

## **ANNUAL REPORT OF THE REGIONAL AUDIT COMMITTEE OF THE WEST RAND DISTRICT MUNICIPALITY FOR YEAR ENDED 30 JUNE 2023**

The Regional Audit Committee is pleased to present its Annual Report for the West Rand District Municipality for the financial year ended 30 June 2023.

### **BACKGROUND OVERVIEW**

The Audit Committee is an independent statutory and advisory committee appointed by the Council. Further duties are delegated to the Committee through a set of approved terms of reference, often termed “The Audit Committee Charter”. This report seeks to report back to Council on the implementation of the Audit Committee mandate in line with the Charter and Section 166 of the Municipal Finance Management Act.

### **COMPOSITION**

The Audit Committee has two sub- Committees, namely the Performance Audit Committee (PAC) and the Risk Management Committee (RMC), each of which is made up of Senior Management and an independent Chairperson. Both Chairpersons of the sub committees have standing invitations to attend all ordinary Audit Committee meetings.

The Audit Committee adopted an Audit Committee Charter in the year under review, which sets out the fundamental roles and responsibilities of the Committee. The Charter is informed by the requirements of Section 166 of the Municipal Finance Management Act (MFMA). The Performance Audit Committee also adopted the PAC Charter which also set out the fundamental roles and responsibilities of the PAC in line with the Municipal Systems Act and the Local Government Municipal Planning and Performance Regulations.

The Audit Committee reports that it has complied with its responsibilities arising from the abovementioned charters.

### **ATTENDANCE TO MEETINGS**

The Committee consisted of five independent members who collectively have sufficient qualifications and experience to fulfil the duties as stipulated in the Charter. Six meetings were held during the period under review. Special meetings were held to consider the Annual Financial Statements and the outcome of the year- end audit by the Office of the Auditor- General. The management team, representatives from Provincial Treasury and CoGTA, representatives from the Internal auditors and External auditors attended the Committee meetings by invitation. The Internal and External auditors have unrestricted access to the Committee and separate meetings are held with these auditors to address pertinent matters.

## AUDIT COMMITTEE MEMBERS

Below is attendance to meetings from 1 July 2022 to 30 June 2023.

Name of Member	Attendance	Apology	Total	Percentage attendance
Dr L Konar CA(SA)	6	1	5	83%
Mr B Ahmed CA(SA)	6	1	5	83%
Mr L Mangquku CA(SA)	6	2	4	67%
Mr L Ravhuhali CA(SA)	6	0	6	100%
Mr M Maseko	6	0	6	100%

## ROLES AND RESPONSIBILITIES

### The effectiveness of internal controls over Information and Communication Technology (ICT) Governance

West Rand District Municipality is plagued with ongoing financial unsustainability that impacts on its ability to implement all necessary ICT Governance requirements. The Committee observed weaknesses in the overall IT control environment related to the ageing ICT infrastructure, inadequate hardware and software tools of trade, inadequate remote backup systems, etc. The backup power generating facility had also become obsolete leaving the municipality without power during load shedding interruptions. The District is encouraged to seek additional funding to put measures and support in place for business continuity purposes.

## INTERNAL AUDIT

The Audit Committee is satisfied that the Internal Audit plan represented a clear alignment with the key risks, had adequate information systems coverage, and a sound balance across the different categories of audits, i.e. risk-based, mandatory, performance, computer and follow-up audits.

Internal audit work conducted during the year focused on Expenditure management, Payroll administration, Leave administration, Overtime management, Cash and bank management, Asset management, Supply chain management, Fire risk management, PIER programmes, Economic Development programmes, Community safety programmes, Health programmes, Human Resources management, Enterprise risk management and review of Predetermined Objectives. The audit reports generated were presented to management and the respective Governance Committees. The Committee noted the progress made in the implementation of corrective measures for findings raised by both Internal and External Auditors in the previous financial years.

The Committee is satisfied that the Internal Auditors possess the minimum requirements for qualifications and experience in various auditing disciplines, but would encourage the audit staff to obtain professional qualifications like Certified Internal Auditor, CISA qualifications, CFE qualifications etc. The Committee is also pleased to note that all audit staff members are affiliated to the Institute of Internal Auditors.

## **PERFORMANCE MANAGEMENT**

The Committee, as represented by the Performance Audit Committee, noted the robust deliberations regarding the performance information of the municipality. The Committee considered the quarterly performance reports which were presented by the PAC Chairperson. It was commendable that Management had processes in place to monitor performance on monthly basis and implement consequence management for sub-standard performance and deviations. As a result, the external auditors did not raise any significant findings during the year end audit cycle.

## **RISK MANAGEMENT**

The Committee considered the quarterly RMC reports from the RMC Chairperson. The risk maturity level of the municipality was below three (3) in a scale of 1 to 5, and Management was encouraged to strengthen the risk management processes and ensure that these processes are embedded into its day-to-day activities. There were significant Occupational Health and Safety risks identified which require immediate mitigations, but due to financial constraints, these risks remain high and unresolved. The municipality remained indebted to the Department of Labour for COIDA contributions and this possesses a risk to non-coverage for employee injuries on duty .

## **ANNUAL FINANCIAL STATEMENTS 2022/23**

The Audit Committee has:

- Reviewed and discussed the audited Annual Financial Statements to be included in the Annual Report, with the Auditor-General SA and the Accounting Officer;
- Reviewed the Audit Report of the Auditor-General SA;
- Reviewed the Auditor-General SA's Management Report and Management's responses thereto;
- Noted and reviewed the Auditor-General SA's assessment of the usefulness and reliability of performance information examined
- Reviewed the Municipality's compliance with legal and regulatory provisions; and
- Reviewed significant adjustments resulting from the audit.

The Committee commended Management for obtaining an Unqualified Audit opinion with no material findings. This is as a result of sound financial management processes adopted by Management. The Committee noted with appreciation the continued commitment by Management for not incurring Irregular expenditure over the past four financial years.

## **RECOMMENDATIONS**

1. The Audit Committee concurs with and accepts the AGSA's conclusions on the Annual Financial Statements and other legal and regulatory matters, and is of the view that the audited Annual Financial Statements be accepted and read, together with the report of the AGSA.
2. Management must develop the Audit Action plan to address the findings raised in the Management report.
3. The District must intensify engagements with National and Provincial government on the funding model for the District.
4. The District should partner with Gauteng Provincial Treasury over intergovernmental debts with other state organs in order to eliminate interests and penalties raised over these debts.



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**Dr Len Konar**  
**Chairperson of the Audit Committee**  
**Date: 22 January 2024**