

# NTINGA OR TAMBO DEVELOPMENT AGENCY

Audit Report

*For the year ended 30 June 2021*



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

# Report of the auditor-general to Eastern Cape Provincial Legislature on Ntinga OR Tambo Development Agency SOC Ltd

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the Ntinga OR Tambo Development Agency SOC Ltd 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 and cash flow statement and statement of comparison of budget information with actual information 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 Ntinga OR Tambo Development Agency SOC Ltd 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 Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Companies Act 71 of 2008.

### Basis of 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 municipal entity 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.

### Emphasis of matter

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

### Irregular expenditure

7. As disclosed in note 32.2 to the financial statements, irregular expenditure of R1.5 million (2019-20: R1.4 million) that was incurred in the previous years was not investigated.

## **Responsibilities of the accounting officer for the financial statements**

8. The board of directors, which constitutes the accounting officer, is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the MFMA and the Companies Act, 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.
9. In preparing the financial statements, the accounting officer is responsible for assessing the municipal entity'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 municipal entity or to cease operations, or has no realistic alternative but to do so.

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

10. 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.
11. 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**

12. 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 the selected objective presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
13. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipal entity'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 municipal entity 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.

14. 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 objective presented in the municipal entity's annual performance report for the year ended 30 June 2021:

| Objective   | Pages in the annual performance report |
|---|--|
| Strategic goal 1 – Sustainable water services (water resource management supply and sanitation) systems | x – x                                  |

15. I performed procedures to determine whether the reported performance information 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.
16. The material findings on the usefulness of the performance information of the selected objective are as follows:

### **Strategic goal 1: Sustainable water services (water supply and sanitation) systems**

#### **1.1.1. Number of repaired water supply schemes, revenue generated from repairs in each water supply scheme, revenue generated from maintenance in each water supply scheme**

##### Number of repaired water schemes

17. The indicator includes the following:

- Revenue generated from repairs in each water supply scheme
- Revenue generated from maintenance in each water supply scheme.

However, the target and the actual achievement do not make any reference to the above. Therefore, there is no consistency between the indicator and target and the actual achievement as none of the revenue as indicated above was targeted and reported in the actual achievement.

##### Number of maintained water schemes

18. The indicator includes the following:

- Number of repaired water supply schemes
- Revenue generated from repairs in each water supply scheme
- Revenue generated from maintenance in each water supply scheme.

However, the target and the actual achievement only make reference to the number of water schemes maintained while the indicator, as shown above, does not make reference to the number of maintained water schemes, but instead refers to the number of repaired water schemes. The only reference made which relates to the maintenance, is the revenue generated from maintenance in each water supply scheme and not the number of maintained water schemes.

Therefore, there is no consistency between the indicator and target and the actual achievement

#### **1.2.1. Number of households that have yard connections in each water supply scheme, number of churches and schools that have yard water connections in each water supply scheme**

22. The target is stated as 300 businesses while the indicator makes no reference of businesses.

Therefore, there is no consistency between the target and the indicator.

#### **1.2.2. Revenue generated by water services department from maintenance of water schemes**

23. The indicator only includes the revenue generated from maintenance of water schemes and not the refurbishment of water schemes.

Therefore the target is not specific in terms of whether the revenue is expected to be generated from maintenance or refurbishments.

While the reported achievement includes the revenue generated from refurbishment and maintenance of water schemes, this is not consistent with the indicator as the key performance indicator (KPI) refers only to revenue from maintenance of water schemes.

Therefore, the reported achievement is not consistent with the indicator.

### **Other matters**

24. I draw attention to the matters below.

#### **Achievement of planned targets**

25. Refer to the annual performance report on pages ... to ... for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness of the reported performance information in paragraphs) 17 to 23 of this report.

#### **Adjustment of material misstatements**

26. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of sustainable water services (water supply and sanitation) systems. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness of the reported performance information. Those that were not corrected are reported above.

## Report on the audit of compliance with legislation

### Introduction and scope

27. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipal entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
28. The material findings on compliance with specific matters in key legislation are as follows:

### Annual financial statements and annual report

29. 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 inventory, property, plant and equipment and contingent liabilities identified by the auditors in the submitted financial statement were subsequently corrected and/or the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

### Consequence management

30. Irregular expenditure incurred by the municipal entity were not investigated to determine whether any person is liable for the expenditure, as required by municipal budget and reporting regulation 75(1).

## Other information

31. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act. The other information does not include the financial statements, the auditor's report and the selected objective presented in the annual performance report that has been specifically reported in this auditor's report.
32. 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.
33. 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 objective presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
34. When I do receive and read the annual report and 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

35. 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 annual performance report and the findings on compliance with legislation included in this report.

Monitoring activities were established by the entity. These were, however, not fully effective in the current year, as material misstatements in the submitted financial statements that were subsequently corrected and annual performance report, and non-compliance with legislation were identified in the current year.

Auditor General

East London

30 November 2021



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## **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 the selected objective and on the municipal entity’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 municipal entity’s internal control.
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes 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 Ntinga OR Tambo Development Agency SOC Ltd 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 municipal entity 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 communicate with them all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.