Report of the auditor-general to Gauteng Provincial Legislature and the Council of the Rand West City Local Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of Rand West City Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2025, 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 Rand West City Local Municipality as of 30 June 2025 and its financial performance and cash flows for the year then ended in accordance with Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 24 of 2024 (Dora).

Basis for opinion

Context 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 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 related to going concern

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

7. I draw attention to Note 55 of the financial statements, which highlights that as of 30 June 2025, the municipality had a net deficit of R324 572 668, but its current liabilities of R2 900 610 243 exceeded current assets of R517 352 095 by R2 383 258 148. The municipality faces significant financial challenges, including cash flow constraints, which have affected its ability to meet financial obligations and provide sustainable services. As a result, interest charges on

overdue accounts were incurred. There is a material uncertainty regarding the municipality's ability to realise its assets and settle liabilities in the normal course of service delivery, which may impact its going concern status. Our opinion is not modified in respect of this matter.

Emphasis of matters

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

Material impairments – Receivable from exchange transactions

9. As disclosed on note 4 to the financial statements, material impairment of R1 662 627 594 was incurred as a result of inadequate collection practices.

Material impairments – Receivable from non-exchange transactions

10. As disclosed on note 5 to the financial statements, material impairment of R359 622 682 was incurred as a result of inadequate collection practices.

Material underspending on conditional grants and receipts

11. As disclosed in note 17 for unspent conditional grants, the municipality materially underspent the budget by R49 777 531 on conditional grants and receipts.

Restatement of corresponding figures

12. As disclosed in note 52 to the financial statements, the corresponding figures for 30 June 2023 were restated as a result of an errors in the financial statements of the municipality at, and for the year ended, 30 June 2024.

Material losses – Electricity

13. As disclosed in note 60 to the financial statements, material electricity losses of R468 618 497 (2023-24: R371 975 456) is incurred, which represents 41% (2023-24: 39%) of total electricity purchased. Non-technical losses amounted to R409 459 851 (2023-24: R371 975 456) and were due to theft and faults.

Material losses – Water

14. As disclosed in note 60 to the financial statements, material water losses of R229 509 406 (2023-24: R206 090 159) is incurred, which represents 59% (2023-24: 54%) of total water purchased. Technical losses amounted to R51 439 334 (2023-24: R22 898 907). Non-technical losses amounted to R178 070 072 (2023-24: R183 191 252) and were due to theft, faulty pipes and spillage.

Other matter

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

Unaudited disclosure notes

16. 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. These disclosure requirements did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on them.

Responsibilities of the accounting officer for the financial statements

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

18. 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.

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

19. 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.

20. 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, forms part of my auditor's report.

Report on the audit of the annual performance report

21. 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 strategic goal presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

22. I selected the following strategic goal presented in the annual performance report for the year ended 30 June 2025 for auditing. I selected a strategic goal that measures the municipality's performance on its primary mandated functions and that is of significant national, community or public interest.

Strategic goal	Page numbers	Purpose
MSG 2 - To ensure the provision of basic services to build sustainable and safe communities	X-X	To improve access to sustainable basic services through proactive maintenance of infrastructure, and to ensure that basic services are progressively expanded in all communities through proper planning

23. I evaluated the reported performance information for the selected strategic goal 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 municipality's planning and delivery on its mandate and objectives.

24. In performing the audit, my procedures focused on the material indicators relating to water, sanitation, human settlements and related infrastructure.

25. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the 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 measures taken to improve performance.

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

27. The material findings on the reported performance information for the selected strategic goal are as follows:

MSG 2 - To ensure the provision of basic services to build sustainable and safe communities.

Various indicators

28. I could not determine the accuracy of various reported achievements, as the indicators were not well defined and I could not verify the methods and processes used to measure the achievements and adequate supporting evidence to clarify the methods and processes for measuring achievement were not provided. Consequently, the reported achievements might be more or less than reported and were not reliable for determining if the targets have been achieved.

29. Adequate processes had not been established to consistently measure and reliably report on various indicators. Consequently, the municipality would have found it difficult to determine the correct achievements to be reported against the planned targets.

Indicator	Target	Detail
Number of households with access to electricity by 30 June 2025	122 748	The indicator did not define how "access" would be measured, which data sources would be used, or how households would be verified, resulting in ambiguity in determining whether households truly had sustainable and ongoing access
Number of households with access to water by 30 June 2025	127 060	The indicator lacked a clear definition of "access", did not specify the threshold for adequate service levels, and did not include a documented methodology for reconciling SDBIP figures to operational records
Number of households with access to sanitation by 30 June 2025	115 696	The indicator lacked a clear definition of "access", did not specify the threshold for adequate service levels, and did not include a documented methodology for reconciling SDBIP figures to operational records
Number (20) of stormwater channels planned to be cleaned in Greater Rand West City by 30 June 2025.	20	The planned indicator measured the number of stormwater channels to be cleaned, but the Annual Performance Report recorded 20 kilometres cleaned. The inconsistency between the planned unit of measure and the reported achievement means the indicator was not well defined and not verifiable, as required by the FMPPI

30. Adequate supporting evidence to clarify the methods and processes for measuring achievement of these indicators and their targets were not provided. Consequently, the municipality would have found it difficult to determine the correct achievement to be reported against the planned targets. Furthermore, the achievements that have been reported might not have taken place at all or were less or more than what was actually achieved, as the audited evidence did not agree to the reported achievements for the targets.

Other matters

31. I draw attention to the matters below.

Achievement of planned targets

32. The annual performance report includes information on reported achievements against planned targets and provides measures taken to improve performance. This information should be considered in the context of the material findings on the reported performance information.

33. The table that follows provides information on the achievement of planned targets and lists the key service delivery indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of targets and measures taken to improve performance are included in the annual performance report on pages xx to xx.

MSG 2 - To ensure the provision of basic services to build sustainable and safe communities

Targets achieved: 76% *Budget spent: 76%*		
Key service delivery indicator not achieved	**Planned target**	**Reported achievement**
Construction of stormwater channels in Randfontein and Mohlakeng (cleaning and upgrading programme)	3 000 metres	2 100 metres
Construction of internal roads in Simunye (Phase 9)	2 027 metres	980 metres
Reduction of non-technical water distribution losses	24%	59%
Percentage refurbishment of Hannes van Niekerk WWTW (Module 3)	100%	90%
Installation of sewer pipelines in Mohlakeng Ext. 5 (Phase 3)	9 kilometres	8 kilometres

Material misstatements

34. I identified preventable material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for MSG 2 - to ensure the provision of basic services to build sustainable and safe communities. Management did not correct all of the misstatements, and I reported material findings in this regard.

Report on compliance with legislation

35. 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 municipality's compliance with legislation.

36. 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.

37. 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 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.

38. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements, annual performance report and annual report

39. 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 current assets, liabilities, expenses and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Strategic planning and performance management

40. The performance management system and related controls were inadequate as it did not describe how the performance measurement processes should be conducted, as required by municipal planning and performance management regulation 7(1).

Expenditure management

41. Reasonable steps were taken to ensure that money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

42. Reasonable steps were not taken to prevent irregular expenditure amounting to R51 816 751, as disclosed in note 59 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by cases related to non-compliance with procurement process requirements.

43. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R146 215 987, as disclosed in note 58 to the annual financial statements, in contravention of

section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest on overdue payments relating to Eskom and Rand Water.

44. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R608 062 588, as disclosed in note 57 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by budget overspending by municipal departments.

Procurement and contract management

45. The preference point system was not applied to some of the procurement of goods and services as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act.

Other information in the annual report

46. The accounting officer is responsible for the other information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected strategic goal presented in the annual performance report that have been specifically reported on in this auditor's report.

47. My opinion on the financial statements, and my reports on the audit of the annual performance report and 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.

48. 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 strategic goal presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

49. 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

50. 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.

51. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion and, the material findings on the annual performance report and the material findings on compliance with legislation included in this report.

52. The accounting officer did not adequately exercise oversight responsibility regarding financial reporting and compliance and related internal controls, which resulted in instances of non-compliance being identified.

53. Senior management did not adequately review and monitor compliance with applicable laws and regulations, which resulted in instances of non-compliance being identified.

54. Senior management did not prepare regular, accurate and complete financial information when preparing the financial statements, which resulted in material adjustments on the financial statements submitted for audit.

Material irregularities

55. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of material irregularities as previously reported in the auditor's report.

Material irregularities identified during the audit

56. The material irregularities identified are as follows:

Customers not billed for sewerage services

57. Some of the customers were not billed for sewerage services in 2024-25 financial year, as required by sections 62(1)(b) and 64(2)(b) of the MFMA.

58. The municipality is likely to suffer a material financial loss if impacted customers within its jurisdiction are not billed for sewerage services and the revenue is recovered.

59. The accounting officer was notified of the material irregularity on 30 November 2024 and invited to make a written submission on the actions taken and that will be taken to address the material irregularity.

60. The accounting officer has taken the following actions to address the material irregularity:

    - Ensuring that the billing system is updated so all affected properties are billed for sewer services.
    - Performing a comprehensive reconciliation between the approved township register, property records, valuation roll and the billing system to identify any other properties not being billed.
    - Implementing corrective billing for past unbilled periods where permissible.
    - Establishing documented procedures that link new township approvals to billing activation to prevent future omissions.
    - Enhancing supervisory review controls over revenue completeness, including regular exception reporting and monitoring of undeclared or incorrectly registered properties.

- Strengthening communication channels with neighbouring municipalities to ensure clarity over service boundaries and billing responsibilities.

61. To prevent a re-occurrence of customers not billed for sewerage services, the accounting officer has reviewed all service charges billed, especially on sewerage service rendered, by the municipality to its community.

62. The material irregularity is resolved.

Status of previously reported material irregularities

Pollution of water resource not prevented at Randfontein wastewater treatment works

63. The municipality did not take reasonable measures at the Randfontein wastewater treatment Works to prevent pollution or degradation of the environment and water resources from occurring, continuing or recurring as required by section 28(1) of the National Environmental Management Act 107 of 1998 and section 19(1) of the National Water Act 36 of 1998. The Randfontein wastewater treatment works has not been functional since 2013 due to neglected maintenance that has resulted in the discharge of inadequately treated effluent into the Elandsvlei Spruit.

64. This has resulted in the continued and long ongoing discharge of inadequately treated effluent, exceeding the discharge limits, into main water resources such as the Elandsvlei Spruit as well ground water pollution of the surrounding environment, has a devastating effect on the water, its eco-systems and the people who use the water. These contaminated water resources provide water for consumption and recreational services for the surrounding communities, as well as water to neighbouring farmers for consumption by livestock and irrigation of crops (boreholes and irrigation ponds).

65. The accounting officer was notified of the material irregularity on 18 April 2023 and invited to make a written submission on the actions taken and that will be taken to address the material irregularity.

66. The accounting officer has taken the following actions to address the material irregularity:

    - Appointed Rand Water and East Rand Water Company in August 2022 for a period of 36 months for the operation, maintenance and conducting quarterly audits at the wastewater treatment works respectively.

    - In responding to the skills shortages within the municipality that has been identified as the root cause that resulted in the material irregularity, the accounting officer appointed the following personnel with effect from May 2023 and June 2023:

        - Four process controllers
        - Two millwright technicians
        - Two industrial effluent officers

- The accounting officer ring-fenced R3 million annually for the repairs and maintenance of the wastewater treatment works for the period 2023-24 until 2025-26 financial year in June 2023.

- Obtained classification certificate of the wastewater treatment works issued by the Department of Water and Sanitation in April 2023 and the wastewater treatment works has been classified as class C.

67. I will follow up on the progress on the implementation of these actions during the next audit.

xx November 2025

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 strategic goal and on the 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 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 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 the 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	Section 1 - Paragraph (a), (b) & (d) of the definition: irregular expenditure, Section 1 - Definition: service delivery and budget implementation plan, Sections 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 29(1), Sections 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), Sections 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i), Sections 62(1)(f)(ii), 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b), Sections 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), Sections 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), Sections 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), Sections 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, Sections 171(4)(a), 171(4)(b)
Municipal Supply Chain Management Regulations	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 16(a), 17(1)(a), Regulations 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), Regulations 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a), 29(1)(b), Regulations 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c), Regulations 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, Regulations 44, 46(2)(e), 46(2)(f)
Municipal Budget and Reporting Regulation	Regulations 71(1), 71(2), 72
Annual Division of Revenue Act	Construction Industry Development Board Regulations
Municipal Investment Regulation	Regulations 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
Construction Industry Development Board Act 38 of 2000	Section 18(1)

Legislation	Sections or regulations
Construction Industry Development Board Regulations	Construction Industry Development Board Regulations
Municipal Property Rates Act 6 of 2004	Section 3(1)
Municipal Systems Act	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 16(a), 17(1)(a), Regulations 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), Regulations 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a), 29(1)(b), Regulations 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c), Regulations 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, Regulations 44, 46(2)(e), 46(2)(f)
PPPFA	Sections 2(1)(a), 2(1)(f)
PPR 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), Regulations 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5) 9(1), 10(1), 10(2), Regulations 11(1), 11(2)
PPR 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)