

**REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE
AND COUNCIL OF THE CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY ON
JOHANNESBURG ROADS AGENCY SOC LTD**

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Johannesburg Roads Agency SOC Ltd, which comprise the statement of financial position as at 30 June 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages xx to xx.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) the requirements of the Municipal Finance Management Act, 2003 (Act No.56 of 2003) (MFMA) and the Companies Act, 2008 (Act No. 71 of 2008 effective on 1 May 2011)(Companies Act) and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996, section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Opinion

6. In my opinion the financial statements present fairly, in all material respects, the financial position of the Johannesburg Roads Agency SOC Ltd as at 30 June 2011 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the MFMA and the Companies Act.

Emphasis of matters

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

Restatement of corresponding figures

8. As disclosed in note 29 to the financial statements, the corresponding figures for 30 June 2010 have been restated as a result of errors discovered by management during the 2010-11 financial year in the financial statements of the Johannesburg Roads Agency SOC Ltd at, and for the year ended 30 June 2010.

Irregular expenditure

9. As disclosed in note 34 to the financial statements, irregular expenditure to the amount of R23 317 186 was incurred as a result of non-compliance with the MFMA and supply chain management (SCM) regulations.

Additional matter

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

Unaudited supplementary schedules

11. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. In accordance with the PAA and in terms of *General Notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages xx to xx and material non-compliance with laws and regulations applicable to the Johannesburg Roads Agency SOC Ltd.

Predetermined objectives

13. There were no material findings on the annual performance report.

Compliance with laws and regulations

Expenditure management

14. In certain instances, the accounting officer did not take effective and appropriate steps to prevent irregular, fruitless and wasteful and unauthorised expenditure, as required by section 95(d) of the MFMA.

Procurement and contract management

15. Goods and services with a transaction value of between R10 000 and R200 000 were procured without obtaining written price quotations from at least three different prospective providers, as per the requirement of SCM regulations 17(a) and (c)
16. Awards were made to suppliers who did not submit a declaration on their employment by the state or their relationship to a person employed by the state as per the requirements of Municipal SCM regulation 13(c)
17. Prospective suppliers were not invited to apply for evaluation and listing at least once a year, through local representative newspapers or by any other appropriate means as required by SCM regulation 14(1)(a)(ii).

Annual financial statements

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

INTERNAL CONTROL

19. In accordance with the PAA and in terms of *General Notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the findings on compliance with laws and regulations included in this report.

Leadership

20. The accounting officer did not exercise adequate oversight responsibility regarding financial reporting and compliance with applicable laws and regulations.

Financial and performance management

21. Management did not prepare regular, accurate and complete financial reports that are supported and evidenced by reliable information.
22. Management did not monitor compliance with applicable laws and regulations such as MFMA and SCM regulations

OTHER REPORTS

Investigations

23. Investigations are in progress regarding the alleged breach of supply chain management processes.

Auditor-General

Johannesburg

30 November 2011



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence