

**REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE
AND THE COUNCIL OF THE CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY
ON THE JOHANNESBURG ZOO NPC**

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Johannesburg Zoo NPC, 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), and for such internal control as management determines necessary to enable the preparation of the 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 and section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), 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 Johannesburg Zoo NPC as at 30 June 2011, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Account Practice (SA Standards of GRAP) and the requirements of the MFMA and the Companies Act of South Africa.

Emphasis of matters

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

Restatement of corresponding figures

9. As disclosed in note 19 to the financial statements, the corresponding figures for 30 June 2010 have been restated as a result of errors discovered during the current year.

Unauthorised, fruitless and wasteful expenditure

10. As disclosed in note 27 to the financial statements, the operating budget for the current year was exceeded R740 094. The overspending was mainly as a result of capitalisation of newly acquired leased assets.
11. As disclosed in note 26 to the financial statements, the entity incurred fruitless and wasteful expenditure amounting to R1 114 976 due to a prepayment to a supplier for the supply and installation of the acrylics panels for the Temple of Ancient project

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

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

Compliance with laws and regulations

Annual financial statements, performance and annual report

14. 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 liabilities relating to Value Added Tax (VAT) identified by the auditors were subsequently corrected resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

15. The accounting officer did not take reasonable steps to prevent fruitless and wasteful expenditure as required by section 95(d) of the MFMA.
16. Money owing by the municipal entity was not always paid within 30 days of receiving an invoice or statement, as required by section 99(2)(b) of the MFMA.

INTERNAL CONTROL

17. 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 basis for the opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

18. The accounting officer did not exercise adequate oversight to ensure compliance with all laws and regulations, and more specifically with regards to compliance with the MFMA.
19. The accounting officer did not monitor the implementation of action plans to address internal control deficiencies as controls to ensure that payments are made within 30 days were not adequate.

Financial and performance management

20. The financial statements were subjected to material amendments due to staff members not fully understanding the requirements of the financial reporting framework.

OTHER REPORTS

Investigations

21. An investigation was conducted by an independent consulting firm on request by the entity. The investigation was initiated based on a prepayment to a supplier for the supply and installation of the acrylics panels for the Temple of Ancient project. The supplier did not deliver in terms of the prepayment made. Legal action has been taken against the supplier to recover the amount paid. The investigation was still ongoing at the reporting date.

Auditor-General

Johannesburg
29 November 2011



AUDITOR - GENERAL
SOUTH AFRICA

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