability that may result has been made in the financial statements.

Irregular, fruitless and wasteful expenditure

12. As disclosed in note 52 to the group financial statements, irregular, fruitless and wasteful expenditure amounting to R22 426 000 (2007: 261 000) was incurred.

Restatement of corresponding figures

13. As disclosed in note 48 to the group financial statements, the corresponding figures for the year ended 30 June 2007 were restated as a result of errors discovered during the year ended 30 June 2008 in the group financial statements of the City of Johannesburg Metropolitan Municipality at, and for the year ended 30 June 2007.

OTHER MATTERS

Without qualifying my audit opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Matters of governance

14. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matter of governance	Yes	No
Audit committee		
• The municipality had an audit committee in operation throughout the financial year.	X	
• The audit committee operates in accordance with approved, written terms of reference.	X	
• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.	X	
Internal audit		
• The municipality had an internal audit function in operation throughout the financial year.	X	
• The internal audit function operates in terms of an approved internal audit plan.	X	
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA	X	
Other matters of governance		
The annual financial statements were submitted for audit as per the legislated deadlines in section 126 of the MFMA.	X	
The annual report was submitted to the auditor for consideration prior to the date of the auditor's report.	X	
The financial statements submitted for audit were not subject	X	

Matter of governance	Yes	No
to any material amendments resulting from the audit.		
No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.	X	
The prior year's external audit recommendations have been substantially implemented.	X	

Unaudited supplementary schedules

15. 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 REPORTING RESPONSIBILITIES

REPORT ON PERFORMANCE INFORMATION

16. I have reviewed the performance information as set out on pages xx to xx.

Responsibility of the accounting officer for the performance information

17. In terms of section 121(3)(c) of the MFMA, the annual report of the municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

Responsibility of the Auditor-General

18. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*.
19. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate audit evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
20. I believe that the evidence obtained is sufficient and appropriate to provide the basis for the audit finding reported below.

Audit finding (performance information)

Inconsistent reporting of performance information

21. Municipal circular No. 11 issued on 14 January 2005 page 2 paragraph 1 "requires that the annual reports must be aligned with the planning documents and the municipal budget for the year reported on to facilitate easy understanding and to enable the linkage between the plans and the actual performance". Contrary to this requirement; even though the Annual Performance Report and the Integrated Development Plan (IDP) were aligned, the municipality's performance planning documents (Budget and Service Delivery and Budget Implementation Plan (SDBIP)) did not include the predetermined performance objectives as stated in the Integrated Development Plan (IDP). However the IDP and SDBIP for the 2008-09 financial year were aligned.

OTHER REPORTS

Investigations

22. As reported in the prior year, the Johannesburg Metropolitan Bus Services investigation that related to the unaccounted for bank account with a balance of R7 973 was still in progress at the date of this report.
23. The municipality conducted 84 forensic investigations for the year under review, all of which have been completed. Investigations ranged from procurement to general financial management issues.

APPRECIATION

24. The assistance rendered by the staff of the City of Johannesburg Metropolitan Municipality during the audit is sincerely appreciated.

Johannesburg

19 December 2008



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