



LPH Chartered Accountants Inc. (+)
Registration No. 1998/020830/21
Practice No. 900537

LPH Tax and Accounting Services (Pty) Ltd (x)
Registration No. 2001/006786/07

PHYSICAL: Old Warehouse Building
Black River Park Fir Street
Observatory 7925 Cape Town
South Africa

21 May 2010

Observatory Improvement District (Assoc. Incorpor. Under S21)
Attention: Brian Amery
41 Station Road
Observatory
7925

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Mowbray 7705 South Africa

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Dear Mr. Amery

Interim audit work – Year ending 30 June 2010

In accordance with your request, we have performed certain interim audit procedures on the management accounts to date for the year ending 30 June 2010. The information is the responsibility of the directors. Our responsibility is to design audit tests that we felt would reduce the work required during the course of the annual statutory audit.

Our procedures and findings are summarized as follows:-

1. The Audit Director (Nicholas Hall) and Audit Senior (Vincent Chambati) met with you on the 9th of April 2010;
2. We documented the accounting and internal control system of the company. This system includes that expenditure up to R5,000 requires approval from yourself and another Director (usually the chairman of the Finance Committee - Thierry Luescher), that expenditure between R5,000 to R15,000 requires approval from the Finance Committee, and that expenditure in excess of R15,000 requires approval from the Board of Directors. The internal controls may be tested in more detail during the course of our statutory audit, but from the work done during the course of our interim audit, we confirm that the controls appear to be functioning correctly. The books are maintained in Pastel Express 2009 by you. From the work done during the course of our interim audit, we confirm that the books appear to be written up on a regular basis;
3. We inquired into the nature of the entity's income and expenditure. As the entity is a public benefit organisation, which receives a budgeted amount from the Municipality for the use on various community related projects in the Observatory area, we focussed our interim audit work on satisfying ourselves as to the validity of a sample of expenditure. We selected our sample from the expenditure that makes up the majority of the total expenditure (security, cleaning, social work and advertising/marketing/promotions). We understand that the company has entered into contracts with four service providers. The service providers are Vetus Schola (security), Essential Cleaning (cleaning), Home SPM (social work in respect of the rehabilitation project for homeless people), and Obslife (monthly advertorial in the newsletter). We confirm that the items selected in our sample (which made up the majority of each of the individual expense items listed above) all appear to be valid and adequately authorized (see paragraph 2 above);
4. We inquired as to whether a fixed asset register is maintained. We confirm that a fixed asset register is maintained. Furthermore, for a sample of the assets appearing on the register, we confirm that we inspected the purchase invoices, found the assets to have been purchased in the name of the company and that we found the register to be accurate. We confirm that the appropriate approval (see paragraph 2 above) was obtained for assets selected in our sample;

5. We inquired as to whether adequate minutes of Board of Directors' meetings are kept. We confirm that we inspected the minutes of the Board of Directors' meetings and that they appear to be complete.

As the above procedures do not constitute an audit in accordance with International Auditing Standards, we do not express any assurance on the figures contained in the management accounts. An audit in accordance with International Auditing Standards will be conducted on the figures once the financial year is complete. Our report is solely for the purpose set out in the first paragraph of this report.

Please do not hesitate to contact us should you have any further requirements.

Yours sincerely
for LPH Chartered Accountants Inc.



Nicholas Hall
Director