

# **Report of the auditor-general to the Gauteng Provincial Legislature and the council on Germiston Phase II Housing Company SOC Ltd**

## **Report on the financial statements**

### **Introduction**

1. I have audited the financial statements of the Germiston Phase II Housing Company SOC Ltd 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, statement of comparison of budget and actual 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 the 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), 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 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 municipal 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 municipal 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 Germiston Phase II Housing Company SOC Ltd as at 30 June 2015 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the MFMA and Companies Act.

## Emphasis of matter

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

## Amalgamation of related entities

8. With reference to note 23 to the financial statements, it should be noted that the Board has passed a resolution on 30 June 2015 to proceed with amalgamating the following related parties into a single company, namely:
  - Ekurhuleni Development Company (SOC) Ltd,
  - Pharoe Park Housing Company (SOC) Ltd,
  - Phase II Housing Company (SOC) Ltd and
  - Lethabong Housing Institute (SOC) NPC.
9. The key operations of these entities will continue to function normally in the single entity, and will prevent a duplication of functions and result in alignment with SHRA funding requirements. The financial effect of the amalgamation can however not be quantified at reporting date. Due to the material uncertainty of the timing, funding and cost of the amalgamation process, management is of the opinion that this will not affect the entity's ability to continue as a going concern for financial statement reporting purposes.

## Additional matters

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

## Other reports required by the Companies Act

11. As part of my audit of the financial statements for the year ended 30 June 2015, I have read the Directors' responsibility and approval and the Directors' Report for the purpose of identifying whether there are material inconsistencies between the 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 these reports and accordingly do not express an opinion on them.

## Unaudited disclosure notes

12. 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

13. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, compliance with legislation and 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**

14. 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 municipal entity for the year ended 30 June 2015:
- Objective 1: Number of new units constructed to accommodate social housing target market on pages x to x
  - Objective 2: Revenue collected as a percentage of amount billed for the year excluding arrears on pages x to x
  - Objective 4: Effective management of existing stock on pages x to x
15. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
16. 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 (FMPPI)*.
17. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
18. I did not identify any material findings on the usefulness and reliability of the reported performance information for the selected objectives.

### **Compliance with legislation**

19. I performed procedures to obtain evidence that the municipal entity had complied with applicable legislation regarding financial matters, financial management and other related matters.
20. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

## Internal control

21. I considered internal control relevant to my audit of the financial statements, the performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

*Auditor General*  
Johannesburg

30 November 2015



AUDITOR GENERAL  
SOUTH AFRICA

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