

# Report of the auditor-general to 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 City Parks NPC set out on pages xx to xx, which comprise, the statement of financial position as at 30 June 2014, the statement of financial performance, statement of changes in net assets, the cash flow statement, the statement of comparison of budget information with actual information 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 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 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 2014, and its financial performance and cash flow statement 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.

## **Restatement of corresponding figures**

8. As disclosed in note 32 to the financial statements, the corresponding figures for 30 June 2013 have been restated as a result of errors discovered during 30 June 2014 in the financial statements of the entity.

## **Additional matters**

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

## **Unaudited supplementary schedules**

10. 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.

## **Report on other legal and regulatory requirements**

11. 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**

12. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected development priorities presented in the annual performance report of the entity for the year ended 30 June 2014:
  - Investment attraction, retention and expansion
  - SMME & Entrepreneurship Development and Support; and Green Economy
  - Agriculture and Food security

- Sustainable human Settlements; and Resource resilience
- Active and Engaged Citizenry
- Smart City
- Conservation Areas Maintenance
- Parks Maintenance
- Animal Husbandry
- Cemetery Maintenance
- Environmental Compliance
- Environmental Education

13. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

14. I evaluated the usefulness of the reported performance information to determine whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned development priorities. 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)*.

15. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

### **Investment attraction, retention and expansion**

16. I did not raise any material findings relating to the usefulness and reliability of the reported performance information for Investment attraction, retention and expansion programme.

### **SMME & Entrepreneurship Development and Support; and Green Economy**

17. I did not raise any material findings relating to the usefulness and reliability of the reported performance information for SMME & Entrepreneurship Development and Support; and Green Economy programme.

### **Agriculture and Food security**

18. I did not raise any material findings relating to the usefulness and reliability of the reported performance information for Agriculture and Food security programme.

### **Sustainable human Settlements; and Resource resilience**

19. I did not raise any material findings relating to the usefulness and reliability of the reported performance information for Sustainable human Settlements; and Resource resilience programme.

## **Active and Engaged Citizenry**

20. I did not raise any material findings relating to the usefulness and reliability of the reported performance information for Active and Engaged Citizenry programme.

## **Smart City**

21. I did not raise any material findings relating to the usefulness and reliability of the reported performance information for Smart City programme.

## **Conservation Areas Maintenance**

22. I did not raise any material findings relating to the usefulness and reliability of the reported performance information for Conservation Areas Maintenance programme.

## **Parks Maintenance**

23. I did not raise any material findings relating to the usefulness and reliability of the reported performance information for Parks Maintenance programme.

## **Animal Husbandry**

24. I did not raise any material findings relating to the usefulness and reliability of the reported performance information for Animal Husbandry programme.

## **Cemetery Maintenance**

25. I did not raise any material findings relating to the usefulness and reliability of the reported performance information for Cemetery Maintenance programme.

## **Environmental Compliance**

26. I did not raise any material findings relating to the usefulness and reliability of the reported performance information for Environmental Compliance programme.

## **Environmental Education**

27. I did not raise any material findings relating to the usefulness and reliability of the reported performance information for Environmental Education programme.

## **Additional matter**

28. I draw attention to the following matter:

## **Achievement of planned targets**

29. Refer to the annual performance report on pages x to x; x to x; x to x and x to x for information on the achievement of planned targets for the year.

## **Compliance with legislation**

30. 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. My findings on 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 are as follows:

## **Annual financial statements**

31. 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 property, plant and equipment, inventory, related parties, trade payables and operating lease commitments identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

## **Assets management**

32. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2) (a) of the MFMA.

## **Procurement and contract management**

33. Awards were made to providers who are persons in service of other state institutions or principal shareholders are persons in service of other state institutions, in contravention of Supply Chain Management (SCM) regulation 44.
34. Invitations for competitive bidding were not always advertised for a required minimum period of days, as required by SCM regulation 22(1) & 22(2).

## **Expenditure management**

35. Money owing by the municipal entity was not always paid within 30 days or an agreed period, as required by section 99(2) (b) of the Municipal Finance Management Act.

## **Internal control**

36. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on the annual financial statements, annual performance report and compliance with laws and regulations included in this report.

## **Leadership**

37. The accounting officer did not adequately exercise oversight responsibility regarding financial and performance reporting. The municipal entity did not have sufficient monitoring controls to ensure that financial and performance reports submitted for audit are accurate and complete.

## **Financial and performance management**

38. There is lack of proper record management system that provides for the maintenance of information reported in the financial statements and performance reporting. Non-compliance with laws and regulations such as the MFMA and SCM regulations could have been prevented had compliance been properly reviewed and monitored.

## Other reports

### Investigations

39. Management is awaiting an outcome from the Special Investigative Unit (SIU) regarding cases of alleged financial misconduct.

*Auditor - General*

Johannesburg

30 November 2014



AUDITOR - GENERAL  
SOUTH AFRICA

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