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COJ: AUDIT COMMITTEE**

**SHAREHOLDER UNIT
(OFFICE OF THE DIRECTOR)**

**REPORT FOR THE TABLING OF THE MUNICIPAL ENTITIES 2004/05
ANNUAL REPORTS**

1 STRATEGIC THRUST

Good Governance.

2 OBJECTIVE

To table the 2004/05 Annual Report of the Municipal Entities to the Council in compliance with Section 121(1) of the Municipal Finance Management Act, 56 of 2003 (MFMA) and Section 46 of the Municipal Systems Act, 32 of 2000 (as amended) (MSA) for consideration in accordance with Section 129 of the MFMA.

Reporting on the municipal entities is in the following order:

Utilities

- City Power
- Water
- Pikitup

Agencies

- Johannesburg Roads Agency
- City Parks
- Johannesburg Development Agency
- Johannesburg Social Housing Company
- Metro Trading Company
- Johannesburg Tourism Company

Corporates

- Metrobus
- Johannesburg Fresh Produce Market
- Johannesburg Property Company
- Johannesburg Zoo
- Civic theatre
- Roodepoort Theatre

3 SUMMARY

The promulgation of the MFMA marked the completion of the transformation of the local government sphere at the legislative level. The MFMA was designed with the intention of modernising budgeting and financial management, while concomitantly promoting transparency and accountability in municipal finance. The MSA requires municipalities and their municipal entities to prepare annual performance reports reflecting their performance, based on the approved Integrated Development Plan. Such annual performance reports must form part of the municipality's and its entities' Annual Report in terms of the MFMA. In terms of section 121(1) of the MFMA, every municipality and its entity must prepare an Annual Report for each financial year.

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The MFMA and MSA, read together, seek to promote financial and performance reporting by municipalities and their entities in a single and integrated annual report respectively. The annual report is also understood to be an instrument for financial and performance corrective action in subsequent years. Finally, the rigorous requirement for preparation and adoption of financial statements, performance reports and the annual report as a whole, is intended to enhance transparency, accountability and good governance.

The 2004/05 Municipal Entities Annual Reports reflect on the performance of the each entity for the period 1 July 2004 to 30 June 2005. The purpose of an Annual Report, pursuant to Section 121(2), is to (a) provide a record of activities of the municipal entity; (b) report on performance against the budget; and (c) promote accountability to the local community for the decisions made by the municipal entity throughout the year.

Section 128 of the MFMA provides that the Accounting Officer of the parent municipality must monitor whether the municipal entity has complied with the provisions of Section 121(1) and 126 (2). Below are assessments of each entity's compliance with these provisions. To a large extent the 2004/05 Municipal Entities Annual Reports comply with the above provisions of the MFMA.

The annual reports were tested against the prescripts found in the MFMA, Companies Act and King 2 Code on Corporate Governance generally and the comments are attached herewith as Annexures A to O representing each of the companies. In addition, the annexures contain an executive summary on the salient features of the issues as they pertain to each company. The issues discussed therein relate to financial performance and sustainability of the entities, the general performance against service delivery obligations and a brief of issues raised by the Auditor-General in his report that have to be brought to the attention of the parent municipality.

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ANNEXURE "A"

City Power

EXECUTIVE SUMMARY

Sustainability

Going Concern Issues

The Directors do not believe that there is any impairment of goodwill or property, plant and equipment as the company is expected to continue to generate positive flow from operations in the future.

However, should the billing and cash collection performance of the City of Johannesburg Revenue Management Unit be impaired and/or should the business not be allowed to recover increases in the cost of supply by way of reasonable tariff increases, this will have an extremely negative impact on the operating income, the solvency of the business and the valuation of goodwill and property, plant and equipment.

The shareholder has agreed to subordinate as much of its loan account with the company as is necessary to cover anticipated future losses to enable the company to trade as a going concern.

City Power has made a profit after tax of R103m, which is on par with previous year results. The revenue of R3,3 bn is made up of connection fees, sale of prepaid metered vouchers and invoiced value of goods supplied to customers. The main reason for the R103m profit was attributed to the positive purchase price variance from Eskom as well as connection fees.

Subordination

None

Liquidity; Solvency

City Power manages liquidity risk by aggressive management of working capital and cash flows. It is liquid to the value of R800m. City Power is solvent by R313m

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Audit Issues

Audit Opinion: Qualified opinion

Completeness of revenue and debtors: weaknesses in respect of the completeness of the customer database.

Intangible assets: Shareholders interest & differed tax disclosed on the annual financial statement were misstated

Property, plant and equipment: fixed asset register for movable & immovable assets was incomplete.

Consumer debtors written off: evidence could not be presented to verify the validity, completeness & accuracy of the amount written off.

Disclaimers

Because of the significant matters raised in the qualifications, the auditors do not express an opinion

Emphasis of Matter

Registration of freehold land and buildings – The Sale of business showing Land and buildings valuing R3,2m has still not been registered

Electricity Distribution Loss - There was a difference between electricity purchased of 11,727 bn kwh and electricity sold of 10,278 bn kwh, representing a distribution loss of 12,36 %.

Intra-Company confirmations- Differences for Jhb Water totaling R2,2m and JRA totaling R286k

Accruals – An accrual to Ekurhuleni Metro Council of R3m which is not supported by an invoice/statement

Compliance with laws and regulations – Property plant and equipment, Service Delivery agreements, Remuneration packages, VAT.

Weaknesses in internal control is as follows: projects not approved by the audit committee, poor segregation of duties, Business continuity plan is not finalised, Long outstanding creditors of R44m, Weaknesses in the computer information technology environment, No provision for all post retirement benefits. The future financial impact on RED's could not be quantified, Debtors days at 160 days, late submission of AFS on 6 December 2005.

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Performance Highlights

Service delivery

Collection levels for all customer categories exceeded targets and were a major contributor to the improved profitability of the business

There was a major reduction in the levels of billing losses compared to the prior year target. This resulted in improved turnover.

Excluding outages City Power exceeded the NER standards for quality of supply.

The measure of disability injuries for employees (DIFR) showed a significant reduction from the prior year and was in line with the target.

There was a highly successful roll out of the HIV/Aids Voluntary Testing Programme.

The levels of BEE procurement were higher than last year and in line with the target.

The level of procurement on engendered companies was higher than last year and target.

Fault restoration times were in line with targets, which was commendable in light of the large number of outages.

The company successfully spent the extremely large capital budget, and was a major contributor to the good overall performance of the City in this regard.

City Power has won the NOSA 4-star platinum award for safety in the Northern region of supply

City Power has also achieved the NOSA 5 star system in sector E.

Meter reading improved while account- related complaints were reduced and 99% of customers are now billed accurately

NRS 048 is 93 % achieved against target of 75%

60% of total public lighting capex is allocated to refurbishment and 40% to new installations
R40,7m was allocated to free basic electricity

Legislative compliance

SOURCE	REQUIREMENTS	COMMENTS
S121(4)(a)	The submission of annual financial statements (AFS) to Auditor-General (AG) for audit in terms of section 126(2).	City Power's AFS for the year under review were approved by the Board of Directors and submitted to the Auditor General on 31 August 2005. Due to significant audit findings they were amended and re-submitted on 6 December 2005.
S121(4)(b)	The Auditor General's audit report on the financial statements in terms of section 126(3).	The audit report of the Auditor General dated 8 December 2005 was submitted to City Power. The issues raised in the report are discussed in the Executive Summary above.
S121(4)(c)	An assessment by the entity's Accounting Officer of any arrears on municipal taxes and service charges.	City Power has provided its debtors' age analysis as at 30 June 2005 in its Annual Report.

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S121(4)(d)	An assessment by the entity's Accounting Officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement (or other agreement).	The Annual Report contains a discussion in respect of the Performance Scorecard. This aspect deals with: <ul style="list-style-type: none"> • Contribution to the IDP; • Compliance with the SDA; • Contribution to the City's Scorecard; • Contribution to the Mayor's Strategic Agenda; • Key achievements; • Key challenges; and • Recommendations for consideration in 2005/06.
S121(4)(e)	Particulars of any corrective action taken or to be taken in response to the Auditor General's audit report.	The City Power's Annual Report contains responses to the Auditor General's report and corrective actions taken or to be taken.
S121(4)(f)	Information determined by the municipal entity or the parent municipality:- <ul style="list-style-type: none"> • Corporate Social Responsibility (CSR) • Occupational Health & Safety (OHS) • HIV/AIDS • Environmental Management (EM) Batho Pele 	Chapter 6 of the Annual Report provides information on the entity's initiatives on the reporting areas prescribed by the parent municipality.
S121(4)(g)	Recommendations of the audit committee of the entity or its parent municipality.	City Power has provided the Board minutes containing recommendations on issues raised on the AFS report.
S121(4)(h)	Other prescribed information:- <ul style="list-style-type: none"> • Staff salaries, wages, allowances and benefits. 	City Power's Annual Report provides the profile of the company's employees and total salaries.
S123(2)	The annual financial statements of the entity must disclose any allocations received by the entity from any parent municipality and any allocations made to the parent municipality.	City Power has disclosed the allocations received under Note 10 of the AFS.
124(2)	The notes to the annual financial statements must include the particulars of the salaries, allowances and benefits of- <ul style="list-style-type: none"> • the members of the board of the entity; and 	The Annual Report provides particulars of the emoluments of the Non-Executive Directors of the company. The Annual Report provides particulars of the remuneration of the Executive Director and senior management.

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	<ul style="list-style-type: none"> the Chief Executive Officer of the entity, every senior manager. 	
S125(2)(a)	Disclosure in respect of each bank account held by the municipal entity during the relevant financial year.	City Power has disclosed the bank accounts held as at 30 June 2005 in the Notes to its AFS (Note 23)
S125(2)(b)	Summary of all investments of the municipal entity as at the end of the financial year.	All investments are reflected in the City's consolidated financial statements as per the City's policy.
S125(2)(c)	Particulars of any contingent liabilities of the municipal entity as at the end of the financial year.	Note 6 of the AFS reflect a nil balance on City Power's derivative financial instruments. There is no disclosure of contingency liabilities in the AFS.
S125(2)(d)	Material losses, irregular or fruitless and wasteful expenditure.	No material losses, irregular or fruitless and wasteful expenditure were identified for the year under review.
S125(2)(e)	Particulars of non-compliance with the MFMA.	<p>The Auditor General has found that City Power does not comply with the following provisions of the MFMA:</p> <ul style="list-style-type: none"> S89(a) dealing with the determination of upper limits for remuneration of CEO and senior management. <i>This is the responsibility of the parent municipality and the City is currently involved in the process of reviewing its remuneration philosophy and policies in order to determine the upper limits. This process will be finalized before the end of the current financial year.</i> S87 dealing with the signature of the service delivery agreement. <i>In the company's report on page 19, City Power has provided corrective actions on how this issue of non-compliance will be dealt with in the current year.</i>

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		<ul style="list-style-type: none">• S96 dealing with the management of the fixed asset register. <i>In the company's report on page 19, City Power has provided corrective actions on how this issue of non-compliance will be dealt with in the current year.</i>
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ANNEXURE "B"

Johannesburg Water

EXECUTIVE SUMMARY

Sustainability

Going Concern Issues

The ability of Johannesburg Water to continue as a going concern is dependent upon ongoing funding from the City of Johannesburg Metropolitan Municipality.

Subordination

Yes. Value subordinated: R649, 9m

Liquidity, Solvency

The City approved a turnaround strategy to ensure continued sustainability. Although JW has made a profit for the year under review, the profit has not solved the solvency problems experienced by JW hence the subordinated R649, 9 million.

JW is liquid to the value of R1, 1m

Capital Expenditure

JW spent 95% of its capex budget

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Audit Issues

Audit opinion: Qualified opinion

1. **Opening Balances:** It was not possible to assess the impact of prior year adjustments on the results of the operations for the year under review.
2. **Statement of changes in equity:** It was not possible to express an opinion on the completeness and accuracy of inter-company collections by the CJMM totaling to R58, 0 m.
3. **Inventory:** the company did not conduct a physical count of all inventories.
4. **Completeness of revenue:** controls not in place to reconcile the properties reflected in the Geographic Information System reports.
5. **Indigent debtors written off:** Debtor's classified as indigent totaling R358,4 million were not written off
6. **Ageing of debtors:** tests of detail revealed numerous unexplained differences in the ageing of debtors.
7. **Impairment of assets:** in terms IAS 36, the exercise to consider adverse effects from the economic environments and the impact of the carrying value of assets was not conducted.

Emphasis of Matter:

1. **Going concern:** dependent upon ongoing funding from CJMM.
2. **Property, plan and equipment:** the company did not perform or complete physical asset verification during the year under review.
3. **Registration of freehold land and buildings:** freehold land, buildings and servitudes to the value of R147, 0 million purchased from the CJMM were not yet transferred into the register and name of JHB Water Park.
4. **Amounts due from the CJMM:** confirmation was not received from the CJMM to confirm the existence and recoverability of an amount of R1, 8 million
5. **Inter-company consumer debtors:** confirmations were not received from inter-company consumer debtors to confirm the accuracy, existence and recoverability of an amount of R2, 0 million.
6. **Debtors:** consumer debtors increased by 1,0%. Debtors amounting to R2 699.3 million remained outstanding for 180 days and longer.
7. **Unaccounted for water:** loss of unaccounted water amounted to R417, 6 million.
8. **Non-compliance with the MFMA, 2003 (Act No. 56):** Evidence could not be obtained to determine the upper limits of the salary of the CEO and Senior Managers.
9. **Non-compliance with Companies Act, 1973 (Act No 61):** the company did not maintain a formal register of director's interest in contracts.
10. **Post-retirement benefits:** Provision was not made for any further obligations, which might arise once the surplus, or deficit per entity is determined.
11. **Weaknesses in the computer information technology:** a number of weaknesses that could compromise the overall integrity, reliability and availability of the operating and processing environment.

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Performance Highlights

<p>Delivery</p> <ul style="list-style-type: none"> ➤ Successful implementation of the turnaround strategy ➤ Successful Migration of meter reading, billing, customer query resolutions and data quality control ➤ Migration of Sandton customer data base ➤ Successful implementation of Operation Gcin'amanzi in Phiri and Superblocks 1 to 3 ➤ Successful completion of the following major projects: <ul style="list-style-type: none"> ○ Upgrading of Alexandra water network ○ Bruma outfall sewer augmentation ○ Replacement of van Wyk rising main ○ Installation of digester mixers
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Legislative compliance

SOURCE	REQUIREMENTS	COMMENTS
S121(4)(a)	The submission of annual financial statements (AFS) to Auditor General (AG) for audit in terms of section 126(2).	Joburg Water's AFS for the year were submitted in terms of the MFMA on 31 August and re-submitted on 16 November 2005. The Board approved the AFS on 29 November 2005.
S121(4)(b)	The Auditor General's audit report on the financial statements in terms of section 126(3).	The audit report of the Auditor General dated 30 November 2005 was submitted to Joburg Water. The issues raised in the report are discussed in the Executive Summary above.
S121(4)(c)	An assessment by the entity's Accounting Officer of any arrears on municipal taxes and service charges.	Note 5 of the AFS tabulate the amounts due from or to the shareholder.
S121(4)(d)	An assessment by the entity's Accounting Officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement (or other agreement).	Chapter 2 of the Annual Report contains a discussion in respect of the Performance Highlight. This aspect deals with: <ul style="list-style-type: none"> • Financial sustainability; • Financial performance; • Service delivery; • Discussion on scorecard;

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		<ul style="list-style-type: none"> • Contribution to the Mayor's strategic agenda; • Key achievements; and • Key challenges.
S121(4)(e)	Particulars of any corrective action taken or to be taken in response to the Auditor General's audit report.	<p>Pages 76 and 77 of the AFS review the audit report and spell out corrective measures:</p> <ul style="list-style-type: none"> • Revenue; • Corrective Action; • Unexplained prior year adjustment; • Employee Benefits; and • Leave pay provision.
S121(4)(f)	<p>Information determined by the municipal entity or the parent municipality:-</p> <ul style="list-style-type: none"> • Corporate Social Responsibility (CSR) • Occupational Health & Safety (OHS) • HIV/AIDS • Environmental Management (EM) • Batho Pele 	Chapter 6 of the Annual Report provides information on the entity's initiatives on the reporting areas prescribed and challenges.
S121(4)(g)	Recommendations of the audit committee of the entity or its parent municipality.	JW has provided the minutes of the Board meeting dealing with the issues raised by the Auditor-General.
S121(4)(h)	<p>Other prescribed information:-</p> <ul style="list-style-type: none"> • Staff Salaries, wages, allowances and benefits. 	Note 15 on Page 60 of the AFS provides for salary and wages, pensions, leave days, housing subsidy.
S123(2)	The annual financial statements of the entity must disclose any allocations received by the entity from any parent municipality and any allocations made to the parent municipality.	Allocation received has been disclosed in Note 8.2 on Page 55 as well as on Note 13 on Page 58.
S124(2)	<p>The notes to the annual financial statements must include the particulars of the salaries, allowances and benefits of:-</p> <ul style="list-style-type: none"> • the members of the board of the entity; and • the chief executive officer 	<p>The Annual Report provides particulars of the emoluments of the Non-Executive Directors of the company.</p> <p>The Annual Report provides particulars of the emoluments of the Non-Executive Directors of the company. See also Note 14 of the AFS.</p>

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	of the entity, every senior manager.	The Annual Report provides particulars of the remuneration of the Executive Director and senior management. See also Note 14 of the AFS.
S125(2)(a)	Disclosure in respect of each bank account held by the municipal entity during the relevant financial year.	The Absa Bank is identified as the Joburg Water's bank under company information on the content page.
S125(2)(b)	Summary of all investments of the municipal entity as at the end of the financial year.	All investments are reflected in the City's consolidated financial statements as per the City's policy.
S125(2)(c)	Particulars of any contingent liabilities of the municipal entity as at the end of the financial year.	Contingent liabilities are: <ul style="list-style-type: none"> • Guarantees; • Litigation; • Legal claims; • Employee pension benefit; and • Employee medical benefit.
S125(2)(d)	Material losses, irregular or fruitless and wasteful expenditure.	No material losses were reported.
S125(2)(e)	Particulars of non-compliance with the MFMA.	The Auditor General has found that Joburg Water did not comply with the following provisions of the Companies Act: <ul style="list-style-type: none"> • S240 dealing with the keeping of register of interest in contracts. • S89(a) dealing with the determination of upper limits for remuneration of CEO and senior management. <i>This is the responsibility of the parent municipality and the City is currently involved in the process of reviewing its remuneration philosophy and policies in order to determine the upper limits. This process will be finalized before the end of the current financial year.</i>

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ANNEXURE "C"

Pikitup Johannesburg

EXECUTIVE SUMMARY

Sustainability

Going concern

Pikitup's sustainability is dependent on a subsidy from COJ.
Total Revenue was R597.8m of which R457m is subsidy. User Charges earned was R115m. Pikitup incurred a loss of R15.2m
Due to an increase in personnel cost.

Subordination

Yes. Value subordinated: R60m

Liquidity and Solvency

Currently Pikitup is illiquid by the amount of R64m and insolvent to the amount of R58m. Hence the COJ may have to revalue subordinations to the maximum of R82m.

Audit Issues

Audit Opinion: Qualified opinion

- Provision for landfill sites: a provision for the rehabilitation of 35 closed landfill sites which were identified was not done
- Leases: Operating leases disclosed in note 24 were not capitalised
- Provision for leave pay: provision for sick leave of R10 628 778 reflected in note 13 might be overstated due to possible inaccuracies in the system and a lack of monitoring.
- Provision for doubtful debts, credit notes and unallocated receipts: the provision for doubtful debts & credit notes might be understated due to the poor collection of debts and the integrity of the database.
- Value Added Taxation (VAT): the liability of R7, 4 million disclosed in note 12 could not be verified.
- Revenue: Service fee payable by the CJMM accrued by the entity was not calculated by PIU in accordance with the service delivery agreement signed by both parties in 2001.
- Annual Financial Statements

Emphasis of Matter

- Non-compliance with laws and regulations:
 - i. Approved documented policies and procedures for all financial cycles did not exist.
 - ii. No upper limits of remuneration for the CEO & senior managers were determined for the year under review
- Financial Management: Short-comings in policies, controls & financial

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management of the entity, as a result extensive use of consultants was made resulting in the consulting fees budget overspent

- Registration of freehold land buildings: freehold land & business agreement were still not transferred and registered in the name of PIU.
- Indemnification by the City of Johannesburg Metropolitan Council: No provision has been made in the books of the PIU for any further obligations which may arise once the surplus or deficit per entity is determined.
- Cashbook: at each month end a difference existed between the cashbook balance and the general ledger. At year-end this difference was R1 271 091.
- Asset Management: the completeness and accuracy of the fixed asset register could not be determined due to the following:-
 - i. All assets were not bar-coded.
 - ii. Two fixed assets registers existed, one on the Venus & one on excel.
 - iii. When assets were purchased in bulk, they not no
- Going Concern: The total liabilities exceeded the total assets by R57 863 802
- High Court Judgement: The High Court set aside the decision to award a tender following allegation of biased. PIU had to bear legal costs as well as further cost relating to the cancellation of the contract. No provisions for such costs were made.
- Tender procedures/procurement:
 - i. A policy on the evaluation of suppliers before being included in the supplier master did not exist;
 - ii. The supplier master not approved by Senior Management;
 - iii. No legal signed contract for tenders amounting to R2 256 002;
 - iv. Weak controls over the safekeeping of tender documentation existed;
 - v. The contract department prepared the final contracts, without inputs from legal dept.
 - vi. Formal procedures not followed to evaluate BEE status.
 - vii. Weaknesses in the computer information technology (IT) environment:
 1. Adequate system parameters were still not configured on the Unix operating system;
 2. Service level agreement did not exist between PIU and BCX
 3. A discovery recovery plan and business plan were not established.
 4. Back-up policies were not in place.
 5. Information technology steering committee was not functional;
 6. Poor integrated of systems within PIU and CJMM existed.
 7. Inadequate systems architecture and systems master planning were noted

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Performance Highlights

<ol style="list-style-type: none"> 1. Completion of Bin Census project 2. Project Mayibuye-Bulk Services Revenue Project 3. New Weighbridge Technology 4. Refurbishment of Garden Sites across city 5. Composting Facility

Legislation compliance

SOURCE	REQUIREMENTS	COMMENTS
S121(4)(a)	The submission of annual financial statements (AFS) to Auditor-General (AG) for audit in terms of section 126(2).	Pikitup's AFS for the year under review were approved by the Board of Directors and submitted to the Auditor General on 31 August 2005 and due to significant audit findings were resubmitted on 28 November 2005.
S121(4)(b)	The Auditor General's audit report on the financial statements in terms of section 126(3).	The audit report of the Auditor General dated 2 December 2005 was submitted to Pikitup. The issues raised in the report are discussed in the Executive Summary above.
S121(4)(c)	An assessment by the entity's Accounting Officer of any arrears on municipal taxes and service charges.	Note 5 of the AFS provides that the City of Johannesburg operates a consolidated billing system for its revenue and that of certain of its controlled entities, including Pikitup. In terms of this system the City of Johannesburg, on behalf of Pikitup, invoices and collects from customers. The Note also provides information on accounts receivable.
S121(4)(d)	An assessment by the entity's Accounting Officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement (or other agreement).	The Annual Report contains a discussion in respect of the performance scorecard.
S121(4)(e)	Particulars of any corrective action taken or to be taken in response to the Auditor-General's audit report.	Pikitup has provided responses to the Auditor General's report and corrective actions taken or to be taken.

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S121(4)(f)	<p>Information determined by the municipal entity or the parent municipality:-</p> <ul style="list-style-type: none"> • Corporate Social Responsibility (CSR) • Occupational Health & Safety (OHS) • HIV/AIDS • Environmental Management (EM) • Batho Pele 	Chapter 6 of the Annual Report provides information on the entity's initiatives on the reporting areas prescribed by the parent municipality.
S121(4)(g)	Recommendations of the Audit Committee of the entity or its parent municipality;	The Audit Committee of Pikitup has considered the AFS and the audit report of the Auditor General provided its report. The Audit Committee has dedicated itself to continue to monitor the corrective action in response to the Auditor General's report to be taken by management. The Audit Committee is of the view that the major financial risks of the company are largely addressed.
S121(4)(h)	<p>Other prescribed information:-</p> <ul style="list-style-type: none"> • Staff salaries, wages, allowances and benefits. 	Pikitup's Annual Report provides for directors and personnel costs in Note 15 of its AFS.
S123(2)	The annual financial statements of the entity must disclose any allocations received by the entity from any parent municipality and any allocations made to the parent municipality	Note 14 of the Pikitup AFS provides for the service fee allocations received from the City of Johannesburg.
124(2)	<p>The notes to the annual financial statements must include the particulars of the salaries, allowances and benefits of-</p> <ul style="list-style-type: none"> • the members of the board of the entity; and • the chief executive officer of the entity, every senior manager 	<p>The Annual Report provides particulars of the emoluments of Executive and Non-Executive Directors of the company.</p> <p>The Annual Report provides particulars of the remuneration of the senior management at Pikitup.</p>
S125(2)(a)	Disclosure in respect of each bank account held by the municipal entity during the relevant financial year.	Pikitup has disclosed the bank accounts held as at 30 June 2005 in the Notes to its AFS (Note 28)

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S125(2)(b)	Summary of all investments of the municipal entity as at the end of the financial year	All investments are reflected in the City's consolidated financial statements as per the City's policy.
S125(2)(c)	Particulars of any contingent liabilities of the municipal entity as at the end of the financial year	<p>Note 25 of the AFS provides the defending of the following legal cases as Pikitup's contingent liabilities:</p> <ul style="list-style-type: none"> • Civil cases – 4 cases pending; • Industrial relations – A dispute that may result in claims totalling R110 000; and <p>Enviroserve – Tender procedures not adhered to.</p>
S125(2)(d)	Material losses, irregular or fruitless and wasteful expenditure	<p>Possible irregular, fruitless and wasteful expenditure identified include:</p> <ul style="list-style-type: none"> • Penalties from SARS; • Traffic fines; • Interest on bank overdraft; • Interest on creditors; • Legal fees for Thermsave; and • Advertising costs for Thermsave <p>Unknown contingent liability for Thermsave.</p>
S125(2)(e)	Particulars of non-compliance with the MFMA	<p>The Auditor General has found that Pikitup does not comply with the following provisions of the MFMA:</p> <ul style="list-style-type: none"> • S89(a) dealing with the determination of upper limits for remuneration of CEO and senior management. <i>This is the responsibility of the parent municipality and the City is currently involved in the process of reviewing its remuneration philosophy and policies in order to determine the upper limits. This process will be finalized before the end of the current financial year.</i> • S99 dealing with the possible fruitless and wasteful expenditure. • S100 dealing with the expenditure of funds not in accordance with approved budget • S172 dealing with savings

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		<p>incurred and applied to other categories of expenditure and revenue collected not in line with the budget.</p> <ul style="list-style-type: none"> • S96 pertaining to understatement of salary costs and wages • S95(c)(i) on identified weaknesses in control environment. <i>The Pikitup Audit Committee has identified this and has provided that the executive management has identified the ongoing implementation of the internal controls and related policies and procedures as a priority and will continue to devote time and effort to improving this environment.</i> • S95(b) pertaining to the safekeeping of documents.
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COJ: MAYORAL COMMITTEE
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ANNEXURE "D"

Johannesburg Roads Agency

EXECUTIVE SUMMARY

Sustainability

Financial Sustainability

JRA is dependent on a subsidy from COJ. Total Revenue was R367.6m of which R309.2m was subsidy. Other major sources of income are Jobbing and advertising

Subordination

No.

Liquidity and Solvency

JRA is liquid by R12m and solvent by R11.7m

Audit Issues

Emphasis of Matter

- Weaknesses in internal control: User can pass & approve a manual journal, no control measures in place to detect unauthorised journal entries.
- Weaknesses in the computer (IT) environment: No link between the existing business continuity plan and the DRP.
- Going concern: dependent upon ongoing funding from the CJMM.
- Registration of freehold land and buildings: freehold land & buildings to the value of R3 315 612 purchased from the CJMM on 30 May 03 not yet been transferred into the name of the company.
- Post-retirement benefits: No provision has been made for any further obligations that may arise once the surplus or deficit is determined.
- Remuneration packages: No upper limits were determined for remuneration of the CEO & the senior manager.

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Performance Highlights

Business Performance Monitoring Section implemented to ensure continually improving service delivery

Ring Fencing of Traffic lights to enhance the single node of accounting for traffic management and hence better response times for problems

Media company appointed to improve communications between JRA and all relevant stakeholders

Legislative compliance

SOURCE	REQUIREMENTS	COMMENTS
S121(4)(a)	The submission of annual financial statements (AFS) to Auditor-General (AG) for audit in terms of section 126(2).	JRA's AFS for the year under review were submitted to the Auditor General in accordance with the provisions of the MFMA on 31 August 2005.
S121(4)(b)	The Auditor General's audit report on the financial statements in terms of section 126(3).	The audit report of the Auditor General dated 30 November was submitted to JRA in accordance with the MFMA. Further attention was drawn to the following matters: <ul style="list-style-type: none"> • Non compliance with MFMA; and • Going concern.
S121(4)(c)	An assessment by the entity's Accounting Officer of any arrears on municipal taxes and service charges.	JRA does not operate a billing system as the services provided are of such a nature that there is no clear revenue stream and are provided as part of socio-economic services of the City and are accounted for as taxes and rates.
S121(4)(d)	An assessment by the entity's Accounting Officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement (or other agreement).	Under performance highlights the Annual Report discusses JRA performance for the year 2004/05. This aspect deals with: <ul style="list-style-type: none"> • Institutional Dimension; • Service Delivery Enablers and Performance; • Financial Performance; • Capital Projects; • Service Delivery Performance; • Contribution to Mayor's Strategic Agenda; • Key Challenges; and • Key Achievements.

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S121(4)(e)	Particulars of any corrective action taken or to be taken in response to the Auditor General's audit report.	A matrix approach has been implemented subsequently, which eliminates the process of delegating Batch Approval/Post Security Constants at any point in time.
S121(4)(f)	Information determined by the municipal entity or the parent municipality:- <ul style="list-style-type: none"> • Corporate Social Responsibility (CSR) • Occupational Health & Safety (OHS) • HIV/AIDS • Environmental Management (EM) • Batho Pele 	Chapter 6 of the Annual Report provides information on the entity's initiatives on the reporting areas prescribed by the parent municipality.
S121(4)(g)	Recommendations of the Audit Committee of the entity or its parent municipality.	The Audit Committee recommended that the Board approve the AFS for the year ended 30 June 2005. No other recommendations were made.
S121(4)(h)	Other prescribed information:- <ul style="list-style-type: none"> • Staff salaries, wages, allowances and benefits. • 	Details of staff salaries, wages, allowances and benefits are included in Notes 10, 11, 12,13 and 19 of the AFS.
S123(2)	The annual financial statements of the entity must disclose any allocations received by the entity from any parent municipality and any allocations made to the parent municipality	Note 14 of the AFS on Page 37 of the AFS.
124(2)	The notes to the annual financial statements must include the particulars of the salaries, allowances and benefits of- <ul style="list-style-type: none"> • the members of the board of the entity; and • the Chief Executive Officer of the entity, every senior manager 	The Annual Report provides particulars of the emoluments of the Non Executive Directors of JRA The Annual Report provides particulars of the emoluments of the Executive Directors and senior management of JRA.
S125(2)(a)	Disclosure in respect of each bank account held by the municipal entity during the relevant financial year.	Page 21 of the AFS provides details in respect of each bank account held by the by JRA as at 30 June 2005.

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S125(2)(b)	Summary of all investments of the municipal entity as at the end of the financial year	All investments are reflected in the City's consolidated financial statements as per the City's policy.
S125(2)(c)	Particulars of any contingent liabilities of the municipal entity as at the end of the financial year	Note 22 of the AFS states the following contingent liabilities: <ul style="list-style-type: none"> • Legal claims.
S125(2)(d)	Material losses, irregular or fruitless and wasteful expenditure.	No such losses and/or expenditure identified.
S125(2)(e)	Particulars of non-compliance with the MFMA.	The Auditor General has found that JRA does not comply with the following provisions of the MFMA: <ul style="list-style-type: none"> • S89(a) dealing with the determination of upper limits for remuneration of CEO and senior management. <i>This is the responsibility of the parent municipality and the City is currently involved in the process of reviewing its remuneration philosophy and policies in order to determine the upper limits. This process will be finalized before the end of the current financial year.</i>

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ANNEXURE "E"

City Parks Johannesburg

EXECUTIVE SUMMARY

Sustainability

Going Concern Issues

The ability of Johannesburg City Parks to continue as a going concern is dependent upon ongoing funding from the City of Johannesburg

Liquidity, Solvency

JCP is liquid to the value of R56, 9 million.

Capital Expenditure

JCP spent 100% of its capex budget

Audit Issues

Audit Opinion: Unqualified opinion

Emphasis of Matter:

1. **Expenditure – misstatement:** accrued departmental charges not accurately estimated due to lack of proper metering to the value of R14,9 million owed to CoJ for water and electricity without an accurate estimate as no invoices were received due to lack of proper metering
2. **Property, plant and equipment:** 136 items of assets amounting to R53 083 could not be physically inspected
3. **Post-retirement benefits:** provision not made for obligations which might arise once surplus or deficit is determined
4. **Remuneration Packages:** Upper limits of remuneration for managers not determined for the fiscal year.
5. **Going concern:** dependent upon ongoing funding from CJMM
6. **Weaknesses in the computer IT environment.**

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Performance Highlights

Developed numerous capital projects in the form of parks, designated public open spaces and improved service delivery to the previously disadvantaged areas

Legislative compliance

SOURCE	REQUIREMENTS	COMMENTS
S121(4)(a)	The submission of annual financial statements (AFS) to Auditor-General (AG) for audit in terms of section 126(2).	JCP's AFS for the year under review were submitted to the Auditor General in accordance with the provisions of the MFMA on 31 August 2005 and approved by the Board on 24 November 2005.
S121(4)(b)	The Auditor General's audit report on the financial statements in terms of section 126(3).	The audit report of the Auditor General dated 30 November 2005 was submitted to JCP in accordance with the MFMA. The issues raised in the report are discussed in the Executive Summary above.
S121(4)(c)	An assessment by the entity's Accounting Officer of any arrears on municipal taxes and service charges.	Trade receivables on Page 58 relates to monies owing from other utilities. City Parks provides for expenditure including bad debts, electricity supply and water supply on Page 66 [Note 16]. Further kindly note that City Parks does not operate a billing system as the services provided are of such a nature that there is no clear revenue stream and are provided as part of socio-economic services of the City and are accounted for as taxes and rates.
S121(4)(d)	An assessment by the entity's Accounting Officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement (or other agreement).	Under performance highlights the Annual Report discusses JCP performance for the year 2004/05. This aspect deals with: <ul style="list-style-type: none"> • Achievements; • Financial Performance; • Revenue; • Profitability; • Capital Projects; • Contribution to IDP; and • Recommendations for consideration in 2005/06.

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		Chapter 5 further details functional area service delivery report.
S121(4)(e)	Particulars of any corrective action taken or to be taken in response to the Auditor General's audit report.	<p>City Parks details the corrective action taken in response to the Auditor General's report as follows:</p> <ul style="list-style-type: none"> • Expenditure – misstatement <i>Concern to persist until the CJMM rectifies their billing situation. JCP has approached JW to install pre-paid metres;</i> • Property, plan and equipment <i>Investigation is being finalised and a report to be submitted to the Audit Committee;</i> • Post retirement benefits; <i>Be rectified on the pension funds to give actuarial value of individual members;</i> • Remuneration packages <i>Awaiting direction from CJMM;</i> • Going concern <i>Dependent on future funding. No prospects that this status will change for the current financial year; and</i> • Weakness in the computer information technology (IT) environment <i>Draft discovery plan has been completed.</i>
S121(4)(f)	<p>Information determined by the municipal entity or the parent municipality:-</p> <ul style="list-style-type: none"> • Corporate Social Responsibility (CSR) • Occupational Health & Safety (OHS) • HIV/AIDS • Environmental Management (EM) • Batho Pele 	Chapter 6 of the Annual Report provides information on the entity's initiatives on the reporting areas prescribed by the parent municipality.
S121(4)(g)	Recommendations of the audit committee of the entity or its parent municipality;	JCP provides that the Audit Committee will make recommendations, if any, at its next sitting.

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S121(4)(h)	Other prescribed information:- <ul style="list-style-type: none"> • Staff salaries, wages, allowances and benefits 	Page 65 of JCP AFS provides information on employee related expenditure.
S123(2)	The annual financial statements of the entity must disclose any allocations received by the entity from any parent municipality and any allocations made to the parent municipality	Notes 13 and 16 of the AFS provide subsidy income received from the City.
124(2)	The notes to the annual financial statements must include the particulars of the salaries, allowances and benefits of- <ul style="list-style-type: none"> • the members of the board of the entity; and • the Chief Executive Officer of the entity, every senior manager 	The Annual Report provides particulars of the emoluments of the Non Executive Directors of JCP Notes 10.1 and 10.3 provide particulars of the emoluments of the Executive Directors and senior management of JCP.
S125(2)(a)	Disclosure in respect of each bank account held by the municipal entity during the relevant financial year.	JCP has disclosed the bank accounts held as at 30 June 2005 in the Notes of its AFS [Note 15.2].
S125(2)(b)	Summary of all investments of the municipal entity as at the end of the financial year.	All investments are reflected in the City's consolidated financial statements as per the City's policy.
S125(2)(c)	Particulars of any contingent liabilities of the municipal entity as at the end of the financial year	Note 6 of the AFS on Page 59 reflect monies on CMIP project and held in the Trust. See also the footnotes to Note 6.
S125(2)(d)	Material losses, irregular or fruitless and wasteful expenditure.	No such losses and/or expenditure identified.
S125(2)(e)	Particulars of non-compliance with the MFMA.	The Auditor General has found that JCP does not comply with the following provision of the MFMA: <ul style="list-style-type: none"> • S89(a) dealing with the determination of upper limits for remuneration of CEO and senior management. <i>This is the responsibility of the parent municipality and</i>

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		<p><i>the City is currently involved in the process of reviewing its remuneration philosophy and policies in order to determine the upper limits. This process will be finalized before the end of the current financial year.</i></p>
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ANNEXURE "F"

Johannesburg Development Agency

EXECUTIVE SUMMARY

Sustainability

Going Concern Issues

Due to the impairment of loans to Constitution Hill Development and Newtown Development company, the company's liabilities exceeded its assets by R9, 765,124.00 hence the subordinated R9, 7 million.

JDA sustainability is dependent on more funding for capital projects from CoJ since the Blue IQ funding has ceased.

Liquidity

JDA is liquid to the value of R20, 1million

Capital expenditure

JDA spent 100% of its capex budget

Audit Issues

Audit opinion: Unqualified opinion

Non-compliance with Municipal Systems Act:

Contrary to Act No. 44 of 2003, the JDA held interests in Newtown dev. Co. & Constitution Hill

Non-compliance with the MFMA:

- a) Internal Audit not fully functional throughout FY 04-05.
- b) Upper limits of remuneration of the CEO & senior management not determined for the fiscal year.

Going Concern:

Total liabilities exceeded the total assets. This could indicate a possible going concern problem.

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Performance Highlights

<p>Service Delivery</p> <p>Development progress made:</p> <ul style="list-style-type: none"> • Walter Sisulu Square of dedication in Kliptown • The upgrade of Braamfontein • The building of 1 Central Place in Newtown • The Baragwanath taxi rank in Soweto

Legislative compliance

SOURCE	REQUIREMENTS	COMMENTS
S121(4)(a)	The submission of annual financial statements (AFS) to Auditor-General (AG) for audit in terms of section 126(2)	JDA's AFS for the year under review were submitted in terms of the MFMA to the Auditor General.
S121(4)(b)	The Auditor General's audit report on the financial statements in terms of section 126(3)	The audit report of the Auditor General dated 30 November was submitted to JDA. The issues raised in the report are discussed in the Executive Summary above.
S121(4)(c)	An assessment by the entity's Accounting Officer of any arrears on municipal taxes and service charges	Not provided for in the AFS, as JDA does not levy municipal taxes and municipal service charges. The entity charges a development fee for all developments that it undertakes and such has been accounted for in the revenue section in the income statement.
S121(4)(d)	An assessment by the entity's Accounting Officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement (or other agreement)	The Annual Report discusses JDA performance for the year 2004/05. This aspect deals with: <ul style="list-style-type: none"> • Key performance areas; • Key performance indicators;

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S121(4)(e)	Particulars of any corrective action taken or to be taken in response to the Auditor General's audit report	The JDA Annual Report has not been qualified. The review by the entity's Executive Director Finance deals with actions taken in response to the Auditor General's report on Page 39.
S121(4)(f)	Information determined by the municipal entity or the parent municipality:- <ul style="list-style-type: none"> • Corporate Social Responsibility (CSR) • Occupational Health & Safety (OHS) • HIV/AIDS • Environmental Management (EM) • Batho Pele 	The corporate governance of the Annual Report provides information on the entity's initiatives on the reporting areas prescribed by the parent municipality.
S121(4)(g)	Recommendations of the Audit Committee of the entity or its parent municipality.	No recommendations provided for by the Audit Committee.
S121(4)(h)	Other prescribed information:- <ul style="list-style-type: none"> • Staff salaries, wages, allowances and benefits. 	JDA has provided information on salaries for its Executive Directors only.
S123(2)	The annual financial statements of the entity must disclose any allocations received by the entity from any parent municipality and any allocations made to the parent municipality.	Grants received from Municipal Council are illustrated on Page 38 [Financial Review]. Note 1.5 of the AFS discusses government grants on Page 55.
124(2)	The notes to the annual financial statements must include the particulars of the salaries, allowances and benefits of- <ul style="list-style-type: none"> • the members of the board of the entity; and • the chief executive officer of the entity, every senior manager 	Note 17 of the AFS provide particulars of the emoluments of the Non-Executive Directors of the company. Note 17 of the AFS provide particulars of the remuneration of the Executive Director and senior management. However additional information on senior management is yet to be provided.
S125(2)(a)	Disclosure in respect of each bank account held by the municipal entity during the relevant financial year.	JDA has disclosed the bank accounts as at 30 June 2005 in the Notes to its AFS (Note 8).

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S125 (2)(b)	Summary of all investments of the municipal entity as at the end of the financial year.	The investments of JDA are discussed under financial review as well as under Note 4 of the AFS on Page 57.
S125(2)(c)	Particulars of any contingent liabilities of the municipal entity as at the end of the financial year.	Note 24 of the AFS expresses no contingent liabilities.
S125(2)(d)	Material losses, irregular or fruitless and wasteful expenditure.	There were no material irregularities on fruitless and wasteful expenditure that accrued during the year.
S125(2)(e)	Particulars of non-compliance with the MFMA	<p>The Auditor General has found that JDA does not comply with the following provisions of the MFMA:</p> <ul style="list-style-type: none"> • S89(a) dealing with the determination of upper limits for remuneration of CEO and senior management. <i>This is the responsibility of the parent municipality and the City is currently involved in the process of reviewing its remuneration philosophy and policies in order to determine the upper limits. This process will be finalized before the end of the current financial year.</i> <p>In respect of Municipal Systems Act:</p> <ul style="list-style-type: none"> • S93(k) dealing with holding of interest in corporate bodies. <i>The City is engaging with the JDA in an attempt to regularize this through a possible transfer of the interest from JDA to the City, the City would then decide the best possible way of dealing with the development relationship peculiar to the JDA.</i>

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ANNEXURE "G"

Johannesburg Social Housing Company

EXECUTIVE SUMMARY

Sustainability

Going Concern Issues

Joshco has achieved a profit after tax of R167 000 which was funded mainly by rental and development fees. The total revenue for Joshco is R10m that is made up of Subsidies from COJ of R8,8m and R1,2m in rental and interest. The risk associated with Joshco is its dependency on COJ for subsidy and the low payment levels by tenants.

Subordination

None

Liquidity; Solvency

The balance sheet reflects solvency of R102k. The impact of the errors not rectified could give rise to a situation where the entity may be technically insolvent in future. Joshco is illiquid by R33k because its current liabilities exceeds its assets.

Audit Issues

Audit opinion: Qualified opinion

1. Property, plant & equipment: due to lack of information & explanations, audit was unable to verify the completeness, existence & valuation of property, plant & equipment.
2. Account receivable-recoverability: the recovery of the inter-company debtor of R1 851 331 owed by the City Housing Company could not be verified.
3. Taxation computation: the taxation calculation disclosed appeared to be incorrect.
4. VAT receivable: a reconciliation of the differences existed between the VAT returns submitted and its general ledger could not be provided
5. Accounts payable and expenditure:
 - a) Supplier's reconciliations were not performed.
 - b) Payment advices were not correctly dated
 - c) No supporting documents, for payments made
 - d) Accruals recorded were not supported by adequate control measures

Disclaimer

Because of the significance of the matters referred to in the qualifications section, the auditor does not express an opinion on the financial statements.

Emphasis of Matter

1. Salaries and wages:
 - a) The monthly tax form for PAYE, EMP 201 was only completed & signed on 29 April 05.
 - b) Proofs of reference checks performed were not on certain employee files.
 - c) New & existing appointments could not be traced to approved salary scales & notches.

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<p>d) The Head of Corporate Services had no password or access to the SAP system.</p> <p>e) Some employment contracts were not signed with employees.</p> <p>f) Performance agreements were not in place with senior management</p> <p>2. Control weaknesses:</p> <p>a) Evidence of bank reconciliations being reviewed by senior management did not exist;</p> <p>b) Some journals processed were not authorised by senior management before being processed;</p> <p>c) A policy did not exist for the provision of bad debts;</p> <p>d) Inadequate physical protection existed in case of destruction by fire & water for the ff:</p> <ul style="list-style-type: none"> - Manual records (fireproof cabinets and safes), - Inventory, - Buildings (no fire detectors & sprinkler systems were installed) <p>3. General expenditure: the following control weakness were identified:</p> <p>a) An audit trail did not exist on journals processed,</p> <p>b) Supporting documentation for an entertainment expense (advance taken) could not be provided, and</p> <p>c) VAT was incorrectly deducted on exempt supplies.</p> <p>4. Service delivery: JOSHCO did not achieve its delivery targets in terms of the service delivery agreement of converting staff hostels into family units.</p> <p>5. Internal audit and risk assessment: the entity did not have a fully functional internal audit unit.</p> <p>6. Audit committee: the audit committee was incorporated into the finance committee for a part of the year.</p> <p>7. Expenses-incomplete documents: Amounts totaling R21 119 for general expenses could not be traced to supporting documents.</p> <p>8. Remuneration packages: No upper limits were determined for the CEO & senior managers.</p> <p>9. Going concern: is dependent upon funding from the CJMM.</p>
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Legal compliance

SOURCE	REQUIREMENTS	COMMENTS
S121(4)(a)	The submission of annual financial statements (AFS) to Auditor-General (AG) for audit in terms of section 126(2).	Joshco's AFS for the year under review were submitted to the Auditor General on 31 August 2005. Due to significant audit findings they were amended and re-submitted to the AG on the 11 November 2005 and subsequently approved by the Board of Directors on the 29 November 2005.
S121(4)(b)	The Auditor General's audit report on the financial statements in terms of section 126(3).	The audit report of the Auditor General dated 30 November was submitted to Joshco. The issues raised in the report are discussed in the Executive Summary

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		above.
S121(4)(c)	An assessment by the entity's Accounting Officer of any arrears on municipal taxes and service charges.	CoJ operates consolidated billing systems for its revenue and that of certain controlled entities. In terms of this system CoJ on behalf of its utilities and in certain instances the actual utilities invoice and collect from customers. Joshco's activities are to a large extent limited to the collection of rent in leased properties and the tenants pay directly to CoJ and/or the relevant utility for service charges.
S121(4)(d)	An assessment by the entity's Accounting Officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement (or other agreement).	The Annual Report contains a discussion in respect of the Performance Scorecard. This aspect deals with: <ul style="list-style-type: none"> • Contribution to the IDP; • Contribution to the Mayor's Strategic Agenda; and • Key challenges.
S121(4)(e)	Particulars of any corrective action taken or to be taken in response to the Auditor General's audit report.	The Annual Report contain responses to the Auditor General's report and corrective actions taken or to be taken.
S121(4)(f)	Information determined by the municipal entity or the parent municipality:- <ul style="list-style-type: none"> • Corporate Social Responsibility (CSR) • Occupational Health & Safety (OHS) • HIV/AIDS • Environmental Management (EM) • Batho Pele 	Chapter 6 of the Annual Report provides information on the entity's initiatives on the reporting areas prescribed by the parent municipality.
S121(4)(g)	Recommendations of the audit committee of the entity or its parent municipality;	The Audit Committee has recommended that the concerns raised by the Auditor General be addressed immediately and that management should provide a tracking document by which progress toward addressing the concerns can be monitored.
S121(4)(h)	Other prescribed information:- <ul style="list-style-type: none"> • Staff salaries, wages, allowances and benefits 	The Annual Report provides the profile of the company's employees and further on Page 32 provides for the total

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		salaries of permanent staff.
S123(2)	The annual financial statements of the entity must disclose any allocations received by the entity from any parent municipality and any allocations made to the parent municipality	The audited AFS does not disclose any allocations received from the parent municipality. However Page 51 (detailed income statement report) of Annual Report provided that Joshco has received subsidy from the parent company. The subsidies received from CoJ amounts to R8, 8 million.
124(2)	The notes to the annual financial statements must include the particulars of the salaries, allowances and benefits of- <ul style="list-style-type: none"> • the members of the board of the entity; and • the Chief Executive Officer of the entity, every senior manager 	Note 13 of the AFS provide particulars of the emoluments of the Non-Executive Directors of the company. The Annual Report and Note 16 of the AFS provide particulars of the remuneration of the Executive Director and senior management.
S125(2)(a)	Disclosure in respect of each bank account held by the municipal entity during the relevant financial year.	Joshco has disclosed the bank accounts held as at 30 June 2005 in the Notes to its AFS (Note 17)
S125(2)(b)	Summary of all investments of the municipal entity as at the end of the financial year	All investments are reflected in the City's consolidated financial statements as per the City's policy.
S125(2)(c)	Particulars of any contingent liabilities of the municipal entity as at the end of the financial year	Note 22 of the AFS discloses that there were no contingent liabilities as at the end of the financial year.
S125(2)(d)	Material losses, irregular or fruitless and wasteful expenditure.	Note 25 of the AFS provide that there were fruitless expenditure in respect of the interests and penalties levied by SARS during the year under review.
S125(2)(e)	Particulars of non-compliance with the MFMA.	The Auditor General has found that Joshco does not comply with the following provisions of the MFMA: <ul style="list-style-type: none"> • S89(a) dealing with the determination of upper limits for remuneration of CEO and senior management. <i>This is the responsibility of the parent municipality and</i>

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		<p><i>the City is currently involved in the process of reviewing its remuneration philosophy and policies in order to determine the upper limits. This process will be finalized before the end of the current financial year.</i></p> <ul style="list-style-type: none"> • S96 dealing with the management of the fixed asset register. <i>Joshco has provided, in the company's report on corrective actions on page 59-60 how this issue of non-compliance will be dealt with in the current year.</i> • S165 dealing with internal audit unit. <i>Joshco Board of directors instead of establishing an internal audit unit decided to outsource the internal audit unit function to Johannesburg Risk Assurance and that the risks identified will be attended to in the new financial year.</i> • S 166 dealing with the establishment of the audit committee. <i>Joshco audit committee was incorporated into the finance committee for a part of the year. This will be regularized in the current year.</i>
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ANNEXURE "H"

Metropolitan Trading Company

EXECUTIVE SUMMARY

Sustainability

Going concern

MTC's sustainability is dependent on a subsidy from COJ.
Total revenue earned was R23m of which R14m is subsidy.
MTC incurred a net loss of R1.3m.

Subordination

Yes. Value Subordinated: R22m

Liquidity and Solvency

MTC is liquid by R11.5m and insolvent by R20.5m. Hence the COJ may have to revalue subordinations to the maximum of R95m.

Audit Issues

Audit Opinion: Qualified opinion

- Non-accrual of advertising revenue: revenue amounting to R692 444 not accounted for, resulting in an understatement of revenue and debtors by the same amount.
- Non-disclosure of fruitless & wasteful expenditure: a system was not in place to identify & monitor irregular or fruitless & wasteful expenditure amounting to R4 631 666 & R17 069 respectively.

Emphasis of Matter

- Going concern: the company incurred a net loss of R1 294 837 for year ended 30 June 05. The company's liabilities exceeded the total assets by R20 482 113
- Non-compliance with laws and regulations:
 - a) MFMA, 2003 (Act No. 56)
 - b) Upper limits of the salary, allowances & other benefits of the CEO & Senior Managers were not determined by the CJMM.
 - c) No process in place to identify & respond to fraud risk.
 - d) PMS was not established during the year ended 30 June 05.
 - e) Directors & staff remuneration not disclosed.
 - f) Company was unable to collect revenue & wrote of an amount of R3 100 000 during year ended 30 June 05.
 - g) The company did not have a fully functional internal audit system for the year under review.
 - The companies act: The register for director's interests not maintained throughout the year ended 30 June 05.

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- The annual financial statements were submitted on 31 August 05, but due to significant audit findings and amendment

Performance Highlights

MTC manages 14 facilities that host over 1500 informal traders, 37 formal traders and accommodates over 7000 taxis.

Legislative compliance

SOURCE	REQUIREMENTS	COMMENTS
S121(4)(a)	The submission of annual financial statements (AFS) to Auditor-General (AG) for audit in terms of section 126(2).	MTC's AFS for the year under review were approved by the Board of Directors on the 24 August 2005 and submitted to the Auditor General on the 31 August 2005. Due to significant audit findings the statements were amended and re-submitted to the Auditor General on the 25 November 2005.
S121(4)(b)	The Auditor General's audit report on the financial statements in terms of section 126(3).	The audit report of the Auditor General dated 5 December 2005 was submitted to MTC. The issues raised in the report are discussed in the Executive Summary above.
S121(4)(c)	An assessment by the entity's Accounting Officer of any arrears on municipal taxes and service charges.	Regional Services levies are paid monthly by the MTC. There are no arrears. The entity charges customers directly for its services and the revenue is accounted for in the revenue section in the income statement.
S121(4)(d)	An assessment by the entity's Accounting Officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement (or other agreement).	Page 15 - 16 of the MTC's Annual Report contain a brief discussion in respect of the Performance Scorecard. This aspect deals with: <ul style="list-style-type: none"> • Contribution to the IDP; • Contribution to the City's Scorecard; and • Contribution to the Mayor's Strategic Agenda.

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S121(4)(e)	Particulars of any corrective action taken or to be taken in response to the Auditor General's audit report.	The Accounting Officer's report dated the 12 January 2006, outlines corrective actions to be taken in response to the Auditor-General's audit report.
S121(4)(f)	Information determined by the municipal entity or the parent municipality:- <ul style="list-style-type: none"> • Corporate Social Responsibility (CSR) • Occupational Health & Safety (OHS) • HIV/AIDS • Environmental Management (EM) • Batho Pele 	Chapter 6 of the Annual Report provides information on the entity's initiatives on the reporting areas prescribed by the parent municipality.
S121(4)(g)	Recommendations of the audit committee of the entity or its parent municipality;	The Audit Committee will be convening in February 2006 to review the Auditor General's report and a comprehensive report will be forwarded to the Shareholders Unit thereafter.
S121(4)(h)	Other prescribed information:- <ul style="list-style-type: none"> • Staff salaries, wages, allowances and benefits 	Page 30 of the MTC's Annual Report discloses a summary of the profile of the company's employees and Note 3 of the AFS discloses the total staff costs for the year ending June 2005.
S123(2)	The annual financial statements of the entity must disclose any allocations received by the entity from any parent municipality and any allocations made to the parent municipality	Notes 3 of MTC AFS disclose the subsidy received from the parent company for the financial year ended June 2005.
124(2)	The notes to the annual financial statements must include the particulars of the salaries, allowances and benefits of- <ul style="list-style-type: none"> • the members of the board of the entity; and • the Chief Executive Officer of the entity, every senior manager 	Note 3 of the MTC AFS provides particulars of the remuneration of the Non-Executive Directors and an Executive Director. These amounts are however not broken down to show what individual directors were paid.
S125(2)(a)	Disclosure in respect of each bank account held by the municipal entity during the	MTC has disclosed the bank account held as at 30 June 2005 in item 7 Page 13 of the AFS.

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	relevant financial year.	
S125(2)(b)	Summary of all investments of the municipal entity as at the end of the financial year	Not provided for in the notes, as the entity is not involved in the activities of investing in accordance with the City's policy.
S125(2)(c)	Particulars of any contingent liabilities of the municipal entity as at the end of the financial year	Note 16 of the AFS disclose that MTC had no contingent liabilities as at the end of the financial year.
S125(2)(d)	Material losses, irregular or fruitless and wasteful expenditure.	Paragraph 3.2 of the Auditor General's report provides that irregular expenditure amounting to R 4 631 666 and wasteful expenditure of R 17 069 were not reported as required by section 102 of the MFMA.
S125(2)(e)	Particulars of non-compliance with the MFMA.	<p>The Auditor General has found that MTC does not comply with the following provisions of the MFMA:</p> <ul style="list-style-type: none"> • S88(1) dealing with performance assessment. • S89(a) dealing with the determination of upper limits for remuneration of CEO and senior management. <i>This is the responsibility of the parent municipality and the City is currently involved in the process of reviewing its remuneration philosophy and policies in order to determine the upper limits. This process will be finalized before the end of the current financial year.</i> • S89 (b) dealing with disclosure for directors and staff remuneration • S95 (c) dealing with efficient, effective and transparent system of internal audit. • S97 dealing with revenue management • S102 dealing with the reporting

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		of irregular or fruitless and wasteful expenditure.
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ANNEXURE "I"

Johannesburg Tourism Company

EXECUTIVE SUMMARY

Sustainability

Going Concern Issues

The ability of the Johannesburg Tourism Company to continue as a going concern is dependent upon ongoing funding from the City of Johannesburg Metropolitan Municipality.

Liquidity and Solvency

The Johannesburg Tourism Company is technically insolvent with shareholder funds at (R 50,080), however the subordinated loan of R 1,359,532 from the CoJ renders JTC solvent. From a liquidity perspective the entity has favourable cash and cash equivalents of R 837,621. Current assets are R 1,6 million against current liabilities of R 1,0 million.

Audit Issues

Audit opinion: Unqualified opinion

Emphasis of Matter

1. Municipal Finance Management Act:
 - a) The company did not have an internal audit function during the year under review;
 - b) No upper limits were established to determine remuneration for the CEO & Senior Management.
2. Going Concern:
 - a) Total liabilities exceeded the total assets by R 50,080.
 - b) Going concern is dependant upon ongoing funding from CJMM.

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Performance Highlights

Financial performance

- Surplus for the year is R 11,765 up 119.02% from the previous year.
- Revenue is R 7,357,996 up 30.35% from the previous year.
- Operating expenses are R 7,346,231 up 28.73% from the previous year.

Service Delivery

- A walk-in tourism information service has been established in Rosebank.
- A comprehensive database covering information on tourism has been created which is proving very successful.
- The website for the company has been commissioned successfully, attracting an average of 3,700 hits per day.
- JTC has been closely involved in assisting with the formation or expansion of scope for four regional tourism associations.

Legislative compliance

SOURCE	REQUIREMENTS	COMMENTS
S121(4)(a)	The submission of annual financial statements (AFS) to Auditor-General (AG) for audit in terms of section 126(2).	JTC's AFS for the year under review were submitted on 30 August 2005 to the Auditor General.
S121(4)(b)	The Auditor General's audit report on the financial statements in terms of section 126(3).	The audit report of the Auditor General dated 30 November was submitted to JTC. The issues raised in the report are discussed in the Executive Summary above.
S121(4)(c)	An assessment by the entity's Accounting Officer of any arrears on municipal taxes and service charges.	Not provided for in the AFS, as JTC does not levy municipal taxes and municipal service charges.
S121(4)(d)	An assessment by the entity's Accounting Officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement (or other agreement).	Under performance highlights the Annual Report discusses JTC performance for the year 2004/05. This aspect deals with: <ul style="list-style-type: none"> • Key Performance Areas; and • Key Performance Indicators;
S121(4)(e)	Particulars of any corrective action taken or to be taken in response to the Auditor General's audit report.	JTC's Annual Report, Addendum I (a) give detailed information on corrective actions taken.

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S121(4)(f)	Information determined by the municipal entity or the parent municipality:- <ul style="list-style-type: none"> • Corporate Social Responsibility (CSR) • Occupational Health & Safety (OHS) • HIV/AIDS • Environmental Management (EM) • Batho Pele 	JTC's Annual Report, Addendum I(a) gives detailed information on this issue.
S121(4)(g)	Recommendations of the audit committee of the entity or its parent municipality.	JTC's Annual Report, Addendum I(a) gives detailed information on Audit Committee recommendations.
S121(4)(h)	Other prescribed information:- <ul style="list-style-type: none"> • Staff salaries, wages, allowances and benefits. 	Note 3 of the AFS on Page 23 reflects salaries and wages.
S123(2)	The annual financial statements of the entity must disclose any allocations received by the entity from any parent municipality and any allocations made to the parent municipality	Note 2 of the AFS provides details on the subsidy received from the City.
124(2)	The notes to the annual financial statements must include the particulars of the salaries, allowances and benefits of- <ul style="list-style-type: none"> • the members of the board of the entity; and • the Chief Executive Officer of the entity, every senior manager 	Page 16 of the Statement on Corporate Governance reflects the remuneration packages of the directors and senior management.
S125(2)(a)	Disclosure in respect of each bank account held by the municipal entity during the relevant financial year.	Page 1 of the AFS discloses information in respect of bank account held by JTC as at 30 June 2005.
S125(2)(b)	Summary of all investments of the municipal entity as at the end of the financial year	All investments are reflected in the City's consolidated financial statements as per the City's policy.
S125(2)(c)	Particulars of any contingent liabilities of the municipal entity as at the end of the financial year	Note 6 on Page 25 of the AFS disclose a subordinated loan from the City, which was incurred by JTC as the promoter of the company. The loan bears not fixed interest, is unsecured and has no fixed

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		terms of repayment.
S125(2)(d)	Material losses, irregular or fruitless and wasteful expenditure.	No such losses and/or expenditure.
S125(2)(e)	Particulars of non-compliance with the MFMA.	<p>The Auditor General has found that JTC does not comply with the following provisions of the MFMA:</p> <ul style="list-style-type: none"> • S89(a) dealing with the determination of upper limits for remuneration of CEO and senior management. <i>This is the responsibility of the parent municipality and the City is currently involved in the process of reviewing its remuneration philosophy and policies in order to determine the upper limits. This process will be finalized before the end of the current financial year.</i> • S165, which provides that each municipal entity must have an internal audit unit or outsource the internal audit function. JTC did not have an in internal audit function.

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ANNEXURE "J"

Johannesburg Metropolitan Bus Services

EXECUTIVE SUMMARY

Sustainability

Financial sustainability:

The sustainability of Metrobus is dependent on a subsidy from COJ. Total Revenue is R289.5m of which R202.3m is subsidy. The balance of income is derived from Fares, Bus Hiring and Advertising. Metrobus made a profit R2.3m due to an increase in coupon fares and advertising

Subordination

No.

Liquidity and solvency

Metrobus is illiquid by R16m and solvent by R2m

Audit Issues

Audit Opinion: Qualified opinion

- Inventory: physical count not carried out.

Emphasis of Matter

- Going Concern: going concern was dependent upon ongoing funding from CJMM.
- Registration of freehold land & buildings: to the value of R12 290 not yet transferred into the register.
- Post-retirement benefits: provision was not made in the books for any further obligations
- Property, plant & equipment: asset register not complete and inaccurate.
- Cash management system:
 - a) Cheques were outstanding for more than a year
 - b) Cheques were cancelled but still appeared as outstanding
 - c) Paid cheques still appeared as outstanding
 - d) Paid cheques to suppliers not captured on the system.
 - e) Bank recons not reviewed & approved by management
- Expenditure Journal Entries
 - Lack of segregation of duties: One official initiates, authorises and processes journal entries
- Non-Compliance with MFMA

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- Weakness in computer information technology environment
 - Lack of disaster recovery plan
 - Inadequate physical and environmental controls
 - Operating procedures not documented
 - Inadequate IT resources
- Financial Management

Performance Highlights

6. Customer satisfaction increased by 1% to 78%.

Legislative compliance

SOURCE	REQUIREMENTS	COMMENTS
S121(4)(a)	The submission of annual financial statements (AFS) to Auditor-General (AG) for audit in terms of section 126(2).	Metrobus AFS for the year under review were submitted to the Auditor General and approved by the Board of Directors on the 30 November 2005.
S121(4)(b)	The Auditor General's audit report on the financial statements in terms of section 126(3).	The audit report of the Auditor General dated 2 December 2005 was submitted to Metrobus. The issues raised in the report are discussed in the Executive Summary above.
S121(4)(c)	An assessment by the entity's Accounting Officer of any arrears on municipal taxes and service charges.	Not provided for in the AFS, as Metrobus does not levy municipal taxes and municipal service charges. The entity charges customers directly for its services and the revenue is accounted for in the revenue section in the income statement.
S121(4)(d)	An assessment by the entity's Accounting Officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement (or other agreement).	Page 12 - 16 of the Annual Report contains a discussion in respect of the Performance Scorecard of Metrobus. This aspect deals with: <ul style="list-style-type: none"> • Contribution to the IDP; • Contribution to the Mayor's Strategic Agenda; • Key achievements; • Key challenges; and • Recommendations for consideration in 2005/06.

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S121(4)(e)	Particulars of any corrective action taken or to be taken in response to the Auditor General's audit report.	Clearing of all items raised in the audit report will be placed on the Agenda of the Audit Committee meetings so that they are resolved by June 2006.
S121(4)(f)	Information determined by the municipal entity or the parent municipality:- <ul style="list-style-type: none"> • Corporate Social Responsibility (CSR) • Occupational Health & Safety (OHS) • HIV/AIDS • Environmental Management (EM) • Batho Pele 	Chapter 6 of the Annual Report provides information on the entity's initiatives on the reporting areas prescribed by the parent municipality.
S121(4)(g)	Recommendations of the audit committee of the entity or its parent municipality;	The Audit Committee will be making recommendations at the next Audit Committee meeting.
S121(4)(h)	Other prescribed information:- <ul style="list-style-type: none"> • Staff salaries, wages, allowances and benefits 	Note 18.2 of the AFS discloses staff salaries, wages and benefits. Page 21 of Metrobus's Annual Report provides further the profile of the company's employees.
S123(2)	The annual financial statements of the entity must disclose any allocations received by the entity from any parent municipality and any allocations made to the parent municipality	Note 16 of the annual financial statements discloses the operating subsidy received from the parent municipality for the financial year ended June 2005.
S124(2)	The notes to the annual financial statements must include the particulars of the salaries, allowances and benefits of- <ul style="list-style-type: none"> • the members of the board of the entity; and • the Chief Executive Officer of the entity, every senior manager 	Note 18.1 of the AFS provide particulars of the emoluments of the Non-Executive Directors, Managing Director and senior management.
S125(2)(a)	Disclosure in respect of each bank account held by the	Two bank accounts are held with ABSA Bank. They are:

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	municipal entity during the relevant financial year.	Main Account – 4054394833 Salaries Account - 4054394841
S125(2)(b)	Summary of all investments of the municipal entity as at the end of the financial year	All investments are reflected in the City's consolidated financial statements as per the City's policy.
S125(2)(c)	Particulars of any contingent liabilities of the municipal entity as at the end of the financial year	Note 22 of the AFS disclose contingent liabilities as at the end of the financial year, which includes employee, related liabilities and benefits, litigation and licenses.
S125(2)(d)	Material losses, irregular or fruitless and wasteful expenditure.	Metrobus's Annual Report does not disclose irregular, fruitless and wasteful expenditures.
S125(2)(e)	Particulars of non-compliance with the MFMA.	<p>The Auditor General has found that Metrobus does not comply with the following provisions of the MFMA:</p> <ul style="list-style-type: none"> • S89(a) dealing with the determination of upper limits for remuneration of CEO and senior management. <i>This is the responsibility of the parent municipality and the City is currently involved in the process of reviewing its remuneration philosophy and policies in order to determine the upper limits. This process will be finalized before the end of the current financial year.</i> • S32 dealing with unauthorized, irregular or fruitless and wasteful expenditure. <i>Metrobus incurred fruitless expenditure in the form of traffic fines and interest paid on overdraft account. Metrobus has not provided in the company's report on corrective actions taken or to be taken to deal with</i>

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		<p><i>this matter.</i></p> <ul style="list-style-type: none"> • S99(2) dealing with expenditure management more specifically compliance with the entity tax, duty, pension, medical aid and other statutory commitments. <i>Metrobus did not provide particulars of any corrective taken or to be taken in satisfying its statutory. This will have to be regularized in consultation with the City.</i>
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ANNEXURE "K"

Johannesburg Fresh Produce Market

EXECUTIVE SUMMARY

Sustainability

Going Concern Issues

JFPM does not receive any subsidies from COJ. It's revenue for the year is R103m and consists of commission received, rental income and cold storage fees. The Profit after tax is R13,7m as compared to previous years profit of R9,7m .The opening accumulated profit at 1st July 2003 was restated with changes in the provision for post retirement benefits and gratuities in line with actuarial valuations. Debts of R2,2 million in respect of the 2003 financial year were discovered subsequent to year-end and a provision for bad debt was raised. The risk associated with turnover is on supply and demands that ultimately affects pricing.

Liquidity; Solvency

JFPM is illiquid by R16m due to R20m owing to shareholder loans. JFPM is solvent by R59m. If JFPM continues with an illiquid position were current liabilities exceed current assets by R16m, it may require a subordination in future from COJ

Audit Issues

Qualifications

- 2) Deposit Account: Deposit not recorded in ledger
- 3) Guaranteed buyers (debtors):
- 4) Invalid deposits were processed to creditors accounts
- 5) Reconciliations were not performed to support differences
- 6) Business account:
- 7) Payment through bank not recorded
- 8) Financial management capacity: a lack of segregation of duties and supervision within finance existed
- 9) Receivables:
- 10) Audit was not able to obtain sufficient evidence support the recoverability of RD receivables
- 11) JFPM did not comply with the current policies and controls regarding RD cheques

Disclaimers

Because of the significance of the matters discussed in the qualification section above, the auditor is unable to express an opinion on the financial statements, and the result of its operations and cashflows for the year then ended.

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Emphasis of Matter

- Management and Corporate Governance – Serious allegations were made concerning governance, finance, control environment and procurement by the CFO
- Non-compliance with laws and regulations - To approved policies for revenue, purchases and fixed asset cycles. Bank recons were not done for all bank accounts, No risk plan was done. Income tax returns for the years 2001 to 2004 were not prepared and submitted. No risk management strategy and fraud prevention plan.
- Registration of freehold land and buildings – R77m of assets has still not been registered.
- Indemnification by COJ - Post retirement benefits amounting R5,5m was not equal to COJ's amount of R4,9m
- Subsequent events - Forensic investigation was only undertaken after year end
- Negative working capital – Current liabilities of R70m against current assets of R55m. No subordination was received at time of report
- Performance Management – no upper limits for senior management
- Submission of annual financial statements – Submitted on 11 November 2005
- Weaknesses in the computer IT environment – lack of segregation of duties, no business continuity plan, disaster recovery plan, SLA's with vendors on the JD Edwards system were not in place.

Performance Highlights

7. Service delivery

- Growing the company's market share from 34,1% to 34,4%
- Winning the mayoral award: Corporate entity of the year
- Commissioning a modern banana ripening facility of 37 rooms that is already fully occupied
- Spending 59% of Capex and opex on BEE companies
- Attracting retail and international agents to the markets
- Attracting specialised skills for food quality, business planning and revenue protection amongst others
- Building JFPM brand through extensive positive media coverage that included the CEO road shows to farmers, the Soweto Wholesale Market and Food Bank

Legislative compliance

SOURCE	REQUIREMENTS	COMMENTS
S121(4)(a)	The submission of annual financial statements (AFS) to Auditor-General (AG) for audit in	JFPM AFS for the year under review submitted to the Auditor General in accordance with the provisions of the

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	terms of section 126(2).	MFMA on 31 August 2005 and re-submitted on the 11 November 2005, the same date the Chief Executive Officer and Chairperson of the Board signed the AFS.
S121(4)(b)	The Auditor General's audit reports on the financial statements in terms of section 126(3).	<p>The audit report of the Auditor General dated 30 November 2005 was submitted to Johannesburg Fresh Produce Market.</p> <p>The report contained a disclaimer based on the following qualification:</p> <ul style="list-style-type: none"> • Deposit account; • Guaranteed buyers (debtors); • Business account; • Financial item; • Receivables; and • Annual financial statements. <p>Further attention was drawn to the following matters:</p> <ul style="list-style-type: none"> • Management and corporate governance; • Non-compliance with laws and regulations; • Registration of freehold land and buildings; • Indemnification by the City of Johannesburg Metropolitan Municipality (CJMM) for post retirement benefits; • Subsequent events; • Negative working capital; • Remuneration packages; • Submission of AFS; • Supplementary schedules; • Weakness in the computer information technology (IT) environment
S121(4)(c)	An assessment by the entity's Accounting Officer of any arrears on municipal taxes and service charges.	<p>JFPM provides in Note 13 [municipal charges] on Page 69 and Note 24 on Page 78 of AFS for service charges.</p> <p>Further the entity charges customers directly (commission) for its services and the revenue is accounted for in the revenue section in the income</p>

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		statement.
S121(4)(d)	An assessment by the entity's Accounting Officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement (or other agreement).	Chapter 2 of the Annual Report contains a discussion in respect of the Performance Highlight. This aspect deals with: <ul style="list-style-type: none"> • Key service delivery drivers and the performance; • Strategic objectives; • Financial performance; • Contribution to the IDP; • Contribution to the city scorecard; • Contribution to the Mayoral strategic agenda; • Key challenges; and • Recommendations for consideration in 2005/06.
S121(4)(e)	Particulars of any corrective action taken or to be taken in response to the Auditor General's audit report.	Response to the corrective actions is included in the audit report underneath every note of the AG at pages 40-46.
S121(4)(f)	Information determined by the municipal entity or the parent municipality:- <ul style="list-style-type: none"> • Corporate Social Responsibility (CSR) • Occupational Health & Safety (OHS) • HIV/AIDS • Environmental Management (EM) • Batho Pele 	Chapter 6 of the Annual Report provides information on the entity's initiatives on the reporting areas prescribed by the parent municipality.
S121(4)(g)	Recommendations of the audit committee of the entity or its parent municipality;	The Audit Committee recommendations have not been provided by JFPM in the AR.
S121(4)(h)	Other prescribed information:- <ul style="list-style-type: none"> • Staff salaries, wages, allowances and benefits. 	Note 18 on Page 74 provides for salaries and wages and pension costs.
S123(2)	The annual financial statements of the entity must disclose any allocations received by the entity from any parent municipality and any allocations made to the parent municipality	Note 9 of the JFPM AFS provides for the service fee allocations received from the City of Johannesburg.

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S124(2)	<p>The notes to the annual financial statements must include the particulars of the salaries, allowances and benefits of-</p> <ul style="list-style-type: none"> • the members of the board of the entity; and • the Chief Executive Officer of the entity, every senior manager 	<p>Note 17 on Page 72 of the AFS provide particulars of the emoluments of the Non-Executive Directors of the company.</p> <p>Note 17 on Page 72 of the Annual Report provides particulars of the remuneration of the Executive Director and senior management.</p>
S125(2)(a)	<p>Disclosure in respect of each bank account held by the municipal entity during the relevant financial year.</p>	<p>JFPM has disclosed the bank accounts held as at 30 June 2005 in the Notes to its AFS (Note 7 on Page 64).</p>
S125(2)(b)	<p>Summary of all investments of the municipal entity as at the end of the financial year</p>	<p>All investments are reflected in the City's consolidated financial statements as per the City's policy.</p>
S125(2)(c)	<p>Particulars of any contingent liabilities of the municipal entity as at the end of the financial year</p>	<p>Note 27 on Page 86 of the AFS reflects contingent liability as follows:</p> <ul style="list-style-type: none"> • Unions vs. City of Joburg and UAC's; • Arbitration; • Review of Labour Court award; • Pending case; and • Post retirement medical aid.
S125(2)(d)	<p>Material losses, irregular or fruitless and wasteful expenditure.</p>	<p>Note 28 of the AFS states fraud loss of R41 000 and the disciplinary steps taken. Further, in a response to the Auditor General's issues on Page 4, the CEO of the JFPM provides information around fraud and other criminal activities at the JFPM and the corrective action taken.</p>
S125(2)(e)	<p>Particulars of non-compliance with the MFMA.</p>	<p>The Auditor General has found that JFPM does not comply with the following provisions of the MFMA:</p> <ul style="list-style-type: none"> • S85(5) dealing with the administration of bank accounts. • S89(a) dealing with the determination of upper limits for remuneration of CEO and senior management. <i>This is the responsibility of the parent municipality and</i>

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		<p><i>the City is currently involved in the process of reviewing its remuneration philosophy and policies in order to determine the upper limits. This process will be finalized before the end of the current financial year.</i></p> <ul style="list-style-type: none"> • S165 dealing with the internal audit unit. • S99(2)(f) dealing with the tax, levy, duty, pension, medical aid, audit fees and other statutory commitments..
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ANNEXURE "L"

Joburg Property Company

EXECUTIVE SUMMARY

Sustainability

Going Concern Issues

The ability of the company to continue as a going concern is dependent upon ongoing funding from the City of Johannesburg Metropolitan Municipality.

Liquidity and Solvency

JPC is solvent with shareholder funds at R 3,4 million. Current assets are R 7,3 million against current liabilities of R 3,5 million. The entity has cash and cash equivalents R520,481.

Audit Issues

Audit opinion: Unqualified opinion

Emphasis of Matter

The following issues were highlighted:

- Going concern
- Post retirement benefit
- Remuneration packages

The prominent issues are summarised below:

a) Post retirement benefit

No provision has been made in the books for any obligations, which may arise once the surplus, or deficit per entity is determined.

b) Remuneration packages:

No upper limits of remuneration for the CEO and Senior Managers were determined for the year under review.

Performance Highlights

Financial performance

- The operating profit for the year is R 3,582,245 up 438.42% from the previous year.
- Gross Revenue is R 25,334,101 up 25.89% from the previous year.
- Expenses R 20,230,486 up 6.83% from the previous year.

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Legislative compliance

SOURCE	REQUIREMENTS	COMMENTS
S121(4)(a)	The submission of annual financial statements (AFS) to Auditor-General (AG) for audit in terms of section 126(2).	JPC's AFS for the year under review were submitted to PWC.
S121(4)(b)	The Auditor General's audit report on the financial statements in terms of section 126(3).	The audit report of the Auditor General dated 28 November 2005 was submitted to JPC in accordance with the MFMA.
S121(4)(c)	An assessment by the entity's Accounting Officer of any arrears on municipal taxes and service charges.	Not provided for in the AFS, as JPC does not levy municipal taxes and municipal service charges.
S121(4)(d)	An assessment by the entity's Accounting Officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement (or other agreement).	Highlights appear in Page 4 more stating of achievement and not lifting the measurable performance objectives. JPC has successfully managed the portfolio of the CoJ as per the SDA.
S121(4)(e)	Particulars of any corrective action taken or to be taken in response to the Auditor General's audit report.	Received a clean Audit Report, no actions to be taken.
S121(4)(f)	Information determined by the municipal entity or the parent municipality:- <ul style="list-style-type: none"> • Corporate Social Responsibility (CSR) • Occupational Health & Safety (OHS) • HIV/AIDS • Environmental Management (EM) • Batho Pele 	All of this is not applicable to JPC. The Health and Safety Committee was established in 2004/5 to address the issues of HIV, health and safety in the workplace. The committee comprises of six members and they are tasked to educate on all issues related to HIV/AIDS. Internal and external support is available with the assistance of the CoJ's OHASA Department. Batho Pele – System Development is in progress and will be commissioned by January 2006.
S121(4)(g)	Recommendations of the audit committee of the entity or its parent municipality;	To involve the Internal Audit Department of the CoJ with the new PIM system.

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S121(4)(h)	Other prescribed information:- <ul style="list-style-type: none"> • Staff salaries, wages, allowances and benefits 	Page 21 of JPC AFS provides information on salaries and wages. Note 16 on Page 33 shows wages and salaries.
S123(2)	The annual financial statements of the entity must disclose any allocations received by the entity from any parent municipality and any allocations made to the parent municipality	Page 21 of the AFS, under Revenue item provides for management fees received.
124(2)	The notes to the annual financial statements must include the particulars of the salaries, allowances and benefits of- <ul style="list-style-type: none"> • the members of the board of the entity; and • the Chief Executive Officer of the entity, every senior manager 	Note 16 of the AFS on Page 33 provide particulars of the emoluments of the Non Executive Directors of JPC. Note 16 of the AFS on Page 33 provides particulars of the emoluments of the Executive Directors and senior management of JPC.
S125(2)(a)	Disclosure in respect of each bank account held by the municipal entity during the relevant financial year.	JPC has disclosed the bank accounts held as at 30 June 2005 under contact details [1 st Page].
S125(2)(b)	Summary of all investments of the municipal entity as at the end of the financial year	All investments are reflected in the City's consolidated financial statements as per the City's policy.
S125(2)(c)	Particulars of any contingent liabilities of the municipal entity as at the end of the financial year	Note 23 of the AFS on Page 36 reflects the following as contingent liabilities: <ul style="list-style-type: none"> • Repercussion of Section 197 of the Labour Relations Act as a result of the sale of business as a going concern.
S125(2)(d)	Material losses, irregular or fruitless and wasteful expenditure.	No such losses and/or expenditure identified.
S125(2)(e)	Particulars of non-compliance with the MFMA.	Complied.

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ANNEXURE "M"

Johannesburg Zoo

EXECUTIVE SUMMARY

Sustainability

Going Concern Issues

The ability of the Johannesburg Zoo to continue as a going concern is dependent upon ongoing funding from the City of Johannesburg Metropolitan Municipality.

Financial position, Liquidity and Solvency

Johannesburg Zoo is technically insolvent to the amount of (R 421,662) but due to the CoJ subordination of R987,571 the entity is solvent.

Audit Issues

Audit opinion: Unqualified opinion

Emphasis of Matter

The following matters were highlighted:

- 12) Going concern and dependence on shareholder
- 13) Post retirement benefit
- 14) Internal control

The prominent issues are summarized below:

Part 3) Internal control:

- Fixed assets
The asset register is not adequately maintained.
- Accounts payable
Certain creditors were paid on pro-forma invoices.
- Revenue
Revenue completeness could not be assured.
- Value added tax

The VAT exemption certificate from SARS could not be presented for audit purposes.

- Submission of annual financial statements
The AFS were submitted on 31 Aug 2005, but due to audit findings the re-submitted AFS were not re-dated.
- Remuneration packages
Upper limits of remuneration packages for senior staff were not determined by tear end.
- Members loans and improvement to buildings
The improvement to buildings did not agree to members loan account.
- Weakness in the computer IT environment

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Although some controls were in place, the significant weaknesses identified are the following: i) Inadequate system parameter and ii) absence of a disaster recovery plan.

Performance Highlights

Financial performance

The Johannesburg Zoo attained a surplus of R 689,526 (this is largely due to the sale of white lions).

Gross revenue is R 29,814,415 down 2.88% from the previous year.

Other income is R 4,859,770 up 34.70% from the previous year.

Operating cost is R 34,621,659 down 0.23% from the previous year.

Service Delivery

Visitor numbers achieved are 5% higher than target at 376,235

The Johannesburg obtained a rating of 74.5% slightly below the target of 75% on the annual environmental assessment.

The disaster management plan is complete and in place.

The full capex allocation of R 7.2 million was spent in the financial year.

Legislative compliance

SOURCE	REQUIREMENTS	COMMENTS
S121(4)(a)	The submission of annual financial statements (AFS) to Auditor-General (AG) for audit in terms of section 126(2).	Joburg Zoo's AFS for the year under review were submitted to the Auditor General in accordance with the provisions of the MFMA on 31 August 2005 and re-submitted on 22 November 2002.
S121(4)(b)	The Auditor General's audit report on the financial statements in terms of section 126(3).	The audit report of the Auditor General dated 30 November was submitted to Joburg Zoo in accordance with the MFMA. The issues raised in the report are discussed in the Executive Summary above.
S121(4)(c)	An assessment by the entity's Accounting Officer of any arrears on municipal taxes and service charges.	Not provided for in the AFS as the Joburg Zoo does not levy municipal taxes and municipal service charges. The entity charges customers directly for its services and the revenue is accounted for in the revenue section in the income statement.

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S121(4)(d)	An assessment by the entity's Accounting Officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement (or other agreement).	The Annual Report discusses Joburg Zoo's performance for the year 2004/05. This aspect deals with: <ul style="list-style-type: none"> • Institutional Dimension; • Discussion of the Key Service Delivery drivers and performance; • Financial Performance; • Capital Projects; • Contribution to IDP, scorecard and Mayor's Strategic Agenda; • Key Achievements; • Key Challenges; and • Recommendations for consideration in 2005/06.
S121(4)(e)	Particulars of any corrective action taken or to be taken in response to the Auditor General's audit report.	Joburg Zoo has provided minutes of the Special Board Meeting where the AGs report was considered.
S121(4)(f)	Information determined by the municipal entity or the parent municipality:- <ul style="list-style-type: none"> • Corporate Social Responsibility (CSR) • Occupational Health & Safety (OHS) • HIV/AIDS • Environmental Management (EM) • Batho Pele 	Chapter 4 of the Annual Report provides information on the entity's initiatives on the reporting areas prescribed by the parent municipality.
S121(4)(g)	Recommendations of the Audit Committee of the entity or its parent municipality;	Joburg Zoo has not complied with the section. The next Audit Committee meeting is scheduled for March 2006.
S121(4)(h)	Other prescribed information:- <ul style="list-style-type: none"> • Staff salaries, wages, allowances and benefits 	Page 53 of Joburg Zoo's AFS provides information on salaries.
S123(2)	The annual financial statements of the entity must disclose any allocations received by the entity from any parent municipality and any allocations made to the parent municipality	Page 52 of the AFS, under gross revenue item, provides information on subsidy.
S124(2)	The notes to the annual financial statements must include the	The Annual Report provides particulars of the emoluments of the Non-Executive

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	<p>particulars of the salaries, allowances and benefits of-</p> <ul style="list-style-type: none"> • the members of the board of the entity; and • the Chief Executive Officer of the entity, every senior manager 	<p>Directors.</p> <p>Notes 11 provides particulars of the emoluments of the Executive Directors and senior management of the Joburg Zoo.</p>
S125(2)(a)	<p>Disclosure in respect of each bank account held by the municipal entity during the relevant financial year.</p>	<p>Joburg Zoo has disclosed the bank accounts held as at 30 June 2005 in Page 34 of its AFS.</p>
S125(2)(b)	<p>Summary of all investments of the municipal entity as at the end of the financial year</p>	<p>All investments are reflected in the City's consolidated financial statements as per the City's policy.</p>
S125(2)(c)	<p>Particulars of any contingent liabilities of the municipal entity as at the end of the financial year</p>	<p>Note 14 of the AFS on Page 47 reflects the following as contingent liabilities:</p> <ul style="list-style-type: none"> • Labour dispute, former General Manager – Corporate Services.
S125(2)(d)	<p>Material losses, irregular or fruitless and wasteful expenditure.</p>	<p>No such losses and/or expenditure identified.</p>
S125(2)(e)	<p>Particulars of non-compliance with the MFMA.</p>	<p>The Auditor General has found that Joburg Zoo does not comply with the following provision of the MFMA:</p> <ul style="list-style-type: none"> • S89(a) dealing with the determination of upper limits for remuneration of CEO and senior management. <i>This is the responsibility of the parent municipality and the City is currently involved in the process of reviewing its remuneration philosophy and policies in order to determine the upper limits. This process will be finalized before the end of the current financial year.</i> • S96 dealing asset and liability management.

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ANNEXURE "N"

Johannesburg Civic Theatre

EXECUTIVE SUMMARY

Sustainability

Going Concern Issues

The ability of the Johannesburg Civic Theatre to continue as a going concern was dependant upon ongoing funding from the City of Johannesburg Metropolitan municipality. Civic Theatre has achieved a Profit after tax of R3m. Its revenue was R32m, of which R13,3m is subsidy and the balance is from productions, functions and retail activities.

Subordination

None

Liquidity; Solvency

Civic Theatre is R9,7m liquid and solvent with R16,5m

Audit Issues

Audit Opinion: Qualified opinion

Disclaimers

None

Emphasis of Matter

1. Going concern: the ability of JCT to continue as a going concern was dependant upon ongoing funding from CJMM
2. Non-compliance with laws and regulations
 - a) MFMA, 2003 (Act No. 56): a loan of R12 000 was advanced to executive manager in Aug 04.
 - b) CJMM did not determine the upper limits of the salary & other benefits of the CEO & senior managers.
 - c) Liability of R70 000 arising from pending litigation was not disclosed in the annual financial statement
 - d) Payroll balance from VIP doesn't reconcile with the general ledger (ACCPAC)
 - e) Certain assets did not have an asset number.
3. Submission of annual financial statements: submitted on 31 Aug 05, but due to amendments, it was resubmitted on the 25 Nov 05.

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Performance Highlights

Service delivery

- Average occupancy rate in the Nelson Mandela Theatre was 84%
- Received the award from Leisure Options People's Choice as Best Theatre Complex for the fifth year
- Have bookings for the Nelson Mandela Theatre until 2008
- One of the most successful News Café in South Africa
- Associated with state of the art ballet studio

Legal compliance

SOURCE	REQUIREMENTS	COMMENTS
S121(4)(a)	The submission of annual financial statements (AFS) to Auditor-General (AG) for audit in terms of section 126(2).	JCT's AFS for the year under review were submitted to the Auditor General on 31 August 2005. Due to significant audit findings the statements were amended and re-submitted to the Auditor General on the 25 November 2005 and subsequently approved by the Board of Directors on the 5 December 2005.
S121(4)(b)	The Auditor General's audit report on the financial statements in terms of section 126(3).	The audit report of the Auditor General dated 7 th December 2005 was submitted to JCT. The issues raised in the report are discussed in the Executive Summary above.
S121(4)(c)	An assessment by the entity's Accounting Officer of any arrears on municipal taxes and service charges.	Not provided for in the AFS, as the Joburg Civic Theatre does not levy municipal taxes and municipal service charges. The entity charges customers directly for its services and the revenue is accounted for in the revenue section in the income statement.
S121(4)(d)	An assessment by the entity's Accounting Officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement (or other agreement).	JCT has adequately disclosed performance at Page 6 – 8 of the Annual Report.

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S121(4)(e)	Particulars of any corrective action taken or to be taken in response to the Auditor General's audit report.	Kindly refer to Annexure N (a).
S121(4)(f)	Information determined by the municipal entity or the parent municipality:- <ul style="list-style-type: none"> • Corporate Social Responsibility (CSR) • Occupational Health & Safety (OHS) • HIV/AIDS • Environmental Management (EM) • Batho Pele 	Chapter 4 of the Annual Report provides information on the entity's initiatives on the reporting areas prescribed by the parent municipality.
S121(4)(g)	Recommendations of the audit committee of the entity or its parent municipality;	There are no Audit Committee recommendations to note.
S121(4)(h)	Other prescribed information:- <ul style="list-style-type: none"> • Staff salaries, wages, allowances and benefits 	Pages 15 –17 of JCT's Annual Report provide the profile of the company's employees and the percentage of salary expenditure to total operating costs.
S123(2)	The annual financial statements of the entity must disclose any allocations received by the entity from any parent municipality and any allocations made to the parent municipality	Note 9 of the AFS discloses subsidy received for the financial year ending June 2005.
124(2)	The notes to the annual financial statements must include the particulars of the salaries, allowances and benefits of- <ul style="list-style-type: none"> • the members of the board of the entity; and • the Chief Executive Officer of the entity, every senior manager 	Note 14 of the AFS provide particulars of the emoluments of the Non-Executive Directors, the Chief Executive Officer and senior management.
S125(2)(a)	Disclosure in respect of each bank account held by the municipal entity during the relevant financial year.	JCT has disclosed the bank accounts held as at 30 June 2005 in the Notes to its AFS (Note 4).

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S125(2)(b)	Summary of all investments of the municipal entity as at the end of the financial year	All investments are reflected in the City's consolidated financial statements as per the City's policy.
S125(2)(c)	Particulars of any contingent liabilities of the municipal entity as at the end of the financial year	The Auditor General's report refers to a contingent liability of R70 000 arising from pending litigation that was not disclosed in the AFS as required by S125(2)(c) of the MFMA.
S125(2)(d)	Material losses, irregular or fruitless and wasteful expenditure.	AFS does not provide that there were material losses, irregular, fruitless and wasteful expenditure during the year under review.
S125(2)(e)	Particulars of non-compliance with the MFMA.	<p>The Auditor General has found that JCT does not comply with the following provisions of the MFMA:</p> <ul style="list-style-type: none"> • S89(a) dealing with the determination of upper limits for remuneration of CEO and senior management. <i>This is the responsibility of the parent municipality and the City is currently involved in the process of reviewing its remuneration philosophy and policies in order to determine the upper limits. This process will be finalized before the end of the current financial year.</i> • S63 dealing with assets and liability management. According to the AG's report this entails certain assets and other assets numbers are affixed to them. • S98(b) dealing with monthly reconciliation of revenue and accounts. • S125(2) (c) dealing with particulars of any contingent liabilities of the

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		<p>entity as at the end of the financial year.</p> <ul style="list-style-type: none">• S164(c) dealing with forbidden activities such as loans to directors or officials of the entity. <i>The loan has since been repaid. The transaction was concluded prior to the issuing of the National Treasury guidelines on forbidden loans, which were issued on 1 October 2004.</i>
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ANNEXURE "O"

Roodepoort Civic Theatre

EXECUTIVE SUMMARY

Sustainability

Going Concern Issues

The ability of the Roodepoort City Theatre to continue as a going concern is dependant upon further funding from the City of Johannesburg Metropolitan Municipality

Liquidity and Solvency

The Roodepoort City Theatre is solvent with shareholder funds at R 859,445, from liquidity perspective the entity has a favourable Cash and cash equivalents of R 1,021,246. Current assets are R 1,4 million against current liabilities of R 0,6 million.

Audit Issues

Audit opinion: Unqualified opinion

Emphasis of Matter

The following matters were highlighted:

- Going concern
- Internal Control

The prominent issues are summarised below:

2. Internal Control:

a) General (section 95 of the MFMA):

- Due to the size of the entity, proper segregation of duties did not exist.
- Written policies to guide financial accounting processes not developed;
- Fraud prevention plan not implemented;
- A record retention policy did not exist; and-
- No risk management strategy

b) Personnel files:

All employees files did not contain engagement letters

c) Income tax exemption:

RCT did not register with the Directorate for non-profit organisation & did not re-apply for exemption from income tax with SARS

d) Remuneration packages:

Upper limits for the CEO & Senior manages were not determined for the year under review.

e) Non-compliance to the MFMA

- fruitless and wasteful expenditure amounting to R999 was not reported.
- Audit committee was not established.
- An internal audit was not established

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Performance Highlights

Financial performance

- The Roodepoort City Theatre has attained a surplus of R 607,917 up 82.80% from the previous year.
- Turnover is R 5,729,480 up 21.23% from the previous year.
- Production cost is R 2,084,445 up 13.06% from the previous year.
- Operating cost is R 3,043,498 up 18.55% from the previous year.

Service Delivery

- A choral tuition programme was implemented and the instrumental tuition programme continued throughout the year.
- Many previously disadvantaged artists had the opportunity in making their professional debuts.

Legislative compliance

SOURCE	REQUIREMENTS	COMMENTS
S121(4)(a)	The submission of annual financial statements (AFS) to Auditor-General (AG) for audit in terms of section 126(2).	RCT's AFS for the year under review were approved by the Board of Directors on the 31 August 2005 and submitted to the Auditor General.
S121(4)(b)	The Auditor General's audit report on the financial statements in terms of section 126(3).	The audit report of the Auditor General dated 25 November 2005 was submitted to RCT. Further attention was drawn to the following matters: <ul style="list-style-type: none"> • Going concern; • Internal control; • Income tax exemption; • Remuneration packages; • Non-compliance to the MFMA; and • Supplementary schedules.
S121(4)(c)	An assessment by the entity's Accounting Officer of any arrears on municipal taxes and service charges.	RCT has not disclosed any arrears on municipal taxes and service charges during the financial year under review. Further kindly note that the entity charges customers directly for its services and the revenue is accounted for in the revenue section in the income statement.
S121(4)(d)	An assessment by the entity's Accounting Officer of the entity's performance against any	Page 16 to 17 of the Annual Report contain discussion in respect of the Performance Scorecard. This aspect

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	measurable performance objectives set in terms of the service delivery agreement (or other agreement).	deals with: <ul style="list-style-type: none"> • Contribution to the IDP; • Contribution to the City's Scorecard; • Contribution to the Mayor's Strategic Agenda; • Key achievements • Key challenges; and • Recommendations for consideration in 2005/2006.
S121(4)(e)	Particulars of any corrective action taken or to be taken in response to the Auditor General's audit report.	Management has committed itself to attend to the matters raised in the Auditor General's report in the new financial year ending 2006.
S121(4)(f)	Information determined by the municipal entity or the parent municipality:- <ul style="list-style-type: none"> • Corporate Social Responsibility (CSR) • Occupational Health & Safety (OHS) • HIV/AIDS • Environmental Management (EM) • Batho Pele 	Chapter 5 of the Annual Report provides information on the entity's initiatives on the reporting areas prescribed by the parent municipality.
S121(4)(g)	Recommendations of the audit committee of the entity or its parent municipality;	RCT did not have an Audit Committee during the financial year ended June 2005 as required in terms of the MFMA. The board of RCT is in the process of being restructured and once this process is completed, RCT has stated in Annexure B of the Annual Report that the Board will appoint an Audit and Finance Committee.
S121(4)(h)	Other prescribed information:- <ul style="list-style-type: none"> • Staff salaries, wages, allowances and benefits 	Page 24 of RCT's Annual Report provides for a brief profile of the company's employees and their percentage of salary to total Opex.
S123(2)	The annual financial statements of the entity must disclose any allocations received by the entity from any parent municipality and any allocations made to the parent municipality.	Note 9 of RCT AFS disclose the subsidy received from the parent company for the financial year ended June 2005. A total amount of R 3 142 651 has been received from the parent municipality.
124(2)	The notes to the annual financial statements must include the	Note 1.6 of the AFS provides that the Non-Executive Directors of RCT did not

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	<p>particulars of the salaries, allowances and benefits of-</p> <ul style="list-style-type: none"> • the members of the board of the entity; and • the Chief Executive Officer of the entity, every senior manager 	<p>receive any emoluments.</p> <p>Note 1.6 of the AFS further provides particulars of the remuneration of the Chief Executive Officer and senior management.</p>
S125(2)(a)	<p>Disclosure in respect of each bank account held by the municipal entity during the relevant financial year.</p>	<p>RCT has disclosed the bank accounts held as at 30 June 2005 in the Notes to its AFS (Note 4)</p>
S125(2)(b)	<p>Summary of all investments of the municipal entity as at the end of the financial year</p>	<p>All investments are reflected in the City's consolidated financial statements as per the City's policy.</p>
S125(2)(c)	<p>Particulars of any contingent liabilities of the municipal entity as at the end of the financial year</p>	<p>The AFS does not disclose any contingent liabilities as at the end of the financial year.</p>
S125(2)(d)	<p>Material losses, irregular or fruitless and wasteful expenditure.</p>	<p>Paragraph 4.5 (a) of the Auditor General's report provides that fruitless and wasteful expenditure amounting to R 999 was not reported as required by Section 102 of the MFMA.</p>
S125(2)(e)	<p>Particulars of non-compliance with the MFMA.</p>	<p>The Auditor General has found that RCT does not comply with the following provisions of the MFMA:</p> <ul style="list-style-type: none"> • S89(a) dealing with the determination of upper limits for remuneration of CEO and senior management. <i>This is the responsibility of the parent municipality and the City is currently involved in the process of reviewing its remuneration philosophy and policies in order to determine the upper limits. This process will be finalized before the end of the current financial year.</i> • S102 dealing with the reporting

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		<p>of irregular or fruitless and wasteful expenditure. <i>RCT Board of Directors has not provided for any steps to be taken to recover the expenditure or to prevent the recurrence of the expenditure.</i></p> <ul style="list-style-type: none"> • S165 dealing with internal audit unit. <i>RCT Board of Directors did not establish an Internal Audit Unit nor did the Board consider outsourcing the internal audit function. This matter will be regularized in the current year. Due to the size of the entity, outsourcing of the service to JRAS will be considered.</i> • S166 dealing with the establishment of the audit committee. <i>RCT Audit Committee was not established but the board of directors has indicated in the Annual Report that they will be in the process of appointing an Audit and Finance Committee once the Board has been restructured.</i>
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Municipal Entity Annual Report Approval Process

Section 46(1) of the MSA requires municipalities to prepare a performance report for each financial year setting out (a) the performance of the municipality and external service providers (including the municipal entities); (b) comparison of the performance with the targets set for and performances in the previous financial year; and (c) measures taken to improve performance. The annual performance report must form part of the Annual Report.

Chapter 12 of the MFMA contains a very wide range of provisions relating to financial reporting and auditing. Further to the development of the Annual Reports referred to above, the following Sections, amongst others, are applicable:

- Section 121(1) of the MFMA provides that the Council of the parent municipality must within 9 (nine) months after the end of the financial year (i.e. 31 March 2006) deal with the Annual Report.

**COJ: MAYORAL COMMITTEE
COJ: AUDIT COMMITTEE**

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- Section 127(1) of the MFMA provides that the municipal entity must submit its Annual Report to the Accounting Officer of the parent municipality. The Municipal Entities submitted their Annual Reports to the City Manager on 15 December 2005.
- Section 127(2) provides that the Executive Mayor must table the Annual Report of any municipal entity to Council within 7 (seven) months after the end of the financial year.
- Section 127(5) provides that the Accounting Officer of the parent municipality must make public the Annual Report and invite the local community to submit representations in connection with the Annual Report and submit to the Auditor-General, the Provincial Treasury and the Provincial Department responsible for local government.
- Section 129 of the MFMA provides that the Council of the parent municipality must by no later than 2 (two) months from the date on which the Annual Report was tabled in the Council in terms of Section 127(2) adopt an oversight report containing Council's comments on the Annual Report which must provide whether the Council approves the Annual Report with or without reservations or rejects the Annual Report or has referred back the Annual Report for revision.

Structure of Annual Report

The 2004/05 Municipal Entities' Annual Reports were formulated in accordance with the format provided in the National Treasury Annual Report Guidelines issued on 14 January 2005 under MFMA Circular No. 11, Municipal Finance Management Act (National Treasury Guidelines).

Each entity's 2004/05 Annual Report contains 6 (six) Chapters in accordance with the National Treasury Guidelines as detailed in the table below.

STRUCTURE OF ANNUAL REPORT	
CHAPTER	CONTENTS
Chapter 1	Introduction and Overview
Chapter 2	Performance Highlights
Chapter 3	Human Resource and Corporate Governance
Chapter 4	Audited Financial Statements and Related Financial Information
Chapter 5	Functional Area and Service Delivery Reporting
Chapter 6	Integrated Sustainability Reporting

4 POLICY IMPLICATIONS

There are no direct policy implications.

5 LEGAL AND CONSTITUTIONAL IMPLICATIONS

The 2004/05 Annual Report has been prepared in compliance with the provisions of the Municipal Systems Act and the Municipal Finance Management Act.

**COJ: MAYORAL COMMITTEE
COJ: AUDIT COMMITTEE**

**SHAREHOLDER UNIT
(OFFICE OF THE DIRECTOR)**

6 FINANCIAL IMPLICATIONS

There are no direct financial implications.

7 COMMUNICATIONS IMPLICATIONS

The full text of the 2004/05 Municipal Entities Annual Report will be submitted to the MEC: Local Government, MEC: Finance and Economic Affairs and the Auditor-General. The full text will also be published on the City of Johannesburg and all UACs websites.

8 OTHER DEPARTMENTS CONSULTED

Shareholder Unit
Corporate Planning Unit

IT IS RECOMMENDED

- [1 That the 2004/05 Annual Report for City Power as contained in Annexure A be tabled in terms of Section 127(2) of the Municipal Finance Management Act.**
- 2 That the 2004/05 Annual Report for Joburg Water as contained in Annexure B be tabled in terms of Section 127(2) of the Municipal Finance Management Act.**
- 3 That the 2004/05 Annual Report for Pikitup as contained in Annexure C be tabled in terms of Section 127(2) of the Municipal Finance Management Act.**
- 4 That the 2004/05 Annual Report for JRA as contained in Annexure D be tabled in terms of Section 127(2) of the Municipal Finance Management Act.**
- 5 That the 2004/05 Annual Report for City Parks as contained in Annexure E be tabled in terms of Section 127(2) of the Municipal Finance Management Act.**
- 6 That the 2004/05 Annual Report for JDA as contained in Annexure F be tabled in terms of Section 127(2) of the Municipal Finance Management Act.**
- 7 That the 2004/05 Annual Report for JOSHCO as contained in Annexure G be tabled in terms of Section 127(2) of the Municipal Finance Management Act.**
- 8 That the 2004/05 Annual Report for MTC as contained in Annexure H be tabled in terms of Section 127(2) of the Municipal Finance Management Act.**
- 9 That the 2004/05 Annual Report for JTC as contained in Annexure I be tabled in terms of Section 127(2) of the Municipal Finance Management Act.**
- 10 That the 2004/05 Annual Report for Metrobus as contained in Annexure J be tabled in terms of Section 127(2) of the Municipal Finance Management Act.**
- 11 That the 2004/05 Annual Report for JFPM as contained in Annexure K be tabled in terms of Section 127(2) of the Municipal Finance Management Act.**

**COJ: MAYORAL COMMITTEE
COJ: AUDIT COMMITTEE**

**SHAREHOLDER UNIT
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- 12 That the 2004/05 Annual Report for JPC as contained in Annexure L be tabled in terms of Section 127(2) of the Municipal Finance Management Act.**
- 13 That the 2004/05 Annual Report for Johannesburg Zoo as contained in Annexure M be tabled in terms of Section 127(2) of the Municipal Finance Management Act.**
- 14 That the 2004/05 Annual Report for Civic Theatre as contained in Annexure N be tabled in terms of Section 127(2) of the Municipal Finance Management Act.**
- 15 That the 2004/05 Annual Report for Roodepoort Theatre as contained in Annexure O be tabled in terms of Section 127(2) of the Municipal Finance Management Act.**
- 16 That the 2004/05 Annual Reports of the Municipal Entities be made available to the public and public comments be invited, as set out in the report in accordance with Section 127(5)(a) of the Municipal Finance Management Act.**
- 17 That the 2004/05 Annual Reports of the Municipal Entities be submitted to the Auditor-General, Gauteng Provincial Treasury and Gauteng Department of Local Government in accordance with Section 127(5)(b) of the Municipal Finance Management Act.]**

(THE ACCOUNTING OFFICER)
(CITY OF JOHANNESBURG)
(Pascal Moloi)