

Report of the auditor-general to the Gauteng Provincial Legislature and council for 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 **xx to xx**, which comprise the statement of financial position as at 30 June 2024, 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 2024 and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2023 (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 responsibilities of the auditor-general for the audit of the financial statements section of my report.
4. I am independent of the district 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.

Material uncertainty relating to financial sustainability

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

Financial sustainability

7. As disclosed in note 49 to the financial statements, the municipality had an accumulated deficit of R111 922 441 and the municipality's total liabilities exceeded its assets by R111 922 441. The municipality is presently implementing a financial recovery plan with seven (7) strategies and reports on progress to National Treasury, National Department of Cooperative Governance

and Traditional Affairs (COGTA), Gauteng Provincial Treasury and Gauteng Provincial COGTA on monthly basis. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

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

Material uncertainties relating to the future outcome of exceptional litigation

9. 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

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

Unaudited disclosure notes

11. Unaudited disclosure notes - In terms of section 125(2)(e) of the MFMA, the particulars of non-compliance with the MFMA should be disclosed 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

12. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the 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.

13. In preparing the financial statements, the accounting officer is responsible for assessing the district 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 district municipality or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

14. 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.

15. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page xxx of the annexure to the auditor's report, forms part of our auditor's report.

Report on the audit of the annual performance report

16. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected objectives presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

17. I selected the following material performance indicators related to Regional outcome Basic service delivery improvement presented in the annual performance report for the year ended 30 June 2024 for auditing. I selected objectives that measure the district municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

- Number (4) of reports on monitoring and overseeing implementation of the Neighbourhood Development Partnership Programme (NDPG)
- Number four (4) of engagements on the Drop Forum facilitated by the West Rand District Municipality (WRDM)
- Number four (4) of reports on the coordination and monitoring of Rural Roads Asset Management System
- Number two (2) of reports on programmes/activities being undertaken to support the District Integrated Transport Plan

18. I evaluated the reported performance information for the selected objectives against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the district municipality's planning and delivery on its mandate and objectives.

19. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the district municipality's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the district municipality's performance against its primary mandated and prioritised functions and planned objectives are included
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be

delivered and by when, the required level of performance as well as how performance will be evaluated

- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable.
- there is adequate supporting evidence for the achievements reported and for / measures taken to improve performance

20. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

21. I did not identify any material findings on the reported performance information for the selected indicators

- Number (4) of reports on monitoring and overseeing implementation of the Neighbourhood Development Partnership Programme (NDPG)
- Number four (4) of engagements on the Drop Forum facilitated by the West Rand District Municipality (WRDM)
- Number four (4) of reports on the coordination and monitoring of Rural Roads Asset Management System
- Number two (2) of reports on programmes/activities being undertaken to support the District Integrated Transport Plan

Report on compliance with legislation

22. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the district municipality's compliance with legislation.

23. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

24. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the district municipality, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

25. I did not identify any material non-compliance with the selected legislative requirements.

Other information in the annual report

26. The accounting officer is responsible for the other information included in the annual report which includes the audit committee's report. The other information referred to does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported on in this auditor's report.
27. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
28. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
29. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

30. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
31. I did not identify any significant deficiencies in internal control.

Auditor-General

Johannesburg

30 November 2024



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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 material performance and on the district municipality's compliance with selected requirements in key legislation.

Financial statements

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 district municipality's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the 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 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 district 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.

Communication with those charged with governance

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.

I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence and 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.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003 (MFMA)	<p>Sections 122(1), 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii)</p> <p>Sections 11(1), 15, 29(1) , 29(2)(b), 62(1)(d), 65(2)(a), 65(2)(b), 65(2)(e)</p> <p>Sections 13(2), 14(1), 14(2)(a), 14(2)(b), 63(2)(a), 63(2)(c)</p> <p>Section 53(1)(c)(ii)</p> <p>Section 1 – Definition of SDBIP</p> <p>Sections 72(1)(a)(ii), 24(2)(c)(iv), 54(1)(c)</p> <p>Section 1 – paragraphs (a), (b) & (d) of the definition: irregular expenditure</p> <p>Sections 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), 32(6)(a), 32(7), 170, 171(4)(a), 171(4)(b)</p> <p>Sections 95(a), 112(l)(iii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117</p>
LG: MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 71(1), 71(2), 72
LG: MFMA: Municipal Investment Regulations, 2005	Regulations 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
LG: MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(a), 6(8)(b), 10(1)
LG: MFMA: Municipal Supply Chain Management (SCM) Regulations, 2017	<p>Regulations 5, 12(1)(b), 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 16(a), 17(1)(a), 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a) and (b), 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 38(1)(c), 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, 46(2)(e), 46(2)(f)</p>
Municipal Systems Act 32 of 2000 (MSA)	<p>Sections 29(1)(b)(ii), 27(1), 29(2)(a), 29(2)(c), 42, 25(1) , 26(a), 26(c) , 26(i) , 26(h), 41(1)(a), 43(2), 41(1)(b), 34(a) , 41(1)(c)(ii), 34(b), 38(a), 93B(a), 93B(b), 93C(a)(iv), 93C(a)(v)</p> <p>Sections 57(6)(a), 56(a) , 66(1)(b) , 66(1)(a), 67(1)(d), 57(2)(a), 57(4B)</p>
LG: MSA: Municipal Planning and Performance Management Regulations, 2001	Regulations 15(1)(a)(i), 2(1)(e), 2(3)(a), 9(1)(a), 10(a), 12(1), 3(4)(b), 15(1)(a)(ii), 3(5)(a), 3(3), 8, 7(1)

Legislation	Sections or regulations
LG: MSA: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006	Regulations 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3)
LG: MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations 36(1)(a), 17(2)
LG: MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
Annual Division of Revenue Act (Dora)	Section 11(6)(b), 12(5), 16(1), 16(3)
Construction Industry Development Board (CIDB) Act 38 of 2000	Section 18(1)
CIDB Regulations	Regulations 17, 25(7A)
Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA)	Section 2(1)(a), 2(1)(f)
Preferential Procurement Regulations (PPR), 2011	Regulations 4(1), 4(3), 4(4), 4(5), 5(1), 5(2), 5(3), 5(5), 6(1), 6(2), 6(3), 6(5), 6(4), 7(1), 10, 11(2), 11(4), 11(5), 11(8)
PPR, 2017	Regulations 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(5), 6(6), 6(8), 7(1), 7(2), 7(3), 7(5), 7(6), 7(8), 8(2), 8(5), 9(1), 10(1), 10(2), 11(1)
Prevention and Combating of Corrupt Activities Act 12 of 2004 (Precca)	Section 34(1)