

**REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE  
AND THE COUNCIL OF THE CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY  
ON ROODEPOORT CITY THEATRE (ASSOCIATION INCORPORATED UNDER SECTION 21)**

**REPORT ON THE FINANCIAL STATEMENTS**

**Introduction**

1. I have audited the accompanying financial statements of the Roodepoort City Theatre, 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 of South Africa, 2003 (Act No.56 of 2003) (MFMA) and Companies Act of South Africa, 2008 (Act No. 71 of 2008) (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 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), section 126(3) of the Municipal Finance Management Act of South Africa, 2003 (Act No.56 of 2003) 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.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Roodepoort City Theatre 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 matter**

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

## **Irregular expenditure**

9. As disclosed in note 27 to the financial statements, the municipal entity incurred irregular expenditure of R599 301 as a result of non compliance with 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 this schedule 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 municipal entity.

## **Predetermined objectives**

### **Usefulness of information**

13. The reported performance information was deficient in respect of the following criteria:
- Measurability: The key performance indicators are not well defined.
14. The following audit findings relate to the above criteria:

### **Planned and reported indicators are not well defined**

- For the selected objectives, 27% of the planned and reported indicators were not clear, as unambiguous data definitions were not available to allow for data to be collected consistently.

## Reliability of information

15. The reported performance information was deficient in respect of the following criteria:
- Validity: The reported performance did not occur and does not pertain to the entity.
16. The following audit findings relate to the above criteria:

### **The validity, accuracy and completeness of reported performance against targets could not be confirmed as inadequate supporting source information was provided**

- For the selected objectives, the validity and accuracy of 33% of the reported targets could not be established as sufficient appropriate audit evidence could not be provided.

## Compliance with laws and regulations

### Annual financial statements, performance and annual reports

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

## Procurement and Contract Management

18. Goods and services with a transaction value above R200 000 were not procured by means of a competitive bidding process and the deviation was not approved by the accounting officer or his delegate in accordance with the SCM policy as per the requirement of Supply Chain Management (SCM) Regulations 12(1)(d) and 36 (2).
19. Goods or services of a transaction value of R10 000 to R200 000 were procured without inviting at least three written price quotations as per the requirement of Supply Chain Management (SCM) regulation 12(1) (c).

## Expenditure management

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

## INTERNAL CONTROL

21. 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 the annual performance report and the findings on compliance with laws and regulations included in this report.

**Financial and performance management**

- 22. No regular review and monitoring of compliance with applicable laws and regulations.
- 23. No proper implementation of controls over daily and monthly processing of transactions and reconciling of transactions.

*Auditor General*

Johannesburg

30 November 2011



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*