

Report of the auditor-general to the Gauteng Provincial Legislature and Council on the West Rand District Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the West Rand District Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2021, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the West Rand District Municipality as at 30 June 2021, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practices (SA standards of GRAP) and the requirements of the Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA) and the Division of Revenue Act, 2019 (Act No.16 of 2019) (DoRA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Financial sustainability

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.
7. As disclosed in note 50 to the financial statements, the municipality had an accumulated deficit of R108 831 892 and the liabilities exceed its assets by R108 831 892. The municipality had a total deficit for the year of R18 218 617. The municipality is implementing a financial recovery plan with seven strategies and report on its progress to Provincial COGTA on a monthly basis. These events and conditions, along with the other matters as set out in

note 50, indicate that a material uncertainty exists that may cast significant doubt on the municipality's financial sustainability.

Emphasis of matter

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 46 to the financial statements, the corresponding figures for 30 June 2021 were restated as a result of errors in the financial statements of the West Rand District Municipality at, and for the year ended 30 June 2021.

Material uncertainties

10. As disclosed in note 44 to the financial statements, the municipality is the defendant in a number of lawsuits. The ultimate outcome of these matters could not be determined and no provision for any liability that may result was made in the financial statements.

Other matter

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

Unaudited disclosure notes

12. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

13. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA standards of GRAP and the requirements of the MFMA and DoRA, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
14. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

15. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance

but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

16. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

17. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected regional outcome presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
18. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipality's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipality enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
19. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected regional outcome presented in the municipality's annual performance report for the year ended 30 June 2021:

Regional outcome	Pages in the annual performance report
Regional outcome 1 – Basic service delivery improvement	x – x

20. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
21. The material findings on the usefulness and reliability of the performance information of the selected regional outcome are as follows:

Various indicators

22. The achievements below were reported in the annual performance report for the listed indicators. However, I was unable to obtain valid, complete and sufficient appropriate audit evidence. This was due to the lack of valid and complete records. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any further adjustments were required to these reported achievements.

No.	Description of Indicators	Target
1	Number of Reports on the Monitoring of the provision of Quality and reliable sanitation and waste management	2
2	Number of Reports on the implementation of the Sanitation infrastructure Framework by local Municipalities submitted to Portfolio Committee / Maycom	2
3	Number of reports on the Maintenance of Sewer Infrastructure by local Municipalities submitted to Portfolio Committee / Maycom	2
4	Number of Reports on the Provision of Reliable Water Supply by Local Municipalities submitted to Portfolio Committee / Maycom	2
5	Number of Reports on the Maintenance of Efficient Water treatment Infrastructure by local Municipalities submitted to Portfolio Committee / Maycom	2
6	Number of Reports on securing of strategic source of Water Supply by Local Municipalities to Portfolio Committee / Maycom	2
7	Number of Reports on improvement initiatives of Water Services infrastructure and Maintenance by Local Municipalities submitted to Portfolio Committee / Maycom	2
8	Number of Reports on improvement of Water loss strategies by Local Municipalities submitted to Portfolio Committee / Maycom	2

Other matter

23. I draw attention to the matter below.

Achievement of planned targets

24. Refer to the annual performance report on pages ... to ... for information on the achievement of planned targets for the year and management's explanations provided for the achievement of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph [x to x] of this report.

Report on the audit of compliance with legislation

Introduction and scope

25. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipality's compliance with specific matters

in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

26. The material findings on compliance with specific matters in key legislation are as follows:

Expenditure management

27. Reasonable steps were not taken to prevent irregular expenditure amounting to R2 975 787 as disclosed in note 52 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by procurement processes not properly followed when appointing the service provider in the prior year.

Annual financial statements

28. 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.

29. Material misstatements of impairment on receivables from exchange transactions, Neighbourhood Development Partnership Grant, Regional Bulk Infrastructure Grant and loss on discontinued operations identified by the auditors in the submitted financial statement were corrected. Resulting in the financial statements receiving an unqualified opinion.

Other information

30. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected regional outcomes presented in the annual performance report that have been specifically reported in this auditor's report.

31. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

32. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected regional outcome presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

33. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

34. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the

significant internal control deficiencies that resulted in the findings on the performance report and the findings on compliance with legislation included in this report.

35. The accounting officer did not always exercise adequate oversight responsibility over internal controls relating to the expenditure management. This resulted in non-compliance with key laws and regulations
36. Senior management did not implement adequate controls to ensure adequate compliance monitoring in the following area:
 - Review and monitoring of compliance with SCM regulations as irregular expenditure was incurred and not prevented by the controls in place.

Johannesburg

15 December 2021



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected regional outcome and on the municipality’s compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
 - obtain an understanding of internal control relevant to the audit 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 municipality’s internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
 - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the West Rand District Municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a municipality to cease operating as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
 - obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.