

REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE BRAKPAN BUS COMPANY (PTY) LTD

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Brakpan Bus Company (Pty) Ltd, 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 accounting officer's 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 Practise (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act, 2003 (Act No.56 of 2003) (MFMA) and Companies Act, 2008 (Act No. 71 of 2008) 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 and section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), 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 Brakpan Bus Company (Pty) Ltd as at 30 June 2011, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Account Practice and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) and the Companies Act, 2008 (Act No. 71 of 2008).

Emphasis of matters

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

Irregular expenditure

9. As disclosed in note 31 to the financial statements, irregular expenditure to the amount of R409 545 was incurred, as proper supply chain management processes had not been followed.

Going concern

10. Note 19 to the financial statements indicated that the entity had an interim contract with the Department of Transport for the provision of passenger transport services. The interim contract was extended until 31 March 2012 and subsequently it will be extended on a month to month basis. The company's inability to secure a long term contract indicated the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

11. 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 applicable to the municipal entity.

Predetermined objectives

12. There were no material findings on the report of pre-determined objectives as set out on pages xx to xx.

Compliance with laws and regulations

Procurement and contract management

13. Contrary to regulation 13(b) of the supply chain management policy, the accounting officer did not perform his responsibilities of obtaining tax clearance certificates from South African Revenue Service to ensure that tax matters of service providers used are in order.

Annual financial statements

14. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 (1) of the MFMA. Material misstatements of capital assets and disclosure items identified by the auditors were subsequently corrected resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

15. The accounting officer did not take reasonable steps to prevent irregular expenditure, as required by section 95(d) of the MFMA.

INTERNAL CONTROL

16. 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 compliance with laws and regulations included in this report.

Leadership

17. The accounting officer did not exercise adequate oversight to ensure compliance with all laws and regulations and preparation of financial statements.

Financial and performance management

18. Management did not exercise adequate oversight to ensure compliance with all laws and regulations and preparation of financial statements.

Governance

19. No matters to report.

Auditor - General

Johannesburg
30 November 2011



AUDITOR - GENERAL
SOUTH AFRICA

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